

# Welcome to your CDP Water Security Questionnaire 2020

## W0. Introduction

### W0.1

#### **(W0.1) Give a general description of and introduction to your organization.**

Arçelik A.Ş., founded in 1955, has operations in durable consumer goods and electronics sector with production, marketing and after sales services, offers products and services more than 145 countries around the world with its 30,000 employees.

Arçelik has 23 production plants in 9 countries (Turkey, Russia, Romania, China, South Africa, Thailand, Pakistan, Bangladesh, India), sales and marketing companies all over the world with its 12 own brands (Arçelik, Beko, Grundig, Altus, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Dawlance, Voltas Beko).

Arçelik has a commitment to tackle environmental and social issues with its announced vision "Respects the World, Respected Worldwide". Arçelik conducts its business processes in accordance with ISO 9001 Quality Management System Standard, ISO 14001 Environmental Management System (EMS) Standard, ISO 14064-1 Greenhouse Gas Reporting Standard and ISO 50001 Energy Management System Standard.

Arçelik's environmentally responsive "sustainable development" approach which is controlled in all processes from design to product cycle has been achieved as a result of mentioned management systems and its vision.

Parallel to its vision, one of Arçelik's goals is to prevent consuming of resources. Arçelik focuses to achieve continuous improvement of the products, starting from design stage. In Arçelik, R&D, Industrial Design and Product Development Departments are responsible to conduct technological and product development studies. With these studies, Arçelik always achieved to be the "world's mosts and firsts".

As the first and only industrial company from Turkey to be included in the Dow Jones Sustainability Index (DJSI) Emerging Markets category for three consecutive years, Arçelik was also selected as the Industry Leader in the "Household Durables" category in 2019. Arçelik received the SAM Gold Class Award and was included in the Sustainability Yearbook 2020. In each sector covered in the DJSI, companies with a total score of at least 60 and whose score is within 1% of the best performing company in the industry are awarded the SAM Gold Class Award.

Since 2015, Arçelik has received the AAA grade, which is the highest grade, at the MSCI Sustainability Index. Furthermore, Arçelik has been listed in the FTSE 4Good Emerging Markets Index by FTSE Russell at the London Stock Exchange since 2016. Arçelik is among the companies listed in the BIST SI. Additionally, in 2018, Arçelik ranked among the companies with the highest score in Turkey in CDP Climate Change and was awarded with CDP Turkey 2018 Climate Leadership.

At the European Business Awards for the Environment (EBAE) organized by the European Commission, we were awarded the first prize in the Management category, becoming the first

Turkish company to win this award in our industry. Arçelik won Recycled Plastic Consumer Lifestyle Product of the Year Award in Europe with Grundig Recycled Vacuum Cleaner whose plastic materials were recycled by 90%. Arçelik won the first prize in “Innovative Environmentally-friendly Product” category of İstanbul Chamber of Industry (İSO) Environment Awards.

Arçelik shares its sustainability approach with its Sustainability Reports. In the scope of producer responsibility, Arçelik conducts projects to reduce water withdrawal and especially groundwater usage reduction is one of the key focus of reduction projects. As an example; in Cooking Appliances Plant, that consumes groundwater, we realized a wastewater and rainwater recycling project in cooperation with İstanbul Technical University. This project was a R&D project funded by TUBITAK (The Scientific and Technological Research Council of Turkey). In addition, water efficiency studies performed in Cooking Appliances Plant were also published in scientific papers (e.g. World Academy of Science Engineering and Technology, International Journal of Environmental and Ecological Engineering Vol:3, No:3, 2016, “Assessment of Water Reuse Potential in a Metal Finishing Factory”, “Assessment of Waste Water Reuse Potential for an Enamel Coating Industry). In Washing Machine Plant, that also uses groundwater, a project has been performed to reduce water withdrawal. Within this project, biological wastewater and rainwater has been recycled with an advanced treatment technologies and used in the production. This project was funded by İstanbul Development Agency.

Apart from these two examples, we are conducting water efficiency studies in our other plants. Thanks to our studies on water efficiency, we reduced our average water withdrawal per product by 48% in 2018 compared to our base year 2012. In addition, we collaborate with International Finance Corporation(IFC) to evaluate the water efficiency of our production plants. In the project, the efficiency of water consumption in each process is evaluated and benchmarked. In line with the project, we set our 2030 water target.

## W0.2

**(W0.2) State the start and end date of the year for which you are reporting data.**

	Start date	End date
Reporting year	January 1, 2018	December 31, 2018

## W0.3

**(W0.3) Select the countries/areas for which you will be supplying data.**

Turkey

## W0.4

**(W0.4) Select the currency used for all financial information disclosed throughout your response.**

TRY

## W0.5

**(W0.5) Select the option that best describes the reporting boundary for companies, entities, or groups for which water impacts on your business are being reported.**

Companies, entities or groups over which operational control is exercised

## W0.6

**(W0.6) Within this boundary, are there any geographies, facilities, water aspects, or other exclusions from your disclosure?**

Yes

### W0.6a

**(W0.6a) Please report the exclusions.**

Exclusion	Please explain
This report includes Arçelik's production plants which are located in Turkey. Abroad plants are not included.	Abroad plants are excluded from this report because of the following reasons: -These data & information will be reported in Turkey. -Some of the abroad plants haven't started their production yet, now they are under construction or some of them just started, therefore they do not have any historical data.

## W1. Current state

### W1.1

**(W1.1) Rate the importance (current and future) of water quality and water quantity to the success of your business.**

	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Neutral	Arçelik directly uses freshwater for production processes, e.g. metal processing, painting, enamel, cooling, laboratories and employee usage. The freshwater is important for sustaining our operations. In addition, the freshwater is not directly used in our products as a raw material, we're using the freshwater for producing our products. For this reason, we selected the importance rating of freshwater as 'important'. Indirect use of freshwater is used in Arçelik's suppliers' production processes, but this is not under the financial/operational control of Arçelik. The freshwater is not directly used in our suppliers' products as a raw material, they are using

			<p>the freshwater for producing their products. Our suppliers need to freshwater to maintain their production processes. Also, our customers need to freshwater to use our products such as washing machine and dishwashers. For this reason, indirect use of freshwater is ranked as neutral for Arçelik's indirect usage.</p> <p>We do not plan to do extensive process, raw material and product changes in future and therefore we do not anticipate any changes on direct and indirect water dependency and importance rating.</p>
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Not very important	<p>Direct use of recycled water is used in Arçelik's production processes such as metal processing, painting, cooling, laboratories and for the aim of employee usage (for such purposes as flushing office lavatories). For this reason, recycled water is "important". Indirect use of recycled water can be used in Arçelik's suppliers' production processes, but this is not under the financial and/or operational control of Arçelik. The amount of recycled water usage effects the usage of freshwater and therefore the operational costs of suppliers. For this reason, indirect use of freshwater "not very important" for Arçelik's indirect use.</p> <p>We do not plan to do process changes, raw material changes and product changes in future and because of this reason we do not anticipate any changes on direct and indirect water dependency and importance rating.</p>

## W1.2

**(W1.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?**

	% of sites/facilities/operations	Please explain
Water withdrawals – total volumes	100%	100% of production facilities' water withdrawals are monitored and measured by counters and invoices in monthly period. In addition, Arçelik's total water withdrawal 2018 data reported in Arçelik Sustainability Report 2018 is verified in accordance with AA1000AS.
Water withdrawals – volumes by source	100%	100% of production facilities' water withdrawals volume by sources are monitored and measured by counters and invoices in monthly period. In addition, Arçelik's total water withdrawal 2018

		data reported in Arçelik Sustainability Report 2018 is verified in accordance with AA1000AS.
Water withdrawals quality	100%	100% of production facilities' water withdrawals quality are monitored by testing and analysing in yearly period.
Water discharges – total volumes	100%	100% of production facilities' water discharges are monitored and measured by counters in monthly period.
Water discharges – volumes by destination	100%	100% of production facilities' water discharges by destination are monitored and measured by counters in daily and monthly period. Tracking destination provides data regarding how watersheds may be affected.
Water discharges – volumes by treatment method	100%	100% of production facilities' water discharges by treatment method are monitored and measured by counters in daily period. Arçelik has list of treatment methods by plant in order to better understand water quality, discharge locations and the effect, if any, on the watershed.
Water discharge quality – by standard effluent parameters	100%	100% of production facilities' water discharges quality data are monitored by testing and analysing in monthly period. Arçelik has a standard which requires facilities to meet minimum discharge quality standards or local regulatory requirements.
Water discharge quality – temperature	100%	Arçelik treats the discharged water according to its characteristics in own chemical and biological treatment plants ensuring that discharged wastewater remains below legal discharge limits in order to protect water resources and biodiversity in the regions, and Arçelik periodically checks compliance with these standards. Then, Arçelik discharges wastewater to the municipal sewage line connected to municipal/industrial wastewater treatment plant. Although the temperature of discharged water is not a obligatory parameter for Arçelik according to Turkish Regulation, 100% of Arçelik production facilities' water discharges quality - temperature data are monitored via local authority analysis reports in monthly period.
Water consumption – total volume	100%	100% of production facilities' water consumption are monitored and measured by counters in monthly period.

