ARZUM TSRS COMPLIANT SUSTAINABILITY REPORT FOR 2024

Content

1 Introduction

1.1 About the Report

Arzum Electric Home Appliances Industry and Trade Inc. (“Arzum” or “the Company”), by virtue of its inclusion in the List of Businesses Subject to Thresholds as Set Forth in Paragraph 1 of Article 3 of the Board Decision published in the Official Gazette on December 29, 2023 and having met at least two of the criteria established for the businesses on this list in two consecutive reporting periods, is required to prepare a report in accordance with the Turkey Sustainability Reporting Standards (TSRS).

This report is the Company's first TSRS (Turkish Sustainability Reporting Standards) report, prepared based on the financial reporting period of January 1 – December 31, 2024. It has been prepared in accordance with the requirements set forth in TSRS 1: General Requirements for Disclosure of Sustainability-related Financial Information and TSRS 2: Climate-related Disclosures. Additionally, this report includes the metrics and related disclosures specified in the "Volume 6 – Multiline and Specialty Retailers & Distributors" section of the industry-based Guidance on the Implementation of TSRS 2. Within the scope of this reporting, transition reliefs for the initial reporting period have been utilized, and these reliefs are detailed under the heading "Implementation of Transition Reliefs."

The report addresses sustainability and climate-related risks and opportunities, drawing on the framework established by the Sustainability Accounting Standards Board (SASB) of the International Sustainability Standards Board (ISSB).

The Company has addressed the governance, strategy, and risk management model of its sustainability and climate-related risks and opportunities, along with the relevant metrics and targets, in a manner that reflects its current performance with transparency. Closely following sustainability developments from global, national, and sectoral perspectives, Arzum aims to enhance its performance in addressing sustainability and climate-related risks and opportunities and intends to integrate the established frameworks into its business model.

1.1.1 Connectivity with Financial Disclosures

The sustainability and climate-related disclosures included in this report were prepared for Arzum’s 12-month financial period from January 1 to December 31, 2024; the information shared in this report should be evaluated in conjunction with the company’s consolidated financial statements.

1.1.2 Implementation of Transition Reliefs

TSRS provides certain transition reliefs for the reporting period in which the standards are first applied. These reliefs are detailed in paragraphs E3, E4, E5, and E6 of TSRS 1, and paragraphs C3, C4, and C5 of TSRS 2. The transition reliefs applied by Arzum in its inaugural report within the scope of TSRS are presented below.

- **TSRS 1-E3, TSRS 2-C3, and TSRS 1-E6:** The disclosure of comparative information is not mandatory in the first period the entity reports. In the relevant reporting period, Arzum disclosed metrics solely for the year 2024.
- **TSRS 1-E4:** In the first period of reporting, the entity is permitted to report its sustainability-related financial disclosures after publishing its relevant financial statements. Furthermore, pursuant to the Public Oversight Authority's (POA/KGK) announcement dated 05/08/2025 titled "Extension of the publication deadlines for TSRS-compliant sustainability reports for the 2024 fiscal year until October 31, 2025," the entity has published its report in accordance with this timeframe.
- **TSRS 1-E5:** In the first period of reporting, the entity is permitted (pursuant to TSRS 2) to disclose information solely regarding climate-related risks and opportunities. Accordingly, Arzum has considered only climate-related risks and opportunities in this report. Nevertheless, information regarding its governance, strategy, and risk management approach covers all sustainability issues, including climate.
- **Board Decision Regarding the Scope of Application of Turkish Sustainability Reporting Standards – Provisional Article 3:** During the first two reporting periods in which an entity applies TSRS within the scope of application, the disclosure of Scope 3 greenhouse gas emissions is not mandatory. In this reporting period, the Company has exercised its right of exemption pursuant to Article C4 of TSRS 2 and has not included Scope 3 greenhouse gas emission information, including Category 15 – Investments, for the year 2024.

1.1.3 Reporting Boundaries, Measurement Approach, and Metrics

The companies, assets, and operations included in the scope of this report are the same as those included in Arzum's consolidated financial statements dated December 31, 2024. In the preparation of the report, standards published under the International Sustainability Standards Board (ISSB) and developed by the Sustainability Accounting Standards Board (SASB) were also utilized. In particular, based on the Industry-Based Guidance on Implementing TSRS 2, the industry guides corresponding to Arzum's field of activity—Volume 6-Multiline and Specialty Retailers & Distributors—were comprehensively evaluated. Metrics within the industry guide that are not directly related to Arzum's value chain, activities, risks, and opportunities have been excluded from the scope. The sustainability metrics and disclosures regarding climate-related risks and opportunities included in the relevant industry guides are presented in detail in the Report's Metrics and Targets section.

