

Arçelik

GREEN BOND ALLOCATION & IMPACT REPORT

20
22

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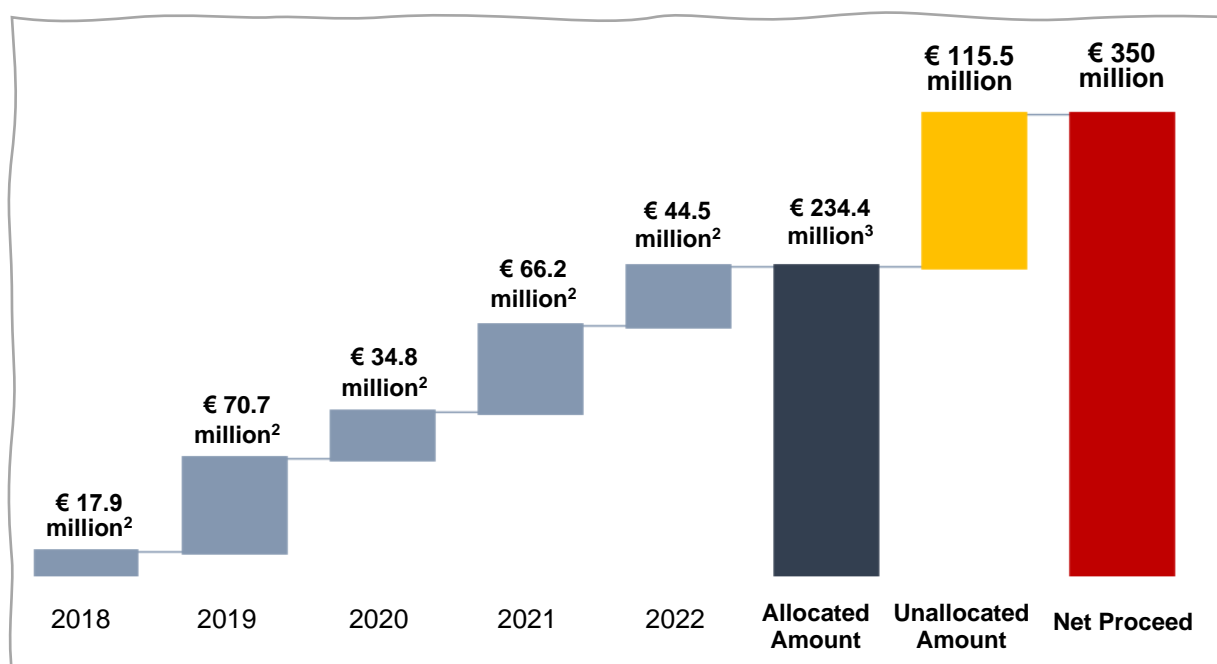
Executive Summary

This report provides disclosure on the allocation and impact of the proceeds of Arçelik's € 350 million Green Bond issuance that took place in May 2021 and used to finance its specific eligible green projects. Arçelik's green bond issuance is designed to support projects from different countries of operation that can help climate-friendly transformation such as energy and water efficiency, circular economy, preventing pollution and wastewater, supporting renewable energy, and increasing the number of eco-friendly products. In accordance with Arçelik's Green Bond Framework, the second allocation of € 44,578,985¹ took place in 2022 and the first allocation of € 189,844,582² during the fiscal years between 2018-2021 from Green Bond proceeds.

In 2022, allocated amount represented **125** projects; **44** of those were under the category of energy efficient products, **24** eco-efficient and/or circular economy adapted products, **27** energy efficiency in production, **10** pollution prevention and control, **10** sustainable water and wastewater management, **9** renewable energy and **1** green building.

This **Green Bond Allocation and Impact Report** is designed to prove Arçelik's current and future aspiration for environmental sustainability to maintain company's climate stewardship position with this green bond issuance.

Eligible Project Categories	Allocation Amount in 2022 (EUR)	%
Energy Efficient Product	19.4 million ¹	43.6%
Energy efficiency in production	12 million ¹	27.1%
Eco-efficient and/or circular economy adapted products	7.3 million ¹	16.4%
Renewable energy	4.3 million ¹	9.7%
Pollution prevention and control	1 million ¹	2.3%
Green building	0.28 million ¹	0.6%
Sustainable water and wastewater management	0.11 million ¹	0.2%



This graph shows the years the funds were spent between 2018-2022.

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

² Amounts were verified by PwC, please refer to [Arçelik Allocation and Impact Report 2018-2021](#).