Water recycled/reused	100%	100% of production facilities' recycled/reused water are monitored and measured by counters in monthly period.
The provision of fully-functioning, safely managed WASH services to all workers	100%	Arçelik is providing a safe and healthy work environment for all employees at 100% of its facilities. Drinking waters are monitored by analysing 3-month period and other domestic water monitored by analysing yearly period.

## W1.2b

**(W1.2b) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, and how do these volumes compare to the previous reporting year?**

	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Total withdrawals	935.5	Lower	Arçelik uses rainwater, groundwater and municipal water in the operations. The total withdrawal was 1,163.2 megaliters last year (2017). Despite the production amount is increased in 2018, the total withdrawal decreases compared to 2017 thanks to water efficiency studies realized in plants. Similarly, despite the increasing production volumes, it is expected to be at the same level or slightly decrease in total water withdrawal thanks to water efficiency projects and outsourced processes. In addition, it is expected that water withdrawal per product will be decreased with water efficiency studies.
Total discharges	757.03	About the same	Arçelik discharges to Municipal/Industrial wastewater treatment plant. The total water discharge was 744.04 megaliters last year (2017). Despite the production amount is increased in 2018, the total discharge remains about the same compared to 2017 thanks to water efficiency studies realized in plants. Similarly, despite the increasing production volumes, it is expected to be at the same level in total water discharge thanks to water efficiency projects and outsourced processes. In addition, it is expected that water discharge per product will be decreased with water efficiency studies.

Total consumption	178.47	Lower	Consumption data reported is calculated as water withdrawal quantity minus water discharge quantity. For 2018, the total withdrawal is 935.5 megaliters and water discharge is 757.03 megaliters, the water consumption calculated for 2018 is 178.47 megaliters ( $935.5 - 757.03 = 178.47$ ). The water consumption for 2017 was 419.16 megaliters. Despite the production amount is increased in 2018, the total water consumption decreases compared to 2017 thanks to water efficiency studies and outsourced processes. Similarly, despite the increasing production volumes, it is expected to be at the same level in total water consumption thanks to water efficiency projects and outsourced processes. In addition, it is expected that water consumption per product will be decreased with water efficiency studies.
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## W1.2d

**(W1.2d) Indicate whether water is withdrawn from areas with water stress and provide the proportion.**

	Withdrawals are from areas with water stress	% withdrawn from areas with water stress	Comparison with previous reporting year	Identification tool	Please explain
Row 1	Yes	51-75	Higher	WRI Aqueduct	Arçelik evaluates water stressed areas as “extremely high” and “high” risk areas according to WRI Aqueduct. According to WRI Aqueduct, 6 plants of Arçelik are located in “high” water stressed area. Other 2 plants of Arçelik are located in “medium to high” water stressed areas according to WRI Aqueduct. The total water withdrawal from water stressed areas is 599.67 megaliters in 2018. That is the 64.1% of total withdrawal ( $(599.67/935.5) * 100$ ). This amount was 7.6% previous year ( $(88.03/1163.2) * 100$ ).

## W1.2h

### (W1.2h) Provide total water withdrawal data by source.

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water, including rainwater, water from wetlands, rivers, and lakes	Relevant	0.46	About the same	Arçelik uses rainwater. We used 0.5 megaliter rainwater last year (2017). It remains about the same compared to 2017 because we have the same water harvesting area. On the other hand, it is expected to increase in future thanks to rainwater harvesting projects.
Brackish surface water/Seawater	Not relevant			Arçelik does not use brackish surface water /seawater and does not plan to use brakish/surface water/seawater in future.
Groundwater – renewable	Relevant	376.49	About the same	Arçelik uses groundwater-renewable. Groundwater–renewable withdrawal was 374.38 megaliters last year (2017). In the future, the use of total groundwater-renewable volumes are expected to be lower due to studies to reduce groundwater-renewable withdrawal.
Groundwater – non-renewable	Not relevant			Arçelik does not use groundwater-non-renewable and does not plan to use groundwater-non-renewable in future.
Produced/Entrained water	Not relevant			Arçelik does not use produced/process water and does not plan to use in future.
Third party sources	Relevant	558.57	Lower	Arçelik uses municipal supply water. Municipal water



				<p>withdrawal was 788.32 megaliters last year (2017). Despite the production amount increased in 2018, the municipal water withdrawals decreased compared to 2017 thanks to water efficiency studies realized in plants. Despite the increasing production volumes, it is expected to be at the same level or slightly decrease in municipal water withdrawal thanks to water efficiency projects and outsourced processes. In addition, it is expected that municipal water withdrawal per product will decrease with water efficiency studies.</p>
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## W1.2i

**(W1.2i) Provide total water discharge data by destination.**

	Relevance	Volume (megaliters/year)	Comparison with previous reporting year	Please explain
Fresh surface water	Not relevant			Arçelik does not discharge to freshwater.
Brackish surface water/seawater	Not relevant			Arçelik does not discharge to brackish surface water/seawater.
Groundwater	Not relevant			Arçelik does not discharge to groundwater.
Third-party destinations	Relevant	757.03	About the same	Arçelik treats the discharged water according to its characteristics in own chemical and biological treatment plants ensuring that discharged wastewater remains below legal discharge limits in order to protect water resources and biodiversity in the regions, and Arçelik periodically checks

				<p>compliance with these standards. Then, Arçelik discharges wastewater to the municipal sewage line connected to municipal/industrial wastewater treatment plant. The total water discharge was 744.04 megaliters last year (2017). Despite the increasing production volumes, it is expected to be at the same level in water discharges thanks to water efficiency projects and outsourced processes. In addition, it is expected that water discharge per product will be decreased with water efficiency studies.</p>
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## W1.4

### (W1.4) Do you engage with your value chain on water-related issues?

Yes, our suppliers

## W1.4a

### (W1.4a) What proportion of suppliers do you request to report on their water use, risks and/or management information and what proportion of your procurement spend does this represent?

#### Row 1

#### % of suppliers by number

1-25

#### % of total procurement spend

76-100

#### Rationale for this coverage

The "Arçelik Sustainable Supplier Index" project was launched in 2018 for the assessment of sustainability risks of all our suppliers. The assessment survey is sent to critical suppliers that are determined according to Kraljic Methodology and the suppliers within the 80% volume in Arçelik annual procurement volume. Risk levels of the critical suppliers are determined as high, medium, acceptable, good and excellent. Suppliers at "excellent" category are included in the awarding process and evaluated for the ArGreen certification process which is an evaluation process to certify best performing suppliers. For 2018, Arçelik requested from 15% of its suppliers, representing 80% of the total procurement volume, to report on water related data.

Based on our Sustainability Roadmap with Suppliers, as of 1 January 2023, we will not work with suppliers that do not have ISO 14001 certification.

### Impact of the engagement and measures of success

Assessment questions includes Environmental Reporting, Environmental Policy/management system/scope, Compliance with legislation, Measurement (e.g. the amount of water consumption by sources), Environmental voluntary activities. Risk levels of the suppliers are determined as high, medium, acceptable, good, and excellent. Results are reviewed every six months by our Value Chain Management Board. An action plan is requested from the suppliers in High and Medium Risk categories and audits are planned for these suppliers. Suppliers at "excellent" category are evaluated for the ArGreen certification process. This assessment is made in the first quarter of each year. Success is measured through re-assessments and follow-up audits. Based on our Sustainability Roadmap with Suppliers, as of 1 January 2023, we will not work with suppliers that do not have ISO 14001 certification. By achieving this target, our suppliers will set targets and measure environmental performance metrics such as water consumption.

### Comment

Please click for details: <https://www.arcelikglobal.com/en/company/supply-chain/supplier-sustainability-index/>

## W1.4b

**(W1.4b) Provide details of any other water-related supplier engagement activity.**

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### Type of engagement

Onboarding & compliance

### Details of engagement

Requirement to adhere to our code of conduct regarding water stewardship and management

### % of suppliers by number

76-100

### % of total procurement spend

76-100

### Rationale for the coverage of your engagement

Arçelik is aware of its responsibility to protect the environment. Based on Arçelik Global Responsible Purchasing Policy and the Global Code of Conduct, Arçelik expects its suppliers to establish environmental management systems, to improve it continuously and to protect the environment in accordance with the relevant national and international legal legislations and regulations in order to enhance their environmental performance in line with the principles of sustainable development and circular economy. As per our Global Responsible Purchasing Policy, we audit our suppliers in terms of compliance with the Code of Conduct.