2 About Arzum

2.1 Company Organization and Nature of Activities

Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş. was founded in 1977 by Kazım Kolbaşı, Kemal Kolbaşı, and İbrahim Kolbaşı under the name Güney İthalat A.Ş. During the company's growth process, Arzum Dış Ticaret A.Ş. ("Arzum Dış") was established in 1993, followed by Felix Elektrikli Ev Aletleri A.Ş. ("Felix") in 2005, both aimed at marketing Arzum's products. All these companies operated under the management of the Kolbaşı family. On December 31, 2007, Arzum acquired all shares of Arzum Dış and Felix. Subsequently, on December 29, 2008, the Company and the other two entities merged into a single legal entity under the name Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi.

On December 29, 2008, April 14, 2008, and March 4, 2009, the Company's shares were sold to Turkish Household Appliances BV ("Turkish Household") at rates of 38% and 11%, respectively. On December 9, 2013, the 49% stake held by Turkish Household Appliances BV ("Turkish Household") was sold to SDA International S.a.r.l ("SDA International"). In 2014, a 1.49% share of SDA International was transferred to other partners. Subsequently, in 2020, SDA International's 47.51% stake was offered to the public through an Initial Public Offering (IPO).

Arzum is registered with the Capital Markets Board (CMB) and has been traded on Borsa Istanbul (BIST) since 2020. As of December 31, 2023, 49% of the Company's shares are traded on BIST.

The company operates in the small household appliances sector and outsources its production through suppliers located in Turkey and China. Its sales are conducted via wholesalers, retailers, chain stores, and e-commerce channels.

Arzum has established subsidiaries in various countries to strengthen its presence in international markets. On June 1, 2009, Arzum Asia Pacific was founded in Hong Kong to carry out overseas procurement on behalf of the company. To manage its sales operations in Europe, Arzum Europe GmbH (“Arzum Europe”) was established on July 11, 2011, with 50% ownership by Arzum and the other 50% by Arzum Asia Pacific. As of December 31, 2013, Arzum became the sole owner of Arzum Europe. On June 15, 2012, the Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş. Istanbul Industry and Trade Free Zone Branch ("Arzum Free Zone") was established to operate within the free trade zone. Additionally, on January 31, 2019, the Ömer Halisdemir University Technopark Branch was opened to support R&D activities. On January 17, 2023, the Company established Arzum Shanghai Limited in the People's Republic of China, with 100% of its shares owned by Arzum Asia Pacific, to expand its business model internationally. On November 8, 2022, the Company effectively established Arzum USA ("Arzum USA") in the state of Delaware to elevate the Group's existing operations in the American market; the capital transactions for this entity were completed as of April 12, 2023. With the same objective, on May 21, 2024, Arzum FZE was effectively established as a 100% subsidiary in Dubai’s Jebel Ali Free Zone, and its capital transactions have been finalized. The consolidated

financial statements as of and for the year ended December 31, 2024, comprise the Company and its subsidiaries (hereinafter referred to as the "Group"). The headquarters of the Company is located at Defterdar Mah. Otakçılar Cad. Sinpaş Flatofis No: 78 Interior Door No: 34 Eyüpsultan, Istanbul.

As of December 31, 2024, the subsidiaries and the ownership interests held by the Group are shown below:

Subsidiaries	Direct and Indirect Ownership Interest (%)
Arzum Asia Pasific	100
Arzum Europe	100
Arzum Free Zone*	100
Arzum USA	100
Arzum Shangai	100
Arzum FZE**	100

* Although it does not possess a separate legal entity, the Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret Anonim Şirketi Istanbul Industry and Trade Free Zone Branch is recognized as a subsidiary subject to consolidation in the attached consolidated financial statements. This branch is a free zone branch in accordance with the Ministry of Trade's Circular No. 1998/4, titled "Evaluation of Activity License Applications, Branch, and Branch-Addressed Companies," which regulates free zone branches. While it is linked to the headquarters, it maintains its own capital and its accounting records are kept separately from the main office. Despite lacking a distinct legal entity from a legal perspective, it is included in the consolidation due to its independent capital structure.

** With the aim of developing international operations and accelerating globalization efforts, the initial capital of 200,000 United Arab Emirates Dirhams for the 100% owned subsidiary established under the title "Arzum FZE" in Dubai's Jebel Ali Free Zone has been paid, and commercial operations have commenced.

2.2 Business Model and Value Chain

In preparing its sustainability and climate-related financial disclosures, Arzum adopts a comprehensive approach that extends beyond its core operations to encompass the entire value chain, including suppliers and distribution networks. As a key player in the small domestic appliances sector with an extensive supply ecosystem and strategic partnerships, the Company—while not engaging in direct manufacturing—effectively manages its business processes through robust collaborations with its suppliers and service providers. Arzum's business model encompasses product development and design, manufacturer selection, quality control, distribution, and after-sales support services. The value chain comprises a diverse range of stakeholders, from suppliers and logistics providers to e-commerce platforms and authorized dealers. In this context, the alignment of production processes with quality standards and sustainability criteria, along with the efficiency of supplier management and logistics operations, directly impact Arzum's long-term success.

