

Sustainability Report

2021



Arçelik



Contents

3 INTRODUCTION

- 3 Scope of the Report
- 4 Message from the CEO
- 6 About Arçelik
- 7 Financials
- 8 Global Operations
- 9 2021 Highlights

11 STRATEGIC APPROACH

- 12 Contribution to the Sustainable Development Goals
- 17 Sustainable Strategy for Value Creation
- 19 Sustainability Targets
- 28 Materiality Analysis
- 30 Stakeholder Engagement Mapping

33 SECTOR LEADERSHIP

- 34 Global Partnerships and Engagement
- 36 Achievements & Awards
- 39 Corporate Governance

41 IN TOUCH WITH OUR PLANET

- 43 Combating the Climate Crisis
- 44 Managing GHG Emissions
- 46 Renewable Energy
- 47 Energy Efficiency
- 51 Water Management
- 53 Water Risks Management
- 55 Near Zero-Waste

- 56 Environmental Management
- 57 Biodiversity
- 58 Chemicals Management
- 60 Green Financing
- 61 Product Stewardship
- 73 Sustainable Supply Chain

76 IN TOUCH WITH HUMAN NEEDS

- 78 Community Development
- 79 Supporting Society with Equal Opportunities and Inclusion
- 86 Products that Create Social Value

87 IN TOUCH WITH BUSINESS

- 89 R&D and Innovation
- 90 Open Innovation
- 95 Digital Transformation and Industry 4.0
- 97 Smart Solutions
- 98 Data Privacy and Security
- 100 EU Horizon Projects
- 103 Ethics and Compliance
- 106 Human Capital
- 107 Human Rights
- 110 Employee Well-being and Benefits
- 111 Gender Equality, Diversity and Inclusion
- 118 Talent, Performance and Career Management
- 125 Employee Engagement and Volunteering
- 127 Corporate Volunteerism
- 128 Employee Health and Safety

- 131 Customer Experience
- 132 Dealers (B2B) and Stores
- 134 Customer Care
- 136 Consumer Care and Quality Management
- 141 Building a Sustainable Supply Chain

151 ANNEXES

Here are the tools to jump to information quickly:

 [Redirects to external source of information.](#)

 [Allows internal navigation throughout the report.](#)



Scope of the Report

Arçelik's 14th Sustainability Report provides disclosure on its sustainability strategy, goals and progress in environmental, social and governance (ESG) areas along with the financial performance highlights of Arçelik A.Ş. (Arçelik). Unless otherwise stated, the information is provided for the period between 1 January - 31 December 2021. Sustainable growth and value creation are the essential components of Arçelik's business model. This report reveals how Arçelik embeds sustainability in the core of its business and performs towards its short-, medium- and long-term targets, as well as how the company creates value for its stakeholders in the framework of In Touch Technology.

For the report coverage, unless otherwise stated, the social and environmental indicators included in the report correspond to more than 75% of revenues/ business operations/FTEs.

This report has been prepared in accordance with the GRI Standards: Comprehensive option, and the standards set by the Sustainability Accounting Standards Board (SASB). Arçelik's performance towards international frameworks such as the United Nations Global Compact (UNGC), the UN Sustainable Development Goals (SDGs) and the Women's Empowerment Principles (WEPs) can also be found in this report ([Please see Annex 3 for UNGC, WEPs and SASB disclosure references](#)).

Arçelik is a TCFD (Taskforce on Climate Related Financial Disclosures) signatory, and the report features comprehensive risks and opportunities analysis on climate-related financial disclosures. ([More information can be found in Annex 11](#)). Koç Holding is a signatory of Stakeholder Capitalism Metrics (SCM), and as a Koç Group company, Arçelik reflects SCM in its reporting to investors and other stakeholders ([Please see Annex 10 for the SCM Index](#)). Arçelik's business model shown in this report was generated according to The International Integrated Reporting Framework (IIRC). As a member of the World Business Council for Sustainable Development (WBCSD), Arçelik's 2020 Sustainability Report was evaluated and scored for the first time by Reporting Matters. Improvements have been made in this year's report based on the feedback received.

In 2021, Arçelik joined the United Nations Global Compact (UNGC) and became one of the Early Adopters, using a new digital reporting system to disclose Communication on Progress toward the Ten Principles of the UNGC. Additionally, in the first quarter of 2022, Arçelik endorsed the UN CEO Water Mandate and discloses its progress against the Mandate annually in this report.

We have received a moderate level of assurance by British Standard Institution (BSI) in line with AA1000AS on selected material environmental indicators including waste, energy, water withdrawal, selected diversity and inclusion as well as operational health and safety data.

 [Please see Annex 2 for the Assurance Report.](#)

 [To get more information on the reporting scope, please refer to Annex 1.](#)



As a member of WBCSD, we were delighted to review Arçelik's 2020 sustainability report as part of our annual Reporting Matters project. The Reporting Matters project was launched in 2013 to provide comprehensive and holistic guidance for our member companies on how to improve the effectiveness of their sustainability / integrated reporting. Arçelik's 2020 Sustainability Report was built on robust strategic pillars that provided clear structure, showing how targets mapped to address respective ESG issues and demonstrating the Board's involvement in sustainability governance.

RODNEY IRWIN
Chief Operating Officer





Message from the CEO



 [hakanbulgurlu](#)

 [h_bulgurlu](#)

 [h_bulgurlu](#)

Dear Stakeholders,

As COVID-19's impact weakens on our day-to-day lives, the uncertainty of our tentative new normal remains with us. Economic challenges, climate change-related disasters, uneven recoveries and continuing geopolitical tensions still affect the business community.

It appears that every day there are new risks and challenges facing us. At Arçelik, however, our foundation is strong; we find our resilience in our commitment to a better future. We continue to support the UN Sustainable Development Goals and implement our In Touch Technology sustainability framework on three pillars: curbing our footprint, supporting our communities, and improving our competitive edge. Backed by our ambitious 2030 targets, we remain committed to helping our planet, through innovation and impact.

DECARBONIZATION AMBITIONS AND IMPACT STRATEGIES

The natural disasters of last year once again proved to us that we must remain on course toward a 1.5°C increase future. As of today, the world has already warmed 1.1°C since pre-industrial times, and we are dangerously close to losing any hope of our survival.

CONTRIBUTION TO GLOBAL EFFORTS

If we wish to ensure a sustainable future, we must learn to act together. Arçelik has long been an integral part of key climate efforts and in 2021 we continued this tradition. During the year, Arçelik joined the United Nations Global

Compact and became one of the Early Adopters – committing to a new reporting system that aims to add value to Communication on Progress. In the first quarter of 2022, we also endorsed the UN CEO Water Mandate and committed to disclosing our progress annually on this issue.

Arçelik also joined the Business Ambition for 1.5°C, the Race to Zero campaign, in September, 2021. We are now proud signatories of the World Economic Forum's (WEF) Alliance of CEO Climate Leaders, which is the largest global CEO-led community in the world committed to climate action; and we have joined the World Business Council for Sustainable Development.

As a company, we are ready to lead and to collaborate. We are aware of the importance of global collaboration on the issue of sustainability, and at Arçelik, we are proud to be an integral player in these efforts.

REIMAGINING OUR FINANCIAL STRUCTURE

Through our commitment to a sustainable business model, we have been searching for ways to transform all areas of our company to better suit our goals. A key step forward in this transformation is our green finance initiatives. In 2021, we issued Turkey's first-ever corporate green bond in international markets, with a €350 million nominal value. The bond attracted a high level of demand from investors – being almost five times oversubscribed. The proceeds from this bond will serve to strengthen our ESG credibility and provide strategic



Message from the CEO

funding for our decarbonization roadmap. Later in the year, we signed a loan agreement with the European Bank of Reconstruction and Development for EUR 80 million and a maturity of eight years.

EQUALITY AND INCLUSION FOR A SUSTAINABLE WORLD

A sustainable future calls for far more than just green efforts. At Arçelik, we are aware of the role equality and inclusion play in ensuring a better future for our communities and our planet.

As part of the UN Action Coalitions initiative, we are committed to a variety of goals in technology and innovation to ensure gender equality and empower women. These goals include increasing women's representation in engineering and R&D capacities, providing women with specified training, and increasing female representation in leadership teams. By 2026, we hope to have far more diverse and inclusive teams in areas where women's representation has historically been low.

SOLIDIFYING OUR SUSTAINABILITY LEADERSHIP

Arçelik's efforts and commitment continue to earn global recognition and admiration. In 2021, we were the highest-scoring company within our industry on the Dow Jones Sustainability Index for the third year in a row. We have also been recognized as an Industry Mover in the 2022 S&P Sustainability Yearbook.

Arçelik has become one of the first 45 companies in the world to receive the Terra Carta Seal, presented by HRH The Prince of Wales, of the United Kingdom, to companies that are committed to combating climate change. We are the only company in our sector to receive this honor. Arçelik's and Beko's sustainability and impact efforts have also resulted in the companies being ranked #19 and #20 respectively on the Real Leaders Top 200 Impact Companies of 2022 list. And for the second consecutive year, we have been recognized in the Corporate Knights Global 100 Index.

Our inclusive sustainability vision earned us the 17th spot in Refinitiv's Diversity and Inclusion Index, making us the only company from Turkey and our industry to be listed.

VIGILANT COMMITMENT TO A BETTER FUTURE

We are now reaping the results of being an early mover and an industry leader.

Our business is stronger and more resilient than ever before, and our sustainability efforts play a significant role in that. We continue to pursue transformative ways of manufacturing and of serving our customers that do not come at the expense of our environment. In 2021, our Eskişehir Refrigerator Factory was Arçelik's second factory to be listed in the WEF's Global Lighthouse Network, in recognition of the impactful and efficient transformation we have been leading in all areas of our business.

These achievements fuel our enthusiasm and propel us even further in our ambitions. Our commitment never weakens—we do not busy ourselves with short-term goals. Our ambition is to ensure a safe, green, and healthy future for our planet and our people, while remaining competitive in business terms.

We will continue to work to balance our competitiveness with our sustainability targets, and strive for value creation in economic, social, and environmental spheres. I would like to thank all our stakeholders for their unwavering support, and our committed teams for their hard work and dedication.

Yours Sincerely,
Hakan Bulgurlu, CEO

About Arçelik

Today, with over 40,000 employees throughout the world, 12 brands (Arçelik, Beko, Grundig, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Altus, Dawlance, and Voltas Beko), subsidiaries in 51 countries, and 28 production facilities in 9 countries, we offer products and services to many different regions of the world.

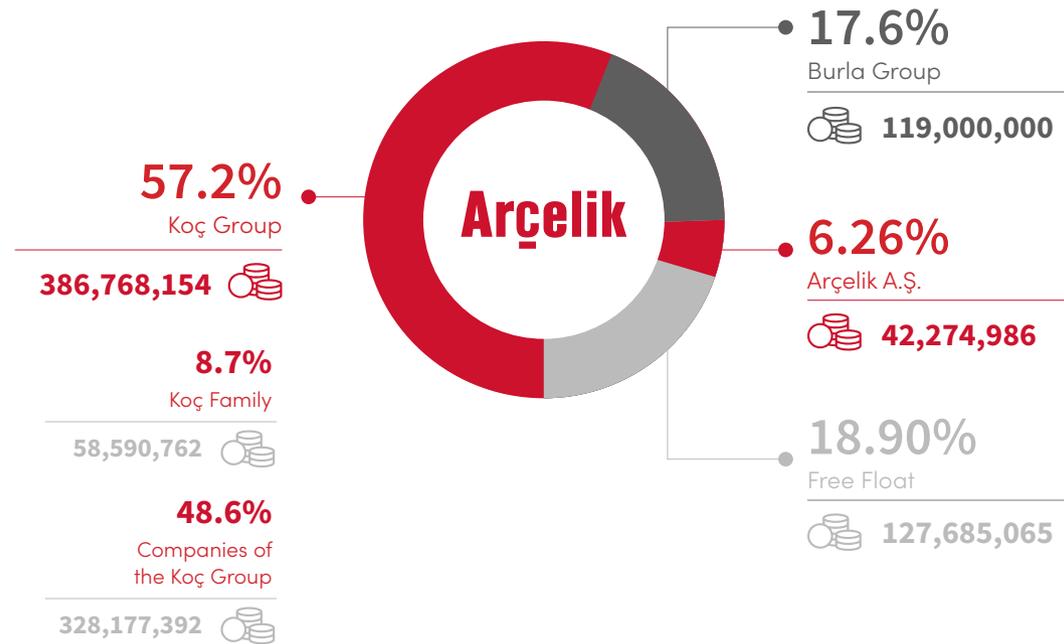
As Turkey's largest white goods manufacturer and Europe's second-largest white goods company according to market share ranking based on quantity, Arçelik reached a consolidated turnover of more than EUR 6.5 billion in 2021. With 69.5% of its revenues coming from international markets, Arçelik is the R&D leader in Turkey – holding more than 3,000 international patent applications to date through the efforts of more than 2,000 researchers in 16 R&D and Design Centers in Turkey and 13 R&D Offices across 9 countries. According to the results published by the United Nations' World Intellectual Property Organization, we are the only Turkish company in the top 200 list of Companies with the Highest Number of International Patent Applications in the last 10 years.

OWNERSHIP STRUCTURE

Dated 31 January 2022

Paid in Capital (100%) - 675,728,205.00 TL

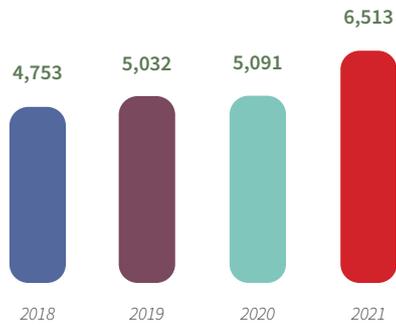
Share Value (TL)



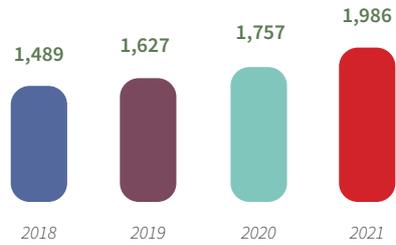


Financials

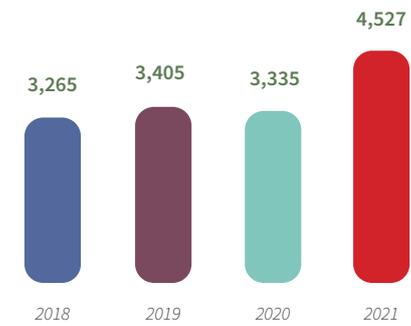
Net Sales (EUR million)



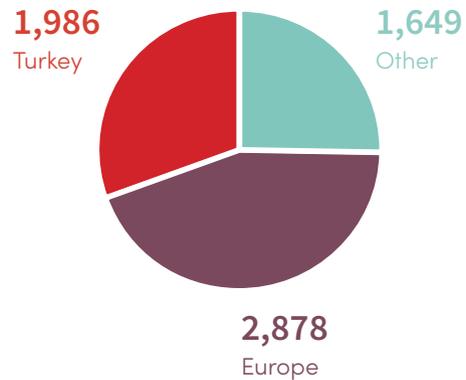
Turkey (EUR million)



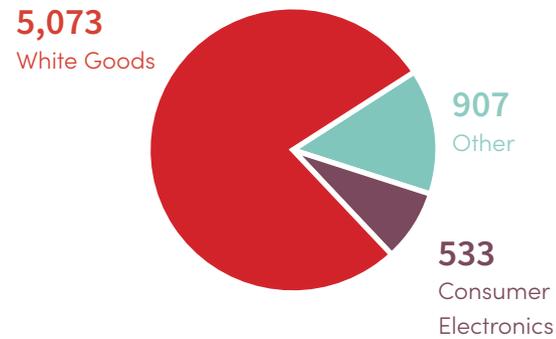
International (EUR million)



Regional Distribution of Net Sales (EUR million)



Net Sales by Product Group (EUR million)





Global Operations



-  Subsidiaries and Affiliates
-  Manufacturing Plants
-  Partners
-  R&D Centers and Offices

 *The full list of the global operational network can be found in the 2021 Annual Report.*

 *The report's operational and organizational boundaries are shown in Annex 1.*



2021 Highlights

Arçelik had the highest score in the Household Durables category for the third year in a row in the **Dow Jones Sustainability Index** (based on the results dated November 2021) and was awarded a Gold Class Sustainability Award for the second time and recognized as an Industry Mover in the **2022 S&P Sustainability Yearbook**. Arçelik has become one of the first 45 companies in the world entitled to receive the **Terra Carta Seal**, presented by the UK's Prince of Wales to companies that have committed to combating climate change with concrete objectives within the scope of the **Sustainable Markets Initiative**, and is the first and only company in its sector to receive this honor.

ENVIRONMENT



RENEWABLE ENERGY

- **69%** green electricity usage in global manufacturing operations

GHG EMISSIONS

- **20%** reduction in Scope 1-2 GHG emissions compared to 2018 base year

WATER SAVED

- Saved **2.17 million m³** of water (last 12 years) which equals to the daily water consumption of approximately **2.7 million** Turkish households

ENERGY SAVED

- **228** energy efficiency projects which saved approximately **63,000 GJ** of energy and prevented **5,514 tons** of CO₂e emissions
- **51.6%** of turnover from energy efficient products

2050 NET-ZERO COMMITMENT

- Committed to the SBTi Net-Zero Standard

COLLABORATION



ACTION COALITION

- **3** commitments **6** objectives for women empowerment under Action Coalition

COP26

- Attended **COP26** in Glasgow to present Arçelik's climate strategy

WORLD ECONOMIC FORUM'S (WEF) ALLIANCE OF CEO CLIMATE

- Became signatory of World Economic Forum's (WEF) Alliance of CEO Climate

INNOVATION



HACK THE NORMAL

- Impacted more than **1,000** people in Hack the Normal Africa

R&D SPENDING

- Spent approximately **EUR 93 million** in total R&D spending
- Eskişehir Refrigerator Facility - Second plant in the WEF Lighthouse Network

WIPO RANKING

- Position as the only Turkish company in the top **200** in the WIPO ranking for **10** years



2021 Highlights

HUMAN



FOOD WASTE PREVENTION

- Saved **670 tons** of food

FOOD SERVING

- Served **1.5 million** meals

WOMEN EMPOWERMENT

- **26%** women employees in the total workforce

PRODUCT



RECYCLED PLASTIC USAGE

- **7,216 tons** of recycled plastic usage

PRODUCT RECYCLABILITY

- Between **84-99%** recyclability rate of product

MICROFIBER LAUNCH

- FiberCatcher-powered washing machines include the world's first integrated synthetic microfiber filtering system

WEEE RECYCLING

- **1.6 million** WEEE units recycled in our recycling plants since 2014

BUSINESS



TARGET FROM SUPPLIERS

- Long-term environmental target commitment received from **183** suppliers

DATA FROM SUPPLIERS

- Data collected from **151** suppliers

GREEN BOND ISSUANCE

- Issued first-ever corporate green bond in international markets with a nominal value of **EUR 350 million** with a five-year maturity

GREEN LOAN WITH EBRD

- Signed an eight-year loan agreement for **EUR 150 million** with the EBRD



IT'S TIME TO RESTORE
OUR BROKEN RELATIONSHIP
WITH NATURE

KEEP
~~TAKE ACTION~~
CALM
AND
IMPROVE
LIFE



NOT A SINGLE COUNTRY ON THIS
PLANET CAN TACKLE THE ISSUE
OF CLIMATE CRISIS BY ITSELF! THE
COUNTRIES PROVIDED COMMITMENTS
TO PARIS AGREEMENT AT THE INITIAL
SIGNING REPRESENTED 97% OF GLOBAL
EMISSIONS AT THE TIME.



Contribution to the Sustainable Development Goals

The 12 UN Sustainable Development Goals (SDGs) shown in the following table are those we are most directly engaged in achieving, due to our company's main business area and sustainability strategy. We encourage you to discover more about how we are addressing global goals and targets throughout this report.

	SUB-TARGETS OF SDGs	OUR CONTRIBUTIONS	REFERENCES
3 GOOD HEALTH AND WELL-BEING 	SDG 3: Ensure healthy lives and promote well-being for all at all ages	Encouraging healthy eating habits; developing products that enable people to live healthier and more sustainable lives; and supporting the health and safety of all employees	<ul style="list-style-type: none"> • Healthy Living and Well-Being of Society • Human Capital • Organizational Health&Safety
4 QUALITY EDUCATION 	<p>4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university</p> <p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p> <p>4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples, and children in vulnerable situations</p> <p>4.c By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States</p>	Supporting lifelong learning and skills development of employees and societies; setting targets to increase average training hours; providing online training to increase the reach; and developing CSR projects and partnerships with education institutions to support quality education in countries of operation, especially in STEM-related areas	<ul style="list-style-type: none"> • Supporting Society with Equal Opportunities and Inclusion • Diversity and Inclusion • Talent, Performance and Career Management
5 GENDER EQUALITY 	<p>5.1 End all forms of discrimination against all women and girls everywhere</p> <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life</p> <p>5.b Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women</p> <p>5.c Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p>	Taking part in global initiatives to support women's empowerment (Arçelik is a signatory of the Women's Empowerment Principles and supporter of the UN Women's Generation Equality Forum's Action Coalitions, which support women's rights and empowerment); setting targets to increase the female employee ratio at all levels globally; securing gender-equal pay; supporting women entrepreneurs, young professionals and girls with local hero brands through CSR projects; and enabling women to gain new professional competencies in technical roles, especially in technology areas, to reduce the gender gap and ensure women's inclusion in business life	<ul style="list-style-type: none"> • Supporting Society with Equal Opportunities and Inclusion • Gender Equality, Diversity and Inclusion



Contribution to the Sustainable Development Goals

	SUB-TARGETS OF SDGs	OUR CONTRIBUTIONS	REFERENCES
6 CLEAN WATER AND SANITATION 	<p>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</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>	<p>Operating in line with Arçelik's water policy, which aims to improve our water performance by developing projects to reduce water withdrawal, increasing water efficiency, enhancing water monitoring and increasing water recycling & reuse in line with our water targets & goals minimizing our water related environmental impacts throughout the product lifecycle adopting innovative technologies; raising awareness among our employees, stakeholders and society; supporting water stewardship by collaborating with related stakeholders, and participating national and international water initiatives (such as the UNGC CEO Water Mandate)</p>	<ul style="list-style-type: none"> • Sustainability Targets • Global Partnerships • Water Management
7 AFFORDABLE AND CLEAN ENERGY 	<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency</p>	<p>Setting targets to support production and usage of clean energy; doubling energy productivity globally within the scope of membership EP100; developing innovative technologies; helping customers access clean energy by selling solar panels in Turkey and hybrid solar refrigerators in South Africa</p>	<ul style="list-style-type: none"> • Sustainability Targets • Renewable Energy • Energy Efficiency • Products that Create Social Value
8 DECENT WORK AND ECONOMIC GROWTH 	<p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p>	<p>Encouraging a decent and safe working environment in the entire value chain; ensuring the health and well-being of all employees; supporting personal and professional development; applying remote and flexible working practices; setting targets to increase the proportion of women at all levels and business lines; and supporting women entrepreneurs and providing funds to assist them</p>	<ul style="list-style-type: none"> • Supporting Society with Equal Opportunities and Inclusion • Human Capital • Ethics and Compliance • Human Rights • Diversity and Inclusion • Talent, Performance and Career Management • Employee Engagement and Volunteerism • Employee Health, Safety and Well-Being



Contribution to the Sustainable Development Goals

	SUB-TARGETS OF SDGs	OUR CONTRIBUTIONS	REFERENCES
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<p>9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries</p> <p>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</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending</p>	<p>Managing resource efficiency; developing new technologies for sustainable industrialization; supporting open innovation; improving ourselves to produce a smaller footprint; and reporting progress</p>	<ul style="list-style-type: none"> • Combating Climate Crisis • Water Management • Near-Zero Waste • R&D and Innovation
10 REDUCED INEQUALITIES 	<p>10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average</p> <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>	<p>Supporting the inclusion of disadvantaged groups in the workforce with a fair income; and working with responsible recruitment and HR policies</p>	<ul style="list-style-type: none"> • Supporting Society with Equal Opportunities and Inclusion • Human Capital



Contribution to the Sustainable Development Goals

	SUB-TARGETS OF SDGs	OUR CONTRIBUTIONS	REFERENCES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	<p>12.1 Implement the 10-Year Framework of Programs on Sustainable Consumption and Production Patterns</p> <p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses</p> <p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p> <p>12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities</p> <p>12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature</p> <p>12.a Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production</p>	<p>Supporting sustainable production through recyclable and refurbished products, the use of recycled materials in products; supporting take-back programs and the WEEE recycling business in Turkey; greater energy and water efficiency in production; and supporting sustainable consumption habits through brand communication activities, raising awareness among employees via internal sustainability communication activities</p>	<ul style="list-style-type: none"> • Energy Efficiency • Water Management • Product Stewardship • Near-Zero Waste • IYI-GE • R&D and Innovation • Hack the Normal • Tackling Food Waste • Chemicals Management
13 CLIMATE ACTION 	<p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p> <p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p>	<p>Ensuring rapid GHG emission reduction by selling energy-efficient appliances; investing in renewable energy systems for self-consumption; and applying energy efficiency in production to reduce emissions</p> <p>Reducing adverse and irreversible impacts of global warming and working to minimize climate-related risks</p>	<ul style="list-style-type: none"> • Sustainability Targets • In Touch with Our Planet • Combating Climate Crises, SBTi • GHG Emissions • Product Stewardship • TCFD Table



Contribution to the Sustainable Development Goals

	SUB-TARGETS OF SDGs	OUR CONTRIBUTIONS	REFERENCES
 <p>14 LIFE BELOW WATER</p>	<p>14.1 Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution</p>	<p>Investing in R&D and developing new technologies to prevent plastics from our products from entering the sea</p>	<ul style="list-style-type: none"> • In Touch with Our Planet • Water Management • Near-Zero Waste • Chemicals Management
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries</p> <p>17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</p>	<p>Driving change together with our stakeholders to reach our 2030 targets; partnering with communities and NGOs to support society; becoming a member of global initiatives to support collective action</p>	<ul style="list-style-type: none"> • Sustainability Targets • Stakeholder Engagemet Mapping • Global Partnerships and Engagement • Supporting Society with Equal Opportunities and Inclusion • Employee Engagement and Volunteering • Corporate Volunteerism



Sustainable Strategy for Value Creation

Our dream is for Arçelik to rejuvenate itself and its industry to become a trusted lifestyle solutions provider for the digital household. We aim to become the disruptor in our industry, an agile innovator with the consumer at the center of all our decisions, while maintaining our cost advantage. We believe this vision will lay the foundation for our success for the next phase of our growth. With this vision, our ambition is to create sustainable value through a profitable business and become one of the best places to work globally. With respect to our vision – **Respecting the World, Respected Worldwide** – and our ambition, we have updated our targets and set our strategic priorities for a sustainable future.

For more than half a century, Arçelik has strived to become a sector leader as a prominent company with a sustainable, pleasant, and profitable work environment. We prioritize **gender equality and diversity** to create a more impartial and inclusive work environment, along with developing a **future-fit culture, talent, and organizational management**. In pursuit of achieving a sustainable environment, we believe that the depletion of natural resources and the fight against climate change should be everyone's priority, from the public to the private sector. We invest in regenerative business models for the **transition to a net-zero** emission economy, and we aim to integrate our business strategy with a **circular economy** model in both our products and operations. Plus, since water stress is one of the crucial

issues for our operation areas, we improve our **water management** to save freshwater for future generations.

With the substantial effect of global trends, the business model in which we operate is constantly changing and creating both opportunities and challenges. Since the COVID-19 pandemic showed us how fragile the supply chain is, we prioritize **creating value in the supply chain**. By considering the fragile supply chain, changing consumer behaviors, and a digitalized world, we shape our operations accordingly. To respond to these changing consumer behaviors, we advance our products' **quality and safety** and transform our **customer management**. Creating impacts on local communities together with our customers, empowering and **supporting local communities** is key to our philanthropic success. Consumer habits have shifted to consider personal well-being more than before. Thus, we act to **ensure healthy lives and promote well-being for people**. In order to meet the demands of the digitalized world, we prioritize **digital transformation and innovation**. We continue to focus on integrating purposeful innovation into our products, identifying new ways of reducing our environmental footprint, and guiding our consumers, employees, and communities, all while delivering significant, long-term value to our entire community.

In line with our vision and ambition, by integrating our strategic priorities, we proceed with our **In Touch with Technology** framework to create value across the

world. As there are various areas for value creation, we combined our targets with the SDGs and identified three main strategic pillars. First, to shrink our footprint and help preserve vital resources, we stay **In Touch with Our Planet**. Second, to improve the lives of people, we stay **In Touch with Human Needs**. And third, to be a progressive global citizen and integrate sustainability into our processes, we stay **In Touch with Business**. Through our three pillars, we manage six crucial capital areas to deliver value, as the following table illustrates.



Sustainable Strategy for Value Creation

HUMAN CAPITAL

- 40.000+ employees globally
- More than 9 nationalities
- 26% women employee
- Total number of women employees in all management positions, including junior, middle and senior management: 19%
- Average EUR 110.5 spent per FTE on training and development
- Ethics hotline
- DEI structure
- Human Rights structure
- Occupational Health and Safety Policy
- Risk Management Committee, OHS Committee, Audit Committee

NATURAL CAPITAL

- 1,127,295 tones plastic and metal raw materials, materials, chemicals and packaging usage
- 63,000 GJ energy consumption
- 1,403,963 m³ water withdrawal
- Renewable energy systems with 3.26 MW capacity
- Purchase 69% green electricity
- 930 kWp installed capacity of photovoltaic solar panels

FINANCIAL CAPITAL

- TRY 22.5 billion revenue
- 9.4% EBITDA
- 3.06% capex/sales
- EU Horizon Projects
- EBRD financing
- EUR 350 million Green Bond/Green Loan, affordable green financing

MANUFACTURED CAPITAL

- 28 factories in 9 countries
- 2 factories listed in World Economic Forum Global Lighthouse Network
- 2 WEEE recycling facilities

INTELLECTUAL CAPITAL

- 30 years of R&D experience
- 29 R&D centers
- 2,000+ employees in R&D centers
- EUR 93 million R&D investment
- 104th on World Intellectual Property Organization List (WIPO)
- Turkey and Africa Hackatons
- Garage- Innovation
- IoT, AI
- Connectivity
- Industry 4.0

SOCIAL CAPITAL

- Industry and community partnerships
- Effective management of more than 12 brands in 49 countries
- In dialogue with the stakeholders
- NGOs, global initiatives and public sector partnerships

RESPECTING THE WORLD RESPECTED WORLDWIDE

United Nations Sustainable Development Goals



Vision & Ambition

Our dream is for Arçelik to rejuvenate itself and its industry to become a trusted lifestyle solutions provider of the digital household. We will become the insurgent in our industry, an agile innovator, with the consumer at the centre of all our decisions, while maintaining our cost advantage. – We believe this vision will lay the foundation for our success for the next phase of our growth. With this vision, **our ambition** is to create **sustainable value through a more scale and profitable business**, and become one of the **best places to work globally**.

Strategic Priorities



Strategic Pillars



HUMAN CAPITAL

- 795,742 hours of training
- Flexible working hours
- Equal pay for equal job
- Well-Being programs-yoga etc.
- 2030 gender diversity targets
- 1.37 the Lost Time Injury Frequency Rate
- Hybrid work model
- The average score of customer satisfaction survey: 84

NATURAL CAPITAL

- 20% reduction of Scope 1-2 GHG emissions
- Net-Zero Target
- 197,373 m³ of water saved with water efficiency and rainwater harvesting projects
- 228 energy efficiency projects
- 3 MW renewable solar power
- 1.6 million WEEE units recycled in our recycling plants since 2014
- Biomaterial in products, FiberCatcher, the use of recycled pet bottles in air conditioners, washing machines, dishwashers and dryers

FINANCIAL CAPITAL

- Eligible Green Projects
- EUR 9.73 million environmental expenditures and investments
- 51.6% of energy efficient products in revenue
- EUR 420,000 financial savings from environmental projects
- TRY 1,500,000,000 dividend paid
- Revenue, Net debt, Taxes
- Cost saving amount

MANUFACTURED CAPITAL

- White goods, Small household appliances, Smart home technologies, Smart phone technologies, Display and personal care technologies, MDA, SDA, Corensis Health Device
- Within the scope of the Next Big Story Program: the new product line HygieneShield and a tumble-dryer with UV light

INTELLECTUAL CAPITAL

- Over 3,000 international patents, R&D awards, connected home appliances
- Sustainable innovation- recycled bottles, waste fishnets, biomaterials from coffee and tea leaves, eggshell wastes, bio PU etc.
- IoT Security Champions Awards
- Supporting the incubation centre Open Ventilator System Initiative, Grundig's partnership with Food for Soul Initiative etc.
- IYI-GE Platform

SOCIAL CAPITAL

- EUR 5.8 million community investment
- 58,000 volunteered employee hours
- EUR 5,630,198 donations in TR & globally
- Training students in technology field
- ETNA Platform, Education Portal in Android TV product



Sustainability Targets

IN TOUCH WITH OUR PLANET

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
Establish renewable energy systems with 50MW* capacity <i>** Our previous target was to reach 15 MW in terms of installed renewable energy capacity. According to our new challenging roadmap, we revise our 2030 target as 50 MW.</i>	2030	3.26 MW	1. Climate Crisis and Reducing Carbon Emissions 11. Renewable Energy Production and Green Energy Use	   
Purchase 100% green electricity in all manufacturing plants (based on the availability of green electricity in those countries)	2030	69%	1. Climate Crisis and Reducing Carbon Emissions 11. Renewable Energy Production and Green Energy Use	   
Make a minimum USD 50 million investment in renewable energy and energy efficiency	2030	USD 3,773,672	1. Climate Crisis and Reducing Carbon Emissions 2. Energy Efficiency	   
Reduce energy consumption per product by 45% in all manufacturing plants (From 2015 baseline)	2030	18.7%* <i>* Arçelik LG data is not included yet</i>	1. Climate Crisis and Reducing Carbon Emissions 2. Energy Efficiency	   
Reduce Scope 1–2 GHG emissions by 30% compared to 2018 base year (SBTi approved) Reduce Scope 1–2 GHG emissions by 50.4%* compared to 2018 base year <i>* At approval stage of SBTi</i>	2030	20% reduction	1. Climate Crisis and Reducing Carbon Emissions	   
Reduce Scope 3 GHG emissions from use of sold products by 15% compared to 2018 base year (SBTi approved) Reduce Scope 3 GHG emissions from use of sold products by 50.4%* compared to 2018 base year <i>* At approval stage of SBTi.</i>	2030	13% reduction	1. Climate Crisis and Reducing Carbon Emissions	   
Reach the target of 450 MW Arçelik-branded PV panel sales per year <i>Interim Target by 2022: The sales target is 51 MW</i>	2025	9 MW Arçelik-branded PV panel sales between April–December 2021.	11. Renewable Energy Production and Green Energy Use 23. Investing in New Climate and Eco-Friendly Product and Service Solutions	   



Sustainability Targets

IN TOUCH WITH OUR PLANET

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
Doubling energy productivity (compared to 2010 baseline)	2030	61.9%	2. Energy Efficiency	   
Implement ISO 50001 Energy Management Systems across our all-production facilities	2025	58%	1. Climate Crisis and Reducing Carbon Emissions	 
Reduce water withdrawal per product by 45% in all manufacturing plants* compared to 2015 base year <i>* The scope of the target is revised including all manufacturing plants excluding JVs.</i>	2030	31%	5. Water Management	  
Increase the water recycling and reuse ratio* to 70% in all manufacturing plants excluding JVs <i>* 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</i>	2030	9%	5. Water Management	  
Increase the waste recovery rate* to 99% in all operations (excluding JVs) <i>* Target definition is revised, but the scope of the target is the same. Recovered waste includes waste to recovery and waste to incineration with energy recovery in this target.</i>	2030	96%	15. Waste Management	 
Increase recycled plastic content to 40% <i>Interim Target by 2025: Increase to 20%</i>	2030	4.4%	13. Product Solutions that Prevent Plastic Pollution 24. Sustainable Use of Raw Materials	  
Increase bio-based material content to 5% <i>Interim Target by 2025: Increase to 2.5%</i>	2030	Limited biomaterial use	13. Product Solutions that Prevent Plastic Pollution 24. Sustainable Use of Raw Materials	 



Sustainability Targets

IN TOUCH WITH OUR PLANET

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
<p>As a signatory of the Business Plastics Initiative (IPG), we have set the following interim 2023 targets:</p> <ul style="list-style-type: none"> - Increasing the recycled plastic content in products from 3,000 to 15,000 tons per year - Increasing the recycled plastic parts made from waste fishing nets from 8 tons to 25 tons per year - Increasing the recycled plastic parts made from waste PET bottles from 28 million to 60 million per year - Using 750 tons of biopolymer and bio composite raw materials including PLA per year - Using plastics generated from our WEEE recycling plants in dishwasher, oven and tumble dryer product categories - Recycling 600 tons of packaging waste generated from our manufacturing plants to be used in plastic parts - Completing and approving R&D processes for using 30% recycled material content in plastic packaging including EPS, shrink, and strip - Completing R&D processes for using recycled chemical raw materials in food contact product parts 	2023	<p> <i>For progress of targets, please see Product Stewardship Section.</i></p>	<p>13. Product Solutions that Prevent Plastic Pollution</p> <p>24. Sustainable Use of Raw Materials</p>	 
<p>Standardize Arçelik Green Chemistry Management System in products and production globally</p>	2030	39%	<p>22. Product Safety and Chemical Management</p>	



Sustainability Targets

IN TOUCH WITH HUMAN NEEDS

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
<p>Raise awareness among 630 million people* about healthy living:</p> <ul style="list-style-type: none"> - Innovate technologies and projects that encourage healthy living - Raise awareness and knowledge about healthy living through education - Generate excitement <p><i>* Not unique reach</i></p> <p><i>Interim Target by 2025: 256 million total reach</i> <i>Interim Target by 2023: 149 million total reach</i></p> <p><i>* Total reach numbers do not consist of unique people.</i> <i>** Each year brand will share unique reach numbers.</i></p>	2030	<p>60 million people reach (single user) from Connections campaign. 9 million people reach (single user) from sustainability range.</p> <p><i>* Total reach numbers do not consist of unique people.</i></p> <p><i>(Single user numbers per year are shared and will be consolidated to obtain a cumulative number each year.)</i></p>	<p>28. Responsible Marketing and Responsible Consumption 35. Impact-Oriented Community Programs</p>	
<p>Raise awareness on how to prevent food waste among 891 million people* through Respect Food communication campaigns</p> <p><i>*Not unique reach</i></p> <p><i>Interim Target by 2025: 395 million total reach</i> <i>Interim Target by 2023: 200 million total reach</i></p> <p><i>* Total reach numbers do not consist of unique people.</i> <i>** Each year brand will share unique reach numbers.</i></p>	2030	<p>In 2021, Grundig reached 24.7 million people (single user) with HotAero Pro and World Food Day Campaigns.</p> <p><i>(Single user numbers per year are shared and will be consolidated to obtain a cumulative number each year.)</i></p>	<p>28. Responsible Marketing and Responsible Consumption 33. Local Socio-Economic Development 35. Impact-Oriented Community Programs</p>	



Sustainability Targets

IN TOUCH WITH HUMAN NEEDS

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
<p>Serve 6.4 million meals to people in need and save 1,810 tons of food from being wasted</p> <p><i>Interim Target by 2025: 4 million meals served and 1,326 tons of food waste prevented</i></p> <p><i>Interim Target by 2023: 3 million meals served and 1,267 tons of food waste prevented</i></p>	2030	<p>By the end of 2021, more than 670 tons of food had been saved from being wasted, and servings supplied to over 850,000 guests worldwide with 1.5 million hospitality meals.</p>	<p>28. Responsible Marketing and Responsible Consumption</p> <p>35. Impact-Oriented Community Programs</p>	 
<p>Support the needs of communities with local hero brands in Turkey, Romania, South Africa, and Pakistan</p> <p><i>Interim Target by 2026: Expand the We-inTech program implemented only in Turkey in 2019 to Romania, Pakistan, and South Africa</i></p>	2030	<p>13 recruitments in R&D from local Turkey workshops in 2021 and 2019</p> <p>“Arctic Women Community” in Romania</p> <p>Mentorship for new mothers, and Equal Dictionary implementation for checking discriminatory words, and women’s leadership webinars by Dawlance in Pakistan</p> <p>Hack the Normal Africa by Defy</p>	<p>19. Diversity and Inclusion</p> <p>33. Local Socio-Economic Development</p> <p>35. Impact-Oriented Community Programs</p>	  
<p>With Arçelik and Beko brands in Turkey: Provide STEM training to 100,000 girls</p> <p><i>Interim Target: Reach and train 20,000 students each year</i></p>	2026	Newly added	35. Impact-Oriented Community Programs	   



Sustainability Targets

IN TOUCH WITH HUMAN NEEDS

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
<p>With Arçelik brand in Turkey: Raise awareness and increase knowledge among another 15 million people* including Arçelik consumers and children on adopting a climate-friendly lifestyle</p> <p><i>* Total reach numbers do not consist of unique people.</i></p>	2025	<p>Arçelik brand focusing on the vision of responsible production and consumption, carried out the transformation of Arçelik Designs Goodness with Love. The campaign reached a total of 14.7 million people since the it began in February 2021.</p>	<p>1. Climate Crisis and Reducing Carbon Emissions</p> <p>28. Responsible Marketing and Responsible Consumption</p> <p>35. Impact-Oriented Community Programs</p>	  
<p>Increase the number of women entrepreneurs in the dealer ecosystem by boosting the percentage of women Beko dealers from 4.8% to 25% by 2026</p> <p><i>Interim Target by 2022: 1,500 New Application - Reach to 100 Women Dealers</i></p> <p><i>Interim Target by 2023: 2,000 New Application - 35 New Women Dealers</i></p> <p><i>Interim Target by 2024: 2,000 New Application - 35 New Women Dealers</i></p> <p><i>Interim Target by 2025: 2,000 New Application - 40 New Women Dealers</i></p>	2026	Newly added	<p>12. Talent Management and Capacity Transformation</p> <p>19. Diversity and Inclusion</p> <p>35. Impact-Oriented Community Programs</p>	   



Sustainability Targets

IN TOUCH WITH HUMAN NEEDS

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
<p>Reach 5,000 women through global scale entrepreneurship programs and facilitate the transfer of USD 4 million funds to women entrepreneurs</p> <p><i>Interim Target by 2023: 1,250 entrepreneurs participated and USD 1.250 million of funds transferred</i></p> <p><i>Interim Target by 2025: 3,750 entrepreneurs participated and USD 3 million of funds transferred</i></p>	2026	Newly added	<p>19. Diversity and Inclusion</p> <p>25. Open Innovation</p>	
<p>Enable women to gain new professional technical competencies and increase the percentage of women technicians working at Arçelik Authorized Services from 6.7% to 14% by 2026</p> <p><i>Interim Target by 2022: To train 175 women technicians in requested mastership</i></p> <p><i>Interim Target by 2023: To train 125 women technicians in requested mastership</i></p> <p><i>Interim Target by 2024: To train 125 women technicians in requested mastership</i></p> <p><i>Interim Target by 2025: To train 125 women technicians in requested mastership</i></p>	2026	Newly added	<p>12. Talent Management and Capacity Transformation</p> <p>19. Diversity and Inclusion</p>	



Sustainability Targets

IN TOUCH WITH BUSINESS

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
Increase the average training hours per employee to 35 hours	2030	18.7 hours globally	12. Talent Management and Capacity Transformation	
Convert 40% of training activities to online platforms <i>Interim Target by 2025: 20% of training activities on online platforms</i>	2030	This rate was 6% in the training of monthly paid employees.	12. Talent Management and Capacity Transformation 17. Employee Well-being	
Increase the percentage of women: - in the total workforce to 35%* - in all management positions to 30% - in junior management positions to 35% - in top management positions** to 32% - in management positions in revenue-generating functions to 25% - in STEM-related positions* to 38% - Assign three women directors in STEM-related departments <i>Interim Target by 2026: Increase women's employment percentage in STEM fields at Arçelik from 16% to 35% across global operations</i> * Enhanced ** Enhanced and expanded coverage: positions that are one and two levels away from the CEO	2030	- 26% in the total workforce - 19% in all management positions, - 22% in junior management positions, - 25% in top management positions, - 16% in management positions in revenue-generating functions - 18% in STEM-related positions, - One women director in STEM-related departments	19. Diversity and Inclusion	 



Sustainability Targets

IN TOUCH WITH BUSINESS

TARGETS	TARGET YEAR	PROGRESS IN 2021	RELATED MATERIAL ISSUES	CONTRIBUTION TO SDGs
<p>Reach 5,000 supplier employees for OHS training</p> <p><i>Interim Target by 2022: OHS training for 1,000 supplier employees</i> <i>Interim Target by 2023: OHS training for 1,500 supplier employees</i> <i>Interim Target by 2025: OHS training for 2,500 supplier employees</i></p>	2030	Newly started	<p>6. Occupational Health and Safety</p> <p>7. Supply Chain Management</p>	  
<p>Ensure suppliers* exceeding 500 ToE obtain the ISO 50001 certificate</p> <p><i>Interim Target by 2025: Ensure suppliers* exceeding 1,000 ToE obtain the ISO 50001 certificate</i></p> <p><i>* Approximately 400 suppliers, making 90% of our purchasing volume</i></p>	2030	65% of the suppliers exceeding 1,000 ToE within the scope	7. Supply Chain Management	 
<p>Collect, monitor, and publicly disclose compiled data of supplier's* Scope 1–2 GHG emissions, energy, water, and waste and encourage them to set their own targets</p> <p><i>* Approximately 400 suppliers, comprising 90% of our purchasing volume</i></p>	2025	<p>-Data collected from 151 suppliers</p> <p>-Approximately 200 suppliers commitment to set their own targets</p>	7. Supply Chain Management	   
<p>Ensure our suppliers* apply for ISO 14001 certification*</p> <p><i>* Approximately 400 suppliers, comprising 90% of our purchasing volume</i></p>	2023	77%	7. Supply Chain Management	  
<p>Ensure 100% compliance of critical suppliers with Arçelik's Conflict Minerals Policy</p>	2023	74%	7. Supply Chain Management	 
<p>With the Arçelik brand in Turkey: Become a solution partner that offers sustainable choices for households to adopt more sustainable lifestyles</p>	2025	<p>Newly introduced, KPIs measure progress to:</p> <ul style="list-style-type: none"> - Innovate technologies and products that encourage climate-friendly living - Extend our Climate-friendly Store concept and launch stores around Turkey 	28. Responsible Marketing and Consumption	  



Materiality Analysis

GRI 102-42

Arçelik is committed to identifying, prioritizing, and reporting on issues that have the most significant impact on its stakeholders and relevance to its business. We conduct a materiality analysis every two years to stay up to date with the global sustainability agenda. In doing so, we not only publicly disclose material issues to all stakeholders, but also aim to internalize every assessment, establish KPIs and track performance on each issue regardless of its degree of impact, and reanimate our sustainability approach to ensure that we keep a broad understanding. During COVID-19, we considered our material issues and carried out an analysis to better manage the impact created by the pandemic and understand how best to tackle the issues that arose. In 2021, we undertook our biennial materiality analysis, aligning it with the updated GRI Standards and shifting our focus to assessing “impact.”

STEP 1: TOPIC IDENTIFICATION



IDENTIFICATION OF MATERIAL ISSUES

The Updated
Global
Reporting
Initiative (GRI)

The United Nations
Sustainable
Development
Goals (SDGs)

ESG
Rating
Agencies

WEF Global
Risks
Report

The Value
Reporting
Foundation
Framework

World Business Council for
Sustainable Development
(WBCSD) membership
requirements

As a result of this research, we have identified 35 material topics to be evaluated.

STEP 2: SET PRIORITIES



1. ANALYZE IMPACT ON STAKEHOLDERS

We used an online survey methodology: 6,241 responses were collected from key stakeholder groups, including business partners, NGOs, public institutions, suppliers, entrepreneurship ecosystem partners, employees, technical services, dealers (Arçelik and Beko), students, investors, analysts, and consumers

2. ANALYZE IMPACT OF MATERIAL ISSUES ON THE VALUE CHAIN

Desktop research was conducted to analyze 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 it is reversible.

Merging the findings with the stakeholder analysis results helped us finalize the Y axis of our materiality matrix.

3. ANALYZE IMPACT ON OUR BUSINESS

To determine the impact of the material issues on Arçelik, we followed a three-step analysis approach:

- Evaluating each topic against our strategic business approach by including classified documents such as the Task Force on Climate-Related Financial Disclosures (TCFD), Green Financing Framework (GFF), Enterprise Risk Management etc.
- Using the Sustainability Accounting Standards Board's (SASB) financial materiality approach, identifying each topic's impact on our financial performance and long-term enterprise value.
- Feedback collection via an online survey from executives to better reflect Arçelik's strategy and its potential impacts.

STEP 3: MATERIALITY MATRIX AND VALIDATION



CONDUCT REVIEWS BY TOP MANAGEMENT AND THE SUSTAINABILITY TEAM

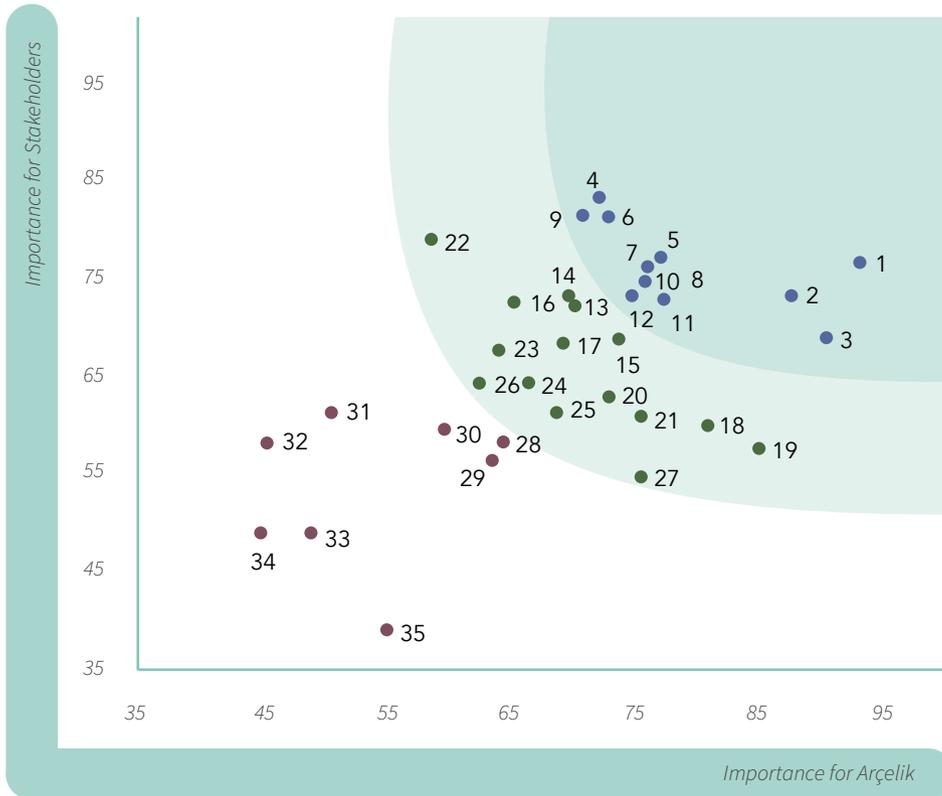
As a result of these reviews, we drew the threshold for the relative materiality of sustainability topics according to data scattering.



With the completion of the X axis, we finalized our materiality matrix.

Materiality Analysis

GRI 102-44, GRI 102-46, GRI 102-47, GRI 102-49

**VERY HIGH PRIORITY ISSUES**

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

HIGH PRIORITY ISSUES

13. Product Solutions that Prevent Plastic Pollution
14. Resource Efficiency in Product Manufacturing
15. Operational Waste and Zero Waste Approach
16. Information Security and Management of Cyber Risks
17. Employee Well-being
18. Products Designed with a Circular Approach and Lifecycle Management
19. Diversity and Inclusion
20. Biodiversity
21. Digitalization
22. Product Safety and Chemical Management
23. Investing in New Climate and Eco-friendly Product and Service Solutions
24. Sustainable Use of Raw Materials
25. Open Innovation
26. Sustainable Technology and Innovation
27. Smart Product and Digital Technologies

MEDIUM IMPACT ISSUES

28. Responsible Marketing and Responsible Consumption
29. Corporate Governance
30. Sustainable Packaging
31. Combating Deforestation
32. Conflict Minerals Management
33. Local Socio-Economic Development
34. Products and Services for Disadvantaged Groups
35. Impact-Oriented Community Programs



For more detailed information you can see our [Materiality Map Report](#).



Stakeholder Engagement Mapping

EMPLOYEES



Type of Engagement

- Annual satisfaction surveys
- Social learning and communication platforms
- Training and seminars

Stakeholder Expectations

- Decent wages and side benefits
- Fair employer and labor practices
- Respect for human rights and ethics
- Work-life balance
- Wellness, mindfulness, social and emotional support
- Remote working amenities
- Career opportunities
- Training
- Employee volunteering
- Cultural transformation, diversity, inclusion

How We Create Value

- Equal wage policy for equal jobs
- Right to unionization, right to fair wages
- Establishment of a global ethics hotline
- Flexible working hours
- Remote working system
- Online Personal Nutrition Coaching, Online Health and psychological support, online physical exercises for supporting Physical well-being; Training webinars to expand Intellectual and Psychological well-being potential of our employees. Online workshops to explore the ways of Spiritual well-being and emotional relief techniques such as Mindfulness, Yoga, Meditation, Breath exercises.
- Employee clubs (sports, hobbies, volunteering activities)
- Leader in You, Future in You, Talent in You training, upskilling and reskilling of the workforce for hourly waged employees, strategic workforce planning
- Initiation of the Diversity, Equity, Inclusion cultural change project

Related Material Issue(s)

Talent Management and Capacity Transformation
Human Rights and Fair Working Conditions
Occupational Health and Safety
Business Ethics and Transparency
Employee Well-being
Diversity and Inclusion

SUPPLIERS



Type of Engagement

- Supplier Summit
- Online portals
- Visits and audits
- Supplier days
- Training
- Supplier Innovation
- Programs Innovation and Technology Days
- Supplier Transparency Programs

Stakeholder Expectations

- Technical guidance and knowledge sharing around sustainability, quality, production processes, technology
- More engagement and encouragement initiatives
- Development of joint improvement projects
- Better financing and payment options

How We Create Value

- Supplier development projects on footprint reduction, health and safety, AI, conflict minerals etc.
- Supplier financing programs
- Sustainability, quality, ethics trainings
- Webinars on Arçelik sustainability strategy and expectations
- Increasing sustainability awareness and engagement together with common target setting: 183/400 suppliers signed a letter to set environmental goals and publicly report on the progress
- Arçelik targets to collect environmental data of c.400 suppliers comprising 90% of purchasing volume- increased engagement via sustainability platform

Related Material Issue(s)

Supply Chain Management
Business Ethics and Transparency
Conflict Minerals Management
Resource Efficiency in Product Manufacturing
Sustainable Use of Raw Materials



Stakeholder Engagement Mapping

B2B CUSTOMERS



Type of Engagement

- Training and seminars
- Annual meetings
- Face-to-face interviews
- ABS platform
- Satisfaction surveys

Stakeholder Expectations

- Increased collaboration to work on mutual projects
- Enhanced financial support and technical guidance
- Product trainings
- Improvement in shipping and delivery services
- Improvement in product quality
- Product offerings with sustainability features
- Increased sustainability partnerships
- Increase in customer satisfaction and loyalty

How We Create Value

- Development of mutual projects to foster an omnichannel approach: online sales order system
- Online training and product training
- Gender diversity projects for 100 women dealers
- Financial support
- Supporting architectural design processes
- Providing advertising and communication support for store promotion
- Providing training support to authorized dealers and their employees for competence development
- Providing incentives to increase customer satisfaction and employee loyalty
- Sustainability features on displays in retailers
- Circular economy business model pilot project with a retailer in the UK

Related Material Issue(s)

- Product Quality
- Eco-Efficient Products
- Business Ethics and Transparency
- Products and Services for Disadvantaged Groups
- Sustainable Packaging
- Open Innovation
- Product Solutions that Prevent Plastic Pollution
- Products Designed with a Circular Approach and Lifecycle Management

B2C CUSTOMERS - CONSUMERS



Type of Engagement

- Consumer insight surveys
- Corporate and brand websites, social media channels
- Satisfaction surveys

Stakeholder Expectations

- Durable products with extended warranty
- Improved quality
- Energy-efficient products
- Sustainability features such as recycled content

How We Create Value

- Ideas from customers turned into products: Hygiene Shield range, corner wash technology in dishwashers
- Increased quality and durability features
- Increasing energy efficient products in the range
- Sustainability features embedded in products: increased recycled content, decreased plastic use, microplastics filtering machine, food preserving functions

Related Material Issue(s)

- Product Quality
- Eco-Efficient Products
- Business Ethics and Transparency
- Information Security and Management of Cyber Risks
- Responsible Marketing and Responsible Consumption
- Product Solutions that Prevent Plastic Pollution
- Products Designed with a Circular Approach and Lifecycle Management
- Products and Services for Disadvantaged Groups
- Sustainable Packaging



Stakeholder Engagement Mapping

GLOBAL PARTNERSHIPS AND NGOs



Type of Engagement

- Quarterly meetings
- Working groups
- Global events, panels and speaking opportunities
- Global collective campaigns
- Joint CSR programs and projects
- Annual and Sustainability reports

Stakeholder Expectations

- Make bold commitments for climate action and support global collaborative processes
- Create social and environmental impact
- Improve sustainability reporting performance and transparency
- Commit to using energy more productively both in production and products
- Improve product energy efficiency standards to reduce global GHG emissions, promote business innovation, and ensure consumer access to affordable and high-performing technologies
- Discussion partner for policy setting and public consultations

How We Create Value

- Joined Business Ambition for 1.5°C and Race to Zero - Net-zero commitment
- G20 Letter
- Signed the WEF CEO Climate Leaders Letter to support acceleration of public-private sector partnerships to achieve net-zero
- EP100 energy productivity target
- Support for the Business Manifesto for Climate Recovery launched at COP26
- Shape corporate sustainability agenda by joining action platforms of United Nations Global Compact (UNGC)
- UN CFO Network, UN CEO Water Mandate
- Approved Science Based Targets for a well-below 2°C scenario, revised 1.5°C scenario targets currently in the approval stage, and committed to net-zero target in 2050
- Active member trade associations, APPLIA, Digital Europe, TUSIAD, AMDEA, GIFAM, etc. with active participation in the consultations and working groups
- Active contribution to the determination of Turkey's climate change policy as well as the legislations under the Green Deal in the EU
- Participation in COP26 in Glasgow to present Arçelik's climate strategy

Related Material Issue(s)

- **Business Ethics and Transparency**
- **Climate Crisis and Reducing Carbon Emissions**
- **Energy Efficiency**
- Sustainable Technology and Innovation
- Open Innovation
- Impact-Oriented Community Programs
- Local Socio-economic Development

INVESTORS



Type of Engagement

- Roadshows
- Investor presentations
- Annual and Sustainability reports
- Annual meetings

Stakeholder Expectations

- Transparent sustainability reporting, KPI and target breakdown
- Sustainability reporting to global indices with solid leadership scores
- Increased management of human rights issues
- Transparent reporting of conflict minerals

How We Create Value

- Global reporting to sustainability indices with top performing results
- TCFD signatory, TCFD reporting
- Green Bond Green Financing Framework
- Conflict Minerals Reporting
- Human Rights Audit Findings Disclosures

Related Material Issue(s)

- **Business Ethics and Transparency**
- **Human Rights and Fair Working Conditions**
- **Supply Chain Management**
- **Risk Analysis and Regulatory Compliance**
- Corporate Governance
- Investing in New Climate and Eco-Friendly Product and Service Solutions
- Open Innovation
- Conflict Minerals Management



Sector Leadership

At Arçelik, we are responding to the urgent call-to-action for a 1.5°C future, and we are proud to announce our participation in the Business Ambition for the 1.5°C campaign. We have approved **Science Based Targets (SBTs)** to reduce our global absolute Scope 1-2 (aligned with a well-below 2-degree scenario) and Scope 3 emissions from the use of sold products, and have submitted revised targets to SBTi for our global Scope 1-2 and Scope 3 emissions from the use of sold products aligned with a 1.5°C scenario. Our 1.5°C scenario aligned target is in approval process.