Audits include compliance with laws, working conditions, human rights, occupational health and safety, and the environment (including water management). We plan

corrective actions for non-compliance identified in these audits and, in subsequent audits, we check whether the required actions have been taken.

### **Impact of the engagement and measures of success**

We plan corrective actions for non-compliance identified in these audits and, in subsequent audits, we check whether the required actions have been taken.

Based on our Sustainability Roadmap with Suppliers, as of 1 January 2023, we will not work with suppliers that do not have ISO 14001 certification. This statement is publicly declared in our website and it is also shared with our suppliers as a formal written notice. Please click for details: <https://www.arcelikglobal.com/en/company/supply-chain/our-sustainability-roadmap-with-our-suppliers/>.

In 2018, 19 suppliers in total, of which 13 from Turkey and 6 from international operations, were audited according to Arçelik's Code of Conduct requirements by third-party auditors. As a result of the audits, 224 areas open for improvement were identified in total. Firms that completed follow-up audit in 2018 corrected 60% of the incompatibilities. Approximately 30 supplier audits are planned for 2019.

### **Comment**

N/A

## **W2. Business impacts**

### **W2.1**

**(W2.1) Has your organization experienced any detrimental water-related impacts?**

No

### **W2.2**

**(W2.2) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?**

No

## **W3. Procedures**

### **W3.3**

**(W3.3) Does your organization undertake a water-related risk assessment?**

Yes, water-related risks are assessed

### **W3.3a**

**(W3.3a) Select the options that best describe your procedures for identifying and assessing water-related risks.**

## Direct operations

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### Coverage

Full

### Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

### Frequency of assessment

More than once a year

### How far into the future are risks considered?

More than 6 years

### Type of tools and methods used

Tools on the market

Other

### Tools and methods used

WRI Aqueduct

WWF Water Risk Filter

Internal company methods

### Comment

Arçelik uses company-wide risk assessment system. Arçelik monitors all of its facilities' water consumption, specify water performance indicators and define targets. Arçelik Sustainability Council evaluates water risks and opportunities and presents to Risk Management Committee(RMC) for integration to corporate main risks. RMC meets 6 times/year to assess the risks.

## Supply chain

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### Coverage

Full

### Risk assessment procedure

Water risks are assessed as part of other company-wide risk assessment system

### Frequency of assessment

More than once a year

### How far into the future are risks considered?

More than 6 years

### Type of tools and methods used

Tools on the market

Other

### Tools and methods used

WRI Aqueduct

Internal company methods

### Comment

We determined the parameters to identify and prioritise ESG risks and opportunities in the supply chain. The “Arçelik Sustainable Supplier Index” project was launched in 2018 for the assessment of sustainability risks of all our suppliers. The assessment survey is sent to critical suppliers that are determined according to Kraljic Methodology and the suppliers within the 80% volume in Arçelik annual procurement volume. This assessment is made in the first quarter of each year. Assessment questions include Economical, Environmental and Social Dimensions. Environmental Dimension consists of Environmental Reporting, Environmental Policy/management system/scope, Compliance with Environment/Arçelik legislation, Measurement (GHG, energy, waste, chemical, fuel, water), Environmental voluntary activities. The total scores of suppliers are calculated and risk levels of the suppliers are determined as high, medium, acceptable, good and excellent. Assessment results are reviewed every six months by the Value Chain Management Board. Additionally, we evaluate our critical suppliers by using WRI Aqueduct tool.

### Other stages of the value chain

#### Coverage

None

#### Comment

## W3.3b

**(W3.3b) Which of the following contextual issues are considered in your organization’s water-related risk assessments?**

	Relevance & inclusion	Please explain
Water availability at a basin/catchment level	Relevant, always included	Water is not directly used in as a raw material for our products, but it is important for our production activities. We included this issue in our risk assessment according to WWF Water Risk Filter. We monitor water availability, water consumption and quality parameters of our production plants daily and all data are reported on a monthly basis.
Water quality at a basin/catchment level	Relevant, always included	Water is not directly used in as a raw material for our products, but it is important for our production activities. We included this issue in our risk assessment according to WWF Water Risk Filter. We monitor water availability, water consumption, water discharge and quality parameters of our production plants daily and all data are reported on a monthly basis.

Stakeholder conflicts concerning water resources at a basin/catchment level	Relevant, always included	<p>Stakeholder dialogue and cooperation are important for Arçelik. We work closely with NGOs (such as; TOBB, TUSIAD, TÜRKBESD, ISO, UNEP, UNDP, APPLiA, Sustainable Development Association) on water strategies of country and private sector. Arçelik is a part of Sustainable Development Assoc. Water Working Group and Istanbul Chamber of Industry's Environmental Committee. We are a member of APPLiA Steering Committee and also take part in APPLiA sub-working groups. Arçelik is also member of TUSIAD Climate Change Task Force, president of TUSIAD Environmental Working Group. We have also projects with UNEP and UNDP. We are reporting our water data and water saving projects to investors via Sustainability Reports and Sustainability Indexes Worldwide. We evaluate our critical suppliers by using internal company method and WRI Aqueduct tool. Also, Arçelik complies with all related regulations and standards and ensures its compliance via periodic controls. Arçelik also works closely with Ministry of Environment and Urban Planning and Ministry of Forestry and Water Affairs, attends Ministries' seminars and workshops, follows closely new developments and give its opinions on draft regulations. In addition, according to the Turkish Regulations, it is needed to sign the water usage protocol with the local authority to declare how much water will be used for each year. Also, it is required to get a wastewater discharge permit. We participate the environmental meetings in organized industrial zones, periodically. Therefore, no stakeholder conflicts concerning water resources at a basin/catchment level have been identified.</p>
Implications of water on your key commodities/raw materials	Relevant, always included	<p>Water is not added as a raw material in our products, we use water in our production processes such as painting process, functional test process, and cooling systems. We get commodities/raw materials from our suppliers. Sufficient amount of fresh water supply has an impact on the production. Because of this, we determined the parameters to identify and prioritise ESG risk and opportunities in the supply chain. The "Arçelik Sustainable Supplier Index" project was launched in 2018 for the assessment of sustainability risks of all our suppliers. With this project, it is aimed to identify high risk suppliers in terms of sustainability. The assessment survey is sent to critical suppliers that are determined according to Kraljic Methodology and the suppliers within the 80% volume in Arçelik annual procurement volume. This assessment is made in the first quarter of each year. Assessment questions include Economical, Environmental and Social Dimensions. Environmental Dimension consists of Environmental Reporting, Environmental Policy/management system/scope, Compliance with Environment/Arçelik legislation, Measurement (GHG, energy, waste, chemical, fuel, water), Environmental voluntary</p>

		activities. The total scores of suppliers are calculated and risk levels of the suppliers are determined as high, medium, acceptable, good and excellent. Assessment results are reviewed every six months by the Value Chain Management Board. Additionally, we evaluate our critical suppliers by using WRI Aqueduct tool.
Water-related regulatory frameworks	Relevant, always included	We monitor water-related regulations. According to the Turkish Regulations, it is needed to sign the water usage protocol with the local authority to declare how much water will be used for each year. Also, it is required to get a wastewater discharge permit. It is also required to get a permit and/or a licence for water withdrawal. Assessments are done according to internal company knowledge. We follow closely new developments, draft laws and regulations. We are working closely with the Ministry Environment and Urbanization for draft regulations. The draft Law of Water is expected to enter into force in the near future, in Turkey. The most critical requirements in the draft law are especially focused on the usage of groundwater (pricing&limiting) and river basin management approach.
Status of ecosystems and habitats	Relevant, always included	In line with its “Respecting the World, Respected Worldwide” vision, Arçelik studies to minimize its effects on the ecosystem and the habitat. Arçelik’s plants have no impact on ecosystems and habitats according to internal company method and the plants are legally out of scope of Environmental Impact Assessment (EIA) according to Turkish legislation. But this issue always in scope of Arçelik’s risk management system.
Access to fully-functioning, safely managed WASH services for all employees	Relevant, always included	Assessments are done according to internal company methods. We are committed to provide water sanitation and hygiene in workplace. We include this issue in our workplace risk assessments also as a part of our corporate responsibility to respect and ensure implementation of the human rights to water and sanitation (SDG Goal 6). Arçelik’s corporate responsibility standards and health and safety standards require healthy work environment for all employees.
Other contextual issues, please specify	Relevant, always included	Water is not added as a raw material in our products but dishwashers and washing machines uses water in consumer product usage phase. To decrease water consumption of products R&D projects are being developed in both R&D department of production and central R&D department.