Arzum's upstream value chain, operations, and downstream value chain relationships are illustrated below.

Stage of Value Chain		Description and Definition	Geographical Location
Upstream value chain	**Key Suppliers**	The production of small domestic appliances is carried out through collaborations with various domestic and international suppliers.	Turkey, China
	Logistics	Products are transported from suppliers to warehouses and distribution centers using international logistics networks. Strategic logistics partnerships are established for the effective management of the supply chain.	Turkey, China, Germany, Dubai
Activities	**R&D and Product Development**	In the product development process, two different methods are implemented. Original design and product development activities are carried out by the company's own R&D team; simultaneously, products developed by manufacturers are incorporated into the portfolio by acquiring their rights. Through these processes, the development of innovative and high-quality products is ensured.	Turkey, China
	Quality Control	Products are manufactured by suppliers in accordance with established quality standards and are monitored through Arzum's quality control processes and supplier audits.	Turkey, China
Downstream value chain	**Distribution and Sales**	Products are offered for sale through an extensive network of dealers and distributors. While there are no physical stores, direct-to-consumer sales are conducted via Arzum's own website. Additionally, products reach a broad consumer base through retail chains and distributors.	Turkey, Europe
	Customer Services and After-Sales Support	After-sales services are provided through an extensive technical service network across Türkiye, and operations are conducted with a focus on customer satisfaction.	Turkey

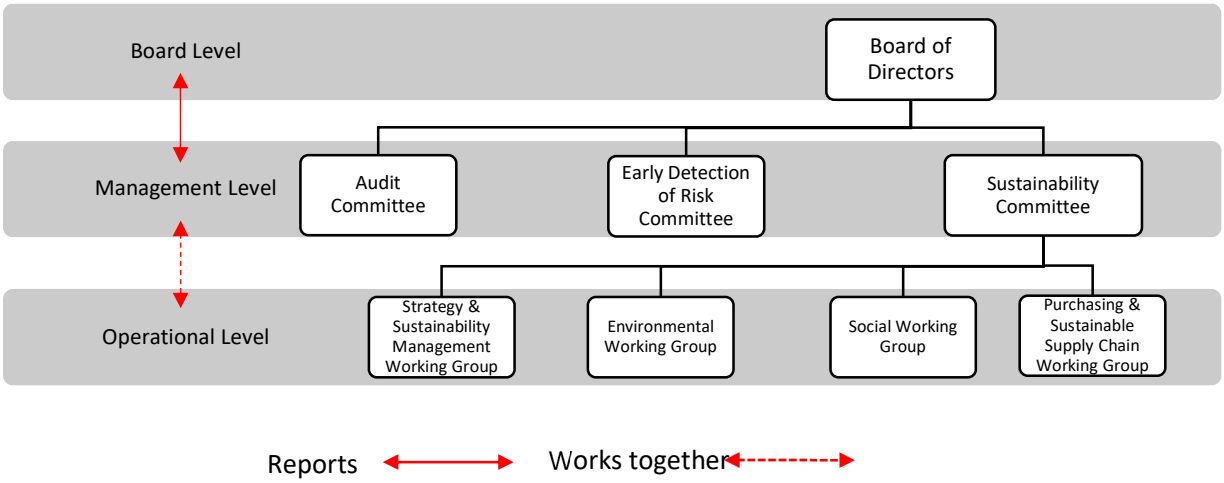
3 Governance

3.1 Arzum Sustainability and Climate Change Governance Structure

Arzum's sustainability and climate-related initiatives are addressed within the company's overall governance structure, with the Board of Directors playing a fundamental role in strategic oversight and decision-making processes in these areas. Planning, coordination, and implementation processes regarding sustainability and climate change are supported by the Sustainability Committee. The Committee takes part in formulating and executing relevant strategies while keeping the Board of Directors informed.

The Credit Control and Risk Management Department evaluates risks arising during the period or risk factors communicated to it by the relevant units of the company and, when deemed necessary, escalates these risks to the Early Detection of Risk Committee. Furthermore, the department prepares a risk report every two months and submits it to the Early Detection of Risk Committee in accordance with the early risk diagnosis obligation defined under the Turkish Commercial Code.

The Early Detection of Risk Committee reviews and evaluates the consolidated risk inventory prepared by the Credit Control and Risk Management Department and submits it to the Board of Directors. Furthermore, the Committee continuously oversees the effectiveness and adequacy of the company's risk management system and monitors areas for improvement. The Audit Committee is responsible for reporting in writing to the Board of Directors its own assessments regarding the compliance of annual and interim financial statements with the company's accounting principles, as well as their fairness and accuracy, by obtaining the opinions of the company's responsible executives and independent auditors. Simultaneously, the Audit Committee shall perform the duty of presenting the disclosures to be made within the framework of the Turkish Sustainability Reporting Standards to the Board of Directors during each reporting period. The general framework of Arzum's sustainability management structure is presented below.



