

# Arçelik

## GREEN BOND ALLOCATION & IMPACT REPORT

20  
23

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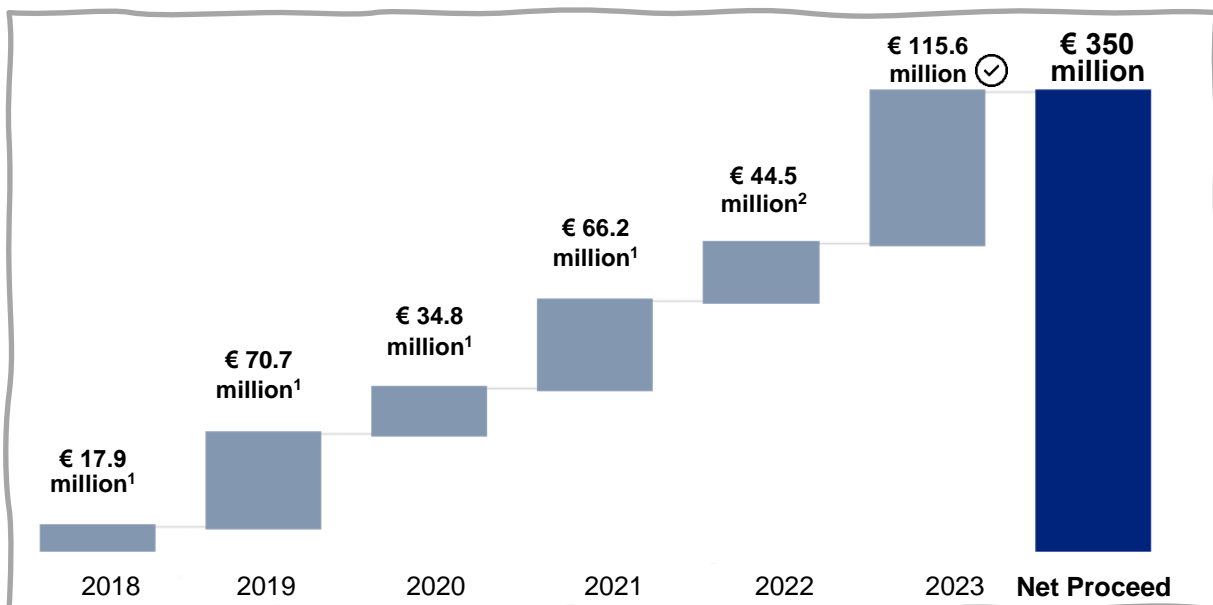
# 1. Executive Summary

This report provides disclosure on the allocation and impact of the proceeds of Arçelik's Green Bond issuance that took place in May 2021 within the scope of its Green Financing Framework. **As of December 31, 2023, Arçelik has fully allocated all EUR 350 million of Green Bond net proceeds to eligible green 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 final allocation of EUR115,588,730<sup>✓</sup> took place in 2023. This amount represented **109** projects; **25** of those were under the category of energy efficient products, **15** eco-efficient and/or circular economy adapted products, **30** energy efficiency in production, **7** pollution prevention and control, **16** sustainable water and wastewater management, **13** renewable energy and **3** green buildings.

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 2023	
	(EUR) <sup>✓</sup>	%
 Green building	58.5 million	50.6%
 Energy efficiency in production	17.5 million	15.2%
 Energy Efficient Product	16.7 million	14.5%
 Eco-efficient and/or circular economy adapted products	11.2 million	9.7%
 Renewable energy	10.5 million	9.1%
 Sustainable water and wastewater management	0.7 million	0.6%
 Pollution prevention and control	0.4 million	0.3%
	<b>115.6 million</b>	



<sup>✓</sup> Amount are verified by PwC, please refer to Assurance Report Section on page 21.

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

<sup>3</sup> Amounts were verified by PwC, please refer to [Arçelik Allocation and Impact Report 2022](#).

## 2. Introduction

### Arçelik at a Glance

Arçelik is a multinational household appliances manufacturer. With over 40,000 employees throughout the world, Arçelik's global operations include sales and marketing offices in 53 countries, and 31 production facilities in 9 countries with 14 brands (Arçelik, Beko, Grundig, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Altus, Dawlance, Hitachi<sup>4</sup> and Singer<sup>1</sup>). Arçelik reached a consolidated turnover of more than TRY 257 billion in 2023. Arçelik's 28 R&D and Design Centers & Offices across the globe are home to over 2,200 researchers and hold more than 3,100 international patent applications to date.