### W3.3c

**(W3.3c) Which of the following stakeholders are considered in your organization’s water-related risk assessments?**



	Relevance & inclusion	Please explain
Customers	Relevant, always included	Customers are included in our water risk assessment. Arçelik produces washing machines and dishwashers. Because of these products work with freshwater, customers are considered for our risk assessment process. We engage and raise our customers' awareness by advertisements, documentaries and publications related to water efficiency and by producing best water efficient products. Projects to decrease water consumption at the use phase are developed by the collaboration of Central R&D and factory R&D departments.
Employees	Relevant, always included	Employees are included in our water risk assessment. Arçelik's corporate responsibility standards and health and safety standards requires healthy work environment for all employees. Water consumption caused by the office activities are also important and employees are also considered in our risk assessment. We provide awareness on water savings to our employees by internal trainings for engaging with our employees.
Investors	Relevant, always included	Investors are included in our water risk assessment. We are reporting our water data and water saving projects to investors via Sustainability Reports and Sustainability Indexes Worldwide (MSCI, BIST SI, FTSE4Good etc.). And also we started to report to the CDP Water Project in 2017. These are our engagement processes with our investors on water issues.
Local communities	Relevant, always included	Local communities are included in our water risk assessment. We have a particular responsibility toward our production sites' neighbors especially for our plants located in organized industrial zones. We participate in the environmental meetings organized in these zones periodically. This is our engagement methodology with the parties in organized industrial zones.
NGOs	Relevant, always included	NGOs are included in our water risk assessment. Arçelik works closely with NGOs (such as; TOBB, TUSIAD, TÜRKBESD, ISO, UNEP, UNDP, APPLiA, Sustainable Development Association) on water strategies of country and private sector. Arçelik is a part of Sustainable Development Assoc. Water Working Group and Istanbul Chamber of Industry's Environmental Committee. We are a member of APPLiA Steering Committee and also take part in APPLiA sub-working groups. Arçelik is also member of TUSIAD Climate Change Task Force, president of TUSIAD Environmental Working Group. We have also projects with UNEP and UNDP.

Other water users at a basin/catchment level	Relevant, always included	<p>Other water users are included in our water risk assessment. As Arçelik, we do not use fresh surface water from the receiving environment and for the usage of groundwater, we have officially-approved limits for consuming groundwater. In addition, we do not discharge our wastewater to any receiving water body. We treat discharged water according to its characteristics in chemical and biological treatment plants in all the regions where we operate, ensuring that discharged wastewater remains below legal discharge limits in order to protect water resources and biodiversity in the regions, and we periodically check compliance with these standards. Then, we are discharging our wastewater to sewage lines. Because of these reasons Arçelik does not have an impact to water users at local level. Moreover, we are responsible toward our production sites' neighbors especially for our plants located in organized industrial zones. We participate the environmental meetings organized in these zones periodically. This is our engagement methodology with the parties in organized industrial zones.</p>
Regulators	Relevant, always included	<p>Regulators are included in our water risk assessment. Arçelik complies with all related regulations and standards and ensures its compliance via periodic controls. Arçelik also works closely with Ministry of Environment and Urban Planning and Ministry of Forestry and Water Affairs, attends Ministries' seminars and workshops, follows closely new developments and give its opinions on draft regulations. Arçelik has also developed a project to use its recycled waste water and rainwater into its production processes to decrease water consumption. This project has been funded by Istanbul Development Agency. According to the Turkish Regulations, it is needed to sign the water usage protocol with the local authority to declare how much water will be used for each year. Also, it is required to get a wastewater discharge permit. In addition to using wastewater, we treat discharged water according to its characteristics in chemical and biological treatment plants in all the regions where we operate, ensuring that discharged wastewater remains below legal discharge limits in order to protect water resources and biodiversity in the regions, and we periodically check compliance with these standards.</p>
River basin management authorities	Relevant, always included	<p>Our production sites are located in the municipal areas or organized industrial zones. We supply our water from the public network. Also, we are discharging our wastewater to sewage lines. We comply with local regulations, and authorities periodically audit and control our production sites.</p>

Statutory special interest groups at a local level	Relevant, always included	Statutory specials interest groups are also considered in our risk assessment and we carry out joint studies with these groups. E.g. Arçelik has developed a project to use its recycled wastewater in its production processes with Istanbul Technical University and funded by TUBITAK (The Scientific and Technological Research Council of Turkey).
Suppliers	Relevant, always included	Water is not directly used in our suppliers' products as a raw material, they are using the water for producing their products. As Arçelik, we request from our suppliers to monitor their own water consumption, to implement measures to reduce water consumption and meet our requirements regarding these activities. The "Arçelik Sustainable Supplier Index" program was launched in 2018 for the assessment of sustainability risks of all our suppliers. With this program, it is aimed to identify high risk suppliers in terms of sustainability. An action plan is requested from the suppliers in High Risk and Medium Risk categories and business ethics audits are planned for these suppliers. Suppliers at "excellent" category are included in the awarding process and evaluated for the ArGreen certification process.  In addition, we have a green procurement policy, and as a part of this policy, water management is an essential requirement. We have a commitment not to work with suppliers who do not have ISO14001 certification as of the 1st of January, 2023.
Water utilities at a local level	Relevant, always included	Water utilities are considered in our risk assessment process during assessments to ensure that water supply is substantial at all our plants. To minimize our water risks, we collaborate with International Finance Corporation(IFC) to evaluate the water efficiency of our production plants. In the project, the efficiency of water consumption in each process is evaluated and benchmarked. In line with this project, we set our targets for 2030.
Other stakeholder, please specify	Relevant, sometimes included	We are constantly monitoring the surrounding environment to identify additional stakeholder risk factors for risk assessment.

### W3.3d

**(W3.3d) Describe your organization's process for identifying, assessing, and responding to water-related risks within your direct operations and other stages of your value chain.**

In Arçelik, Environmental Coordination Working Group (WG) is responsible to integrate water efficiency efforts and ensures that all efforts comply to Arçelik's strategy. This WG collects and

reports to the Sustainability Council(SC). SC evaluates and prioritizes corporate risks and opportunities (R&O). Water risks, strategies and influence to business targets are monitored and assessed by SC,biannual. The prioritization of the R&Os is based on Arçelik's scoring methodology. Water related risks and opportunities are being scored and prioritized by the SC. According to Arçelik's risk and opportunity scoring methodology, the risks and opportunities are scored (1-5 points) considering financial, reputation, production, human and legal impacts and the max. score is defined as impact point. The risk (R) and opportunity (O) points are scored by multiplying frequency (F) and impact point (I) for prioritization ( $R, O = F * I$ ). For physical risks and future scenario risks WWF Water Risk Filter and WRI Aqueduct used for scoring (1-5 points) and analysis results from these tools are reviewed annually.

According to the water risk assessment, we are determining the activities to reduce our water related risks. To minimize our water risks, we collaborate with International Finance Corporation(IFC) to evaluate the water efficiency of our production plants. In the project, the efficiency of water consumption in each process is evaluated and benchmarked. In line with this project, we set our 2030 target to reduce water withdrawal in production process by 45% per product compared to 2015 base year.

We aim to achieve closed-loop water systems in the factories. In 2018, the total amount of water withdrawal was reduced by approximately 19% in Turkey operations, 4% in Romania operations, 7% in China operations, compared to the previous reporting period. The efficiency studies have a significant impact in this reduction. Annual infrastructure investments and water efficiency studies ensure continuous improvement of performance in this area. The total amount of water saved, recycled and recovered is 235,000 m<sup>3</sup> in Turkey operations in 2018. Thanks to our studies on water efficiency, we reduced our average water withdrawal per product 48% in 2018 compared to base year 2012.

Arçelik uses different internal water prices(IWP) for each plant. To calculate IWPs, water stress was determined by using Aqueduct tool in current condition for Arçelik plants. Then, water stress was modelled for 2020, 2030 and 2040 years in 3 different cases (business as usual, optimistic & pessimistic). For the determination of water stress impact on watershed due to water consumption, internal water prices(IWP) were assumed between 0.2-1.0 TL/m<sup>3</sup> for well water and 0.1-0.5 TL/m<sup>3</sup> for municipal water depending on water stress score (1-5 point). Then, IWP was added to water bills paid monthly. Then, directly and indirectly water and wastewater prices were added. Total unit prices including IWP of our plants change between 2-16 TL/m<sup>3</sup>.

We determined the parameters to identify and prioritise ESG risk and opportunities in the supply chain. The "Arçelik Sustainable Supplier Index" project was launched in 2018 for the assessment of sustainability risks of all our suppliers. With this project, it is aimed to identify high risk suppliers in terms of sustainability. The assessment survey is sent to critical suppliers that are determined according to Kraljic Methodology and the suppliers within the 80% volume in Arçelik annual procurement volume. This assessment is made in the first quarter of each year. Assessment questions include Economical, Environmental and Social Dimensions. Environmental Dimension consists of Environmental Reporting, Environmental Policy/management system/scope, Compliance with Environment/Arçelik legislation, Measurement (GHG, energy, waste, chemical, fuel, water), Environmental voluntary activities. The total scores of suppliers are calculated and risk levels of the suppliers are determined as high, medium, acceptable, good and excellent. Assessment results are reviewed every six months by the Value Chain Management Board. Additionally, we evaluate our critical suppliers by using WRI Aqueduct tool.

