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# Arçelik

**Arçelik's Climate  
Change Strategy**

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As Arçelik, we regard the climate crisis as a fundamental risk affecting the sustainability of our operations. As such, we conduct our operations with an awareness of our duty towards this global risk. Sustainability and combating the climate crisis are at the center of all our business strategies and activities. In line with our vision - Respecting the World, Respected Worldwide - we have adopted sustainability as our business model, and we monitor ESG risks that have major impacts on our corporate strategy.

Being one of the supporters of the Taskforce on Climate-related Financial Disclosures (TCFD), we have an integrated approach which enables us to monitor, measure and manage the ESG risks and the impact on the financials. As Arçelik, we have a solid ESG risk management structure thanks to the mutual efforts of the Sustainability and Enterprise Risk Management teams. Enterprise risk management, sustainability working groups and related business units work in collaboration while identifying and assessing the risks of climate change and other ESG issues in line with our strategy and targets. Risks such as destructive natural events caused by rising temperatures, additional costs such as taxes on carbon and GHG emissions like the EU ETS mechanism, and regulatory changes like EU's Carbon Border Adjustment Mechanism (CBAM), increase in voluntary carbon credit prices and shifting customer demand to more energy efficient products are embedded into the risk management system and mitigation actions are incorporated into business processes. Arçelik has also received a third-party service to apply a physical and transition risk scenario analysis to identify the long-term potential impacts of the climate crisis. We publicly disclose our climate related risks and opportunities related to the transition to a low carbon economy in terms of the, physical and transition (policy, market, reputation, and technology) risks. The outcome of the analysis is embedded in the Enterprise Risk Management system's financial risks reporting structure.

The Board of Directors (BoD) has the overall accountability of managing the Group's sustainability agenda. All sustainability-related risks and opportunities including, topics which need the approval or review of the BoD, and subjects including climate change and other principal items are reported quarterly to the BoD by the respective Board member who has been appointed as responsible to do so.. Sustainability, as a business model, has fully integrated into the Group's corporate strategy. The Sustainability Council, that is chaired by the CFO and including members from senior management, determines policies and strategies concerning the corporate sustainability and climate crisis, integrate such strategies into business processes and monitor our sustainability performance, ensuring that the decisions made regarding the climate crisis and other ESG related risks and opportunities are widely implemented. A number of working groups reports to the Council which meets quarterly.

Our ambition is to further develop our business towards achieving a low-carbon future and ensuring our business is resilient and adaptable for climate and other ESG-related risks and opportunities. By supporting TCFD, we strive to strengthen the link between climate change and its financial impacts on our business and operations.

As one of the members of the Business Ambition for 1.5°C Campaign to ensure partnership with the Race to Zero, our strategy to combat climate crisis depends on two main pillars:

- One Approved and One Under Approval<sup>1</sup> mid-term Science-Based Targets
- 2050 Net Zero Emission Target in the Value Chain- compatible with the Science Based Targets Net Zero Standard. (Arçelik committed to the Science Based Targets Initiative to set a science-based net zero target in March 2022).

Our strategy to contribute to a low carbon economy has a history extending back to more than a decade. In line with our commitment to combat the climate crisis, we take actions to minimize the environmental impact of our products throughout their life cycle. We design our products that comply with the new energy label and environmentally friendly design requirements. By increasing resource efficiency and circularity of our products we contribute to a circular economy.

Long before 2006, the designated last transition date for Turkey in the Montreal Protocol, we were the first white goods manufacturer in Turkey to produce refrigerators purified from the chlorofluorocarbon (CFC) gas harmful to the ozone layer in 1995. Since 1995, we have placed our products on the market in compliance with the requirements of energy label regulations. Since 2010, we have calculated the greenhouse gas emissions arising from our production activities within the scope of the ISO 14064 Standard and have received the verification of third-party organizations.

Since 2020, we have been implementing Shadow Carbon Price Model, which supports the decisions on investments in low-carbon emission technology during the total cost of ownership analysis in investments' decision phase<sup>2</sup>.

Our mid-term targets to reduce GHG emissions were approved by the Science Based Targets initiative (SBTi), in line with the Paris Agreement's goal of limiting global temperature increase to "well-below 2°C". Accordingly, as of 2030, we will reduce the absolute Scope 1 and 2 emissions by 30% and the Scope 3 emissions from the use of sold products by 15% compared to a 2018 baseline. In 2021 August, Arçelik submitted to the approval of SBTi for its targets to be in line with 1.5°C scenario. Within the scope of the new targets set, Arçelik commits to reduce 50.4% for all Scope emissions.

We set our target to increase our renewable energy installed capacity by 2030 to more than 50 MW Besides, we will increase our green electricity supply with Energy Attribute Certificates and long term PPA to 100% in our global factories as of 2030. Through the membership of EP100 Climate Group Initiative, Arçelik aims to implement ISO 50001 Energy Management

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<sup>1</sup> The details are explained below.