Arçelik's corporate vision is '*Respecting the World, Respected Worldwide*' as it passionately nurtures its global growth story with greener production, better utilization of natural resources, and more sustainable business processes.

As of April 2, 2024, the definitive Contribution Agreement between Arçelik's wholly owned subsidiary Beko B.V. and Whirlpool Corporation's wholly owned subsidiary Whirlpool EMEA Holdings LLC, leading to the establishment of Beko Europe, has been successfully completed. Through this acquisition, Arçelik will now have operations across 57 markets with around 55,000 employees. The company's annual production capacity will also increase significantly as the total number of production facilities reaches 45 in 13 countries (i.e. Türkiye, UK, Italy, Romania, Slovakia, Poland, South Africa, Russia, Pakistan, India, Bangladesh, Thailand and China). Arçelik will have 22 brands owned or used with a limited license (Arçelik, Beko, Whirlpool<sup>4</sup>, Grundig, Hotpoint, Arctic, Ariston<sup>4</sup>, Leisure, Indesit, Blomberg, Defy, Dawlance, Hitachi<sup>4</sup>, Voltas Beko, Singer<sup>4</sup>, ElektraBregenz, Flavel, Bauknecht, Privileg, Altus, Ignis, Polar). Thus, Arçelik became the largest white goods company in Europe with its market share based on volumes.

Moreover, as part of our globalization strategy, Arçelik A.Ş. will henceforth use the corporate brand name Beko across all geographies, including Türkiye, with the aim of bringing all our employees and operations worldwide together under a common corporate brand umbrella.

The transformation aims to change the names of subsidiaries established under different names globally to Beko. It only covers the corporate brand, that is, the company brand, and will not affect our 22 consumer brands worldwide as well as the company's legal entity name (Arçelik A.Ş.).

Beko Europe is not included in this Allocation and Impact Report as well as Arçelik's Green Financing Framework.

### 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 capitals. 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 acknowledges the necessity to go beyond its current habits and behavioral models, redefining its through processes and challenging the perceived limits of what is thought to be impossible

<sup>4</sup> It has the right to use the trademark for certain countries.

today. It designs, builds, and lives the future, today. Accordingly, Arçelik designs technologies that will improve the future.

With Arçelik’s global reach and broad network of stakeholders, it strives to be a part of the solution in tackling environmental and social problems. The company considers the climate crisis as the ultimate emerging risk the company itself and the world face.

Arçelik focuses on responsible production and consumption along with circular economy across its entire value chain. It is reducing its environmental footprint through its innovations and the improvements in its operations.

## Respecting *The world* Respected *worldwide*

### Embedding Sustainability into Business Strategy

Arçelik’s ultimate goal is to leverage its brands into decision making and business process

### Sustainability as a Business Model

We take concrete steps today to make the world sustainable tomorrow with the technology we develop to improve the **planet, life, and our business**

### Strategic Pillars

#### In Touch With Our Planet



- Climate Action
- Water Management
- Waste
- Chemicals Management
- Biodiversity
- Material Recycling and Reduction
- Energy and Water Efficient Products
- Durability, Reparability and Refurbishment
- End of Life Responsibility of Products

#### In Touch With Human Needs



- Corporate Citizenship

#### In Touch With Business



- Business Ethics and Transparency
- Corporate Governance
- Sustainable Financing
- Future Fit Culture, Talent & Organizational Management
- Occupational Health and Safety
- R&D, Innovation, Digital Transformation and Smart Solutions
- Data Privacy and Cyber Security
- Customer and Consumer Experience
- Product Quality and Safety
- Sustainable Supply Chain Management

























## Sustainability Indices & Awards

Arçelik knows that it cannot realize its vision of playing a role in solving environmental and social problems and producing technologies of the future alone, so it believes in the importance of working together with its stakeholders. Aiming to be a role model for its sector, Arçelik implements best practices in sustainability and aims to include all the actors in its value chain, from suppliers to dealers, employees, and customers in its business processes, to inspire them, and expand its practices. Arçelik is consistently highly ranked for its ongoing efforts to promote sustainability by the world's leading environmental, social, governance (ESG) indices and evaluation institutions.