In June 2021, we publicly declared our 2050 Net-Zero Target and have committed to making it compatible with the SBTi Net-Zero 2050 Standard, published in November 2021. We are expected to receive approval for this within two years.

Based on our ambitious 2050 Net-Zero Target, we will decrease our global Scope 1-2 and Scope 3 emissions at least 90% by making challenging innovations in our whole chain with 2018 base year. For the remaining 10% of residual emissions, we plan to invest in both nature-based and technology-based carbon removal solutions by designing a portfolio for Arçelik with the most qualified projects.



For more detailed information on our Net Zero 2050 Road Map, please visit our website - [Combating the Climate Crisis section](#).





Global Partnerships and Engagement

Building a strong cooperation is significant for Arçelik while creating value for all our stakeholders in line with our strategic approach. We support the work of reputable international organizations that accelerate the fight against climate change. We are also leading local initiatives by developing our activities within the scope of international commitments. In 2021, we formed various partnerships and attended international events such as United Nations Climate Change Conference (UNFCCC), COP26, where we took actions with different parties which are actively working in both public and private sectors against global challenges.

 [For more detailed information on our engagement and partnerships please see our website.](#)

 [For detailed information on Arçelik's membership of NGOs and other organizations, please refer to Appendix 5, Main Institutions Guiding Our Work.](#)



We are committed to being a Net-Zero company by 2050 and officially joined the Business Ambition for 1.5°C, [Race to Zero](#) campaign in September 2021. We have committed to the SBTi Net-Zero Standard.



As a [member of the UN Global Compact](#), we joined the CFO Taskforce, which brings together a cross-sector group of corporate finance leaders, investors, financial institutions, and the UN to share ideas, develop new concepts and frameworks, and make recommendations on how to unlock private capital and create a market for mainstreaming SDG investments.



We became a member of the WEF's Alliance of CEO Climate Leaders, the largest global CEO-led community in the world committed to climate action, representing 25 countries, 12 industries, and over 8 million employees. With the member companies of the Alliance aiming to achieve net-zero status by 2050, we signed an [open letter](#) of COP26 and called on world leaders to accelerate the decarbonization process.



We are also one of the endorsers of the [UNGC CEO Water Mandate](#), a unique public-private initiative established in 2007 that mobilizes business leaders for water management. The Mandate is a commitment platform for business leaders and learners to advance water stewardship. Endorsing companies commit to action across six key elements and report annually on progress.



Global Partnerships and Engagement



Business has a critical role to play in securing the health, rights, and equality of girls and women everywhere. We are thrilled by Arcelik's commitment to the Generation Equality Action Coalition on Innovation and Technology for Gender Equality. Embedding gender equality into the DNA of business with great commitments and tangible actions can lead to positive changes at scale. Through this multi-stakeholder effort, we aim to inspire leaders within the technology and innovation sector to create new solutions towards building a more gender-equal world.

TUNAY FIRAT

Strategic Partnerships Manager, Generation Equality Action Coalitions UN Women



We have become a member of *EP100*, led by Climate Group. EP100 brings together more than 120 energy-smart companies committed to using energy more productively. Through this membership, we are committed to doubling our economic output for every unit of energy we consume globally by 2030, compared to 2010, by increasing energy efficiency. At COP26, Arçelik attended the EP100 panel focusing on product efficiency, discussed how to double the efficiency of four key appliances (Air Conditioners, electric motors, refrigerators, and lighting) globally by 2030 and supported the op-ed of the Climate Group including a Call to Action for product efficiency to save electricity and mitigate CO₂ emissions.



To accelerate the recovery of the global climate, we became a member of the *World Business Council for Sustainable Development (WBCSD)*. WBCSD gathers companies from different sectors to create a global network for effective business solutions to the most challenging sustainability issues. In 2021, 2020 Sustainability Report was evaluated by WBCSD as part of the Reporting Matters program. In addition, we declared at COP26, our support for the WBCSD's Manifesto, which outlines twelve action priorities centered on reducing, removing, and reporting emissions, as well as the importance of public-private collaboration in driving climate action.



We became a signatory of the Business Plastic Initiative, a collaboration founded by UN Global Compact Turkey, the Business Council for Sustainable Development Turkey (SKD Turkey), and the Turkish Industry and Business Association (TÜSİAD). The aim of the initiative is to prevent the usage of disposable plastic and supporting the vision where plastic never becomes waste in the circular economy. To get more information and read our 2023 commitments, [please click here](#).



Together with Koç Group Companies, Arçelik became a supporter of the *Action Coalitions* established by the UN Women's Generation Equality Forum. Action Coalitions are global, innovative, multi-stakeholder partnerships that are mobilizing governments, civil society, international organizations, and the private sector to deliver concrete, game-changing results for girls and women. We submitted three commitments and six objectives in the field of technology and innovation to achieve tangible change for women and girls worldwide by 2026.



Achievements & Awards

 [Please see all recognitions and awards on our website.](#)

Dow Jones Sustainability Indices (DJSI) SAM Sustainability Yearbook 2022 & Gold Class

Arçelik scored 86/100 in the 2021 S&P Global Corporate Sustainability Assessment (CSM), as of November 2021, which evaluates the world's largest companies and assesses their sustainability performance and environmental, social, and governance (ESG) efforts. Arçelik achieved the highest score out of 20 companies assessed in the DHP Household Durables Industry. Arçelik received a Gold Class Award for being within 1% of the top-performing companies and was also recognized as Industry Mover in the 2022 S&P Sustainability Yearbook, achieving the highest score increase within its industry for the second consecutive year.

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

World Economic Forum (WEF) Global Lighthouse Network

Arçelik is very proud to be acknowledged as a pioneer of digitalization in global production. As well as our Arctic Washing Machine Plant, Eskişehir Refrigerator Plant is also included in the WEF's Global Lighthouse Network, which recognizes leaders in applying Fourth Industrial Revolution technologies.

 [To watch the WEF session where this year's participants of the Global Lighthouse Network were introduced together with Koç Holding CEO Levent Çakıroğlu, please click here.](#)

WORLD
ECONOMIC
FORUM

The Sustainable Markets Initiative, Terra Carta Seal

As part of the Sustainable Markets Initiative in the UK, the Terra Carta Seal is awarded to companies whose ambitions are aligned with those of the Terra Carta, a recovery plan for Nature, People and Planet. HRH The Prince of Wales met with our CEO Hakan Bulgurlu alongside other CEOs at COP26 in Glasgow to celebrate the award and our commitment to the fight against climate change. The Terra Carta Seal was given to only 45 companies and Arçelik is the first and only company from our industry and Turkey to be appointed a Terra Carta Seal Holder.



Corporate Knights

For the second consecutive year in a row, Arçelik has been recognized in the Global 100 Index. Nearly 7,000 companies were assessed for the 2022 Global 100 Most Sustainable Corporations in the World list and Arçelik has been ranked #57. We are the only corporate in Turkey listed in the Clean200 global list of Corporate Knights and As You Sow and ranked #100.

The Value for Clean Capitalism
Corporate Knights

S&P Global Ratings, ESG Evaluation

Arçelik received a score of 76/100 from S&P ESG Evaluation. The results indicated that Arçelik had integrated sustainability principles across its value chain and strategy with the goal of creating purpose-led brands with a strong awareness of the key ESG exposures across its manufacturing operations and within the consumer-use phase of its products.

**S&P Global
Ratings**

Carbon Disclosure Project (CDP)

Arçelik has been recognized as one of Turkey's leaders with an A- rating in both the Climate Change and Water Security Programs of the Carbon Disclosure Project (CDP) by reporting its operations in Turkey; also, Arçelik has been identified as one of the global leaders with an A rating in the CDP's 2021 Supplier Engagement Rating List.

CDP
DISCLOSURE INSIGHT ACTION

Vigeo Eiris ESG Rating

Arçelik received an overall score of 50/100 in the Vigeo Eiris ESG rating and was ranked #1 in the Technology-Hardware Emerging Market.

VE

Sustainalytics*

In December 2021, Arçelik received an ESG Risk Rating of 12.1 by Sustainalytics and was assessed to be at a low-level of risk of experiencing material financial impacts from ESG factors.

SUSTAINALYTICS
a Morningstar company
RATED

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Achievements & Awards

The Real Leaders® Top 200 Impact Companies of 2022

Arçelik's and Beko's sustainability and value-driven efforts have been resulting with ranks of #19 and #20 on the Real Leaders Top 200 Impact Companies of 2022 list, respectively.



Laureus Sport for Good Index 2021

Beko's commitment to sustainability has been recognized and praised in the Laureus Sport for Good Index 2021. This features 29 brands that have made significant contributions to the 17 Sustainable Development Goals through collaboration, innovation, and creativity.



EcoVadis Sustainability Rating

Arçelik obtained a score higher than 66/100 in EcoVadis' Sustainability Assessment and was awarded a Gold EcoVadis Medal, placing us among the top 5% of companies assessed by EcoVadis.



Refinitiv

Arçelik ranked #17 in Refinitiv's 2021 Diversity and Inclusion Index, with a score of 76. We became the only company from Turkey and our industry to be listed in the Index, which evaluates companies globally based on 24 indicators.



TOP 100 COMPANY 2021
Diversity and Inclusion Index

FTSE4Good Emerging Market Index**

Arçelik has been listed since 2016 as a company with strong ESG performance as measured by FTSE Russell, part of the London Stock Exchange Group.



Morgan Stanley Capital International (MSCI)

Arçelik has been constantly rated AAA on the Sustainability Index since 2016 and AA in 2015.



Borsa İstanbul Sustainability Index (BIST)

Arçelik has been listed since 2014.



ISS ESG

The Company was granted the "Prime" degree at ISS ESG.



** FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Arçelik has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.



IT'S TIME TO TAKE
ANOTHER STEP
FORWARD!

**TAKE A STEP
KEEP CALM
AND TRANSFORM
YOUR BUSINESS
ENVIRONMENT**



MORE THAN 50% OF
COUNTRIES, STATES AND
CITIES, AMOUNTING TO MORE
THAN 50% OF GLOBAL GDP,
HAVE SET TARGETS TO ACHIEVE
NET ZERO BY 2050.



Corporate Governance

We follow a management approach based on the principles of accountability, responsibility, openness and transparency, and equality in all our business processes. Our transparent management approach is the key to our company's long-standing success.

Our Board of Directors, the highest management body at Arçelik, consists of 12 members, two of whom are women, with four independent members and one executive-level member. According to the Arçelik Board Diversity Policy, in the course of nomination for the Board of Directors, where candidates have similar characteristics in terms of knowledge, expertise, and capability, priority is given to women candidates to achieve at least 25% female Board membership by 2025. The Chairperson of the Board and the CEO, who is also a Board member, are different individuals whose duties are separated. The Corporate Governance Committee, the Audit Committee, the Executive Committee, the Risk Management Committee, and the Human Rights Committee operate under the Board of Directors. Arçelik's Corporate Governance Rating increased from 9.60 to 9.67 in 2021.

Executive management team have targets related to sustainability, environment, and economic growth. These targets are directly linked to remuneration, salary increases and bonus payouts. Base salary and benefits are set by local market data for each country. Target bonus payouts are also set by country practices; however, actual payouts consider the performance of the individuals. There is no long-term incentive program

such as deferred or vested shares. In some countries, sign-on bonuses are provided to attract external market talent, especially for managerial roles. Termination payments are set with regard to local legislation. There is a claw back statement for sign-on bonuses in cases where employees leave the organization before two years. Finally, there is no difference in retirement benefits, including the difference between benefit schemes and contribution rates, for the highest governance body, senior executives, and all other employees.

 [For detailed information on the members and the responsibilities of the Board and the Committees, please see the 2021 Annual Report and the Corporate Governance Compliance Report.](#)

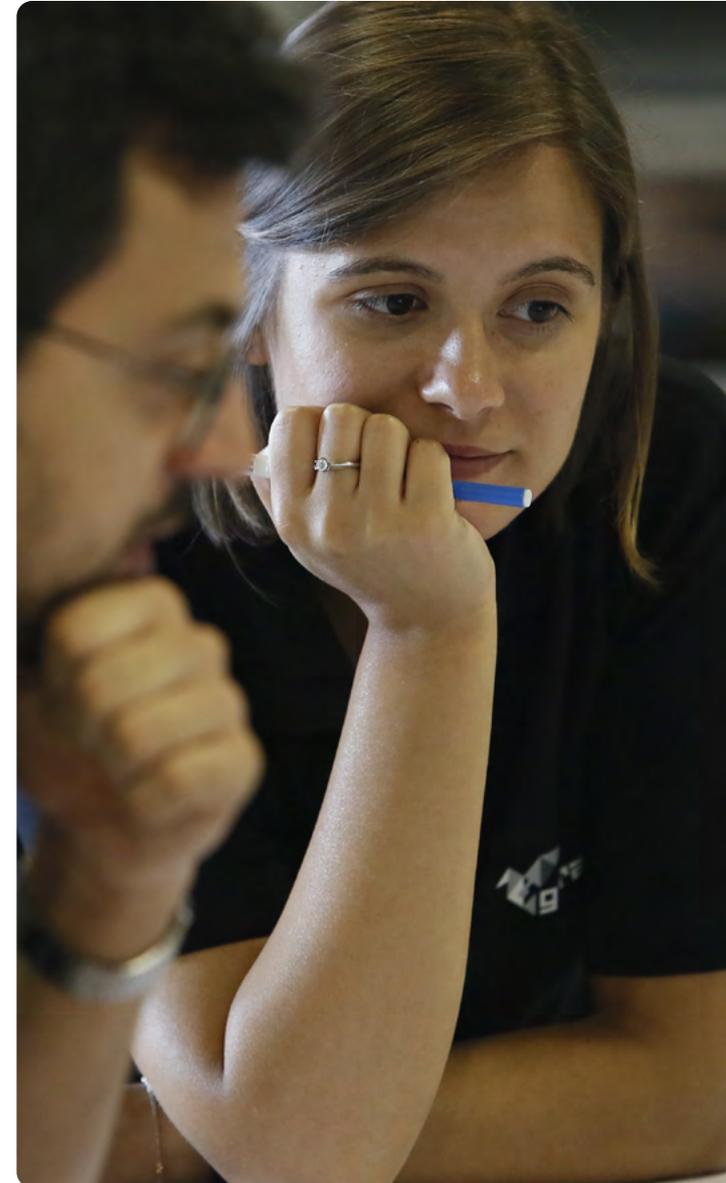
TCFD REPORTING

Arçelik is a TCFD signatory and reports its climate-related risks and opportunities. Other ESG-related risks and opportunities are also transparently reported.

 [For details related with the TCFD Index please visit Annex 11.1.](#)

 [For details related with the Board of Directors integration with the company's risks please visit Annex 11.3.](#)

 [For details related with the Other ESG-related risks and opportunities please visit Annex 11.4.](#)





Corporate Governance

ORGANIZATIONAL STRUCTURE

For details related with the Organizational Structure please refer to the Annex 12.



SUSTAINABILITY WORKING GROUPS (WGs)





GLOBALLY, 1.6 BILLION PEOPLE
RELY ON FORESTS FOR
THEIR LIVELIHOODS.



HALTING THE LOSS AND DEGRADATION OF
FOREST ECOSYSTEMS AND PROMOTING THEIR
RESTORATION HAVE THE POTENTIAL TO
CONTRIBUTE OVER ONE-THIRD OF THE TOTAL
CLIMATE CHANGE MITIGATION THAT SCIENTISTS
SAY IS REQUIRED BY 2030 TO MEET THE
OBJECTIVES OF THE PARIS AGREEMENT.



In Touch with Our Planet



Arçelik has 2030 and 2050 targets in place to transform its own operations and those of its supply chain. Our object is to integrate sustainability into every product we produce and accelerate our transition to net-zero emissions in the value chain by 2050 and near zero-waste by 2030. We support our key stakeholders to reduce their environmental footprint through collaboration.



CLIMATE CHANGE

Targets

2021 Progress

Establish renewable energy systems with 50MW* capacity by 2030	3.26 MW
Purchase 100% green electricity in all manufacturing plants (based on the availability of green electricity in those countries) by 2030	69%
Make a minimum USD 50 million investment in renewable energy and energy efficiency by 2030	USD 3,773,672
Reduce energy consumption per product by 45% in all operations (from 2015 baseline)	18.7%**
Reduce Scope 1-2 GHG emissions by 30% compared to 2018 base year (SBTi approved) by 2030	20% reduction
Reduce Scope 1-2 GHG emissions by 50.4% compared to 2018 base year (at SBTi approval stage) by 2030	
Reduce Scope 3 GHG emissions from use of sold products by 15% compared to 2018 base year (SBTi approved) by 2030	13% reduction
Reduce Scope 3 GHG emissions from use of sold products by 50.4% compared to 2018 base year (at SBTi approval stage) by 2030	
Reach the target of 450 MW Arçelik-branded PV panel sales per year by 2025	9 MW Arçelik - branded PV panel sales between 2021 April-December.
Doubling Energy Productivity by the end of 2030 (compared to 2010 baseline)	61.9%
Implement ISO 50001 Energy Management Systems across our all-production facilities by the end of 2025	58%



PLASTIC MANAGEMENT

Targets

2021 Progress

Increase recycled plastic content to 40% by 2030	4.5%
Increase bio-based material content to 5% by 2030	Limited biomaterial use
As a signatory of the IPG, we have set the following interim 2023 targets:	
<ul style="list-style-type: none"> Increasing the recycled plastic content in products from 3,000 to 15,000 tons per year Increasing the recycled plastic parts made from waste fishing nets from 8 tons to 25 tons per year Increasing the recycled plastic parts made from waste PET bottles from 28 million to 60 million per year Using 750 tons of biopolymer and bio composite raw materials including PLA per year Using plastics generated from our WEEE recycling plants in dishwasher, oven and tumble dryer product categories Recycling 600 tons of packaging waste generated from our manufacturing plants to be used in plastic parts Completing and approving R&D processes for using 30% recycled material content in plastic packaging including EPS, shrink, and strip Completing R&D processes for using recycled chemical raw materials in food contact product parts 	

[For progress of targets, please see Product Stewardship Section.](#)



GREEN CHEMISTRY

Targets

2021 Progress

Standardize Arçelik Green Chemistry Management System in products and production globally by 2030	39%
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WATER MANAGEMENT

Targets

2021 Progress

Reduce water withdrawal per product by 45%*** in all manufacturing plants (excluding JVs) compared to 2015 base year by 2030	31%
Increase the water recycling and reuse ratio**** to 70% in all manufacturing plants (excluding JVs) by 2030	9%



WASTE MANAGEMENT

Targets

2021 Progress

Increase the waste recovery rate***** to 99% in global operations (excluding JVs) by 2030	96%
---	-----

* Our previous target was to reach 15 MW in terms of installed renewable energy capacity. According to our new challenging roadmap, we revise our 2030 target as 50 MW. ** The first scope of the target included South Africa, Russia, Turkey, Romania, China, Thailand, and Pakistan operations. Subsequently, Singer Bangladesh has been acquired; we have extended the scope and included Singer Bangladesh in the 2020 actuals. Following this extension, the 2020 actuals of the target were 19.2%. In 2021 the scope has been extended again due to new acquisitions such as the Manisa plants, Arçelik-Hitachi plants, and integration of the Voltas Beiko plant. We have not revised our target year or target value, but the scope of the target has been changed to Global Operations. This is why the 2021 actuals seem lower than those for 2020. *** The scope of the target has been revised including all manufacturing plants excluding JVs. **** The target definition has been revised but the scope of the target remains the same. Water recycling and reuse ratio = (Total recycled + reused water)/Total water withdrawal ***** The target definition has been revised but the scope of the target remains the same. Recovered waste includes waste to recovery and waste to incineration with energy recovery in this target.



Combating the Climate Crisis



From extreme heat waves to droughts and ravaging wildfires, from declining ice cover to sea-level rise and floods, powerful impacts of the climate crisis are increasingly being felt worldwide. Unless we, as human beings, act now, the climate crisis will continue to deliver an ever-more devastating catastrophic risk all around the globe.

At Arçelik, we take actions to limit the global temperature rise in line with the 1.5-degree scenario. For this reason, we focus on investing more in energy-efficiency projects

across our value chain. To lower our GHG emissions further, we purchase renewable energy in markets where it is available. We actively manage our Scope 3 emissions from the use of our sold products with the help of our energy-efficient products.

Arçelik's CEO, Hakan Bulgurlu, has combined his once-in-a-lifetime Everest journey with promising climate solutions in his first book, *A Mountain to Climb: The Climate Crisis, A Summit Beyond Everest*. As an experienced business leader and sustainability advocate, Bulgurlu's



We're delighted that Arçelik is a member of our ever-growing EP100 initiative. Energy efficiency has a huge role to play in helping us to hit net zero by 2050. By investing in energy efficiency solutions, companies can bolster their resilience to external shocks, saving on costs, energy and emissions. Arçelik is leading the way by setting an ambitious public commitment, showing the impact that corporates can make in the global energy transition.

MIKE PEIRCE

Executive Director of Systems Change, Climate Group



goal is to raise awareness around climate mitigation and inform the business community on what can be done to further the green cause.

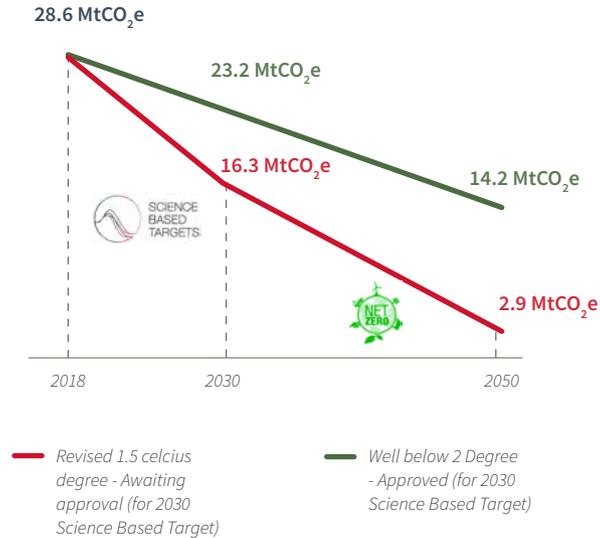
 [Please see our *Global Environmental Policy* here.](#)

 [Please see our *Strategy to Combat Climate Crisis* here.](#)

 [Please see our *Energy Policy* here.](#)

Managing GHG Emissions

NET ZERO EMISSIONS ROADMAP



Reduction of Scope 1-2 and 3 emissions by 90% as of 2050 from 2018 baseline.

SCIENCE BASED TARGETS

We have approved Science Based Targets (SBTs) for a well-below 2-degree scenario to reduce Scope 1 and Scope 2 GHG emissions by 30% and Scope 3 GHG emissions from the use phase of sold products by 15% by 2030 from a 2018 base year. We have applied to the Science Based Targets initiative (SBTi) to revise our target based on a 1.5-degree scenario. This means that Arçelik have to reduce Scope 1 and 2 GHG emissions and Scope 3 GHG emissions from the use phase of sold

products by 50.4% by 2030 from a 2018 base year. We have committed to the SBTi's Net-Zero Standard to make our 2050 Net-Zero target in line with the science-based calculations within two years in March 2022.

According to our net-zero target, we will decrease our global Scope 1- 2 and Scope 3 emissions by 90% until 2050 by making challenging innovative actions in our whole value chain and investing in qualified nature-based and technology-based carbon removal projects for our 10% residual emissions in line with the SBTi rules.

The graph on the left shows Arçelik's GHG emission reduction roadmap compatible with a 1.5-degree scenario, based on a 2018 base year. In line with the SBTi's Net-Zero Standard, we would have to make a 90% emission reduction. For the remaining 10% residual emissions, we plan to invest in permanent carbon removal projects. We are considering investing in blue carbon projects as a sole investor and combining direct air capture technology credits in our portfolio.

We informed all our shareholders at our Ordinary General Assembly Meeting in March 2022 of our Action Plan for Transition to a Low-Carbon Economy, which consists of our Net-Zero Emissions commitment in line with a 1.5-degree scenario. Arçelik's net-zero roadmap and the efforts to be made for Scope 1-2 and Scope 3 emissions are discussed publicly in detail on our [website](#). Our plans are also included in our [Shareholder Meeting minutes](#).

Briefly, Arçelik will work on the following to reach its Net-Zero Targets:

Scopes 1 and 2:

- Increase green electricity procurement to 100% globally as of 2030 with Energy Attribute Certificates and long term Power Purchasing Agreement (PPA)
- Invest further in energy efficiency projects in production
- Transition to 100% electric vehicles and forklifts
- Low GWP refrigerant usage in production
- Use of green hydrogens where possible

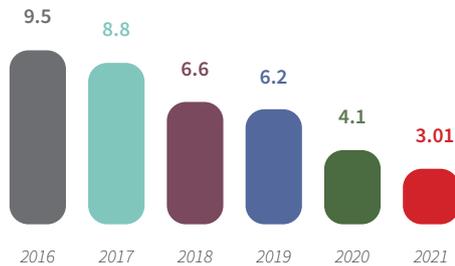
Scope 3:

- Increased penetration of super-energy-efficient products globally
- Accelerating the phase out of high-GWP refrigerants with the transition to low-GWP refrigerant in all our products
 - Refrigerators comprising low thermal conductivity insulators (<10 mW/m²K), fully VIP based insulation, injectable aerogel applications (3 mW/m²K)
 - New and novel heat pump technologies, VCC compressors with higher performance, etc.
 - Using non-fluorinated refrigerant heat pump systems in all washing machines and dishwashers
 - Working in close collaboration with direct material, OEM, and logistics suppliers to reduce their GHG footprint



Managing GHG Emissions

Scope 1 and Scope 2 GHG Emissions Intensity*
(ton CO₂/TRY million)



Arçelik shared its Net-Zero Roadmap with all shareholders at the Ordinary General Assembly Meeting.



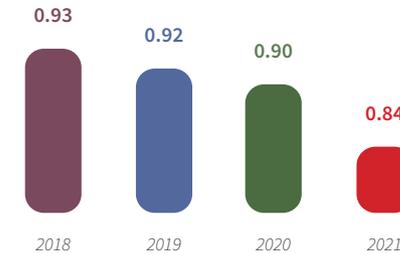
Arçelik calculates the Greenhouse Gas (GHG) emissions sourced by its facilities by using IPCC-2006 and in accordance with ISO 14064-1 GHG Standard. Arçelik's GHG values have been verified by an independent body in accordance with ISO 14064-3 Std. in "reasonable assurance level", since 2010.

 Please see [Annex 6 for Environmental Performance Indicators](#)

Scope 1 and Scope 2 GHG Emissions* (ton CO₂e)



GHG Emissions From Use of Sold Products
(ton CO₂e / Product quantity)



Scope: Refrigerator/freezer, dishwasher, front load washing machine, tumble dryer, oven, TV.

Scope 3 GHG Emissions in 2021** (ton CO₂e)

Indirect - Other (Scope 3) (tonCO ₂ e)	
Purchased good and services	3,236,185
Transportation	288,420
Business Travel	13,565
Employee Commuting	71,371
Product Logistic	203,484
Use of sold products	22,855,049
End of life of sold products	20,279
Others	13,878
Total Scope 3	26,413,811

* 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017 and 2018, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2019, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, all three manufacturing plants in South Africa, Refrigerator Plant in Thailand, all three manufacturing plants in Pakistan. In 2020, Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant.

** Singer-Bangladesh, Arçelik Production and Technology A.Ş.-Manisa, joint ventures, and subsidiaries are not included.



Renewable Energy

In 2021, Arçelik sourced 69% of its global electricity need from renewable green electricity sources as indicated below:

Turkey & Romania – 100%; Russia – 20%; Arçelik-Hitachi Thailand Plants – 15%.

Our target is to increase the coverage to 100% by purchasing green electricity in all countries where Arçelik has production facilities (based on the availability of green electricity in those countries) by 2030.

Arçelik also has 3.26 MW solar plants with different technologies, such as photovoltaics, concentrated solar power and a solar wall, in the Arctic Ulmi Washing Machine, Eskişehir Refrigerator, Çayırova Washing Machine and Defy Jacobs factories. We generated 3,193 GJ of electricity in 2021, with 930 kWp installed capacity of photovoltaics in the Arctic Ulmi Washing Machine factory and prevented 285 tons of CO₂e GHG emissions.





Energy Efficiency

ENERGY EFFICIENCY IN PRODUCTION

As of 2021, 58% of Arçelik factories have ISO 50001 Energy Management Certificate (HQ included). As a member of EP100, Arçelik has committed to increasing the ISO50001 certified factories to 100% and doubling economic output for every unit of energy consumed globally by 2030, compared to 2010.

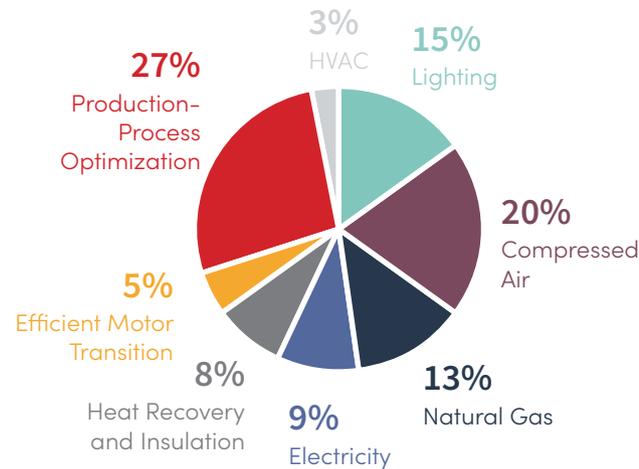
ENERGY EFFICIENCY PROJECTS

We invest in improvement and better alternatives for energy efficiency. We continue our work in areas such as energy efficiency, insulation, heat recovery, energy-efficient motor transition and process optimization in compressed air, heating, ventilation, and air conditioning systems and lighting systems.

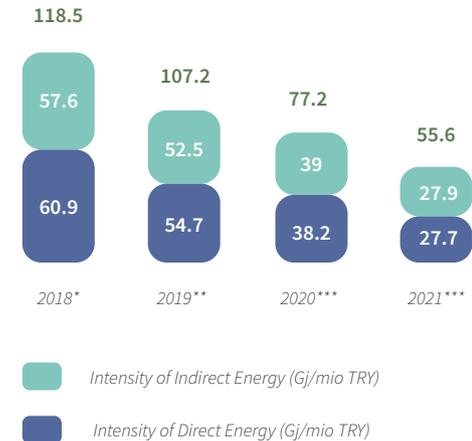
We implemented a total of 228 energy-efficiency projects at our production facilities within the scope of the report, saving approximately 63,000 GJ of energy. Thanks to this increase in efficiency, we prevented 5,514 tons of CO₂e emissions and achieved a financial savings of EUR 773,932.

Manufacturing Plant	Location	Project Qty	Energy Saving (GJ)	Prevented GHG Emissions (tCO ₂ e)	Financial Saving (EUR)
Arçelik	Türkiye	112	41,891	3,352	435,342
Arctic	Romania	18	1,673	301	35,051
Beko LLC	Russia	48	4,244	327	36,188
Defy	South Africa	7	175	43	4,233
Beko Thai	Thailand	8	636	85	15,417
Dawlance	Pakistan	35	14,288	1,406	247,702
TOTALS		228	62,907	5,514	773,932

Arçelik Global - 2021 Projects



Energy Intensity (GJ/TRY million revenue)



* The scope includes manufacturing plants in Turkey, Romania, Russia, and China.

** The scope includes manufacturing plants in Turkey, Romania, Russia, South Africa, China, Thailand and Pakistan.

*** The scope includes manufacturing plants in Turkey, Romania, Russia, South Africa, Thailand and Pakistan.



Energy Efficiency



ENERGY EFFICIENT CENTRAL VACUUM PUMP APPLICATION

In the Arçelik Eskişehir Refrigerator Plant, existing five units of liquid ring vacuum pumps were replaced with three units of brand-new inverter-controlled dry-type vacuum pumps. Also, with a steady vacuum process, we improved the quality of production by preventing vacuum fluctuations. Vacuum stability and its value have increased the thermoforming product quality. We have saved 650,000 kWh electricity annually and prevented 303 tons of CO₂e emission and 450 tons of water as a result, with an annual saving of EUR 67,000*.

**A VAP Incentive of EUR 31,000 will be granted from the Turkish Republic Ministry of Energy and Natural Resources.*

EFFICIENT AIR COMPRESSOR PROJECT

Three of the existing air compressors and an air dryer at Arçelik Eskişehir Refrigerator Plant were replaced with a more efficient air compressor and dryer. We have yearly saved 1,344,000 kWh electricity and prevented 626 tons of CO₂e emission as a result, with an annual saving of EUR 87,600*.

**A VAP Incentive of EUR 60,000 will be granted from the Turkish Republic Ministry of Energy and Natural Resources.*

NITRO CYLINDER PROJECT IN TRANSFER PRESSES

In 1,250-ton transfer presses, the press bottom cushioning hydraulic unit, which works with a 55 kW electric motor that provides the forming force to the sheet metal parts, has been disabled. Instead, this force is provided with the help of gas spring systems that contain nitrogen gas and operate in a closed cycle. Through this change, we have saved 260,000 kWh electricity and prevented 122 tons of CO₂e emission annually, with an annual saving is EUR 52,000.



We use Shadow Carbon Pricing to determine the true cost of investments.

INTERNAL CARBON PRICING: SHADOW PRICE

Internal carbon pricing paves the way for reducing financial risks that may arise in the short and medium terms. For example, international carbon pricing schemes and the EU Green Deal are steadily developing. As a global participant in the climate change discussion, we promote high-level leadership measures and actively participate in various events to push the climate agenda. Arçelik's CEO, Hakan Bulgurlu, is a high commissioner on the World Bank's Carbon Pricing Leadership Coalition and has previously spoken on effective carbon pricing methods that would enable the world to transition to a carbon-free economy. We used the Implicit Carbon Price Model from 2010 to 2020. Since 2020, we have used the Shadow Price internal carbon pricing mechanism to guide various spending decisions to reduce direct and indirect GHG emissions from our global business operations. In this mechanism, a price of EUR 50 ton of CO₂e is applied for the investments above 50 kW installed capacity and EUR 50,000 capital cost.



Energy Efficiency

SOLAR BUSINESS

As a new business field, Arçelik has stepped up its investments in renewable energy systems. Since 2019, the Arçelik and Arçelik Pazarlama A.Ş. Energy Management teams have been working in the solar energy sector as part of Koç Holding's solar panel project, having received the Energy Efficiency Consultancy Company certification from Turkey's Ministry of Energy and Natural Resources. The energy teams collaborate on engineering, system selection, installation and follow-up on permit processes, system monitoring, and maintenance of solar energy systems.

We offer two types of solar panels to the market through our solar business: 540W for industrial and 455W for private consumption. Both solutions were released into the Turkish market with 12-year product warranties and at least 83% linear performance guarantee over a period of 25 years. Moreover, industries that have experience with solar energy system engineering, procurement, and construction (EPC) were transferred to Arçelik Solar dealers. 30 dealers are in operation as of 2022.





WORLDWIDE WATER-USE
EFFICIENCY HAS INCREASED
BY 9% FROM 2015 TO 2018.



ACTION LIKE CORAL REEF RESTORATION IS UNDERWAY - AND RESEARCH HAS FOUND SOME CORALS TO BE MORE RESISTANT TO HIGHER TEMPERATURES. AND THERE ARE NOW CALLS TO DESIGNATE MARINE PROTECTED AREAS FOR 30% OF THE OCEAN BY 2030.



Water Management

As an industry-leading company, we reduce water risks by leveraging the latest technologies in both our production operations and our products. We work to identify water risks, not only in the regions where we manufacture but also in all regions where the suppliers are located, to increase water recycling and reuse, and to reduce water withdrawal. At Arçelik, reducing our consumers' water footprint as well as that of our operations is one of our top priorities. To decrease our water withdrawal in all our manufacturing plants, we perform water efficiency, water recycling and reuse projects.

In the last 12 years, we have saved 2.17 million m³ of water with water efficiency and rainwater harvesting projects implemented in Arçelik Turkey, Arctic Romania, Beko LLC Russia, Defy South Africa, Beko Thailand and Dawlance Pakistan manufacturing plants. This is equivalent to the daily water consumption of approximately 2.7 million Turkish households.

Arçelik's Water Policy is integrated with our Environmental Policy as well as our Energy, Health and Safety, Quality, and GHG Management Systems, which are covered by our sustainability approach in line with our Global Business Ethics Principles. The aim of the policy is to minimize the impact of our activities on water in production and in products. Arçelik's water policy covers:

- performing our activities beyond regulatory compliance
- improving our water performance by focusing

on reducing water withdrawal, increasing water efficiency, enhancing water monitoring, and increasing water recycling and reuse in line with our water targets and goals

- minimizing our water-related environmental impacts throughout the product lifecycle by adopting innovative technologies
- raising the environmental awareness of our employees, stakeholders and society
- providing water sanitation and hygiene, and

- supporting water stewardship by collaborating with related stakeholders and participating in national and international water initiatives.

The water targets and goals determined in line with our policies, sustainability approach, and international management systems are monitored monthly. Arçelik regularly checks the efficiency and continuity of international systems through audits by independent institutions. The Sustainability Council (SC) is the highest unit responsible for all environmental management issues, including setting water targets and goals in line with business risks and opportunities and our business strategy. The SC, chaired by our CFO, meets quarterly and monitors progress on water targets and discusses the water strategy, major plans and actions, and performance objectives for the following year's plan. In the first stage, the company-level water targets and goals are identified by the SC and then distributed to the related bodies at country level and site/facility level.

As Arçelik has received ISO 14001 EMS Certification, water management plans and water-related risks and opportunities are considered in the scope of the Environmental Management System also. The rate of ISO 14001 EMS Certification is 83%.

In 2021, we used third party sources such as municipal water and water tanker, groundwater, and rainwater in our production plants. Surface water is not used in our production plants.

CEO WATER MANDATE

In the first quarter of 2022, Arçelik had become of the 200+ companies that have signed the CEO Water Mandate. A UN Global Compact Initiative, the CEO Water Mandate is a commitment platform for business leaders and learners to advance water stewardship by committing to action across six core areas:



- Direct Operations
- Supply Chain and Watershed Management
- Collective Action
- Public Policy
- Community Engagement
- Transparency

As an endorsing company, in line with Arçelik's Water Policy, we commit to meet the expectations of the CEO Water Mandate and report our progress annually.

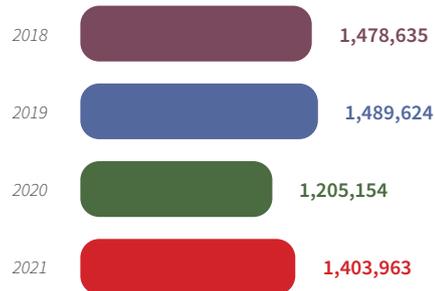


Water Management

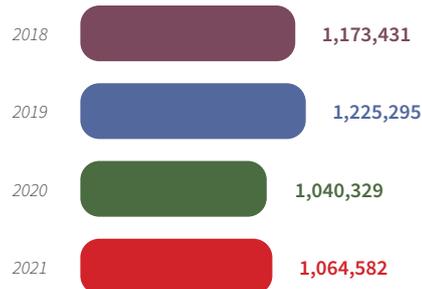
Water Intensity (m³ / TRY million)



Total Water Withdrawal* (m³)



Amount of Discharged Water (m³)



We reduced the total amount of water withdrawal in Arçelik Turkey manufacturing plants by 49% compared to 2011.

Water Withdrawal in Arçelik Turkey (m³)



In 2021, we saved a total of **197,373 m³** of water, thanks to water efficiency and rainwater harvesting projects carried out in Arçelik Turkey, Arctic Romania, Beko LLC Russia, Defy South Africa, Beko Thailand and Dawlance Pakistan manufacturing plants.

WATER EFFICIENCY PROJECTS

- We recycled and reused the wastewater from the function test system on the assembly line and the final rinse wastewater in the paint shop at the Arçelik Washing Machine Plant in Istanbul, Turkey. In addition, we recovered and reused the effluent water of a biological wastewater treatment plant and rainwater. These actions saved a total of **126,691 m³** of water.
- At the Arctic Washing Machine Plant in Ulmi, Romania, we saved **27,445 m³** of water by recycling and reusing

wastewater and harvesting rainwater.

- At the Arçelik Refrigerator and Compressor Plants in Eskişehir, Turkey, we changed the design of the pallet washing upper nozzles and modified the return pipe of the pallet washing rinsing water. In addition, we performed water efficiency projects in the paint shop. For example, we reduced chemical usage and prevented the flow transition between bathrooms, thereby reducing rinsing water usage. These projects saved **12,808 m³** of water.
- We saved **5,800 m³** of water by preventing water leakage and upgrading to more efficient equipment in Beko Thai Refrigerator Plant in Rayong, Thailand.

In addition to water usage, we treat discharged water according to its characteristics in chemical and biological treatment plants in all the regions where we operate. This ensures that discharged wastewater remains below legal discharge limits to protect water resources and biodiversity in the regions, and we periodically check compliance with these standards. The total amount of water pollutants of Arçelik Turkey, Arctic Romania, Beko LLC Russia, Beko Thailand, Defy South Africa and Dawlance Pakistan production plants in 2021 is 162 tons Chemical Oxygen Demand (COD) per year.

 Please refer to Annex 4 for a detailed breakdown of our performance against our Water Management KPIs.

* 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2018, the reporting scope was expanded to also cover all three manufacturing plants in South Africa. In 2019, the reporting scope was expanded to also cover Refrigerator Plant in Thailand. In 2020, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, but Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, the reporting scope was expanded to also cover all three manufacturing plants in Pakistan, but one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant. Data represents the total water withdrawal of Arçelik Global including offices water withdrawal. The verified data shared in "Manufacturing Plants & HQ" part of Annex 4 is 1,394,041 m³ for 2021.



Water Risks Management

Our Environmental Coordination Working Group is responsible for water risk management and water efficiency activities in line with our company strategy and regularly reports to our Sustainability Council. Our Sustainability Council, monitors and evaluates water risks, strategies, and their impact on our business objectives quarterly, prioritizing risks and opportunities in accordance with Arçelik's scoring methodology. The risks and opportunities are scored according to the financial, reputational, production, human and legal effects, and the highest score is defined as the impact point according to the methodology.

We use the World Resources Institute's (WRI) Aqueduct Water Risk Atlas and the World Wildlife Fund (WWF) Water Risk Filter to assess water risks at our worldwide locations, and analysis results are evaluated annually. Environmental risks and climate-related physical risks are considered in the evaluation criteria of new joint ventures/acquisitions added to Arçelik Global's group of companies.

PHYSICAL RISK ACTION PLAN IN RELATION TO WATER RISKS

In a potential scenario where global warming cannot be reduced to "Well-below 2°C" and eventually to "1.5°C", companies will face financial and operational risks arising from physical risks in relation to excessive global warming, which is expected to be between 2.6°C and 4°C based on the Intergovernmental Panel on Climate Change's (IPCC) Representative Concentration Pathways (RCPs). These are greenhouse gas concentration



trajectories: RCP 2.6 (Low Climate Scenario), RCP 4.5 (Moderate Climate Scenario) and RCP 8.5 (High Climate Scenario). Based on Arçelik's internal analysis, as well as using S&P's TruCost Methodology, water stress risks were determined as the most significant risks for Arçelik in terms of physical climate risks. Long-term action plans have been created according to the results of water risk analysis.

The physical risk assessments are based on the S&P Trucost Approach, which leverages Arçelik's physical risks at the asset level, as well as those of its suppliers, taking into consideration climate hazard indicators such as water stress, flood, heat waves, cold waves, hurricane, and sea-level rise, and their impact on Arçelik's operations. The Low, Moderate and High RCPs

are taken into consideration with a forecast for the 2030 and 2050 fiscal years from a 2020 baseline. According to the Trucost Physical Risk assessment, Arçelik's overall physical risk score is moderate, the main risk being water stress. India, Romania, and Turkey (Ankara and Çayırova) sites are prone to high water stress risk. Based on Trucost analysis, Arçelik's suppliers' main physical risks are also related to water stress.

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.

* 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



Water Risks Management

In 2019, as part of the International Finance Corporation's (IFC) Water Efficiency Project, we compared 17 manufacturing plants located in Turkey, Romania, Russia, South Africa, Thailand, and Pakistan according to the industry's best practices in Europe in the IFC database. With the IFC, we identified improvement areas at our manufacturing plants for water efficiency and prepared the Water Efficiency Report.

We set our 2030 water target using the outcomes of the report. Within the scope of the target, we aim to reduce water withdrawal per product by 45% in

all manufacturing plants* (excluding JVs) by 2030 compared to 2015.

Water efficiency investments needed to reach such targets have been included in our green bond framework.

The table below summarizes our operations' water stress baseline levels based on the WRI's Aqueduct Water Risk Atlas.

* The scope of the target is revised including all manufacturing plants excluding JVs.

INTERNAL WATER PRICE

To encourage investments in water infrastructure and determine the real price of water, we use the Internal Water Price. In this calculation, we have identified the water stress in the basins where we operate and completed three different scenario analyses and water stress projections for 2030 and 2040.

Water Stress Based on WRI Aqueduct Water Risk Atlas**	Water Withdrawal (m ³)	Percentage of Total Water Withdrawal	Water Discharge (m ³)	Percentage of Water Discharge	Water Consumption (m ³)	Percentage of Water Consumption	Operations
Extremely High (>80%)	427,608	30%	308,792	29%	118,816	35%	1 - HQ Office - İstanbul, Turkey 2 - Refrigerator Plant - Eskişehir, Turkey 3 - Compressor Plant - Eskişehir, Turkey 4 - Electronics Plant - Tekirdağ, Turkey 5 - Tumble Dryer Plant - Tekirdağ, Turkey 6 - Electric Motor Plant - Tekirdağ, Turkey 7 - Arctic Washing Machine Plant - Ulmi, Romania 8 - Washing Machine and Refrigerator Plant - Karachi, Pakistan 9 - Cooking Appliances and A/C Plant - Karachi, Pakistan 10 - Beko LLC Office - Russia 11 - Dawlance Private Limited Office - Pakistan
High (40-80%)	428,673	31%	393,366	37%	35,307	10%	12 - Dishwasher Plant - Ankara, Turkey 13 - Washing Machine Plant - İstanbul, Turkey 14 - Arctic Refrigerating Appliances Plant - Gaesti, Romania 15 - Refrigerating Appliances Plant - Ezakheni, South Africa 16 - Beko PLC, Beko House - UK 17 - Beko Grundig Deutschland GmbH - Germany 18 - Arçelik Pazarlama A.Ş. HQ Office - Turkey 19 - Arctic SA Office - Romania

** Water consumption data is calculated as water withdrawal amount minus water discharge amount.

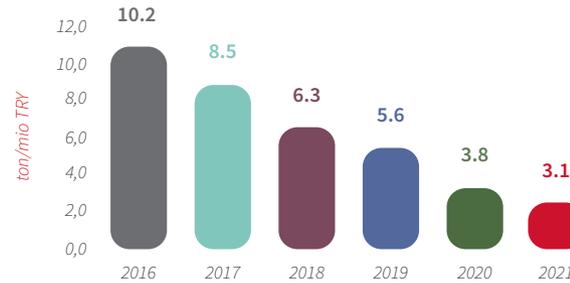
Near-Zero Waste

The near-zero waste concept aims to reduce, reuse, and recycle waste at its source, and minimize all waste where landfill and incineration without energy are applied. This minimizes any possible negative effects of waste discharged to the soil, water, and air that can negatively affect the environment. We aim to increase our waste recovery rate*, which was 96% in our production in 2021, to 99% by 2030.

To be able to reach our near zero-waste target with our integrated waste management approaches, we use resources more efficiently, prevent and reduce waste resulting from our operations, and improve the effectiveness of separating waste at the source. We send our waste for recycling and to energy recovery instead of landfill to increase our waste recovery rate. Arçelik aims to be a global role model for its industry in waste management.

We invest in technologies that consume fewer resources, reduce the amount of virgin raw materials used and minimize overall chemical consumption and waste generation by redesigning product manufacturing processes.

Waste Intensity** (ton/TRY million)



Amount of Waste by Type*** (Tons)

2021	Waste Amount (tons)	
	Hazardous Waste	Non-Hazardous Waste
Waste to Recovery	2,583	126,485
Waste to Incineration (with energy recovery)	326	1,130
Waste to Incineration (without energy recovery)	6	258
Waste to Landfill	352	4,095
Waste to Other Disposal Operations	31	633
Total	3,298	132,601
Grand Total	135,899	

* Recovered waste includes waste to recovery and waste to incineration with energy recovery in this target. Joint venture plants are not included.

** 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2018, the reporting scope was expanded to also cover all three manufacturing plants in South Africa. In 2019, the reporting scope was expanded to also cover Refrigerator Plant in Thailand. In 2020, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, but Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, the reporting scope was expanded to also cover all three manufacturing plants in Pakistan, but one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant.

*** Singer-Bangladesh, Arçelik Production and Technology A.Ş. -Manisa, joint venture plants, and subsidiaries are not included. Waste data is verified only for Arçelik Turkey (Hazardous waste amount: 2,653 tons, Non-hazardous waste amount: 93,403 tons, Total waste amount: 96,056 tons).

96% waste recovery rate in 2021.



WASTE REDUCTION PROJECTS

- At Beko LLC Refrigerator and Washing Machine Plant in Kirzhach, Russia, we reduced **0.5 tons** of oil waste and **0.4 tons** of contaminated waste with improvements made in thermoplastic machines.
- We prevented **19 tons** of powder paint waste at our Arçelik Washing Machine Plant in Çayırova, Turkey by collecting and reusing the paint waste spilled into the powder paint booth.
- At the Beko LLC Refrigerator and Washing Machine Plant in Kirzhach, Russia, we prevented **14 kg** of wastepaper with the digitalization of quality control reporting processes.
- We collaborate with a production company in the scope of industrial symbiosis, and we sold our scrap metals produced at the Defy Cooking Appliances, Dryer and Washing Machine Plant in Jacobs, South Africa to the company to be used as raw materials.
- At the Arçelik Electronics Plant in Tekirdağ, Turkey, we reused packaging waste, preventing **378 tons** of waste.
- At the Arçelik Refrigerator Plant in Eskişehir, Turkey, we prevented **102 tons** of packaging waste by reducing the thickness of the nylon bags in the material supply processes.



Environmental Management

We consider environmental management extremely important in the fight against the climate crisis and environmental pollution, and increase our investments and expenditures in this field every year.

ENVIRONMENTAL EXPENDITURES AND INVESTMENTS

In 2021, we allocated EUR 9.73 million for environmental expenditure and investment in Arçelik Turkey, Arctic Romania, Beko LLC Russia, Defy South Africa, Beko Thailand, and Dawlance Pakistan manufacturing plants. Environmental expenditure mainly includes environmental measurement and analysis cost, waste disposal and transportation cost, wastewater treatment plant expenses, the cost of employees working for the environment and energy, certification and authorization cost, consulting and training cost, and maintenance and repair costs.

Environmental expenses and investments (EUR million)	2018	2019	2020	2021
CAPEX	1.74	1.36	2.41	3.06
OPEX	3.33	5.06	4.57	6.67
TOTAL	5.07	6.42	6.98	9.73

R&D EXPENDITURE AND INVESTMENT FOR DEVELOPMENT OF ECO-FRIENDLY PRODUCTS

In 2021, we allocated EUR 22.4 million* for the research and development of eco-friendly products such as consuming less energy, water, and detergent, etc. This amount includes the investment and expenses to develop eco-friendly products in R&D.

FINANCIAL SAVING OF ENVIRONMENTAL PROJECTS

In 2021, we saved approximately EUR 420,000 with our water efficiency and waste reduction projects in all our plants in the reporting scope.

ENVIRONMENTAL TRAINING

We provide training for our employees to increase their competence and to spread sustainability across our value chain. In this context, we provide environmental training both in Turkey and in our global operations. In 2021, 20,442 employees were given 27,374 person*hours, and 922 subcontracted company employees were given 2,392 person*hours of environmental training. On the topic of social responsibility, 26 people were given 52 person*hours of training. In reporting period, we provided 29,818 person*hour environmental training in total.

COMPLIANCE WITH ENVIRONMENTAL LEGISLATION

During the reporting period, thanks to our strong legal requirements compliance management system, we had neither monetary fines nor non-monetary sanctions indicating non-compliance with environmental laws and regulations.

AIR EMISSIONS

We measure air emissions to maintain air quality, and we share our results with the relevant official institutions. We also ensure that our performance is evaluated by independent and accredited laboratories that measure the level of compliance with regulations. Emission values for all our plants fell within legal limits.

According to the latest emission analysis reports on our operations in Turkey issued by an accredited laboratory, SO₂, TOC, VOC and NO_x emissions are given below.

Air Emissions (ton/year)	2021
SO ₂	1.8
TOC	36.1
VOC	1.2
NO _x	387.5

* Investments made for production such as line investments, molding, etc. are not included.



Biodiversity

As with many other companies, Arçelik is discovering ways to measure its impact on nature and setting its own targets. Considering the journey ahead, we evaluate emerging reporting frameworks such as the [*Science Based Target Network*](#).

- Part of our Arctic Ulmi factory is near a Natura 2000 area, Lacurile de pe Valea Ilfovului, which is also a Birds Directive Special Protection Area (SPA). This means that under the National Air Quality Law 104/2011, we are required to measure PM10, NO₂ and SO₂ quarterly. This is the only production site near to the protected areas and Key Biodiversity Areas, with 431,369 m² of border area located between our production site and the protected area. Considering the proximity of the manufacturing plant to the Natura 2000 site, Arçelik has committed to creating improvement for biodiversity value of the land under company responsibility in partnership with a third-party company, EPC Consulanta de Mediu, which specializes in biodiversity protection. For further information on this commitment as well as our no-deforestation commitment, please visit [*our global website*](#).
- Trees were planted at the Dishwasher Plant Ankara, Turkey.

DAWLANCE – WWF PAKISTAN COLLABORATION

Dawlance has recently signed a Memorandum of Understanding with WWF-Pakistan to contribute to environmental sustainability. This collaboration is a part of the organization's "Dawlance for Humanity" initiative, which propagates environmental and economic sustainability, along with a better quality of life, education, and healthcare for the nation.

Under this partnership, Dawlance is carrying out a series of community development initiatives to support the SDGs, in which multiple stakeholders will be engaged in activities such as mangrove planting and corporate engagement.

As part of this, in June 2021, Dawlance planted 5,000 mangrove saplings in Pakistan. Mangroves are of crucial importance in supporting biodiversity and also play a vital role as a defense against flooding. The trees planted by Dawlance will sequester an average of 61 tons CO₂e emissions per year.

In collaboration with WWF-Pakistan, in October 2021, Dawlance initiated the plantation of 10,000 trees at Karachi University, which it is estimated will sequester an average of 227 tons of CO₂e annually.





Chemicals Management

PRODUCT RELATED CHEMICALS MANAGEMENT

At Arçelik, we care about the safe process chemical management, use, transportation, storage, and disposal of chemicals in our entire supply chain to reduce the impact of our production processes on the environment and people as much as possible. We apply certain procedures to our products in accordance with the KL-00093: "Arçelik Chemical Conformity Specification" and national chemical requirements. The procedures we apply cover issues such as supplier contribution, parts assurance, and labor. There are also EU directives and regulations such as the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which are applied during the development of part of products and during mass production.

Firstly, we expect our suppliers to understand the global regulations and directives and approve the contract of which they are a part. Within the scope of our contracts with suppliers, we also request documents as stated in the annexes of our chemical conformity specification procedure. We expect our suppliers to comply with all legal requirements from the beginning of the contract.