³ Total Allocated Amounts have calculated by summing 2018-2021 Allocation Amounts mentioned in the our first reporting with 2022 Allocation Amounts mentioned in this reporting

Introduction

Arçelik at a Glance

Arçelik is a multinational household appliances manufacturer. With over 40,000 employees throughout the world, Arçelik's global operations including sales and marketing offices in 52 countries, and 30 production facilities in 9 countries with 13 brands (Arçelik, Beko, Grundig, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Altus, Dawlance, Voltas Beko and Stinol). As Europe's second-largest white goods company by market share (based on volumes), Arçelik reached a consolidated turnover of more than EUR 7.7 billion in 2022. Arçelik's 29 R&D and Design Centers & Offices across the globe, are home to over 2,300 researchers and hold more than 3,000 international patent applications to date.

Sustainability at Arçelik

In line with its vision, 'Respecting the World, Respected Worldwide', Arçelik puts sustainability at the center of its business and incorporates it as part of its growth strategy, focusing on creating shared value that nurtures natural, social and financial capital. Within the framework of Arçelik's sustainability approach 'In Touch Technology', it focuses on being in Touch with Planet, In Touch with Human Needs and In Touch with Business. Arçelik believes that it must go beyond its current habits and behavior models, the way it thinks now, and everything that is thought to be impossible today. Arçelik designs, builds and lives the future, today. Arçelik designs technologies that will improve the future.

Strategic Pillars



Arçelik is consistently ranked highly for its ongoing efforts to promote sustainability by the world's leading ESG indices and evaluation institutions.

Some of the highlighted achievements are listed below.

S&P Dow Jones Sustainability Index

By reaching 87 (out of 100) in the 2022 S&P Global Corporate Sustainability Assessment, Arçelik achieves **the highest score** for the 4th time in a row out of 46 companies assessed in the DHP Household Durables Industry (Score date: December 16, 2022, DJSI Emerging Markets).

Corporate Knights, Global 100 Index

Arçelik has been recognized in the Corporate Knights' 2023 Global 100 Index for the third consecutive year.

CDP

Arçelik has been recognized for leadership in corporate transparency and performance on Water Security with an A score and Climate Change with an A- score by the global environmental non-profit CDP in 2022.

WEF Global Lighthouse and Sustainable Lighthouse Networks

Our Ulmi Plant in Romania and Eskişehir Plant in Türkiye have been listed in the "WEF Global Lighthouse Network" for the successful adoption of Fourth Industrial Revolution (4IR) technologies to enhance productivity and performance.

Sustainable Markets Initiatives, 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. The Terra Carta Seal was given to only 45 companies and Arçelik is the first and only company from our industry to be appointed a Terra Carta Seal Holder.

For more information on sustainability strategy, please visit [Arçelik Sustainability Report 2022](#).

Arçelik's Green Bond Framework

In May 2021, after several days of roadshows presenting its framework, Arçelik has issued a green bond with a nominal value of EUR 350 million with a five-year maturity and coupon rate 3.00%, which stands out as Turkey's first-ever corporate green bond issued in international markets.

Arçelik's green bond issuance is designed to support projects from different countries of operation that can help climate friendly transformation such as energy and water efficiency, circular economy, preventing pollution and wastewater, supporting renewable energy, and increasing the number of eco-friendly products.

The main terms of the relevant bond are as follows:

Issuer	Arçelik
Amount	€ 350,000,000
Issue Date	27 May 2021
Maturity Date	27 May 2026
Coupon	3.00%
Second Party Opinion	Sustainalytics

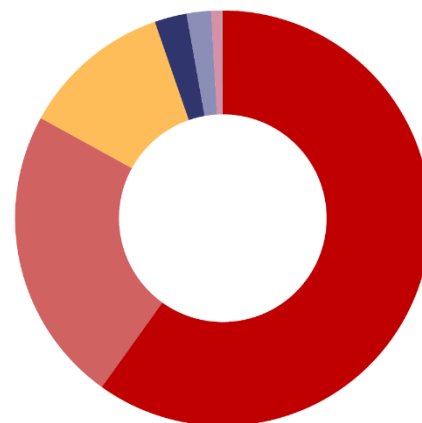
According to Arçelik's Green Bond Framework, proceeds used under seven eligible green categories that are described below.