Some of the highlighted achievements are listed as follows:

### S&P Dow Jones Sustainability Index

By reaching **86** (out of 100) in the 2023 S&P Global Corporate Sustainability Assessment, Arçelik achieves **the highest score** for the 5th time in the DHP Household Durables Industry (Score date: 27 October 2023) (DJSI Emerging Markets).

### Corporate Knights, Global 100 Index

Arçelik has been listed in the 2024 Global 100 Index by Corporate Knights for the 4th year, **ranking 60th globally** and **1st in the Household Durables Industry**.

### CDP

Arçelik has been recognized for leadership in corporate transparency and performance on 2023 Water Security with a B score and 2023 Climate Change with an A- score by the global environmental non-profit CDP.

### Bloomberg Gender-Equality Index (GEI)

Arçelik has been listed among 485 companies in Bloomberg's 2023 Gender-Equality Index (GEI) for the first time ever in 2023.

### 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.

Arçelik has maintained its place on the **Borsa Istanbul (BIST) Sustainability Index**, the **MSCI Sustainability Index**, the **Sustainalytics ESG Risk Rating**, the **International Shareholder Services (ISS) ESG Rating**, the **Refinitiv**, and the **FTSE4Good Emerging Markets Index**, all of which build on its success.

For further information on its sustainability strategy, please refer to Arçelik's [2023 Sustainability Report](#).

### 3. Arçelik Green Bond/Financing 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 3.00% coupon rate, which stands out as Türkiye'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 Rate	3.00%
Second Party Opinion	Sustainalytics

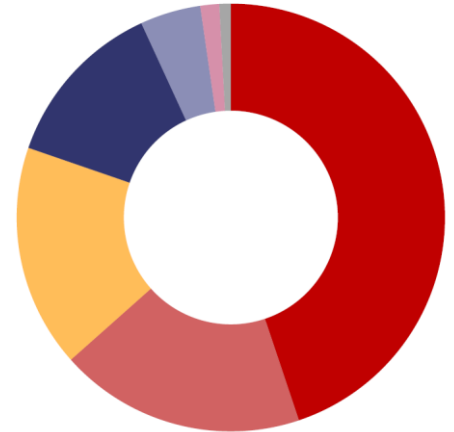
According to Arçelik's Green Bond Framework, proceeds used under seven eligible green categories that are described below.

Categories	General description of projects	UN SDGs
Energy-efficient products	The development and production of energy efficient product	 
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	 
Renewable energy	Installation of solar energy systems, as well as procurement of electricity from renewable sources	
Energy-efficiency in production	The energy efficiency improvements in Arçelik's operations	
Green buildings	Investments in operations that meet regional, national or internationally recognized standards such as LEED	 
Sustainable water and wastewater management	Investments in water recovery systems, rainwater treatment as well as water consumption reduction projects	
Pollution prevention and control	Investments in material/waste prevention, material/waste reduction, waste recycling	


The final allocation of EUR115,588,731  took place in 2023. This amount represented **109** projects; **25** of those were under the category of energy efficient products, **15** eco-efficient and/or circular economy adapted products, **30** energy efficiency in production, **7** pollution prevention and control, **16** sustainable water and wastewater management, **13** renewable energy and **3** green buildings.

**As of December 31, 2023, Arçelik had fully allocated EUR 350 million of Green Bond net proceeds to eligible green 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.

Eligible Project Categories	Allocated amounts between 2018-2023 (EUR) <sup>5</sup>	% of total allocated amounts
 Energy Efficient Products	157,125,651	44.9%
 Eco-efficient and/or Circular Economy Adapted Products	65,342,344	18.7%
 Green Buildings	58,827,858	16.8%
 Energy Efficiency- Production	44,917,512	12.8%
 Renewable Energy	16,469,146	4.7%
 Pollution Prevention and Control	4,782,174	1.4%
 Sustainable Water and Wastewater Management	2,547,613	0.7%
	<b>350,012,298</b>	



*Please note that this graph shows the eligible green categories the funds were spent between 2018-2022. The stated values are derived by allocated amounts.*

 Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>5</sup> Total Allocated Amounts are calculated by summing the 2018-2021 Allocated Amounts in our first report, the 2022 Allocated Amounts in the second report and the 2023 Allocated Amounts in this report.