3.2 Board of Directors

The Board of Directors is responsible for defining Arzum's sustainability strategy and approves the necessary resources for the effective management of sustainability initiatives. The Board integrates a risk-based perspective into strategic decision-making processes, ensuring that the company's strategy is bolstered by a robust risk management mechanism. This oversight responsibility is exercised through the Early Detection of Risk Committee. As of 2024, efforts have been initiated to establish a governance structure that enables more active Board involvement in evaluating sustainability and climate-related risks and opportunities. Within this scope, the objective is to clearly and systematically define responsibilities regarding the formulation of sustainability strategies, risk and opportunity management, performance tracking, monitoring of targets, and reporting processes.

The Board of Directors integrates sustainability into the company's overall strategy. In this regard, steps are being taken to systematically integrate sustainability and climate-related risks and opportunities into strategic decision-making, setting performance targets, and risk management processes. Efforts are ongoing to strengthen the relevant structures and mechanisms to ensure a more holistic involvement of the Board in these processes.

The Board of Directors aims to strengthen the integration of sustainability and climate-related risks and opportunities into the strategic decision-making process. Efforts are underway to develop a systematic approach that ensures these factors are directly considered when evaluating large-scale transactions and strategic objectives.

The Enterprise Risk Management Implementation Guide is employed by Arzum for the evaluation and management of all risks, including those related to sustainability and climate. The Board of Directors is conducting studies to ensure that controls and procedures are more systematically incorporated into governance processes to enable the effective oversight of sustainability and climate-related risks and opportunities. Furthermore, it is aimed that findings derived from risk management processes be regularly reported to the Sustainability Committee. In the forthcoming periods, the Risk Management and Finance teams are expected to collaborate to analyze the potential financial impacts of sustainability and climate risks and present these analyses to the Board of Directors. Arzum is conducting studies to set targets regarding sustainability and climate-related risks and opportunities, and to develop relevant performance metrics for monitoring progress toward achieving these goals. In this context, plans are being made to define sustainability and climate-related KPIs specifically for senior executives, relevant department managers, and employees; and to integrate these KPIs into annual performance evaluation processes and remuneration systems. In 2022, the Board of Directors established a dedicated Sustainability Committee for the first time, through authorization, to support the fulfillment of sustainability and climate-related responsibilities.

The monitoring and assessment of Arzum's sustainability and climate-related risks and opportunities are carried out by the **Sustainability Committee**. The Committee plays an active role in establishing sustainability strategies, policies, and targets; it closely monitors environmental, social, economic, and corporate risks and opportunities, developing strategic recommendations in line with the company's objectives. The Committee presents its decisions to the **Board of Directors** as recommendations, as the

Board holds the ultimate decision-making authority on sustainability and climate-related matters. The duties and responsibilities of the Committee are defined in the Sustainability Committee Charter.

As part of the efforts to establish a governance structure that enables the Board of Directors to involve itself more effectively in the assessment of sustainability and climate-related risks and opportunities, it is being evaluated that the Committee for Early Detection of Risk assumes responsibility for monitoring these risks through the Credit Control and Risk Department. Within this framework, it is planned to ensure the regular monitoring and analysis of sustainability and climate-related risks and opportunities, with the Committee for Early Detection of Risk informing the Sustainability Committee at designated intervals.

The Sustainability Committee consists of a total of four members: the CEO, two Vice Presidents, and the Human Resources Director. The Committee meets at least twice a year to address the items on its agenda and ensures that the Board of Directors is kept informed through the reports it prepares. Efforts are underway to formalize and regularly record the agenda items and decisions taken during Committee meetings; this practice aims to strengthen institutional memory and enhance the transparency of processes.

To enhance the committee's competence in identifying and managing sustainability and climate-related risks and opportunities, regular consultations are held with independent sustainability advisors. These independent advisors provide strategic guidance by offering specialized knowledge and expertise on sustainability issues. To further strengthen the existing governance structure, the development of a competency matrix is being evaluated. In this context, efforts are ongoing to include individuals with experience in sustainability and climate issues within the governance structures. Additionally, periodic training sessions are planned to increase the awareness of the Board of Directors and the Sustainability Committee regarding climate and sustainability risks.

In order to further strengthen the oversight mechanisms for the management of sustainability and climate-related risks and opportunities, there are plans to conduct studies regarding the evaluation of the Sustainability Committee’s activities by the Audit Committee through Internal Audit functions.

