

Arçelik A.Ş. Operations

Non-Technical Summary (NTS)

1 Who is Arçelik A.Ş.?

Arçelik was established in 1955 within the body of Koç Holding and operates in the sectors of household appliance. The Company is Turkey's leading household appliance manufacturer that is engaged in the production and marketing of durable consumer goods, consumer electronics, small home appliances and kitchen accessories (such as refrigerator, washing machine, dryer machine, dish washer, oven, cooking appliance, television), as well as in the provision of after-sales services. The Company's global operational network consists of 20 production facilities in eight countries (Turkey*, Romania, Russia, China, South Africa, Thailand, Pakistan and India**), marketing and sales organisations in 34 countries with its 32-0,000 employees. As of December 2018, there are 12 brands (Arçelik, Beko, Grundig, Blomberg, ElektraBregenz, Arctic, Leisure, Flavel, Defy, Dawlance, Altus and VoltasBeko**) serving products and services in over 145 countries. Arçelik is the third largest home appliance company in Europe in terms of total sales, and Beko is a leading brand in Europe, United Kingdom, France and Poland.

Arçelik is majority owned and controlled by Koç Group with 57.2% share, the Burla Group has 17.6% share and there is a free float of 25.2% in the Company.

The Company's production operations based in Turkey and overseas are as follows:

- Refrigerator Plant - Eskisehir, Turkey
- Cooking Appliances Plant - Bolu, Turkey
- Dishwasher Plant - Ankara, Turkey
- Washing Machine Plant - Tuzla/Istanbul (Cayirova), Turkey
- Electronics Plant - Cerkezköy/Tekirdag, Turkey
- Compressor Plant - Eskisehir, Turkey
- Electric Motor Plant - Cerkezkoy/Tekirdag, Turkey
- Tumble Dryer Plant - Cerkezkoy / Tekirdag, Turkey
- Arctic Cooling Appliances Plant - Gaesti, Romania
- Refrigerator and Washing Machine Plant - Kirzhach, Russia
- Refrigerator Plant - East London, S. Africa
- Cooking Appliances and Tumble Dryer Plant - Jacobs, South Africa
- Refrigerating Appliances Plant - Ezakheni, Ladysmith, South Africa
- Washing Machine Plant - Changzou, China
- Refrigerator Plant - Thailand, Rayong
- Refrigerator Plant - Hyderabad, Pakistan
- Washing Machine and Refrigerator Plant - Karachi, Pakistan
- Cooking Appliances and A/C Plant - Karachi, Pakistan
- Arctic Washing machine Plant 4.0 will be officially operational in 1Q 2019

** Air Conditioner Plant - Arçelik-LG Klima San. ve Tic. A.Ş. - Kocaeli/Turkey - Arçelik A.Ş. and LG Electronics extended their joint venture agreement and Arçelik A.Ş. had exclusive rights to sell LG branded commercial air conditioners in Turkey until 2023.*

*** Arçelik A.Ş. established a production and sales company, Volbek Home Appliances Private Ltd. under its partnership agreement with Voltas, a subsidiary of Tata Group, to sell products under the “Voltas Beko” brand and laid the ground of its refrigerator plant in Sanand Gujarat, India in 3Q 2018.*

2 What are the Planned Investments by Arçelik?

Planned investments by Arçelik within the 2018-2019 expansion capex program include a series of Research and Development (R&D) and energy efficiency investments in its production plants in Turkey (Project).

3 What environmental and social studies have been undertaken?

ACE Consulting & Engineering Inc. (ACE) was commissioned by the European Bank for Reconstruction and Development (“EBRD” or the “Bank”) to undertake an Environmental and Social Assessment (ESA) of Arçelik’s facilities and existing operations where planned investments will be undertaken. The objective of the ESA was to identify and assess the potentially significant existing and future adverse environmental and social impacts associated with the Client’s current operations and the planned investments. The Project has been categorised as “B” in accordance with the EBRD’s 2014 Environmental and Social Policy as the potential environmental and social impacts are readily identifiable and can be mitigated with an action plan.

4 What is the purpose of this document?

This Non-Technical Summary (NTS) document provides an overview of Arçelik’s current operations, and presents a summary of relevant potential environmental and social issues and impacts related to the Company/Project. Appropriate measures to mitigate key adverse environmental and social impacts that may arise in relation to the Company’s facilities and operations are also provided.

5 Scope of ESA work

The ESA scope of work comprised of the following activities:

- Environmental and Social (ES) Audit of the corporate management and human resources (HR) practices for existing operations; and
- ES Analysis of potential environmental and social issues associated with the existing operations and the Project.