## Energy Efficient Products

Arçelik has committed to the Science Based Targets Initiative to become a Net Zero Company as of 2050 in line with the Science Based Targets Net Zero Standard. Within the scope of this commitment, we submitted our new near-term and net-zero targets which are aligned with the 1.5°C climate scenario to the Science Based Targets Initiative (SBTi). These targets are currently at validation process of the SBTi. With the new near-term target, Arçelik commits to reduce Scope 3 emissions from use of sold products by 42% by 2030 from a 2022 base year. In the scope of its long-term net-zero target, Arçelik commits to reduce absolute Scope 1, Scope 2, and Scope 3 GHG emissions 90% by 2050 from a 2022 base year.

Energy efficient products are the key sources for Arçelik to decrease the 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 the company's low carbon transition and consumers' well-being by providing financial savings via more energy efficient products. In 2023, 50.2% of Arçelik's turnover was from energy-efficient products.

Proceeds from the Green Bond have been used to finance the development and production of 25 energy efficient product projects for refrigerators, washing machines, tumble dryers, dishwashers, and consumer electronics in different countries where we operate.

Some examples of these projects are listed below.

**Dishwashers with Heat Pump Technology;** Our heat pump dishwashers allow users to achieve perfect cleaning results in an energy efficient way. For example, through using innovative heat pump technology, our dishwashers use up to 20% less energy than A energy class limit. The dishes are washed with optimum heat efficiency by reusing heat in a closed loop and using natural air flow when the automatic door opens at the cycle's completion. We provide Europe's most energy-efficient dishwasher available in markets, achieving energy savings not only in the "Eco" declaration program but across all programs, up to 28% thanks to its heat pump usage.

**Refrigerators;** A and B energy class combi products, which have been developed in response to the increasing demand for high energy-efficient products, have been launched in two different cabinet sizes: 60 cm width, and 185 cm and 200 cm heights. A class fridges, which consume 67% less energy compared to the F energy class, and B class fridges, which consume 59% less energy.

Energy Efficient Products		
<b>Allocated Amount in 2023</b>		
Capital Expenditure (CapEx)		16,589,892 ✓ <sup>1</sup>
Operating Expenditure (OpEx)	EUR	128,923 ✓ <sup>1</sup>
	<b>Total</b>	<b>16,718,815 ✓<sup>1</sup></b>
Total share of green proceeds	%	100
<b>Impact in 2023<sup>6</sup></b>		
Total avoided emissions with the Scope 3 use phase of sold products	tonnes CO <sub>2</sub> e	23,572

✓ Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>6</sup> Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2023 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 a target to increase recycled plastic content in its products to 40%, bio-based material content to 5% by 2030 and implement Arçelik Green Chemistry Management System in its products and all manufacturing facilities by 2030. Arçelik's 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 15 product projects that reduce environmental footprint. These eligible green projects include increasing bio-based material content of product, EPS Free packaging, reducing water and material consumption for major domestic appliances (MDA), televisions, and small domestic appliances (SDA) categories.

Some examples of these projects are listed below.

- **Bio-based material:** It includes R&D and production studies within the scope of increasing the use of bio plastics in products such as refrigerators' parts made from bio composite raw materials that contain organic material in Thailand operation.
- **Sustainable Packaging:** It includes R&D and production studies to eliminate EPS from our various product lines by replacing it with more sustainable packaging solutions.
- **Material Reduction:** It includes R&D and production studies within the scope of reduce material reduction for dishwashers, tumble dryers and cooking appliances.
- **Water Efficient Product Technologies:** It includes R&D and production studies for water efficiency in products such as Couple Arçelik's SaveWater technology directs the water collected in the tumble dryer to the washing machine to be used in the washing cycle. The saved water is used in the next wash for the first fill of the washing cycle, providing significant savings in water consumption. In the tumble dryer, up to 5.2 liters\* of water is saved in one cycle, which means we are giving the water of one of every 12 washes back to you.

\*Tumble dryer saves up to 5.2 liters of water per cycle for full load 10 kg declaration program.