3.3 Working Groups

The sub-working groups operating at the operational level within Arzum’s sustainability management are organized under the Arzum Sustainability Committee. This structure consists of four primary groups representing the company's key focus areas under the theme of sustainability: the Strategy and Sustainability Management Working Group, the Environmental Working Group, the Social Working Group, and the Purchasing and Sustainable Supply Chain Working Group. These groups are composed of various department managers and technical experts. While these working groups currently meet on an as-needed basis regarding their respective topics, efforts are underway to transition them into a more regular operational structure to better support the progress toward the company’s sustainability goals.

The Strategy and Sustainability Management Working Group coordinates the processes for defining, implementing, and monitoring Arzum's sustainability strategies. Furthermore, it ensures that sustainability goals are aligned with the company’s overall business strategy and conducts performance tracking.

The Environmental Working Group, focusing on priority issues such as climate change and waste management, is responsible for managing risks and opportunities in these areas. It develops and implements policies aimed at enhancing Arzum’s environmental performance. By tracking sustainability targets such as energy efficiency, carbon footprint reduction, and waste management, the group contributes to the company’s environmental strategies.

The Social Working Group is responsible for developing and implementing Arzum’s policies in areas such as women's empowerment, employee engagement, happiness, and well-being, as well as stakeholder engagement and communication, by following best practices.

The Purchasing and Sustainable Supply Chain Working Group conducts efforts focused on effective value chain, risk, and opportunity management within procurement processes, while maintaining an agile and customer-centric organizational structure through Arzum’s extensive supplier portfolio.

4 Strategy

The growing impacts of climate change are one of the most critical global challenges facing not only individuals but also the business world today. This situation is becoming so significant that it is driving the restructuring of environmental approaches, as well as economic and social systems. Growing awareness of climate change has begun to influence the consumption habits of both individuals and organizations. Arzum, which closely monitors the effects of the climate crisis on consumption habits and the business world, takes its responsibility in the fight against climate change very seriously.

If no action is taken to limit global temperature rise to 1.5°C in line with the Paris Agreement targets, irreversible consequences are anticipated; research is being conducted on this issue to develop solutions. Arzum, which strives to be part of the solutions developed to address climate change issues in its business model and the products it offers to consumers, aims to intensify these efforts and become a company aligned with the future. In this regard, Arzum has conducted an assessment by addressing issues related to its entire value chain, affiliate structure, business strategies, and decision-making processes while identifying the risks and opportunities associated with climate change.

Materiality Assessment

When assessing the potential financial impacts of climate-related risks and opportunities, Arzum has set the financial materiality threshold as a change of 3% or more in the pre-tax profit margin.

In alignment with the timelines used in its strategic decision-making processes, Arzum has defined the time horizons for sustainability and climate-related risk assessment processes as follows:

Short-term: 0-1 year

Medium- term: 1-3 year

Long-term: 3 years and above

In this context, the risks identified as significant have been categorized as acute physical risks, specifically: the risk of damage to manufacturers due to climate-related extreme weather events, and the risk of logistics processes being affected by such events. Within this framework, Arzum has conducted evaluations through scenario analyses to manage the potential risks of climate change more effectively, and these evaluations have been addressed under each risk category within this Report.

4.1 Climate-Related Risks

4.1.1 Risk of Supplier Loss Due to Climate-Driven Extreme Weather Events

For Arzum, supply chain resilience is a cornerstone of operational continuity and financial stability. Climate-related circumstances increase the vulnerability of supply chains and can threaten Arzum's processes. Therefore, building a resilient supply chain contributes to securing Arzum's operational efficiency and market position, forming a strategic pillar for the brand's long-term success.

Risk Definition	**Risk of Supplier Loss Due to Climate-Driven Extreme Weather Events**
Risk Category	Physical Acute Risk
Position in the Value Chain	Upstream Value Chain – Supply Chain
Activities That Have Become Vulnerable to Risk	Production processes carried out abroad
Risk Disclosure	Increasing extreme weather events caused by climate change have an impact on production activities. Arzum ensures that the products it offers to consumers in the market are manufactured by producers located in Turkey, China, and Malaysia. If these suppliers are unable to deliver products to Arzum on time and in sufficient quantities for any reason, this could lead to delays in fulfilling customer orders, resulting in direct sales losses and customer dissatisfaction. On the other hand, each product model in Arzum's product portfolio is manufactured by a specific manufacturer. Although the design specifications of the product models belong to Arzum, if the supplier manufacturing the relevant product is unable to produce it and/or deliver it to Arzum on time, even even if Arzum transfers these design specifications to an alternative supplier to ensure product supply, this may result in the product not being produced at the same quality or within the desired timeframe, and could lead to the risk of failing to meet customer demand on time. This risk is of particular importance for Arzum, especially during peak sales periods for small household appliances, a sector of significant importance to the company.
Term	Long-Term
Impact Scale	4
Probability	4
Risk Score	16
Scenario Analysis and Climate Resilience	While assessing physical risks related to climate change, Arzum has taken into account projections based on the IPCC's **RCP 4.5** and **RCP** 8.5[1] scenarios, specifically for **Turkey, China, and Malaysia**, where its suppliers operate. According to the assessments, temperature changes in these three regions are not expected to have a significant negative impact on production operations in the short and medium term. Similarly, it is understood that changes in wind speeds will remain at limited levels and will not pose a critical threat to production continuity. Consequently, **extreme precipitation** emerges as the more prominent factor in the assessment of physical climate risks. Precipitation projections indicate risk levels that vary by country over the long term, a factor that is carefully integrated into Arzum's **climate risk strategies**. Regarding the three specific countries of supply, while **extreme precipitation projections** carry the potential to cause operational interruptions over the long run, they are not observed to constitute a material risk in the short to medium-term horizon. • **China:** An increase in the frequency and intensity of extreme precipitation is projected in the long term. It is assessed that this trend could lead to operational disruptions due to floods and flash flooding in production regions. However, no significant impact is expected in the short and medium term. Arzum closely monitors these developments and ensures this risk remains manageable through its production diversification strategies.