<sup>2</sup> The applied methodology for Shadow Carbon Price Model is decided by following up the updated prices in compliance markets trends such as the EU ETS.

System certification to all global plants by 2025 and to double energy productivity by 2030 from 2010 baseline. We focus on increasing efficiency through operational improvements, equipment maintenance, and mostly through investments in innovative energy-efficient technologies. According to our efforts in energy efficiency in production, as of 2030, we aim to decrease our energy consumption per product by 45% compared to 2015 baseline in all manufacturing plants.<sup>3</sup> To achieve these goals, we will invest at least USD 50 million in renewable energy and energy efficiency.

An effective and sustainable management of the supply chain has strategic importance to us. We analyze the sustainability risks in our supply chain and assess based on our risks. We extend in-house Supplier Sustainability Index Project further as Supplier Sustainability Data Monitoring and Development Project in collaboration with an independent, accredited audit firm. Additionally, we audit our critical suppliers by third-party audit firms and self-evaluation audits to new suppliers. We set our targets for our value chain in line with our strategy to integrate sustainability into business processes. We aim to make sure for the suppliers<sup>4</sup> exceeding 1,000 TOE to obtain the ISO 50001 Energy Management System certificate by 2025 and the suppliers<sup>5</sup> exceeding 500 TOE by 2030, and to make sure that the ISO 14001 certificate apply for the suppliers<sup>6</sup> by 2023. Additionally, we will collect, monitor, and publicly disclose environmental data such as Scope 1-2 emission values, water, waste and energy practises of the suppliers.<sup>7</sup> Additionally, we sent Commitment Letter to our suppliers which was signed by our CEO, CFO, Purchasing Director, Product Sourcing Director, and Quality, Sustainability and Corporate Affairs Director to ask if they can set their own targets for GHG emissions, water consumption, waste reduction and energy efficiency.

We know this is a transition target on the pathway to net zero and thus, we also have a target to achieve net zero emissions in our global operations as of 2050 by decreasing our Scope 1, 2 and Scope 3 use of sold products emissions by 90% with 2018 baseline in line with the Science Based Targets Initiative Net Zero Standard. We have an updated roadmap with our new mid-term SBTs, which are under the approval phase, to net zero emission which includes increased renewable energy investments and penetration of solar-powered refrigerating appliances especially in developing nations, penetration of super energy efficiency products, transition to 100% electric cars and forklifts in global operations, 100% green electricity in all global manufacturing plants, increased R&D investments and researches for efficient and also affordable products, increasing the circular economy approaches by using recycled contents in the products, transition to alternative fuels for downstream transportation and using green hydrogen where possible..

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<sup>3</sup> Excluding JVs.

<sup>4</sup> 400 suppliers making 90% of purchasing volume

<sup>5</sup> 400 suppliers making 90% of purchasing volume

<sup>6</sup> 400 supplies making 90% of purchasing volume

<sup>7</sup> 400 suppliers making 90% of purchasing volume

For the remaining 10% of residual emissions as allowed by the SBTi Net Zero Standard,, we plan to invest in qualified nature-based and technology-based solutions which can remove the GHG emissions directly from the atmosphere to create Arçelik’s voluntary carbon market portfolio which is aimed to lead the market in the future.<sup>8</sup>

With the awareness of our responsibilities, our plan is to manufacture more environmentally friendly and innovative products with sustainable and concrete production to find solutions against climate crisis. In line with this approach, we applied green financing mechanism, and issued our first Green Bond<sup>9</sup> which is Turkey’s first ever industrial green bond in the international markets. The amount equal to the net proceeds of Green Financing Instruments will be exclusively used in the following eligible categories such as energy efficient products, eco-efficient and/or circular economy adapted products, energy efficiency in production, pollution prevention and control, sustainable water and wastewater management, renewable energy, and green buildings. In addition, through our Green Loan Agreement with EBRD<sup>10</sup>, we will support the green investment programme to transform processes and plants and fund the research and development of greener products.

As Arçelik, we are committed to do the following in line with our sustainability strategy and targets to combat and minimize the impacts of climate crisis:

- Prioritize sustainability in all our value chain and the combat against the climate crisis,
- Implement new environmentally friendly and energy-efficient technologies in our products and production,
- Design and manufacture environmentally friendly products which are more energy and water efficient, durable, repairable, and recyclable,
- Position new roadmaps to promote the use of renewable energy,
- Contribute to national and international initiatives by developing collaborations in this field,
- Develop collaborations with NGOs and public institutions and organizations for energy-efficiency in industrial and residential areas for the transition to a low-carbon economy,

Version Date: 10.06.2022

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<sup>8</sup> For further information on the details explaining our net zero roadmap, please refer to Arçelik’s website:<https://www.arcelikglobal.com/en/sustainability/in-touch-with-our-planet/combating-the-climate-crisis/>.

<sup>9</sup> Total of €350 million with 5-year maturity and 3% interest per annum.

<sup>10</sup> Total of €150 million. €83 million is defined as “green” under the definition on Green Loan Principles (GLP) of the Loan Market Association (LMA).