Eco-efficient and/or Circular Economy Adapted Products		
<b>Allocated Amount in 2023</b>		
Capital Expenditure (CapEx)		10,458,956 ✓
Operating Expenditure (OpEx)	EUR	717,440 ✓
	<b>Total</b>	<b>11,176,396 ✓</b>
Total share of green proceeds	%	100
<b>Impact in 2023<sup>6</sup></b>		
Amount of material reduced		4,143
Amount of bio-plastic	tonnes	0.13
Amount of recycled packaging		400
<b>Total avoided emissions by material reduction, bio-plastic and packaging usage</b>	tonnes CO <sub>2</sub> e	7,607
Annual amount of water saved from water efficient product	m <sup>3</sup> /year	17,920

✓ Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>6</sup> Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2023 financial year.

## Energy Efficiency in Production

Arçelik has committed to the Science Based Targets Initiative to become a Net Zero Company as of 2050 in line with the Science Based Targets Net Zero Standard. Within the scope of this commitment, we submitted our new near-term and net-zero targets which are aligned with the 1.5°C climate scenario to the Science Based Targets Initiative (SBTi). These targets are currently at validation process of the SBTi. With the new near-term target, Arçelik commits to reduce its absolute Scope 1 and Scope 2 emissions by 42% by 2030 from a 2022 base year. In the scope of its long-term net-zero target, Arçelik commits to reduce absolute Scope 1, Scope 2, and Scope 3 GHG emissions 90% by 2050 from a 2022 base year.

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

In line with these ambition targets, Arçelik focuses 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 30 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 efficiency 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		
<b>Allocated Amount in 2023</b>		
Capital Expenditure (CapEx)		17,515,192 ✓
Operating Expenditure (OpEx)	EUR	0 ✓
	<b>Total</b>	<b>17,515,192 ✓</b>
Total share of green proceeds	%	100
<b>Impact in 2023<sup>6</sup></b>		
Amount of energy savings	MWh	3,475
<b>Total avoided emissions by these projects</b>	tonnes CO <sub>2</sub> e	1,355

✓ Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>6</sup> Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2023 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 7 pollution prevention and control projects in Arçelik's operations. These eligible green projects include increasing the 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 metal materials in global operations.

Pollution Prevention and Control		
<b>Allocated Amount in 2023</b>		
Capital Expenditure (CapEx)		326,356 ✓
Operating Expenditure (OpEx)	EUR	52,407 ✓
	<b>Total</b>	<b>378,763 ✓</b>
Total share of green proceeds	%	100
<b>Impact in 2023<sup>6</sup></b>		
Amount of waste prevented	tonnes	52
<b>Total avoided emissions by these projects</b>	tonnes CO <sub>2</sub> e	60

✓ Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>6</sup> Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2023 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, China, Thailand, Bangladesh, India, 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 manufacturing facilities by 2030, aiming to achieve a closed loop water system in production.

To decrease water withdrawal in all manufacturing facilities, Arçelik performs water efficiency, and 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 16 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 projects in Türkiye and Romania operations
- Water efficiency and rainwater harvesting projects in Pakistan operations

Sustainable Water and Wastewater Management		
<b>Allocated Amount in 2023</b>		
Capital Expenditure (CapEx)		715,730 ✓
Operating Expenditure (OpEx)	EUR	0 ✓
	<b>Total</b>	<b>715,730 ✓</b>
Total share of green proceeds	%	100
<b>Impact in 2023<sup>6</sup></b>		
Amount of water saved		49,754
Amount of rainwater harvested	m <sup>3</sup>	180

✓ Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>6</sup> Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2023 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 all manufacturing facilities and establish renewable energy systems with 50 MW capacity by 2030. In this context, Arçelik increased its total renewable energy installed capacity to a 20.3 MW solar plant capacity as of the end of 2023.

Proceeds from the Green Bond have been used to finance 13 renewable energy projects which is solar PV installations at Arçelik's factories in Türkiye, Thailand, Romania, and Pakistan. In addition, within the scope of the Selfie Project, which was initiated in 2022 for the generation of electricity from renewable energy sources to meet self-consumption, a total of 50 MWp land solar power plant project was launched in three different locations. We are planning to complete all three projects by the end of 2024. With these three solar projects, we will meet approximately 45% of the electricity needs of our factories in Türkiye.

A capacity of 10.1 MW solar plant was established in 2023. The investment of Selfie Project will continue. Thus, its environmental impact could not be calculated in this financial year.