[1] https://climate-impact-explorer.climateanalytics.org/

	• **Malaysia:** Long-term projections indicate an increase in extreme precipitation that could pose risks to port areas and outbound logistics processes. However, the impact on operations remains low in the short and medium term. The dual-sourcing strategy currently in place provides resilience against potential disruptions in this region. • **Turkey:** Projections for extreme precipitation indicate a limited increase in the long term. In the short and medium term, no changes are expected at a level that would cause disruptions in operational processes. Given the existing infrastructure capacity and regional resilience, the short-term impacts on production processes in Turkey are projected to remain low. Consequently, the climate scenario assessments for Arzum's manufacturing hubs in Turkey, China, and Malaysia show no significant threat of weather-related production halts in the near-to-mid-term horizon. Although long-term projections identify emerging risks, the company is committed to mitigating these through continuous risk surveillance and strategic supply chain diversification.
Impact of Risks	While Turkey, China, and Malaysia will be affected by different aspects and levels of climate change, countries such as China and Malaysia exhibit a higher degree of vulnerability to specific climate events. This suggests that these countries may be under greater risk due to their geographical locations and exposure to climatic phenomena. Due to its vast landmass, China is among the countries that may face the most complex consequences of the global climate crisis in terms of diversity. Malaysia, on the other hand, is in a more vulnerable position against the rising sea levels and the devastating effects of tropical storms due to its geographical location. The impacts of the climate crisis on countries vary depending on various factors such as geographical location, economic structure, infrastructure, and adaptive capacity. Considering the impact of products manufactured in Turkey, China, and Malaysia on Arzum's revenues, manufacturers located in Turkey and China have been addressed as a priority. Extreme weather events can cause physical damage to suppliers' manufacturing facilities and/or production lines, leading to delays in production processes and, consequently, in product procurement. Such delays may hinder the timely delivery of products to shelves, thereby complicating the management of stakeholder relationships. Unplanned collaborations with alternative manufacturers to compensate for production interruptions caused by climate-driven sudden shocks may bring about additional challenges, such as maintaining quality standards. Consequently, the impacts of climate change on the supply chain are not limited to the operational sphere but may also generate strategic risks.
Potential Financial Impact	In this product group, which holds a significant share of 9% in sales revenues, disruptions that may occur in supply processes due to potential climate-related events have the potential to create a substantial financial impact on the Company. Accordingly, financial impact forecasts have been conducted by considering supply scenarios for both Türkiye and the Far East. Approximately **12% of the Far East production**, which accounts for 25% of total production, consists of products for which there is currently no manufacturing alternative in Turkey; these are sourced exclusively from the Far East. However, for key product groups such as tea makers, Turkish coffee machines, and cordless vacuum cleaners, the Company employs a **double sourcing model** that incorporates both domestic and imported supply sources. As this product group holds a significant share of **9% of total sales revenue**, any climate-related disruptions in the procurement processes of these items possess the potential to create a **material financial impact**. Accordingly, financial impact projections have been developed by taking both Turkey and Far East supply scenarios into account. **Financial Effects of the Current Period** As the aforementioned risk did not occur within the reporting period, there was no resulting financial impact. **Anticipated Financial Effects** An assessment was conducted based on a scenario of transitioning to a Türkiye-based supply model in the event of a supply disruption caused by a climate-related production outage in