Categories	General description of projects	UN SDGs
Energy-efficient products	The development and production of energy efficient product	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES
Eco-efficient and/or circular economy adapted products	The development and production of products that provide resource efficiency benefits such as increased recycled content ratio, durability/longevity, decreased water consumption, waste generation, raw material consumption	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES
Renewable energy	Installation of solar energy systems, as well as procurement of electricity from renewable sources	7 AFFORDABLE AND CLEAN ENERGY
Energy-efficiency in production	The energy efficiency improvements in Arçelik's operations	7 AFFORDABLE AND CLEAN ENERGY
Green buildings	Investments in operations that meet regional, national or internationally recognized standards such as LEED	7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Sustainable water and wastewater management	Investments in water recovery systems, rainwater treatment as well as water consumption reduction projects	6 CLEAN WATER AND SANITATION
Pollution prevention and control	Investments in material/waste prevention, material/waste reduction, waste recycling	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The first allocation of Arçelik's Green Bond was € 189 million during the fiscal years between 2018-2021. In 2022, Arçelik had allocated € 44,578,985¹ to projects that were approved in the green bond eligible projects. This amount is equal to **125** projects; **44** of those were under the category of energy efficient products, **24** eco-efficient and/or circular economy adapted products, **27** energy efficiency in production, **10** pollution prevention and control, **10** sustainable water and wastewater management, **9** renewable energy and **1** green building.

As of 31 December 2022, Arçelik had allocated € 234,423,567³ to 510 of eligible green projects. Unallocated amount is € 115,576,433.

Eligible Project Categories	Allocated amounts between 2018-2022 (EUR)	% of total allocated amounts
Energy Efficient Products	140,406,835 ³	59.9%
Eco-efficient and/or Circular Economy Adapted Products	54,165,949 ³	23.1%
Energy Efficiency- Production	27,402,320 ³	11.7%
Renewable Energy	5,925,304 ³	2.5%
Pollution Prevention and Control	4,403,412 ³	1.9%
Sustainable Water and Wastewater Management	1,831,883 ³	0.8%
Green Buildings	287,865 ³	0.1%
	234,423,567³	



Energy Efficient Products

Arçelik has approved Science Based Targets (SBTs) for a well-below 2-degree scenario to reduce scope 1,2 and 3 GHG emissions.

In line with the approved SBTs, Arçelik is committed to reduce the scope 3 GHG emissions from the use phase of sold products by 15% by 2030 from a 2018 base year.

Arçelik has also committed to the Science Based Targets Initiative to become a Net Zero Company as of 2050 in line with the the Science Based Targets Net Zero Standard. This means that Arçelik will set even more ambitious near term and long- term Science Based Targets in line with a 1.5°C scenario.

Energy efficient products are the key sources for Arçelik to decrease company's Scope 3 emissions that account for 98% of its total emissions. Among the Scope 3 emissions, the largest part (80%) is the emissions originating from the use phase of the products. In that regard, Arçelik supports both company's low carbon transition and consumers' well-being by providing financial savings via more energy efficient products. In 2022, 51.4% of Arçelik's turnover was from the energy-efficient products.

Proceeds from the Green Bond have been used to finance the development and production of 44 energy efficient product projects for refrigerators, washing machines, tumble dryers, dishwashers, consumer electronics, and compressors in different countries where we operate.

Some examples of these projects are listed below.

Dishwashers with Heat Pump Technology; The dishwasher uses up to 10% less energy than A energy class limit, by using our innovative heat pump technology efficiently heats cleaning water throughout the entire washing cycle. The dishes are washed with optimum heat efficiency by providing heat to be reused in the system in a closed loop and dried with natural air flow by automatic door opening once the cycle is complete.

Tumble Dryers with Heat Pump Technology; The Tumble Dryer consumes up to 72% less energy* than standard condenser dryers with an energy efficient heat exchange system. Thanks to heat pump technology, the lower air temperature inside the dryer helps your clothes to dry gently, besides natural resources are used wisely. *Compared with condenser tumble dryers which are B energy class.

Refrigerators; The most energy efficient refrigerators are available in 60 cm Combi EVO models with B energy class. 60 cm No Frost Combi Refrigerators consume 59% less energy compared to refrigerators with F energy class.

Energy Efficient Products		
Allocated Amount in 2022		
Capital Expenditure (CapEx)		17,942,364 ¹
Operating Expenditure (OpEx)	EUR	1,506,349 ¹
	Total	19,448,713¹
Total share of green proceeds	%	100
Impact in 2022⁴		
Total avoided emissions with the Scope 3 use phase of sold products	tonnes CO _{2e}	313,162

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

⁴ Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

Eco-efficient and/or Circular Economy Adapted Products

Arçelik innovates products to reach a closed circular economy model by increasing products' recyclability rates, reducing material consumption, increasing the usage of recycled content in products and their packaging, and by properly managing the end-of-life processes including take-back and recycling. In parallel with that, Arçelik has target to increase recycled plastic content in its products to 40%, bio-based material content to 5% by 2030 and standardize Arçelik Green Chemistry Management System in its products and production globally by 2030. Arçelik R&D teams put huge efforts to meet these targets in its product development stage.