As a second step, when our suppliers are going to produce a new part, we require the relevant documents to be checked again to comply with the legislation. We undertake various chemical tests to check the accuracy of the reports that we receive from the supplier. After that, the compliance of parts in mass production is continuously sampled and tested by qualified staff in Arçelik laboratories using a risk-based approach method. In addition, finished products are sent to test laboratories that are certified to the ISO/IEC 17025 standard.

The global regulations relating to chemicals and chemicals in products are monitored by the central chemical management department under the Environment Department and shared with all subsidiaries (green chemistry team members) to meet customer requirements all over the world. We have made some changes in regulations as special projects to provide perfect customer satisfaction and produce eco-friendly home appliances.

Swedish tax is one of these special projects, in which we are striving hard to create non-halogenated products to take advantage of tax reduction. In 2021, we achieved

a 90% tax reduction which means there is no bromine, chlorine and additive phosphorus for 4 SKU ovens.

To enhance chemical management capability and proficiency, we have planned the following activities and ensured each activity has a high level of participation.

- Regulation and test trainings
- Q-Star audits
- Periodic workshops

An external third party has developed regulation training on ROHS, REACH, POP (Persistent Organic Pollutions), PAH (Polycyclic Aromatic Hydrocarbons), BPR (Biocidal Product Regulation), FCM and national legislation, and production-related chemical training was performed on material safety data sheets (MSDS). Q-star audits were planned and performed for all subsidiaries in Turkey and plants in other countries. Questions raised were related to chemical regulations, chemical management of newly developed products, the proficiency of those responsible and staff evaluation. Three periodic workshops were prepared, and the relevant central and green chemistry team members shared the latest news on chemicals.



Chemicals Management

PRODUCTION RELATED CHEMICALS MANAGEMENT

To indicate the important properties of the chemical needed, legal and Arçelik specification requirements have been prepared in a technical specification and shared with chemical suppliers.

Preliminary evaluations have been performed on the chemical MSDS and occupational health and safety (OHS) legislation and Arçelik A.Ş. criteria. As a specific example to manage during the evaluation phase, using toxic chemicals in Arçelik production is prohibited. In the light of information from the MSDS, we have chosen and purchased the appropriate chemicals.

Environmental specialists in our plants have carried out the investigations below, assisted if needed by the the central chemical management team:

- Transport of chemicals
- Chemicals inventory list
- Chemicals risk assessments
- Labelling and marking of chemicals
- Providing and storing MSDS
- Storage of chemicals
- Training by the chemical supplier
- Preparation of environmental and occupational accident and emergency action plans

After using chemicals, the most appropriate disposal method is chosen and applied.

Management of Banned/Restricted Chemicals in Arçelik A.Ş.

- Determination of regulations and other requirements
- Assessment of Compliance with Regulations and Other Requirements
- Assessment of Compliance in Supplied Raw Materials/ Components/Material
- Assessment of Finished Products
- Assessment of Customer Requests

CHEMICAL COMPLIANCE

The regulations and other requirements related to chemicals management issues in the scope of Arçelik A.Ş.'s activities, products and services are defined by the Environment Department. The Environment Department follows defined regulations and other requirements via various bodies (TR Official Journal, EU Official Journal, ECHA etc.). After pre-assessment, changes are shared with Green Chemistry Team members. Green Chemistry Team members announce the new developments with the related department in their plants/directorates. In addition to regulations for product-related chemicals, customer and market requests are followed and evaluated by the Environment Department and those responsible in Green Chemistry.

Green Chemistry Working Group

Regulations governing the use of chemicals in products, as well as the risks and opportunities associated with compliance with these regulations, were assessed in 2021.

Employee Training

Chemical training includes topics such as health and safety implications, hazardous chemical classification and labeling, MSDS, chemical storage, general safety rules and behaviors, environmental accidents and emergencies/emergency drills, and other OHS-related topics.

All personnel are responsible for the aforementioned general information and participate in the training. In addition to general information, those working with chemicals are informed about the rules to follow as part of the work and operating instructions. The HR officer and the relevant unit officer also participate in the training. The company, together with the environment and OHS officials and the workplace doctor, decide the information to be included in the training.



Green Financing

GREEN BOND

Arçelik has issued green bonds with a nominal value of EUR 350 million with a five-year maturity, which stands out as Turkey's first-ever corporate green bond issued in international markets. The bond was demanded more than four times greater than anticipated from investors. More than 170 investors have invested in the bond, the coupon rate of which was determined as 3.00%. Arçelik aims to use the bond to finance its Eligible Green Projects, including its energy-efficient, eco-efficient and circular economy-adapted products and the promotion of energy efficiency in production. In addition, the proceeds will fund the company's sustainable water and wastewater management, pollution prevention control, renewable energy, and green buildings initiatives.



[Click here to access Arçelik's Green Financing Framework.](#)



[For details related with Arçelik's first Green Bond Allocation and Impact Report for years 2018-21, please visit here.](#)

GREEN LOAN

Arçelik signed an eight-year loan agreement for EUR 150 million with the European Bank of Reconstruction and Development (EBRD), one of the most important green finance providers. The first EUR 83 million tranche of the loan is structured in line with the Green Loan Principles of the Loan Market Association (LMA) and is the first externally verified green loan to Turkish manufacturing. Arçelik plans to implement important projects to achieve net-zero emissions in the value chain by 2050 by financing environmental sustainability and R&D projects in its manufacturers within the framework of the provided green credit.

Our green bond will help reinforce Arçelik's ESG credentials; and enable us further strengthen our sustainability agenda.

€350 mn

GREEN BOND

+175

INVESTORS

5 year

MATURITY

€1.6 bn

DEMAND

3%

INTEREST PER ANNUM

0.5

IMPROVEMENT ON INITIAL
PRICE TARGET (IPT)



Product Stewardship

Arçelik innovates products and services to reach a closed circular economy by increasing products' recyclability rates, the usage of recycled content in products and their packaging, reusing products and parts, eliminating potentially harmful substances, and by properly managing the end-of-life processes including take-back and recycling. We extend product life through increasing the durability, reparability, and reusability of our products and alternative end-of-life stages to contribute to a circular economy.

PRODUCT DESIGN AND RAW MATERIAL SELECTION:

- Eco design criteria
- Focus on energy and water efficiency in design
- LCA studies on main product groups: most impact on the use phase of products
- Material reduction
- Recycled and recyclable materials: collaboration with suppliers
- Focus on ease of disassembly, repair, durability, and recyclability
- Reliability projects for selected components
- Reliability Day with focus on increasing durability
- Focus on aesthetics and quality
- Product safety
- Product modularity

TAKE BACK AND RECYCLING:

- Two WEEE recycling facilities in Turkey: recycling of approximately 1.6 million products since 2014
- Take-back programs in other countries
- Closed loop production: use of materials back in Arçelik products

REPAIR AND REMANUFACTURING:

- Extensive repair network
- Repairability Index working groups for major appliances
- Repairability manuals for end users in customer care websites
- Connected products: synchronization with service technicians via digital tools to reduce service call rates
- Customer Excellence Project: end-to-end customer experience
- French Repairability Index
- Remanufacturing sites at production facilities to give second life to products: sale of refurbished products

PRODUCT MANUFACTURING:

- Energy and water efficiency: reduction KPIs per product produced
- Water reuse and recycling
- Rainwater harvesting
- Waste reduction and recycling
- Renewable energy for heating, cooling, electricity
- Industry 4.0 manufacturing technologies
- Health and safety specific projects using AI and collaboration with start-ups and suppliers

PRODUCT PACKAGING:

- Reduce packaging weight
- Eliminate EPS 100% or with hybrid solutions
- Use recycled and recyclable packaging material alternatives

PRODUCT USE PHASE:

- Reduce energy consumption during lifetime of the product: Science Based Targets with use phase of sold products
- Increasing awareness among consumers and influence their product choices for more efficient products
- Warranty extension





Product Stewardship

PRODUCT DESIGN AND RAW MATERIAL SELECTION



We invest in diverting from a linear economy to a circular model. Circular design principles are applied to reach a circular and net-zero carbon emission economy. In the product design phase, intensive work is carried out to produce energy- and water-efficient products. Considering the EU Green Deal and its regulations, studies are also carried out on the reparability and modularity of the products. We employ new technologies and solutions that use natural resources responsibly during production and develop products that include more recycled and alternative raw materials, with a high recyclability rate.

RECYCLED AND BIO-COMPOSITE MATERIAL IN PRODUCTS

Our circular economy initiatives are focused on minimizing raw material usage as well as increasing sustainable materials usage in all product ranges. In 2019, we set our target to increase recycled plastic content to 40% and bio-based material content to 5% by 2030. In addition, we became a signatory of the Business Plastic Initiative (IPG) as of March 2021. As such, we have set our 2023 commitments to minimize consumption of plastics. To achieve our goal, we have started the Recycled Content Project at our production facilities worldwide. Arçelik R&D develops high-performance and eco-friendly recycled plastic formulations to replace their virgin counterparts without sacrificing the durability of the products. Our holistic approach takes almost

all the plastics in our products into consideration to maximize the plastic recycled content. A total of 7,216 tons of recycled plastics and 34 tons of bio-composite plastics were used in 2021. Examples of our projects with recycled and bio-composite material are shown below:

Recycled PET bottles in washing machines, washer-dryer, tumble dryers, dishwashers, and air conditioners

Starting this project in 2017, we developed the "Leopet" raw material patented by Arçelik by using recycled waste PET bottles to show how waste material can be transformed into a valuable alternative raw material. In 2021, we used approximately 50.5 million recycled PET bottles in washing machines and washer-dryer tubs. A new formulation has been developed by Arçelik's R&D department and serial production of these raw materials was started for tumble dryers in 2021. In 2019, we began a collaboration with Arçelik-LG to expand the use of Leopet raw material in air-conditioners. We used approximately 4.8 million recycled PET bottles for this in 2021. From 2017 until the end of 2021, approximately 114.2 million PET bottles have been used in Arçelik's washing machines, washer-dryer, tumble dryers, dishwashers, and air conditioners.

Recycled waste fishnets and industrial thread in the oven, dishwasher and washing machines

Arçelik recycles waste fishnets and industrial thread in an innovative way and uses them in different parts of its product groups in order to prevent the damage to the ecosystem caused by ghost fishing nets left in the seas

and oceans. In 2021, 9 tons of recycled waste fishing net and 233.6 tons of recycled industrial thread were used in the plastic parts of the oven, dishwashers and washing machines.



Recycled plastics obtained from Arçelik's WEEE recycling plants

Waste Electrical and Electronic Equipment (WEEE) Recycling Plants play a key role in developing circular economy solutions. In this project, we separate, recycle, and granulate plastic parts of waste dishwashers, which are sent to our WEEE recycling plants and used as recycled polypropylene materials in the fan parts of our dishwashers. The chemical formulation of recycled polypropylene has been developed by Arçelik's R&D department. In 2021, fan parts of dishwashers were produced by recycling approximately 568 dishwasher baskets obtained from WEEE recycling plants.



Product Stewardship

Recycled plastic produced by the recycling of Arçelik's Packaging Waste

We recycle polyethylene-based packaging waste generated during the transportation of components in our Refrigerator and Dishwasher Plants. In 2021, 79 tons of PE packaging waste were used in dishwashers and refrigerator components.



Eco-Sustain

The Eco-Sustain Project promotes the use of recycled polypropylene (PP), recycled polyethylene (PE), and recycled polyamide (PA), high performance recycled plastic materials in different product groups and components such as detergent drawers and pump filters in washing machines, bottom chassis in

tumble dryers, refrigerator components, Bluetooth speakers, and kitchen products.

To reach our 2030 target, we are working on increasing recycled plastic content in our products. Accordingly, recycled plastic content has increased from 31% to 52% in Atak vacuum cleaners compared to 2020 and approved as 42% in Jaguar vacuum cleaners. A Jam Earth Bluetooth speaker, with a body made from 100% recycled plastic body, has been released into the Turkish, German, French, and Spanish markets in 2021. As a result of these studies, we used 263 tons of recycled plastics in vacuum cleaners, Bluetooth speakers, and kitchen products and 6,128 tons of recycled plastics in our major domestic appliance (MDA) product range.

BioFridge

Arçelik reduces the amount of petroleum-based plastic used in products by reusing organic materials and integrating them into traditional plastics. The BioFridge is made using both biobased polyurethane insulation material (Bio-Cool) and bio-composite raw materials that contain organic material such as soy and castor oil. The egg trays are made of 20% eggshell waste and 80% bio-based plastics made from organic resources



FiberCatcher - World's first washing machine with integrated Microfiber Filtration Technology

Microfiber filtration technology has been developed to prevent microplastics from entering the seas and oceans from wastewater pipes during the washing of petroleum-based textile products in washing machines. FiberCatcher-powered washing machines include the world's first integrated synthetic microfiber filtering system, which catches up to 90% of synthetic fibers released during synthetic wash cycles, helping to protect marine life. Developed within the scope of FiberCatcher technology, this filter itself is made using 98% recycled plastic and contains up to 60 recycled PET bottles in its tubs. In line with our open innovation and multi-stakeholder approach, we strive to work together with different industries, NGOs, universities, and other stakeholders in and outside of the sector to develop this technology further. This product has been launched in August 2021 in the UK.

such as corn starch and sugarcane, and the fan cover is produced with 100% bio-based plastics. The door seal material is also partly made of soybean oil. The CO₂ emission per unit produced is reduced by 6 kg given biomaterial's 80% lower carbon footprint compared to traditional petroleum-based materials.

BioComposite Materials in small domestic appliances (SDAs)

We took our upcycling efforts one step further and produced SDAs with bio-composite materials. We used coffee grounds in coffee machines and tea fibers in Newline tea makers. These innovative and eco-friendly products have been released into the market in 2021.



Product Stewardship

RECYCLABILITY OF PRODUCTS

We design recyclable products to reduce environmental impact and share product recyclability rates.

Recyclability Rates of Raw Materials and Other Materials Used in Arçelik Products

Material	Status
Metal	100%
Plastic	100%
Glass	100%
Chemicals*	Non-recyclable
Rubber	100%
Others	81%
Components	80%

* Chemicals do not include oils. 78% of oils can be recycled.

Arçelik Products' Recyclability Rates

Product	Status
Washing Machine	99%
Condenser Tumbler Dryers	98%
Refrigerators	99%
Dishwashers	84%
Electronic Devices	88-92%
Ovens	91%

LONGEVITY/DURABILITY

We support the circular business model by designing long-lasting products. We design reliability tests in collaboration with universities, research and testing institutions and taking into account user feedback. We are developing methods by which we can measure the durability of major and small domestic appliances with accelerated and forced failure tests. In this way, we offer long-lasting and high-quality products to the market. In addition to the tests designed on the product and considering the usage conditions, reliability tests are also applied for the most critical components, as we aim to increase the durability of the components required for the product to maintain its functionality. In this way, costly breakdowns and the risk of product obsolescence are eliminated. Also, we have started testing method evaluation studies on how we can measure the durability of our products. New test centers are being established to support all these studies.

With the entry into force of the EN 45552 durability standard, we created the Durability Platform within the scope of our in-house Sustainability Strategies. We evaluate business results across the company with periodic review and activities at C-suite executive.

Reliability Day

As part of our in-house event, Reliability Day, we share the work carried out on product quality and safety. We aim to ensure safe design and production by transferring new technical knowledge throughout the company. By creating a product safety culture, we reduce product and service error rates. At the Reliability Day held every year, in 2021.

 [For more information on this topic, see Product Safety Management Section of this report.](#)

Modular Design

A modular design allows customers to create new designs simply by replacing components without having to replace the entire product, thereby reducing unnecessary resource waste. In that regard, we are working on a cross-functional modularity project involving a variety of product groups, from washing machines to TVs. The project aims to increase the common components used, thereby decreasing the complexities in the products. This modular design approach also serves circularity by allowing upgrading of certain components during end of life. The modular component testing process does not differ from any classical testing process. However, as the modularity percentage of the components used increases within product groups, it saves time as the level of testing required to enable robustness decreases due to commonality in the platforms. It also decreases inventory levels and increases serviceability of the spare parts.



Product Stewardship

ENVIRONMENTAL IMPACTS OF PRODUCTS – LIFE CYCLE ASSESSMENT

In line with our sustainability approach and commitment to protect the environment, we work to minimize the environmental impacts of our products throughout their lifecycle through new-generation practices, and to reduce our environmental footprint by effectively managing all stages of our value chain. In line with this principle, we began conducting life cycle assessment (LCA) studies for our products and have so far completed studies for our washing machine, refrigerator, dishwasher, oven, and tumble dryer. We analysed the impact of our products by evaluating them through 11 environmental impact categories* during their lifetime.

In Arçelik, all environmental impacts through life cycle of a product are taken into consideration and we develop a lot of projects in all life cycle stages of our products to minimize our environmental footprint. According to the LCA results, use phase has the largest impact in almost all environmental impact categories during our products' life cycles. The global warming potential of our products are shown in the table below.

** 11 major environmental impact categories: Global warming potential, abiotic depletion, abiotic depletion (fossil fuels), ozone layer depletion (ODP), human toxicity, freshwater aquatic ecotoxicity, marine aquatic ecotoxicity, terrestrial ecotoxicity, photochemical oxidation, acidification and eutrophication*

PRODUCT MANUFACTURING



We create sustainable products by prioritizing low-carbon production and digital transformation. We produce in our factories that put energy and resource efficiency as well as digital transformation at the center. Two Arçelik production facilities – the Arctic 4.0 Ulmi Washing Machine Factory and the Eskişehir Refrigerator Factory – are included in the WEF Global Lighthouse Factory Network.

Life Cycle Assessment Phases – Global Warming Potential (GWP) Results

Product	Raw Material Extraction and Transportation	Manufacturing	Product Transportation	Use Phase	End of Life
Washing Machine	12%	0.21%	0.17%	87%	0.9%
Refrigerator	19%	0.07%	0.18%	80%	0.9%
Dishwasher	7%	0.07%	0.13%	92%	0.7%
Oven	21%	0.44%	0.25%	77%	1.3%
Tumble Dryer	13%	0.10%	0.08%	86%	0.7%

[For our Product Quality and Safety studies, please visit the Customer Care Section.](#)



Product Stewardship

PRODUCT PACKAGING



At Arçelik, we focus on three main areas in our sustainable packaging efforts:

- Reducing packaging volume and weight to generate minimum waste
- Reuse and recycling projects
- Selection of easily recyclable and sustainable materials in packaging and increasing the recycled material content

Sustainable transition of our packaging:

Products*	Area of Usage	Material	Sustainable Material Alternatives
Refrigerators, Dishwashers, Tumble Dryers, Cooking Appliances, TVs, Small Domestic Appliances and Consumer Electronics Categories	Outer Box	Cardboard	Recycled cardboard
Compressor, Hobs, Hoods, Small Domestic Appliances and Consumer Electronics Categories	Styrofoam	Expanded Polystyrene (EPS)	Recycled cardboard or Pulp mold
Cooking Appliances, Refrigerators, Washing Machines, Tumble Dryers, TVs and Turkish Coffee Makers	Accessory Bag	Different Plastic Types	Recycled Plastic or Paper
Refrigerators, TVs and Turkish Coffee Makers	Product Bag	Different Plastic Types	Recycled Plastic
Cooking Appliances, Refrigerators, Washing Machines, Tumble Dryers and Dishwashers	Strip, Shrink Film	Different Plastic Types	Recycled Plastic

* Serial production have been initiated

IN 2021, WE CARRIED OUT PROJECTS TO USE ENVIRONMENTALLY FRIENDLY PRODUCT PACKAGING:

We saved approximately 540,610 trees from being cut down by using 31,800 tons of recycled cardboard for products packaging globally.



We used approximately 40 tons of recycled plastic in accessory and product bags, and the project to expand it to all product groups is ongoing.

In line with our agile management approach, we are working towards replacing Expanded Polystyrene (EPS) with sustainable materials in all categories of large and small household appliances. In 2021, we used 324 tons of 100% recycled and recyclable cardboard and 40 tons of molded pulp instead of EPS in the cooker, hood, small domestic appliances, and consumer electronics categories. To eliminate EPS with sustainable material options, our work continues in all our global factory networks, together with the central control of the sustainability and R&D team.



We used approximately 28 million recycled PET bottles in the major domestic appliance product packaging strips.



Product Stewardship

PRODUCT USE PHASE



We focus on decreasing the overall energy and water use of our products, helping our customers ensure financial savings while reducing energy, water consumption and GHG emissions. We engage with our customers and raise their awareness through advertisements, documentaries, and publications related to water and energy efficiency. In this way, we support customers in making more sustainable choices. In 2021, 51.6% of our turnover was from our energy-efficient products. While increasing our revenue from eco-friendly products, we also aim to improve product performance on a yearly basis. In 2021, we improved the average energy consumption of washing machine products in Turkey by 20%, and tumble dryer, refrigerators, and dishwashers by 4%, 3.5%, and 1%, respectively, compared to 2020.

	2018	2019	2020	2021
Percentage of our turnover from Energy-Efficient Product	53	48	50	51.6
Percentage of Energy-Efficient Products*	52	53	57	66

* Calculations are based on the following formula: $(\text{Total energy-efficient eight product categories' sales quantity} / \text{Total eight product categories' sales quantity}) \times 100$
8 product categories: Dryer, Dishwasher, Freezer & Refrigerator, AC, Oven, TV, Washer Dryer, Washing Machine



Some examples of our energy or/and water efficient products that realised market in 2021 are given below:

DISHWASHERS

InterAct

InterAct, which has advanced technology that automatically selects the most suitable/ preferred programs and functions, providing users with unique solutions in terms of both water and energy savings by enabling optimization in program selection. This provides a more effective dishwasher experience with a single button and eliminates unnecessary consumption caused by choosing the wrong program.

SelfDry

SelfDry aims to increase the drying performance in the dishwasher to high levels without consuming energy. The product, which enables the door to open automatically near the completion of the program, helps natural air circulation by allowing moist air to be expelled and fresh air to be drawn inside, thereby saving energy.

'A' Energy Class Dishwasher

With the use of heat pump technology, a dishwasher with an 'A' energy class rating, the highest level in the energy label, has been launched. 'A' energy class dishwashers consume around 47% less energy compared to dishwashers with an 'F' energy class rating.



Product Stewardship

WASHING MACHINE & WASHER DRYER

AquaTech

AquaTech™ technology avoids long and high programs that wear out clothes and increase energy consumption. A special blade sensing system with water jets in the drum sprays the detergent-water mixture directly on the laundry. Thus, the laundry is cleaned with the power of water instead of the drum rotation movement. AquaTech™ Plus washing machines consume 10% less energy than 'A' energy class machines.



AutoProgram

AutoProgram automatically adjusts the most suitable program by understanding the fabric type of the laundry, the amount of soiling and the load rate of the machine with the help of sensors, preventing unnecessary water consumption.



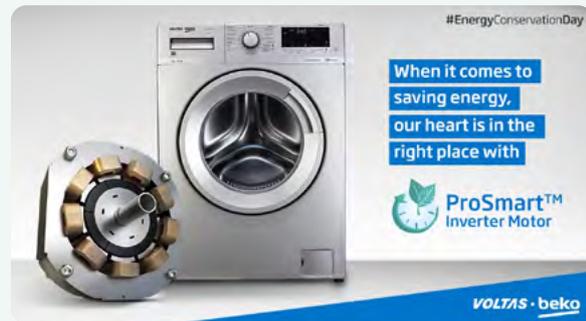
Cool Care

Thanks to DuoSpray technology and ProSmart Inverter motor, the Cool Care program which provides washing at 20°C, provides 75% energy savings compared to cotton washing at 40°C without sacrificing washing performance.



Inverter Eco Motor

ProSmart™ Inverter motors offer greater efficiency and energy saving. The technology provides a much quieter user experience at low noise levels, while decreasing energy consumption, and is long-lasting.



TUMBLE DRYER

IronFinish

IronFinish technology eliminates the need for ironing clothes by creating the right amount of steam and optimizing air circulation in the washing machine drum. This makes the clothes "ready to wear" by removing wrinkles in the drying process, thereby reducing or eliminating the energy consumption caused by ironing.



Energy Efficient Products – Tumble Dryer

A dryer in the 'A+++' energy class consumes 69% less energy compared to one in the 'C' energy class.

Advanced Heat Pump Technology (EcoGentle™ Technology)

Dryers with heat pump technology with an 'A+++' class rating save 69% energy compared to 'C' class products and enable drying at lower temperatures. In addition to consuming less energy, this contribute to sustainability by extending the life of clothes.



Product Stewardship

REFRIGERATOR

Energy Efficient Refrigerators

In 60 cm Nofrost Combi refrigerators, high energy-efficient products in the 'C' energy class consume 49% less energy compared to 'F' energy class products.



HOOD

Inverter Motor

The motor technology in Inclined and T-type hoods is designed to be quieter and longer-lasting, as well as being more energy-efficient.

TELEVISION

Eco Remote Controller

Eco Control is produced from 100% recycled plastic and offers the user the opportunity to easily select eco settings that minimize energy consumption.



Ambient Light Sensor

A light sensor detects the ambient light, automatically adjusting the TV's screen brightness to the appropriate level and reducing energy consumption by up to 10%.

OVEN

Energy Efficient Ovens

All new ovens consist of 'A' and 'A+' energy class products. 'A+' energy class ovens consume 14% less energy than those in the 'A' energy class.

Divide & Cook

Divide & Cook includes a separator plate enabling users to save energy by using only the upper or lower compartments.

Other Eco-Friendly Technologies:

DISHWASHERS

AutoDose

AutoDose is a technology that automatically dispenses the right amount of detergent according to program selection and the level of soiling, resulting in up to 28%* less detergent used each wash.

**For lightly soiled dishes and gel detergent usage*

MaxiDry

MaxiDry maximizes the drying performance, eliminating water droplets and wetness on glass dishes, cutlery, pots, and plastic dishes, without using any chemical additives such as rinse aid.

WASHING MACHINE & WASHER DRYER

AutoDose

AutoDose technology automatically uses the right amount of detergent and softener according to the type of laundry and load amount, saving water, energy, and detergent. As a result, the user can continue without refilling the detergent dispenser for up to 20 washing cycles.



Product Stewardship

REFRIGERATOR

FullFresh+

Moisture and water loss are among the main reasons for shortened storage life of fruits and vegetables, which can lead to food waste. Developed as a solution to this problem, FullFresh+® maintains the humidity level up to 90% thanks to its air channels and prevents the formation of water drops thanks to its perforated ceiling. This enables vegetables and fruit to retain freshness for up to three times as long with a resulting reduction in food waste.

MultiZone

MultiZone technology enables users to save space and energy by changing the refrigerator freezer compartment storage temperatures as they wish. For example, users can close the refrigerator according to their needs and keep only the freezer section in either cooler or freezer mode, thereby saving energy and money.

HarvestFresh

HarvestFresh periodically and homogeneously applies the three main colors, blue, green, and red, that plants need to create a natural living space in the crisper.

In this way, the levels of vitamins A and C are maintained for a longer period of time, extending the food's nutritional value for longer.



Aeroflow

Aeroflow technology keeps the temperature fluctuation at a minimum level in the entire refrigerator, keeping the food fresh for 30% longer and provides 20% reduction in weight loss*, thus minimizing food waste.

** Weight loss and sensory evaluation tests based on the parameter "overall acceptability", used for the determination of the shelf life, were conducted by Intertek on carrot, fresh-cut iceberg, fresh-cut tomato, strawberry, salami and kashar cheese samples stored in the AeroFresh refrigerator and control refrigerator (without the AeroFresh technology) for a 12-day period. The results were evaluated by comparing samples stored on the bottom front shelf of refrigerators.*



Product Stewardship

REPAIR AND REMANUFACTURING



REPAIRABILITY

To serve the circular economy concept, Arçelik has established a solid and user-friendly system that increases the repairability of products such as washing machines/washer dryers, refrigerators, dishwashers, and televisions. Thanks to this system, which was implemented in 2021 in accordance with eco-design regulations, we provide defined spare parts and related instructions to our customers online.

Our system, which is available in 24 languages, eliminates our customers' access and replacement problems regarding spare parts by removing the need to call a service agency for minor interventions and parts. The system is accessed via our website

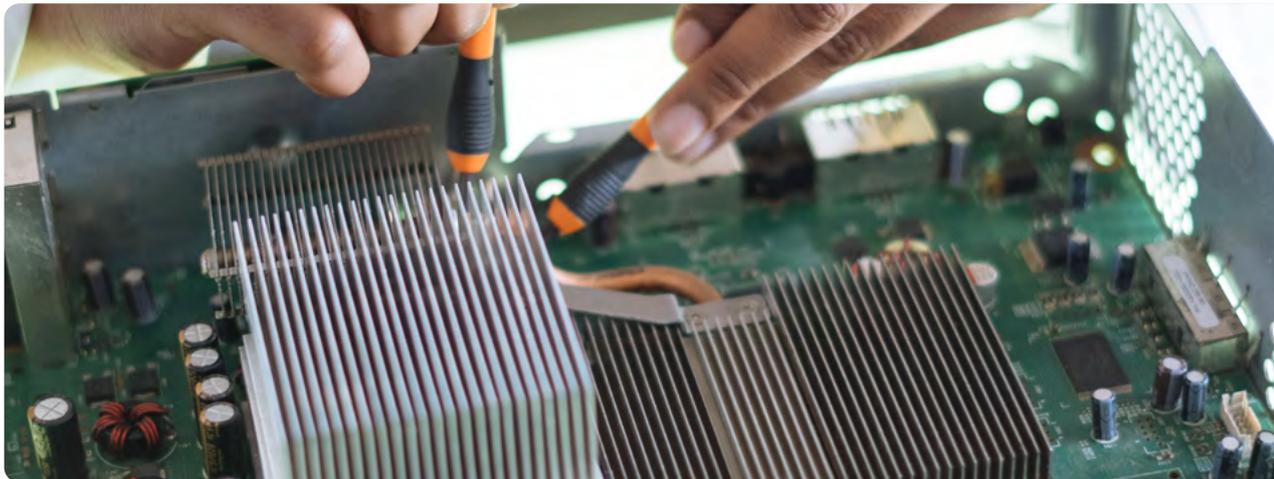
and includes 75 country brand pairs in 33 European countries, including Turkey. In addition, we provide private label and original equipment manufacturer customers access to the system so that they can benefit from all necessary service documents and spare parts.

The Circular Economy Action Plan has made it mandatory to provide repairability information under the repairability index of electrical and electronic products. In January 2021, France became the first country in Europe to apply a Repairability Index for five categories of electronic devices. The index aims to provide consumers with transparent and reliable information about product content and encourages consumers to make more informed and sustainable choices while guiding manufacturers to offer more circular products. It covers five categories – smartphones, laptops, washing machines, TVs, and lawnmowers – with top-loading

washing machines, vacuum cleaners (cordless, corded, and robot), dishwashers and high-pressure cleaners to be added by the end of 2022. The Index evaluates products with documentation, disassembly, availability of spare parts, price of spare parts and product-specific aspects such as usage-meter and software reset. The product's final score out of 10 is then presented with a pictogram showing the level of repairability of the product and displayed to the consumer in-store and online.

At Arçelik, we immediately took the necessary improvement actions to reach higher repairability levels scores. In 2021, we introduced a usage-meter, which has an effect of 1 point out of 10, for washing machine products and we are on track to integrate this into dishwasher products before the index publication date. With these improvements, we aim to be among the top three brands in the Repairability Index in the French market.

It is essential to be in line with the declared calculation table to avoid penalties, but we are sensitive to published documents that may cause safety risks. We completed the transition to the repairability index of our Beko washing machines in France and launched them on the market in early 2021. We distribute our spare parts to our major distributors from our headquarters in Rouen, France. We have 90 approved technical stations to support our customers and their built-in appliances.



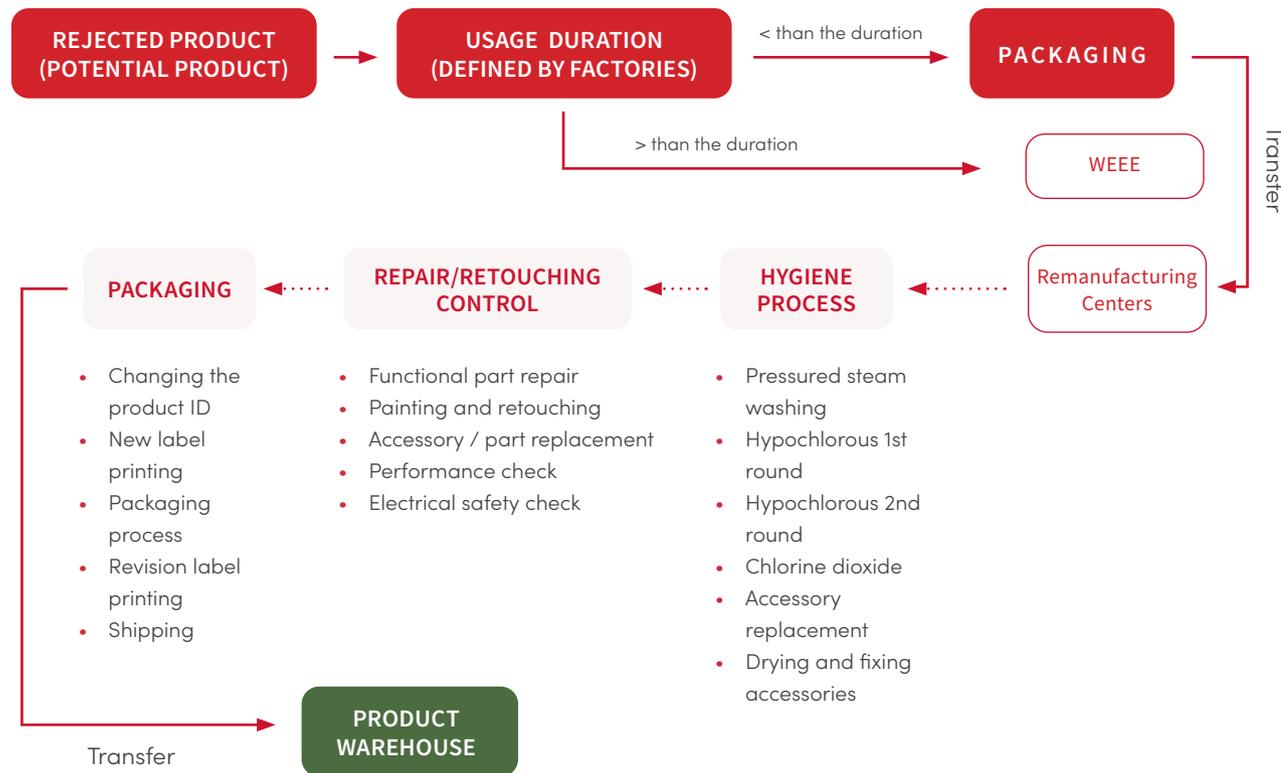


Product Stewardship

REMANUFACTURING

To encourage reuse and resource efficiency, remanufacturing centers have been available at our Turkey plants since 1997. Refurbished products refer to, the products that have been used for a certain period at the customer which is defined by the factories, products with cosmetic defects displayed in dealer stores or

products that have been damaged in logistic process. Such products are reprocessed and resold to the consumer at a reasonable price. With part replacements and comprehensive performance tests, product quality and performance features are brought to the same level as the new product. In 2021, almost 53,000 product are refurbished.



END OF LIFE RESPONSIBILITY



We established two Waste Electrical and Electronic Equipment (WEEE) Recycling Plants in Turkey in 2014. Through our extensive network of authorized dealers and service shops, we collect old products from the market, regardless of brand, and replace them with new, energy-efficient items. The products collected from the market are then recycled in these plants: refrigerators at the Eskişehir plant, and other white goods and SDAs at the Bolu plant.

Since 2014, we have recycled roughly 1.6 million WEEE units in our WEEE recycling plants. We saved 397 GWh of energy between 2014 and 2021 by replacing old, high-energy-consuming products with new, energy-efficient products. This is equivalent to the daily electricity consumption of about 50 million Turkish households. This quantity is also equal to the annual energy production of 64 wind turbines with a capacity of 2.5 MW each. In addition, by recycling waste products, we have prevented about 195,000 tons of CO₂ emissions. In terms of water, we saved approximately 8.1 million tons of water by replacing old-tech products with new eco-friendly ones. This quantity is equivalent to nearly 10 million Turkish households' daily water consumption.



Sustainable Supply Chain

Arçelik's GHG emissions 99% stem from its Scope 3 emissions while 87% of Scope 3 emissions come from use of sold products category.

 [For further information on Arçelik's progress on Scope 3 emissions, please see Annex 4, Energy Efficient Product in the Product Stewardship section, GHG Emissions in the Supply Chain below.](#)

GHG EMISSIONS IN THE SUPPLY CHAIN

Almost 10% of Arçelik's GHG emissions comes from emissions in the supply chain, including purchased goods and services as well as logistics.

We cooperate with suppliers from different sectors to minimize our environmental impact by reducing waste generation and increasing energy efficiency.

We have been collecting environmental data including Scope 1–2 GHG emissions, waste, water, energy efficiency, and renewable energy from our direct material and OEM suppliers. We have plans to integrate logistics suppliers into the data collection process.

As explained in detail, we intend to help our suppliers set environmental targets and track progress as part of our journey to becoming a Net-Zero company. There have been significant improvements in logistics emissions thanks to numerous actions in 2021.

ARÇELIK GREEN RAIL PROJECT

A project initiated at the beginning of 2021 with focused on increasing railway usage instead of highway transportation for international exports, imports, and domestic transport to ports. In 2021, transportation from ports to warehouses within Turkey was also made using railways.

Internationally, we continue to use railway distribution via Trieste, direct railway from Halkalı or by intermodal transportation with the Pendik RO-RO+ railway. Forty-foot containers were transported to Trieste port by seaway via the service from Sapiport, then distributed by railway to different European countries.

In addition, railway usage in all inland transport in Turkey increased by 149% compared to 2020, with more than 1,400 containers transported by rail in 2021. We continually evaluate the railway alternatives in all our Turkish locations where railway infrastructure is available. In 2022, our target is to increase the number of containers transported by railway and to expand the use of railways to different locations. In addition to railway utilization, the usage of maritime transportation for exports increased to 89% in 2021.

We achieved our internal carbon emission reduction target of 3,200 tons of CO₂e for 2021 by reducing emissions by 5,823 tons of CO₂e thanks to increasing railway and maritime logistics.





Sustainable Supply Chain

SUSTAINABLE SUPPLY CHAIN PROJECTS DURING 2021

In 2021, 141 tons of CO₂e greenhouse gas emissions were prevented by raising the through freight rates for the route from finished product storages to domestic storages. The pallets and cardboards left from the materials supplied by the facilities from abroad were used, thereby avoiding the cutting of 1,435 trees in return for 43 tons of paper and 184 tons of pallets.

Arçelik increased the seaway usage rate for international shipping operations to 89% in 2021 and set the target for 2022 as 90%. As part of this, the company attaches priority to railway transport as well. It aims to boost the railway usage rate in 2022. For transportation from storages to Turkish ports, the use of railways began as an alternative to the use of highways. Thus, cost advantage was obtained in domestic shipments and an environmental contribution was made with low-emission transport.

STORM

With the STORM project, it is aimed to simplify and digitize processes that differ for each country, including forecasting, order tracking, confirmation of opportunity confirmations, logistics organization planning, and transportation management. Within the scope of the STORM project, targets were set for end-to-end monitoring of the supply chain, rapid response to the customer, expanding the scope of the promised period, and protecting commitments. The STORM project started with 3 subsidiaries selected as pilots in October 2020 and was completed in April 2021 with live transitions of all subsidiaries and direct sales regions. The expansion project for the Romanian Arctic was

started in July 2021, and the live transition is planned for January 2022.

Robotic Process Automation (RPA)

Robotic process automation has been started to be used in supply chain order management and logistics processes as a result of workshops and analyses. In line with the needs of the business units and the analyses made, robotic process automation is started in areas where opportunities are found. In 2021, RPA efforts carried out with local supply chain units on a global scale gained momentum. Automation efforts were completed in many foreign subsidiaries, primarily in countries with a large export volume. Mainly, the steps of recording sales orders and goods receipt transactions have been taken live. In the continuation of these efforts, it is aimed to partially benefit from RPA for automation efforts that will support the processes. Logistics and import processes of deep freezers brought by land from the Romanian Arctic Refrigerator Factory in 2020 were included in the RPA project, and the second robot was commissioned in 2021. In the SAP Shipping Management module, the stages of submitting work orders and sending instructions to the customs and the transporter were started to be carried out with robotic process automation, zero touch from end to end. Within the scope of the project, the operational workload was minimized for more than 1,500 shipments per year.

Container Status Tracking

Within the scope of the supply chain logistics visibility project, a collaboration was established with the supplier company that provides traceability for almost all of

the contracted lines to track container locations. As of August 2021, traceability of export and import maritime transports originating from Turkey has been ensured, including the waiting times at the transit and destination ports as of the ship's departure. Container statuses of orders can be reported collectively to Arçelik subsidiaries and businesses via the reporting platform. Efforts are underway to improve the existing semi-automatic system with integration and provide visibility from a single platform.

Digitalization Efforts in Import

In 2021, Phase II studies of the existing integration between the SAP system used in logistics and import processes and the programs where customs declaration transactions are followed were completed. Customs clearance receipts (91,000 per year) are automatically issued, which ensures that the imported materials are deducted from the customs stocks. By integrating the SAP Transport Management system and the ERP program, manually prepared import insurance policies (30,000 per year) are also prepared automatically. A transition to telex/seaway bill of lading was provided instead of the original bill of lading, one of the main documents used in imports, and transactions were started to be followed without paper.

Automation of Customs Declaration and Tax Rolls

Instead of manually logging in the information on the declaration and tax receipt into the SAP program for the recognition of customs declarations, information entry processes have been digitized and automated to eliminate errors and accelerate the process. The



Sustainable Supply Chain

integration of the SAP program and the Evolution system, which is used for customs declaration issuing, was completed and accounting records were created automatically.

CENTRALIZATION OF WAREHOUSES

Arçelik combines its existing warehouses under the roof of larger central warehouses to effectively meet the increasing logistics needs of its globally expanding field of activity and establishes new warehouses in regions with increasing transaction volume. The synergy created by the centralization of warehouses raises the service level and increases operational efficiency.

Defy - Danskrál Project

As a result of detailed business analysis and center of gravity studies in the South African region, the products stocked in 21 different warehouses in the same region were gathered under one roof, together with the new warehouse built in June 2021 in the city of Ladysmith. All shipments from the Ezakheni factory started to be made from Danskrál as of June. With the completion of the Danskrál project, the loading capacity and service level increased, and operational efficiency in goods entry/exit processes increased thanks to the synergy gained by gathering stocks in a single warehouse.

Coordinated with the Danskrál project, the 3PL application was completed and a single subcontractor was used in all storage processes. With the Defy SAP program, 3PL, WMS system integration was completed, and all operations including goods acceptance, goods exit, stock management, transfers between factory and

warehouse were managed by the 3PL company.

Beko - France

The central warehouse in Marennes was moved to a 15% larger warehouse in Saint-Quentin- Fallavier, which is close to the region, and the partial volume of 4 additional warehouses in the region was combined in one location. Although the process of moving to the new warehouse started at the end of 2020, it was completed in March 2021 as a result of the lockdowns due to the effect of the pandemic.

Beko - Thailand

To meet the increasing capacity need and to combine the products in 4 different warehouses under the management of a single warehouse, additional space was rented on the existing campus. With the consolidation of the warehouses the ramp and area capacities have been increased and the cost of security personnel has been saved. With the synergy brought about by warehouse consolidation, efficiency increases were achieved in operational processes and warehouse usage.

Beko Grundig - Switzerland

As a result of the feasibility studies performed in 2019, new storage was established in Dintikon district, Switzerland. Infrastructure efforts are carried out in cooperation with the distribution partner to maintain the service level in parallel with the increase in demand.

Beko - Central Asia

The Beko Central Asia subsidiary, which was established

to provide better service to the developing market and customer demand in the Central Asian region, provides service with its newly established product distribution warehouse in the region.

Lighting Automation Project

Arçelik has started a new lighting automation project to decrease energy consumption caused in warehouses. With the system's sensibility options, the lights turn off automatically if there is any forklift or field workers movement is detected in the area. During 2021, the lighting automation system was implemented to 6 warehouses and it is expected to save 20% energy in upcoming years. In the last quarter of 2021, 34,500 kWh energy was saved compared to the old system.

EXDOC Automation and Development

With the new developed in-house system, it is aimed to decrease paper usage of trade documents. The first phase of the project was completed in 2021 and sets of documents can be taken as PDFs which was not possible before. In addition, for the subsidiaries who do not require original document, the documents can now be shared via e-mail which results in zero printouts. With the reduction 100,000 pieces of paper; 12 trees, and 2,895 kWh energy were saved.

Freestanding and Built-in 4 Floor Transport

Thanks to the handling efficiency project in Warehouses more white goods can be transported at once, reduction number of trips and fuel consumption. Thus, 25% handling efficiency achieved which is equal to 5 tons of GHG emissions.



FOR SOCIALLY JUST
AND SUSTAINABLE
SOCIETY!



ACCORDING TO THE NEW CLIMATE
ECONOMY REPORT, BOLD CLIMATE
ACTION COULD YIELD A DIRECT
ECONOMIC GAIN OF USD 26 TRILLION
THROUGH TO 2030.



In Touch with Human Needs



We focus on improving people's lives. We design smart technologies inspired by the future and respond to society's needs. We enlarge our impact area by developing innovative products and implementing joint projects, with NGOs, international organizations, and local communities, that remove barriers to society's progress and development.



SUPPORTING LOCAL COMMUNITIES

Targets

2021 Progress

Support the needs of communities with local hero brands in Turkey, Romania, South Africa, and Pakistan by 2030

13 students from local workshops in Turkey have been recruited between 2019-2021. "Arctic Women's Community" in Romania Mentorship for new mothers, and Equal Dictionary implementation for checking for discriminatory words, and women's leadership webinars by Dawlance in Pakistan
Hack the Normal Africa by Defy

With Arçelik and Beko brands in Turkey: Provide STEM training to 100,000 girls by 2026

Newly added

With Arçelik brand in Turkey: Raise awareness and increase knowledge among another 15 million people* including Arçelik consumers and children on adopting climate friendly lifestyle by 2025

Arçelik brand focusing on the vision of responsible production and consumption, carried out the transformation of Arçelik Designs Goodness with Love. The campaign reached a total of 14.7 million people since the day the communication started.

Increase the number of women entrepreneurs in the dealer ecosystem by boosting the percentage of women Beko dealers from 4.8% to 25% by 2026

Newly added

Reach 5,000 women through global scale entrepreneurship programs and facilitate the transfer of USD 4 million of funds to women entrepreneurs by 2026

Newly added

Enable women to gain new professional technical competencies and increase the percentage of women technicians working at Arçelik Authorized Services from 6.7% to 14% by 2026

Newly added



HEALTHY LIVING

Targets

2021 Progress

Raise awareness among 630 million* people about healthy living by 2030.
-Innovate technologies and projects that encourage healthy living
-Raise awareness and knowledge about healthy living through education
-Generate excitement

Our total reach** in 2021 was 69 million.
60 million people reach (single user) from Connections campaign.
9 million people reach (single user) from sustainability range.



TACKLING FOOD WASTE

Targets

2021 Progress

Raise awareness of how to prevent food waste among 70 million people* through Respect Food communication campaigns by 2030

In 2021, Grundig reached 24.7 million people (single user) with HotAero Pro and World Food Day Campaigns.

Serve 6.4 million meals to people in need and save 1,810 tons of food from being wasted by 2030

By the end of 2021, more than 670 tons of food had been saved from being wasted and serving over 850,000 guests worldwide with 1.5 million hospitality meals.

* Not unique reach

** Total reach numbers do not consist of unique people. (Single user numbers per year are shared and will be consolidated to obtain a cumulative number each year.)



Community Development

At Arçelik, we are aware of our impact on local communities regarding our operations, programs, and products. In respect to our awareness, we are analyzing and working to have a positive impact on their exact needs and expectations in line with our approach, In Touch with Human Needs. Referring to that, to enable the development of society's, we carry out collective projects with NGOs, international organizations, and local communities, especially for the disadvantaged and vulnerable groups regardless of their background, gender, or ethnicity, with prioritizing equal opportunities for all.

According to our Corporate Citizenship Policy, we focus on:

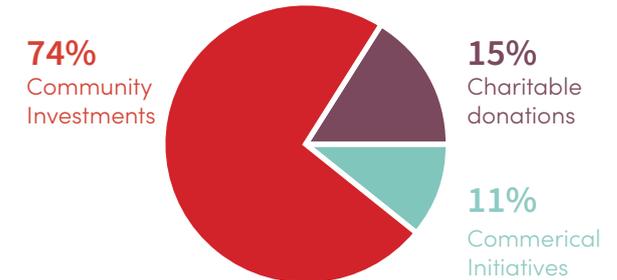
- Building innovative systems and smart technologies to lead future of work.
- Developing smart technologies and solutions that target specific needs and priorities in the communities where Arçelik operate.
- Going beyond the industry and partnering with stakeholders to integrate sustainability into Arçelik's value chain.

Developing community investment programs, being a significant partner in commercial initiatives, and providing charitable donations are some of the actions within our corporate citizenship vision. To analyze our impact, we observe, calculate, and report on the expenses related to the corporate citizenship activities, globally. Those expenses include direct costs such as cash contributions, in-kind giving, management costs and indirect costs such as employee volunteering. For social investments and corporate citizenship activities, we spent EUR 5.8 million in 2021, globally.

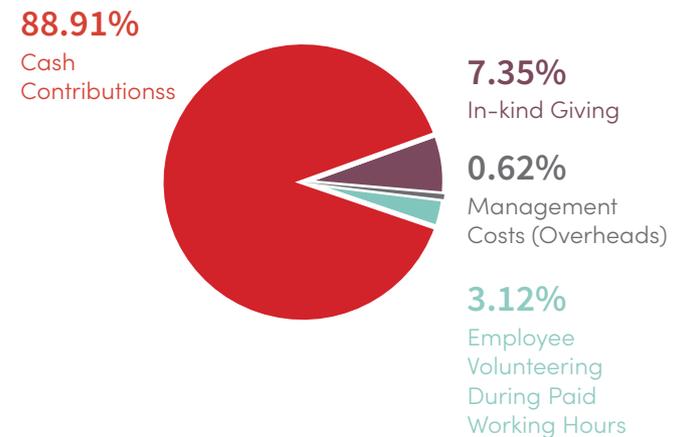
 [Arçelik Global Corporate Citizenship Policy](#)

 [Arçelik Civil Society Cooperation Policy](#)

Type of Philanthropic Activities



Distribution of Total Monetary Value (at cost) of Corporate Citizenship/Philanthropic Contributions





Supporting Society with Equal Opportunities and Inclusion

To build resilient communities and support minority groups, we need to reduce social and economic obstacles by boosting diversity, inclusion, and equality, which will help disadvantaged groups to reach their true potential.

GENDER EQUALITY AND WOMEN'S EMPOWERMENT

In order to accelerate concrete progress on the UN Sustainable Development Goals, UN Women convened the Generation Equality Forum Action Coalitions, which are the world's roadmap for gender equality focused on the most critical areas to achieve concrete change for women and girls worldwide.

At Arçelik, we promote gender equality across our value chain and society. We became a supporter of the Action Coalition platform and submitted three commitments in the field of technology and innovation to help achieve change. To fulfil these commitments by 2026, we designed a credible roadmap with measurable targets.

The commitments are to:

- Support women's 21st-century skills and career developments in STEM areas
- Increase the number of women entrepreneurs and empower them with financial support
- Increase the proportion of women employees working in STEM areas at Arçelik



[You can find more information on our Action Coalition targets.](#)

Our commitments include the following gender-equality projects:

DIGITAL WINGS

We committed to supporting women's 21st century skills and career developments in science, technology, engineering, and mathematics (STEM) areas. We aim to provide technology-design, IT and software training to 100,000 girls (ages 10–14) in 81 provinces in Turkey until 2026 to reduce the gender digital divide, via the Digital Wings project, in cooperation with the Turkish Ministry of National Education. We began the Digital Wings project in 2020 by training 200 teachers from 100 schools. During 2021, eight textbooks were developed for four classes at different educational levels. Training programs will begin in 2022.

BEKO 100 WOMEN DEALERS

The Beko 100 Women Dealers project is a purpose-driven project supporting women's economic empowerment and strengthening the role of women in business life and society. Beko launched this project in 2019 to encourage women's entrepreneurship and change the perception that "Dealership is a business for men", in line with Koç Group's gender equality principles. Additionally, the main drawback for women entrepreneurs was to find sustainable, profitable, and long-term investment opportunities.

Beko aims to provide strong and reliable support to women entrepreneurs when they step into business life. As part of the project, women entrepreneurs are empowered by means of training on finance, product and sales, and mentorship activities while being assisted with finding suitable store locations, decoration, and rent support, a free cash register obtained from TOKEN financial technologies, and extra display package discounts. Within the scope of this project, the target group is women entrepreneurs all around Turkey who want to step into business life and can invest, even if they have no sector-related experience. By boosting the share of women dealers at Beko from 4.8% to 25% by 2026, which is one of our Action Coalition targets, we are aiming to increase the number of women entrepreneurs in the retail sector. The Beko 100 Women Dealers project reached 57 women dealers with 64 stores by the end of 2021.





Supporting Society with Equal Opportunities and Inclusion

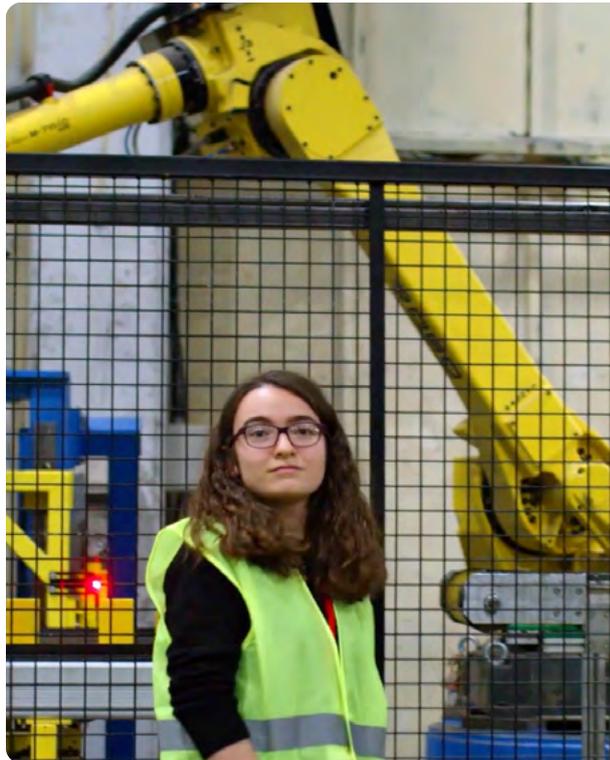
WE-INTECH

The “We-inTech” program, The ‘You are an Engineer, You are with Us’ in its old name, is designed to support the career development of women engineers (3rd or 4th grade university students) in R&D and innovation, ensuring their full and effective participation.

In 2021, 727 students from all over Turkey applied to participate in the program. A total of 58 students were selected from the top 19 universities as determined by the Scientific and Technological Research Council of Turkey’s Entrepreneurial and Innovative University Index. Three days of workshops included training, inspirational speeches, and discussions with senior management. To represent the dynamic and social structure of next-generation R&D, students had a chance to practice what they have learned in agile project management and design thinking concept development sessions. For three days, students studied within diverse teams and worked with mentors to generate ideas on the topic of “Life at Home”. Four students were selected to be employed as interns at Arçelik under the Fresh Start summer internship program and 11 students were hired as project engineers, project assistants and engineers.

As part of our Action Coalitions commitments, we aim to expand our “You are an Engineer, You are with us” project in three more countries (Romania, Pakistan, and South Africa) by 2026. We also updated the name

of the globalized program as “We-inTech”. We have prepared a comprehensive program encouraging the employment of women engineers in the STEM field all over the world, emphasizing the importance of R&D and innovation on a global scale with a gender equality approach. The program will be adapted according to the local needs of the targeted countries to increase the presence of women in R&D and innovation fields.



500 WOMEN TECHNICIANS

Increasing the share of women employees working in STEM areas at Arçelik is of our Action Coalition commitments. Through our 500 Women Technicians program, which was designed to enable women to gain new professional technical competencies, we aim to increase the proportion of women technicians working at Arçelik Authorized Services from 6.7% to 14% by 2026. This new talent transformation and employment project is open to internal and external applications, and 482 women technicians have been trained so far. The project was recognized in the “Women’s Empowerment” category at the Sustainable Business Awards, 2021. To increase our impact and to align with our Action Coalitions commitments, we are planning increase the percentage of women technicians working at Arçelik Authorized Services from 6.7% to 14% by 2026.

 *Our gender equality and D&I based internal projects are provided in detail in the following section, **In Touch with Business**.*



Supporting Society with Equal Opportunities and Inclusion

INCLUSION FOR COMMUNITIES

ASOCIATIA VALORI IN EDUCATIE (AVE) PARTNERSHIP



In 2021, Arctic began a partnership with Asociația Valori în Educație (AVE) (Values for Educational System Association) to build capacity around the education system and its main issues. Four Arctic employees were involved in different AVE educational initiatives in 2021, such as providing mentorships for school principals and participating in the national committees for selecting school principals.

PARTNERSHIP WITH ARCHÈ FOUNDATION



Beko Italy and the Archè Foundation have collaborated since 2019, supporting children and families in need through donations and equipping apartments in social housing, through which the Foundation offers temporary accommodation to mothers and children. Beko has supported this work by donating products and offering a continuous maintenance service and assistance guarantee for appliances.

COOKBOOK: 48 RECIPES FOR A GOOD CAUSE



In 2010, Elektra Bregenz partnered with Pro Juventute, an Austrian child and youth welfare organization that offers accommodation to homeless youth. Since many charity events and activities could not take place in 2021 due to COVID-19 restrictions, Elektra Bregenz started a joint project: a cookbook in which the kids from the Pro Juventute residential communities from all over Austria present their favorite recipes, which they prepare in their homes using Elektra Bregenz appliances. The company turned the recipes into a cookbook entitled 48 Recipes for A Good Cause which were delivered to all Pro Juventute residents and Elektra Bregenz employees as Christmas gifts.