Renewable Energy		
<b>Allocated Amount in 2023</b>		
Capital Expenditure (CapEx)		10,535,153 ✓
Operating Expenditure (OpEx)	EUR	8,689 ✓
	<b>Total</b>	<b>10,543,842 ✓</b>
Total share of green proceeds	%	100
<b>Impact in 2023<sup>6</sup></b>		
Amount of renewable energy generation	MWh	4,535
Amount of purchased green electricity		256,612
<b>Total amount of avoided emissions by renewable energy generation and purchased green electricity</b>	tonnes CO <sub>2</sub> e	102,483

✓ Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>6</sup> Environmental impact has not been calculated as a cumulative or expected impact. All values are the effect for the 2023 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 LEED Platinum Certificate, which is the highest level in the LEED green building rating system.

Proceeds from the Green Bond have been used to finance three green building project in Bangladesh, India, and Türkiye. The eligible green project includes new manufacturing plants in Bangladesh and India with LEED Gold Certificate, and the new manufacturing building in Türkiye with EDGE Certificate.

The construction of the Bangladesh factory was 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 skylight roof surfaces for sustainable energy management. It will account for almost 50% of energy savings compared to an average factory. Energy monitoring systems will be used for sustainability and quality targets. Local and recycled building materials will be used during construction.

The construction of the Egypt factory was started in February 2023 and will be built according to the gold standards of LEED. Cooling and cooking appliances will be produced in this facility. The factory has been designed to maximize the use of natural daylight with skylight roof surfaces for sustainable energy management. It will account for almost 50% of energy savings compared to an average factory. It is expected to be completed by August 2024. When the project will be completed, it is expected to save 5,959,774 kWh of energy and recycle 2,189 m<sup>3</sup> of rainwater annually.

The construction of the Manisa factory was started in June 2023 and will be built according to EDGE Certificate. The factory has been designed to maximize the use of natural daylight with skylight roof surfaces for sustainable energy management. It will account for almost 20% of energy savings compared to an average factory. It is expected to be completed by December 2024. When the project will be completed, it is expected to save 3,266 kWh of energy and recycle 508 m<sup>3</sup> of rainwater annually. Additionally, solar panels of 7,000 kw capacity will be installed.

Green Buildings		
<b>Allocated Amount in 2023</b>		
Capital Expenditure (CapEx)		58,539,993 ✓
Operating Expenditure (OpEx)	EUR	0 ✓
	<b>Total</b>	<b>58,539,993 ✓</b>
Total share of green proceeds	%	100
<b>Impact in 2023</b>		
		N/A <sup>7</sup>

✓ Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>7</sup> Since the construction of the factories have not been completed yet, its environmental impact is not calculated in this financial year.

## 4. Arçelik Green Bond Issuance Consolidated Tables – Allocation

Eligible Project Categories	Allocated Amount (EUR)							
	2018 - 2022 <sup>8</sup>			2023			Grand Total	% of total allocated amounts
	CapEx	OpEx	Total	CapEx	OpEx	Total		
<b>Energy Efficient Products</b>	123,158,726	17,248,109	140,406,835	16,589,892 <sup>✓</sup>	128,923 <sup>✓</sup>	16,718,815 <sup>✓</sup>	157,125,651	44.9%
<b>Eco Efficient and or Circular Economy Adopted Products</b>	37,070,919	1,095,030	54,165,949	10,458,956 <sup>✓</sup>	717,440 <sup>✓</sup>	11,176,396 <sup>✓</sup>	65,342,344	18.7%
<b>Green Buildings</b>	287,865	-	287,865	58,539,993 <sup>✓</sup>	-	58,539,993 <sup>✓</sup>	58,827,858	16.8%
<b>Energy Efficiency in Production</b>	27,284,916	117,404	27,402,320	17,515,192 <sup>✓</sup>	-	17,515,192 <sup>✓</sup>	44,917,512	12.8%
<b>Renewable Energy</b>	5,828,810	96,494	5,925,304	10,535,153 <sup>✓</sup>	8,689 <sup>✓</sup>	10,543,842 <sup>✓</sup>	16,469,146	4.7%
<b>Pollution Prevention and Control</b>	4,324,563	78,849	4,403,412	326,356 <sup>✓</sup>	52,407 <sup>✓</sup>	378,763 <sup>✓</sup>	4,782,174	1.4%
<b>Sustainable Water and Wastewater Management</b>	1,815,383	16,500	1,831,883	715,730 <sup>✓</sup>	-	715,730 <sup>✓</sup>	2,547,613	0.7%
<b>Grand Total</b>	<b>199,771,182</b>	<b>34,652,385</b>	<b>234,423,567</b>	<b>114,681,272<sup>✓</sup></b>	<b>907,459<sup>✓</sup></b>	<b>115,588,731<sup>✓</sup></b>	<b>350,012,298</b>	<b>100.0%</b>