## W4. Risks and opportunities

### W4.1

**(W4.1) Have you identified any inherent water-related risks with the potential to have a substantive financial or strategic impact on your business?**

No

### W4.1a

**(W4.1a) How does your organization define substantive financial or strategic impact on your business?**

Sufficient amounts of good quality freshwater availability for direct use is important for Arçelik. For its direct operations, Arçelik defines, the plants that could contribute to substantive change in its business by using a screening process as follows: 1) identify plants indicated as High (>4 points) or Very High (>5 points) in total basin risk results by using the WWF Water Risk Filter. 2) cross check whether these sites are considered strategic and/or if they account for >15% of global revenue at corporate level. If both criteria are met, then the risks faced by these plants can contribute to a substantive change in business and would be reported in questions. All of our plant locations are analyzed according to WWF Water Risk Filter analysis and total basin risk of all plants are found below: • Çerkezköy: 3.2 • Beylikdüzü: 3.2 • Çayırova: 3.0 • Bolu: 2.4 • Eskişehir: 3.0 • Ankara: 3.0. They are all below <4 score and none of them scored as "High" risk. None of our plants met both criteria according to our substantive risk determination methodology. Because of this reason none of our plants exposed to a water risk that generate a substantive change in our business.

Sufficient amounts of good quality freshwater availability for indirect use is neutral for Arçelik. The freshwater is not directly used in our suppliers' products as a raw material, they are using the freshwater for producing their products. However, our suppliers must comply with the our Global Code of Conduct. Arçelik expects from its suppliers to undertake to establish environmental management systems, to improve it continuously and to protect the environment in accordance with the relevant national and international legal legislations and regulations to enhance their environmental performance in line with the principles of sustainable development and circular economy. While Arçelik operates in line with the principles of prioritizing the sustainability approach and fighting the climate crisis, it expects from its suppliers to take the Arçelik Environmental Policy as a reference and become a partner in this commitment. As part of the policy, we carry out training and auditing activities for our suppliers. Within the scope of the audits, we audit the compliance of our suppliers with supplier business ethics rules, which include Arçelik A.Ş.'s expectations in legal practices, working conditions, ethical rules, occupational health and safety, and environment.

In addition, "Arçelik Sustainable Supplier Index" aims to identify high risk suppliers in terms of sustainability. The assessment survey is sent to critical suppliers that are determined according to Kraljic Methodology and the suppliers within the 80% volume in Arçelik annual procurement volume. Risk levels of the suppliers are determined as high, medium, acceptable, good and excellent. An action plan is requested from the suppliers in High Risk and Medium Risk categories and business ethics audits are planned for these suppliers. The contract is cancelled

with the suppliers whose audit result is not found to be suitable. Suppliers at "excellent" category are included in the awarding process and evaluated for the ArGreen certification process which is an evaluation process to certify best performing suppliers. In addition, we have a green procurement policy, and as a part of this policy, water management is an essential requirement. We have a commitment not to work with suppliers who do not have ISO14001 certification as of the 1st of January, 2023.

## W4.2b

**(W4.2b) Why does your organization not consider itself exposed to water risks in its direct operations with the potential to have a substantive financial or strategic impact?**

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	For its direct operations, Arçelik defines, the plants that could contribute to substantive change in its business by using a screening process as follows: 1) identify plants indicated as High (>4 points) or Very High (>5 points) in total basin risk results by using the WWF Water Risk Filter. 2) cross check whether these sites are considered strategic and/or if they account for >15% of global revenue at corporate level. If both criteria are met, then the risks faced by these plants can contribute to a substantive change in business and would be reported in questions. All of our plant locations are analyzed according to WWF Water Risk Filter analysis and total basin risk of all plants are found below: • Çerkezköy: 3.2 • Beylikdüzü:3.2 • Çayırova:3.0 • Bolu:2.4 • Eskişehir:3.0 • Ankara: 3.0 .They are all below <4 score and none of them scored as "High" risk. None of our plants met both criteria according to our substantive risk determination methodology. Because of this reason none of our plants exposed to a water risk that generate a substantive change in our business.

## W4.2c

**(W4.2c) Why does your organization not consider itself exposed to water risks in its value chain (beyond direct operations) with the potential to have a substantive financial or strategic impact?**

	Primary reason	Please explain
Row 1	Risks exist, but no substantive impact anticipated	Freshwater is not directly used in our suppliers' products as raw material, they are using the freshwater for producing their products. Our suppliers must comply with our Global Code of Conduct. Arçelik expects from its suppliers to undertake to establish environmental management systems, to improve it continuously and to protect the environment in accordance with the relevant national and international legal legislations and regulations to enhance their environmental performance in line with the principles of sustainable development and circular economy. While Arçelik operates in line with the principles of prioritizing the sustainability approach and fighting

		<p>the climate crisis, it expects from its suppliers to take the Arçelik Environmental Policy as a reference and become a partner in this commitment. As part of the policy, we carry out training and auditing activities for our suppliers. Within the scope of the audits, we audit the compliance of our suppliers with supplier business ethics rules, which include Arçelik's expectations in legal practices, working conditions, ethical rules, occupational health and safety, and environment. "Arçelik Sustainable Supplier Index" is aimed to identify high risk suppliers in terms of sustainability. This assessment is made in the first quarter of each year. The total scores of suppliers are calculated and risk levels of the suppliers are determined as high, medium, acceptable, good and excellent. Assessment results are reviewed every six months by the Value Chain Management Board. An action plan is requested from the suppliers in High Risk and Medium Risk categories and business ethics audits are planned for these suppliers. Suppliers at the "excellent" category are included in the awarding process and evaluated for the ArGreen certification process which is an evaluation process to certify best performing suppliers. In addition, Arçelik selects and purchases multiple components to prevent the risks of all supply chain.</p> <p>Because of these reasons none of our suppliers exposed to a water risk that generate a substantive change in our business. In addition, for customer awareness, our product's user manuals include information about increasing washing performance, how to perform efficient washing, which program consumes how much water etc. in "washing types" sections. In our website, customers can reach water consumption information of our products.</p>
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### W4.3

**(W4.3) Have you identified any water-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes, we have identified opportunities, and some/all are being realized

### W4.3a

**(W4.3a) Provide details of opportunities currently being realized that could have a substantive financial or strategic impact on your business.**

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**Type of opportunity**

Efficiency

**Primary water-related opportunity**

Cost savings

**Company-specific description & strategy to realize opportunity**

Reducing water use by water efficiency and water recycling projects leads to lower operational costs as well as natural resource consumption decrease. Due to reason, Arçelik plants have water withdrawal targets every year. In addition in scope of Arçelik's sustainability roadmap, Arçelik's water reduction target is to decrease water withdrawal per product in production (m<sup>3</sup>/eq. product) by 52% compared to 2012 base year until 2020. Also, we set the targets for 2030 in line with IFC projects. Every plant implements water efficiency and water recycling projects to meet the target. In 2018, we achieved 235,000 m<sup>3</sup> of water savings through efficient water usage. Some of the improvement projects we have conducted during the reporting period are as follows: 11,345 m<sup>3</sup> water as wastewater resulting from the functional test system available in assembly lines and a total of 88,425 m<sup>3</sup> water were recycled and reused in Çayırova Washing Machine Plant. Water was reused in salt box station conducted in Ankara Dishwasher Plant; conditioned water requirement was reduced in dyeing and auxiliary plants to achieve 12,557 m<sup>3</sup> water saving. 7,409 m<sup>3</sup> of water was recycled in Bolu Cooking Appliances Plant through domestic and industrial wastewater recycling studies, 5,530 m<sup>3</sup> of water was recycled in Çerkezköy Tumble Dryer Plant thanks to water saving studies. 16,875 m<sup>3</sup> of water was recycled in Eskişehir Refrigerator Plant through minimizing the use of chemicals with the automatic measurement of pH and conductivity; and a total of 50,000 m<sup>3</sup> water was saved through efficiency projects in dyeing plants. By achieving all these projects, in 2018, approximately 903,000 TRY was saved.