As the continuation of this project, in 2021, two Pro Juventute residential houses were renovated and equipped with 58 new Elektra Bregenz household appliances.

PROJECT HOPE



Beko Sudan began Project Hope in 2021. The project is designed for young people with special needs and aims to equip them with professional and interpersonal skills. At the end of 2021, two participants were employed by Beko Sudan to help customers with special needs.

BARNARDO'S PARTNERSHIP



To help the most vulnerable children and families by supporting them with easy-living opportunities, Beko has partnered with the charity Barnardo's in the UK since 2013. While raising awareness of how Barnardo's supports some of the most disadvantaged families and children today, we also support them with donations of appliances and help raise funds for the charity. Over our eight-year partnership, we have donated over 800 home appliances alongside several fund-raising campaigns. In 2021, we launched our 'Beko Veg Pledge' Initiative, which follows the unveiling of our innovative HarvestFresh™ refrigeration range. With each purchase of a qualifying HarvestFresh™ fridge freezer, customers were offered free fruit and vegetables from the Veg Box Company. For every customer claim received for the promotion, Beko donated a box of fruit and vegetables to Barnardo's. In all, 4,000 veg boxes were pledged to families supported by the charity, providing them with healthier, more nutritious meals.

S.O.S. SATELE COPILOR



Arctic has begun supporting Romanian NGO SOS Satele Copiilor with food and essential household appliances in 2021. More than 200 appliances have been donated and are now equipping 24 family homes and three youth communities for more than 150 children.



Supporting Society with Equal Opportunities and Inclusion

HEALTHY LIVING AND WELL-BEING OF SOCIETY

Since 2018, Beko has run the global Eat Like a Pro Program to raise awareness around childhood obesity and encourage healthy eating habits. By partnering with global sports role models and teams such as FC Barcelona, Fenerbahçe Men's Basketball Team, and Esports LEC, Beko aims to expand the sphere of influence.

In 2021, Beko decided to refresh its communication tagline and launched a sustainability manifesto via a multiplatform campaign, aiming to create a global community of consumers. Instead of promoting products or technology, Beko is basing its campaign solely on raising awareness around general sustainability issues. Our Thriving for a Healthier Future campaign, launched in 101 countries on six continents, reached 630 million impressions and 69 million people in 2021. Connecting 60 million people raised awareness about healthy living during the campaign period in March and April 2021. Beko's sustainability vision is "Healthy living is only possible on a healthy planet", reflecting a connection point between the planet and humans to impact human behavior positively. Our long-term goal is to create awareness for our target audience of ways to take action and be a part of sustainability-oriented change.

Recycled materials, bio-composites and detergent-saving technologies are the essentials for Beko's R&D and design approach to sustain the living environment on the earth.



The **RecycledTub™** washing machine and **RecycledDry™** tumble dryer, which use tubs made from recycled plastic bottles, and the **RecycledNet™** oven, which uses sustainable material made from recycled fishnets and industrial thread waste are just a few of our most recent technologies to use recycled materials. Bio-composite material use is also a part of Beko innovations such as **BioCycle** refrigerators, in which eggshell waste and sustainable bio-based plastics are used to create key components, and **BioCoffee™** coffee machine, which use waste from coffee grounds. Beko also aims to reduce chemical waste with smart technologies such as its **AutoDose™** dishwasher, which uses up to 28% less detergent to reduce waste chemicals in the sea.

In 2021, this product range was supported with campaigns in the UK and Spanish markets. 9 million single users were reached by Beko's sustainable product range after its launch, and the RecycledTub™ washing machine campaign reached over 9 million people and received 60 million impressions.

BEKO HARVESTFRESH CAMPAIGNS

Beko aims to spread a healthy lifestyle as a brand narrative. In 2021, Beko Egypt launched HarvestFresh Toll Station Activation as part of the HarvestFresh campaign. Beko Egypt gave away a fresh fruit and vegetable bucket for all travelers to Alexandria and the north coast during the Eid Al Adha holiday. We also organized a digital competition for the most creative photo with the bucket and increased awareness of the brand and Beko HarvestFresh technology, which aids a healthy lifestyle through the Fresh Wooden Recycled (Fruits & Veggies) Bucket. Beko Egypt's awareness increased by 19 points compared with 2020 after the Harvest Fresh campaign.



Supporting Society with Equal Opportunities and Inclusion

HYGIENESHIELD RANGE

The COVID-19 pandemic is called a milestone because of its effects on consumer behavior and needs in the near future. Beko's consumer research, Consumer Connected, conducted in 31 countries globally, identified hygiene as the highest priority for consumers. In response, Beko developed its revolutionary HygieneShield range, specially designed to kill more than 99% of bacteria and viruses, including disinfection programs and functions to eliminate coronavirus.

The HygieneShield product line was released in seven key markets, including Spain, Germany, the UK, Turkey, the Balkans, Romania, and Poland by the end of the first quarter of 2021. By the end of 2021, it has also launched in Portugal, Ukraine, Israel, France, Italy, Egypt, and Russia. In the Turkish market, Beko's HygieneShield product line was released as the Arçelik-branded Ultra Hygiene Series with Technologies to Protect Your Home in 2020.



CORENSIS HEALTH KIOSK

Corensis Health Kiosk is an AI-powered smart medical measurement system developed by Arçelik. Medical sensors and advanced algorithms provide vital measurements with high accuracy. The Corensis health platform offers hospital registration and medical measurement services as a digital tool via AI-driven visual and voice assistants and advanced face recognition. User information, body temperature, oxygen saturation, ECG, blood pressure, and body mass index are collected by Corensis as vital measurements.

Corensis can produce smart algorithms and analysis based on these vital measurements via medical sensors and image processing algorithms. Additionally, the Corensis Cloud Platform can process data collection via smart algorithms and transform the results into a single-page report.





Supporting Society with Equal Opportunities and Inclusion

TACKLING FOOD WASTE

Grundig believes that a better future for the next generations is only possible by respecting food and the planet, along with showing passion for sustainability in other areas of daily life. To inspire people for a sustainable future, Grundig designs innovative and environmentally friendly home appliances. Its brand tagline, “It Starts at Home”, introduces a sustainable alternative of daily life to consumers with its sustainability vision “Respect Food and Respect the Planet”, demonstrating Arçelik’s dedication to increasing awareness of food waste.



RESPECT FOOD

Supporting its sustainability vision, Grundig organizes campaigns to raise awareness of food waste through the “Respect Food” initiative. On World Food Day in 2016, Grundig took the first step for Respect Food, a philosophy based on reducing food waste. Grundig’s dedication to reducing food waste has since expanded globally.

In 2021, Grundig launched the World Food Day Campaign, expanding the scope of the project from previous years. From 29 September, International Food Loss and Waste Awareness Day, to 16 October, World Food Day, Grundig organized activities to raise awareness about food waste and loss both for its customers and employees.

Internally, Grundig invited its employees to view a call-to-action video from chef and Grundig brand ambassador Massimo Bottura, who is also a Goodwill Ambassador for the United Nations Environment Program. Through this, Grundig helped increase the knowledge of its employees about food waste and gave a sustainable product, the “Grundig Earth Jam BT Speaker”, as a gift to three successful participants. For consumers, Grundig posted a campaign on social media to draw attention to food waste and to raise awareness about ways to reduce it. Once again, the campaign was carried out in partnership with Massimo Bottura and reached a total of 26.8 million people across Italy, Spain, Romania, France, and Norway.



On the last day of the campaign, the message “the more we are, the more we have” helped Grundig to reach 49.4 million people in Italy, Spain, and Romania with the support of different influencers.

Grundig also launched the HotAero campaign, which offers a technologic solution to food waste. The campaign reached 24.7 million people in Germany, Norway, Denmark, and Spain.



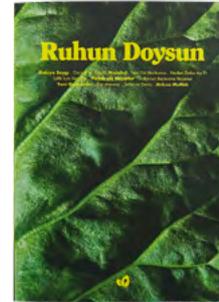
Supporting Society with Equal Opportunities and Inclusion

FOOD FOR SOUL

Focusing on the SDGs, Grundig has been collaborating with Food for Soul, a non-governmental organization, since 2016, to prevent food waste. As part of the Food for Soul movement, which was founded by chef Massimo Bottura, the organization has established Refettorios – restaurants that cook healthy and nutritious meals from food surplus to help people in need. In collaboration with Grundig, by the end of 2021 more than 670 tons of food have been saved from being wasted and more than 850,000 guests worldwide served with 1.5 million hospitality meals. More than 60% of social media content from Grundig is based on sustainability and the company aims to raise the awareness of its followers by regularly sharing content about food waste.

GRUNDIG TURKEY – RUHUN DOYSUN (FEED YOUR SOUL)

Grundig Turkey began to develop its “brand with a purpose” perspective with the “Ruhun Doysun” (Feed Your Soul) initiative in the last quarter of 2017. In 2021, Grundig created a broad campaign called “Ruhun Doysun: Gelecek” (Feed Your Soul: the Future). Interviews were carried out with young people who strive for sustainability, live with the philosophy of "Ruhun Doysun" and make a difference with their contribution to the world. These were posted by Grundig on social media.



GRUNDIG UK: GIVE BACK CAMPAIGN

As a continuation of Grundig's Respect Food initiative, Grundig has partnered with Curry's PC World, the exclusive retailer of Grundig in the UK, since 2018. Grundig aims to donate products to local food charity organizations selected by store colleagues of Curry's PC World in order to boost engagement and help reduce food waste.

To date, 142 charities have been selected and received 317 appliances between September 2018 and February 2022.





Products that Create Social Value



SOLAR HYBRID FRIDGE

Developed for users who do not have access to uninterrupted provision of electricity, the sustainable, safe, and affordable solar hybrid panel refrigerator offers a cooling system solution that uses base electricity obtained from the electricity grid and solar energy alternately. With the refrigerator's use of increased insulation and renewable energy sources, a solution is provided for an existing need and a new approach is brought to environmentally friendly cooling systems.



SIMPLE BASE DRAWER FEATURE

In Bangladesh, our team observed that to tackle the frequent flooding problem, consumers had to place their products above the ground. To find a creative solution to this problem, a base drawer compartment was included in refrigerators which acts as a no-cooling zone to provide storage for items such as onions and potatoes. This is a unique feature in the market.



INVERTER COMPRESSOR NEED FOR INCREASED ENERGY EFFICIENCY

While the inverter compressor which increases energy efficiency is an ordinary feature of almost any product in the developed markets, in the emerging markets it becomes an important feature that is not easily available on the market.



STATIC EVERFRESH AND HYBRID COOLING TECHNOLOGIES IN REFRIGERATORS TO KEEP FOOD FRESH

In Pakistan and Bangladesh, where there are planned and unplanned electricity cuts, it becomes important to keep food fresh for a long time. Therefore, while static refrigerators are no longer a preferred option in the developed markets, the Static Everfresh solution and hybrid cooling technologies are, as they help keep food preserved during these cuts, with the technology to provide freshness for up to 2 times longer. These are unique features in both markets. It is now available in Europe as well.



IT'S
HIGH-TECH TIME!

**BE INNOVATIVE
KEEP CALM
AND ENJOY
TECHNOLOGY**



SUSTAINABLE INVESTMENTS HAVE NOW REACHED USD 4 TRILLION AT A GLOBAL SCALE AND THE NEXT 1,000 UNICORNS WON'T BE SEARCH ENGINES OR SOCIAL MEDIA COMPANIES, THEY'LL BE SUSTAINABLE, SCALABLE INNOVATORS - STARTUPS THAT HELP THE WORLD DECARBONIZE AND MAKE THE ENERGY TRANSITION AFFORDABLE FOR ALL CONSUMERS - LARRY FINK.



In Touch with Business



Leading the household durables industry is only possible by transforming our business and building a future together with all our stakeholders. To respond to and solve today's challenges and society's changing needs, Arçelik innovates with purpose and creates substance while incorporating sustainable value into technology. We believe delivering the best customer experience with outstanding products is only possible by empowering human capital and using the power of innovation and digitalization beyond our value chain.



TALENT ACQUISITION & DEVELOPMENT

Targets

2021 Progress

Increase the average training hours per employee to 35 hours

18.7 hours globally

Convert 40% of training activities to online platforms by 2030

This rate was 6% in the training of monthly paid employees.



DECENT WORK & DIVERSITY

Targets

2021 Progress

By 2030, increase the percentage of women,
- in the total workforce to 35%*
- in all management positions to 30%
- in junior management positions to 35%
- in top management positions to 32%**
- in management positions in revenue-generating functions to 25%
- in STEM-related positions to 38%
- Assign three women directors in STEM-related departments

- in the total workforce, 26%
- in all management positions, 19%
- in junior management positions, 22%
- in top management positions, 25%
- in management positions in revenue-generating functions, 16%
- in STEM-related positions, 18%
- one women director in a STEM-related department

Reaching 5,000 supplier employees for OHS training by 2030

Newly started



SUSTAINABLE SUPPLY CHAIN

Targets

2021 Progress

Ensure suppliers*** exceeding 1,000 ToE obtain the ISO 50001 certificate by 2025 and ensure suppliers*** exceeding 500 ToE obtain the ISO 50001 certificate by 2030.

65% of the suppliers exceeding 1,000 ToE within the scope

Collect, monitor, and publicly disclose compiled data of supplier's*** Scope 1-2 GHG emissions, energy, water, and waste and encourage them to set their own targets

GHG emissions, water, waste and energy efficiency data collected from 151 suppliers

Approximately 200 suppliers signed a commitment letter to set GHG emission, water, waste, and energy reduction targets

Ensure that suppliers*** apply for ISO 14001 certification by 2023

In 2021, 77% of 400 suppliers had the ISO 14001 certificate.

Ensure 100% compliance of critical suppliers with Arçelik's Conflict Minerals Policy by 2023

74%

With Arçelik's brand in Turkey: become a solution partner that offers sustainable choices for households to adopt a more sustainable lifestyle by 2025

Newly started

* Enhanced

** Enhanced and the expanded coverage: the positions which are one and two levels away from the CEO

*** Approximately 400 suppliers, making 90% of our purchasing volume



R&D and Innovation



By combining the power of technology with our sustainability approach in our entire value chain, we expand innovation in all our activities. We follow rapidly developing local and global technology trends and evaluate risks, opportunities, needs and expectations. We integrate rapidly developing technologies into our business model, which shape our investments in parallel with global changes. At Arçelik, we are looking

for ways to benefit from new ideas and technology for the benefit of our customers and society. We benefit from new technologies such as artificial intelligence, data analytics, robotics, the Internet of Things (IoT) and automation, while providing more effective solutions that respond to changing needs and behaviors. Thus, we aim to evaluate our processes and increase the efficiency of our operations. We invest in integrating the Industry 4.0 revolution into our business models. Through collaborations and open innovation, we build on our capacity to bring the best solution to the market in less time.

There are 16 R&D and Design Centers in Turkey and 13 R&D offices in the United Kingdom, China, Taiwan, Romania, Thailand, India, South Africa, Pakistan, and Russia. Arçelik Group conducts R&D activities ranging from the gestation to the production of innovative products that add value to the users' lives with its own patented technologies in every field of operation. Through its R&D work, Arçelik conducts studies in the fields of sustainable, environmental technologies, energy and water consumption, noise and vibration reduction, sensor technologies, IoT, smart home technologies, polymers, metal and surface coating technologies, hygiene, water, and air filtration, air quality, and motor driving technologies. More than 2,000 researchers have filed over 3,000 international patent applications. Arçelik ranked 104th in the "Companies with the Most International Patent Applications" list published by the World Intellectual Property Organization (WIPO), a specialized agency of the United Nations, in 2021. Placing

great importance on the protection of intellectual property rights for the technologies developed by the company, Arçelik is the leader in patent applications in Turkey. It has maintained its position as the only Turkish company in the top 200 in the WIPO ranking for 10 years. The number of new products and services we have introduced to the market has increased in the last three years. We measure their impact on sales growth and turnover. We spent approximately EUR 93 million in total R&D spending in 2021 and increased our total R&D spending by 6% compared to 2020. In 2021, the share of new products, product features, and services in the total revenue was 13%.

We aim to create environmental and social impact, as well as use technology and innovation while developing products for needs. We develop products and services to prevent and reduce plastic pollution that harms the environment, living health and ecological balance. We produce white goods product parts from recycled plastics and washing machines that hold microplastics. We also develop products that make consumers' lives easier and that are suitable for developing and changing connection technologies.

 [For products creating environmental value, please refer to the **Product Stewardship Section**.](#)

 [For products creating social value, please refer to the **In Touch with Human Needs**.](#)



Open Innovation

Developing collaborations with a holistic approach not only greatly benefits competitiveness, but also enables companies to better address current social and environmental issues. In line with the changing needs of society, we ensure that innovative experiences and knowledge are shared, and collaborations are developed to contribute to social and economic development. We adopt open innovation as our corporate culture and collaborate with different stakeholders such as startups, universities, suppliers, and companies from different sectors. We also support our employees to be design-oriented and ensure that internal entrepreneurship is widely adopted at Arçelik.

GARAGE INNOVATION HUB: DARE, CONNECT & VENTURE

Garage Innovation Hub is one of Turkey's largest open innovation platform and act as a bridge between the ecosystem and Arçelik by working as a facilitator in order to benefit from the knowledge, experience, and connections among ecosystem players such as startups, mentors, investors, and relevant non-governmental organizations, private and public institution representatives. With its open innovation and entrepreneurship programs, Garage is an innovation hub that makes it possible for different community members to collaborate and create new products, services and systems which also be supported by Arçelik expertise and capabilities. Garage Innovation Hub also cultivates an innovation culture in the organization and technically and financially supports Arçelik employees to turn their ideas into reality.

GARAGE INNOVATION HUB INTERNAL INNOVATION PROGRAM – NEXT BIG STORY

The Next Big Story program focuses on using innovation to turn consumer insights into new technologies and features for Arçelik brands to market. New features are included in selected product groups.

In 2021, we completed our user-oriented new concept development studies for built-in ovens and TVs with the participation of teams from within the company.

We have developed products with the concept of FlexiCrisp, CookReady and PerfectForm to get better cooking results in new-generation ovens and to offer ease of use to users according to consumer habits and needs. In addition, we offer an enhanced user experience in our television category products, with online education TV, the smart mirroring application, and integrated camera and night mode concepts.

We started a new Next Big Story program on sustainability in 2021 and we will continue with the same concept in 2022. We conducted social media analysis, in-depth consumer interviews, competitive research and marketing communications research in our target markets to identify sustainability issues. We found problems such as energy efficiency, food waste, freshness, durability of products, and environmental impact of materials. In response, we have produced more sustainable solutions and integrated them into our refrigerator products. We have included our employees and external stakeholders in our process of generating

new product ideas in the field of sustainability. In 2021, we obtained insights by conducting 11 consumer interviews with users from six countries. As part of the program, we held six in-house idea development sessions. In addition, we held a total of 16 idea development sessions, including four global users and six startups, in cooperation with business innovation facilitators Gooinn.

GARAGE INNOVATION HUB PRODUCTS – ARCELİK 3D PRINTER

With the 3D Printer developed by Garage Innovation Hub in the field of educational technologies and customized for use in schools, we organized four design competitions in 2021. Approximately 1,000 students joined these hackathons, developing solutions that address the SDGs and designing 3D models. At the end of this period, successful teams were awarded with Arçelik 3D Printers.

GARAGE INNOVATION HUB - DIGITAL PLATFORM

The Garage Innovation Hub (GIH) Portal is a digital platform that connects companies, mentors, and institutions with the right match.

We have released a beta version of the Garage Innovation Hub web platform which includes information about what matters to us, calls and applications for our programs, portfolio of our startup network, internal projects, mentors, partners, contents and events for the community.



Open Innovation

GOOD BREAKING INNOVATION PROGRAM

In November, it is launched a Goodness Development Innovation program in collaboration with Garage and the consumer brand unit. Through this program, we aim to create eco-friendly house concepts and a design-oriented thinking methodology. The program is run with the IYI-GE (Goodness Development) Committee, which consists of Sustainability experts, academics, and activists from WWF, the Turkish Foundation for Combating Soil Erosion, and the Koc University Social Impact Forum. GIH also participated as a stakeholder in the "Accelerate2030" program, which supports startups from developing and emerging markets to scale their solutions for the SDGs. The program was run by the Turkish Entrepreneurship Foundation with the support of United Nations Development Program and Impact Hub, financed by the German Federal Ministry of Economic Cooperation and Development. 15 startups were evaluated, and cooperation meetings were held with 10 startups for triggering collaborations. GIH also participated in the Electrical and Electronics Exporters Association (TET) R&D Project Market event organized by TET. In all, 62 ideas were examined, and collaboration meetings were held for 12 of these. We took a place among the jury members of this event.

SMART BOARD

Through our five-year collaboration with Turkey's Ministry of National Education (MoE), which started in 2019, we have provided smart boards and Arsense™ smart board software to schools to enable efficient and interactive learning experiences for students and

teachers. In total, we have installed approximately 28,000 smart boards at more than 1,687 MoE schools countrywide. During 2021, private schools were in demand and more than 830 smart board were installed at that category.



The journey to good starts with just one question: 'What can we do?'. That is also the beginning of my journey where my path has crossed with Arçelik. The sincerity during the commercial shoots in which I had a chance to participate in a voice-over to explain the new brand strategy, has impressed me. I asked 'what can I do?' to the team. The question followed me in participating İYI-GE Platform where scientists, representatives from NGOs, activists, and artists gathered for responsible production and consumption. I believe that there are two significant indicators of Arçelik's sustainability sincerity: Its pursuit of the 'what can be done?' question and building a network focusing on multivocality instead of walking the road by itself.

YİĞİT ÖZŞENER
Activist, Actor



IYI-GE PLATFORM

At the IYI-GE platform, which stands for goodness development, we develop ideas and projects that will help create a better world. The platform consists of scientists, representatives from NGOs, activists, and artists. By including IYI-GE in our decision-making processes, we create a multi-voiced, transparent structure in our sustainability activities. As a responsible company that operates by considering the future of our planet and the environment, we aim to grow and develop our activities in this field by reasoning together.

The platform has two important short-term goals. The first is to develop a project that will involve all of Arçelik's stakeholders and society, aimed at protecting nature and the planet, and sustainable consumption. IYI-GE took the first step towards achieving this goal with the "Climate Friendly Movement". The second goal is to demonstrate IYI-GE's contribution to responsible production while seeking an answer to the question "What can be done?".

Climate Friendly Movement:

The movement aims to raise awareness of the climate crisis and encourage joint action to mitigate it. We believe that the Climate Friendly Movement will inspire change that individuals and families will experience, starting from their own homes through every moment of their lives.



Open Innovation

Hack the Normal *From Africa for Africa*

GARAGE INNOVATION HUB HACKATHON EVENT – HACK THE NORMAL AFRICA

We have integrated our priorities into the new normal. We held the second Hack the Normal online hackathon in Africa in 2021, following the inaugural event in Turkey in 2020. We structured the project as an open innovation gateway for the African innovation ecosystem. Our aim was to make a positive impact by bringing together people with ideas for Africa's local challenges, and also to benefit the African innovation ecosystem by actively engaging around these problems.

More than 1,000 people were reached at the event, which was held in cooperation with 110 partners. Competitive teams, mentors and coaches from 52 different countries came together to find ways to adapt effectively to the challenges of the African region.

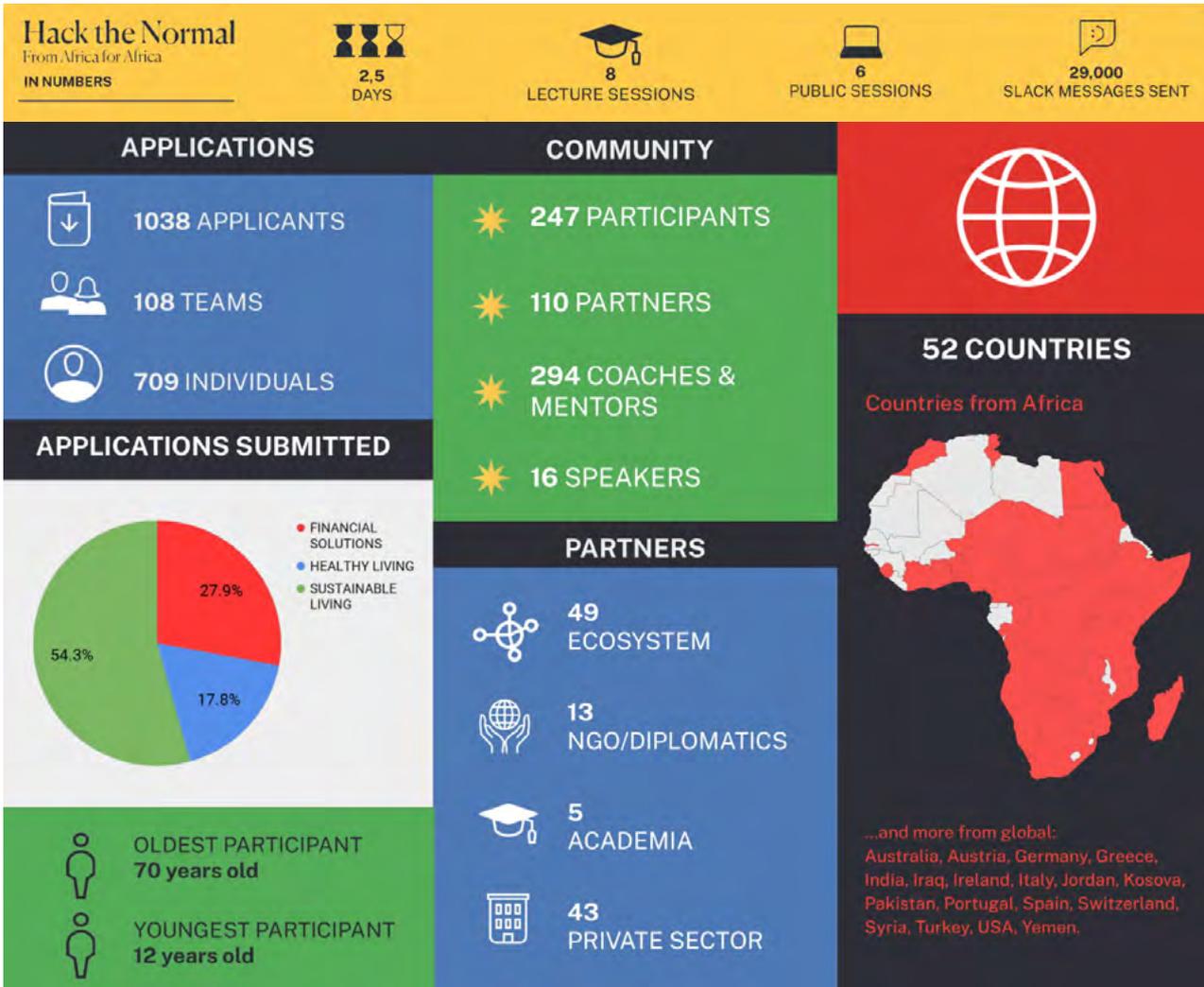
Hackathon participants had the opportunity to develop new products, services and business models with commercial potential to overcome the challenges in financial solutions, and sustainable and healthy living. The participating teams received training in problem discovery and solution development, prototyping, and storytelling. In addition, they had the opportunity to develop their projects with the support of coaches and mentors who are experts in the fields of business, technology, and design.

At the end of the Hack the Normal Africa, a total of nine idea development teams presented won the "proof of concept" award for their projects in the categories of Sustainable Living, Financial Solutions and Healthy Living. Four of the selected teams completed their projects and presented the products to the end-users, and the production processes of two projects remain in progress. Within the scope of the awards, five students began internships and 23 team members from six different teams had a chance to participate in a training program.

	Project Name	Concept
SUSTAINABLE LIVING	DSP – Biogas Cooker	A reliable and durable cooker that uses biogas energy.
	Shoeciety	Enabling Africans to create multifunctional shoes available to low-income households with children.
	Assistant Volunteer	A platform that connects and supports all parties that would help in harnessing the power of volunteering.
FINANCIAL SOLUTIONS	African XaaS Subscription Model	A solution enabling customers to use products as services by subscribing.
	Remit2Africa	A web-based solution that collects, compares, and presents remittances for individuals and SMEs.
	Boku	A blockchain-based solution that promotes financial inclusion and the growth of local business economies, enabling fast and secure trade without third parties.
HEALTHY LIVING	Industrio	A product that is both a container and filter for rural communities to transport large amounts of filtered water.
	GreenGlow	A healthy food delivery service that offers personalized nutrition solutions, providing high quality, nutritious local food conveniently.
	Borafya	An application that enables patients to give feedback on their experience in hospitals, which uses AI to detect trends of discrimination.



Open Innovation



Hack the Normal for me was an experience that opened up my mind to how technology can be leveraged towards providing meaningful solutions to Society. In a span of two days, I learnt so much about the ideation phases of a project and how to quickly brainstorm an idea into fruition. From the experience, our team, comprising myself, Elif, Isaac, Asavela, and Dawn, came up with an idea that has completely changed our lives. Building Edutritious- a fun nutrition education platform from scratch would not have been possible without all the tools we acquired from Hack the Normal experience and we cannot wait to share it with the World and grow day by day to change lives.

NDUTA WAMBURA
Team Leader of Edutritious, GreenGlow



Open Innovation

GARAGE INNOVATION HUB INCUBATION PROGRAM – BIGG3

BiGG is a pre-seed investment program that offers techno-entrepreneurs starting their businesses a TRY 200,000 grant from the Scientific and Technological Research Council of Turkey (TÜBİTAK). BiGG3 is a consortium (comprising the Middle East Technical University Technopark, Kworks, and Arçelik) program which is accredited by TÜBİTAK.

BiGG3 supports entrepreneurs with Arçelik mentors on technical feasibility; Kworks and METU Technopark the innovation dimension and commercial potential of business ideas. BiGG3 ran four cohorts in 2021. In these cohorts, Garage Innovation Hub provided technical mentorship and information support to 166 entrepreneurs. At the end of the incubation programs 51 successful business plans were sent to TUBITAK. TUBITAK evaluated and 30 entrepreneurs were entitled to receive TRY 6 million grant totally. The last BiGG3 program focused on the theme of sustainability and green growth. We accepted entrepreneurs who produce technology-oriented solutions for green growth into the program. As part of this incubation cohort, we held the “Arçelik Talks on Sustainability” event in 11 application areas with the support of different Arçelik business units.



ARÇELİK INNOVATION CHAMPIONS

Although there are single startup collaborations established in different departments in Arçelik, Innovation Champions is a unique example of handling the subject more systematically in respect to the strategic partnerships within the program. To create such a community and ensure cultural change, the program supports the innovation ecosystem through mentoring, establishing relationships and potential collaborations with startups. Innovation Champions include mentors from different departments in Arçelik, and they are involved in numerous aspects of the program, including:

- Training and case studies about innovation, mentorship, entrepreneurship, and social skills with different ecosystem partners and individuals
- Mentorship sessions organized with the idea and mid-stage startups through the Mentorship Program and BiGG
- Garage talks and webinars with the ecosystem experts and investors
- Participation in partnership events for potential collaboration with mature startups such as Demoday, as well as panels and workshops.

During the program, 24 voluntary participants were certified as mentors after an intense 16-hour training program, with an additional six-hour demo day and webinars. To increase their experience, each of them had participated in mentorship sessions with 66 different startups, approximately 90 hours in total.



Digital Transformation and Industry 4.0

Industry 4.0, which is realized by the combination of physical and digital technologies, has a key role in the strategy of evaluating digitalization opportunities of all stages of production and service systems. At Arçelik, we adopt and integrate digital technologies into our business model to create value using advanced technologies. By offering service-oriented business models, we uncover smart and connected product concepts and act proactively in the face of changing consumer demands. We carry out our digital and agile transformation journey by R&D and digitalization teams led by our Chief Strategy and Digital Officer.

We are elevating our business and operational processes by leveraging new digital dimensions and digitizing the flow of information. We challenge the traditional hierarchical structure to collaborate more effectively with internal stakeholders from different departments, business units, and teams in the regions where we operate. This enables us to respond faster and better to changing customer needs. The number of full-time employees in the digitalization department increased by 41% in 2021 and the total budget allocated to digitalization in 2021 was EUR 3.5 million.

ATÖLYE 4.0

Arçelik Atölye 4.0, Turkey's first R&D Center in the field of production technologies, supports digital transformation by carrying out local and global projects in many fields. The team which carries out cross-functional projects on various Industry 4.0 topics, such as efficiency, quality and OHS, establishes collaborations based on expertise and knowledge, aiming to produce solutions in different fields.



[You can access Atölye 4.0 digital tour link from here.](#)

Arçelik has two manufacturing plants in the World Economic Forum Global Lighthouse Network. Arçelik's Arctic 4.0 Washing Machine Factory in Ulmi, Romania and Eskişehir Refrigerator Factory in Turkey are included in the list.



CASE STUDY

DIGITALIZATION OF MANUFACTURING PROCESS WITH START UP COLLABORATION: ARÇELİK DEVELOPING A DIGITAL TWIN WITH SIMULARGE

In 2021, as part of Arçelik Atölye 4.0, a manufacturing digitalization project was initiated with the startup Simularge to create a digital twin of the refrigerator production process. At the Eskişehir Refrigerator Plant, refrigerator production accounts for c.35% of Arçelik's total white goods production. The thermoforming process is a critical and plastic-consuming process. The project team succeeded in establishing a digital twin of the thermoforming process into Arçelik's production planning with high-end engineering formulations, simulation and real time sensor data. As a result, product quality improved, scrap was reduced by 50% and plastic consumption by 10%, and an initial cost saving of more than TRY 2 million annually was achieved. The integration of the IoT data into the digital twin has enabled improved algorithms with extracted features from data mining. The IoT and programmable logic controller infrastructure, together with Arçelik's engineering capabilities, of have been crucial for the digital twin's success. Arçelik's Atölye 4.0 Lab and its relationship with Istanbul Technical University's ITU Çekirdek Incubator also played a significant role in cultivating a collaborative project.

The project's success saw it expanded into eight factories in Turkey and two more globally. The project is also featured in published articles as a success story. As an important part of this process, Arçelik's Eskişehir Refrigerator Factory was included in the WEF's Global Lighthouse Network.



Digital Transformation and Industry 4.0

DIGITAL TRANSFORMATION PROJECTS

We continued our agile and digital transformation process in 2021 without slowing down. We design digital transformation works and projects that address at least one of the topics of customers, products and services, processes and systems and people. Data analytics, education, open innovation, and collaboration in digitalization are our key enablers during this agile/digital transformation journey. With the transformation projects initiated in 2021, we achieved a total saving of TRY 5 million.

In 2021, employees with complementary skills from different teams, including R&D, production, purchasing, marketing, product management, industrial design, and product supply, received training for agile transformation and took part in projects carried out using agile principles.

Digital transformation projects implemented in 2021

Project Name	Value Generated
Connecta	With this project, we aim to globalize the platform as a digital product and achieve global impact and efficiency through the development of new processes. We digitize daily office work for a better and leaner employee experience. In addition to the transition to a completely paperless office, we also support Arçelik employees to develop digital literacy. In addition, we save our employees' time so that back-office employees can focus on their value-added activities, thus increasing productivity. For example, invoices are now transferred completely digitally rather than using printed versions. In 2021, we reduced paper usage by 615,000 sheets, with EUR 6,000 in savings.
Integrated Material Management (Malbis)	The Malbis project has been initiated to make the right material selection for newly designed product parts, to choose the material jointly between different R&D centers, and to encourage the use of sustainable materials, thereby providing cost advantages.
Complexity Management-Modularity	In this project, we developed a modular design approach so that individual modules can be redeveloped, upgraded or redesigned to suit customer needs. We aim to shorten the product development process and provide cost savings by increasing the use of common parts.
Standard Part and Component Project(SPC)	We have created a manageable and sustainable digital library system in accordance with modular design and complexity management. We shortened the design time thanks to the online, accessible, up-to-date NX&TC integration.
RCoS+ SDK	We have focused on creating sample software projects on RCoS+ SDK to demonstrate how simple embedded development efforts can be done. Many different simple projects were established by Arçelik embedded software development team's new engineers.
Robotic Process Automation	We use automation technology to save our colleagues' time from mundane tasks, efficiency, and cost improvement. We handle, analyze, and digitize tasks in end-to-end processes and global operational tasks with agile methodology. The processes that were developed between 2017 and 2020 are still live, saving more than 50,000 hours annually. In 2021, 64 new processes were developed, automating 139,000 hours annually. In total, in 2021, more than 87,000 hours of manual work was conducted by using robotic process automation technology.
Agile Transformation Process	As Arçelik, one of our priorities is to move away from hierarchical structures and unnecessary bureaucracy in R&D, enabling us to respond faster and better to changing customer needs and to set up more effective collaborations with stakeholders. In this context, we launched an agile transformation process. Employees in different departments and with complementary skills received training on agile transformation and took part in pilot projects. In 2021, by using the experience and insights we gained from pilot projects in 2020, we spread agile transformation through our entire central R&D organization. In line with our Agile R&D strategies and goals, we have established the organizational and operational structure that will enable us to carry out our current and future project portfolio. We have formed Tribes, which focus on a specific product or product part (module) based on product lines that align the company's strategic priorities, and Squads, which are multidisciplinary teams with end-to-end responsibility for the high-quality execution of the relevant outcome. With the Tribes and Squads set up, all our R&D project portfolio and employees were matched with the squads. In line with the dynamic nature of the transformation, the motto "ALive Team - Agile Today, Excited for the Future" was supported by R&D's five Agile Values. We now plan to extend agile transformation to our plant R&D departments.



Smart Solutions

As our world becomes more digitized and connected, we at Arçelik, develop smart solutions that make life easier and benefit all stakeholders, from customers to the environment. Arçelik's innovative product portfolio ranges from intercommunicating smart home systems to products with a more positive impact on the environment, producing innovative and smart solutions for a new, more connected world. We offer an ecosystem that automatically updates and refreshes with innovative features and practical solutions for users, such as remote controls, software updates, program downloads, and instant notifications to connected appliances.

The HomeWhiz mobile application and platform in particular makes controlling and monitoring easy for our consumer by offering a smart home experience from anywhere. The platform simplifies our customers' lives by providing accessible smart solutions via a single interface, and they can download individual programs according to their needs.

HOMEWHZ COLLABORATIONS

We are collaborating with Amazon DRS and Finish 365 on a project that will enable HomeWhiz to determine the detergent purchasing cycle with its smart order feature. This will support energy and water savings by reducing unnecessary consumption, solving technical problems with smart assistance.

ENERGY MANAGEMENT IN HVAC WITH HOMEWHIZ

We also offer an environmentally friendly energy consumption solution for air conditioners via HomeWhiz. Effective data collection from the application offers smart suggestions to consumers, enabling energy consumption monitoring and promoting more efficient energy usage.

SMART HOME GADGETS AND HOMEWHIZ RULES SETS

To prevent unnecessary energy consumption, we designed a fully automated, energy-saving system that can be created for smart home appliances and white goods via HomeWhiz. HomeWhiz can determine home appliances' working periods from the information and user habit data it collects. This enables it to make smart decisions, such as turning off an air conditioner automatically if a window is opened or switching off smart bulbs if motion sensors detect there is no-one at home. HomeWhiz also measures the temperature and humidity via sensors, and the ambient temperature can be viewed and changed remotely via the App.





Data Privacy and Security

DATA PRIVACY

In line with the [Arçelik Global Data Privacy Policy](#), we are pledged to protect the privacy of all parties we do business with and process personal data in compliance with all applicable data protection laws. The relevant parties are informed about how the personal data is processed, for what purpose it is used, for how long it is kept, and in which cases it can be shared with third parties. Personal data is only processed with the consent of data subjects.

The Global Compliance Manager is Arçelik's Data Protection Officer. Our Legal and Compliance Department controls all personal data processing activities at Arçelik and its affiliates and ensures that personal data are processed in accordance with the law. In 2021, there were no complaints from the data subjects (customers, consumers, suppliers, business partners and employees) and no detected cases of personal data breaches.

Arçelik attaches great importance to cyber security, and accordingly, takes measures to manage the risks and ensures data privacy. These include training our employees to create awareness about data privacy, setting up firewalls, making simulation tests against phishing, scanning vulnerability, and adopting new technologies for system security. We provide data privacy training to our employees worldwide. We also carry out penetration testing every other year to detect vulnerabilities and improve our security. In 2020, a complete General Data Protection Regulation and

Personal Data Protection Law Maturity Test audit was completed by an external auditor. Another external audit will be conducted in 2022.

DATA SECURITY

The rapid development of computer and communication systems along with technology and the widespread use of internet infrastructure increase the importance of data, which is among the most valuable assets of today. Considering how fast these developments take place, we are fully aware of our responsibilities in securing and protecting all related information and data. We aim to minimize the risk of infringement of owned data, trade secrets, intellectual property, and patents. To this end, we take many precautions, implement strategies, and organize measures at all levels while effectively managing information technologies and operational processes to minimize cyber risks and prevent loss of reputation, revenue, market share, and brand value that may arise from information security risks and carry out projects.

We established a committee for data security and cyber security in 2019, and identified committee members, including senior management. In 2020, Koç Holding Consumer Durables' President, one of the members of the Board of Directors, was appointed as the Board Member responsible to oversee Arçelik Global's cyber security strategy, given his experience in this area and his active involvement in the Information Security Committee. In addition, the Cyber Security Department, operating under the umbrella of Information

Technologies, determines Arçelik's information & cyber risk profile. It also carries out existing risk control strategies and projects to reduce information and cyber risks.

We carry out our information security processes in accordance with the ISO 27001 Information Security Management Certificate which covers 39% of supply chain, information technologies, human resources, and finance operations. The main activities of our security management system include inspection, risk identification, regulation of action and corrective actions, follow-up of findings, determination of targets and opportunities, follow-up of violations, and updating of relevant legislation documents.

To increase security awareness, we share guides and provide periodic information security training to all employees. In addition, we regularly conduct phishing tests to different employees at different times by changing their content.

We are managing product security with 3 different virtual teams as Red Team, Blue Team, and Purple Team which are all in Cyber Security Technology Team. Red team is for offensive security and trying to find our own vulnerabilities for all of technical domains including edge, mobile, and cloud services. Blue Team is fixing the vulnerabilities that Red Team finds, and they are designing in accordance with the IoT standards (IETSI EN303 645 etc.) Purple Team is becoming buffer between these 2 teams and responsible mostly from managing Secure Software Development Life Cycle



Data Privacy and Security

processes. Also Purple Team is following national and international security standards and give related feedbacks to Red and Blue teams.

Participating parties come together in several workshops to standardize the IoT cyber security certification criteria for the Turkish market. The cybersecurity tests of our ovens, refrigerators, and washing machines were conducted by an accredited testing laboratory, and further tests will be conducted in future according to the new certification criteria.

One of the important issues for our sector is the cyber security of Internet of Things (IoT) products. Arçelik takes part in a working group created by Turkey's Presidency of Defense Industries. Participating parties come together in several workshops to standardize the IoT cyber security certification criteria for the Turkish market. The cybersecurity tests of our ovens, refrigerators, and washing machines were conducted by an accredited testing laboratory, and further tests will be conducted in future according to the new certification criteria. Through the working group created with coordination by the Presidency of Defense Industries to create a cyber security certificate for IoT-based products being sold on the Turkish market, several workshops were organized in 2021 with different companies and associations (eg. Turkish Electronics Manufacturers Association (TESİD), Electronic Devices Manufacturers Association (ECİD), White Goods Manufacturers' Association of Turkey (TURKBESD), The Union of Chambers and

Commodity Exchanges of Turkey (TOBB)) which led to the determination of the IoT cybersecurity certification criteria for Turkey. In 2021, these criteria were taken as a reference by TR-TEST for testing of IoT devices in the Turkish market. In the coming period, TR-TEST will take the applications of IoT device manufacturers, and the cyber security test of these connected devices will be implemented by the Internet of Things Test and Evaluation Center (ISTEC). The European Cybersecurity Organization declared ISTEC as one of the IoT device cyber security certification centers in Europe in its Cybersecurity Awareness Edition.

We continue to use hardware security modules (HSMs) in our Wi-Fi modules. We also require our third-party vendors to provide us with HSMs in connected devices. We have Evaluation Assurance Level 2 (EAL2) CC approval on our Bluetooth-based devices. In addition, we are in the process of obtaining CC approval at EAL2 level for our wi-fi-based devices. We are working on this with TÜBİTAK BİLGEM, Turkey's globally accredited common criteria laboratory and aim to complete the approval process in 2022. In addition, our HomeWhiz mobile application has Virtual Domain Environment approval.

Thanks to our effort, we received Silver level approval from IASME (Information Assurance for Small and Medium Enterprises) for UK safety standards (Code of Practice) in 2021. IASME has proposed that we promote this work and our existing cybersecurity infrastructure as a specific use case and publish it on its website. Work

completed on our current infrastructure and Silver level maturity, and published as one of the best cases in IASME website.

We carry out vulnerability analysis with our Red Team and Test and Verification Teams. We are working with third-party partner Deloitte for this analysis, and with Riscore to test our current ETSI EN303 645 compliance.

As of 2020, Cyber Risks Insurance Policy started to cover the cyber risks. The policy is covered the period from 2021–2022. A comprehensive policy including the risk of business interruption has been approved by reinsurers.

We receive notifications about vulnerability alerts from the e-mail address alert@homewhiz.com. After notifications about security concerns are accepted, we provide feedback to the notifier about how much time it will take to solve the problem. After the work is completed, we again contact the notifier and show our appreciation for their efforts on our website.



EU Horizon Projects

We initiate strategic partnerships and form collaborations with stakeholders from different sectors to develop one-of-a-kind products, processes, and services. The technologies that come out of these partnerships not only result in greater profitability but also find answers to social and environmental problems. In this context, EU Horizon Europe Framework Programs, one of the most prestigious platforms for stakeholders from all around the world to collaborate, enables us to increase our strength in critical areas for our business such as IoT and connected products, cybersecurity, sensors, robotics, artificial intelligence, energy efficiency, circular economy, innovative material technologies, food storage technologies, advance/data-driven/automated manufacturing system, 5G applications, edge/cloud computing, data mining/analytic technologies and home energy management, demand-side flexibility.

With a total of 25 accepted projects, we are now the leading Turkish company in the Horizon 2020 according to the number of accepted projects. Following the program's transformation into Horizon Europe in 2021, Arçelik made a strong start with six grant-supported projects on production and sustainability. These projects will provide EUR 1.7 million funding and expand our network to 100 partnerships in these project consortiums. We are also working on our new Horizon projects, which are planned to start in 2022.

ONGOING PROJECTS AS PART OF HORIZON 2020

2021
ONGOING

AI4LABOUR

Reshaping labour force participation with Artificial Intelligence

AI4LABOUR aims to design and plan the required training to obtain the required skills. Arçelik will host 58 person/month of secondment with its production technologies expert, manager of human resources talent development, expertise in production technologies and automation, and data analytics expert.

2021
ONGOING

StorAlge

Embedded storage elements on next MCU generation ready for AI on the edge

The main objective of the storAlge project is the development and industrialization of FDSOI 28nm and next generation embedded Phase Change Memory (ePCM) world-class semiconductor technologies, allowing the prototyping of high performance, ultra-low power and secured & safety System on Chip (SoC) solutions enabling competitive Artificial Intelligence (AI) for Edge applications. Arçelik will be the owner of the exploitation of smart washing machine with AI. Arçelik will exploit the innovative results and solutions of use case in its product portfolio when the solutions are ready for the markets. Arçelik will prepare samples of these products during the lifetime of the project.

2021
ONGOING

ENOUGH

European food chain supply to reduce GHG emissions by 2050

ENOUGH project will generate new information on emissions from the food chain, develop strategic road maps (technical, political, and financial), develop digital tools and smart data analysis methods to quantify and benchmark energy use and emissions in the food chain, and will demonstrate technologies.



EU Horizon Projects

ONGOING PROJECTS AS PART OF HORIZON 2020

2020
ONGOING

InSecTT

Intelligent Secure Trustable Things

InSecTT aims to create trust in AI-based intelligent systems and solutions as a major part of the IoT. The aim of Arçelik's pilot is to have a general monitoring system in which we can detect cyber attacks in near real time to take necessary measures, such as removing rogue PLC from the system, update open platform communications servers, or even shutdown whole systems.

2020
ONGOING

ECOFACT

ECO-innovative Energy FACTory Management System based on enhanced LCA and LCCA towards resource-efficient manufacturing

ECOFACT project is based on enhanced Life Cycle Assessment (LCA) and Life Cycle Cost Analysis (LCCA) towards resource efficient manufacturing. The project aims to support manufacturing industries in optimizing energy performance of production processes with regards to restrictions such as time and resources.

2020
ONGOING

SHOP4CF

Smart Human Oriented Platform for Connected Factories

SHOP4CF aims to find the right balance between cost-effective automation, repetitive tasks and involving human workers in areas such as adaptability, creativity and agility, where they create the biggest added value. Arçelik's objectives include finding ways to use augmented reality and virtual reality to resolve technical problems.

2020
ONGOING

IRel40

Intelligent Reliability 4.0

Intelligent Reliability 4.0 (iRel40) has the goal of improving reliability for electronic components and systems by reducing failure rates along the entire value chain. Arçelik will lead the electric motor failure detection and diagnostic approach based on motor parameter identification. The aim is to create a new test vehicle performing fully automatic quality testing of electric motors and to develop AI-based feedback algorithms from aging tests for correcting and predicting optimized threshold values.

2020
ONGOING

AUTO-DAN

Deploying Augmented intelligence solutions in EU buildings using Data analytics, an interoperable hardware/software Architecture and a Novel self-energy assessment methodology.

The Project continues with its main KPIs that affect sustainability such as; primary energy savings(1.7 Gwh/year), investments in smart technologies(EUR 320,500 during the project), reduction of greenhouse gas emissions (443 in tCO₂-eq/year), and assessing the energy performance and energy consumption of buildings and products with greater accuracy (50% improvement in terms of time and 3-5% improvement in terms of accuracy).

2019
ONGOING

C-SERVEES

Activating circular services in the electric and electronic sector

Our washing machine and television plants have been involved in a project that aims to support the circular economy with a focus on resource efficiency in the electric and electronics industry. By establishing strategic collaborations, we will produce 100 promotional televisions and washing machines. These promotional products will be leased to users for a year, collected when their leases expire, renewed and provided to users as new products with the same quality standards. With the contribution of our business partners, we plan to monitor the recycled materials in the products using information and communication technology tools. Circularise, our business partner in this field, will provide users with the necessary tools to help them learn about recycled materials in the products. We are providing a solution to the challenge of waste with strong partnerships and circular economy models based on leasing instead of selling.



EU Horizon Projects

ONGOING PROJECTS AS PART OF HORIZON 2020

2019
ONGOING

ARROWHEAD TOOLS

For engineering of digitalization solutions

Arrowhead Tools addresses engineering methodologies and suitable integrated tool chains with the aim of substantially reducing engineering costs for digitalization/automation solutions. Arçelik as an industrial partner, will use its participation to improve and enhance its current activities in project development and approval processes during HW tests in R&D centers. Arçelik will also use different channels to disseminate the funding innovation identified and developed during the ArrowHead Tools project.

2019
ONGOING

MICROELECTRONICS TRAINING, INDUSTRY AND SKILLS

METIS (MicroElectronics Training, Industry and Skills) brings a unique European partnership establishing a sustainable framework to analyse key global trends affecting the sector; identify human capital for microelectronics; develop a sector skills strategy; and design and deliver a modular and blended curriculum. The project also provides industry mentoring to facilitate an inter-generational transfer of knowledge in the sector and embed social and environmental sustainability (circular economy) issues in workforce development.

2019
ONGOING

PROMETHEUS

Pulsed rapid ultra-short laser surface texturing for manufacture of Flexible and Customised Products

Arçelik aims to reduce energy consumption during the drying cycle in dishwashers and dryers by introducing a new feature that will prevent water retention by changing the morphology of the dishwasher's inner case and dryer fan surfaces with lasers.

2019
ONGOING

CoLaboratE

Co-production Cell performing Human-Robot Collaborative Assembly

CoLaboratE will reform the way industrial robots learn to cooperate with human workers to perform new manufacturing tasks, with a special focus on the challenging area of assembly operations. Arçelik will disseminate innovative aspects of the CoLaboratE project as the end user. The targeted operations of the defined-use case is one of the major problems of the modern industrial robotics to be solved. So, the developed human-robot collaboration system will be used in all production plants with similar use cases, which include electronic card insertion and cabling needed.

2019
ONGOING

FORMPLANET

Sheet metal forming testing hub

The aim of FormPlanet is to develop and demonstrate an integrated ecosystem offering novel testing methodologies to characterise sheet properties, predict part performance and prevent production losses to the sheet forming industries to tackle the upcoming challenges in formability of processing sensitive materials. Arçelik aims to prevent manufacturing defects by increasing the production and performance efficiency in sheet metal forming with the help of new experimental and modelling methodologies.

2017
ONGOING

SAFECONSUME

Safer food through changed consumer behavior: effective tools and products, communication strategies, education, and a food safety policy reducing health burden from food-borne illnesses

The overall goal of SafeConsumE is to provide effective, science-based, and sustainable strategies for food authorities, market actors and the research community to help consumers mitigate risk, thus reducing the health burden from food-borne illness in Europe. This project develops solutions through R&D to reduce food-borne diseases through collaborations with universities and different companies in the food supply chain.



Ethics and Compliance

Business ethics is one of the cornerstones of Arçelik. As honesty, integrity, and superior business ethics are among our core values, Arçelik's Global Code of Conduct and Related Policies guide us in our daily business conduct with stakeholders.

The Global Ethics Committee oversees the management and fulfillment of the Global Code of Conduct and Related Code Policies. The Global Ethics Committee is led by the CEO. Koç Holding Consumer Durables President, one of the members of the Board of Directors, updates the Board about the activities of the Ethics Committee and the company's compliance with the Global Code of Conduct and related Code Policies. The Legal and Compliance Director quarterly reports to the Koç Holding Consumer Durables President.

The Global Code of Conduct shapes Arçelik's global activities. Therefore, each country manager is responsible for the implementation of the Global Code of Conduct and related Policies in daily business practices and ultimately, this responsibility resides with our CEO.

THE IMPLEMENTATION OF CODE OF CONDUCT

All our employees and business partners, including our temporary employees and interns, are obliged to comply with the Global Code of Conduct and Related Policies, and we expect them to internalize and follow these rules. In 2020, we communicated the Global Code

of Conduct and related Policies in 18 languages and completed the launch globally along with the global deployment of the ethics hotline.

At the beginning of their employment, our employees read and accept the Global Code of Conduct and Related Policies and obtain relevant training in their orientation program. In addition, 100% of our operations are evaluated based on a corruption perception index. To ensure compliance with the Global Code of Conduct, we created a comprehensive training program including face-to-face and online training for all employees globally. By training 1,760 employees in 2021, we have now reached more than 11,000 employees regarding the Global Code of Conduct and related Policies since its first publication. The training covers the Global Code of Conduct and Related Policies, including the fight against bribery and corruption, as well as the prevention of human rights violations and the prevention of discrimination and harassment, responsible purchasing, and conflict of interest. We also provide training to our CEO and all our Assistant General Managers on the Global Code of Conduct and Related Policies.

As stated in Arçelik's Global Code of Conduct, the Company did not donate to political parties, politicians, or political candidates, and did not allow activities in support of political demonstrations and propaganda in the workplace during the reporting period. Moreover, the Company's resources and fixtures (tools, computers,

e-mails, etc.) were not used for political activities and/or campaigns.

REPORTING NON-COMPLIANCE

All stakeholders can report cases related to non-compliance with the Global Code of Conduct and Related Policies through e-mail and a website-based ethics hotline implemented in all countries. Manufacturing countries receive notifications the same way, and also through ethics phone lines. We ensure that everyone sharing their concerns will be protected from retaliation and all investigations will be handled with complete confidentiality. In [Arçelik Global Code of Conduct Operations Policy](#), the consequences of substantiated breaches are described. Also, in [Arçelik Global Whistleblowing Policy](#), reporting channels and the protection of whistleblowers are described. Arçelik's Global Code of Conduct and Related Policies, as well as its compliance management systems, are third-party audited in line with ISO 37301 Compliance Management System standard.

In 2021, 57 grievances were reported through ethics hotline channels. We closed all the cases and have no ongoing investigations related to the cases reported in 2021. Among the reported cases, 17 were substantiated. The total number of grievances reported and resolved on anti-corruption and bribery topics was zero during 2021.



Ethics and Compliance

Type of Substantiated Cases	Numbers of Substantiated Cases
Internal fraud*	5
HR issue	2
Harassment	2
Conflict of interest	2
Mobbing	3
Unethical behavior	2
Violation of laws and regulations	1

* Misuse of fringe benefits and information provided by the company, demanding commission from third party, organizing fake documents

Arçelik protects and remediates those who have been affected by a negative human rights impact. For this reason, we have set up a global whistleblowing mechanism that can be used to report possible improprieties to unethical acts such as breaches of the Global Code of Conduct and related Policies including the Global Human Rights Policy and Global Anti-Discrimination and Anti-Harassment Policy. A whistleblower can be anyone who communicates an allegation or any other information indicating acts that are non-compliant with the above-mentioned Policies. The harassment or victimization of anyone raising a concern is not tolerated and individuals making a disclosure will retain their anonymity unless they agree otherwise.

Additionally, we ensure effective remediation actions to counteract human rights harms that have occurred. The defined remediation actions include financial

or non-financial compensation, apologies, offering rehabilitation, punitive sanctions, and administrative changes in terms of organizational structure. Arçelik also has communication channels to receive feedback and complaints from stakeholders.

For the above-mentioned harassment and mobbing issues, Arçelik took remediation actions including but not limited to psychological rehabilitation for an effective remedy, detecting the root cause of the mobbing, changing the organizational structure of the related department where the issue happened and changing the roles of some employees' positions.