	the Far East, specifically in China and Malaysia. The FOB (Free On Board) prices of products in Türkiye are at higher levels compared to Far Eastern sources. However, the domestic supply option offers a more financially balanced structure thanks to deferred payment terms and the flexibility it provides to cash flow. Furthermore, the Türkiye-based supply model is considered a safer alternative in terms of the predictability of total landed costs and the ability to maintain supply continuity during periods of crisis. On the other hand, when evaluating a scenario of transitioning to a Far East supply model in the event of a supply disruption caused by a climate-related production outage in Türkiye; while the FOB costs of products are significantly lower compared to Türkiye, the total landed cost level is higher due to freight, insurance, and customs components. Therefore, the FOB price advantage is not fully reflected in the total cost and has the potential to create an additional financial burden. Furthermore, procurement from these sources is financially less advantageous due to the requirement for cash-in-advance payments. Under this scenario, it is projected that an additional financial burden of approximately $10 million could arise for the Company due to the higher total cost of Far Eastern sources.
Measurement Uncertainties	Production disruptions and supply chain interruptions caused by climate change involve significant uncertainty due to various external factors. The concentration of production facilities in specific regions increases vulnerability to extreme weather events, while infrastructure capacity, response speed, and adaptation levels determine the extent of this impact. Although lead times and cost estimates are based on historical data, elements such as geopolitical developments, freight bottlenecks, exchange rate fluctuations, and regulatory changes can cause deviations in these forecasts. This situation reduces the reliability of cost and delivery timelines, creating measurement uncertainty in financial planning. Furthermore, fluctuations in freight, customs, and transportation costs can lead to increases in final product prices, a decrease in competitiveness, and the risk of lost sales. Delays stemming from supply or quality issues also bring about risks of customer dissatisfaction and operational inefficiency.
Risk Mitigation Measures and Actions	To mitigate this risk, the company maintains supplier diversity, optimizes payment terms, and regularly evaluates alternative supply chain scenarios. Arzum is undertaking efforts to localize its product portfolio by shifting the production of goods currently manufactured in China and Malaysia to Turkey. These initiatives not only provide economic and operational advantages but also support the development of significant resilience against supply chain risks caused by climate change. Disruptive effects resulting from increasing climate change, such as extreme weather events, jeopardize global supply continuity through potential production interruptions. Arzum's dual-sourcing approach, which limits reliance on a single supplier, enhances the supply system's durability against these climate-induced disruptions. Through this approach, Arzum limits the financial consequences of the devastating effects that extreme weather events can have on production facilities and lines. By offering alternative solutions against climate-related adverse conditions, Arzum ensures business continuity, which plays a critical role in maintaining supply stability.

4.1.2 Supply Chain & Logistics Disruption Risk Due to Extreme Weather Events

The resilience of logistics processes stands out as a critical element of operational continuity and financial stability. Operating on a global scale, Arzum recognizes that any interruption in the logistics chain could adversely affect product distribution, leading to potential revenue losses and customer dissatisfaction. Climate-induced extreme weather events increase the vulnerability of logistics networks, thereby posing a threat to Arzum's operations. Consequently, establishing a resilient and flexible logistics system helps Arzum maintain its operational efficiency and competitive positioning, forming a strategic foundation to support the brand's long-term success.

Risk Definition	**Risk of Logistics Disruptions Resulting from Climate-Induced Extreme Weather Events**
Risk Category	Acute Physical Risk
Position in the Value Chain	Upstream Value Chain – Supply Chain
Activities That Have Become Vulnerable to Risk	Maritime logistics process for products manufactured abroad
Risk Disclosure	As part of its international sales operations, Arzum manages the logistics and shipment processes for products manufactured in the Far East, specifically in China and Malaysia, to various regions across the globe. Within this framework, considering the geographical distribution of shipment routes, critical maritime transit points in global trade—such as the Cape of Good Hope and the Suez Canal—stand out as prominent focal points. Tropical storms, extreme precipitation, and sudden changes in maritime conditions, which are increasingly likely to occur in these regions due to the effects of climate change, are assessed as potential risk factors for the continuity and safety of transportation operations. Such extreme weather events can lead to interruptions in vessel traffic, route diversions, or extended shipment lead times; consequently, they possess the potential to impact supply chain performance and delivery scheduling.
Term	Long-term
Impact Scale	4
Probability	5
Risk Score	20
Scenario Analysis and Climate Resilience	Arzum also addresses physical risks related to climate change specifically in the context of logistics routes that could affect the continuity of the global supply chain. In this framework, extreme precipitation projections around the Suez Canal and the Cape of Good Hope, two strategically important transit points for maritime transport, have been evaluated. These two regions are located on the main maritime transport routes used for product shipments from Arzum's manufacturers in China, Malaysia, and Türkiye to destinations such as China, Germany, Türkiye, and Dubai. Extreme precipitation projections for Al Isma'iliyah (Egypt) and South Africa have been analyzed to evaluate potential climate risks that could affect Arzum's logistics operations, given their locations at strategic transit points of global maritime transport, such as the Suez Canal and the Cape of Good Hope. The analyses, conducted on the basis of RCP4.5 and RCP8.5[2] scenarios, reveal diverging trends for both regions: **Al Isma'iliyah (Egypt):** According to the projections, there is a downward trend in extreme precipitation amounts in the long term. This decrease is even more pronounced under the RCP8.5 scenario. This situation indicates that it does not pose a direct threat to the port infrastructure and road logistics systems in the region, and that its impact on Arzum's export routes remains low. Consequently, climate-related extreme precipitation risk is not considered a significant factor for logistics activities conducted via Egypt in the short, medium, and long term. **South Africa:** Specifically for the region, an increase in extreme precipitation events is projected in the long term under the RCP8.5 scenario. This increase has the potential to bring about risks such as flooding, infrastructure degradation, and transport delays, particularly in maritime and road transportation. However, these impacts are not expected