**Estimated timeframe for realization**

4 to 6 years

**Magnitude of potential financial impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

903,000

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact**

In scope of Arçelik's sustainability roadmap, Arçelik's water reduction target is to decrease water withdrawal per product in production (m<sup>3</sup>/eq. product) by 52% compared to 2012 base year until 2020. Also, we set the targets for 2030 in line with IFC projects. Every plant implements water efficiency and water recycling projects to meet the target. In 2018, we achieved 235,000 m<sup>3</sup> of water savings through efficient water usage. Some of the improvement projects we have conducted during the reporting period are as follows: 11,345 m<sup>3</sup> water as wastewater resulting from the functional test



system available in assembly lines and a total of 88,425 m<sup>3</sup> water were recycled and reused in Çayirova Washing Machine Plant. Water was reused in salt box station conducted in Ankara Dishwasher Plant; conditioned water requirement was reduced in dyeing and auxiliary plants to achieve 12,557 m<sup>3</sup> water saving. 7,409 m<sup>3</sup> of water was recycled in Bolu Cooking Appliances Plant through domestic and industrial wastewater recycling studies, 5,530 m<sup>3</sup> of water was recycled in Çerkezköy Tumble Dryer Plant thanks to water saving studies. 16,875 m<sup>3</sup> of water was recycled in Eskişehir Refrigerator Plant through minimizing the use of chemicals with the automatic measurement of pH and conductivity; and a total of 50,000 m<sup>3</sup> water was saved through efficiency projects in dyeing plants. By achieving all these projects, in 2018, approximately 903,000 TRY was saved.

Payback time for water efficiency projects can be estimated as 1 year. Besides, payback time for water recycling projects are generally more than 5 years.

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### **Type of opportunity**

Markets

### **Primary water-related opportunity**

Increased brand value

### **Company-specific description & strategy to realize opportunity**

Arçelik's business strategy is to increase the ability to offer enriching, pioneer, innovative, climate change respected and environmental friendly product, solution and technology to society and customer through product life cycle. In line with this strategy, environmental friendly production and products are the main elements of Arçelik's sustainability management. Environmental-friendly products & production activities are also opportunities to increase our brand value and provides competitive advantage. In 2018, we have allocated resources worth approx TRY 76.3 million to environmentally friendly product R&D studies. In 2018, the consolidated net sales turnover reached TRY 26.904 billion and international sales comprised 69% of consolidated sales (Approx. TRY 18.48 billion). One of the main reason of the increase in international sales share is our investment on environmentally friendly R&D activities. Environmentally friendly production is also important for sustainability indices as well as products. From the point of view of investors, these indices are also proof that we are doing our business in the most sustainable way. Thus it is an element that enhances our brand value. In scope of our sustainability studies, Arçelik was included in the Dow Jones Sustainability Index, rated "AAA" in MSCI, listed in the BIST SI and was awarded with CDP Turkey 2018 Climate Leadership.

### **Estimated timeframe for realization**

1 to 3 years

### **Magnitude of potential financial impact**

High

### **Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

18,479,000,000

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact**

Environmental-friendly products&production activities are also opportunities to increase our brand value and provides competitive advantage.In 2018,we have allocated resources worth approx TRY 76.3 million to environmentally friendly product R&D studies. In 2018, the consolidated net sales turnover reached TRY 26.904 billion and international sales comprised 69% of consolidated sales (Aprox. TRY 18.48 billion).One of the main reason of the increase in international sales share is our investment on environmentally friendly R&D activities. Environmentally friendly production is also important for sustainability indexes as well as products.

## W6. Governance

### W6.1

**(W6.1) Does your organization have a water policy?**

Yes, we have a documented water policy that is publicly available

### W6.1a

**(W6.1a) Select the options that best describe the scope and content of your water policy.**

	Scope	Content	Please explain
Row 1	Company-wide	Description of business dependency on water Description of business impact on water Description of water-related performance standards for direct operations	As a global company operating throughout the world, Arçelik acknowledges water is an essential resource of life and appreciates that its policy and actions related water, have significant effect on employees,customers, and other communities.For this reason,Arçelik has a company-wide water policy and it is integrated with its Environmental Policy,Health&Safety Policy,Sustainability approach, and Global Business Ethics Principles.It is available in company web-site ( <a href="https://www.arcelikglobal.com/media/5793/28_07water_policy.pdf">https://www.arcelikglobal.com/media/5793/28_07water_policy.pdf</a> ) Arçelik participates water management strategy, targets,performance via Sustainability Reports. The aim of the policy is to minimise the impact of our activities on water through product lifecycle.Arçelik’s water policy and management covers minimizing business water impact;water performance;water

	<p>Description of water-related standards for procurement</p> <p>Reference to international standards and widely-recognized water initiatives</p> <p>Company water targets and goals</p> <p>Commitment to align with public policy initiatives, such as the SDGs</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to water-related innovation</p> <p>Commitment to stakeholder awareness and education</p> <p>Commitment to water stewardship and/or collective action</p> <p>Commitment to safely managed Water, Sanitation and Hygiene (WASH) in the workplace</p> <p>Commitment to safely managed Water, Sanitation and Hygiene (WASH) in local communities</p>	<p>targets&amp;goals; commitment to beyond regulatory compliance,SDG alignment,water related innovation, stakeholder awareness,water stewardship, water sanitation and hygiene and recognition linkage to climate change.Arçelik has been also studying on green procurement policy and water management is a part of it.</p>
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		Acknowledgement of the human right to water and sanitation Recognition of environmental linkages, for example, due to climate change	
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## W6.2

**(W6.2) Is there board level oversight of water-related issues within your organization?**

Yes

### W6.2a

**(W6.2a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for water-related issues.**

Position of individual	Please explain
Director on board	<p>Arçelik's board level oversight for sustainability&amp;climate change issues including water belongs to the assigned member of Board of Directors. Arçelik Sustainability Council(SC) is responsible for the management of sustainability&amp;climate change issues including water. CFO leads the SC and it is comprised of the full executive management team, including the COO (Chief Operations (Production &amp; Technology) Officer), CSO (Chief Strategy &amp; Digital Officer), CCO, CMO, Finance Director, Strategic Planning Director, Human Resources Director, Customer Services Director, Global Communications Director, Quality, Sustainability and Corporate Affairs Director, Global Customer Care Director, R&amp;D Director, Purchasing Director. Critical issues regarding studies of SC including water are reported to the assigned member of Board of Directors, that is why member of Board of Directors has selected as board oversight for water issues. Water issues are one of the priority agenda item of Board of Directors' investment&amp;strategy meetings. The assigned member of Board of Directors informs Board of Directors about SC studies on water.</p>

### W6.2b

**(W6.2b) Provide further details on the board's oversight of water-related issues.**

Frequency that water-related issues are a scheduled agenda item	Governance mechanisms into which water-related issues are integrated	Please explain

Row 1	Scheduled - some meetings	<p>Monitoring implementation and performance</p> <p>Overseeing acquisitions and divestiture</p> <p>Overseeing major capital expenditures</p> <p>Providing employee incentives</p> <p>Reviewing and guiding annual budgets</p> <p>Reviewing and guiding business plans</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding strategy</p> <p>Reviewing and guiding corporate responsibility strategy</p> <p>Reviewing innovation/R&amp;D priorities</p> <p>Setting performance objectives</p>	<p>Arçelik board level responsibility in sustainability including water issues belongs to the assigned member of Board of Directors. Water issues are one of the priority agenda item of Board of Directors' investment and company strategy meetings. At Arçelik, the Sustainability Council is responsible for the management of sustainability issues including water. CFO leads Arçelik Sustainability Council and it is comprised of the full executive management team, including the COO (Chief Operations (Production &amp; Technology) Officer), CSO (Chief Strategy &amp; Digital Officer), CCO, CMO, Finance Director, Strategic Planning Director, Human Resources Director, Customer Services Director, Global Communications Director, Quality, Sustainability and Corporate Affairs Director, Global Customer Care Director, R&amp;D Director, Purchasing Director. Water issues are one of the priority agenda item of all Sustainability Council meetings. Sustainability Council meets and monitors the progress on water targets and discuss company's water strategy, major plans&amp;action, business plans, performance objectives for the next year plan.</p>
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### W6.3

**(W6.3) Provide the highest management-level position(s) or committee(s) with responsibility for water-related issues (do not include the names of individuals).**

**Name of the position(s) and/or committee(s)**

Chief Financial Officer (CFO)

**Responsibility**

Both assessing and managing water-related risks and opportunities

## Frequency of reporting to the board on water-related issues

Half-yearly

### Please explain

Below board level, the highest level management position of sustainability including water issues belongs to CFO, the head of Sustainability Council (SC). SC is comprised of the full executive management team, including COO, CSO, CCO, CMO, Finance Director, Strategic Planning Director, Human Resources Director, Customer Services Director, Global Communications Director, Quality, Sustainability and Corporate Affairs Director, Global Customer Care Director, R&D Director, Purchasing Director. The General Secretariat of SC is Quality, Sustainability & Corporate Affairs Director. Sustainability Working Groups (WG) are established to control & coordinate sustainability implementations. Members of Sustainability WG consist of specialists/managers. Environmental Coordination WG is responsible to integrate water efficiency efforts and ensures that all efforts comply to Arçelik's strategy. This WG collects and reports to the SC. Water risks, strategies and influence to targets are monitored and assessed by SC, biannual.