Proceeds from the Green Bond have been used to finance the development and production of 24 product projects that reduce environmental footprint. These eligible green projects include increasing recycled plastic and bio-based material content of product as well as product packaging, reducing material consumption, increasing durability features for major domestic appliances (MDA) and small domestic appliances (SDA) categories.

Some examples of these projects are listed below.

- **Recycled Plastic:** It includes R&D and production studies within the scope of increasing the use of recycled plastics in products such as recycled plastic bottles in washing machines and washer-dryer tubs as well as parts of tumble dryers and dishwashers, oven parts made from waste fishnets or industrial thread, recycled plastic usage in televisions back cover and vacuum cleaners' parts.
- **Bio-based material:** It includes R&D and production studies within the scope of increasing the use of recycled plastics in products such as refrigerators' parts made from bio composite raw materials that contain organic material in Turkey and Thailand operations.
- **Sustainable Packaging:** It includes R&D and production studies within the scope of replacing packaging materials with sustainable materials such as recycled cardboard, expanded polystyrene (EPS) free, recycled pet strip transition studies.
- **Material Reduction:** It includes R&D and production studies within the scope of reduce material reduction for dishwashers, tumble dryers and cooking appliances.

Eco-efficient and/or Circular Economy Adapted Products			
Allocated Amount in 2022			
Capital Expenditure (CapEx)			6,517,929 ¹
Operating Expenditure (OpEx)	EUR		806,672 ¹
	Total		7,324,601¹
Total share of green proceeds		%	100
Impact in 2022⁴			
Amount of material reduced			1,259
Amount of recycled plastic		tonnes	13,018
Amount of recycled packaging			1,266
Total avoided emissions by material reduction, recycled plastic and packaging usage		tonnes CO ₂ e	22,089

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

⁴ Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

Energy Efficiency in Production

As part of Arcelik's approved Science Based Targets (SBTs) for a well-below 2-degree scenario, the company is committed to reducescope 1 and scope 2 GHG emissions by 30% by 2030 from a 2018 base year. Arçelik also works ambitiously towards becoming a Net Zero Company as of 2050 in line with the Science Based Targets Net Zero Standard in line with a 1.5°C scenario.

Towards these emission reduction targets, Arçelik has a target to reduce energy consumption per product by 45% in all manufacturing plants by 2030 from 2015 base year.

In line with these ambition targets, Arçelik focus on investing more in energy-efficiency projects across its value chain to reduce GHG emissions and minimize the environmental impacts of production processes.

Proceeds from the Green Bond have been used to finance 27 energy efficiency projects in Arçelik's operations. These eligible green projects include only reducing its scope 2 emissions which come from electricity consumption. Fossil fuels consumption are not included in these project list within Second Party Opinion.

Some examples of these projects are energy efficient in production lines, energy efficient motor transition, insulation and process optimization in compressed air, heating, ventilation, and air conditioning systems and lighting systems in operations.

Energy Efficiency in Production		
Allocated Amount in 2022		
Capital Expenditure (CapEx)		12,059,028 ¹
Operating Expenditure (OpEx)	EUR	3,464 ¹
	Total	12,062,492¹
Total share of green proceeds	%	100
Impact in 2022⁴		
Amount of energy savings	MWh	2,865
Total avoided emissions by these projects	tonnes CO ₂ e	1,503

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

⁴ Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

Pollution Prevention and Control

Arçelik works towards using resources more efficiently, preventing and reducing waste resulting from the company's operations and improves the effectiveness of separating waste as its source.

Proceeds from the Green Bond have been used to finance 10 pollution prevention and control projects in Arçelik's operations. These eligible green projects include increasing waste reduction rate or recycling and process improvement studies to increase the annual savings of relevant resource amounts.

Eligible green projects are related to reducing packaging waste and the use of plastics and metal materials in global operations.

Pollution Prevention and Control			
Allocated Amount in 2022			
Capital Expenditure (CapEx)			968,507 ¹
Operating Expenditure (OpEx)		EUR	37,849 ¹
	Total		1,006,356¹
Total share of green proceeds		%	100
Impact in 2022⁴			
Amount of waste prevented		tonnes	463
Total avoided emissions by these projects		tonnes CO ₂ e	451

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

⁴ Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

Sustainable Water and Wastewater Management

The efficient use of water resources is one of the most significant components for Arçelik's business value since Arçelik is also under the risk of water stress. According to the S&P Trucost, WRI Aqueduct and Arçelik internal expertise mutual methodology, Arçelik's main physical risk item is water stress. Türkiye and Pakistan factories are prone to extremely high water stress risk based on the WRI Aqueduct Water Risk Atlas. Arçelik's suppliers' main physical risks are related to water stress as well. For this reason, Arçelik aims to increase water efficiency and reuse that contribute to protecting rapidly depleting freshwater resources.