The scope of the ESA included an environmental and social audit through site visits to selected existing facilities to examine the management capacity and environmental, social, health and safety performances, interviews conducted with relevant personnel, review of available documentation and an analysis for the existing operations/Project in relation to national regulatory requirements and relevant international standards. As part of the ESA, a detailed ESA Report, an Environmental and Social Action Plan and a Stakeholder Engagement Plan were prepared for the Project.

6 What are the key environmental and social impacts of the Project and what are the proposed mitigation measures?

As discussed above, Arçelik is planning on a series of R&D and energy efficiency investments in its production plants in Turkey. The Project will have positive impacts as it will result in manufacturing of highly energy efficient and environmentally friendly consumer electronics. The Company's EHS practices are managed under the framework of ISO 14001 Environmental Management System and ISO 50001 Energy Management System which are integrated with ISO 9001 Quality Management System. Some of the facilities (Refrigerator Plant in Romania and Thailand, Washing Machine Plant in China) have obtained OHSAS 18001 Certifications.

On the other hand, in addition to its benefits, the Project could potentially result in some negative impacts on the environment and people, if not managed carefully. The ESA has identified areas for improvement and potential impacts related to the existing operations where the Project will be implemented. Therefore, Arçelik will be implementing certain actions (called mitigation measures) to prevent, reduce and/or mitigate any potential negative impacts of the Project and existing operations. The table below presents the key findings and associated ES risks/benefits and mitigation measures.

Overview of Key Potential Project Impacts and Their Mitigation

No	Issue	ES Risks/Benefits	Mitigation Measures
1	Corporate HSE management system / environmental impact assessment guidelines / compliance with EU regulatory framework	Optimization of HSE and social management through a formalized system	<ul style="list-style-type: none"> Maintain and upkeep corporate HSE Management System in all Arçelik's production facilities based in Turkey and overseas Improve the existing environmental impact assessment guidelines and develop and implement an ES dimension analysis procedure Conduct a gap assessment of regulatory framework to review applicable EU regulations
2	Labour and working conditions	Improved human resources practices and compliance with national legislation and EBRD PR2 requirements	<ul style="list-style-type: none"> Improve the guidelines on corporate Labour and working standards to incorporate elements of SA 8000 Standard and implement it in all facilities Maintain and upkeep compliance of contractors and suppliers with Company, national and EU requirements Improve existing grievance procedure for own workers and expand it to contracted workers
3	Pollution Prevention and Control	<p>Management of surface water runoff, potential asbestos containing materials, soil and groundwater quality control</p> <p>Compliance with national regulations and EBRD PR3 Requirements</p>	<ul style="list-style-type: none"> Develop an asbestos management procedure and management plan Perform soil and groundwater investigations Develop a stormwater management procedure/program
4	Occupational health and safety (OHS) practices	Increased health and safety performance in the workplace	<ul style="list-style-type: none"> Review the existing HS practices to guide all process activities during operations Improve traffic management within the Arçelik facilities

No	Issue	ES Risks/Benefits	Mitigation Measures
5	Personnel/Community health and safety	Protection of Arçelik personnel and community health and safety	<ul style="list-style-type: none"> Develop road safety policy, practices and procedures
6	Stakeholder engagement	Maintain effective relationships with stakeholders	<ul style="list-style-type: none"> Implement the Stakeholder Engagement Plan (SEP) specific to the Project to ensure effective communication with the stakeholders

7 What is Arçelik's approach to stakeholder engagement?

Arçelik considers stakeholder engagement (including dialogue, consultation and the disclosure of information) to be a key element of operational planning, development and implementation. The Company is therefore committed to an effective, transparent and bidirectional dialogue with stakeholders. Arçelik has developed a Stakeholder Engagement Plan which provides details of the approach to stakeholder engagement and their planned meetings and commitments.

8 How will Arçelik communicate and engage with stakeholder?

A Stakeholder Engagement Plan is in place to ensure that there is regular ongoing engagement with the community, local government and organisations, to inform them of plans and developments on an ongoing basis and gather any complaints or feedback.

9 How can stakeholders make a complaint or make an inquiry?

Arçelik employs a grievance mechanism which provides a process for all employees to easily convey their complaints and suggestions, and allows the project to respond to and resolve the issues in an appropriate manner.

Grievance procedure provides a channel for individuals, groups and communities to raise any concerns that they have. Any complaint can be lodged:

The contact details for submitting grievances to ARÇELİK is provided below:

ARÇELİK A.Ş.

Karaağaç Cad. No: 2-6, Söğütözü 34445 Istanbul (Headquarters)

24/7 Call Centre: 444 0 888

Telephone: 0212 314 34 34 (Headquarters)

Fax: 0212 314 34 82 (Headquarters)

E-mail: kurumsal@arcelik.com

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