As stated in Arçelik's Global Operations Policy, consequences of substantiated breaches include further education and/or coaching, a verbal warning documented and placed in the employee's HR file, a written warning placed in the employee's HR file, a written warning and appropriate financial consequence as legally possible; a downgrade in an employee's performance rating for the year and re-calculation of the premiums accordingly; termination of employment; and termination of employment and legal action against the employee(s) who breached the Code of Conduct. Arçelik imposes those punitive sanctions considering the mitigating and aggravating factors in order to maintain the non-repetition of the breaches.

Penalties given to the employees as a result of their breaches against the Global Code of Conduct in 2021 were:

- Verbal warning documented and placed in the employee's (HR) file,
- Written warning placed in employee's (HR) file,
- Termination of employment

Due to the substantiated cases in 2021, nine employees' had their employment terminated.



Please find the [Global Code of Conduct and Related Policies here.](#)



For detailed information about the governance of [ethical issues and responsibilities of the Global Ethics Committee](#), please see the [Global Code of Conduct Operations Policy.](#)



**FIGHT AGAINST NON-INCLUSION
IN GOVERNANCE AND
WORKPLACE!**

**BUILD AN
INCLUSIVE CULTURE
AND
EMBRACE
THE DIVERSITY**



64% OF CANDIDATES RESEARCH A COMPANY ONLINE BEFORE APPLYING FOR AN OPENING. AN INTEGRAL PART OF THIS RESEARCH IS WHAT MAKES THE COMPANY AN ATTRACTIVE PLACE TO WORK. AND 1 IN 3 WILL NOT APPLY FOR A POSITION AT A COMPANY THAT LACKS DIVERSITY. - GALLUP'S REPORT, "HOW MILLENNIALS WANT TO WORK AND LIVE".



Human Capital



We believe our human capital is our most valuable asset in our sustainability journey. At Arçelik, it is a top priority for us to provide a safe, healthy, diverse, and inclusive workplace for our employees where everyone feels engaged and rewarded. We aspire to achieve our long-term strategic goals as the sustainability leader of our industry, and our talent force will be a key driver along the way. We focus on retaining and developing our existing talent as well as attracting new talent. We emphasize the cultural and behavioral change in integrating our sustainability strategy throughout our operations. We make a commitment to continuous improvement in all our human resources processes.



In Arçelik, we adjust sustainability to every part of our work culture. We care to create an inclusive working environment and lead changes together with our employees. We believe game changers will shape the future.

TOYGAN PULAT
Chief People Officer,
Arçelik Global





Human Rights

At Arçelik, we fully respect human rights and providing a safe working environment within the value chain is of utmost importance to us. As indicated in the Arçelik Global Human Rights Policy and Human Rights Due Diligence Process, we are committed to abiding by the rules of the International Labour Organization and the UN Guiding Principles on Business and Human Rights. Arçelik is a signatory of the UN Global Compact and among the pioneering companies to sign the Code of Conduct published by the Home Appliance Europe (APPLiA).

A new, dedicated Human Rights Department has been established by our Board of Directors. The department is responsible for organizing regular third-party and internal human rights assessments within the global organization, preparing a risk mapping of potential and actual violations, and taking necessary mitigation and remedial actions pursuant to [the Global Human Rights Due Diligence Process](#). The Koç Holding Consumer Durables President, who is an Arçelik board member, has been assigned by the Board of Directors as the responsible board member to report on the human rights issues, potential risks and action plans.

The Human Rights department is responsible for convening the Human Rights Committee (HRC). The HRC meets four times a year to systematically review and revise the risk mapping of potential human rights issues within our existing business and new business

relations, as well as risks in the value chain. In terms of the value chain, our priority is assessing the risks of Tier-1 suppliers. The duty of the Human Rights Committee is to proactively ensure that the operations in the value chain do not have adverse impacts on individuals. The HRC is chaired by the Chief People Officer, and representatives from Occupational Health and Safety, Sustainability, Quality Systems, Purchasing, Global Compliance, Environment, and the Human Rights teams attend the committee. The decisions made by the committee are reported to the Sustainability Council, which meets quarterly and is led by the CFO.

The Chief People Officer reports quarterly to the relevant Board member on actual and or potential human rights violations and the remediation or mitigation action plans.

 [Please refer to the **below section for human rights related risks and mitigation, remediation action plans.**](#)

ARÇELİK GLOBAL HUMAN RIGHTS DUE DILIGENCE PROCESS

We are subject to regular audits due to our membership of the Business Social Compliance Initiative (BSCI) and the Suppliers Ethical Data Exchange (SEDEX). Through BSCI, our operations are regularly audited in topics such as social management systems, employee engagement, freedom of association and collective bargaining, prevention of discrimination, fair remuneration, OHS,

prevention of precarious employment, prevention of forced and child labor, environmental protection, and ethical behavior. Customer-specific audits also may be performed per request. Our supply chain department also follows an audit plan to monitor the social compliance conditions of suppliers. We plan corrective actions for nonconformities that arise as a result of the audits and check the actions taken regarding these plans in the following audits. We fulfill all requirements in each country in which we operate, in line with the local and national laws and regulations. Signed contracts comply with legislation in the countries where Arçelik operates and fully comply with local GDPR rules. We strictly follow, pay attention to, and commit to compliance. According to the results of BSCI and SEDEX audits, there was no finding for incidents of child labor, forced or compulsory labor in our own operations. In line with our zero-tolerance policy, we terminate our relationships with suppliers who may be involved in human rights violations.



Human Rights

In 2021, all Arçelik factories including joint ventures (28/28) are subject to human rights assessments either internally or by third party audits. 28 factories have been internally audited and 14 factories have been third party audited. All Arçelik factories (28 factories including joint ventures) have mitigation plans in place for the risks identified. No major human rights issues were identified by internal and third party audits in Arçelik's own operations and joint ventures. The results of internal and external audit findings are discussed in the Human Rights Committee and the mitigation actions are followed by corrective action plans. Please see below a list of findings and the mitigation actions taken.

Internal Audit Findings	Details	Non-Conformities	Improved	In Progress	Open	Mitigation Actions Taken
Workers Involvement and Protection	Lack of employee awareness on social compliance	20	3	10	7	Completing social compliance trainings
Decent Working Hours	Overtime working hours	27	1	20	6	Monitoring overtime working hours on weekly holidays periodically
Occupational Health and Safety	Emergency preperadness planning, Fire safety, Hazardous substance, Lack of Personal Protective Equipment, Lack of protective equipment on the machines	132	62	60	10	<ul style="list-style-type: none"> - Placing emergency exit signs on all related areas - Making available of fire cabinets and extinguishers to access - Providing portable eye shower stations in chemical laboratories - Installing safety guards machinery in production lines - Locking portable stairs to prevent falling from height
Environment	Waste management implementations	11	1	9	1	Well-organized chemicals storage, and providing secondary containment
Total		190	67	99	24	

35.3% of non-conformities is closed.

External Audit Findings	Details	Non-Conformities	Improved	In Progress	Open	Mitigation Actions Taken
Decent Working Hours	Overtime working hours	6	2	2	2	Monitoring overtime working hours on a daily basis
Occupational Health and Safety	Emergency planning, Fire safety, Hazardous substance, Lack of Personal Protective Equipment	16	12	1	3	<ul style="list-style-type: none"> - Renewal of evacuation drill for all shifts, - Fire drills for a night shift, - Well-organized working place in terms of chemicals and emergency situations - Opening up again the changing room which was closed during the pandemic, - OHS trainings, - New risks assessments regarding subcontractors, - Reviewing subcontracted agreement to ensure compliance with company regulation, BSCI and the local labour law
Environment	Lack of process method	1	1	0	0	Organization of the chemical storage area and providing protective equipment
Fair Remuneration	Lack of documentation	3	3	0	0	Preparing informative document regarding salaries based on BSCI procedures
Ethical Business Behavior	Lack of effective risk assessment regarding anti bribery and anti corruption	1	0	1	0	Risk assessment plan is being prepared
Total		27	18	4	5	

66.7% of non-conformities is closed.



Human Rights



RIGHT TO COLLECTIVE BARGAINING AND FREEDOM OF ASSOCIATION

Arçelik respects and ensures the protection of our employees' right to collective bargaining and freedom of association. We aim to build a trusting relationship with employees and unions, abide by the requirements of legislation and collective bargaining agreement, and ensure a peaceful workplace. Arçelik is a member of the Turkish Employers' Association of Metal Industries (MESS), which is the authorized labor union representing workers. A collective labor agreement was signed between MESS and the Turkish Metal Union covering the period of September 1, 2021, to August 31, 2023. Elsewhere, the Solidaritatea Union in Romania, Numsa, Uasa and SAWU in South Africa, the Trade Union of Shanghai Hitachi Household Appliances in China, the Hitachi Workers' Union of Thailand in Thailand, URIL and DPL in Pakistan have authorized labor unions.

In 2021, 63.9% of the employees were covered by collective agreement in all countries where we have manufacturing plants. In cases of collective and/or individual layoffs or changes in duties, Arçelik applies the relevant provisions stipulated in the labor legislation and collective agreements applicable in the countries of operation. 234 Arçelik employees served in labor unions, while two employers represented their group in employers' unions. A total of 236 employees and employers are labor and employers' unions. All hourly paid workers in Turkey work under a collective labor agreement.



Employee Well-Being and Benefits

WELL-BEING MOVEMENT

In 2021, employees benefited from 31 online webinar sessions, which were organized to raise awareness about different aspects of employee well-being. These webinars included guided physical, emotional, and mental exercises, which aim to expand employees' mental and physical well-being. Throughout the year, Arçelik and Koç Sports Club aimed to increase the resilience of employees working remotely through online physical exercises, yoga, breathing, and meditation programs. By the end of 2021, a total of 1,286 of our employees had begun receiving one-on-one online nutrition consultancy services in Turkey, available both in Turkish and English options.

ARÇELİK EMPLOYEES SPORTS CLUBS

Arçelik sports teams' on-field activities were on hold during 2021 due to the pandemic, while the 32nd Koç Group Sports Fest was limited to online sports such as basketball, chess, football, virtual sailing, and running. Arçelik's sailing team won the championship trophy in the online sailing challenge.

FLEXIBLE WORKING HOURS PROGRAM

At Arçelik, we help our employees find the right schedule for themselves to create a good work-life balance. That is why we launched the Flexible Working Hours Program for all our monthly paid employees in Turkey in 2019. In

line with the program, employees can manage their own work schedule with the condition of being present at the workplace between 10 a.m. and 4 p.m. and working a minimum of 45 hours per week. In 2021, the total number of flexible working hours reached 370,798.

WORKING FROM HOME ARRANGEMENTS

With the COVID-19 pandemic, we switched to a remote working model to protect the health and safety of our employees. Since we were an early adapter of home-office culture at Arçelik, and thanks to our digital transformation efforts, we have been able to manage the process smoothly. In 2021, employees worked a total of 2,307,819 hours remotely, covering globally.

Being fully aware of changing work habits and trends, we have announced the introduction of a permanent hybrid working model to support our employees further in 2022 and beyond. Due to COVID-19 measures, the new system will be implemented in Turkey in March 2022 in line with Arçelik's parent company Koç Holding's Office Free Program. The Office Free Program allows employees to work at least two days in the office and for the remaining workdays, they are free to arrange their schedule to work remotely from anywhere they wish. As well as working at home, employees also have the option to work at other Koç Group company offices on their remote working days if they wish. We are in the

process of establishing a global hybrid work framework that will allow employees the flexibility to work outside the office for several days a week.

PART TIME WORKING OPTIONS

In some countries, Arçelik provides part-time job opportunities and 3% of our employees are currently employed on this basis globally. In particular, at our Turkish locations we provide women employees parenting children under six years old the ability to work part time, in accordance with Turkish legislation.



Gender Equality, Diversity and Inclusion

Our aim is to build a purposeful and inclusive work environment for all. As per our [Declaration on Equality at Work](#), and [Anti-Discrimination and Anti-Harassment Policy](#), we welcome employees from every background regardless of their ethnic origin, religion, language, race, age, gender, sexual orientation, nationality, disability, or cultural differences. Arçelik has a zero-tolerance policy to any discrimination based on an individual's background. We believe that our differences make us stronger, more successful, and innovative. We strive to provide equal employment opportunities based on the candidate's merit and performance. We provide our HR team and managers with various tools to make unbiased decisions about recruitment and remuneration.

Knowing a diverse workforce and an inclusive culture is vital for Arçelik to achieve its vision, we initiated our Diversity, Equity, and Inclusion (DEI) transformation process. A dedicated global team was formed for this purpose, including a supervisory position focusing primarily on diversity and inclusion. The team, which is sponsored by senior management, is developing a tailor-made global strategical framework. As we operate in 45 countries, the inclusiveness of the transformation process is critical. While we focus our common needs on the global level, we also keep in close communication with all our countries to be aware of their own specific local needs.

We also know that the way to achieve our DEI goals is to develop the right culture and mindset. We

are addressing the issue of inclusion in the culture transformation process that we began in 2021. With this process, we want to embed inclusion in our corporate culture and leadership attitudes.

We respect diversity in the workplace and as part of our diversity roadmap, we aim to build future-fit talent and succession pools that are internationally, gender- and generation-wise diverse. As part of our new DEI transformation, we aim to improve the inclusive environment by providing unconscious bias training to all managers and focus on talent pools with regards to various aspects of diversity. We regularly evaluate employee data on diversity aspects such as the percentage of gender, age, and nationalities as a reference point to guide managers and HR teams through succession management process, helping us build future-fit talent and succession pools that are diverse in terms of gender, age, and nationality.

As we operate in 45 countries, we use this strength for talent transfers between countries to increase diversity within each country's operations. We organize talent attraction programs targeting youth and track our succession pools with a focus on the generation, gender, and nationality of the successors.

In some of our subsidiaries, such as Defy in South Africa, we have employment equity forums and training take place every quarter as part of the national labor law. We track diversity and inclusion targets monthly, and annually submit our employment equity report to

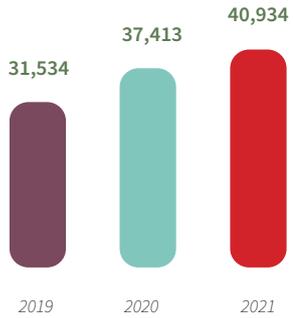
the Department of Labour, which analyzes our report against our targets and conducts reviews to ensure compliance. In some countries, such as the United Kingdom, Beko, one of Arçelik's subsidiaries, publishes its [Gender Pay Gap Report](#) as per UK law.

We have women's communities in some of our subsidiaries such as Romania, UK, South Africa, and Pakistan. We are planning to support employee resource groups for gender and generational diversity in 2022 as a global initiative that will provide meaningful community perspectives and enhance a sense of belonging between employees. In line with the DEI team, a Diversity Committee has been formed 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. At Arçelik, it is a top priority for us to integrate disadvantaged groups into our workforce. Therefore, we highly value hiring people with disabilities and helping them provide themselves with fair and equal living conditions. In 2021, the total number of employees with disabilities in the workplace and manufacturing plants across all our operations globally reached 587, equivalent to 1.43% of total FTEs.



Gender Equality, Diversity and Inclusion

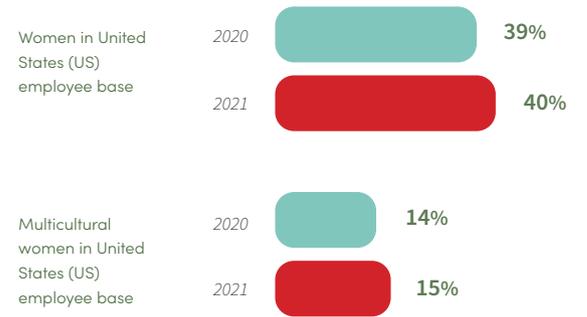
Total Number of Employees*



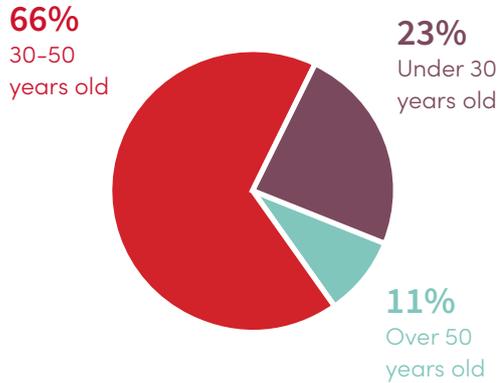
Employee Distribution by Category*



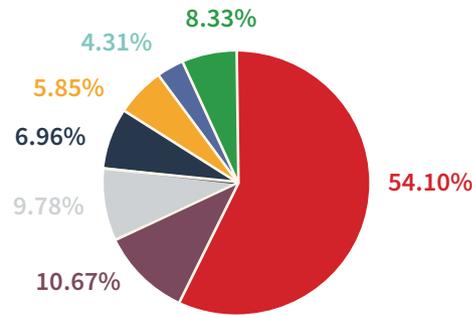
Women in Employee Base



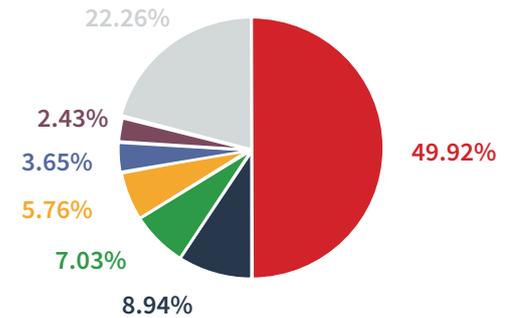
Workforce Breakdown by Age



Workforce Breakdown by Nationality



Distribution of Employees in All Management Positions by Nationality



■ Turkish
 ■ Romanian
 ■ Pakistani
 ■ Thai
 ■ South African
 ■ Bengal
 ■ Others

Women and multicultural women in total United States (US) employee base is 40% and 15% in 2021; while the numbers were 39% and 14% in 2020, respectively.



Gender Equality, Diversity and Inclusion

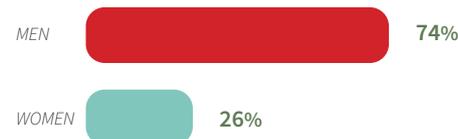
GENDER EQUALITY

Arçelik strives to ensure gender equality in and outside the workplace. We support women's participation in the labor force and women's economic empowerment. Arçelik encourages the employment of women not just at its offices and manufacturing facilities but also by its suppliers, authorized technical service providers, dealers and stores. We have been a signatory of the UN Women's Empowerment Principles (WEPs) since 2017.

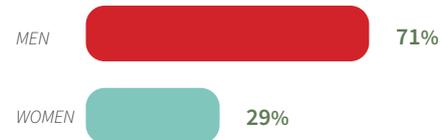
In accordance with our global pay policy, compensation is determined on the value of work and contributions made while considering experience, competence, and performance. We have a strong commitment to gender-balanced candidate pools, provided by internal recruitment teams as well as external headhunters. We follow diversity not only in these candidate pools but also in shortlisting and the final stage of recruitment. We have a recruitment plan to hire at least 50% women employees in order to reach our targets by 2030.



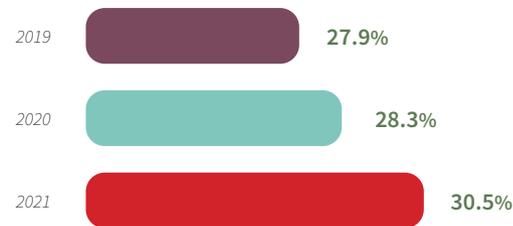
Employees by Gender



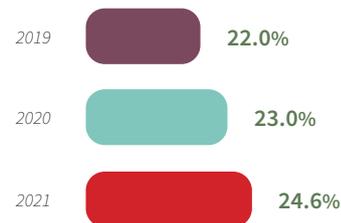
Subcontractors by Gender



Women Ratio of Monthly Paid Employees



Women Ratio of Hourly Paid Employees



We require a gender-diverse slate of candidates for all management roles, with 50% gender balance in our candidate pools from both internal and external recruiters. We also try to make sure that we have a diverse slate in shortlists and final stages of recruitment. We have KPIs that we track to help increase the proportion of women in management and STEM roles. We also have process-based KPIs in succession management, recruitment, and attraction.

At Arçelik, we provide childcare allowance to our women employees in Turkey.

We provide access to lactation and private rooms as well as paid time off for breastfeeding, which cover 84% of our employees globally. We have also begun to implement our new global parental leave policy across the globe. We are committed to being a family-friendly employer and believe that this policy will serve and enhance our existing commitments to be an equal-opportunity employer. At Arçelik, we want all our employees to be eligible for a common foundation of fully paid parental support and benefits, regardless of the country in which they are based.



[You can access the Global Paid Leave Standards from here.](#)



Gender Equality, Diversity and Inclusion

Arçelik also provides paid time off for bereavement and family support (in order to take care of family members when one has a physical or mental health condition which requires additional care), covering 99% of FTEs.

We have set our *gender equality targets for 2030*. We regularly review our performance and continuously make efforts to reach our targets. We revised our targets in 2021 for three different positions.

As a Koç Group company, we are a supporter of the Action Coalition platform. As part of it, we have made several commitments to achieve gender equality in STEM fields. We aim to increase women's employment ratio in STEM fields at Arçelik from 16% in 2020 to 35% across global operations by 2026.



[You can access further details on our Action Coalition commitments here.](#)

Workforce Breakdown by Gender in 2021

Targets for 2030

26% Women in the total workforce	35%*
19% Women in all management positions	30%
22% Women in junior management positions	35%
25% Women in top management positions	32%**
16% Women in management positions in revenue-generating functions	25%
18% Women in STEM-related positions	38%*

* Enhanced

** Enhanced and the expanded coverage: the positions which are one and two levels away from the CEO

In 2021, the proportion of women in management positions in revenue-generating functions (i.e. sales) was 1.6%, compared with 19.5% in all our operation.

Revenue-Generating Functions and Diversity	Women	Men
Managers in revenue-generating functions	127	691
Managers in support functions	267	939

Arçelik supports and applies the equal pay for equal work policy. The salary index of our women and men employees for 2021 is shown in the below table.

Salaries by Level	Average Female Salary (EUR) & Ratio	Average Male Salary (EUR) & Ratio	Ratio (Average Women/Men Salary)
Executive level (base salary only)	133,171	116,767	114%
	30.82x	27.03x	
Executive level (base salary + other cash incentives)	235,708	213,240	111%
	54.56x	49.36x	
Management level (base salary only)	40,997	38,002	108%
	9.49x	8.8x	
Management level (base salary + other cash incentives)	49,478	46,160	107%
	11.45x	10.68x	
Non-management level	14,606	11,710	125%
	3.38x	2.71x	



[For further details, please refer to Annex 6.1 Social Performance Indicators.](#)



Gender Equality, Diversity and Inclusion

GENDER EQUALITY FOCUSED PROGRAMS

The Women's Impact Program was developed with the objective of raising awareness among our workforce about the factors leading to gender inequality and its impacts. It is our aim to develop an egalitarian business culture as a best practice within the private sector. The program includes various development training sessions.



SheMate Mentorship Program

The She Mate Program has been conducted as part of the Women's Impact Program, aiming to encourage the return of women to work following parental leave. In this program, new mothers are matched with experienced working mothers. In 2021, six employees attended the program and received 144 hours of mentoring. This takes the total number of beneficiaries since the program's launch in 2017 to 61.

Equitable Parental Program

The Equitable Parental Program includes five consecutive seminars on the parent-child relationship and parents' communication skills within the framework of gender equality. A total of 403 participants attended the program in 2021.

Equal Dictionary

We promote gender equality by leveraging the power of technology. The Equal Dictionary keyboard is an application that we developed originally for Turkish speakers. The keyboard warns the user when they use sexist expressions, words that belittle women or men, or discriminatory language, and offers alternative wording. In 2021, the mobile app was downloaded 26,155 times and the 11 most prevalent discriminatory words used in Turkish were detected 121,586 times.

Women in Leadership Program

We implemented the Women in Leadership Program to support women managers to bring their leadership skills to a higher level and to develop a network where they can ensure self-actualization. In total, 567 people have participated in the program since it started in 2017.

We redesign some of our programs so they can be conducted online. We plan to re-launch our Father Support Program, Gender Equality Seminars, Seminars and Workshops on Gender Stereotypes, and Women Leadership Training to be delivered online in 2022.



Gender Equality, Diversity and Inclusion

COUNTRY-SPECIFIC DEI ACTIVITIES

Pakistan

We held a conference on Women and Leadership in Business Life for women employees at Dawlance. We also developed an equal pay for equal work policy, and equal opportunity principles in employment procedures are followed. For the first time in Pakistan, women were employed in the sales department in 2021, and further supported to work in the factories. Infrastructural changes were made to provide a more comfortable work environment for women employees, and we implemented the Sexual Harassment Policy and Miscarriage Parental Leave Policy.



Bangladesh

Gender Awareness seminars were held for Singer Bangladesh employees. Through the seminars, we aim to raise awareness about the consequences of gender inequality, the factors affecting women's participation in the workforce, and the measures to be taken to increase the visibility of women in the business world. Also, through the Women Leadership program, we support women's solidarity in the workplace. We organize mentoring programs that allow mothers in managerial positions to transfer their experiences to new mothers. We also put into practice the Sexual Harassment Policy in order to provide a safer work environment for women employees.



Romania

In 2021, Arctic launched the Arctic Women Community program for women employees in order to create a gender-balanced leadership organizational structure and to create a gender-free cultural transition. In addition to the mentoring program, which allows working mothers to transfer their experiences to new mothers, the finance training and talent program was held with the participation of 85 employees.

In 2021, a working group of 10 women volunteers with different backgrounds, experiences and personal profiles started the Arctic Women Community to implement actions and projects that aim to address the gender gap issue in the workplace. While the working group aims to increase women's leadership and raise gender gap awareness, volunteers completed several actions in 2021, including:

- Creating a maternity brochure for women employees and the management team
- Conducting a Smart Women, Smart Money workshop, which reached a total of 80 employees, providing education on financial issues
- Starting the Talent Shine Program, which offers weekly one-on-one sessions with a coach for women employees
- Focusing on women's health in Cancer Awareness Month by providing free cancer screening for women employees in the at-risk age group

India

We made several arrangements in our India operations to provide a safer and more inclusive work environment. We provide an all-women transportation facility for women employees working on late-hours shifts, providing home pick-up and drop-off services. We also recruit some of the women employees from either the same college or the same state, to make it easier for women employees to better integrate into the new workplace.





Gender Equality, Diversity and Inclusion

ELIMINATING UNCONSCIOUS BIAS

At Arçelik, we have initiatives to raise self-awareness of implicit bias and we provide tools to eliminate discriminatory behavior. Our learning catalog, which is open for all employees, includes training programs such as "Synergy of Differences" and "Managing Change and Diversity". All employees are encouraged to complete the programs.

"Welcome Diversity" is one of the leadership profile competencies expected from all our employees and managers. As a part of our recruitment and internal promotion process, we assess these competencies through competency-based interviews, case studies, online simulations, and role plays. These assessments are conducted by third-party companies, and we arrange one-on-one feedback sessions for all the participants. In 2021, we involved 181 managers in internal assessment processes. Hiring managers and recruiters are trained on competency-based interview techniques so they use the right methodologies and avoid discrimination. In 2021, unconscious bias training was delivered to managers in China, Pakistan, the Philippines, Thailand, and Italy, with 149 managers (61%) completing the training. We aim to complete the deployment of this training to all managers in 2022 as part of our global DEI strategy. To ensure bias-free talent evaluation, we also integrated objective evaluation criteria to our talent management system where all managers complete "potential assessment forms" to determine potential employees.



SUPPORTING PEOPLE WITH DISABILITIES

We have been supporting the Mentally Handicapped Protected Workplace (Z.E.K.İ) Life Center in Manisa Organized Industrial Zone since 2017. Arçelik aims to ensure the participation of young people with mental disabilities in working life to help them further integrate into society. In 2021, a working team consisting of eight employees with disabilities and a private trainer at Arçelik's Manisa Plant undertook the taping of the drainage pumps and the installation of sponges and covers on the discharge hose in the production of refrigerators.



Arçelik's passion for building an inclusive culture is inspirational, and really comes to life through their collaborative approach with partners. We're delighted to be working with such a purpose-led business

SEAN BRYNE
Associate Client Partner,
Korn Ferry





Talent, Performance and Career Management

Our employees are key to our success. In a time where we work to transform our business to become more sustainable, we highly value the role that our employees play. We are fully aware that without the contribution of our employees, it would not be possible for us to achieve our ambitions; therefore, we make a great effort to develop their skills and competencies. To this end, we focus on talent and performance management programs to help our employees grow. Following the principle "To equip people with right skills for the right job" we objectively evaluate performance, track development, and provide training programs to improve employees' capabilities.



YOUNG TALENT ACQUISITION

Achieving a diverse work environment in terms of age is crucial to our work. At Arçelik, it is deemed as important to attract new talent as to retain it. That is why we have a very strong employer branding strategy targeting fresh and soon-to-be graduates. We have various programs to boost young talent recruitment, young women talent recruitment, and young IT professionals, as well as targeting candidates studying abroad and seeking jobs in their home countries. We join forces with leading universities to attract young and high potential talents.



TALENT MOVE

Talent Move is a multilocal program to increase our national diversity and feed talent pipelines. We have transformed experience into an international journey and included young talent from different nationalities with the program. International students who are studying in the hosting country can attend the program to support our diversity culture. Rotations within the program is also possible depending on the host country's opportunities. Those who successfully complete the one-year program are offered a job in their home country.



FRESH START INTERNSHIP PROGRAM

Every year at Arçelik, we carry out the Fresh Start Internship Program to support university students through their career paths and give them an opportunity to gain experience in the business world. In 2021, we received a total of 17,549 applications in Turkey and 322 interns participated in 27 online events over 20-40 days. In 2021, the program was also implemented in Romania, South Africa, Pakistan, Thailand, China, and Bangladesh, from where we received 16,133 applications resulting in 111 interns.



FIT GRADUATE PROGRAM

In November 2021, Arctic began an accelerated three-year development program for 20 engineering graduates to ensure a leadership and technical experts' pipeline. With a cross-functional team of seven internal Arctic members and support from universities, the pilot program launched with 10 participants.



UNIVERSITY-INDUSTRY COOPERATION PROGRAM

Cooperating with universities helps us get to know young talent better, while also helping them implement and adapt their academic skillsets into their work life. Through our agreements with universities, 96 students gained work experience in 2021 at Arçelik in addition to their studies.



PREP PROGRAM

We organize a mentoring program, PREP, for young IT professionals. PREP is open for students who want careers in technical and digital areas. An experience journey is designed offering technical, soft-skill, and language training.





Talent, Performance and Career Management

PERFORMANCE MANAGEMENT

We continuously work to improve our performance management processes utilizing feedback from our employees. We care about the active involvement of our employees in all performance management and development planning processes. All monthly-paid employees are included in the performance management system, the equivalent of 25% of our workforce.

Our performance management system helps us to consistently track our employees' performance, ensuring that both employees and departments across the organization are working effectively towards achieving our business targets. Koç Diyalog, which we began as a pilot performance management system in Turkey, focuses on a future roadmap instead of past performance management, with an active and transparent target structure that supports the continuous exchange of ideas and dialogue. There are five check-in points in which employees and managers have regular conversations about business and individual targets. The system is based on the objective and key results methodology, which includes a minimum of three objectives and a maximum of four key results for each objective. Koç Diyalog performance management system includes all monthly paid employees in Turkey, covering approximately 4,500 people. We use different performance management system in subsidiaries. As the next step, we are planning to implement the new performance approach to subsidiaries in 2023.

Performance Management in 2021	Women	Men
The number of total employees subjected to regular performance and career development evaluation	3,150	7,210
The number of employee coverage of multidimensional performance appraisal	7,509	23,065
The number of employee coverage of formal comparative ranking of employees within one employee category	3,150	7,210
The number of employee coverage of management by objectives: systematic use of agreed measurable targets	3,150	7,210

Percentage of Employees Evaluated through the Performance Management System



We conduct the Monthly Paid Performance Evaluation Process in line with our financial calendar to annually assess our employees' performance. At the beginning of each annual cycle, all employees set their business and competency targets in consultation with their managers. Employees attend interviews and receive feedback and are later evaluated against their targets at the end of the annual cycle. In accordance with annual individual goals, employees benefit from new training and development opportunities. The Hourly Wage Performance Evaluation Process helps us review and assess the development and responsibilities of the employees twice a year under the supervision of their manager.

At Arçelik, we also have organizational performance cards through which we aim to improve gender diversity by department. Targets are applied to departments and regularly reviewed. Our Chief People Officer, and Talent Culture and DEI (Diversity, Equity and Inclusion) Manager are subjected to diversity goals. Further in some areas where the gender gap is relatively high, OKRs are included in performance reviews as well.

EMPLOYEE REMUNERATION, FINANCIAL COMPENSATION AND SIDE BENEFITS

Arçelik applies the principle of "equal pay for equal work" to all its remuneration procedures and our approach is to provide a competitive salary for our employees. Our Global Salary Policy guides us in remuneration and compensation processes. We also offer extensive benefits to further support our employees.

Monthly paid employees can benefit from Flextra in Turkey, a flexible and customizable benefits scheme. Employees are given several options to select from including life insurance, gift cards, check-ups and private pension plans, subject to the allocated budget.



Talent, Performance and Career Management

Benefits provided for employees are as follows:

- In Turkey, private health insurance; membership of the Koç Holding Fund for Retirement and Social Support; private health insurance: professional and personal development training; awards for supreme performance, devotion, contribution and creativity; discounts on the company's products; The Koç Family Program (provides employees of the Koç Group with special advantages regarding the products and services of Koç Group companies, special campaigns and extra benefits); loan application (for car, house purchases, special events, etc.); social benefits (funds for marriage, birth, education, etc.); lunch; medical service at the workplace; and transportation.
- Position-oriented benefits in Turkey include accident insurance; health check-ups; lunch tickets; Flextra; mobile phones; and car, oil expenses, repair and maintenance, etc.

FIT4FOF PROJECT

FIT4FoF Project aims to address employees' needs, analyzing technology trends across six industrial areas: robotics, additive manufacturing, mechatronics/machine automation, data analytics, cybersecurity, and human-machine interaction. From the information gained, we are able to define new job profiles that inform education and training requirements. As a member of the European Consortium, Arctic is taking part in the FIT4FoF project and runs a pilot project at the Washing Machine Plant in Ulmi, Romania.

DIGITALIZATION IN RECRUITMENT

We prioritize digital transformation in our recruitment processes to manage more effectively and improve applicants' experience. Our online case study application, Arçelik Cubby, allows us to interview candidates and the Assessment Center provides a fully digital experience to candidates worldwide. We also conduct all the recruitment procedures of hourly-waged employees through a digital platform we have developed.



The project's overall objective was to identify new skills requirements and job profiles, and develop and pilot for a unique, transferable education and training framework and tools. In addition, we wanted to create a paradigm shift that empowers the existing workforce (both women and men) to be co-designers of fundamental, lifelong training and education solutions.

The priority was to create new education and training solutions. To achieve this, a rolling program was

developed to analyze needs, design and compose high-quality training and education programs, and deliver and replicate training/educational processes in pilots.

INTERNAL MOBILITY

We actively encourage our employees to be internally mobile and learn from each other through our Talent Mobility Program. This approach helps us develop both individual and organizational capabilities within the company. The Program has four key dimensions:

Strategic assignments: These assignments are largely for senior management where there is a significant impact on the assigned country or wider business strategy. Examples include strategic actions such as leading a new operation, mergers and acquisitions (M&A) activities, instilling corporate control, and creating a continuous performance culture.

Technical expert assignments: Where there is a need for a specific technical skill that is not locally available and/or rare in the sector, technical experts may be assigned for those projects. These assignments aim to transfer the existing know-how to local employees and allow for information exchange. Technical expert assignments are usually designated for M&A and integration processes.

Talent development assignments: These assignments are usually given for employees with high potential who are expected to fill strategic roles with the aim of further developing their skills. Objectives range from global



Talent, Performance and Career Management

leadership skills development to multi-cultural exposure. We may occasionally use these assignments as a tool to retain talent in high turnover risk cases.

Employee-driven assignments: We also provide our employees with assignment opportunities in cases where they demand such moves for various reasons. Employee-driven assignments are supported within a framework.

At Arçelik, we manage all four types of assignments on both short- and long-term bases:

Short-term assignments cover international assignments of a temporary duration which may vary from one month to one year, not usually implying a change of residence. Short-term assignments can be either technical or developmental in nature.

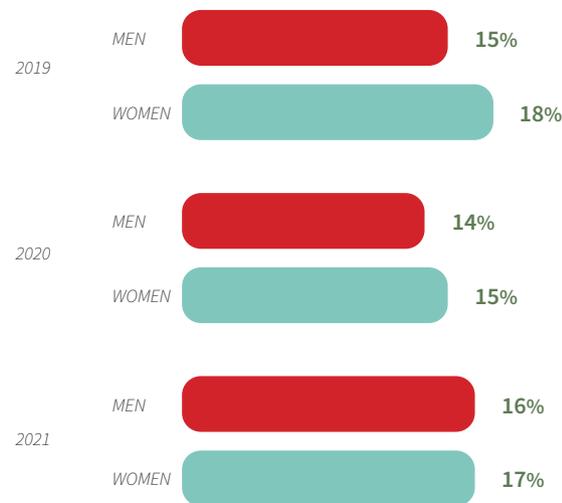
Long-term assignments cover international assignments of a temporary duration lasting more than a year, after which the employee is either expected to take up another assignment or return to his/her home country:

- Strategic long-term assignments last from a minimum of three years to a maximum of five years
- Technical expert long-term assignments last from a minimum of one year to a maximum of three years, with exceptional extensions to a maximum of five years
- Talent development long-term assignments last from a minimum of one year to a maximum of three years

Permanent transfers refer to transfers to another country with no defined end date.

It is important to us that our employees pursue long and thriving careers during their Arçelik journey. Prior to publicly posting vacancies, we announce open positions to our employees. In 2021, we filled 37% of open positions with internal candidates in all our operations.

Percentage of Employees Promoted



We manage internal promotions with two different methods, namely job grading and organizational assignments. The job grading scheme functions as the cornerstone of our HR processes. Job ranking provides a consistent, transparent framework for all jobs and allows insight into the relative contribution of each job.

It provides a basis for Arçelik Group compensation management, recruitment, and talent and career management. We annually gather all grade review requests and promote our employees who meet the criteria. We also provide promotions to our employees through our vacant roles within organizational assignments. We manage this process through internal job posting and through succession plans.

At Arçelik, succession plans cover planning of vertical appointments and horizontal appointments for current management positions. Depending on the capability and readiness of employees we define internal successors for managerial positions. We determine three different succession plans. In order to have a 100% succession rate for a position we expect to have at least one ready and one short-term successor.

- Ready successor refers to candidates who can be readily appointed as they have already been brought up to fill in the position. These candidates need to fulfill the necessary criteria for the position, such as development center application results, job grading, etc.
- Short-term (1–2 years) successor describes candidates who require a certain amount of time to be appointed as part of their career development. The short-term successors are yet to fulfill the necessary criteria needed for the position.
- Mid-term (3–5 years) successor describes candidates who require a higher amount of time in their career development. This type of a succession plan is



Talent, Performance and Career Management

conducted in order to sustain the business growth while allowing internal candidates to fill managerial positions within Arçelik in the longer term.

It is critical for us to utilize our human capital and invest in the right people to be ready for the right positions. Succession is also critical to submit the know-how of managerial roles to the individuals in the pipeline and support the organization's speed and agility to respond to changes and/or growth.

TRAINING

As we know retaining and developing talent are the key factors to success in our ambitions, we offer a wide range of training programs to our employees. We not only encourage them to improve for today, but also, to prepare for the future.

While we work for the development of employees' skills and competencies, we also make a great effort to continuously improve our training programs so that they can fit better to our employees' needs as well as our business strategy. To achieve that, we annually analyze our training according to our company strategies and goals, organizational strategies, and needs, focus group studies, past learning records and analysis, future business trends, future talent and learning trends, Development Center assessment and 360° evaluation results.

We organize training programs both in accordance with personal development plans and functional development needs. At Arçelik, there are two types of training program: assigned and selected training. Assigned training covers company orientation, capability building programs, functional and technical academies, compulsory training, and leadership transition programs. Selected programs serve for individual development needs such as language training, job-specific technical training and competency training.

In 2021, total training hours reached 795,742 person*hours while average hours per employee and the average amount spent on training and development were 18.65 hours and EUR 110.52, respectively in global operations.

 [For further information, please see Annex 6.](#)





Talent, Performance and Career Management

Training programs at Arçelik are summed up in three main categories. **Future in You** focuses on career and potential leadership development, **Leader in You** on the development of leadership skills, and **Talent in You** on our employees' personal and professional development.

FUTURE IN YOU

With this program, we aim to prepare our future managers for their leadership roles in line with their career goals and individual development. To identify the employees' strengths and development areas, and to create development plans by measuring their leadership potential, we include them in development center assessment applications. To provide a digital experience in line with future competencies and the pandemic conditions, we revised the course content and redesigned the digital experiences. In 2021, 299 employees and managers attended training sessions under Future in You program's 3 major offerings:

- The Leadership Insight program, a ten-month development journey consisting of five modules of training, group coaching sessions, project assignments, and networking sessions. In 2021, 88 participants attended the program and received 57 hours of training and group coaching session.
- The Global Manager program, which aims to support participants to work more effectively in an international environment. In 2021, 25 participants from eight different subsidiaries participated in this two-month program, consisting of 16 days training, case studies, and business simulations, receiving 90 hours of training per person.
- LEAD Programs, which aim to develop future leadership and technical competencies. The programs are designed by world-renowned educational institutions in collaboration with Koç Holding. In 2021, 186 employees participated in various training, from leadership to expertise.

LEADER IN YOU

We offer different training options within the Leader in You program to improve the skills of employees in all management positions. A total of 798 employees attended 12,514 hours of Leader in You sessions in 2021.

One course provided in the framework of this program is Leadership Journey. In 2021, 140 Leadership Journey graduates holding managerial positions for the first time in their careers at Arçelik Global participated in this program. Offered online after the COVID-19 outbreak, a total of 4,200 hours of training and group action learning sessions were provided to the participants.

Mentorship programs are deployed to different functions from Finance to Production and Technology, and mentoring was provided to 55 mentees in 2021. One of the opportunities under this category is competence training, with a focus on corporate strategies, remote working, coaching skills, implementation of strategies, and managing differences and collaboration. In 2021, 255 managers attended competence training sessions. The Leadership Impact Program, developed to help senior management create a strong leadership culture, was expanded in 2021. We digitalized this experience and 44 managers participated in this program during the year. We also encourage mid- and senior level executives to enhance their skills by presenting opportunities to participate in the online programs of many prestigious universities. To date, 115 managers have followed various online programs at Harvard Business School and Emeritus.

TALENT IN YOU

In 2021, we provided 523,918 hours of training to 19,563 employees. This included orientation programs focusing on new employees' compliance with corporate policies; development programs consisting of technical and professional training; common competence training; foreign language training; online training, programs with special social responsibility themes, and hobby training.

Through this program, we focus on:

- ensuring technical competencies required for global competitiveness
- improving digital and next-generation competencies
- enriching critical expertise paths
- developing Industry 4.0 competencies of technicians and operators in manufacturing technologies.

With the onset of the COVID-19 pandemic, online training courses were expanded with Turkish versions for field employees and English versions for global employees.



Talent, Performance and Career Management

We also offer various training programs to strengthen professional development and expertise at Arçelik.



We are proud to be associated with Arçelik as learning and thought partners in their journey of being a great place to work. Arçelik's commitment to build an organization culture characterized by empowerment, employee growth & development, inclusion and collaboration while continuing to achieve sustainable growth, is truly inspiring. It's our pleasure to be able to contribute to Arçelik's culture building initiatives through our bespoke learning programs

ADEY ZAGHAB
Senior Director, Middle East,
Turkey & Africa (META)
EMERITUS



TECHPRO ACADEMY

With TechPro Academy, Arçelik aims to improve the competencies of engineers, specialists and senior experts working in production and technology groups to increase the company's global competitiveness. The Academy was developed in collaboration with Koç University in Turkey to be implemented both in Turkey and Romania. The Academy, with its business-oriented content, has an important role in translating the academic knowledge and experience into business practice. In 2021, we provided 267 employees with 10,296 hours of training.



DIGITAL COMPETENCY FOCUSED TRAININGS

We care about providing our employees with opportunities to hone their skills in line with our digital transformation roadmap. In 2021, 1,215 employees were provided with a total of 2,612 hours of such training.



DIGITAL PROGRAMS

We provide training sessions to help our employees embrace our digital transformation roadmap while developing their skills. Face-to-face development programs, including company orientation, catalog training, Leadership Journey, development weeks (GroWeeks), and functional academies, are now conducted on online platforms. In 2021, 232 employees attended digitalization programs held by several universities.



DESIGNING THE FUTURE FOR MY COUNTRY

We conduct seminars to ensure that our employees structure their relationship with technology, take steps for a fair, equal and inclusive future, and design the future they dream of using the possibilities offered by new technologies. Working in partnership with our employees and dealers, we have reached 5,856 participants in total, including 765 employees in 2021.



INTERNAL TRAINING PROGRAM

In 2021, we started a new program to enable our experienced employees with functional and technical expertise to share their technical know-how and experience in-house. We aim to create a pool of internal trainers and convert the training provided by outside firms into internal training. Besides establishing a culture of learning from each other, an internal training program also helps the integration of different teams with each other. There are now 38 employees who are internal trainers within the program.



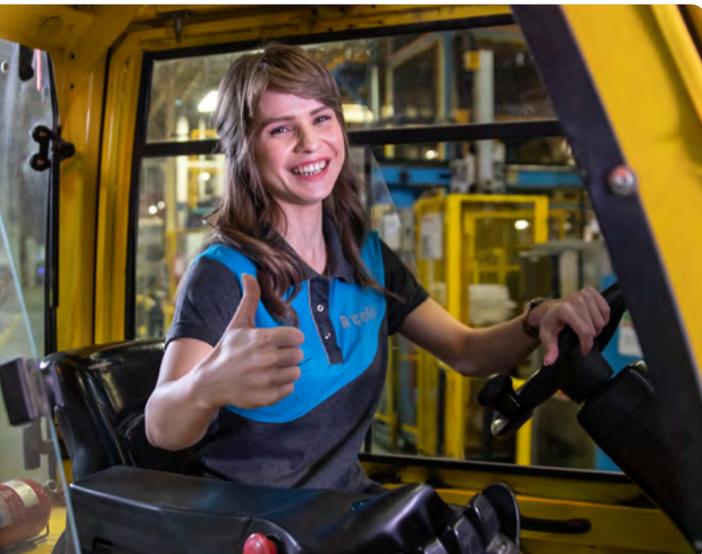


Employee Engagement and Volunteering

At Arçelik, we emphasize employee engagement and focus on behavioral change programs so that each employee feels as part of the team. We see the investments in engagement activities as a key component in aligning Arçelik's corporate sustainability vision and strategic targets.

Our 2021 employee engagement survey saw a global participation rate of 94% and an employee engagement rate of 72.6%. Results show that the engagement rates are 60% for our female employees and 74% for our male employees globally.

 [Please refer to Annex 6.1 for a breakdown of the employee engagement data by gender, age, management level.](#)



We have carefully evaluated the results of the survey concluded that our employees appreciate Arçelik's sensitivity to social and environmental problems and its precautions and communication regarding COVID-19. In addition, participants gave the highest score for the Koç Group in trust and respect. However, salary, talent retention, and talent acquisition were aspects where there is room for improvement. We also evaluated remarks made by our successful and talented contracted employees regarding their integration into Arçelik. We continue to develop action plans for our current and future talent to help them form a strong bond with Arçelik in their professional and personal lives.

Our total turnover rate has declined from 14.7% to 8.9% in 2021, though we experienced an increase in the voluntary turnover rate* from 4.6% to 7.7% in 2021. Looking into the global background of this change, the main reasons are increased talent competition, especially among tech companies and start-ups, which are massively growing their workforce, and the talent move caused by the post-pandemic work environment. The increase in remote working options has massively opened up career opportunities for people as they can now work regardless of location. Meanwhile, the pause in the workforce market has come to an end with the decreasing effects of the pandemic, causing new opportunities to become available. Another important point to consider is that the Y-Z generations are now a higher proportion of the workforce than before and their priorities regarding work and life have caused them to search for better-fit employment opportunities from

individual perspectives. That said, in some locations we operate in, such as South Africa, economic conditions had an impact on increased voluntary turnover. At Arçelik, we accepted the increasing voluntary turnover rate as a major focus area, and initiated projects on talent management processes, employee experience, work-life balance, and well-being. We are also focusing on improving rotation opportunities and location-liberated career opportunities using our competitive advantage from our global organization model. We also began a Culture initiative to build one Arçelik culture, in which everyone can be their best authentic self and feel a sense of belonging.

 [Please refer to Annex 6.1 for a breakdown of total employee turnover rate based on age group and gender.](#)

In order to ensure the continuity of a high employee engagement, we have implemented different practices in 2021:

- Providing a coach dialogue for our employees in Turkey. Check-in meetings are held five times a year to create an open feedback culture.
- Presenting two situational awarding schemes for our employees in Turkey. Shining Moments is for hourly paid employees and Spot Bonus is for monthly paid employees. All employees are able to nominate someone for a reward. Nominations are evaluated and selected by the award committee. Employees cannot receive more than two awards during a year. In total, 870 people have benefited from the Spot



Employee Engagement and Volunteering

Bonus. Employees who finished their 10th, 20th, 25th, 30th or 35th with Arçelik Group receive awards at the first presentation following their anniversary date.

- In EMENEA region, executives held presentations for staff on the current situation and strategy.
- We provided vaccinations for our employees in our factories.

FEEDBACK AND DEVELOPMENT DIALOGUES

Feedback and Development Dialogues are a standard part of our Performance and Development process, defining a clear structure of feedback collection process between team managers and employees. Every year in line with our performance cycle, we ask our employees their career aspirations and preferences, encourage them to plan their future, be aware of their own strengths and development areas and take actions to support their development. We track the career dialogues between managers and employees. All monthly paid employees in Turkey are involved in this process. We also organize development weeks (called GroWeeks) and webinars, and share playbooks to support our managers and employees to have effective feedback and career dialogues.



GROWEEK GLOBAL

GroWeek Global was organized to enhance and enrich our development culture and growth mindset. Between 1-14 July 2021, we organized our first global GroWeek summit after two years of local events. The summit consisted of total 10 based on three main themes: Be Aware, Dream, and Take Action. A total of 4,581 employees with 1,877 unique participants from all locations took place in the summit, further strengthening our inclusivity and internal employer brand. The Summit also provided valuable and crucial insights on the future of work, agile working, and self-development.

SUSTAINABILITY DAY

In terms of sustainability communication, having internal events with the focus on sustainability is critical for our strategy. In 2021, we organized our second Sustainability Day as an online event with the theme of 'React for the Planet', inviting all Arçelik employees across the world. The event was focused on Arçelik's carbon narrative and our journey to reduce our carbon footprint. The event included an inspiring opening speech by our CEO, Hakan Bulgurlu, as well as various panels and guest speakers. With the live events in 2020 and 2021, 3,432 employees have been reached in total.



Corporate Volunteerism



In order to spread the corporate citizenship understanding at Arçelik, we support our employees to participate in volunteering activities. Since we see all our employees as active and responsible global citizens, we develop volunteering programs in line with our material sustainability issues and partner with public institutions and NGOs in line with Arçelik's Civil Society Cooperation Policy. A total of approximately 58,000 hours of volunteering activities were realized in seven different countries.

Arçelik's Civil Society Cooperation Policy aims to:

- raise awareness of environmental sustainability, particularly on plastics and the climate crisis
- provide digital skills and competencies
- provide technical skills through education and training
- promote gender equality and women's empowerment.

VOLUNTEERING FOR A CORAL REEF 2021

In March 2021, 25 participants from Marine Science Camp, Plutaluang Wittaya School, and Beko Thai employees' families participated in coral planting to help conserve a coral reef and ecosystem to mark World Water Day. As well as helping conserving the seas and marine resources for sustainable development, this volunteer project helps us to build good relations between the company, employee, their families, and the local community.

WETLAND CONSERVATION ACTIVITY

To raise employees' awareness about the environment and the need to reduce the impact of global climate change, Beko Thai arranged a volunteering activity to help conserve the ecosystem and biodiversity at a local wetland area. A total of 43 participants planted 20 trees of *Oncosperma horrida* – a rare tree on the verge of extinction – and released 10,000 Thai silver barb fish.



I feel good and relaxed. There were many activities on that day; coral planting, diving and sharing knowledge about coral conservation. Thanks to this volunteering activity, I've learned something new about nature, spent time with my colleagues outside of work and positively contributed to the environment with my family.

ORANI CHAIYARACH
Operator, Beko Thai





Employee Health and Safety



Caring for the health and safety of our employees, especially during the difficult times of COVID-19, has been one of our most important issues. In order to minimize the ongoing negative effects of the pandemic, especially physical and mental challenges, we have been improving working conditions and providing appropriate support. We have also responded quickly to the anxiety levels indicated in our regular pulse surveys held throughout the year, identifying the stress sources and providing remote working options.

In 2021, we monitored employees' stress levels on a regular basis via global online surveys. The employee engagement and communication activities that we have implemented in our action plans based on feedback from pulse surveys allow us to support our employees from different psychological and physical aspects.

All Arçelik employees in Turkey benefit from supplementary health insurance, which is paid for by the company. Additionally, if employees desire insurance with a higher payment limit, they can buy further private health insurance provided by KHEV (Koç Holding Pension and Assistance Fund Foundation).

All employees in Turkey have access to the online health platform Medihis, free of charge. Medihis is a psychological counseling service organized by Koç Pension Foundation. Our employees can contact various physicians, specialists, psychologists, and dietitians. They also can create and store their medical archives on Medihis, and access them 24/7 from anywhere. Managers and higher-level employees periodically receive check-ups in private hospitals free of charge.

ZERO ACCIDENT WORKPLACE

We leverage technology and digitalization to create the safest workplace and reach our zero occupational accident and zero occupational disease targets. In line with these targets, we assess our occupational health and safety (OHS) risks, conduct audits and raise awareness through training programs, and initiate behavioral change. We manage OHS through an integrated approach with our quality and environmental management systems. In 2019, we gained the first global management system certificate covering our headquarters and all our production facilities following the ISO 45001 OHS Management System Standard audit, conducted by third parties. As of 2021, 72.4% of our operations are covered by ISO 45001 OHS Management System certification. In addition to these audits, BSCI audits are carried out by third parties for Arçelik's plants globally, as well as Arçelik internal online OHS audits and Koç Holding's audits in Turkey. Weekly and monthly based OHS field audits are also carried out by first-line managers in all manufacturing plants and warehouses.

Our Occupational Health and Safety Policy guides all our OHS processes everywhere we operate. We ensure that we go beyond rules and regulations and fulfill all our obligations in accordance with both international commitments and collective bargaining agreements. We take actions in line with the Arçelik OHS Action Plan. To increase our overall performance on OHS issues, we embed OHS performance into the performance scorecards of the Chief Technology and Production



Employee Health and Safety

Officer and the Chief People Officer, as well as relevant directors and all relevant employees.

In global operations, the Lost Time Injury Frequency Rate (LTIFR) was 1.37 in 2021 and the Occupational Disease Frequency Rate was 0.1. The LTIFR for subcontractors was 2.72. Total working hours were 91,573,177 in all operations covering plants and offices. In 2021, the number of fatalities for employees and contractors at work as a result of was 0. The verification process for OHS data is carried out within the scope of the AA1000 Standard by a third party, the British Standard Institute (BSI).

 [Please see Annex 2 for the Assurance Report.](#)

Different types of OHS risk assessments are carried out in work areas to identify hazards and risks. With the active participation of employees, workplace risks are reported via mobile applications and necessary precautions are taken. Health risk assessments are also prepared with the participation of occupational physicians. Health checks are carried out, ergonomic risk analysis is prepared, and appropriate equipment is researched so that employees can work more ergonomically. With the aim of preventing health problems, a healthy working environment is created by making regular environmental measurements, and the health status of our employees is monitored through entrance and periodic health checks.

Emergency Actions Plans are prepared for different types of emergencies and to minimize the loss (including loss of life, property, reputation etc.) during an emergency. Training is organized for the Emergency Response Teams and drills are organized regularly with the participation of our employees. Disaster awareness training is also organized for our employees.

We have internal quantified targets on yearly and three-year bases to reduce the Lost Time Injury Frequency Rate (LTIFR) and the Lost Time Injury Severity Rate (LTISR) and to increase the employee near miss and potential hazard awareness levels. For 2022, we have a target of one near miss and potential hazard notification per employee, and targets for a 10% reduction in LTIFR and LTISR. The major projects for preventing accidents in our plants and warehouses are the implementation of Digital Machinery Safety Systems and Forklift Accident-Avoidance Systems. Additionally, we will be organizing driver safety training for company vehicle and shuttle drivers.

We emphasize employees' representation in OHS management and include our workforce in the decision-making processes. Our employees are represented on OHS committees and employee representatives share safety concerns and play an active role in determining preventative measures through a suggestion system.

Based on Arçelik's OHS procedures, accident root cause investigations using different methods such as Fishbone, 5 WHY, and ABC Analysis are prepared by our trained experts on accident investigation. The way the accidents occur, the root causes and the actions needed to prevent their recurrence are shared with our top management and plant management teams on a monthly basis.

The root causes and preventive and corrective actions are evaluated with the relevant management teams and safety specialists at Directorate meetings and OHS Committee meetings. The contracts between Arçelik and its suppliers demand compliance with the OHS requirements of our [Global Responsible Purchasing Policy](#). Contractor company are obliged to comply with the OHS requirements stated in the Health and Safety Commitment, which is signed along with the Contract.

In addition, companies are evaluated within Arçelik's Contractor OHS Management System. Contractor companies' evaluation results are shared with the Purchasing Department and necessary actions are taken according to the procedures.

LTIFR Data	2019	2020	2021
LTIFR for employees	1.21	2.09	1.37
Data coverage as % of employees	90.33	90.84	96.9
LTIFR for contractors	4.64	4.23	2.72
Data coverage as % of operations	30.55	42.80	81



Employee Health and Safety

OHS TRAINING

At Arçelik, OHS-related communications are managed according to the Arçelik OHS Communication Procedure. This is determined and prepared in line with the requirements of Arçelik and Koç Group and the OHS Communication Management System.