Arçelik has a target to reduce water withdrawal in production to 45% per product produced by 2030. Arçelik also aims to increase the water recycling ratio to 70% in all production plants by 2030 aiming to achieve closed loop water system in production.

To decrease our water withdrawal in all Arçelik manufacturing plants, Arçelik performs water efficiency, water recycling and reuse projects. In the first quarter of 2022, Arçelik had become one of the 200+ companies that have signed the CEO Water Mandate which is a UN Global Compact Initiative commitment platform for business leaders and learners to advance water stewardship by committing to take actions in the areas of direct operations, supply chain and watershed management, collective action, public policy, community engagement and transparency

Proceeds from the Green Bond have been used to finance 10 sustainable water and wastewater management projects in Arçelik's operations. These eligible green projects include water efficiency and rainwater harvesting projects

Eligible green projects are listed below.

- Water efficiency project in Pakistan operation
- Water efficiency and rainwater harvesting projects in Tumble Dryer, Cooking Appliances and Dishwasher factories located in Türkiye

Sustainable Water and Wastewater Management			
Allocated Amount in 2022			
Capital Expenditure (CapEx)			110,032 ¹
Operating Expenditure (OpEx)	EUR		-
	Total		110,032¹
Total share of green proceeds		%	100
Impact in 2022⁴			
Amount of water saved		m ³	120 ⁵
Amount of rainwater harvested			N/A ⁵

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

⁴ Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

⁵ The KPI of the water efficiency project in Pakistan has been calculated. Since the installation of the water efficiency and rainwater harvesting projects in Türkiye has not been completed yet, its environmental impact is not calculated in this financial year

Renewable Energy

Since the benefits of renewable energy technologies are inevitable especially to improve sustainable production processes, Arçelik has various targets and projects related to renewable energy to decrease the company's GHG emissions and to support the transition to low-carbon business models. With this approach, Arçelik has a target to procure 100% green electricity usage in global manufacturing operations and establish renewable energy systems with 50 MW capacity by 2030.

Proceeds from the Green Bond have been used to finance 9 renewable energy projects which is solar PV installations at Arçelik's factories in Türkiye, Thailand and Pakistan. A capacity of 6.95 MW solar plant was established. Investment of 2 eligible green projects will continue.

Renewable Energy		
Allocated Amount in 2022		
Capital Expenditure (CapEx)		4,330,090 ¹
Operating Expenditure (OpEx)	EUR	8,837 ¹
	Total	4,338,927¹
Total share of green proceeds	%	100
Impact in 2022⁴		
Amount of renewable energy generation	MWh	980
Amount of purchased green electricity		251,426
Total amount of avoided emissions by renewable energy generation and purchased green electricity	tonnes CO ₂ e	98,007

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

⁴ Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

Green Buildings

As a part of its efforts in improving energy efficiency in its production processes, Arçelik is also investing in new, energy efficient buildings.

Arçelik's first ever factory built in accordance with the concept and the principles of Industry 4.0. began production in 2019. The factory, Arçelik's Washing Machine Plant in Romania, was built as a low-cost building with renewable energy usage, internal air quality control, material selection, and energy and water savings, and was awarded the Platinum Certificate, which is the highest level in the LEED green building rating system.

Proceeds from the Green Bond have been used to finance one green building project in Bangladesh. The eligible green project includes new manufacturing plant with LEED Gold Certificate.

The construction of this plant started in October 2022 and will be built according to the gold standards of LEED. The factory has been designed to maximize the use of natural daylight with the skylight roof surfaces for sustainable energy management. It will account for 50% energy saving compared to an average factory. The solar panels on the roof of the factory will prevent up to 60% of carbon emissions. Rainwater will also be harvested and stored to be used in the plumbing as well as for landscaping irrigation. Energy monitoring systems will be used for sustainability and quality targets. Local, and recycled building materials will be used during construction.

Green Buildings		
Allocated Amount in 2022		
Capital Expenditure (CapEx)		287,865 ¹
Operating Expenditure (OpEx)	EUR	-
	Total	287,865¹
Total share of green proceeds	%	100
Impact in 2022⁴		
		N/A ⁶

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

⁴ Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

⁶ Since the construction of the factory has not been completed yet, its environmental impact is not calculated in this financial year.