<sup>✓</sup> Amount are verified by PwC, please refer to Assurance Report Section on page 21.

<sup>8</sup> Total Allocated Amounts are calculated by summing the 2018-2021 Allocated Amounts in our first report and the 2022 Allocated Amounts in the second report.



## 5. Arçelik Green Bond Issuance Consolidated Tables – Impact

Eligible Project Categories	Key Performance Indicators	Unit	2018-2022 <sup>9</sup>	2023 <sup>9</sup>	Total <sup>9</sup>
<b>Energy Efficient Products</b>	Annual amount of avoided emissions with the Scope 3 use phase of sold products	tonnes CO <sub>2</sub> e	1,406,775	23,572	<b>1,430,347</b>
<b>Eco Efficient and or Circular Economy Adopted Products</b>	Annual amount of material reduced	tonnes	30,810	4,143	<b>34,953</b>
	Annual amount of recycled plastic and bioplastic		24,628	0.13	<b>24,628</b>
	Annual amount of recycled packaging		19,214	400	<b>19,614</b>
	Total avoided emissions by material reduction, recycled plastic and packaging usage	tonnes CO <sub>2</sub> e	90,885	7,607	<b>98,492</b>
	Annual amount of water saved from water efficient product	m <sup>3</sup>	-	17,920	<b>17,920</b>
<b>Energy Efficiency in Production</b>	Annual amount of energy savings	MWh	22,631	3,475	<b>26,106</b>
	Annual amount of avoided emissions	tonnes CO <sub>2</sub> e	10,450	1,355	<b>11,805</b>
<b>Pollution Prevention and Control</b>	Annual amount of waste prevented	tonnes	2,850	52	<b>2,902</b>
<b>Sustainable Water and Wastewater Management</b>	Annual amount of water saved	m <sup>3</sup>	120	49,754	<b>49,874</b>
	Annual amount of wastewater recycled		41,523	-	<b>41,523</b>
	Annual amount of rainwater harvested		61,702	180	<b>61,882</b>
<b>Renewable Energy</b>	Amount of renewable energy generation	MWh	842,240	4,535	<b>846,775</b>
	Amount of purchased Green Electricity		251,426	256,612	<b>508,038</b>
	Total amount of avoided emissions	tonnes CO <sub>2</sub> e	212,106	102,483	<b>314,589</b>
<b>Green Buildings</b>	N/A	N/A	N/A <sup>7</sup>	N/A <sup>7</sup>	N/A <sup>7</sup>

<sup>9</sup> Environmental impact has not been calculated as a cumulative or expected impact. All Impact calculation based on the output of their financial year.

<sup>7</sup> Since the construction of the factories have not been completed yet, its environmental impact is not calculated in this financial year.

## 6. Calculation Methodology for Impact Reporting

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

The environmental impact has not been calculated as a cumulative or expected impact. All values are the effects of the 2023 financial year.

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

### Energy efficient products

This improvement was considered as CO<sub>2</sub>e reduction. The annual amount of CO<sub>2</sub>e 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 kgCO<sub>2</sub>/kWh), total sold quantity of the product during a year, greenhouse warming potential (GWP), if any and ton conversion to calculate the finalized GHG value.

The expected lifetime of the product 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), tumble dryers (200), and TVs (1,400 hours).

### Eco-efficient and circular economy adapted products

The KPIs were decided by considering the improvement of products in terms of material or plastic reduction and use of recycled packaging and plastics, and water-efficient products. For material or plastic reduction and recycled packaging, the amount of plastic reduced, recycled materials used in the products (i.e. recycled materials instead of virgin materials), metal reduced, and recycled packaging practices were questioned. In some projects, it was questioned whether there were any material reductions in the new models compared to the old version.