## W6.4

**(W6.4) Do you provide incentives to C-suite employees or board members for the management of water-related issues?**

	Provide incentives for management of water-related issues	Comment
Row 1	Yes	

## W6.4a

**(W6.4a) What incentives are provided to C-suite employees or board members for the management of water-related issues (do not include the names of individuals)?**

	Role(s) entitled to incentive	Performance indicator	Please explain
Monetary reward	Other C-suite Officer Quality, Sustainability and Corporate Affairs Director	Reduction of water withdrawals	In Arçelik, Other C-suite Officer has the water withdrawal reduction target.
Non-monetary reward			

## W6.5

**(W6.5) Do you engage in activities that could either directly or indirectly influence public policy on water through any of the following?**

- Yes, direct engagement with policy makers
- Yes, trade associations
- Yes, other

## W6.5a

**(W6.5a) What processes do you have in place to ensure that all of your direct and indirect activities seeking to influence policy are consistent with your water policy/water commitments?**

Arçelik complies with all related regulations and standards and ensure its compliance via periodic controls. Arçelik also works closely with Ministry of Environment and Urbanization and Ministry of Forestry and Water Affairs, attends Ministries' seminars and workshops, follows closely new developments and give its opinions on draft regulations. Arçelik also works closely with trade associations and NGOs (such as; TOBB, TUSIAD, TÜRKBESD, ISO, UNEP, UNDP, APPLiA, Sustainable Development Association, İTÜ) on water strategies of country and private sector. In 2018, Arçelik was also president of TUSIAD – Environment and Climate Change Working Group. With these methods Arçelik ensures that its activities are in consistent with national and international policy. Arçelik realized its activities under these process and develop projects in line with the national and international policy. E.g. Arçelik has also developed a project to use its recycled wastewater and rainwater into its production processes to decrease water consumption. This project has been funded by Istanbul Development Agency. Another example; in Cooking Appliances Plant, we realized a wastewater and rain water recycling project in cooperation with Istanbul Technical University. This project was a R&D project funded by TUBITAK (The Scientific and Technological Research Council of Turkey).

## W6.6

**(W6.6) Did your organization include information about its response to water-related risks in its most recent mainstream financial report?**

No, but we plan to do so in the next two years

## W7. Business strategy

### W7.1

**(W7.1) Are water-related issues integrated into any aspects of your long-term strategic business plan, and if so how?**

	Are water-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, water-related issues are integrated	11-15	Arçelik's business strategy is, to increase the ability to offer enriching, pioneer, innovative, climate change respected and environmental friendly product, solution and technology to society and customer through product life cycle. In line with this strategy

			<p>Arçelik defines its long-term business plans and objectives. On water issue, water reduction, reusing and recycling are integrated in long term business plans &amp; objectives. Arçelik's long term business objective is becoming "closed loop cycle" in production by 2030. This period is selected to complete following processes: set up a substructure for the improvement of the water measuring system; doing wastewater recycling feasibility studies and determining of the design; taking of the investment decision and the initiation of the investment; trial production and finally transition to serial production. To achieve long term objectives, Arçelik defines its short and medium term business goals, KPIs and action plans and integrated with Arçelik's global strategic plan process. For becoming closed loop cycle, defined targets/objectives for business plan are as follows: -Decreasing water consumption amount, -Water efficiency, recycling projects, -Water withdrawal data verification, -Using rainwater, -Improving water measuring system, -Raising Sustainability indices' scores related with water</p> <p>In scope of this targets/KPIs Arçelik defines its action plans for each KPIs. In line with IFC project, we set our water withdrawal target for 2030.</p>
Strategy for achieving long-term objectives	Yes, water-related issues are integrated	11-15	<p>To achieve its long term target, Arçelik defines its short and medium term business goals, KPIs and action plans. In scope of Arçelik Sustainability Targets, Arçelik has yearly water reduction targets and 2020 target to decrease water withdrawal per product in production by 52% compared to 2012. To reach the long term target, short term target is selected as 2020. To reach water related objectives, we perform water efficiency projects in plants. Thanks to projects realized in our plants, we reduced our average water withdrawal per product in production by 48% in 2018 compared to 2012. We collaborate with our suppliers and universities to benefit from their expertise in our projects. In 2018, 11,345 m<sup>3</sup> water as wastewater resulting from the functional test system available in assembly lines and a total of 88,425 m<sup>3</sup> water were recycled and reused in Çayirova Washing Machine Plant. Water was reused in salt box station conducted in Ankara Dishwasher Plant; conditioned water requirement was reduced in dyeing and auxiliary plants to achieve 12,557 m<sup>3</sup> water saving. 7,409 m<sup>3</sup> of water was recycled in Bolu Cooking Appliances Plant through domestic and industrial wastewater recycling studies, 5,530 m<sup>3</sup> of water was recycled in Çerkezköy Tumble Dryer Plant thanks to water</p>



			<p>saving studies. 16,875 m3 of water was recycled in Eskişehir Refrigerator Plant through minimizing the use of chemicals with the automatic measurement of pH and conductivity; and a total of 50,000 m3 water was saved in dyeing plants.</p>
Financial planning	Yes, water-related issues are integrated	11-15	<p>Arçelik's global strategic plan process includes estimated budgets for realizing business plans &amp; targets. To reach Arçelik's closed loop cycle long term business objective, the following actions are defined and they are integrated to financial planning process: -Improving water measuring infrastructure of plants -Provide an appropriate water measuring system of the new construction projects - Realizing of water efficiency projects for major/prioritized withdrawal points -Water data verification -Rain water &amp; wastewater recycling project studies (feasibility &amp; investment) -Water efficiency projects (feasibility &amp; investment)</p> <p>Arçelik's long term business objective is becoming "closed loop cycle" in production by 2030. This period is selected to complete following processes: set up a substructure for the improvement of the water measuring system; doing wastewater recycling feasibility studies and determining of the design; taking of the investment decision and the initiation of the investment; trial production and finally transition to serial production. For this purpose, we collaborate with International Finance Corporation(IFC) to evaluate the water efficiency of our production plants. In the project, the efficiency of water consumption in each process is evaluated and benchmarked against global competitors. Also, the amount of investment required to increase water efficiency in production is determined by IFC.</p>

## W7.2

**(W7.2) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?**

Row 1

**Water-related CAPEX (+/- % change)**

0

**Anticipated forward trend for CAPEX (+/- % change)**

0

**Water-related OPEX (+/- %change)**

0

**Anticipated forward trend for OPEX (+/- % change)**

0

**Please explain**

Arçelik has operational and capital expenditures related to water, however capital and operational expenditures specific to water are not listed separately from other environmental capital expenditures.

**W7.3****(W7.3) Does your organization use climate-related scenario analysis to inform its business strategy?**

	Use of climate-related scenario analysis	Comment
Row 1	Yes	Arçelik uses climate-related scenario analysis to inform business strategy on water issues.

**W7.3a****(W7.3a) Has your organization identified any water-related outcomes from your climate-related scenario analysis?**

Yes

**W7.3b****(W7.3b) What water-related outcomes were identified from the use of climate-related scenario analysis, and what was your organization's response?**

	Climate-related scenarios and models applied	Description of possible water-related outcomes	Company response to possible water-related outcomes
Row 1	Other, please specify A2 scenario of IPCC	Based on different scenarios, climate scientists estimate temperature increases 1.5-4.5oC by the end of the this century. Turkey is one of the countries that affected by the climate	According to Turkey's scenario analysis, it seems that there will be substantial reductions in the southern basins, while little or no changes in the northern basins occur. Although Arçelik's Turkey plants are located in northern basins, Arçelik take actions on reducing its dependency on water. Arçelik's long term strategy is becoming "closed loop cycle" in production. And Arçelik's 2020 target is to decrease water withdrawal per product in production 52% compared to 2012 base year. In line with its

	<p>change(CC).Arçelik considers CC to sustain its activities and use climate scenario analysis to assess the impacts.Arçelik uses A2 scenario of IPCC.Assessment of CC impact studies for Turkey are generally based on A2 scenario and that's why we select it.Turkey's future climate analysis based on CMIP3 simulation that was used in the IPCC 4.Assessment Report.The projection involves the simulation of the ECHAM5 General Circulation Model.CC projections indicate that the precipitation Turkey receives will decrease in the future,which will result in a reduction in water resources,hence the amount of useable water.Based on a pessimistic scenario(A2),the model projections indicate that there will be 16% and 27% reductions in water potentials in Turkey by 2050 and 2075. If we consider these numbers instead</p>	<p>targets, Arçelik plants realize water efficiency studies. Examples of water efficiency studies: 11,345 m3 water as wastewater resulting from the functional test system available in assembly lines and a total of 88,425 m3 water were recycled and reused in Çayırova Washing Machine Plant. Water was reused in salt box station conducted in Ankara Dishwasher Plant;conditioned water requirement was reduced in dyeing and auxiliary plants to achieve 12,557 m3 water saving.7,409 m3 of water was recycled in Bolu Cooking Appliances Plant through domestic and industrial wastewater recycling studies,5,530 m3 of water was recycled in Çerkezköy Tumble Dryer Plant thanks to water saving studies.16,875 m3 of water was recycled in Eskişehir Refrigerator Plant through minimizing the use of chemicals with the automatic measurement of pH and conductivity; and a total of 50,000 m3 water was saved through efficiency projects in dyeing plants.</p>
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		<p>of assuming constant usable water through the present century, Turkey will have 1000 m3 water per capita in 2050 and 915 m3 in 2075. This will place us in the category of water scarce countries. According to analysis, it seems there will be substantial reductions in the southern basins, while little or no changes in northern basins occur. (Turkey's CC projections mentioned in this section are quoted from A Holistic View of Climate Change and Its Impacts In Turkey Report prepared by Istanbul Policy Center.)</p>	
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## W7.4