Arçelik Green Bond Issuance Consolidated Tables – Allocation

Categories	Capital Expenditure in 2022 (EUR)	Operating Expenditure in 2022 (EUR)	Total
Energy Efficient Products	17,942,364 ¹	1,506,349 ¹	19,448,713 ¹
Energy Efficiency- Production	12,059,028 ¹	3,464 ¹	12,062,492 ¹
Eco Efficient and or Circular Economy Adopted Products	6,517,929 ¹	806,672 ¹	7,324,601 ¹
Renewable Energy-Production	4,330,090 ¹	8,837 ¹	4,338,927 ¹
Pollution Prevention and Control	968,507 ¹	37,849 ¹	1,006,356 ¹
Green Buildings	287,865 ¹	-	287,865 ¹
Sustainable Water and Wastewater Management	110,032 ¹	-	110,032 ¹
Grand Total	42,215,815¹	2,363,170¹	44,578,985¹

¹ Amounts are verified by PwC, please refer to Assurance Report Section on page 18.

Arçelik Green Bond Issuance Consolidated Tables – Impact

Categories	Impact Metric	Unit	2022 ⁴
Energy Efficient Products	Total avoided emissions with the Scope 3 use phase of sold products	tonnes CO ₂ e	313,162
Eco-efficient and/or Circular Economy Adapted Products	<i>Amount of material reduced</i>	tonnes	1,259
	<i>Amount of recycled plastic</i>		13,018
	<i>Amount of recycled packaging</i>		1,266
	Total avoided emissions	tonnes CO ₂ e	22,089
Energy Efficiency- Production	<i>Amount of energy savings</i>	MWh	2,865
	Total avoided emissions	tonnes CO ₂ e	1,503
Pollution Prevention and Control	<i>Amount of waste prevented</i>	tonnes	463
	Total avoided emissions	tonnes CO ₂ e	451
Sustainable Water and Wastewater Management	Amount of water saved	m ³	120
	Amount of rainwater harvested		N/A ⁵
Renewable Energy	<i>Amount of renewable energy generation</i>	MWh	980
	<i>Amount of purchased green electricity</i>		251,426
	Total amount of avoided emissions	tonnes CO ₂ e	98,007
Green Buildings	N/A ⁶	N/A ⁶	N/A ⁶

⁴ Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

⁵ The KPI of the water efficiency project in Pakistan has been calculated. Since the installation of the water efficiency and rainwater harvesting projects in Türkiye has not been completed yet, its environmental impact is not calculated in this financial year.

⁶ Since the construction of the factory has not been completed yet, its environmental impact is not calculated in this financial year.

Calculation Methodology for Impact Reporting

This section of the report provides information about how calculated the environmental impacts of the projects calculated in which green bond net proceeds were allocated. The following metrics defined by Arçelik Sustainability, Environment, Energy and Regulation Teams have been used to measure the environmental impact of the eligible projects.

Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2022 financial year.

Categories of the projects which were included in the KPI calculation:

Energy efficient products

This improvement was considered as CO₂e reduction. Annual amount of CO₂e reduction/avoidance was calculated by considering the Scope 3 formula which includes the expected life-time of the product, kWh difference between the old and new versions, the number of expected cycles during a year (if any), world electricity emission factor (0.461 kgCO₂/kWh), total quantity of the product during a year, greenhouse warming potential (GWP), if any and ton conversion to calculate the finalized GHG value.

Expected lifetime is 7 years for SDAs and 10 years for white goods in general. While making calculations, expected cycles are also considered in the multiplying formula for cooking appliances (110), washing machines (220), dishwashers (280) and TVs (1,400 hours).

Eco-efficient and circular economy adapted products

KPIs were decided by considering the products' improvement from the side of material or plastic reduction, and recycled packaging. For this reason, it was questioned the amount of plastic reduced, the amount of recycled material used in the products (i.e. recycled materials instead of virgin materials), the amount of metal reduced, and the total amount of recycled packaging practices. Some projects were questioned if there is any material reduction with the new models when compared with the old version.

The KPIs were calculated by considering the old and the new usage of materials in the products. For instance, it was considered the product's material usage before the application of the new investment in investment year and the same product's material usage after the improvement project was applied. The difference was accepted as "efficiency" and reported as material reduction impact.

Energy efficiency – Production

KPIs were decided by considering the overall improvement in energy efficiency with the projects which have been developed in manufacturing areas.

The KPIs were calculated by considering the old and new energy efficiency levels. For instance, it was considered the energy efficiency level of a factory in investment year and the new energy efficiency level after the investment was realized. The difference (kWh) was defined as "efficiency" and listed in the Impact Report.

Since energy efficiency projects are related with Scope 2 emissions, the new efficiency levels were converted into CO₂e values by using the emission factor (EF) belonging to different countries.

The emission factor for the electricity was decided based on the IEA's official EFs and shown as below:

IEA 2022 electricity emission factors (kg CO₂/kWh)

Türkiye	0.4138
Romania	0.2741
Thailand	0.4767
Pakistan	0.3959
Russia	0.3599

Sustainable water and wastewater management

KPIs were decided by considering the projects in the manufacturing areas which can provide wastewater recycling and rainwater harvesting. For this reason, main aim was to understand, if the project was able to recycle wastewater when compared with the old version or if the project was able to harvest rainwater in the new versions.