OHS, on-the-job and vocational training required by legislation is organized regularly, and employees receive periodic "Five-Minute Safety Talks". Supplier OHS awareness training is delivered via an online platform, and we aim to reach 5,000 suppliers' employees as part of our 2030 sustainability targets.

Employees are constantly informed about OHS through videowalls, there are regular health enhancement programs, and employees receive information about general and current health issues via webinars. With the online health application, health support is also provided in the areas employees might require.

In 2021, a total of 456,145 person*hours of OHS training on regulatory requirements and technical matters were organized for employees at all Arçelik facilities, equivalent to 11.3 hours of OHS training per person. We included not only employees, but also their families in the OHS culture change, and we expanded training to include business partners and suppliers. We provided a total of 17,108 hours of training to our subcontractors.

GOVERNMENT AWARDS

Prestigious Award from the Thai Government

Thailand's Ministry of Labor awarded the occupational health and safety Silver Level Certificate to Beko's Thailand factory in July 2021, after the factory implemented the Zero Accident Mindset in its working areas. The award came after the factory achieved zero accidents within 3,000,000-9,999,999 working hours on July 1, 2021.

Safety Stars

This project aims to establish a safety culture among employees through a system of rewards. We started this project in our Ankara Dishwasher plant to create healthy competition between employees and teams. Each team consists of employees from the same department and shift and has score cards on which they can receive both negative and positive points regarding their OHS-related actions.

A major benefit of the project has been the high increase in the amount of feedback given by the employees. Thanks to this feedback, accidents have been prevented, avoiding potential injuries and making a significant contribution to reducing the direct and indirect costs that accidents can incur. Thanks to this, we won the Benefit Cost Efficiency Award in the Strong Communication and Safe Workplace Good Practice competition in Occupational Health and Safety Week.

SAFETY, HEALTH, AND ENVIRONMENT WEEK 2021

In December 2021, Beko Thai organized an event to promote awareness, knowledge, and build collaboration about safety, health, and the environment to employees. In total, 423 voluntary participants attended the event, which was organized in partnership with Bankhai Hospital.



Customer Experience

As the shift to digitalization took a huge step in 2021, shaping behaviors and expectations, it became even more of an imperative for companies to maintain a strong connection with their customers, delivering smarter, more customer-centric interactions. At Arçelik, we seek to satisfy all customers and consumers in all operational regions, growing through offering products and services at world-class quality and standards. We strive to become a beacon of reliability, continuity, and respectability for all customers.

NEXT GEN MERCHANDISING

Throughout 2021, we worked on developing agility that would carry us further with new generation retailing. One of the first outcomes, Online Experts, is a digitally equipped online sales assistant placed as the first point of contact for a consumer virtually walking into a flagship store via an online device. We enable our consumers to experience our products and services by touching their screens, making our physical stores easily accessible online.

We work with leading universities in Turkey and organize workshops, flagship visits and C-level meetings to enhance communication with young people and increase product innovation. We also adopt reverse-mentoring and listen and learn directly from our prospective consumers.

THE KITCHEN

Located in Arçelik's Cooking Appliances Plant in Bolu, Turkey, The Kitchen serves as an experience hub where selected Arçelik, Beko, and Gruding-branded products are exhibited to consumers. The hub provides our customers with a unique way to offer feedback and insights on products and their cooking experiences, which then inform new product and feature idea creation processes.

In 2021, through The Kitchen, we focused on raising awareness of responsible cooking methods. Throughout the year, chefs prepared meals with healthy recipes that also follow a zero-waste approach.



Arçelik's Retail Academy Program which is designed for dealers including courses on new generation leadership for management and sales-product trainings for store employees, is really helpful. I want to thank Arçelik for building an ecosystem like this and investing for its growth; I also want to thank all those who support us throughout the process.

MUSTAFA İSKENDEROĞLU
Retail Academy
Participant, Antalya





Dealers (B2B) and Stores

Dealers and stores are our B2B customers. As these areas are our direct contact spaces with consumers, we place great importance on them and our relationship. In 2021, we met with our customers across 54,855 stores. In Turkey, Concept Plus Stores and Flagships are clustered together as omni-stores, enhancing the customer experience, where we reached a total of 2,830 customers. While Flagships provide practical solutions and digital touchpoints, enabling customers to imagine, experience and be inspired, Concept Plus Stores provide the ultimate commercialized experience with digital screens and are aligned with the omni-behavior of customers.

DIGITAL AUDIT SYSTEM (DIDE)

DiDE is a digital audit project we implemented in Turkey which helps to evaluate the display activities and merchandising standards of all Arçelik and Beko dealers. Every month, a survey is assigned to dealers via a mobile application, and they receive monthly ratings according to the results. Digital Audit Specialists evaluate the survey and inform the relevant units in case of any need, inquiry, or problem.

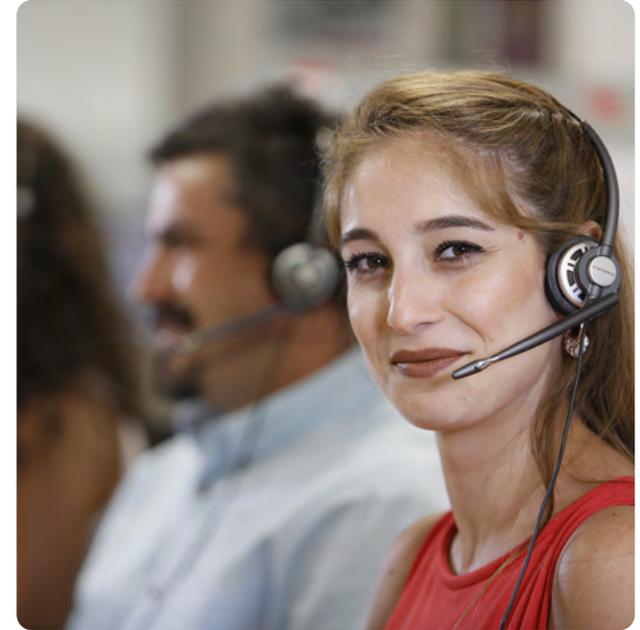
ARÇELİK RETAIL ACADEMY

We continue to provide training through Arçelik Retail Academy webinars. In 2021, 4,350 individuals participated in webinar training through the Academy, which us now reached approximately 15,000 participants in 187 sessions since its launch. The number

of people who completed at least one training session stood at 4,320 for online sessions and 6,110 for all training programs.

As the Academy reinforced its branches for all target audiences in the areas of new generation leadership, expertise in management and women dealers, 113 people participated in the New Generation Leadership Program, 235 people in the Effective Management Program, and 1,050 people in the Sales Specialization program. All participants successfully graduated from their programs and received certificates. Aiming to increase interaction and learning, the Academy will focus on improving instant data monitoring, developing gamification, and appealing educational content. We initiated a Dashboard Project to support our dealers' sales operations by increasing their learning retention through enabling instant monitoring of Retail Academy's key performance indicators.

In 2020, Arçelik A.Ş. applied for Erasmus+ accreditation, a tool for vocational education and training (VET) organisations in adult and school education that want to open to cross-border exchange and cooperation. Erasmus accreditation confirms that the applicant has set up a plan to implement high-quality mobility activities as part of a wider effort to develop their organisation. Our program, which is valid for 2021–2027, supports initial and continuing vocational education and training, and work-based learning in all its forms.



In March 2021, Arçelik A.Ş. was accredited by the Turkish National Agency, an affiliate of the Ministry of Foreign Affairs' Directorate for EU Affairs within the program which will enable Arçelik to access VET funds.

Service Academy Turkey is responsible for the development of competencies of all authorized service employees who perform after-sales service procedures for Arçelik's operations in Turkey. The Academy determines the organization's training needs, plans accordingly, and conducts technical, new product and technical development training to increase the



Dealers (B2B) and Stores



employees' expertise and maintain their continuous development. It also provides behavioral training for authorized service employees to have excellent communication skills. For service owners and managers, training needs are identified to develop their skills and knowledge in business management, , business law, finance, human resources, and customer orientation.

Face-to-face training was terminated when the COVID-19 pandemic began in March 2020 and training content revised in accordance with distance learning requirements. All training programs continued with new content delivered via a virtual classroom, video, and e-learning. In 2021, a total of 380,000 person-hours of New Generation Leadership training, which covers technical, behavioral, and management skills, was provided to 12,990 individual authorized service personnel via 415 modules. Approximately 9,000 personnel attended virtual live classes and 12,255 attended e-learning / video training sessions with at least one module.



The training given to women employees by Arçelik Service Academy has been beneficial for us in many areas. It has destroyed prejudices and increased our self-confidence by making it visible that women's power, intelligence and skills can do more than desired. I want to thank to our trainers for their effort; and to the Arçelik family for their support in bringing our women's strengths to a higher level

ŞEYMA ÖZTAŞ
Service Academy Participant,
Oltu Authorized Service,
Erzurum





Customer Care

At Arçelik, we work to get to know our customers better each day to fulfill their needs and meet their expectations with the best possible service. We believe that our success is interlinked with the increasing quality of our customer care. Our Global Customer Care Team is responsible for making the lives of our consumers easier by focusing on providing transparent product information, increasing data security and implementing seamless after-sales processes.

In 2021, we focused on the following projects and activities to improve our consumer management performance:

- *Global Product Registration Project:* The customer registration platform was developed. Screen designs were prepared by the UX team and the main requirements for the registration process were gathered from individual countries. We aim to rollout the registration platform in 2022.
- *Global Customer Satisfaction Research:* Customer expectations and preferences were collected from 10 countries by a research agency. In accordance with the research outcomes, country priorities will be set for the customer experience perspective. We will announce research results in 2022.
- *Easy access to product information page via QR code:* A QR code infrastructure was developed by our IT department and digital production systems. The main aim is to provide an easy gate for customers so that they can reach information that they need during appliance usage. Via a QR code, customer can see a screen on which all appliance-related information is visible. The system will be available in 2022.

- *Mapping customer journeys on defined countries:* Guidelines for customer journey mapping were prepared and the customer experience (CX) teams raised awareness about the importance of CX initiatives. A global CX report is published quarterly to share country-specific actions and projects targeted at improving the customer experience.

GLOBAL TECHNICAL TRAINING

We aim to provide technical information about all the products in the field globally. Our global technical training team organizes training programs to establish more technically competent technicians in the field to fix our products during the product's lifecycle. We are responsible for training more than 30,000 field technicians in more than 100 countries. In 2021, we trained 500 participants from our subsidiaries and distributors on new servicing techniques of our products.

Global technical training team started to produce in-house technical videos to be used by field technicians while repairing the products. We aim to distribute technical knowledge on repair issues as fast as possible using the Global Customer Care (GCC) Portal. We currently share 168 training videos on the portal with 1,560 users. By the end of 2022, we plan to produce 50 more technical training videos.

GLOBAL CUSTOMER CARE ACADEMY AND SERVICE ACADEMY TURKEY

The Global Customer Care (GCC) Academy is

responsible for improving the technical and behavioural competencies of the technical field people globally.

In 2021, due to the COVID-19 pandemic, we switched the training strategy from face-to-face to online training. To improve the technical knowledge of people in subsidiaries, five online train-the-trainer sessions were held. A total of 450 people attended these sessions, 10 hours of training recordings have been produced and training materials have been distributed to all subsidiaries for translation and release in local languages. In addition to these programs, six online training sessions were held for countries requesting them. In 2021, 42 training videos were produced, all with internal resources, and these have been shared globally via the GCC Service Academy Portal.

In addition to the training performed in 2021, the GCC service training team collaborated with subsidiaries to improve the technical structure in subsidiaries. The Defy Service Academy process was begun in collaboration with Defy, and the process to improve the training structure in Bangladesh and Pakistan has been initiated.

APPOINTMENT AND ROUTING PROGRAM (ROTAM)

ROTAM software helps technicians at Arçelik subsidiaries to increase their work efficiency by managing the appointment process to visit customers in a more robust and professional way, increasing the time and cost efficiency. ROTAM is currently in use in the UK, achieving an annual saving of approximately EUR 400,000.



Customer Care

GLOBAL RETURN OPTIMIZATION PROJECT

This project aims to simplify the process, and maximize the value of the outputs, from the point when products are returned to when they are sold or scrapped.

Through the project, we will start recording the returned products, collecting them at a central point, classifying the collected products and conducting an evaluation for selling or donating opportunities before they are scrapped. Through this, we aim to reduce the number of scrapped products by 10% globally. In addition to a financial return of at least EUR 1 million annually, we will also reduce the risk of fraud.

SIRIUS

With the Sirius Project, we aim to digitize and standardize our GCC processes end-to-end, covering call centers, services, technicians, and subsidiary head offices employees. The project will offer an optimized experience in 63 countries, providing mobility to more than 10,000 technicians by creating a platform where they can access all technical data, and establish a digital environment where customers can reach Arçelik effortlessly and follow their service processes transparently. Sirius will have a positive impact on our Net Promoter Score, servicing processes, and first-time fix rate while providing flexibility and reducing paper use.

Based on the total number of interventions and the intervention cost of the countries using Sirius, we expect Sirius to make a 1% improvement in the repair rate and exchange rate KPIs. In addition, we have adopted an approach within Sirius to minimize the risks of fraud with strict payment control rules, thus reducing the number

of repairs to be paid within the warranty by 1%. The benefits were calculated according to the years in which countries will start to use Sirius and are expected to be EUR 22,000 in 2021, EUR 645,000 in 2022, and EUR 1.1 million in 2023 and beyond.

USER MANUAL IMPROVEMENT PROJECT

We started the User Manual Improvement Project with the aim of having leaner, shorter and more user-friendly printed user manuals. The project will also enable us to attach videos and infographics, achieve higher customer satisfaction by improving the quality and terminology of manuals, and reduce paper use by a minimum of 20%. Reduction in paper use will result in approximately EUR 1.1 million savings for all factories.

THE CUSTOMER EXPERIENCE IMPROVEMENT PROJECT

We listened to the results of the Voice of the Customer project, which aims to measure customer experience across 19 contact points. We aim for the relevant units to take instant action by establishing hot alert systems for any negative customer returns that may arise. The project will continue in 2022 with brand new episodes.

The Internal CX KPI Dashboard Project enables us to determine KPIs that affect customers' experiences, determine the measurement requirements, coordinate the relevant teams, to analyze the data and report monthly.

With the Voice of the Field Project, we continued to receive customer experience-oriented feedbacks and suggestions from our dealers, service employees and promoters who are in direct contact with our customers.

In addition to the panel, as part of the project, focus group discussions and questionnaires with key stakeholders were held. The outputs were addressed to the relevant units, and the subsequent actions are followed up with them regularly. The project will continue in 2022.

Social Listening Analysis launched in 2021 with a third-party agency. The project is designed to code and automatically analyze our customers' posts and their reflections about our brands on social media, and report bi-weekly, monthly, and quarterly with relevant insights.

We place our consumers and dealers at the core of our business. We thrive in providing them with the best, most seamless care possible. To track our relationship with them, we conduct satisfaction surveys targeting both groups every year. Additionally, our customers may contact call centers or use e-mails, web forms, or social media for their concerns.

 *Please see [Stakeholder Engagement Section for further details.](#)*

DEALER (CUSTOMER-B2B) SATISFACTION

We use the Koç Holding Dealer Satisfaction survey and a general survey to collect feedback from our B2B customers. In 2021, the survey reached 1,802 Arçelik and Beko dealers (both respondents and non-respondents), totaling 67% coverage. Our average customer satisfaction score was 84.5.

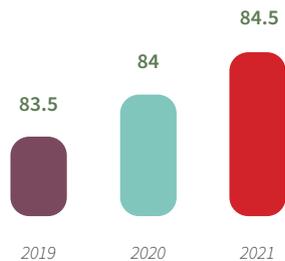


Consumer Care and Quality Management

SUSTAINABLE CONSUMER CARE WITH IoT

HomeWhiz allows our consumers to connect their devices to Wi-Fi networks and give them an easy access to the Call Center by pressing a single button on the product. The Support Service feature collects the necessary data about the product and shares it with the technical service, so they can find a solution to the problem in a single visit or even help remotely. By eliminating the need for a technician to visit the home, we can reduce our transport-related carbon emissions.

Koç Holding Dealer Satisfaction Survey Results



CONSUMER (B2C) SATISFACTION

We regularly measure the quality of our services via the Net Promoter Score (NPS) method, taking corrective and preventative actions based upon yearly results. In 2021, our NPS score in Turkey decreased by nearly 5% due to the ongoing effects of the pandemic. To improve our results in 2022, we developed a Service Quality Project and a High-Season Air Conditioner Project, aiming to boost our service quality.

We started tracking NPS performance data as well as consumer complaints globally in 2021. While the NPS score stood at 50.1%, the total number of complaints received was over 1 million. We addressed 100% of the issues raised and resolved 96% of all complaints received. We also use the Koç Holding Consumer Satisfaction Survey to collect more feedback. Our rating increased from 89.05 in 2020 to 89.23 in 2021. The survey is conducted with gender breakdown in three product categories. The index score broken down by women consumers increased from 90 to 90.7 in 2021.

GLOBAL CONSUMER SATISFACTION SURVEY

With our 12 global brands in over 145 countries, we focus on understanding consumers' needs and expectations, and develop solutions with our leading technology. We take action to develop a customer-oriented brand and product experiences in all countries we operate.

Over the past two years, with the fast pace of changes in consumers' lives, supply chain variations, and economic turbulences have increasingly concerned consumers, challenging all companies in all sectors to prepare themselves for variations in demand. With the post-pandemic consumer behavior remaining an enigma yet to be solved, brands across all sectors have realized that they require a plan to acquire new customers and strengthen loyalty with existing ones. With these customer behaviors in mind, we conducted a customer loyalty survey in 10 major markets* to meet the needs and expectations of our customers and develop appropriate solutions for them. The Customer Loyalty Index is a key indicator for our brands to retain customers and grow a customer-orientated brand value.

Approximately 600 consumers participated in the survey in each country except Norway. While the results were calculated, the data were weighted for the population of each country. The survey's target group included consumers who had purchased a refrigerator, freezer, washing machine, dishwasher, tumble dryer, or washer dryer oven in the previous two years. We included responses from both our own and our competitors' customers. In order to provide non-gender differences, we selected a target group with 50% women and 50% men.



Consumer Care and Quality Management

Arçelik

GLOBAL SCORE: 77.1

arctic

1 Country

- South Africa (n:300)

Very Good Loyalty

86.9

85.8

**BRANDS
LOYALTY
INDEX**

76.8

72.1

beko

8 Countries

(n:2177)

Good Loyalty

- France
- Germany
- Italy
- Poland
- Romania
- Russia
- Spain
- UK

DEFY

1 Country

- Romania (n:150)

Very Good Loyalty

GRUNDIG

2 Countries

- Germany and Norway
(n:114)

Good Loyalty

According to the results of our Global Customer Satisfaction Survey, our Global Brand Loyalty Index is 77.1, which means that we have a strong relationship with our worldwide customers. Grundig has 72.1, which is our lowest score among other regions, but is still higher than the lowest score to be regarded as having a strong relationship, which is 70 points. While DEFY and Arctic have “very good” scores of 86.9 and 85.8 respectively, Beko has 76.8.

**10
COUNTRIES**

France, Germany, Italy, Poland, Romania, Russia, South Africa, Spain, United Kingdom

**SIZABLE
POPULATION**

Approximately 600 respondents per country participated in the survey, with the exception of Norway. Arctic, Beko, Defy, Grundig Brand

LOYALTY

A total of 2,741 respondents who had purchased one of the four brands in one of the countries participated in the survey.

**COMPETITORS'
BRAND LOYALTY**

A total of 3,087 respondents who had purchased one of our main competitors' brands in one of the countries participated in the survey.

TIMING

The data was collected in January–February 2022 via online survey.



Consumer Care and Quality Management

We follow and adopt best practices related to consumer safety and product quality. We base our efforts on consumer safety regarding Product Safety Design Safety Design Criteria while our product quality management prepared in line with international management frameworks including ISO 9001 Quality Management and the 10002 Quality Management-Customer Satisfaction System. Additionally, Arçelik products comply with International Electrotechnical Commission, European Standard, and Underwriters Laboratories quality and product-safety standards and national standards that refer to these standards. All technical design and manufacturing processes are modeled according to related countries' safety regulations and standards. The International Electrotechnical Committee and European Committee for Standardization / European Committee for Electrotechnical Standardization studies (studies of technical committees and working groups) are followed closely, contributing to technical committees to improve safety standards' requirements by product safety experts. Furthermore, product safety tests are subjected to and reported by third-party laboratories (VDE, Intertek, TUV, etc.) and/or our own laboratories that fulfill testing facility requirements.

We also follow all relevant directives and regulations, including following:

- Low Voltage Directive
- Radio Equipment Directive
- Gas Appliances Regulation
- Electromagnetic Compatibility Directive
- Restriction of the Use of Certain Hazardous Substances Directive

- Registration, Evaluation, Authorization and Restriction of Chemicals Regulations
- Waste Electrical and Electronic Equipment Directive
- Ecodesign Directive
- Energy Labelling Framework Regulation
- Packaging and Packaging Waste Directive
- F-Gas Regulation
- Polycyclic Aromatic Hydrocarbons Regulations
- Biocidal Product Regulation
- Cybersecurity Act Regulation
- Network and Information Systems Directive
- Food Contact Materials Regulation

Q-STAR audits have been performed instead of ISO 9001 internal audits since 2020. This is designed to assess all processes at all operations regarding quality management. The main purposes of Q-STAR are to measure the maturity level of the quality management process and identify priority improvement areas, creating a traceable method for continuous improvement.

The audit system assesses the quality management system, incoming quality control, production quality control, output quality control, field quality control, supplier management, material warehouse management, in-house management, assembly line management, depot management, skills, development and training, new product development, reliability, compliance, and product safety.

To implement and support our quality management systems efficiently, we have implemented programs such

as Six Sigma, Lean Manufacturing, Lean Sigma, Total Quality Management and Advanced Data Analytic. In 2021, 19 quality matrix projects, 3 data analytics projects, 171 6-sigma projects, and 11 Q-Star assessments, including all domestic plants and two oversea plants, were performed. As a result of these assessments, 1,088 findings and 51 strong points were noted in total. A total of 1,882 employees have been trained in 6 sigma methodology (7 of whom were trained as master black belts, 272 as black belts, and 601 as green belt-certificated personnel). 104 employees have been trained in Advance Data Analytics. 172 employees have been trained in FMEA and 32 employees have been trained in Reliability training. K101 training (Quality 101) was provided to 86 employees in total 3 classes. Additionally, Quality awareness training was provided to 21 employees in 2021.

 [For further details on Management Systems, please see Annex 8.](#)

PRODUCT SAFETY MANAGEMENT

We put great importance on product safety. We approve our products and the components used in these products with the test and controls defined in global standards and Arçelik Component-Test Instructions. We have defined forced failure tests, where we check if the component fails safely. We also conduct Failure Mode and Effects Analysis studies during the product design process in order to identify and prevent possible failures that may occur. Following this step, we conduct risk assessments in accordance with local, national,



Consumer Care and Quality Management

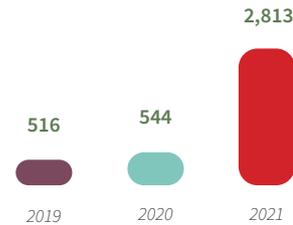
and international standards and regulations. We take corrective actions and measures to prevent and manage potential risks by ensuring cooperation between parties inside and outside the company.

While the Central Product Safety Department primarily focuses on conducting audits on product safety in production and design processes at the plants once a year, it also conducts audits on new product development projects during the prototype and trial production stages and takes corrective actions and necessary measures according to audit results. Assessing product safety risks and identifying the risk levels falls under the responsibilities of the Product Safety Risk Committee.

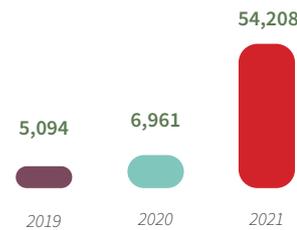
Through increasing the overall training and number of employees being trained, we aim to embed product quality and safety perspective into the company culture. Therefore, every year, we make sure more of Arçelik's employees are included in capacity-building activities.

We manage product data security through three virtual teams in our Cyber Security Technology Team. One team acts on product, testing for vulnerabilities for all technical domains, including edge, mobile and cloud services, while a second fixes gaps and designs the relevant mandatory items required by international IoT standards (such as ETSI EN303 645). The third team acts as a buffer and is responsible mostly for managing Secure Software Development Life Cycle processes while following national and international security standards to provide feedback to the rest.

Number of Employees Receiving Product Safety Training



Total Hours Product Safety Training (Person*hours)



ARÇELİK RELIABILITY DAY

On a yearly basis, we organize the Arçelik Reliability Day to guarantee safe design and production through transferring new technical knowledge throughout the company. This enables us to increase the company capacity around product safety, while ensuring a reduction in service failure rates and product safety-related incidents. At the virtual Reliability Day of 2021, teams shared their efforts on new methods and tools for safety improvements. We also invited experts from different fields to participate and contribute through presentations and speeches. Reliability Projects of the Year awards were presented at the ceremony.

RECALL

Providing safe product use is among our top priorities.

To eliminate concerns regarding the quality and safety of our products, we primarily use online channels to rapidly inform our customers and make announcements. If a recall is issued, we abide by the local regulations, and establish free call centers to increase the effectiveness of our direct communication. Our recall procedure is based on approaches of PAS 7100 sponsored by the Office of Product Safety and Standards (OPSS). No recalls were issued in 2021.

QUALITY DAY

The Quality day event was held for the first time in 2021 under the leadership of Quality Group Manager and with support of CEO and all other related parts of Quality. Customers and Suppliers of Arçelik had been invited to the event, and with their participation; quality approach of Arçelik was shared in terms of product quality and process quality with the audiences. During the event, Super Q character was created with audiences' contribution and was announced at the end of the session.

6 SIGMA DAY

The 6 Sigma Day event, which was held for the first time in 2021, was completed under the leadership of the Quality, Sustainability and Corporate Affairs Director and Chief Production & Technology Officer. A total of 12 projects was presented and rewarded, 5 from overseas plants and 7 from domestic plants. The best project "Automation of Small-KIK Crankshaft Counter-weight Riveting Process" was selected from Compressor Plant.



REINVENT AND
TRANSFORM THE
GOVERNANCE

**ESTABLISH GOOD
GOVERNANCE
AND LEAVE
NO ONE
BEHIND**



IN 2015, THE 193 UNITED NATIONS (UN) MEMBER STATES AGREED ON A BLUEPRINT TO END POVERTY, IMPROVE HEALTH AND EDUCATION, PROTECT THE PLANET AND REDUCE INEQUALITIES. ACHIEVING THE UN'S 17 SUSTAINABLE DEVELOPMENT GOALS WILL REQUIRE STRONG POLITICAL LEADERSHIP, A WILLINGNESS TO CHANGE AND GOOD, OUTCOMES-BASED GOVERNANCE.



Building a Sustainable Supply Chain

Adopting effective supply chain management plays a crucial role in managing a company's social and environmental impact. At Arçelik, we are fully committed to integrating environmental, social and governance metrics in our approach to the whole value chain.

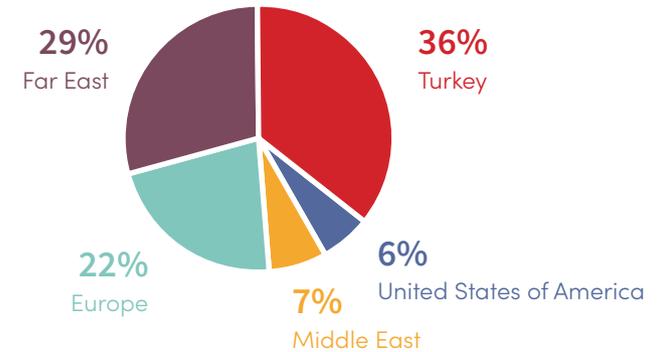
SUSTAINABLE SUPPLIER NETWORK

We have a dynamic purchasing organization with offices in eight different countries and more than 200 employees, which is structured in line with its increasing global needs and expanding production network. Reaching approximately 2,000 (direct) material suppliers from over 60 different countries, our total purchasing volume reached over EUR 4 billion in 2021, including indirect and investment purchases. While the largest proportion of purchases (36%) are in Turkey, we

contribute to local development in several continents with purchasing activities as follows: Far East, 29%; Europe, 22%; Middle East, 7%; and United States of America, 6%.

Raw material purchases constitute the largest part of Arçelik's total purchasing volume. When metal and plastic materials, which are the main inputs of white goods manufacturing, are evaluated together with the raw material purchases made by Arçelik and its suppliers, the cost of purchased materials is approximately 40% of the final cost of the product. Raw materials, in addition to their direct effects, have a critical importance in determining the price of component groups that require intensive use of raw materials.

Purchasing Cost per Region of Origin



Sustainable Supply Chain Management:

Supply chain management is concentrated around seven different pillars:

RESPONSIBLE
PURCHASING
POLICY

DATA COLLECTION,
MONITORING AND
DEVELOPMENT

INTERNAL AND
EXTERNAL
AUDITS

CONFLICT
MINERALS

SUPPLIER
TRAINING

SUPPLIER
DEVELOPMENT

SUPPLIER
FINANCING



Building a Sustainable Supply Chain



Responsible Purchasing Policy:

Responsible Purchasing Policy is designed to ensure that suppliers' business practices comply with Arçelik's values and current legal rules and must be complied with by all suppliers. Accepting and complying with Arçelik's Responsible Purchasing Policy is a contractual obligation.

In case of a serious violation of this Policy in a systematic manner, Arçelik reserves the right to terminate the contract with its suppliers. We ask for each supplier candidate to go through the Supplier Approval and Evaluation processes and with this process, we evaluate suppliers in several topics, including commercial, business ethics, environment, and quality.

Arçelik was among the first companies to sign the Code of Conduct published by Home Appliance Europe (APPLiA) and has committed to its suppliers acting in accordance with the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the UN Universal Declaration of Human Rights, the UN Global Compact, and the UN Guiding Principles on Business and Human Rights.

Data Collection, Monitoring and Development

We developed an in-house supplier sustainability index project, the Supplier Sustainability Data Monitoring and Development Project. A dedicated in-house team in the Purchasing and Product Sourcing Departments works on this project in collaboration with the sustainability teams. We have also partnered with an independent,

accredited audit firm to help us carry out this project. The partner provides us the supplier data monitoring software platform and works in close collaboration with the purchasing team to reach out to the suppliers and act as an advisor for the questions raised by the suppliers. The aim is to understand our suppliers' ESG-related risks and opportunities by collecting and analyzing their data. Our main intention is to enable Scope 3 reduction in the value chain.

This program has been initiated with the direct material and product suppliers. In 2022, we will begin working on building the same infrastructure with our logistics suppliers. Therefore, unless otherwise stated, all targets, KPIs indicated in this section belong to the direct material suppliers and OEM suppliers.

The first step consists of sending suppliers a survey with a list of both qualitative and quantitative questions about the environmental, social, governance issues. For both sets of questions, we expect suppliers to provide supporting documentation as evidence. Suppliers that do not fill out the supporting documentations or the data requirements do not get any points. We assess the suppliers based on the data provided to understand their level of maturity in terms of ESG integration into their business based on our internal assessment.

As a second step, we hire third-party auditors to conduct ethics audits to the suppliers to monitor their social and governance performance. The results of these audits and our own assessment are combined to scale the



Building a Sustainable Supply Chain

performance of the suppliers as high, medium, or low risk.

 [Please refer to the **Supplier Audit** section to find out more about the results of audit and assessment process.](#)

If any findings constitute a potential risk, as a mitigation measure we send corrective action plans to all suppliers. The details of the third-party audit findings and our own assessments are explained under Supplier Audits.

The process data collection and monitoring process is explained in detail below.

Environmental Data Collection and Performance Monitoring Process:

This process consists of two parts: qualitative and quantitative data collection.

In the qualitative part, the following questions are asked:

- Sustainability reporting and tracking of environment/energy performance KPIs
- Environmental Policy
- ISO 14001 Environmental Management Systems
- Compliance with environmental regulations and environmental penalties
- Compliance with Arçelik Chemicals Compliance Management Policy
- Operational eco efficiency- third party verification of the Scope 1-2 emissions with respect to the ISO 14064 Standard

- ISO 50001 Energy Management Certificate Systems
- Recycled-reused materials used for Arçelik Working on environmental projects such as LCA, waste heat recovery, wastewater recovery, CDP reporting, etc.

We believe that the suppliers we work with should, as a minimum, have established ISO 14001 Environment Management Systems and ISO 50001 Energy Management Systems. The ISO 14001 Environmental Management System provides guidance as to which environmental systems should be established. The ISO 50001 Energy System provides guidance as to which energy efficiency measures must be implemented. Suppliers are encouraged to build on top of these systems to increase their positive impact.

We have set the following targets:

- As of 2023, suppliers* are required to have the ISO14001 Environmental Management Systems Certificates.
- As of 2025, our suppliers* above 1,000 tons of oil equivalent (TOE) are required to have ISO 50001 Certificates.
- As of 2030, our suppliers* above 500 TOE are required to have ISO 50001 Certificates.

** 400 suppliers making 90% of purchasing volume*

As a further deep dive into the quantitative environmental data collection part, it is important to emphasize our rationale behind this effort. Having committed to Net-Zero 2050 targets within the entire value chain, supply chain decarbonization is critical. We would also like to understand the environmental impact in a more general perspective of our supply chain. Therefore, we have started to increase our collaboration with our suppliers to improve their environmental performance.

The data we collect consists of:

- Direct and indirect Scope 1 and 2 emissions
- Water withdrawal in m³: surface, well water, public grid water, tanker water, and rainwater harvest
- Recycled wastewater, wastewater
- Hazardous and non-hazardous waste, and packaging waste
- Specific energy consumption (TOE/product)
- Green electricity purchased
- Renewable energy for self-consumption

As of 2025, we have committed to collect the Scope 1-2 GHG emissions, water withdrawal, wastewater, recycled water, hazardous and non-hazardous waste and energy consumption data for approximately 400 of our suppliers, corresponding to 90% of our purchasing volume. We intend to make the consolidated data public to transparently report the impact of our supply chain.

For our 2021 data collection, we collected environmental data from 151 suppliers, reaching 38% of our target.



Building a Sustainable Supply Chain

Commitment Letter

183 suppliers have committed to set GHG emission/water/waste/energy efficiency targets in 2021. We will monitor their progress.



We have taken one further step in this process. We want to transform together with our supply chain and minimize the impact of the operations in the value chain in total. Therefore, it is important that we help and guide our suppliers set environmental targets, measure their progress, and reduce their impact. In November 2021, we circulated a letter (herein referred to as the "Commitment Letter") to our suppliers explaining our sustainability strategy, our sustainability credentials and our Science Based Targets as well as the 2030 environmental targets.

This letter was signed by Arçelik's CEO, CFO, Purchasing Director, Product Sourcing Director and Quality, Sustainability and Corporate Affairs Director. We have

asked our suppliers to sign the Commitment Letter, and to commit to setting their own targets for GHG emissions, water consumption, waste reduction and energy efficiency. We also have a requirement that suppliers will share these targets publicly on their websites and in their sustainability reports and report on progress in the same way we do. To date, 183 suppliers have signed the Commitment Letter.

We have organized a webinar with committed suppliers to discuss what it means to set a target and share our experiences in setting our own emissions, waste, water, and energy efficiency targets.

We aim to ensure that, by the end of 2023, the 183 signatories of the Commitment Letter have set long-term GHG emission, water, energy efficiency and waste reduction targets and publicly shared these targets on their websites and in sustainability reports.

We have also organized a webinar series for our procurement team to increase their level of integration for Arçelik's requirements from its suppliers and the targets set for suppliers.

We aim to have provided by the end of 2023, training for all purchasing and logistics employees on sustainability and sustainable value creation in the supply chain.

Social and Governance Data Collection and Monitoring Process:

We ask suppliers to fill in the social and governance data in the survey and require them to provide supporting documentation as evidence.

Questions asked include:

- Compliance to Arçelik Responsible Purchasing Code of Conduct,
- Reporting on non-financial KPI's such as hours of trainings provided, training expenses per FTE, etc.
- Compliance with the Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, International Labour Organization
- Availability of a code of conduct policy covering corruption and bribery, corruption, discrimination, privacy of information, anti-competitive practices, money laundering, operational health and safety, environmental policy, whistleblowing policy
- Conflict minerals management policy/declaration/smelter audits
- Reporting on corruption/bribery
- Customer satisfaction measurement and reporting
- Supplier selection criteria on ESG related KPIs
- Analysis of financial and non-financial risks



Building a Sustainable Supply Chain

SUPPLIER AUDITS

As part of the the *Global Responsible Purchasing Policy*, we carry out training and auditing activities for our suppliers. Within the scope of the audits, we assess the compliance of our suppliers with supplier business ethics rules, which include Arçelik's expectations for legal practices, working conditions, ethical rules, occupational health and safety, and the environment. We plan corrective actions for nonconformities that arise as a result of the audits and check the actions taken regarding these plans in the following audits. We may request the removal of any employee or terminate cooperation with a supplier upon finding them acting illegally. We require full compliance with Arçelik's Global Responsible Purchasing Policy in these audits and terminate contracts with any supplier in cases where child labor, forced labor, discrimination, bribery, or incidences of corruption are detected. Our stakeholders can inform us about suspicious behavior or supplier violations of business ethics via an e-mail address (arcelikas@ethicsline.net), our website (www.ethicsline.net), or the telephone numbers given in our Global Responsible Purchasing Policy. Arçelik undertakes to handle all notifications about suspicious behavior and violations confidentially and protect those who provide such notifications, and we do not tolerate retaliation. We require new suppliers to conduct self-evaluation audits on quality, the environment, and business ethics. All the newly commissioned suppliers in Arçelik A.Ş. make self-evaluations under the headings of Quality, Environment and Business Ethics.

We define critical supplier as those who are amongst the 90% of purchasing volume significant impact on company operations in terms of high purchasing volume, critical components provided or being non-substitutable. Arçelik has 364 critical Tier 1 suppliers.

In 2021, a total of 215 critical suppliers have been audited. 151 suppliers were sent questionnaires within Arçelik's assessment in collaboration made with a third party. 115 third party ethics audits were completed. 75% of the suppliers audited are from Turkey, 14% from Asia and 10% from Europe.

Based on the survey results and third-party audits, 24 suppliers have been rated as high risk supplier.

A total of 1,249 areas open to improvement were identified. In addition, the findings of the previous period were taken into consideration. As a result of our audits findings, 19 follow-up audits were carried out by third party auditors and a total of 41% of the nonconformities were improved. No actual cases of child labor, forced labor, discrimination, bribery, or corruption were detected during these audits. There were no terminations of contacts in 2021.



Having a business partner in sustainability like Arçelik who believes in this business and embraces it beyond supporting it with concrete steps gives us confident and pride. Under its guidance, we gain insight into different perspectives and ways of doing business.

It became hopeful and inspiring, especially with the trainings that started in 2020 and the information about where and how to start this journey, and to discover that the demands are seeds that will turn into results in the near and long term.

Associating Arçelik's social activities with global sustainable goals and joint projects with suppliers will undoubtedly be an effective tool for the Global Compact principles to become more widespread.

SEMAVİ YORGANCILAR
YORGLASS CAM SAN. ve TİC. A.Ş.
CEO





Building a Sustainable Supply Chain

Potential Human Rights/OHS/environment Issues on Supplier Audit Findings

Supplier Third Party Audit Findings	Details	Non-Conformities	Improved	In Progress	Open	Mitigation Actions Taken
Social Management System	- Lack of disabled employee employment - Lack of employee dismissal procedures	473	175	11	287	- Hiring of disabled employees - Preparation of relevant documents
Workers Involvement and Protection	Lack of Wish and Complaint system	54	21	0	33	Establishment of Wish and Complaint system
The Rights of Freedom of Association and Collective Bargaining	Failure to effectively communicate worker representatives to all employees	1	1	0	0	Informing all employees about their rights
No Discrimination	Lack of risk assessment against discrimination	2	1	0	1	Carrying out the relevant risk assessment
Fair Remuneration	Payrolls are not provided, miscalculation of wages	40	26	0	14	Providing the payrolls, correction of accounts
Decent Working Hours	Night work system, overtime hours, at least one day off per week	146	55	0	91	Limitation of overtime working hours aligned with the local law
Occupational Health and Safety	Proper storage of chemicals, presence of smoke detectors, emergency exists	240	117	0	123	- Proper chemical storage - Placement of smoke detectors to required areas, - Outward opened emergency exits
No Child Labour	Not provided employee ID copy	2	0	2	0	- Directly contacting with suppliers for proving their relevant documents under GDPR rules
Special Protection for Young Workers	Young employee working hours	4	1	0	3	Limitation of working hours aligned with the local law
No Precarious Employment	Lack of subcontractor employee information records	44	24	0	20	Showing of relevant documents during the audits
No Bonded Labour	Lack of documentation on working overtime with the consent of the employee	13	9	0	4	Signing letter of consent by the employees who worked overtime voluntarily
Protection of the Environment	Environmental management system, waste site, environmental risk analysis, protection of chemicals	220	74	2	144	Establishment of environmental management system, implementation of action in the field
Ethical Business Behaviour	Insufficient verification because of not provided the documents	10	6	0	4	Submission of relevant documents of ethical business behaviour
Total		1,249	510	15	724	



Building a Sustainable Supply Chain

SUPPLIER TRAININGS

An important part of our approach consists of working with suppliers to ensure continuous improvement. In 2021, Arçelik started to provide consultancy services to its suppliers on sustainability issues through a third-party independent institution reaching 1,900 person*hours. In addition, we began a program that provides sustainability training to our suppliers through non-governmental organizations and direct webinars. The program includes a wide range of topics such as supplier sustainability practices and strategies, energy efficiency and renewable energy applications, greenhouse gas inventory calculation method, conflict minerals, energy and environmental data collection, and risk Identification. To increase our reach and participation rate, we initiated the Digital Education Platform project in 2021 with the aim of digitizing our training programs. By 2022, our suppliers will be able to easily access the training through this platform.

Supplier Development Programs

Arçelik's Auxiliary Industry Transformation and Development Department aims to increase production quality and efficiency of suppliers, support them towards adopting a sustainable production approach, and help them to maintain their competitiveness. We analyze the needs of suppliers and ensure access to resources allocated for further cooperation. To increase process efficiency by creating integration between Arçelik and auxiliary industries, the New Supplier Management

System Project is carried out at the suppliers and Arçelik businesses selected as pilots. The project, which aims to digitize supplier management, especially order, stock, and logistics, is planned to be expanded in 2022.

In 2021, we directed our focus on developing supplier infrastructure and technical competencies and continuously expanding emerging production technologies in the supplier ecosystem. With the Arçelik Supplier Technology Day, which had 230 participating suppliers, we aimed to support digital transformation and process technologies by training suppliers in quality and efficiency optimization in thermoform processes with the digital twin methods, quality-enhancing digital solutions in surface control applications, new applications to reduce scrap and waste in the sheet metal forming process, and in the use of nanotechnology in the coating process and its reflections on the household durables sector. In addition, we carried out a total of 112 projects with 56 suppliers: 22 in quality improvement, 29 in digital transformation, and 61 on productivity increase. In 2021, within the scope of efficiency studies, process optimization, cycle times improvement, automation solutions, localization, optimization of quality control activities and digital transformation projects, TRY 25 million was saved.

Supplier Development Project

Outcome (Reduction)

Hybrid rubber transition project

5.5 tons of raw material

Transition to filled and recyclable silicone project

5 tons of raw material (on two years basis)

Transition to the use of recyclable packaging project

30 tons of plastic bags, 756 tons of cardboard waste

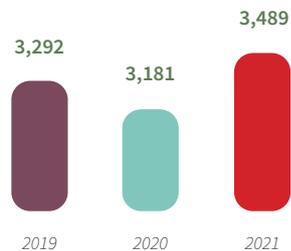


Building a Sustainable Supply Chain

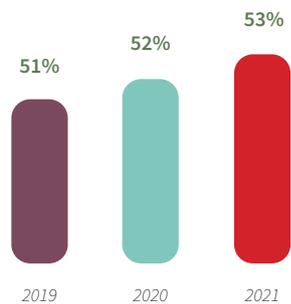
Supplier Localization

To build on our experience on supply chain disruptions during COVID-19, we developed new initiatives to support domestic production, aiming to reduce foreign dependency and supply risk and to increase production technology know-how. Localization assessments are carried out in cooperation with suppliers to start domestically producing 89 imported materials.

Number of Local Suppliers



Payments to Local Suppliers (%) in Total Payments



PURCHASING ACADEMY

Active since 2013, the Academy, implemented in partnership with the Chartered Institute of Procurement and Supply, aims to equip the Arçelik Purchasing Team with the knowledge and skills they need. In 2021, a total of 283 employees working in related departments worldwide participated in 16 training programs.

SUPPLIER FINANCING

Arçelik has partnered with C2FO, a digital working capital platform that enables suppliers to receive early payments on their invoices, at discounts that suppliers determine. The C2FO platform enables Arçelik to offer early payment of invoices to any of its suppliers. The suppliers request the early payment in exchange for a discount which, uniquely, they choose.

Suppliers of all sizes, not just a select few, can accelerate their receivables at a reasonable cost, accessing cash that is vital for their businesses given the uncertainties and high-inflation environment. In the meantime, Arçelik earns a yield for its free cash by investing the funds into its own ecosystem, rather than parking it in money market instruments. And it's all done without time-consuming manual processes or paperwork.

For Arçelik's suppliers, the early payment option has been a useful tool to manage their cash flow and working capital. Because they receive payment sooner, suppliers can invest more in larger orders of inventory and materials at lower prices, helping them stay ahead of rising inflation.



Through C2FO's early payment tool, Arçelik has achieved an unprecedented level of flexibility in how it helps its suppliers mitigate the risks from rising inflation, volatile energy and materials prices, and geopolitical crisis in neighboring regions.

Each supplier has the ability to choose which invoices they want to have paid early and how much of a discount they are willing to offer. Unlike other working capital solutions, suppliers aren't required to secure underwriting or produce any cumbersome paperwork. The program is available to essentially every strategic supplier in Arçelik's network.



Building a Sustainable Supply Chain

Lastly, by providing training services to small and medium-sized enterprise (SME) suppliers through C2FO about how to manage working capital, Arçelik has elegantly thought through the long-term financial strength of its SME supplier base.

CONFLICT MINERALS MANAGEMENT

The 3TG (tin, tantalum, tungsten, and gold) minerals used in the production of electronics and durable home appliances are extracted in high-risk conflict zones around the world. As per the UN's guidelines and restrictions on these minerals, Arçelik commits to not purchase these essential raw materials from high-risk conflict zones or in a way that will financially support the conflict. In compliance with the Organisation for Economic Co-operation and Development, Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas, the main purpose of Arçelik's Conflict Minerals Policy is to prevent the trade of 3TG minerals that finance armed conflicts or are extracted by forced labor. Our suppliers are required to fully comply with and support this policy. Our expectation from our suppliers is to question the 3TG minerals' presence in the materials used in production, to find the source of the smelting facilities if there is 3TG, and to share these findings transparently.

To manage conflict minerals powerfully, we ensure that the following steps are taken:

1 ESTABLISH STRONG COMPANY MANAGEMENT SYSTEMS

2 IDENTIFY AND ASSESS RISK IN THE SUPPLY CHAIN

3 DESIGN AND IMPLEMENT A STRATEGY TO RESPOND TO IDENTIFIED RISKS

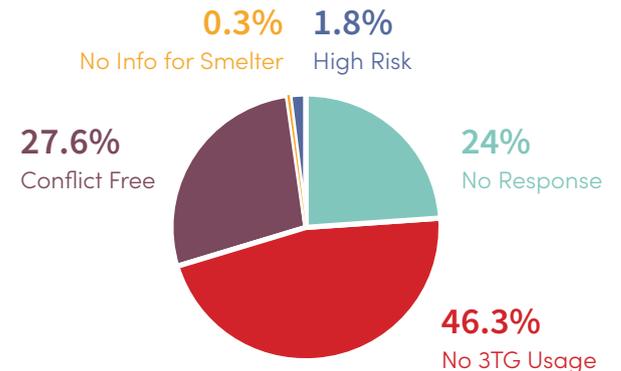
4 CARRY OUT INDEPENDENT THIRD-PARTY AUDIT OF SUPPLY CHAIN DUE DILIGENCE AT IDENTIFIED POINTS IN THE SUPPLY CHAIN

5 REPORT ON SUPPLY CHAIN DUE DILIGENCE

In 2021, Arçelik became a Responsible Mineral Initiative (RMI) member 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.

In 2021 Arçelik published its *first Conflict Minerals Due Diligence Report*. As part of this, we have shared a conflict mineral reporting template with 724 first-tier suppliers to gather information about their due diligence and SORs. The response rate was 76%, meaning 550 of 724 suppliers filled out the survey. About 97% of responding suppliers, indicated that they either have no 3TGs in parts or they have 3TGs that pose no conflict concerns.

Analysis of Responses, by Supplier Number



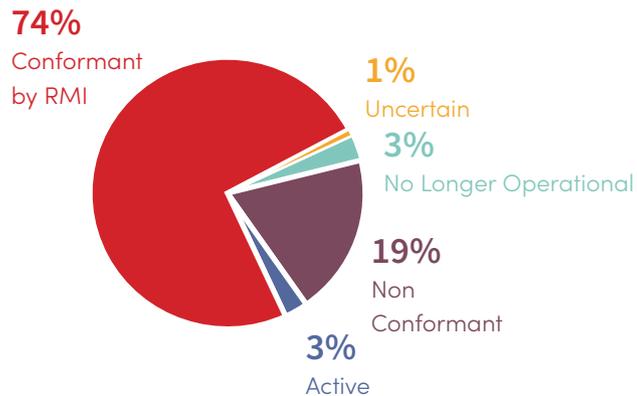


Building a Sustainable Supply Chain

The suppliers that answered the inquiry shared 304 SORs with Arçelik. Of these, 10 are no longer operational and 220 have been assessed as conformant and certified as Democratic Republic of Congo conflict free by the responsible minerals assurance process (RMAP) on behalf of the RMI.

Seven of them are active smelters or refiners that have committed to undergo an RMAP assessment, completed the relevant documents, and scheduled an on-site assessment. These may be in the pre-assessment, assessment, or corrective-action phases of the assessment. They may be accepted as conformant according to the RMI.

Analysis of Responses, By Sor Number



The other 58 SORs are not certified, and 57 of them are outside the conflict area. One is in a conflict-affected or high-risk area (Uganda – African Gold Refinery), while 13 who sent parts or products were classified as high-risk suppliers. Arçelik will remove non-certified smelters from the supply chain by implementing a risk-based approach.

For the next steps, Arçelik is moving towards eliminating non-conformant SORs in the supply chain and providing all suppliers that work with conformant SORs according to the action plan under Arçelik's improvements and risk mitigation activities. You can find further information and details about Arçelik's due diligence in our Conflict Minerals Due Diligence Report.



Please refer to [Conflict Minerals Due Diligence Report 2021](#) for further information.



ANNEXES



152	Annex 1: Scope of the Report
154	Annex 2: Assurance Reports
157	Annex 3: UNGC & WEPs Disclosures
158	Annex 4: Environmental Performance Indicators
162	Annex 5: Main Institutions Guiding Our Work
163	Annex 6.1. Social Performance Indicators
172	Annex 6.2. Occupational Health and Safety Indicators for Employees
174	Annex 7: Spending on Corporate Citizenship
175	Annex 8: Management Systems
176	Annex 9: SASB Disclosure
177	Annex 10: SCM Index
180	Annex 11.1: TCFD
188	Annex 11.2: TCFD Index
189	Annex 11.3: Board Table
190	Annex 11.4: Other ESG-Related Risks & Opportunities
196	Annex 12: Corporate Governance Table
199	Annex 13: GRI Content Index



Annex 1: Scope of the Report

MANUFACTURING PLANTS

Refrigerator Plant – Eskişehir, Turkey
 Refrigerator Plant (Plant 6) – Eskişehir, Turkey
 Compressor Plant – Eskişehir, Turkey
 Cooking Appliances Plant – Bolu, Turkey
 Dishwasher Plant – Ankara, Turkey
 Washing Machine Plant – Istanbul, Turkey
 Electronics Plant – Tekirdağ, Turkey
 Tumble Dryer Plant – Tekirdağ, Turkey
 White Goods Motor and Small Domestic Appliances Plant – Tekirdağ, Turkey
 Refrigerator Plant – Manisa, Turkey *
 Washing Machine Plant – Manisa, Turkey*
 Arctic Refrigerating Appliances Plant – Gaesti, Romania
 Arctic Washing Machine Plant – Ulmi, Romania
 BEKO LLC Refrigerator and Washing Machine Plant – Kirzhach, Russia
 Defy Cooking Appliances, Tumble Dryer and Washing Machine Plant –
 Jacobs, South Africa
 Refrigerating Appliances Plant – Ezakheni, South Africa
 Refrigerator Plant – Rayong, Thailand
 Refrigerator Plant – Hayderabad, Pakistan
 Washing Machine and Refrigerator Plant – Karachi, Pakistan
 Cooking Appliances and A/C Plant – Karachi, Pakistan
 Voltbek Refrigerator Plant – Gujarat, India*
 Arçelik LG – Istanbul, Turkey*
 Hitachi Refrigerator Plant – Kabin Buri, Thailand*
 Hitachi Washing Machine Plant – Kabin Buri, Thailand*
 Hitachi Washing Machine Plant – Shanghai, China*
 Refrigerator Plant – Dhaka, Bangladesh*
 TV and Air Conditioning Plant – Dhaka, Bangladesh*

* Included in the reporting scope for Human Capital and OHS performance “global” data and for 2030 future journey in the Planet section, not included in environmental reporting in 2021.

R&D CENTERS AND OFFICES

R&D Directorate – Istanbul, Turkey
 Refrigerator and Compressor Plant R&D Center – Eskişehir, Turkey
 Washing Machine Plant R&D Center – Istanbul, Turkey
 Dryer Plant R&D Center – Tekirdağ, Turkey
 Cooking Appliances Plant R&D Center – Bolu, Turkey
 Dishwasher Plant R&D Center – Ankara, Turkey
 Electronics Plant R&D Center – Tekirdağ, Turkey
 METU Teknokent R&D Center – Ankara, Turkey**
 ITU Ari Teknokent R&D Center – Istanbul, Turkey**
 Arçelik Design Center – Istanbul, Turkey
 Beylikdüzü R&D Center – Istanbul Turkey***
 Small Domestic Appliances R&D Center – Istanbul, Turkey
 Digital Transformation, Big Data & AI Center – Istanbul, Turkey
 Manufacturing Technologies R&D Center – Istanbul, Turkey
 Beko PLC R&D Office – Cambridge, UK
 Arch R&D Office – Wuxi & Shenzhen, China***
 Electronic and Optical Application R&D Office – Taipei, Taiwan**
 Arctic R&D Office – Gaesti & Ulmi, Romania
 Beko Thai R&D Office – Rayong, Thailand
 Defy R&D Office – Jacobs, South Africa
 Dawlance R&D Office – Karaçi & Haydarabad, Pakistan
 BEKO LLC R&D Office – Kirzhach, Russia
 Voltas – Beko R&D Office – Gujarat, India***
 Arçelik-LG R&D Center – Kocaeli, Turkey***
 Refrigerator and Washing Machine R&D Office – Manisa, Turkey***
 Arcelik Hitachi R&D Office – Kabin Buri, Thailand***

** Included in the reporting scope for Human Capital past performance “global” data only, not included in environmental and OHS reporting.

*** Not included in environmental reporting.



Annex 1: Scope of the Report

SUBSIDIARIES AND AFFILIATES

Arçelik Pazarlama A.Ş. - Turkey*

Ardutch BV (Taiwan Branch) - Taiwan***

Arch R&D Co. Ltd. - China***

Beko A and NZ Pty Ltd. - Australia, New Zealand ***

Beko APAC IBC Co. Ltd. - Thailand*

Beko Appliances Malaysia Sdn Bhd. - Malaysia**

PT Beko Appliances Indonesia - Indonesia**

Beko Balkans D.O.O - Serbia***

Beko Grundig Deutschland GmbH - Germany, Croatia*

Beko Grundig Österreich AG - Austria***

Beko Egypt Trading LLC - Egypt**

Beko Electronics España S.L. - Spain***

Beko France S.A.S. - France*

Beko Gulf FZE - United Arab Emirates****

Beko Italy SRL - Italy***

Beko LLC - Russia*

Beko PLC - UK, Republic of Ireland*

Beko Spolka Akcyjna - Poland*

Beko Shanghai Trading Company Ltd. - China**

Beko Thai Co. Ltd. - Thailand*

Beko Ukraine LLC. - Ukraine*

Beko US INC. - USA***

Beko Electrical Appliances Co. Ltd. - China**

DEL Electronics Private Limited - Pakistan*

Dawlance Electronics (Private) Ltd. - Pakistan*

Dawlance (Private) Ltd. - Pakistan*

United Refrigeration Industries Ltd. -Pakistan*

Defy Appliances (Proprietary) Ltd. - Republic of South Africa*

Grundig Nordic AS - Norway, Denmark*

Grundig Nordic AB - Sweden, Finland*

Arctic SA - Romania*

ARCwaste - Romania

Vietbeko Limited Liability Company - Vietnam**

Beko Israel Household Appliances Ltd. - Isreal****

Beko Morocco Household Appliances - Morocco****

Singer Bangladesh Ltd - Bangladesh***

Beko Pilipinas Corporation - Philippines**

BEKO SPÓLKA AKCYJNA (Czech Branch) - Czech Republic***

VoltBek Home Appliances Private Ltd - India***

Defy Sales East Africa Limited - Kenya****

Beko-Home Appliances Portugal Unipessoal LDA - Portugal***

PT. Arcelik Hitachi Home Appliances Sales Indonesia ("AHID") - Indonesia**

Arcelik Hitachi Home Appliances Sales Malaysia Sdn. Bhd. ("AHMY") - Malaysia**

Arcelik Hitachi Home Appliances Sales (Singapore) Pte. Ltd. ("AHSG") - Singapore***

Arcelik Hitachi Home Appliances (Shanghai) Co., Ltd. ("AHSH") - China***

Arcelik Hitachi Home Appliances Sales Hong Kong Limited ("AHHK") - China**

Arcelik Hitachi Taiwan Home Appliances Sales Ltd. ("AHTW") - Taiwan***

Arcelik Hitachi Home Appliances (Thailand) Ltd. ("AHTH") - Thailand***

Arcelik Hitachi Home Appliances Sales (Thailand) Ltd. ("AHST") - Thailand**

Arcelik Hitachi Home Appliances IBC Co. Ltd. - Thailand**

Arcelik Hitachi Home Appliances Sales Middle East Fze ("AHME") - United Arab Emirates**

Arcelik Hitachi Home Appliances Sales Vietnam Co., Ltd. ("AHVN") - Vietnam**

Arçelik Üretim ve Teknoloji A.Ş. - Turkey***

Arçelik - LG Klima San. ve Tic. A.Ş. - Turkey***

* Environmental data covers only Arçelik Pazarlama A.Ş., Beko APAC IBC Co. Ltd., Beko Grundig Deutschland GmbH, Beko France S.A.S., Beko LLC, Beko PLC, Beko Spolka Akcyjna, Beko Thai Co. Ltd., Beko Ukraine LLC., DEL Electronics Private Limited, Dawlance Electronics (Private) Ltd., Dawlance (Private) Ltd., United Refrigeration Industries Ltd., Defy Appliances (Proprietary) Ltd., Grundig Nordic AS, Grundig Nordic AB, Arctic SA.