### (W7.4) Does your company use an internal price on water?

#### Row 1

#### Does your company use an internal price on water?

Yes

#### Please explain

Arçelik uses different internal water prices (IWP) for each plant. To calculate IWPs, water stress was determined by using Aqueduct tool in current condition for Arçelik plants. Then, water stress was modelled for 2020, 2030 and 2040 years in 3 different cases (business as usual, optimistic & pessimistic). For the determination of water stress impact on watershed due to water consumption, internal water prices (IWP) were assumed between 0.2-1.0 TL/m<sup>3</sup> for well water and 0.1-0.5 TL/m<sup>3</sup> for municipal water depending on water stress score (1-5 point). Then, IWP was added to water bills paid

monthly. Then, directly and indirectly water and wastewater prices were added. Total unit prices including IWP of our plants change between 2-16 TL/m<sup>3</sup>.

## W8. Targets

### W8.1

**(W8.1) Describe your approach to setting and monitoring water-related targets and/or goals.**

	Levels for targets and/or goals	Monitoring at corporate level	Approach to setting and monitoring targets and/or goals
Row 1	Company-wide targets and goals Site/facility specific targets and/or goals Country level targets and/or goals	Targets are monitored at the corporate level Goals are monitored at the corporate level	Arçelik Sustainability Council (SC) is responsible for setting targets/goals both company, facility and country level in line with business R&O and business strategy. At first stage the total company level targets and goals identified by SC and they are distributed to facilities /countries. Environmental Coordination Working Group (WG) is responsible to integrate water efficiency efforts and ensures that all efforts comply to Arçelik's goals&targets. This WG collects and reports to the Sustainability Council(SC). Sustainability Council including CFO, meets and monitors the progress on water targets and discuss company's water strategy, major plans&action, business plans, performance objectives for the next year plan.

### W8.1a

**(W8.1a) Provide details of your water targets that are monitored at the corporate level, and the progress made.**

**Target reference number**

Target 1

**Category of target**

Water withdrawals

**Level**

Company-wide

**Primary motivation**

Commitment to the UN Sustainable Development Goals

**Description of target**

In the scope of Sustainability Targets; Arçelik 's water reduction target is to decrease water withdrawal per product (m3/eq. product) in production by 52% compared to 2012 base year until 2020. In 2017, our 2020 water target was to reduce water withdrawal per product in production by 38%. In 2018, water withdrawal per product was reduced by 48% and the target for 2020 has been reached. Because of this, we updated our 2020 water target to 52%, and South Africa Plants were also included in the target.

**Quantitative metric**

% reduction per product

**Baseline year**

2012

**Start year**

2016

**Target year**

2020

**% of target achieved**

92

**Please explain**

Thanks to water efficiency projects realized in our plants, in 2018, we reduced our average water withdrawal per product 48% (incl. Turkey, China, Romania, Russia, South Africa) compared to 2012. In 2017, our 2020 water target was to reduce water withdrawal per product in production by 38%. In 2018, water withdrawal per product was reduced by 48% and the target for 2020 has been reached. Because of this, we updated our 2020 water target to 52%, and South Africa Plants were also included in the target.

## W8.1b

**(W8.1b) Provide details of your water goal(s) that are monitored at the corporate level and the progress made.**

**Goal**

Other, please specify  
 Environmental awareness trainings

**Level**

Company-wide

**Motivation**

Shared value

**Description of goal**

Our goal is; carrying out environmental awareness raising activities for the purpose of generalizing environmental awareness (including water efficiency) in 2018. Employee

awareness is the first step of the companies' water reduction activities. Carrying out environmental awareness training which includes water management, water reduction & recycling and water efficiency issues to employees can support them to minimize operational and domestic environmental impacts.

**Baseline year**

2016

**Start year**

2016

**End year**

2019

**Progress**

We are preparing an awareness training plan for each year, and we are monitoring the progress in a monthly period.

In 2016, we have achieved our training target for our employees. A total of 12,688 person\*hour of environmental training has been given to 6575 employees. In 2017, in this scope, 6,670 employees in Turkey operations were offered a total of 12,682 person\*hour, and 325 subcontractor employees a total of 432 person\*hour of environmental training. In 2018, 4,436 employees in Turkey operations were offered a total of 7,628 person\*hour, and 849 subcontractor employees a total of 1,156 person\*hour of environmental training.

**Goal**

Other, please specify  
 Water withdrawal

**Level**

Company-wide

**Motivation**

Commitment to the UN Sustainable Development Goals

**Description of goal**

In scope of Sustainability Targets; Arçelik 's water reduction target is to decrease water withdrawal.

**Baseline year**

2016

**Start year**

2017

**End year**

2019

### Progress

Water withdrawal was 1,305.85 megaliters in 2016. In 2017, the water withdrawal decreases 11% compared to 2016.

In 2018, the water withdrawal decreases 28% compared to 2016 thanks to water efficiency studies realized in plants.

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### Goal

Other, please specify

Flowmeter change

### Level

Company-wide

### Motivation

Risk mitigation

### Description of goal

100% of Arçelik production facilities' water usage is already monitored and measured by both digital and mechanical flowmeters. Arçelik mostly uses digital flowmeters. Thus, Arçelik aims to change the mechanical flowmeters used in some processes to digital flowmeters.

### Baseline year

2017

### Start year

2017

### End year

2020

### Progress

Mechanical flowmeters will be changed to digital flowmeters.

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### Goal

Other, please specify

Supplier engagement

### Level

Business activity

### Motivation

Commitment to the UN Sustainable Development Goals

### Description of goal



Arçelik aims to increase in proportion of suppliers engaged.

### Baseline year

2018

### Start year

2018

### End year

2020

### Progress

As per our Global Responsible Purchasing Policy, we audit our suppliers in terms of compliance with the Code of Conduct.

Audits check whether our suppliers comply with Arçelik's expectations in areas including compliance with laws, working conditions, human rights, occupational health and safety, and the environment (including water management).

Arçelik Sustainable Supplier Index" is aimed to identify high risk suppliers in terms of sustainability. The assessment survey is sent to critical suppliers that are determined according to Kraljic Methodology and the suppliers within the 80% volume in Arçelik annual procurement volume. Risk levels of the suppliers are determined as high, medium, acceptable, good and excellent. An action plan is requested from the suppliers in High Risk and Medium Risk categories and business ethics audits are planned for these suppliers. The contract is cancelled with the suppliers whose audit result is not found to be suitable. Suppliers at "excellent" category are included in the awarding process and evaluated for the ArGreen certification process which is an evaluation process to certify best performing suppliers.

## W9. Verification

### W9.1

**(W9.1) Do you verify any other water information reported in your CDP disclosure (not already covered by W5.1a)?**

Yes

 Arcelik\_AA1000\_Verification\_Report\_2019.pdf

 Arcelik\_AA1000\_Verification\_Report\_2018.pdf

### W9.1a

**(W9.1a) Which data points within your CDP disclosure have been verified, and which standards were used?**

Disclosure module	Data verified	Verification standard	Please explain
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W1 Current state	Arçelik's total water withdrawal 2018 data reported in Arçelik Sustainability Report 2018 is verified in accordance with AA1000AS as follows: Municipal water :572367 m3 Well water: 376488 m3 Rain water: 455 m3 Total:949387 m3	AA1000AS	Water withdrawal (m3) data which is shared in Arçelik Sustainability Report 2018 and verified according to AA1000AS standard includes water withdrawals of production plants and headquarter. However, in the "W1.Current state" section, we only share water withdrawal data of our production plants.

## W10. Sign off

### W-FI

(W-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

### W10.1

(W10.1) Provide details for the person that has signed off (approved) your CDP water response.

	Job title	Corresponding job category
Row 1	Chief Financial Officer (CFO)	Chief Financial Officer (CFO)

### W10.2

(W10.2) Please indicate whether your organization agrees for CDP to transfer your publicly disclosed data on your impact and risk response strategies to the CEO Water Mandate's Water Action Hub [applies only to W2.1a (response to impacts), W4.2 and W4.2a (response to risks)].

No

## Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
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I am submitting my response	Investors	Public
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**Please confirm below**