The KPIs were calculated by considering the old and new water capabilities of the specific projects. For instance, it was considered the wastewater recycling before the modernization of the system in a investment year and the new volume of wastewater recycling after the project was realized. The difference was defined as “efficiency” and listed in the Impact Report. All volumes were calculated as m³ for water-related projects.

Pollution and prevention control

KPIs were decided by considering the projects in the manufacturing areas which can provide waste or material reduction.

The KPIs were calculated by considering the old and new waste or material reduction or recycling capabilities of the specific projects. For instance, it was considered the waste amount before new transition was applied in a investment year and the new waste amount after the project was completed. The difference was defined as “efficiency” and listed in the Allocation and Impact Report. All volumes were calculated as tons.

Renewable energy

This sub-category’s KPIs were decided by considering the renewable energy projects (Solar PV investments) which were planned in different locations as well as purchased green electricity. The main aim was to understand how much electricity was produced with those new solar PV investments, how much electricity purchased from renewable energy sources and how many tons of CO₂e reduction was provided when the electricity value was converted to emission data with EF mentioned above.

Green Buildings

The construction of the factory has not been completed yet. Therefore, its environmental impact is not calculated in this financial year.



Limited Assurance Report To Board of Directors of Arçelik A.Ş.

We have been engaged by the Board of Directors of Arçelik A.Ş. (“Arçelik A.Ş.” or “Company”) to perform an independent limited assurance engagement in respect of the Selected Allocation Report Information (“Selected Information”) stated in Arçelik A.Ş. Green Bond Allocation and Impact Report 2022 (the “Allocation and Impact Report 2022”) for the year ended 31 December 2022 and listed below.

Selected Information

The scope of the Selected Information for the year ended 31 December 2022, which is subject to our independent limited assurance work, set out in the Allocation and Impact Report 2022 on pages of 3, 6, 7, 8, 9, 10, 11, 12, 13, 14 and the scope of indicators marked with (“**”) for the year ended 31 December 2022 is summarised below:

- Energy Efficient Products
- Eco Efficient and/or Circular Economy Adapted Products
- Energy Efficiency in Production
- Pollution Prevention and Control
- Sustainable Water and Wastewater Management
- Renewable Energy
- Green Building

Our independent assurance report has been prepared only for the year ended 31 December 2022, and we have not performed any procedures with respect to any information other than Selected Information marked with an (“**”) in the Allocation and Impact Report 2022, and therefore do not express any conclusion thereon.

Criteria

While preparing Selected Information, the Company used the principles in the Allocation and Impact Report 2022- Reporting Principles (“Reporting Principles”) section on page 21, 22, 23 of the Allocation and Impact Report 2022.

The Company's Responsibility

The Company is responsible for the content of the Allocation and Impact Report 2022 and the preparation of the Selected Information in accordance with the Reporting Principles. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.



Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Principles.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Principles. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (“ISAE 3000”) issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.



Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included analysing the key processes and controls for managing and reporting the Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performed selected examples of calculation;
- performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Company and;
- undertook analytical procedures over the reported data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Selected Information for the year ended 31 December 2022, is not properly prepared, in all material respects, in accordance with the Reporting Principles.

Restriction of Use

This report, including the conclusion, has been prepared for the Directors of the Arçelik A.Ş. as a body, to assist the Directors in reporting Arçelik A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the Allocation and Impact Report 2022 for the year ended 31 December 2022, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Arçelik A.Ş. as a body and Arçelik A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Sertu Tali, SMMM
Partner

İstanbul, 15 June 2023

Appendix 1: Arçelik Allocation and Impact Report 2022 - Reporting Principles

About This Report

This document provides information on the data preparation and reporting methodologies of indicators within the scope of the limited assurance in the Arçelik A.Ş. (“Company”) Arçelik A.Ş. Green Bond Allocation and Impact Report 2022 (“the “Allocation and Impact Report 2022”) The calculations presented in the report were carried out on the basis of the Company’s internally developed methodology. The indicators of green bond allocation include the total amount of investment costs allocated to defined project categories.

The data included in this document covers the 1 January 2022-31 December 2022 and the relevant Turkey and Global operations of the Company.

Arçelik issued the first-ever international corporate green bond in Turkey with €350 million-and 5-year maturity (maturity date: 26 May 2026). Arçelik A.Ş.’s green bond issuance was designed to collect projects from different countries that can help climate friendly transformation such as energy and water efficiency, circular economy, preventing pollution and wastewater, supporting renewable energy, and increasing the number of eco-friendly products.