The KPIs were calculated by considering the old and new usage of materials in products. For instance, the product's material usage was considered before the application of the new investment in the 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.

For water efficient products, the annual amount of water saved was calculated by considering the formula which includes the expected lifetime of the product, liters difference between the old and new versions, the number of expected cycles during a year, total sold quantity of the product during a year, and m<sup>3</sup> conversion to calculate the finalized value.

### **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, the energy efficiency level of a factory in investment year and the new energy efficiency level after the investment was realized were considered. 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 CO<sub>2</sub>e 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:

<u>IEA 2023 electricity emission factors (kg CO<sub>2</sub>/kWh)</u>	
Türkiye	0.4138
Romania	0.2741
Thailand	0.4767
Pakistan	0.3959
Bangladesh	0.5446
Russia	0.3750

### **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, the main aim was to understand if the project was able to recycle wastewater when compared with the old version or whether it 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, 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 were considered. The difference was defined as “efficiency” and listed in the Impact Report. All volumes were calculated as m<sup>3</sup> 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, the waste amount before new transition was applied in a investment year and the new waste amount after the project was completed were considered. The difference was defined as “efficiency” and listed in the Allocation and Impact Report. All volumes were calculated as tonnes.

### **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 tonnes of CO<sub>2</sub>e reduction was provided when the electricity value was converted to emission data with EF mentioned above.

### **Green Buildings**

The construction of the factories have not been completed yet. Therefore, their 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 Green Bond Allocation & Impact Report 2023 (the “Allocation & Impact Report 2023”) for the year ended 31 December 2023 and listed below.

### Selected Information

The scope of the Selected Information for the year ended 31 December 2023, which is subject to our independent limited assurance work, set out in the Allocation & Impact Report 2023 on pages 3, 7, 9, 10, 11, 12, 13, 14, 15 and 16 and the scope of indicators marked with (“☑”) for the year ended 31 December 2023 is summarized 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 2023, and we have not performed any procedures with respect to any information other than Selected Information marked with an (“☑”) in the Arçelik Green Bond Allocation & Impact Report 2023, and therefore do not express any conclusion thereon.

### Criteria

While preparing Selected Information, the Company used the principles in the Arçelik Green Bond Allocation and Impact Report 2023- Reporting Principles (“Reporting Principles”) section on pages 24, 25, 26, and 27 of the Allocation & Impact Report 2023.

### The Company's Responsibility

The Company is responsible for the content of the Allocation & Impact Report 2023 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 2023, 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 & Impact Report 2023 for the year ended 31 December 2023, 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.

A handwritten signature in blue ink, appearing to read 'Sertu Tali', is written over a faint, light blue circular stamp or watermark.

Sertu Tali, SMMM  
Independent Auditor

İstanbul, 27 August 2024



## **Appendix 1: Arçelik Green Bond Allocation and Impact Report 2023- 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 2023 (“the “Allocation and Impact Report 2023”) 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 2023-31 December 2023 and the relevant 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: 27 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 Efficient Products, Eco-efficient and/or circular economy adapted products, Energy EfficiencyinProduction, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Renewable Energy, Green Buildings

### **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 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 Buildings	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](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 Chief Financial Officer and includes the Finance and Enterprise Risk Executive Director, Chief Sustainability, Quality and Customer Care Officer , Treasury Director, and Sustainability Director.

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	2023 Total Capital Expenditure Investment (€)
Energy Efficient Products	16,589,892
Eco-efficient and/or Circular Economy Adapted Products	10,458,956
Energy Efficiency in Production	17,515,192
Pollution Prevention and Control	326,356
Sustainable Water and Wastewater Management	715,730
Renewable Energy	10,535,153
Green Buildings	58,539,993
<b>Total</b>	<b>114,681,272</b>



<b>Categories</b>	<b>2023 Total Operating Expenses Investment (€)</b>
Energy Efficient Products	128,923
Eco-efficient and/or Circular Economy Adapted Products	717,440
Energy Efficiency in Production	0
Pollution Prevention and Control	52,407
Sustainable Water and Wastewater Management	0
Renewable Energy	8,689
Green Buildings	0
<b>Total</b>	<b>907,459</b>
<b>Grand Total</b>	<b>115,588,731</b>