** Included in the reporting scope for Human Capital past performance "global" data only.

*** Included in the reporting scope for Human Capital and OHS past performance "global" data and for 2030 future journey in the Planet section.

**** Included in the reporting scope for OHS past performance "global" data only.



Annex 2: Assurance Reports

Independent Assurance Opinion Statement

To the Management of Arçelik A.Ş.

Scope and Objectives:

BSI was commissioned by Arçelik A.Ş. (hereinafter “Arçelik”) to conduct independent assurance of its 2021 Sustainability Report (‘the Report’), as published on the company’s website at <https://www.arcelikglobal.com/en/sustainability/sustainability-reports/all-reports/> and to carry out an independent verification of total water withdrawal by source and waste, energy consumption data, social and occupational health and safety indicators.

Our assurance engagement was planned and carried out in accordance with AA1000 Assurance Standard AA1000AS v3.

BSI’s approach

BSI’s assurance engagements are carried out in accordance with our verification procedure. Reviewing the data collection and consolidation processes used to compile selected data, including assumptions made, and the data scope and reporting boundaries; We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We were engaged to provide Type 2 moderate level assurance, which covers:

- Evaluation of adherence to the AA1000AS v3 principles of inclusivity, materiality and responsiveness and impact (the Principles); and
- The reliability of specified sustainability performance information along with related claims in the report including:
 - Desk review
 - Site visit
 - Data sampling
 - Reporting

Inclusivity, Materiality , Responsiveness and Impact principles;

Arçelik has made a commitment to it’s stakeholders. The participation of stakeholders has been initiated in developing and achieving an accountable and strategic response to CSR.

Arçelik publishes CSR information that enables its stakeholders to make informed judgments about the company’s management and performance. In our professional opinion the report covers the Arçelik’s materiality issues.

Arçelik has implemented the practice to respond to the expectations and perceptions of its stakeholders.

Assurance level

The moderate level assurance provided is in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement.

Independence/Responsibilities of Arçelik and of the Assurance Providers

BSI was not involved in collecting and calculating data, or in the development of the Report. BSI’s activities are independent from Arçelik. Arçelik has sole responsibility for preparation of the Report. In performing our assurance work, our responsibility is to the management of Arçelik.

The assurance team was composed of Lead auditors and Carbon Footprint Verifiers experienced in industrial sector, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, and ISO 9001 EU ETS, GS, VCS, ISO 50001 etc. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI verification procedure. There is no limitation.



Annex 2: Assurance Reports

BSI's Opinion

Based on BSI's approach, we believe that Arçelik A.Ş. has:

- Met the requirements above
- Disclosed accurate and reliable water withdrawal by sources, waste data and energy consumption data
- Social Indicators
- Occupational health and safety indicators.

Verified Data

Verified data is given below under In Touch with Our Planet section:

- Water withdrawal in Arçelik Turkey, Arctic Romania, Beko LLC Russia, Defy South Africa, Beko Thai, Dawlance Pakistan
- Waste (hazardous waste, non-hazardous waste) in Turkey.
- Energy Consumption data (in the Annex) in Arçelik Turkey, Arctic Romania, Beko LLC Russia, Defy South Africa, Beko Thai, Dawlance Pakistan.

Verified data is given below under In Touch with Human Needs section:

- Digital Wings
- Beko 100 Women Dealers
- We-inTech (You are an Engineer, You are with Us)
- 500 Women Technician
- Asociatia Valori in Educatie (AVE) (Values for Educational System Association)
- Cookbook: 48 Recipes for A Good Cause
- Barnardo's Partnership
- Partnership with Archè Foundation
- Respect Food (World Food Day Campaign)
- Food for Soul
- Grundig UK Give Back Campaign

Verified data is given below under In Touch with Business section:

- Next Big Story

- Arçelik 3D Printers
- Smart Board
- Garage Innovation Hub (GIH)
- Hack the Normal – Africa
- BiGG Arçelik Garage
- Connecta
- Robotic Process Operation
- EU Horizon Projects
- Right to Collective Bargaining and Freedom of Association (Collective data)
- Wellbeing Movement (1 Healthy Movement)
- Salary Index
- SheMate Mentorship Program
- Equitable Parental Program
- Equal Dictionary
- Women in Leadership
- Fresh Start Internship Program
- FIT Graduate Program
- Performance Management (Koç Diyalog)
- Training
- Future in You
- Leader in You
- Talent in You
- Tech Pro Academy
- Digital Programs
- Designing the Future for my Country
- Employee Engagement data
- Growweek
- Sustainability Day
- Corporate Volunteerism data
- Arçelik Employee and Arçelik Contractor Global Lost-Time Injury Frequency Rate (LTIFR)



Annex 2: Assurance Reports

- Arçelik Employee and Arçelik Contractor Global Fatal Accident Number
- Arçelik Employee Global Occupational Disease Frequency Rate
- Arçelik Employee OHS Training Hour
- Retail Academy
- Global Customer Care and Service Academy
- Appointment And Routing Program (ROTAM)
- Dealer (B2B) Satisfaction
- Consumer (B2C) Satisfaction
- Quality Management System (Management System Coverage)
- Supplier Development Program
- Suppliers Trainings
- Purchasing Academy

The opinion expressed is formed on the basis of a moderate level of assurance and at the materiality of the professional judgement of the verifier.

Mehmet Kumru
Sustainability Team Manager



AA1000
Licensed Assurance Provider
000-258

Date: 10.05.2022

BSI Group Eurasia Belgelendirme Hizmetleri Ltd. Şti.
Değirmen Sokak, No:16, Ar Plaza, Ofis: 61/62 A Blok, Kozyatağı / İstanbul



Annex 3: UNGC & WEPs DISCLOSURES

UNGC DISCLOSURE

Area	Principles	Relevant Report Section
HUMAN RIGHTS	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	<u>Sustainable Supply Chain, Human Rights</u>
	Principle 2: Businesses should make sure that they are not complicit in human rights abuses.	<u>Ethics and Compliance, Human Rights</u>
LABOR	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<u>Ethics and Compliance</u>
	Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	<u>Ethics and Compliance</u>
	Principle 5: Businesses should uphold the effective abolition of child labour.	<u>Ethics and Compliance</u>
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<u>Sustainable Supply Chain</u>
ENVIRONMENT	Principle 7: Businesses should support a precautionary approach to environmental challenges.	<u>Enterprise Risk Management</u>
	Principle 8: Business should undertake initiatives to promote greater environmental responsibility.	<u>In Touch with Planet</u>
	Principle 9: Business should encourage the development and diffusion of environmentally friendly technologies.	<u>Product Stewardship</u>
ANTI-CORRUPTION	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	<u>Ethics and Compliance</u>

THE WOMEN'S EMPOWERMENT PRINCIPLES DISCLOSURE

Principle	Relevant Report Section
Principle 1: Establish high-level corporate leadership for gender equality	<u>Gender Equality, Diversity and Inclusion</u> <u>Supporting Society with Equal Opportunities and Inclusion</u>
Principle 2: Treat all women and men fairly at work – respect and support human rights and nondiscrimination	<u>Gender Equality, Diversity and Inclusion</u>
Principle 3: Ensure the health, safety and well-being of all women and men workers	<u>Gender Equality</u>
Principle 4: Promote education, training and professional development for women	<u>Gender Equality, Supporting Society with Equal Opportunities and Inclusion</u>
Principle 5: Implement enterprise development, supply chain and marketing practices that empower women	<u>Supporting Society with Equal Opportunities and Inclusion</u>
Principle 6: Promote equality through community initiatives and advocacy	<u>Supporting Society with Equal Opportunities and Inclusion</u>
Principle 7: Measure and publicly report on progress to achieve gender equality	<u>Supporting Society with Equal Opportunities and Inclusion</u>



Annex 4: Environmental Performance Indicators

	MANUFACTURING PLANTS & HQ*				OFFICES				TOTAL			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
GHG Emissions (ton CO₂e)												
Direct (Scope 1)	72,795	81,550	71,379	84,014	144	132	204	193	72,939	81,682	71,583	84,207
Indirect - Energy (Scope 2)	37,857	52,950	43,261	46,383	647	668	374	771	38,504	53,618	43,635	47,154
Total of Scope 1 and Scope 2	110,652	134,500	114,640	130,397	791	800	578	964	111,443	135,300	115,218	131,361
Indirect - Other (Scope 3)	0	6,262,807	25,073,870	26,413,811	0	0	0	0	0	6,262,807	25,073,870	26,413,811
Total	110,652	6,397,307	25,188,510	26,544,208	791	800	578	964	111,443	6,398,107	25,189,088	26,545,172
Energy consumption by fuel type (GJ)*												
Electricity (Non-renewable)	295,773	318,666	272,257	306,084	5,485	5,662	5,149	5,818	301,258	324,328	277,599	311,902
Electricity (Purchased renewable)	666,939	813,667	814,346	898,493	0	0	193	146	666,939	813,667	814,346	898,639
Electricity (Onsite renewable generation)	0	0	3,171	3,193	0	0	0	0	0	0	4,224	3,193
Natural gas	909,740	1,021,939	930,933	1,026,717	420	273	2,236	1,831	910,160	1,022,212	932,117	1,028,548
LPG	36,818	45,443	37,798	40,795	0	0	0	0	36,818	45,443	37,798	40,795
Fuel-Oil	20,282	18,860	13,644	15,035	0	0	0	0	20,282	18,860	13,644	15,035
Diesel	34,293	67,901	61,028	75,080	0	0	0	0	34,293	67,901	61,028	75,080
Biodiesel	0	0	0	86	0	0	0	0	0	0	0	86
Gas	18,284	26,346	22,258	40,307	0	0	0	0	18,284	26,346	22,258	40,307
Bioethanol	0	0	0	524	0	0	0	0	0	0	0	524
Propan	0	0	0	0	1,993	1,896	1,432	1,624	1,993	1,896	1,432	1,624
CNG	0	32	15	0	0	0	0	0	0	32	15	0
Total	1,982,129	2,312,854	2,155,451	2,406,315	7,898	7,832	9,010	9,419	1,990,027	2,320,686	2,164,461	2,415,734
Energy savings*												
Total annual energy savings (GJ)	51,608	96,408	55,953	62,907	0	0	0	0	51,608	96,408	55,953	62,907
Total annual greenhouse gas reduction (tCO ₂ e)	5,094	7,708	5,217	5,514	0	0	0	0	5,094	7,708	5,217	5,514
Total annual financial savings (EUR)	711,222	1,148,477	701,409	773,933	0	0	0	0	711,222	1,148,477	701,409	773,933
Water withdrawal by source (m³)												
Third party sources - Municipal water	710,463	688,260	553,372	685,597	1,628	4,307	4,342	9,922	712,091	692,567	557,714	695,519
Third party sources - Water tanker	0	0	0	29,402	0	0	0	0	0	0	0	29,402
Ground water	763,745	768,114	584,827	608,062	0	0	0	0	763,745	768,114	584,827	608,062
Rain water	1,885	28,943	62,613	70,980	0	0	0	0	1,885	28,943	62,613	70,980
Total	1,477,007	1,485,317	1,200,812	1,394,041	1,628	4,307	4,342	9,922	1,478,635	1,489,624	1,205,154	1,403,963
Water discharge by destination (m³)												
Fresh surface water	0	0	0	0	0	0	0	0	0	0	0	0
Ground water	0	0	0	0	0	0	0	0	0	0	0	0
Third-party destinations (municipal sewage line connected to municipal/industrial wastewater treatment plant)	1,171,803	1,220,988	1,035,987	1,054,660	1,628	4,307	4,342	9,922	1,173,431	1,225,295	1,040,329	1,064,582
Total water discharge	1,171,803	1,220,988	1,035,987	1,054,660	1,628	4,307	4,342	9,922	1,173,431	1,225,295	1,040,329	1,064,582
Water consumption** (m³)												
Water consumption** (m ³)	305,203	264,329	164,825	339,381	0	0	0	0	305,203	264,329	164,825	339,381
Environmental Training (person*hour)												
Environmental Trainings (person*hour)	15,683	23,330	16,595	29,818	-	-	-	-	15,683	23,330	16,595	29,818

*The Coverage of Scope 1 & Scope 2 GHG Emissions Data: 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017 and 2018, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2019, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, all three manufacturing plants in South Africa, Refrigerator Plant in Thailand, all three manufacturing plants in Pakistan. In 2020, Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant. The Coverage of Water & Waste Data: 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2018, the reporting scope was expanded to also cover all three manufacturing plants in South Africa. In 2019, the reporting scope was expanded to also cover Refrigerator Plant in Thailand. In 2020, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, but Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, the reporting scope was expanded to also cover all three manufacturing plants in Pakistan, but one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant. Verified water data is in "Manufacturing Plants & HQ" column.

**Water consumption=Water withdrawal-Water discharge



Annex 4: Environmental Performance Indicators

	MANUFACTURING PLANTS & HQ*				OFFICES				TOTAL			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Raw material and material used by type (ton)												
Plastic Raw Materials	119,245	127,278	128,322	230,233	-	-	-	-	119,245	127,278	128,322	230,233
Metal Raw Materials	390,361	386,462	375,882	400,266	-	-	-	-	390,361	386,462	375,882	400,266
Materials	443,370	487,249	506,479	385,965	-	-	-	-	443,370	487,249	506,479	385,965
Chemicals	14,366	15,053	10,275	20,833	-	-	-	-	14,366	15,053	10,275	20,833
Packaging	-	-	-	89,998	-	-	-	-	-	-	-	89,998
Total	967,342	1,016,041	1,020,957	1,127,295	-	-	-	-	967,342	1,016,041	1,020,957	1,127,295
Waste by type (ton) **												
Hazardous waste (ton)												
Waste to recovery	2,177	2,307	1,509	2,583	-	-	-	-	2,177	2,307	1,509	2,583
Waste to incineration (with energy recovery)	97	193	259	326	-	-	-	-	97	193	259	326
Waste to incineration (without energy recovery)	47	6	2	6	-	-	-	-	47	6	2	6
Waste to landfill	113	161	162	352	-	-	-	-	113	161	162	352
Waste to other disposal operations	167	122	118	31	-	-	-	-	167	122	118	31
Total hazardous waste	2,601	2,789	2,050	3,298	-	-	-	-	2,601	2,789	2,050	3,298
Non-hazardous waste (ton)												
Waste to recovery	104,018	104,510	97,196	126,485	-	-	-	-	104,018	104,510	97,196	126,485
Waste to incineration (with energy recovery)	471	2,136	658	1,130	-	-	-	-	471	2,136	658	1,130
Waste to incineration (without energy recovery)	-	-	-	258	-	-	-	-	-	-	-	258
Waste to landfill	4,700	4,030	3,018	4,095	-	-	-	-	4,700	4,030	3,018	4,095
Waste to other disposal operations	-	1	341	633	-	-	-	-	-	1	341	633
Total Non-hazardous waste	109,189	110,677	101,213	132,601	-	-	-	-	109,189	110,677	101,213	132,601
Total Waste	111,789	113,465	103,263	135,899	-	-	-	-	111,789	113,465	103,263	135,899

OPERATIONAL ECO-EFFICIENCY: ENERGY INDICATOR	2018	2019	2020	2021	2021 Target
Total Non-Renewable Energy Consumption (MWh) (A)	365,331	416,441	371,648	417,783	448,113
Total Renewable Energy Consumption (MWh) (B)	185,261	226,019	227,088	250,638	-
Total Energy Consumption (MWh) (A+B)	550,591	642,459	598,736	668,421	-
Intensity (Total Energy Consumption/Revenue) (A+B)/Revenue (MWh/TRY)	32.92	29.79	21.45	15.44	-
Intensity Reduction (%) (Compared to previous years)	-	-9.5%	-28%	-28%	-

Our production quantities are increased 13.76% in 2021, compared to 2020. That is the reason behind the 11.64% increase in total energy consumption for the same years, while energy intensity is reduced 28%.

* The Coverage of Scope 1 & Scope 2 GHG Emissions Data: 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017 and 2018, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2019, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, all three manufacturing plants in South Africa, Refrigerator Plant in Thailand, all three manufacturing plants in Pakistan. In 2020, Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant. The Coverage of Water & Waste Data: 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2018, the reporting scope was expanded to also cover all three manufacturing plants in South Africa. In 2019, the reporting scope was expanded to also cover Refrigerator Plant in Thailand. In 2020, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, but Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, the reporting scope was expanded to also cover all three manufacturing plants in Pakistan, but one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant.

** Waste data is verified only for Arçelik Turkey (Hazardous waste amount: 2,653 tons, Non-Hazardous waste amount: 93,403 tons, Total waste amount: 96,056 tons).



Annex 4: Environmental Performance Indicators

GHG EMISSIONS*	2018	2019	2020	2021
Direct GHG Emissions (Scope 1) (tonCO ₂ e)	72,795	81,550	71,379	84,014
Indirect - Energy (Scope 2) (tonCO ₂ e)	37,857	52,950	43,261	46,383
Total Scope 1&2 GHG emissions (tonCO ₂ e)	110,652	134,500	114,640	130,397
Scope 1&2 GHG emissions intensity (tonCO ₂ e/TRY million)	6.6	6.2	4.1	3.01
Reduction of Intensity compared to previous year (%)	25%	6%	34%	27%
INDIRECT - OTHER (SCOPE 3) (TONCO₂E)				
Purchased goods and services	-	-	2,729,955	3,236,185
Transportation	-	-	273,189	288,420
Business Travel	-	-	6,534	13,565
Employee commuting	-	-	85,767	71,371
Product logistics	-	-	180,888	203,484
Use of sold products	-	-	22,040,094	22,855,049
End of life of sold products	-	-	19,127	20,279
Others**	-	-	11,505***	13,878****
Total	-	-	25,073,870	26,413,811
Scope 3 GHG emissions intensity (tonCO ₂ e/TRY million)	-	-	898	610
GHG emissions from use of sold products (ton CO ₂ e/Product quantity)	-	-	-	-
TOTAL SCOPE 1&2&3 GHG EMISSIONS (TONCO₂E)	110,652	6,398,107	25,188,510	26,544,208
TOTAL SCOPE 1, 2 & 3 GHG EMISSIONS INTENSITY (TONCO₂E/TRY MILLION)	NA	NA	902	613

* The Coverage of Scope 1 & Scope 2 GHG Emissions Data: 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017 and 2018, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2019, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, all three manufacturing plants in South Africa, Refrigerator Plant in Thailand, all three manufacturing plants in Pakistan. In 2020, Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant.

** Other Scope 3 Emissions covers the treatment of packaging, production wastes, wastewater treatment, and mobile combustion of subcontractor."

*** Other Scope 3 emissions in 2020 cover: The treatment of packaging= 7,282 ton CO₂e, Production wastes= 4,204 ton CO₂e, Wastewater treatment= 14 ton CO₂e, Mobile combustion of subcontractor= 5 ton CO₂e, Total Others= 11,505 ton CO₂e

**** Other Scope 3 emissions in 2021 cover: The treatment of packaging= 9,171 ton CO₂e, Production wastes= 4,689 ton CO₂e, Wastewater treatment= 13 ton CO₂e, Mobile combustion of subcontractor= 5 ton CO₂e, Total Others= 13,878 ton CO₂e



Annex 4: Environmental Performance Indicators

WATER WITHDRAWAL*	2018	2019	2020	2021	2021 Target
Total water withdrawal (m ³)	1,477,008	1,485,317	1,200,812	1,394,041	1,535,127
Water withdrawal intensity (m ³ / TRY million)	83	73	45	32	-
WATER POLLUTANTS	2018	2019	2020	2021	
Chemical Oxygen Demand (COD) (ton)	-	-	-	162	
Water pollutant intensity (ton/ TRY million)	-	-	-	0.004	
WATER RECYCLED OR REUSED (m³)	2018	2019	2020	2021	
Amount of water recycled and reused	-	58,120	110,545	128,412	
Percent of water recycled and reused	-	4%	9%	9%	
WASTE*	2018	2019	2020	2021	2021 Target
Hazardous waste (ton)	2,601	2,789	2,050	3,298	-
Hazardous waste intensity (ton/TRY million)	-	-	0.076	0.080	-
Total Waste (ton)	111,789	113,465	103,263	135,899	-
Total waste intensity (ton/TRY million)	6.3	5.6	3.8	3.1	-
PRODUCTS	2018	2019	2020	2021	
Percentage of eligible products fulfilling Energy Star requirements	0.36%	0.35%	0.36%	0.8%	
Percentage of eligible products by revenue certified to the ENERGY STAR® program	0.7%	0.8%	1%	1.1%	

* The Coverage of Water & Waste Data: 2016 data covers all manufacturing plants in Turkey, Arctic Refrigerating Appliances Plant in Romania, and Refrigerator and Washing Machine Plant in Russia. In 2017, the reporting scope was expanded to also cover Washing Machine Plant in China. In 2018, the reporting scope was expanded to also cover all three manufacturing plants in South Africa. In 2019, the reporting scope was expanded to also cover Refrigerator Plant in Thailand. In 2020, the reporting scope was expanded to also cover Arctic Washing Machine Plant in Romania, but Washing Machine Plant in China was removed from the reporting scope due to the sale of the plant. In 2021, the reporting scope was expanded to also cover all three manufacturing plants in Pakistan, but one of the manufacturing plants in South Africa was removed from the reporting scope due to the shutdown of the plant.



Annex 5: Main Institutions Guiding Our Work

Institution / Organization	Gain or Contribution	2021 Membership Fee (EUR)	Share in total payments (%)
Turkish Employers' Association of Metal Industries (MESS)	Turkey operations of Arçelik is a member of the MESS. The organized trade unions in other countries are labor unions. Only in Turkey we have membership in the employers' union, and therefore, we pay due to MESS only for operations in Turkey. The MESS Board Chairman also serves as Koç Holding Human Resources Director. Within the scope of our MESS membership, we engage in activities that ensure compliance with occupational health and safety standards, and protection of employee and company rights. In addition, our membership allows us to benefit from MESS's knowledge and support regarding the practices that regulate business life.	136,694	20%
Home Appliance Europe (APPLiA)	We follow the laws and regulations in the EU and contribute to the formation of association opinions about the developments by participating in the working groups of APPLiA with our technical teams. This allows us to adapt to legislative changes more quickly as well as comply with relevant changes in the market.	121,318	18%
United Kingdom, Association of Manufacturers of Domestic Appliance (AMDEA)*	Since 2018, we are a member of AMDEA, which, has been chaired by the Country Manager of Beko Plc, our UK subsidiary. AMDEA is the sister organization of the EU organization called APPLiA. Through this organization, we follow laws and regulations in the UK, contribute to the formation of association views about these regulations and closely follow legislation regarding the circular economy.	121,618	18%
World Business Council for Sustainable Development (WBCSD)	Since 2021, we are a member of WBCSD and we actively support workstreams in the Council. In 2022, we will be one of the members of CFO Network and SOS 1.5 Program organized by WBCSD and will collaborate the activities in the workstreams. The CFO Network Program aims to help shaping the dialogue and the landscape, working with investors and gaining access to the tools and resources. Workstreams at SOS 1.5 Program are organized to support companies while they are running for well below 1.5 degrees Celsius targets and their ultimate aim for being net-zero companies in 2050.	106,485	16%
France White Goods Manufacturers Association (Groupement des Marques d'Appareils Pour la Maison - Gifam)	Beko France is a member of GIFAM, which represents the white goods industry in France. The Beko France Country Manager is the chair of GIFAM. Through this association, we follow laws and regulations in France, contribute to form association opinions on these laws and regulations, and closely follow regulations regarding the circular economy and carbon neutral targets.	55,862	8%
DIGITALEUROPE	We closely follow the legislative work, digital transformation policies, and joint ventures on digitalization (such as GAIA-X), which will greatly affect our rapidly digitalizing products in DIGITAL EUROPE representing the European digital technology industry and contribute by conveying our opinions on these. We specifically evaluate the details in discussions on Artificial Intelligence, Cyber Security, Privacy, Cloud Computing, Data Management, IoT (Internet of Things), Digital Production, Industry 4.0, TV/Display Technologies, post-Brexit UK Trading, Horizon Europe and European Incentives and Chemicals to serve the development of company policies.	35,985	5%
Turkish Industry and Business Association (TÜSİAD)	With strong representative power in terms of the added value created by member organizations in our country's economy, TÜSİAD is also a member of Business Europe, which is considered to represent the European private sector. As an umbrella NGO representing our country's business world, TÜSİAD is an institution that actively participates in forming opinions as a public authority on a wide range of topics from sectoral developments to other related areas. In addition, TÜSİAD can closely monitor legislative works in the EU which concern our sector, and form opinions at the level of EU institutions by means of the Business Europe channel of which it is a member. Our company actively participates in and contributes to many TÜSİAD working groups and task forces. In particular, our company leads the Working Group for the Environment and Climate Change and the EU Green Deal Task Force to actively work on the formation of country policies in these areas.	25,600	4%
Association of Home Appliance Manufacturers (AHAM)	Beko USA is a member of AHAM, the white goods manufacturers' association of the USA and Canada. Membership to this association helps Beko USA to develop standards, build relations with official institutions and communicate with chambers of commerce.	23,980	4%

Total amount paid in 2021 was EUR 678,320

 [You may find our Civil Society Cooperation Policy here.](#)



Annex 6.1. Social Performance Indicators

EMPLOYEES BY CATEGORY	2018		2019		2020		2021	
	Women	Men	Women	Men	Women	Men	Women	Men
Total number of employees	6,788	22,742	7,420	24,114	9,039	28,374	10,659	30,275
Number of monthly paid employees	2,052	4,820	2,233	5,771	2,273	5,757	3,150	7,210
Number of hourly paid employees	4,736	17,922	5,187	18,343	6,766	22,617	7,509	23,065
Under 30 years old	2,056	5,130	1,638	5,779	2,700	8,049	2,774	6,674
30-50 years old (including 30 and 50 years old)	4,093	16,171	5,399	14,810	5,905	16,502	6,484	20,472
Over 50 years old	639	1,441	383	3,525	434	3,823	1,399	3,131
EMPLOYEES BY EMPLOYMENT TYPE	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Number of employees by employment type/form	29,327	203	31,315	219	37,242	171	39,885	1,049
Number of monthly paid employees	6,825	47	7,959	45	8,001	29	10,145	215
Number of hourly paid employees	22,502	156	23,356	174	29,241	142	29,740	834

TOTAL NUMBER OF EMPLOYEES BY CATEGORY	2018				2019				2020				2021			
	Monthly Paid		Hourly Paid		Monthly Paid		Hourly Paid		Monthly Paid		Hourly Paid		Monthly Paid		Hourly Paid	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Total number of employees	2,052	4,820	4,736	17,922	2,233	5,771	5,187	18,343	2,273	5,757	6,766	22,617	3,150	7,210	7,509	23,065

SUBCONTRACTORS BY GENDER AND EMPLOYMENT TYPE	2018		2019		2020		2021	
	Women	Men	Women	Men	Women	Men	Women	Men
Number of subcontracted employees by gender	806	1,698	944	1,822	1,272	2,365	1,573	3,860
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Number of subcontracted employees by employment type/form	2,490	14	2,759	8	3,632	5	5,405	28



Annex 6.1. Social Performance Indicators

WORKING HOURS	2019	2020	2021
Total working from home hours	111,856	409,617	2,307,819
Total flexible working hours	33	1,316	370,798

HIRING	Women	Men	Women	Men	Women	Men	Women	Men
Total number of new employee hires	833	1,298	721	1,332	634	1,024	495	876
Junior/low level management	65	96	64	238	33	111	113	180
Middle level management	19	78	12	56	13	42	28	43
Senior/top level management	1	7	1	10	0	2	3	9

INTERNAL HIRES	2018	2019	2020	2021
Percentage of open positions filled by internal candidates (internal hires)	25%	31%	24%	37%
Women	21%	30%	30%	31%
Men	79%	70%	70%	69%
Junior/low level management	27%	24%	20%	20%
Middle level management	48%	33%	34%	30%
Senior/top level management	4%	3%	2%	3%
Average hiring cost/FTE Currency (EUR)	1,022.09	1,394.04	981,29	1,458

PROMOTION	2018		2019		2020		2021	
	Women	Men	Women	Men	Women	Men	Women	Men
Percentage of employees promoted	13%	14%	18%	15%	15%	14%	16,7%	16,2%

Coverage 100% of FTEs



Annex 6.1. Social Performance Indicators

EMPLOYEE TURNOVER	2018	2019	2020	2021
Total Employee Turnover Rate*	20.2%	17.3%	14.5%	12.9%
Voluntary Employee Turnover Rate	7.9%**	6.3%**	4.0%**	7.7%*
Involuntary Employee Turnover Rate	-	-	-	5.2%*

TOTAL EMPLOYEE TURNOVER RATE	2018*	2019*	2020*	2021*
Women	19%	14.04%	12.01%	16.4%
Men	20.5%	18.24%	14.48%	15.5%
Under 30 years old	40.4%	41.4%	39.9%	7.6%
30-50 years old (including 30 and 50 years old)	12.2%	9.7%	5.7%	4.1%
Over 50 years old	11%	7.3%	7.7%	0.2%
Junior/low level management	-	-	-	0.8%
Middle level management	-	-	-	0.1%
Senior/top level management	-	-	-	0.0%

VOLUNTARY EMPLOYEE TURNOVER RATE	2018**	2019**	2020**	2021*
Women	9.5%	6.6%	4.4%	8.9%
Men	7.3%	6.2%	3.9%	11.1%
Under 30 years old	7.2%	8.9%	6.2%	5.5%
30-50 years old (including 30 and 50 years old)	9.2%	5.8%	3.6%	4.5%
Over 50 years old	0.8%	3.0%	1.4%	0.6%
Junior/low level management	-	-	-	1.4%
Middle level management	-	-	-	0.1%
Senior/top level management	-	-	-	0

* Covers all employees globally.

** Covers all monthly paid employees



Annex 6.1. Social Performance Indicators

INVOLUNTARY EMPLOYEE TURNOVER RATE	2021
Women	12.3%
Men	7.2%
Under 30 years old	2.0%
30-50 years old (including 30 and 50 years old)	5.6%
Over 50 years old	1.0%
Junior/low level management	0.4%
Middle level management	0.1%
Senior/top level management	0.0%

EMPLOYEE LAYOFF	2018	2019	2020	2021
Total number of announced lay-offs	567	272	678	662

EMPLOYEES BY WORKING YEARS	2018		2019		2020		2021	
	Women	Men	Women	Men	Women	Men	Women	Men
Employees working for 0-5 years	3,770	8,430	4,707	7,917	5,340	9,367	7,053	9,716
Employees working for 5-10 years	1,301	6,639	1,484	7,285	2,012	8,598	2,802	8,563
Employees working for more than 10 years	778	8,612	762	9,379	2,343	9,753	2,437	10,363

PARENTAL LEAVE	2018	2019	2020	2021
Women remained employed by the company 12 months after their return from parental leave	87.76	86	87.8	96.34
Data Coverage	86%	86%	86%	100%



Annex 6.1. Social Performance Indicators

	2018		2019		2020		2021	
	Women	Men	Women	Men	Women	Men	Women	Men
DIVERSITY AND INCLUSION								
Share of employees in the total workforce	22%	78%	22%	78%	24%	76%	26%	74%
Share of employees in all management positions, including junior, middle and senior management	21%	79%	16%	84%	21%	79%	19%	81%
Share of employees in junior management positions, ie. First level of management	24%	74%	24%	76%	26%	74%	22%	78%
Share of employees in top management positions ie. Maximum two levels away from the CEO or comparable positions	17%	83%	14%	86%	13%	87%	25%	75%
Share of employees in management positions in revenue-generating functions as % of all such managers	16%	84%	23%	77%	18%	82%	16%	84%
Share of the employees on entry level positions	37%	63%	32%	68%	38%	62%	31%	69%
Share of employees in STEM-related positions	16%	84%	17%	83%	16%	84%	18%	82%
Share of the employees in IT positions	24%	76%	21%	79%	22%	78%	27%	73%
Share of the employees in engineering positions	12%	88%	13%	87%	16%	84%	11%	89%
Share of employees that are contractors	11%	89%	12%	88%	18%	82%	14%	86%

	2021	
	Women	Men
EMPLOYEES WITH DISABILITIES		
Total number of employees with disabilities	80	507
Total share of employees with disabilities	1.43%	
Physically disabled	15	56
Speech impaired	4	0
Visually impaired	5	27
Hearing impaired	23	233
Other	33	191



Annex 6.1. Social Performance Indicators

RAW PAY GAP	2020	2021
Data Coverage (% of FTEs)	55%	80%
Women in the top pay quartile	21%	31%
Women in the upper middle pay quartile	6%	11%
Women in the lower middle pay quartile	15%	11%
Women in the lower pay quartile	30%	23%
Global mean (average) raw gender pay gap	75%	83%
AVERAGE PAY GAP	2020	2021
Average pay gap	25%	17%
Data Coverage (% of FTEs)	55%	80%
Median hourly pay for employees (does not include overtime)	2.67	3.07
Data Coverage (% of FTEs)	55%	47%
EXECUTIVE PAY	2020	2021
Women in top 10% compensated	28%	29%
Coverage of the data (% of FTEs)	55%	80%

TRAINING AND DEVELOPMENT	2018	2019	2020	2021
Total training hours given to employees (employee*hour)	620,258	693,399	556,712	795,742
Average hours of training per employee (number)	28.9	25.1	17.7	18.7
Average amount spent per FTE on training and development (EUR)	134	169.60	90.8	110.5



Annex 6.1. Social Performance Indicators

AVERAGE HOURS OF TRAINING AND DEVELOPMENT PER FTE (NUMBER)	2020	2021
Per Gender		
Women	17	22.7
Men	18	16.7
Per Age		
Under 30 years old	22.7	22.5
30-50 years old (including 30 and 50 years old)	11.8	19.2
Over 50 years old	9.8	17.12
Per Level		
Junior/low level management	17.5	5.08
Middle level management	18.3	13.07
Senior/top level management	33.1	15.03
AVERAGE AMOUNT SPENT ON TRAINING AND DEVELOPMENT PER FTE (EUR)	2020	2021
Per Gender		
Women	77.2	105.79
Men	95.2	98.39
Per Age		
Under 30 years old	-	125.81
30-50 years old (including 30 and 50 years old)	-	105.1
Over 50 years old	-	97.57
Per Level		
Junior/low level management	204.1	67.06
Middle level management	213.8	106.37
Senior/top level management	106.3	96.2
AVERAGE HOURS OF TRAINING BY CONTENT - EMPLOYEES	2020	2021
Technical / Functional Deveopment	9.5	13.3
Orientation	3.9	13.8
Leadership Development	10	12.8
Competency Development	6.7	19.5
Total	17.7	14.8



Annex 6.1. Social Performance Indicators

	2021		
TRAINING - EMPLOYEES (EMPLOYEE*HOUR)	Total numbers of trained employees	Total hours of training	Training hour per employee
Environment	20,442	27,374	1.3
OHS	40,367	456,145	11.3
Chemicals	423	3,520	8.3
Training to purchasing department	229	5,225	22.7
Regulations	5,768	31,416	5.4
Sustainability	188	347.8	1.8
Ethics	1,676	4,620	2.8
Technical training	866,2	4,018	4.6
Others			
TRAINING - SUBCONTRACTORS (EMPLOYEE*HOUR)	Total numbers of trained employees	Total hours of training	Training hour per employee
Environment	922	2,392	2.5
OHS	10,169	17,108	1.68
Chemicals	104	414	4
Training to purchasing department	19	304	16
Regulations	15	308	21
Sustainability	15	308	21
Ethics	119	720	6
Technical training	1,072	2,669	2.5
Others	8	160	20
	Total hours of training	Training hour per employee	Average training hour per employee
Competency Development	141,893	7,284	19.5
Leadership Development	23,692	1,844	12.8
Orientation	110,025	7,976	13.8
Technical/Functional Development	195,445	14,724	13.3
Total	471,055	31,828	14.8



Annex 6.1. Social Performance Indicators

PERFORMANCE EVALUATION	2018		2019		2020		2021	
	Women	Men	Women	Men	Women	Men	Women	Men
Employees subjected to regular performance and career development evaluation	2,052	4,820	2,233	5,771	2,273	5,757	3,150	7,210
Employee coverage of multidimensional performance appraisal	4,736	17,922	5,187	18,343	6,766	22,617	7,509	23,065
Employee coverage of formal comparative ranking of employees within one employee category	2,052	4,820	2,233	5,771	2,273	5,757	3,150	7,210
Employee coverage of management by objectives: systematic use of agreed measurable targets	2,052	4,820	2,233	5,771	2,273	5,757	3,150	7,210

TREND OF EMPLOYEE ENGAGEMENT	2018*	2019	2020*	2021*
Data Coverage	88%	92%	94%	94%
Employee Engagement	67%	69%	77%	72.60%
Women	67%	69%	79%	60%
Men	67%	68%	77%	74%
Under 30 years old	68%	69%	75%	70%
30-50 years old (including 30 and 50 years old)	66%	68%	77%	69%
Over 50 years old	81%	83%	89%	69%
Junior/low level management	76%	85%	89%	73%
Middle level management	85%	87%	89%	81%
Senior/top level management	94%	100%	100%	88%

* Carried out every year in Turkey operations, and every two years in all operations worldwide, therefore data is available only for Turkey operations on a yearly basis

** Globally carried out and consolidated data



Annex 6.2. Occupational Health and Safety Indicators for Employees

OHS DATA - EMPLOYEES	2021
Total working hours (in a year)	91,573,177
The total lost working days resulted from work-related injury or disease only	1,611
The number of injuries	125
The number of work-related fatalities	0
The number of fatalities resulting from commuting accidents	0
Total number of injuries that caused the employees to lose at least a working day relative to one million hours worked	1.37
Total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked.	2.95
The number of occupational diseases	9
The number of occupational diseases or any disease caused by continued exposure to conditions inherent in a person's occupation reported relative to one million hours worked	0.1
Occupational diseases often observed (e.g. Back pain, stress etc.)	Occupational diseases with physical factors

TOTAL OCCUPATIONAL HEALTH AND SAFETY DATA FOR EMPLOYEES	2019	2020	2021
Lost Time Frequency Rate*	1.21	2.09	1.37
Injury Severity Rate**	0.03	0.04	0.018
Occupational Disease Rate***	0.04	0.02	0.1
Safety Factor****	0.04	0.09	0.024

Calculations are based on the following formulas:

* Lost Time Injury Frequency Rate = (Number of injuries / Total official working hours) * 1,000,000

** Injury Severity Rate = (Number of lost days due to injuries / Total official working hours) * 1,000

*** Occupational Disease Rate = (Number of occupational diseases / Total official working hours) * 1,000,000

**** Safety factor = Injury frequency rate * Injury severity rate



Annex 6.2. Occupational Health and Safety Indicators for Employees

OHS DATA - SUBCONTRACTORS	2021
Total working hours (in a year)	15,804,354
The total lost working days resulted from work-related injury or disease only	265
The number of injuries	43
The number of work-related fatalities	0
The number of fatalities resulting from commuting accidents	0
Total number of injuries that caused the employees to lose at least a working day relative to one million hours worked.	2.72
Total number of injuries and fatalities including no-lost-time injuries relative to one million hours worked.	0
The number of occupational diseases or any disease caused by continued exposure to conditions inherent in a person's occupation reported relative to one million hours worked	0
The number of occupational diseases or any disease caused by continued exposure to conditions inherent in a person's occupation reported relative to one million hours worked	0
Occupational diseases often observed (e.g. Back pain, stress etc.)	-
EMPLOYEE AND CONTRACTORS CONSOLIDATED DATA	2021
Total number of injuries that caused the employees and contractors to lose at least a working day relative to one million hours worked.	1.57
Total number of injuries and fatalities reported by employees and contractors while working for the company.	167



Annex 7: Spending on Corporate Citizenship

TOTAL MONETARY VALUE OF CORPORATE CITIZENSHIP/PHILANTHROPIC CONTRIBUTIONS

TYPE OF CONTRIBUTION	Total Amount (EUR)
Cash contributions	5,200,389
Time: employee volunteering during paid working hours	182,226
In-kind giving: product or services donations, projects/partnerships or similar	429,809
Management costs (overheads)	36,454

TYPE OF PHILANTHROPIC ACTIVITIES

CATEGORY	Percentage of Total Costs
Charitable Donations	15%
Community Investments	74%
Commercial Initiatives	11%

* One-off or occasional support to good causes in response to the needs and appeals of charitable and community organizations, requests from employees, or in reaction to external events such as emergency relief situations.

** Long-term strategic involvement in, and partnership with, community organizations to address Arçelik's priority social issues to protect its long-term corporate interests and enhance reputation.

*** Business-related activities in the community promoting Arçelik's corporate and brand identities and other policies, in partnership with charities and community-based organizations.



Annex 8: Management Systems

MANAGEMENT SYSTEMS	CERTIFICATION YEAR	PERCENT OF ALL MANUFACTURING PLANTS	COUNTRY/FACILITY COVERAGE
ISO 9001	1992	100	Arçelik A.Ş. (Headquarters & Production Plants), Arçelik Pazarlama A.Ş., Arçelik-LG, Arctic, Beko LLC, Defy, Beko Thai, Dawlance, Arçelik Hitachi, Voltbek, Singer-Bangladesh
ISO 14001	1996	83	Arçelik A.Ş. (Headquarter & Production Plants*), Arctic, Beko LLC, Defy, Beko Thai, Dawlance, Arçelik Hitachi, Arçelik LG
ISO 17025	2008	7	Arçelik A.Ş. Central Calibration & EMC Laboratories (Accredited Laboratories)
ISO 10002	2013	100	Arçelik Pazarlama A.Ş.
ISO 50001	2012	58	Arçelik A.Ş. (Headquarter & Production Plants*), Arçelik-LG, Arctic, Beko LLC, Dawlance (URIL and DPL-2 plants)
ISO 14064	2011	69	Arçelik A.Ş. (Headquarter & Production Plants*), Arctic, Beko LLC, Defy, Beko Thai, Dawlance
ISO 45001	2019	72	Arçelik A.Ş. (Headquarter & Production Plants*), Arçelik-LG, Arctic, Beko LLC, Defy, Beko Thai, Dawlance
ISO 27001	2013	39	Arçelik A.Ş. (Headquarters-Related Units)
TQM/GEN/T02 (Mastercard - Terminal Quality Management Compliance)	2019	100	Arçelik A.Ş. (Electronics Plant-Process Specific Certification)
BSCI (Business Social Compliance Initiative)	2010	57	Arçelik A.Ş. (Headquarter & Production Plants*), Arçelik-LG, Arctic, Beko LLC, Defy, Beko Thai (Production Plants)
SEDEX (Suppliers Ethical Data Exchange)	2010	32	Arçelik A.Ş. (Headquarter & Production Plants*)

* Excluding Refrigerator and Washing Machine Plants in Manisa, Turkey



Annex 9: SASB Disclosure

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) DISCLOSURE

TOPIC	Accounting Metric	Code	Report Section
Product Safety	Number of recalls issued and total units recalled	CG-AM-250a.1	<i>Customer Care and Quality Management, p. 136</i>
	Discussion of process to identify and manage safety risks associated with the use of its products	CG-AM-250a.2	<i>Customer Care and Quality Management, p. 136</i>
	Total amount of monetary losses as a result of legal proceedings associated with product safety	CG-AM-250a.3	<i>Product Stewardship, p. 61</i>
Product Lifecycle Environmental Impacts	Percentage of eligible products by revenue certified to the ENERGY STAR® program	CG-AM-410a.1	<i>Annex 4. Environmental Performance Indicators, p. 158</i>
	Percentage of eligible products certified to an Association of Home Appliance Manufacturers (AHAM) sustainability standard	CG-AM-410a.2	
	Description of efforts to manage products' end-of-life impacts	CG-AM-410a.3	<i>Product Stewardship, p. 61</i>



Annex 10: SCM Index

Koç Holding is a signatory of Stakeholder Capitalism Metrics (SCM) and as a Koç Group company, Arçelik reflects Stakeholder Capitalism Metrics in its reporting to investors and other stakeholders.

Pillars	Themes	Descriptions	References
PRINCIPLES OF GOVERNANCE: CORE METRICS AND DISCLOSURES	Ethical behaviour	Anti-corruption: 1. Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and b) Total number and nature of incidents of corruption confirmed during the current year, related to this year. 2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	<i>Ethics and Compliance, p. 103</i>
		Protected ethics advice and reporting mechanisms: A description of internal and external mechanisms for: 1. Seeking advice about ethical and lawful behaviour and organizational integrity; and 2. Reporting concerns about unethical or unlawful behaviour and lack of organizational integrity.	<i>Material Issues, p. 28</i>
	Risk and opportunity oversight	Integrating risk and opportunity into business process: Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	<i>Enterprise Risk Management, p. 187</i>
PLANET: CORE METRICS AND DISCLOSURES PEOPLE: CORE METRICS AND DISCLOSURE	Climate change	Greenhouse gas (GHG) emissions: For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO ₂ e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	<i>Annex 4: Environmental Performance Indicators, p. 158</i>
		TCFD implementation: Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	<i>Enterprise Risk Management, p. 187</i>



Annex 10: SCM Index

Pillars	Themes	Descriptions	References
PLANET: CORE METRICS AND DISCLOSURES PEOPLE: CORE METRICS AND DISCLOSURE	Nature loss	Land use and ecological sensitivity: Report the number and area (in hectares) of sites owned, leased, or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).	<i>Water Management, p. 51</i>
	Freshwater availability	Water consumption and withdrawal in water-stressed areas: Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	<i>Diversity and Inclusion, p. 111</i>
	Dignity and equality	Diversity and inclusion (%): Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	<i>Diversity and Inclusion, p. 111</i>
		Pay equality (%): Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	<i>Diversity and Inclusion, p. 111</i>
		Wage level (%): 1. Ratios of standard entry level wage by gender compared to local minimum wage. 2. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	<i>Diversity and Inclusion, p. 111</i>
		Risk for incidents of child, forced or compulsory labour: An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.	<i>Employee and Human Rights, p. 107</i> <i>Supplier Audits, p. 145</i>



Annex 10: SCM Index

Pillars	Themes	Descriptions	References
PEOPLE: CORE METRICS AND DISCLOSURE	Health and well-being	<p>Health and safety (%):</p> <ol style="list-style-type: none"> The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers. 	<i>Talent and Performance Management, p. 118</i>
	Skills for the future	<p>Training provided (#, \$):</p> <p>Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).</p> <p>Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).</p>	<i>Employee Engagement and Volunteering, p. 125</i> <i>Annex 6: Social Performance Indicators p. 163</i>
PROSPERITY: CORE METRICS AND DISCLOSURES	Employment and wealth generation	<p>Absolute number and rate of employment:</p> <p>Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.</p> <p>Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.</p>	<i>Financials, p. 7</i>
		<p>Economic contribution:</p> <ol style="list-style-type: none"> Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organization's global operations, ideally split out by: <ul style="list-style-type: none"> – Revenues – Operating costs – Employee wages and benefits – Payments to providers of capital – Payments to government – Community investment Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period. 	
	Innovation of better products and services	<p>Total R&D expenses (\$):</p> <p>Total costs related to research and development.</p>	<i>R&D and Innovation p. 89</i>



Annex 11.1: TCFD Risk Assessment

TCFD RECOMMENDATION	Arçelik's TCFD Risk Assessment Response
Governance	<p>The Board of Directors (BoD) is the highest governing body for the management of ESG related risks and opportunities. Koç Holding Consumer Durables President has been appointed by the BoD as the responsible board member to inform the BoD on ESG related risks and opportunities. In 2021, three reports were prepared to the attention of the BoD. The investments made or to be made concerning the decarbonization strategy, the risks concerning the potential application of the Carbon Border Adjustment Mechanism, the rise in carbon prices in both the voluntary and the regulated markets, the risks associated with the decarbonization strategy on the way to Net Zero are reported besides the investment need for other environmental/social issues and the restructuring in terms of human rights and diversity, inclusion issues.</p> <p>The Sustainability Council, chaired by the CFO, governs the climate -related and other ESG risks and opportunities. The executive members of the Sustainability Council include the Chief Executive Officer, Chief Production and Technology Officer, Chief Strategy Officer, Chief People Officer, Quality, Sustainability and Corporate Affairs Director, Enterprise Risk Director, R&D Director, Purchasing Director, and Legal and Compliance Director. The Sustainability Council has close collaboration with other committees of the Group such as the Corporate Governance Committee, Risk Committee, Global Ethics Committee, Audit Committee and the Human Rights Committee. By meeting quarterly, the Sustainability Council monitors the sustainability projects and determines the sustainability strategy of the Group on a going-forward basis. Under Sustainability Council, there are working groups; Energy Working Group (WG), Green Chemistry WG, Environment WG, OHS WG, Sustainable Supply Chain WG to determine the issues to be discussed in the Sustainability Council meetings. In 2021, one of the most significant decisions was the approval of Arçelik's net-zero 2050 commitment. The investment need related to the carbon neutrality roadmap, the science-based targets (SBTs) and measures taken in terms of the EU Green Deal Circular Economy Action Plan remained among some of the critical issues discussed during the Sustainability Council meetings. Management's role is critical in taking concrete action to assess climate related risks and opportunities. The Science Based Targets of Arçelik are included in the scorecards of the CEO, CFO, CPTO, Product Management Director as well as the Quality, Sustainability and the Corporate Affairs Director, Purchasing Director and Product Sourcing Director.</p>



Annex 11.1: TCFD Risk Assessment

TCFD RECOMMENDATION

Arçelik's TCFD Risk Assessment Response

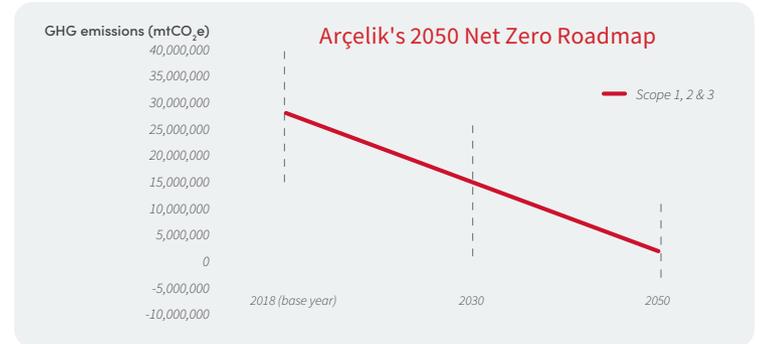
As a company operating in a vast geography, Arçelik is exposed to different climate change and ESG-related risk factors in the short, medium and long term. Since the effects of climate change and other ESG risks on our operations cannot be observed immediately, time intervals are defined as differently.

Short-term	Medium-term	Long-term
1-3 years	3-10 years	+10 years

The climate related risks and opportunities are broken down to transition risks and physical risks based on the TCFD requirements. The transition risks are further broken down into; policy, market, reputation and technology risks.

Methodologies applied

The potential impacts of the transition to a low-carbon economy on Arçelik operations were analyzed in terms of the policy, market, reputation, and technology risks. For policy risk and the related price of carbon, the S&P Trucost ESG methodology has been outsourced. The S&P Trucost ESG Methodology includes a Corporate Carbon Pricing Tool that analyzes carbon price risk premiums on High, Medium, Low carbon price scenarios based on the responsiveness level of each scenario to limit global warming to 2 degrees Celsius. The scenarios have been based on 2030 and 2050 projections.



Strategy

The Low Climate Scenario (RCP 2.6)

Companies are more likely to focus on energy-efficient products & services to reach net-zero targets.

Since the net-zero transformation will be successful, it is possible to focus on Scope 3 emissions causing from purchased goods and services, employee commuting and product logistics besides use phase of sold products.

Voluntary carbon markets will be one of the most critical topics to discuss since companies will be able to remove their residual emissions to reach net-zero targets.

To implement global net-zero strategies, international/regional organizations are more likely to define new taxes on highly-emitting industries and their suppliers.

New standards and frameworks will be published for companies to guide them on net-negative emission targets as one step further.

The Moderate Climate Scenario (RCP 4.5)

Companies need to focus on serious climate related impacts and monetary burdens because of imbalanced climate conditions.

Since the net-zero transformation delayed, public and private authorities will focus on how to mitigate the impact of extreme weather events causing huge costs of each country and business lines.

Companies are more likely to focus on physical impacts of climate events e.g. serious disruption in their supply chains, serious energy and water problems in developing countries etc.

Voluntary carbon markets will be still significant for companies to remove part of their GHG emissions but supply/demand curve will be imbalanced.

There will be financially burdening taxes on highly-emitting industries to decrease the impact of extreme weather events and to transform companies.