General Reporting Principles

In preparing this guidance document, consideration has been given to following principles:

- Information Preparation - to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information Reporting - to highlight the primary principles of comparability / consistency with other data including prior year and understandability / transparency providing clarity to users.

Scope of Reporting

Arçelik’s 5-year green bond integrates projects from different countries and facilities which can support transformation to low carbon products and production activities. According to Arçelik A.Ş. Green Financing Framework 2021 for the related green bond issuance, the eligible green projects are listed as:

Categories	Scope
Energy efficient products	Energy efficient products are the key sources for Arçelik to decrease the Company's Scope 3 emissions in parallel with two different environmental targets.
Eco-efficient and/or circular economy adapted products	As well as protection of natural resources and responsible use of raw materials are also critical components for Arçelik's products.
Energy efficiency in production	With energy-efficient production methods, Arçelik is able to save energy, reduce GHG emissions and minimize the environmental impacts of production processes.
Pollution prevention and control	Arçelik uses resources more efficiently, prevents and reduces waste resulting from the company's operations and improves the effectiveness of separating waste as its source.
Sustainable water and wastewater management	The efficient use of water resources is one of the most significant components for Arçelik's business value.
Renewable energy	Renewable energy project to decrease the company's GHG emissions and to support transition to low carbon business models.
Green building	Energy efficient building investments are expenditures related to factories warehouses or other buildings that have received or are expected to receive one of: Gold or Platinum LEED certification.

Arçelik has obtained a Second Party Opinion from Sustainalytics, an external verifier, confirming the alignment of Arçelik' Green Financing Framework with ICMA GBP and LMA GLP.

(https://www.arcelikglobal.com/media/6293/arcelik-as-green-financing-framework-second-party-opinion_1705.pdf)

Data Preparation

Arçelik set up a Green Financing Committee which is responsible for the evaluation and selection of the projects to be financed and/or refinanced through the proceeds of Green Financing Instruments. The Green Financing Committee is headed by the CFO and includes the Finance and Enterprise Risk Director, Quality, Sustainability and Corporate Affairs Director, Treasury Manager, and Sustainability Manager. If required, representatives from other business units may join on a case-by-case basis.

The Green Financing Committee verify the compliance of the selected pool of eligible projects with the eligibility criteria defined in this Framework and responsible for approving allocations of net proceeds on an annual basis. Accordingly, Green Financing Committee consolidated the amounts being allocated to following categories:

- **Energy efficient products:** It represents expenditures, supported by the invoices, related to R&D, test equipment and other developments.
- **Eco-efficient and/or circular economy adapted products:** It represents expenditures (incl. R&D and procurement of materials), supported by the invoices, related to achieving substantial environmental improvements in Arçelik's products, in areas such as packaging, material reduction, usage of recycled and biomaterials as well as chemical reduction in products.
- **Energy efficiency in production:** It represents expenditures, supported by the invoices, related to energy efficiency improvements in Arçelik's operations (incl. in warehouses, factories and administrative buildings).
- **Pollution prevention and control:** It represents expenditures (including R&D), supported by the invoices, related to waste prevention, waste reduction in production, process improvements in line with Arçelik's Near Zero Waste target, and GHG management in Arçelik's operations.
- **Sustainable water and wastewater management:** It represents expenditures (incl. R&D), supported by the invoices, related to projects that significantly increase water efficiency, water recycling and water reduction in Arçelik's production operations.
- **Renewable energy:** It represents expenditures, supported by the invoices, related to investments in establishing renewable energy systems, as well as procurement of renewable energy.
- **Green buildings:** It represents expenditures, supported by the invoices, related to buildings that have received or are expected to receive one of: Gold or Platinum LEED certification; BREEAM 'Excellent' or 'Outstanding certification; or a nationally recognized equivalent certification.

Restatements

The measuring and reporting of data inevitably involve a degree of estimation. Restatements are considered where there is a change in the data of greater than 5 percent at the Company level.

Categories	2022 Total Capital Expenditure Investment (€)
Energy Efficient Products	17,942,364
Eco-Efficient and/or Circular Economy Adapted Products	6,517,929
Energy Efficiency in Production	12,059,028
Pollution Prevention and Control	968,507
Sustainable Water and Wastewater Management	110,032
Renewable Energy	4,330,090
Green Buildings	287,865
Total	42,215,815

Categories	2022 Total Operating Expenses Investment (€)
Energy Efficient Products	1,506,349
Eco-Efficient and/or Circular Economy Adapted Products	806,672
Energy Efficiency in Production	3,464
Pollution Prevention and Control	37,849
Sustainable Water and Wastewater Management	-
Renewable Energy	8,837
Green Buildings	-
Total	2,363,171
Grand Total	44,578,985