Annex 11.1: TCFD Risk Assessment

TCFD RECOMMENDATION	Arçelik's TCFD Risk Assessment Response
<p>Strategy</p>	<p>In the high carbon price scenario for 2030, Scope 3 emissions is the largest contributor to Arçelik's carbon pricing risk. The market, reputation, and technology risk analysis are based on the internal expertise of Arçelik, using IEA STEPS, Sustainable Development Scenario (SDS), and International Energy Agency (IEA) Net- Zero 2050 Scenarios.</p> <p>For physical risk, the S&P Trucost ESG methodology, WRI Aquaduct and Arçelik internal expertise have been used.</p> <p>Various parameters were developed for alternative scenarios to observe the possible effects of the physical and transition risks of climate change. By using alternative scenarios, Arçelik develops resilient strategic business plans and reduces the vulnerability of its operations.</p> <p>Related to climate change, Arçelik considers potential material impacts such as destructive natural events caused by rising temperatures, additional costs such as taxes on carbon and GHG emissions, and regulatory changes like EU's Carbon Border Adjustment Mechanism and shifting customer demand to more energy-efficient products. Arçelik evaluates the impact of all these potential risks on its operations in terms of both financial and non-financial results. These risks have decisive impacts on supply chain, product development, R&D, innovation, purchasing, production and sales, as well as on premises such as manufacturing plants and warehouses. Therefore, in critical decision-making processes such as setting strategic goals, allocating financial resources or making a new investment decision, the risks and possible impacts of climate change have been directly integrated into the process.</p> <p>While deciding on robust strategies over climate related risks & opportunities, Arçelik considers the IPCC's low and moderate scenarios, which are mainly depending on the global warming levels by 2100, together to decide on the company's short, medium and long term targets. According to the possible scenarios indicated by the IPCC, the Moderate Climate Scenario (RCP 4.5) indicates that GHG emissions are likely to decline by 2045 and reach half of the levels of 2050 by 2100. The Low Climate Scenario (RCP 2.6) foresees that GHG emissions are likely to decline starting from 2020 and it is possible to reach below 2 degrees celsius level by 2100.</p>



Annex 11.1: TCFD Risk Assessment

TCFD RECOMMENDATION	Arçelik's TCFD Risk Assessment Response
Strategy	<p>Physical Risks Risk Type: Contiuity of Operations Term: Medium-Long Term Financial Impact: Low Likelihood: High</p> <p>Risk For Arçelik's physical risk, the S&P Trucost ESG methodology, WRI Aqueduct and Arçelik internal expertise have developed a methodology. The combined methodology leverages physical risks of Arçelik at the asset level, as well as its suppliers, taking into consideration climate hazard indicators such as water stress, flood, heatwaves, cold waves, hurricane, sea level rise, etc. and their impact on Arçelik's operations. The High Climate Scenario (RCP 8.5), the Moderate Climate Scenario (RCP 4.5) and the Low Climate Scenario (RCP 2.6) were taken into consideration with a forecast for the 2030 and 2050 fiscal years from a 2020 baseline. According to the Trucost Physical Risk assessment, Arçelik's overall physical risk score is moderate, main risk item being water stress. India, Romania, Turkey (Ankara and Çayirova) sites are prone to high water stress risk. Based on Trucost analysis, Arçelik's suppliers' main physical risks are related to water stress as well. Therefore, Arçelik has to consider water stress risks in water stress countries of Arçelik and the company's suppliers operations and potential disruption in supply chains of critical materials in countries prone to high heatwave/coldwave/flood risks. Due to these risks, Arçelik might potentially incur reduced revenue and market loss from decreased production capacity, logistics problems, and supply chain interruptions. There might also be a potential CAPEX need in case of damage to production facilities or at a supplier/customer site.</p> <p>Opportunity Arçelik's production facilities are based in more than one location in order to manage business interruption risks better. While deciding on a new acquisition, land resilience is factored into the due diligence process. The company takes necessary precautions to diversify Arçelik's supply chain. Arçelik is also cooperating with suppliers to collect GHG emissions, water, waste and energy data from suppliers. Arçelik informs suppliers about the mitigation costs to be incurred today vs the adoptation risks to be incurred in the future if the planet cannot be on track with a 1,5 degree warming scenario. As a physical risk mitigation measure, Arçelik has set targets based onTrucost Approach risk assessment result to increase water recycling and reuse ratio to 70% in all production plants by 2030 aiming to achieve closed loop water system in production. The Insurance Management Team under the Finance & Enterprise Risk Directorate calculates financial and non-financial risks related with the extreme weather events where Arçelik production facilities are located in correlation with all related bodies within the company. The company has several lines of insurance policies globally including Third Party and Pollution policies, all risk Property Damage and Business Interruption policies for the physical and non-physical risks in place to mitigate the adverse consequences as much as possible. Finally, based on modeling studies, in case of any events that are related with business interruption due to physical risks, compensation methodologies are already defined accordingly.</p> <p><i>* Water recycling and reuse ratio = (Total recycled + reused water)/Total water withdrawal</i> <i>* Arçelik became a CEO Water Mandate signatory at the beginning of 2022 and commits to make continous improvements based on the six commitment areas set forth by the CEO Water Mandate, which are: 1) Direct Operations 2) Supply Chain & Watershed Management 3) Collective Action 4) Public Policy 5) Community Engagement 6) Transparency</i></p>



Annex 11.1: TCFD Risk Assessment

TCFD RECOMMENDATION	Arçelik's TCFD Risk Assessment Response
Strategy (continued)	<p>Transition Risks Risk Type: Policy Risk Term: Short-Medium & Medium-Long Term Financial Impact: High Likelihood: High</p> <p>Risk Reducing adverse and irreversible impacts of global warming is in the main agenda of international and regional organizations, there are increasing trend to set rules and standards for companies operating in different sectors. Arçelik's possible risks are shaped around the new regulations especially set by the EU from the perspective of the EU Green Deal and the potential ETS mechanisms to be applied in Arçelik's production countries. According to Arçelik's analysis, potential climate related transition risks of Arçelik are defined as: the rise in green electricity prices and availability of green electricity in countries where Arçelik operates, potential implications of the EU Carbon Border Adjustment Mechanism on the company's operations, EU Green Deal implications on Arçelik operations regarding cost increases in Arçelik's key production inputs such as steel and glass, potential impact on the company's exports from the non-EU countries to the EU (almost half of Arçelik's revenue), cost up per product to innovate more energy efficient appliances to meet the mid-term 2030 Science Based Targets, possible introduction of an ETS mechanism in countries in which Arçelik has production facilities and the corresponding additional carbon costs for short-medium term. In addition to those risks, rise in voluntary carbon prices especially the carbon removal credit prices following the COP26, costs associated with reducing logistics emissions in the value chain and costs associated with helping suppliers transform to a low carbon economy and reduce raw material emissions for Arçelik production are defined as the medium-long term risks of the company.</p> <p>Opportunity Arçelik's mid-term 2030 approved Science-based Targets for a well below 2 degree scenario was applied for a revision to the SBTi to have new targets in line with 1.5 degree Celsius scenario. Arçelik committed to the SBTi Net Zero 2050 Standard to set science based 2050 net zero target. In line with the Science Based Targets Net Zero 2050 Standard, Arçelik intends to invest in permanent carbon removal solutions to offset the company's residual emissions (blue carbon or a combination both technology based solutions & blue carbon projects). The company committed to double energy productivity per revenue by 2030 based on the EP100 membership. Arçelik has a target to ensure 100% green electricity purchase in all production facilities by 2030 which is equal to 64% of the global operations for now. Arçelik aims to ensure 50MW* renewable energy investment in 2030 which is 3,6 MW for now. Arçelik started to apply internal carbon price mechanism which is applied on investment higher than €50,000 and 50 kW capacity that is equal to €50 per ton. The company's €350 million green bond proceed's will be used solely for energy efficient products, energy efficiency in production, increasing circularity and avoiding hazardous chemicals.</p> <p><i>*Our previous target was to reach 15 MW in terms of installed renewable energy capacity. According to our new challenging roadmap, we revise our 2030 target as 50 MW.</i></p>



Annex 11.1: TCFD Risk Assessment

TCFD RECOMMENDATION	Arçelik's TCFD Risk Assessment Response
Strategy (continued)	<p>Transition Risks</p> <p>Risk Type: Market and Technology Risk Term: Medium-Long Term Financial Impact: High Likelihood: High</p> <p>Risk</p> <p>According to the IEA STEPS, SDS and net-zero targets of the companies, it is evident that there will be a shift in demand to more energy-efficient appliances as efforts to keep the global warming in 1.5 degrees Celsius levels. Especially considering that more than 2,000 publicly owned companies have declared their net-zero targets beyond 2050, energy-efficiency is going to be one of the most critical topics in the near future. It is significant to note: 40% of energy consumption is related to household appliances in homes, product use phase constitutes nearly 80% of Scope 3 emissions in Arçelik's value chain. Arçelik has plans to grow in the APAC region, where electricity demand is expected to soar as the middle-class population and purchasing power increases and demands for major domestic appliances such as refrigerators, washing machines and air-conditioners increases. Considering the low dishwasher/washing machine penetration rates in countries like Pakistan, India and Bangladesh where Arçelik has production facilities, expectation for new minimum energy labeling requirements in different countries and regulations such as the EU Energy Labeling Requirements and increasing investment needed to use Best Available Technology to stay ahead of regulation and put on the market the best energy class products, Arçelik has to make a strong pathway for market and technology risks and put up with the costs associated to produce energy efficient innovative appliances. In line with Arçelik's SBTs, the company aims to follow a strategy to provide the best energy efficiency class ahead of legislation in the developing countries where Arçelik operates such as South Africa, Pakistan, India and Bangladesh. For this reason, the company might face with increase in operational costs and increased investment need. Since Arçelik has a significant growth potential in Southeast Asia and other emerging markets, investment in PU installation technologies with significantly smaller GWP; investments in heat pump technologies and transition from HFCs will play a crucial part for producing energy-efficient products that exceed regulations in the market. Arçelik Scope 3 emissions make up 99% of the entire emissions generated. The impact of Scope 1 and 2 emissions is very limited. 80% of the Scope 3 emissions generated in Arçelik result from the use phase of the products, interlinked to the energy efficiency levels of the products.</p> <p>Opportunity</p> <p>Based on the company's previous experience in producing energy-efficient products ahead of the legislation, as in the example of DEFY, in South Africa, Arçelik is well positioned to take advantage of the demand for energy-efficient appliances to meet up with the Paris Agreement. In 2011, after the acquisition of DEFY in South Africa, Arçelik invested heavily in innovation and product energy efficiency. As a result, the average energy efficiency class of Arçelik's refrigerator sales in South Africa increased from "E" to "A" in 5 years; that means a more than 50% decrease in energy consumption. Now, the company has upgraded Arçelik's refrigerator product range to A+. The minimum energy efficiency standard in South Africa is B (and C for freezers). The gap between what the company offers at minimum and the legal limit speaks of more than a 40% energy saving. Arçelik is the market leader by far in South Africa, and adapting quickly for the upcoming stricter minimum energy performance specifications. Arçelik acquired the leading white goods company Daqlance in Pakistan three years ago, where 70% of the population either have no access to power grid or suffer daily power cuts. Currently, in Pakistan, there is no regulatory mandate for energy efficiency standards and labeling of home appliances. Many fridges are still made containing fluorinated refrigerant gases (HFCs.) The company started introducing high-quality, energy-efficient and affordable products that meet the highest environmental standards. Arçelik considers the low penetration rates and the lack of regulations in certain markets as an opportunity to educate customers on the importance of energy efficient appliances. Arçelik is aware of the opportunity that it can lead such markets with energy efficient products.</p>



Annex 11.1: TCFD Risk Assessment

TCFD RECOMMENDATION	Arçelik's TCFD Risk Assessment Response
Strategy (continued)	<p>Transition Risks Risk Type: Reputation and Market Risk, Failure to Transition to a Low Carbon Economy Term: Short-term Financial Impact: Low Likelihood: Low</p> <p>Risk As of today, there is an increasing demand from investors and international/national sustainability indices for companies to commit international credible initiatives like the Science-based Targets Initiative and international frameworks like the TCFD implementations. Since most of the investors are adding ESG performance part to their investment criteria, Arçelik has to consider the most recent ESG risk and opportunities in the company's agenda and need to make concrete actions to make the company preferable for the most credible international indices and frameworks. The company is publicly traded with more than 30% of the shares held by international investors. Therefore, any failure from Arçelik's end to meet the company's ambitious targets for SBTi or placing in significant sustainability indices cause critical reputational damage.</p> <p>Opportunity Arçelik is one of the pioneers among the company's industry and also among other sectors globally in terms of putting sustainability at the center of Arçelik's way of doing business. With the "Respecting the World, Respected Worldwide" perception, Arçelik has board-level support to transform not only the company but also Arçelik's value chain. Arçelik's pathway for 2050 net-zero target clearly shows the company's great effort upon investor demands and the requirements defined by the indices and frameworks. Arçelik has approved Science Based Targets and committed to the Science Based Targets Net Zero Standard to set a science based net zero target. Arçelik also joined to the Business Ambition for 1.5 degree Celsius and the Race to Zero in 2021. Besides that, Arçelik received the highest score from the Dow Jones Sustainability Index for three (2019, 2020, 2021) consecutive years in the company's industry. The company also place in the Corporate Knights Top 100 Most Sustainable Companies list as 57th for second consecutive year. Arçelik is the 19th company on The Real Leaders Top 200 Impact Companies of 2021. The company has low risk ranking from ESG perspective by 12.1 by Sustainalytics. Arçelik actively reports to the CDP Climate Change and Water Security programs and has A-/A score for both of the reports. Finally, Arçelik is one of the 45 global companies awarded the Terra Carta Seal and the first and only company from the company's industry and Turkey.</p>



Annex 11.1: TCFD Risk Assessment

TCFD RECOMMENDATION	Arçelik's TCFD Risk Assessment Response
Risk Management	<p>The Finance and Enterprise Risk Management Directorate and the dedicated Sustainability Team work cooperatively to evaluate, measure and prioritize the climate-related risks and opportunities. Their main aim is designed to turn nonfinancial risk items into financial metrics. Various reports are prepared by taking physical and transition risks stemming from the climate change into account. Low carbon related risks and opportunities are carefully evaluated both at the Sustainability and Risk Councils. Arçelik considers each of the company's employees as a stakeholder in the risk management process. Therefore, activities of the risk management also include raising employee awareness about risks and motivating them to ponder and report potential risks through the risk proposal system. As a result of the joint effort of Sustainability Working Groups and Enterprise Risk and Insurance Management Team; risks and opportunities in climate change and ESG issues are identified.</p> <p>The Enterprise Risk and Insurance Management is responsible to follow best practises such as the ISO 31000 Risk Management Standard and the COSO Enterprise Risk Management Integrated Framework. Arçelik also has a risk proposal system to inform the Enterprise Risk and Insurance Management team about an emerging risk. When a significant risk proposed to the Enterprise Risk and Insurance Management Team, they carefully examine the risk through proposal system, include those deemed appropriate in the company's risk inventory and monitors the risks within the relevant risk management process. There are various categories such as operational, strategic, compliance with legal obligations and external factors, into account while evaluating non-financial impacts. Arçelik uses existing Enterprise Risk Management Framework for managing climate change and other ESG-related risks. Along with the risk owner, impact and probability ranges are defined based on this framework. Additionally, relevant business units that may take mitigation actions are included in the process. Risks are identified and prioritized based on impact metrics, risk scores and assessments.</p> <p>The critical topics which will be included in the Sustainability Council is defined based on the risks which are reported to the Enterprise Risk and Insurance Management and the Risk Management Committee. Considering ESG risks, Enterprise Risk and Insurance Management raises awareness for climate change, encourages occupational health and safety practices and instills Arçelik's corporate culture. The Finance and Enterprise Risk Management Directorate under the Assistant General Manager of Finance and Accounting ensures the management, coordination and surveillance of risks that may affect the company by means of the risk management system it established and reports to the Risk Management Committee. The Risk Management Committee reports to the Board of Directors, identifying risks early and taking necessary actions to mitigate and manage those risks. Enterprise Risk and Insurance Management is combined with all business processes and operations in production facilities, headquarter units and international subsidiaries, and impacts the risk owners' performance evaluation process.</p> <p>Risk Management Committee is responsible early detection and evaluation of all kinds of financial, strategic, operational, compliance and external risks that may affect Arçelik, calculating their effects and possibilities, managing these risks in accordance with the Company's corporate risk appetite, regularly reporting the risks and taking them into account in decision mechanisms, and establishing effective internal control systems in this direction.</p>
Metrics & Targets	<p>For Arçelik's 2050 Net-zero Roadmap please visit.</p> <p>For Arçelik's Materiality Analysis please visit.</p> <p>For Arçelik's ESG targets please visit.</p> <p>For Arçelik's In Touch with Planet section please visit.</p> <p>For Arçelik's In Touch with Human Needs section please visit.</p> <p>For Arçelik's in Touch with Business section please visit.</p> <p>For Arçelik's S&P ESG Evaluation Report please visit.</p> <p>For Arçelik's corporate management structure please visit Annex 12.</p> <p>For Arçelik's Achievements & Awards in 2021 please visit.</p> <p>For Arçelik's Environmental Performance Indicators please visit Annex 4.</p> <p>For Arçelik's Social Performance Indicators please visit Annex 6.1.</p> <p>For Arçelik's Other ESG Related Risks & Opportunities please visit Annex 11.4.</p>



Annex 11.2: TCFD Index

Metric	Disclosure	Section/URL	Explanation
Governance	The Boards of Directors' oversight of climate-related risks and opportunities	Arçelik 2021 CDP Climate Change Report	C1.1a, C1.1b, C1.2a, C1.3a
	Management's role in assessing and managing risks and opportunities	Arçelik 2021 Sustainability Report Arçelik 2021 Annual Report	Please see pages 39, 40 Please see pages 135-136
Strategy	Climate-related risks and opportunities the organization has identified over the short, medium, and long term		C2.1, C2.1a, C2.1b, C2.2, C2.2a, C2.3, C2.3a, C2.4, C2.4a, C3.1, C3.1a, C3.2, C3.2a, C3.3, C3.4
	The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Arçelik 2021 CDP Climate Change Report Arçelik 2021 Sustainability Report	Please see pages 6
	The resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a +2°C scenario or lower		
Risk Management	The organisation's processes for identifying and assessing climate-related risks	Arçelik 2021 CDP Climate Change Report	C2.1, C2.1a, C2.1b, C2.2, C2.2a, C2.3, C2.3a, C2.4, C2.4a, C3.1, C3.1a, C3.2, C3.2a, C3.3, C3.4
	The organisation's processes for managing climate-related risks How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Arçelik 2021 Sustainability Report Arçelik 2021 Annual Report	Please see page 187 Please see pages 130, 131, 132, 140, 141, 142, 143, 144, 145, 146, 147
Metrics and Targets	The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process		C2.1, C2.1a, C2.1b, C2.2, C2.2a, C2.3, C2.3a, C2.4, C2.4a, C3.4a, C4, C4.1a, C4.1b, C4.2, C4.2a, C4.2b C6.1, C6.2, C6.3, C6.4, C6.5
	Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Arçelik 2021 CDP Climate Change Report Arçelik 2021 Sustainability Report Arçelik 2021 Annual Report	Please see Annex 1, 2, 4 and pages 3, 6, 44, 45, 187
	The targets used by the organization to manage climate-related risks and opportunities and performance against targets		Please see pages 141, 142, 143, 144, 145, 146, 147



Annex 11.3: Board Table

ESG Integration into the Board of Directors (BoD)	Arçelik's Strategy	Reference
ESG-related risks or issues in the board charter	<p>With the motto of ""Respecting the World, Respected Worldwide"" ESG related risk and opportunities are the main focus points for the long-term strategy of Arçelik. Since the company has declared the commitment to become a net zero company in all Arçelik's value chain by 2050, BoD accelerates the process for new policy and action integration over the ambitious long-term target in Arçelik. For this reason, there are various organizational structures which are designed to ensure the best integration strategy to handle ESG related risks and turning those into various opportunities.</p> <p>In order to strength that the top management interest over the ESG topics, significant long-term targets and strategies i.e. Science-based Targets initiative are provided in the key performance indicator cards of the related department directors and management such as CEO, CFO, CPTO, Product Management Director as well as the Quality, Sustainability and the Corporate Affairs Director, Purchasing Director and Product Sourcing Director are added into the Arçelik's strategy agenda. To support those key performance indicators and ESG related risk and opportunity improvement, there is the Sustainability Council, Sustainability Working Groups and related committees i.e. Enterprise Risk Management Directorate, Risk Management Committee to manage the current and upcoming risks and opportunities.</p>	Arçelik 2021 Sustainability Report, pages 39, 196, Corporate Governance Structure Chart
Board committee that focuses on ESG-related risks and issues	<p>Arçelik's Sustainability Council sets corporate sustainability and climate change policies and strategies, ensures those are integrated with internal business process and tracks sustainability performance. The Council is held in each quarter during a year and gathers related people together to define most significant ESG-related risks and opportunities. To ensure the most effective sustainability governance over the company, the related committees are responsible to report the Sustainability Council. In this direction, Global Ethics Committee, Risk Management Committee, Human Rights Committee and Sustainability Working Groups are the reporters for the Sustainability Council of Arçelik.</p> <p>Sustainability Working Groups (WGs) are designed to accelerate the assessment of risk and opportunities related with the ESG metrics. In this regard, there are six different WGs which focus on different perspectives over the company's ESG strategy. The WGs are named as: Energy WG, Green Chemistry WG, Environment WG, OHS WG, Sustainable Supply Chain WG and Human Rights WG. Those WGs are responsible to ensure regular reports to the Sustainability Council in each quarter regarding their updated works and strategies related with Arçelik's ESG management.</p>	Arçelik 2021 Annual Report, 135-136
Directors with ESG-related knowledge or expertise to the board or relevant committee	<p>In Arçelik, ESG related risks and opportunities are held at director and top management levels. The Sustainability Council is chaired by the company's CFO. Consisting of Arçelik Senior Management, the council members supervise and coordinate the sustainability activities in their areas of responsibility and chair the Sustainability Working Groups. Moreover, in order to ensure sustainability strategy is embedded in the Arçelik's strategies at the highest level, Koç Holding Consumer Durables' President, one of the members of the BoD, and the Director of Quality, Sustainability and Corporate Affairs, report quarterly to the BoD on the activities implemented within the company in line with the ultimate sustainability strategy and the targets set. The overall responsibility of the Group's management of sustainability related topics rests with the BoD.</p>	Arçelik 2021 Annual Report, 135-136
Topics included in the BoD agenda	<p>The critical topics which will be included in the Sustainability Council is defined based on the risks which are reported to the Enterprise Risk Management and the Risk Committee. In parallel with that, physical risks are one of the main focus points of the Sustainability Council. For instance, the Council monitors and evaluates water risks, strategies and impact on business objectives quarterly. Risks and opportunities are prioritized by the Sustainability Council according to the scoring methodology of Arçelik. According to Arçelik's risk and opportunity scoring methodology, risks and opportunities are scored based on financial, reputational, production, human and legal impacts, and the highest score is defined as the point of impact. Other risks are defined with the mutual works of Sustainability WGs and related Committees.</p>	Arçelik 2021 Annual Report, 135-136 Arçelik 2021 CDP Climate Change Report, C1.1a, C1.1b, C1.2a, C1.3a Arçelik 2021 TCFD Report, Annex 11.1



Annex 11.4: Other ESG-Related Risks & Opportunities

OTHER ESG RISKS AND OPPORTUNITIES

RISK TYPE: SUPPLY CHAIN DISRUPTION RISK

Term: Short-Medium Term

Financial Impact: Medium

Likelihood: High

Risk

Based on the World Economic Forum 2022 Global Risks Report, climate action failure, extreme weather, infectious diseases are among the most severe risks on a global scale over the next 10 years. While the humanity is facing the risk of new diseases along with COVID, scientists warn that the impacts of global warming, if not mitigated, will highly likely be even more disruptive than that of COVID in terms of the social and economic impact. Given the current economic and political turmoil globally, there are also other possibilities such as community conflicts, social crises, physical risks or military causes. The impacts of COVID has deeply affected and caused supply chain disruption on a high scale. The same risk is highly likely to prevail in the long run due to increasing raw material prices, inflation, social and political risks coupled with the highly likely increase in extreme weather events. All these risks are likely to cause supply chain disruption on company and supplier operations in terms of the availability of critical components for production.

Risk 1

In terms of Scope 3 emissions, increasing demand from investors, customers, and international sustainability indices to have a robust supplier ESG management program in place to mitigate risks that might arise in the supply chain and to transform the industry by setting sustainability targets and making transparent reporting not only for Arçelik operations but also for Arçelik's suppliers. Any failure to establish a robust ESG strategy in terms of suppliers management might result in reputational risk as well as business loss from Arçelik's end. Risk of not taking action together with its suppliers in line with Arçelik's Net Zero Emissions commitment and other sustainability targets. Physical risks are one of the most significant reasons to face with supply chain disruption especially from the perspective of reaching most significant materials that the company needs in key operations.

Opportunity

Arçelik's purchasing team has led a very successful strategy to hedge itself against critical component shortages by changes in the order structure and sourcing structure. The learnings from COVID supply shortages has prepared the company for potential further shortages in the supply chain.

In terms of potential supply chain disruptions due to extreme weather Events, Arçelik is in close collaboration with its suppliers to get them understand the risks associated with the climate crisis on operations and financials for Arçelik and its suppliers in the value chain. As mitigation measures, Arçelik started to collect GHG emissions, water, waste, energy data from its suppliers and asked its suppliers to commit to set publicly available long term targets on these items to create a more resilient supply chain strategy for climate risk mitigation. Up to date, 183 suppliers have committed to set long term targets and improve their environmental performance. Arçelik intends to have the 183 suppliers set their targets as of 2023 publicly.



Annex 11.4: Other ESG-Related Risks & Opportunities

OTHER ESG RISKS AND OPPORTUNITIES

RISK TYPE: DIGITALIZATION, CONNECTED DEVICES AND CYBERSECURITY

Term: Short-Medium Term

Financial Impact: Medium

Likelihood: High

Risk

Connected appliances, data ownership, cybersecurity, smart home systems, AI, IoT, 5G/6G and cloud computing are among digitalization trends that will have impact upon home appliances industry. Arçelik needs infrastructure in place to store and secure the data and needs to comply with different standards posed in each country in terms of data storage. Complying with all standards in different continents causes financial burden for the company. Arçelik believes digitalization, connected devices and the related cybersecurity risks are interconnected. The company needs to keep up with the demand for connected devices in order not to fall back against the competition. Fragmentation on the data privacy issues in local markets that Arçelik operates and possible data localization obligations cause barriers to the flow of the data which jeopardize the company's competitiveness. This represents an important risk in demonstrating compliance and also causes risk of additional investment cost to localize data storage.

Risk 2

Opportunity

Together with the dedicated Sustainability Team, the specialized IoT Team in Arçelik closely follow up regulations posed by different countries and also regulations in the EU (GDPR) and continue to advocacy activities in countries that the company has operations for setting predictable rules on data flows in line with the GDPR which promotes the protection of personal data without extra burden. Arçelik implements ETSI 303645 IoT security standards for connected products. For countries which do not accept this standard as a reference (i.e. China and USA) there are different applications in line with different technical standards. Cybersecurity risks are closely monitored by the Finance & Enterprise Risk Directorate and Risk Management Committee. A cyber risk project has been conducted with consultancy of AON which was aiming to identify the cyber risk profile of Arçelik and determine the performance of current risk control strategies. In addition, Arçelik's balance sheet exposures resulting from the identified cyber risk scenarios have been evaluated. The Global Cybersecurity Insure Policy started to cover the cyber risks and business interruption risks to minimize the company's exposure risks related to use of personal data as of 2020. A hardware security mode is integrated into Arçelik's connected devices. The company is a pioneer in its industry to integrate this module in the devices. In 2018, Arçelik was selected as the security champion in the UK by IoT Security Foundation. In 2021, based on the "Evidencing the Cost of the UK Government's Proposed Regulatory Interventions for IoT" report prepared by RSM UK Consulting LLP, YouGov and the European Center for International Political Economy for DCMS, the Beko HomeWhiz 2018 IoT Security Champion Smart Dishwasher has been selected as the only product to meet the UK market's cybersecurity criteria. In order to ensure secure smart home technology for our customers, HomeWhiz appliances are certified by VDE. The secure HomeWhiz servers ensure access to smart appliances is subject to strict authorization checks. Arçelik is also certified by Common Criteria, which is the internationally recognized cybersecurity certification at EAL2 level. Arçelik New IOT products' cybersecurity performance was tested by ISTEK, (IoT Security Test and Evaluation Center) in Turkey. Arçelik Electronic Plant's IIOT/OT network infrastructure's cybersecurity resilience was tested against malicious attacks by ISTEK in Turkey. In addition, the connected Beko refrigerator became certified at silver level to the IASME IoT Security Assured Scheme.



Annex 11.4: Other ESG-Related Risks & Opportunities

OTHER ESG RISKS AND OPPORTUNITIES

Risk 3	<p>RISK TYPE: WEEE FEES</p> <p>Term: Short-term</p> <p>Financial Impact: Medium</p> <p>Likelihood: High</p> <p>Risk</p> <p>There are many factors affecting WEEE collection rate. The municipality collection infrastructure, consumer habits, unofficial collection streams and ability of the responsible organizations collecting the waste on behalf of manufacturers are the main criteria for WEEE activities. Based on the concept of Extended Producer Responsibility, Arçelik is responsible for the proper collection and treatment of the end-of-life products once they are put on the market by Arçelik. The company has a risk in not reaching WEEE collection targets and not effectively securing WEEE collection due to illegal collectors. A Modulated Fee, which is expected to be commissioned in Europe in the near future, will be applied by taking into account products' durability, reparability, reusability, and recyclability and the presence of hazardous substances, thereby taking a life-cycle approach. Arçelik may face the risk of high modulated fee payments.</p> <p>Opportunity</p> <p>In Turkey, Arçelik has two WEEE recycling facilities. With take back campaigns, Arçelik collects old products from the market regardless of their brand. The collected old products are recycled in Arçelik's WEEE recycling facilities and contribute to a circular economy. Since 2014, energy saving equivalent to 64 wind turbines with 2.5 MW capacity and water saving equivalent to daily water consumption of 8.1 million households have been obtained. In countries outside of Turkey, Arçelik works with collective schemes which are responsible to collect and recycle the WEEEs. The company works on increasing durability, reparability, reusability of the company's products and alternative end of life stages to contribute circular economy. Arçelik is considering the feasibility of expanding the company's WEEE facilities in other countries. The company is working on introducing refurbished products in the Turkish and European markets.</p>
Risk 4	<p>RISK TYPE: INTRODUCTION OF ICT TOOLS</p> <p>Term: Short-term</p> <p>Financial Impact: Low</p> <p>Likelihood: High</p> <p>Risk</p> <p>This contains the risk of falling behind and not reaping the benefit of new technologies and losing interaction with the customer in terms of circular economy business models.</p> <p>Opportunity</p> <p>Arçelik is involved in a EU H2020 project called "CSERVEES", which aims to boost circularity in the electrical and electronic sector. For the CSERVEES demo project, together with Arçelik's partner Circularise, the company is using blockchain technology to create a digital twin of the recycled material and enabling suppliers to provide certification related to their raw material, manufacturers to trace the parts and even customers to trace the recycled parts in the product via QR codes integrated in the product and/or product parts. The digital twins of the raw material will be produced via blockchain and with the QR code integrated at the back cover of the TV and in the washing machines, the end users will be able to get information on which type of recycled material has been used, as well as information on Arçelik and its circular economy efforts, etc. There is an opportunity for the end-of-life products in the dismantling process since this could give us the opportunity to trace the formula of the plastic parts and whether they are Arçelik products or not. Arçelik is working with the company's project partner Circularise to expand our partnership outside the scope of the CSERVEES project to implement this technology in serial production. There is an opportunity in terms of the marketing benefits and interaction with the customers to tell them about Arçelik's sustainability journey using QR codes.</p>



Annex 11.4: Other ESG-Related Risks & Opportunities

OTHER ESG RISKS AND OPPORTUNITIES

RISK TYPE: PLASTIC POLLUTION

Term: Short-term

Financial Impact: Low

Likelihood: High

Risk

According to the 2022 Circularity Gap Report, to keep the economy thriving and to live in a habitable world, global circularity needs to be doubled from the current 8.6% to 17%. There is an increasing demand from customers for products that use recycled materials and recycled packaging. However, there are major risk items which need to be considered, such as regulations which force industries to prevent plastic pollution and increase recycled plastic usage, regulations prohibiting import of recycled plastic and industrial symbiosis, rising costs due to upcoming regulations and introduction of potential taxes on increasing recycled content in the products and in packaging, fluctuating recycled plastic raw material price, quality, durability and hazardous chemicals management concerns in using recycled plastic, scarcity of plastic recycling infrastructure in countries where Arçelik operates, introduction of regulations on producers of washing machines related to microplastic filters in France as of 2025, starting from March 1, 2021, EU Eco Design Directive to take into consideration the feasibility studies on mandatory requirement of having a microfiber filter in washing machines, California, USA, beginning from January 2022 to impose integrating a filter system in all washing machines and laundromats, including laundry services in all machines owned or operated by a state entity. The implications on household appliances are not clear yet, but they are being worked on. There are taxes planned to be introduced in UK, Italy and Spain on plastic packaging. According to the regulation, which is stated to be valid as of April 2022 by the UK, all plastic packaging will need to have at least 30% recycled content and for those packaging that does not contain at least 30% recycled content, a fee of 200 pound per tons will be applicable. Similar regulations are likely to become widespread in other countries as well. In this case, Arçelik may encounter high packaging costs.

Risk 5

Opportunity

Arçelik produces some of the most innovative products in the market which aim to find solutions to the plastic pollution, especially saving oceans from plastics. Arçelik R&D develops high-performance and eco-friendly recycled plastic formulations to replace their virgin counterparts without sacrificing the durability of the products. Arçelik's holistic approach takes almost all the plastics in the company's products into consideration to maximize the plastic recycled content. A total of 7,216 tons recycled plastics and 34 tons bio-composite plastics was used in 2021. Please refer to Planet, Recycled Plastics for further information on Arçelik's innovative product range that uses recycled plastics as well as bio plastics. Arçelik is expanding the company's recycled plastics studies to include chemical recycling studies and is cooperating with some of the most reputable partners in this area. Arçelik is also exploring opportunities to use recycled materials from Arçelik's own WEEE recycling facilities in products to close the loop in production. The company is developing formulas to use packaging waste and turn it into a component to be used in Arçelik's products. A working group involving all factories and the central R&D has been established to switch to sustainable packaging alternatives and to mainly end the EPS consumption in packaging in 2021, EPS has been replaced with recycled and recyclable cardboard or molded pulp in hob, hood, small domestic appliances and consumer electronics categories. There are ongoing studies in each and every global factory network.



Annex 11.4: Other ESG-Related Risks & Opportunities

OTHER ESG RISKS AND OPPORTUNITIES

<p>Risk 6</p>	<p>RISK TYPE: HUMAN RIGHTS AND ETHICS IN THE ENTIRE VALUE CHAIN</p> <p>Term: Short-Medium Term</p> <p>Financial Impact: Low</p> <p>Likelihood: Low</p> <p>Risk Reputation risk arising from potential human rights violations across own operations and in the value chain. Pressure from key stakeholders to prove that companies handle human rights risks in a responsible and accountable way throughout their own operations and supply chain. Risk of losing brand and company reputation, employee commitment, customer loyalty, business partners, trust and revenue, financial loss, occurrence of legal consequences, potential disruptions in the supply chain in case of a crisis, potential human rights violations are the most possible and significant risks.</p> <p>Opportunity All Arçelik employees and business partners, including the company's temporary employees and interns, are obliged to comply with the Global Code of Conduct and Related Code Policies, and Arçelik expects them to internalize and follow these rules. In 2020, the company communicated the Global Code of Conduct and related policies in 18 languages and completed the launch globally. The Global Ethics Committee is led by the CEO. Koç Holding Consumer Durables President, who is in the Board of Arçelik, is responsible to report to the Board about activities of the Global Ethics Committee and future compliance agenda of the Company. The Code of Conduct commits to comply with the UN Global Compact, the OECD Guidelines for Multinational Enterprises and Universal Declaration of Human Rights. Arçelik Global Human Rights Policy commits to comply with the ILO Declaration on Fundamental Principles and Rights at Work, OECD Guidelines for Multinational Enterprises, UN Global Compact, UN Guiding Principles on Business and Human Rights, Universal Declaration of Human Rights, Women's Empowerment Principles and Worst Forms of Child Labour Convention. In terms of Ethics and Human Rights, Arçelik operations and Arçelik suppliers are audited by independent auditors. <i>In accordance with Human Rights Policy, suppliers are audited by independent auditors.</i> Human Rights Department has been established within the Human Resources. This department is also responsible for convening Human Rights Committee, chaired by Chief People Officer.</p>
<p>Risk 7</p>	<p>RISK TYPE: CONFLICT MINERALS</p> <p>Term: Short-Medium Term</p> <p>Financial Impact: Medium</p> <p>Likelihood: Medium</p> <p>Risk The main risk arises from the lack of conflict minerals integrated supplier management in corporates.</p> <p>Opportunity In 2016, in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, Arçelik initiated the Conflict Minerals Project to closely monitor suppliers of conflict minerals as part of the strategy to mitigate the related risks. Arçelik has company's own Conflict Minerals Management Program which is compliant with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High Risk Areas.</p> <p><i>For details, please refer to Arçelik's Conflict Minerals Policy and Conflict Minerals Due Diligence Report 2021 for further information.</i></p>



Annex 11.4: Other ESG-Related Risks & Opportunities

OTHER ESG RISKS AND OPPORTUNITIES	
Risk 8	<p>RISK TYPE: EMPLOYEE ENGAGEMENT</p> <p>Term: Short-Medium Term</p> <p>Financial Impact: Low</p> <p>Likelihood: Low</p> <p>Risk There is a significant risk arising from not being able to attract and retain the best talent due to lack of communication of ESG strategies to employees. Risk of not raising the next generation workforce in line with the company culture and requirements. Risk of inadequate investment to employee development. Inadequate actions for women empowerment in the workplace, especially in STEM-related fields. Inability to react to adverse labour-consequences of technological advancements.</p> <p>Opportunity Long-term ambitious targets to provide the best working environment for employees. Targets include employee satisfaction and work/life balance. Leadership and hourly training targets for employees. Targets to raise the next generation female directors in science, innovation and engineering-related fields. Incorporating cultural commitments into global and local practices. Creating talent management strategies to have a robust talent strategy such as, trainings (Leader in You, Talent in You and Future in You programs to equip employees with the competencies required to function the best in their role), supporting gender diversity, encouraging women, training the future women leaders with Women's Impact initiatives, Technical Academy 4.0 program to equip hourly-workers with the skills to embrace Industry 4.0 production strategies and mitigate adverse consequences of technological advancements on labour, Tech Pro Academy to develop engineering skills, Digital Training Programs, A Ticket For Your Future, a reverse brain drain project to attract the best talent in foreign countries back to Turkey, University Industry Cooperating; employing students doing a Master's thesis as part-time employees. Students employed in this manner write their thesis in a subject related to Arçelik.</p>
Risk 9	<p>RISK TYPE: COMPANY AND BRAND REPUTATION RISK</p> <p>Term: Short-Medium Term</p> <p>Financial Impact: Low</p> <p>Likelihood: Low</p> <p>Risk There is a pressure from customers, especially millennials, on demand for responsible business and creating shared value with communities and other businesses. Risk of losing company and brand reputation as well as customers/investors in the event the investors and customers are not satisfied with the ESG integration strategies of the companies and the brands. Risk of not providing innovative and sustainable product portfolio for customers. Risk of not creating shared value for the customers served and the stakeholders who are a part of our value chain. Lack of employee engagement in the absence of a strategy showing employees the financial, societal and environmental outcomes of business with purpose. Losing employees due to lack of sustainability engagement and pay linked to sustainability.</p> <p>Opportunity Brands with purpose: Sustainability is integrated into the core strategy of Grundig and Beko Brands. Grundig focuses on respecting nature and respecting food and food waste, Beko focuses on healthy living lifestyles, wellness and the fight against obesity and unhealthy eating choices. Using responsible innovation, Arçelik touches customers' lives with products that create solutions to some of the most complex sustainability issues, such as plastic pollution and energy consumption. Washing machine tubs and air conditions produced using recycled PET bottle, oven parts produced using recycled waste fishnets, the microfiber filter and the solar fridge are some examples that create mutual value. Arçelik's Sustainability as a Business Model strategy focuses on engaging employees in the core strategy of the company. With Arçelik's distinction from the competition with innovative product solutions offered and the best results achieved in the global indices, employees see firsthand that sustainability pays off. The strategy is to enhance the image of Arçelik and create employee satisfaction and make candidates want to work in Arçelik due to its effective ESG strategy and solutions. Sustainability targets related to GHG reduction, improving circularity, and improving other ESG criteria are included in the balance score cards of different departments such as Factory Product Directors, Purchasing Director, Chief Marketing Officer and the employees reporting to them. Besides that, Arçelik launched the company's "Develop Goodness" project called as IYI-GE which aims to answer the question of "what can we do for our planet?" Arçelik IYI-GE Platform develops projects that focus on responsible production and consumption. Arçelik "Climate-Friendly Movement" is first result of the IYI-GE Committee. With this aim, the first Arçelik store was opened in Izmir, Turkey that is a climate-friendly store with automated illumination system installed in this store is 30% more energy-efficient than the standard ones used in other stores and textile materials that are made from sustainable fabrics. The concept of Arçelik's climate friendly stores is to give consumers access to sustainable technologies and products that support eco-friendly lifestyles. Finally, Arçelik aims to understand the brand perception from the eyes of people through brand perception surveys. Based on the results of those surveys Arçelik is able to measure the sustainability impact of the company. Based on the scores, Arçelik defines sustainability brand attribute targets to the brands to be realized in a short-time.</p>



Annex 12: Corporate Governance Table

CORPORATE GOVERNANCE METRIC	Main Responsibilities
Board of Directors (BoD)	<p>Members: Mustafa Rahmi Koç (Chairperson), Mehmet Ömer Koç, Semahat Sevim Arsel, Yıldırım Ali Koç, Levent Çakıroğlu, Robert Sonman, Fatih Kemal Ebiçlioğlu, Hakan Hamdi Bulgurlu, Kamil Ömer Bozer, Müzeyyen Münire Gülay Barbarosoğlu, Ahmet Turul, Tuğrul Fadilloğlu</p> <p>Arçelik's BoD consists of 12 people with four of them are independent members. Each of the BoD members have various experiences related with Arçelik's business strategy. The BoD determines the ESG material issues, risks and opportunities and develops ESG policies accordingly. For effective implementation of the aforementioned policies, internal directives, business procedures, etc. may be prepared. The BoD takes decisions regarding these policies and discloses those new policies to the public. The BoD convenes as long as the Company's business requires. Due to the pandemic period in 2021, the BoD held one actual meeting (100% participation rate) and one online meeting (92% participation rate), and the average participation rate in these two meetings was 95.8%. Except for the decisions taken at the one actual and one online meetings, all of the other decisions were taken by the circulating method. The BoD took 44 Board resolutions throughout the year. Independent members of the BoD participated in all the decisions taken.</p>
Executive Committee	<p>Members: Mustafa Rahmi Koç (Chairperson), Semahat Sevim Arsel, Mehmet Ömer Koç, Yıldırım Ali Koç, Caroline N. Koç, Aykut Ümit Taftalı</p> <p>The main responsibility of the Executive Committee is to make recommendations to the BoD in order to increase the effectiveness of the Board activities. One of the purposes of this committee is to monitor the developments in Arçelik and the company's sector more closely to inform the BoD when necessary since the BoD sometimes cannot be able to convene at the desired frequency and time. The Executive Committee ensures the successful transfer and dissemination of the issues related to the General Assembly or BoD resolution to the Company management within the framework of the determined directives and policies. The Committee evaluates the impacts in the economic, social and political environment in the sector in which the company operates to increase Arçelik's competitiveness with determined strategies. In addition, the Executive Committee is responsible to search for internal and external growth opportunities that can make the company achieve strategic goals including sustainability at the top of the agenda. The Committee's duties are to follow up the management of the strategies and projects adopted by the BoD and to evaluate important legal developments and their impacts that may affect the activities. Board Committees did not need to benefit from independent expert opinions regarding their activities in 2021.</p>
Corporate Governance Committee	<p>Members: Ahmet Turul (Chairperson), Levent Çakıroğlu, Arçelik Chief Finance Officer</p> <p>Corporate Governance Committee was established within the Arçelik to monitor the company's compliance to carry out improvement studies and to offer related suggestions to the BoD. The Committee is responsible to evaluate if the Corporate Governance Principles are implemented and if not, determining the reasons thereof as well as the conflicts of interest arising from any non-compliance with these principles fully and making recommendations to the BoD to improve the corporate governance practices. Corporate Governance Committee also follows up with the Corporate Governance Principles which are published around worldwide to see if Arçelik can implement any required element into the company's own corporate governance criteria. Increasing the level of compliance for the implemented Corporate Governance Principles is critically important to ensure Arçelik's accuracy with corporate governance norms. In addition, the Committee builds a transparent system for determining, assessing and training suitable candidates for the membership of BoD and evaluating the proposals for candidate independent members including the management and investors, by taking into account whether the candidate fulfills the independence criteria and submitting its evaluation to the approval of the BoD. The Committee determines the recommendations of the members of the BoD and senior executives regarding the principles of remuneration, taking into account the longterm goals of the company, and monitoring them. Finally, it is the Committee's duty to present its proposals to the Board of Directors regarding the remuneration to be paid to the members of the BoD and senior executives, taking into account the degree of attainment of the criteria. The Corporate Governance Committee held 7 meetings in 2021.</p>



Annex 12: Corporate Governance Table

CORPORATE GOVERNANCE METRIC	Main Responsibilities
Audit Committee	<p>Members: K. Ömer Bozer (Chairperson), Ahmet Turul</p> <p>The main responsibility of the Audit Committee is to report for BoD in writing the Board's evaluations regarding Arçelik's accounting, reporting, internal control systems, the effectiveness of the independent audit process, the compliance of the annual and interim financial statements to be announced in public in line with the accounting principles adopted by the company. The Committee decides on the independent auditing institution by observing the works of independent auditing institution at every stage. Assessing the independent auditor's status against independency criteria is another responsibility for the Committee. The Audit Committee is planned to convene quarterly, four times a year and the Committee's decisions are advisory for the BoD.</p>
Risk Management Committee	<p>Members: Müzeyyen Münire Gülay Barbarosoğlu (Chairperson), Fatih Kemal Ebiçlioğlu</p> <p>The Risk Management Committee advises the BoD for early detection and evaluation of risks that may affect the Company, calculating their effects and possibilities, managing and reporting these risks in accordance with the Company's corporate risk appetite, taking necessary measures to reduce the effects and possibilities of the identified risks, and, in this direction, the establishment of effective internal control systems. The Committee references to the framework of Enterprise Risk Management to determine principles on risk management. Risk Management Committee also supervises whether practices in respective departments, which are responsible for reviewing risk management systems at least once a year and for risk management, are executed in compliance with committee decisions. The Committee also ensures early detection of technical bankruptcy and warns the BoD with this respect and develops suggestion over the problem. In this context, the Risk Management Committee held six meetings in 2021.</p>
Information Security Committee	<p>Members: Fatih Kemal Ebiçlioğlu, Arçelik Chief Strategy & Digital Officer (Chairperson), Arçelik Chief Financial Officer, Arçelik Legal & Compliance Director</p> <p>Information Security Committee is responsible to help building an effective information security management structure. The Senior Management participates in the Information Security Committee as representative of the BoD which periodically reviews the information security system. Senior Management performs the necessary resources and authority / responsibility allocations for the establishment and operation of the Information Security Management System. The Senior Management reports to the board member in charge of Information Security and Cyber Security Management.</p>
Global Ethics Committee	<p>Members: Arçelik Chief Executive Officer (Chairperson), Arçelik Chief Finance Officer, Arçelik Chief People Officer</p> <p>In order to ensure the continuity of Arçelik's Global Ethics Principles, the company's ethical code of conduct, which is based on the basic principles set by Vehbi Koç is great importance. The functioning and sound implementation of the Global Business Ethics Principles and Related Policies Arçelik are realized through the Global Ethics Committee established within the body. The Global Ethics Committee is led by Arçelik's CEO, reflecting that senior management's approach is directly related to the ethical culture. The Law and Compliance Directorate is responsible for arranging, periodically reviewing and revising human rights principles, and Human Resources is responsible for the implementation of these principles. At the same time, informing all employees of the Global Business Ethics Principles and Related Policies, ensuring that employees attach the necessary importance to these rules, and showing the necessary effort and leadership in complying with these rules are among the main duties and responsibilities of employees in the management role. Global Ethics Committee held XX meetings in 2021.</p>



Annex 12: Corporate Governance Table

CORPORATE GOVERNANCE METRIC	Main Responsibilities		
Sustainability Council	<p>Members: Arçelik Chief Finance Officer (Chairperson), Arçelik Chief Executive Officer, Arçelik Chief People Officer, Arçelik Chief Commercial Officer, Arçelik Chief Marketing Officer, Arçelik Chief Strategy & Digital Officer, Arçelik Chief Technology Officer, Arçelik Quality,Sustainability&Corporate Affairs Director, Arçelik Global Communications Director, Arçelik R&D Director, Arçelik Legal & Compliance Director, Arçelik Human Rights Director, Arçelik Sustainability Manager, Arçelik Enterprise Risk & Insurance Management Manager</p> <p>Sustainability Council sets corporate sustainability and climate change policies and strategies, ensures those are integrated with internal business process, and track sustainability performance. Arçelik's CFO chairs to the Sustainability Council meetings and the Council convenes quarterly and is tasked with reporting the issues it deems critical to the Board. The Sustainability Council monitors and evaluates ESG risks, strategies and impact on business objectives quarterly. Risks and opportunities are prioritized by the Sustainability Council according to the scoring methodology of Arçelik. According to Arçelik's risk and opportunity scoring methodology, risks and opportunities are scored based on financial, reputational, production, human and legal impacts, and the highest score is defined as the point of impact. The Sustainability Council works in close collaboration with the Corporate Governance Committee, Risk Committee, Global Ethics Committee, and Audit Committee.</p>		
Human Rights Committee	<p>Members: Arçelik Chief People Officer (Chairperson), Arçelik Industrial Relations & Administration Affairs, Arçelik Health & Safety Group Manager, Arçelik Quality,Sustainability&Corporate Affairs Director, Arçelik Purchasing Director, Arçelik Human Rights Director, Arçelik Legal & Compliance Director, Arçelik Talent Management, Culture and DEI Manager</p> <p>Arçelik established a Human Rights division under the umbrella of Human Resources in accordance with the company's Human Rights Policy and Human Rights Due Diligence Procedure. The division is in charge of performing regular audits within the company. The main responsibilities consist of human rights audits across all Arçelik businesses in particular, creating risk maps, ensuring improvements in due diligence activities, and reporting the types of observations as identified in due diligence procedures in the sustainability report and in other public sources. The division convenes the Human Rights Committee four times a year.</p>		
Additional Information	<table border="0"> <tr> <td> <p>Reporters of BoD</p> <ul style="list-style-type: none"> Executive Committee Corporate Governance Committee Risk Management Committee Audit Committee Sustainability Council Reporters of Corporate Governance Committee Investor Relations Department Reporters of Risk Management Committee Finance & Enterprise Risk Directorate Global Ethics Committee (report to each other with Risk Management Committee) Sustainability Council (report to each other with Risk Management Committee) Reporters of Sustainability Council Sustainability Working Groups Global Communications, Sustainability Communication (report to each other with Sustainability Council) </td> <td> <ul style="list-style-type: none"> Global Ethics Committee (report to each other with Sustainability Council) Led by CEO Global Ethics Committee Led by CFO Sustainability Council Finance & Enterprise Risk Directorate Investor Relations Department Led by CHRO Human Rights Committee Additionally - Internal Audit Department is led by Audit Committee - CFO informs Audit Committee - Independent Auditor is selected by Audit Committee </td> </tr> </table>	<p>Reporters of BoD</p> <ul style="list-style-type: none"> Executive Committee Corporate Governance Committee Risk Management Committee Audit Committee Sustainability Council Reporters of Corporate Governance Committee Investor Relations Department Reporters of Risk Management Committee Finance & Enterprise Risk Directorate Global Ethics Committee (report to each other with Risk Management Committee) Sustainability Council (report to each other with Risk Management Committee) Reporters of Sustainability Council Sustainability Working Groups Global Communications, Sustainability Communication (report to each other with Sustainability Council) 	<ul style="list-style-type: none"> Global Ethics Committee (report to each other with Sustainability Council) Led by CEO Global Ethics Committee Led by CFO Sustainability Council Finance & Enterprise Risk Directorate Investor Relations Department Led by CHRO Human Rights Committee Additionally - Internal Audit Department is led by Audit Committee - CFO informs Audit Committee - Independent Auditor is selected by Audit Committee
<p>Reporters of BoD</p> <ul style="list-style-type: none"> Executive Committee Corporate Governance Committee Risk Management Committee Audit Committee Sustainability Council Reporters of Corporate Governance Committee Investor Relations Department Reporters of Risk Management Committee Finance & Enterprise Risk Directorate Global Ethics Committee (report to each other with Risk Management Committee) Sustainability Council (report to each other with Risk Management Committee) Reporters of Sustainability Council Sustainability Working Groups Global Communications, Sustainability Communication (report to each other with Sustainability Council) 	<ul style="list-style-type: none"> Global Ethics Committee (report to each other with Sustainability Council) Led by CEO Global Ethics Committee Led by CFO Sustainability Council Finance & Enterprise Risk Directorate Investor Relations Department Led by CHRO Human Rights Committee Additionally - Internal Audit Department is led by Audit Committee - CFO informs Audit Committee - Independent Auditor is selected by Audit Committee 		



Annex 13: GRI Content Index



GRI Standards	Disclosure	References	Reasons for Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	Organizational Profile		
	102-1	Arçelik A.Ş.	
	102-2	6	
	102-3	https://www.arcelikglobal.com/en/company/contact/	
	102-4	6, 8	
	102-5	6	
	102-6	6	
	102-7	6, 7	
	102-8	112, 113	
	102-9	141-150	
	102-10	There is no change.	
	102-11	39, 180-196	
	102-12	162	
	102-13	162	
	Strategy		
	102-14	4, 5	
	102-15	17-27, 30-32, 180-196	
	Ethics and Integrity		
	102-16	103, 104	
	102-17	103, 104	
Governance			
102-18	39, 196-199		
102-19	39-40		



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
GRI 102: General Disclosures 2016	102-20	39-40	
	102-21	30-32	
	102-22	Annual Report 2021, pg 236-239	
	102-23	Annual Report 2021, pg 236-237	
	102-24	Annual Report 2021, pg 255, 256	
	102-25	Annual Report 2021, pg 257-262	
	102-26	39	
	102-27	39-40	
	102-28	39	
	102-29	28, 39, 189	
	102-30	39, 180-196	
	102-31	180, 189	
	102-32	189	
	102-33	180, 189	
	102-34	103, 104	
	102-35	39	
	102-36	118, 119, Global Salary Policy	
	102-37	Corporate Governance Compliance Report, pg 135, 155-157	
	102-38	-	The compensation data is classified as confidential.
	102-39	-	The compensation data is classified as confidential.
Stakeholder Engagement			
	102-40	30-32	
	102-41	109	
	102-42	28	
	102-43	30-32	
	102-44	29	



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
GRI 102: General Disclosures 2016	Reporting Practices		
	102-45	3	
	102-46	29	
	102-47	29	
	102-48	There are no restatements of information	
	102-49	29	
	102-50	3	
	102-51	3	
	102-52	3	
	102-53	209	
	102-54	3	
	102-55	199-209	
	102-56	154-156	
GRI 200: Economic Standard Series			
Procurement Practices			
GRI 103: Management Approach 2016	103-1	141-150	
	103-2	141-150	
	103-3	141-150	
GRI 204: Procurement Practices 2016	204-1	141, 145, 148	



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
Anti-Corruption			
GRI 103: Management Approach 2016	103-1	103, 104	
	103-2	103, 104	
	103-3	103, 104	
GRI 205: Anti-Corruption 2016	205-1	103	
	205-2	103, 104	
	205-3	103	
GRI 300: Environmental Standard Series			
Materials			
GRI 103: Management Approach 2016	103-1	61, 62, 64	
	103-2	61, 62, 64	
	103-3	61, 62, 64	
GRI 301: Materials 2016	301-1	61-72	
	301-3	72	
Energy			
GRI 103: Management Approach 2016	103-1	43, 46, 47	
	103-2	43, 46, 47	
	103-3	43, 46, 47	
GRI 302: Energy 2016	302-1	158, 159	
	302-2	158, 159	
	302-3	158, 159	
	302-4	47, 158, 159	
	302-5	47	



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
Water and Effluents			
GRI 103: Management Approach 2016	103-1	51 - 54	
	103-2	51 - 54	
	103-3	51 - 54	
GRI 303: Water and Effluents 2018	303-1	51 - 54	
	303-3	158.161	
	303-4	158, 161	
	303-5	53	
Emissions			
GRI 103: Management Approach 2016	103-1	44, 45, 73	
	103-2	44, 45, 73	
	103-3	44, 45, 73	
GRI 305: Emissions 2016	305-1	158.160	
	305-2	158.160	
	305-3	158.160	
	305-4	158.160	
	305-5	47, 48, 73	
	305-6		This data is not material to Arcelik's operations.
	305-7	56	
Waste			
GRI 103: Management Approach 2016	103-1	55	
	103-2	55	
	103-3	55	



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
GRI 306: Waste 2020	306-1	55, 61	
	306-2	55	
	306-3	55	
	306-4	159, 161	
	306-5	55	
Environmental Compliance			
GRI 103: Management Approach 2016	103-1	56	
	103-2	56	
	103-3	56	
GRI 307: Environmental Compliance 2016	307-1	During the reporting period, there were no fines of 10,000 USD or above due to non-compliance with environmental legislations	
Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1	73	
	103-2	73	
	103-3	73	
GRI 308: Supplier Environmental Assessment 2016	308-1	73, 74	
	308-2	74, 75	
GRI 400: Social Standard Series			
Employment			
GRI 103: Management Approach 2016	103-1	106-118	
	103-2	106-118	
	103-3	106-118	



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
GRI 401: Employment 2016	401-1	164-166	
	401-2	109, 110, 119, 120	
	401-3	113, 166	
Labor/Management Relations			
GRI 103: Management Approach 2016	103-1	106-110	
	103-2	106-110	
	103-3	106-110	
GRI 402: Labor/ Management Relations 2016	402-1	In case of collective and / or individual layoffs or changes in duties, Arçelik applies the relevant provisions stipulated in the labor legislation and collective agreements applicable in the countries of operation.	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1	128-130	
	103-2	128-130	
	103-3	128-130	
GRI 403: Occupational Health and Safety 2018	403-1	128-129	
	403-2	128-129	
	403-3	128-130	
	403-4	128-130	
	403-5	130	
	403-6	128-130	
	403-7	128-130	
	403-8	128-130, 163	
	403-9	128-130, 172, 173	
	403-10	128-130, 172, 173	



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
Training and Education			
GRI 103: Management Approach 2016	103-1	122-124	
	103-2	122-124	
	103-3	122-124	
GRI 404: Training and Education 2016	404-1	122-124, 168-170	
	404-2	122-124	
	404-3	119-121, 171	
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1	111-117	
	103-2	111-117	
	103-3	111-117	
GRI 405: Diversity and Equal Opportunity 2016	405-1	39, 112-114, 163-178	
	405-2	113, 114, 168	
Non-discrimination			
GRI 103: Management Approach 2016	103-1	111, 113, 117	
	103-2	111, 113, 117	
	103-3	111, 113, 117	
GRI 406: Non-discrimination 2016	406-1	In the reporting period there were no incidents of discrimination.	
Freedom of Association and Collective Bargaining			
GRI 103: Management Approach 2016	103-1	109	
	103-2	109	
	103-3	109	



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	107-109	
Child Labor			
GRI 103: Management Approach 2016	103-1	108, 146	
	103-2	108, 146	
	103-3	108, 146	
GRI 408: Child Labor 2016	408-1	108, 146	
Forced or Compulsory Labor			
GRI 103: Management Approach 2016	103-1	107, 108, 145, 146	
	103-2	107, 108, 145, 146	
	103-3	107, 108, 145, 146	
GRI 409: Forced or Compulsory Labor 2016	409-1	107, 108, 145, 146	
Security Practices			
GRI 103: Management Approach 2016	103-1	107, 108	
	103-2	107, 108	
	103-3	107, 108	
GRI 410: Security Practices 2016	410-1	All security personnel in Arçelik operations are trained on professional procedures and legal requirements, including the rights of the person.	
Supplier Social Assessment			
GRI 103: Management Approach 2016	103-1	144-146	
	103-2	144-146	
	103-3	144-146	



Annex 13: GRI Content Index

GRI Standards	Disclosure	References	Reasons for Omission
GRI 414: Supplier Social Assessment 2016	414-1	145	
	414-2	144-148	
Customer Health and Safety			
GRI 103: Management Approach 2016	103-1	134-139	
	103-2	134-139	
	103-3	134-139	
GRI 416: Customer Health and Safety 2016	416-1	Arçelik complies with all international and local regulations concerning health and safety impacts of its products.	
	416-2	There were no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period.	
Marketing and Labeling			
GRI 103: Management Approach 2016	103-1	131, 134, 135	
	103-2	131, 134, 135	
	103-3	131, 134, 135	
GRI 417: Marketing and Labeling 2016	417-2	Arçelik complies with all international and local regulations concerning product information and labeling.	
	417-3	No incidents of non-compliance with regulations and voluntary codes concerning marketing communications have taken place during the reporting period.	
Customer Privacy			
GRI 103: Management Approach 2016	103-1	98, 99	
	103-2	98, 99	
	103-3	98, 99	
GRI 418: Customer Privacy 2016	418-1	98, 99	



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