[2] https://climate-impact-explorer.climateanalytics.org/

	to have a direct or severe reflection on operations. In this context, the diversification of routes and forward-looking route security analyses are gaining importance. These scenarios are being evaluated by Arzum to optimize future shipment times and to anticipate and develop measures against route security threats. When climate-related logistics risks for both regions are assessed, they are projected not to be at a critical level for Arzum in the short and medium term. However, efforts regarding climate resilience along these routes are being conducted meticulously as part of long-term strategies.
Impact of Risks	Extreme weather events related to climate change, changes in wind regimes, and irregularities in ocean currents can pose significant operational and financial risks, particularly in supply processes dependent on maritime transport. Increasing tropical storms, extreme weather conditions, and port closures during shipments from production centers such as China and Malaysia can lead to disruptions in vessel routes, voyage delays, and interruptions in the logistics chain. Such situations may complicate the timely procurement of products, leading to the disruption of production plans, delayed or unfulfilled customer demands, and consequently, a negative impact on sales performance. Delays in transportation increase the necessity for rapid problem-solving; however, alternative routes or expedited shipping solutions can create unexpected cost increases in logistics and customs processes. In addition, exchange rate fluctuations, rising fuel prices, and uncertainties in freight rates adversely affect the cost structure by increasing the financing burden. While prolonged transit times and rising operational expenses make it difficult to maintain quality standards, potential declines in delivery reliability may pose a significant risk.
Potential Financial Impact	The Company utilizes a double sourcing strategy—balancing local and international suppliers—for key categories including tea makers, Turkish coffee machines, and cordless stick vacuums. Given that these groups account for a substantial 9% of total sales revenue, any logistics bottlenecks triggered by climate-related incidents carry the potential for a material financial impact on the Company's operations. **Financial Effects of the Current Period** As the aforementioned risk did not materialize within the reporting period, no associated financial impact was recorded. **Anticipated Financial Effects** An assessment was conducted based on a scenario of transitioning to a **Turkey-based supply model** in the event of climate-related logistics disruptions for products sourced from the Far East, specifically China and Malaysia. In this regard, although the FOB prices of these products are relatively higher, operational flexibility is achieved through shorter delivery times and lower logistics costs. Local production is more resilient against climate-induced logistics interruptions and creates a mitigating effect on stock-out risks for domestic market demands. Furthermore, deferred payment agreements with local suppliers support the Company's cash flow management and contribute to maintaining financial stability during potential crisis periods. For these reasons, the Turkey-based supply model ensures a more sustainable operational structure, despite the higher unit costs. **In the Far East-sourced supply model**, despite the advantage in FOB prices, total landed cost levels are higher compared to Turkey-based sourcing due to freight, customs, Resource Utilization Support Fund (RUSF/KKDF) impacts, and cash payment requirements. In scenario analyses, it is projected that Far East sourcing could create an additional financial burden of approximately $9 million. In addition, lead times of up to 105 days increase the risk of stock-outs, while the long transit process and the resulting financing burden can lead to a deterioration in cash flow. Extreme weather events, port closures, and freight bottlenecks caused by climate change could further exacerbate these risks. Conversely, while Far Eastern manufacturers provide a time advantage in accessing export markets—thereby supporting international sales performance—transportation delays or route changes due to climate change may limit this advantage.
Measurement Uncertainties	Evaluating the impacts of climate-driven extreme weather events on maritime transportation involves significant measurement uncertainties, even when based on scenario-based projections. Forecasts regarding tropical storm frequency, route safety, and transit times possess limited certainty due to factors such as regional climate model

	variations, limited historical data sets, and the inherent accuracy limits of meteorological predictions. Furthermore, external economic variables render operational risk estimations increasingly complex and uncertain.
Risk Mitigation Measures and Actions	Efforts are underway to increase the number of manufacturers operating in Turkey, specifically to shorten the lead times of products manufactured abroad that undergo long maritime voyages and to minimize both climate-related and non-climate risks encountered during transit. This strategic shift aims to bolster supply chain resilience by prioritizing local sourcing alternatives. Arzum's multi-sourced supplier network, established across China, Malaysia, and Turkey, provides significant flexibility against climate-driven logistics disruptions. In the event of a logistics-related issue in any specific region, the Company can rapidly deploy alternative products through its suppliers in different locations, thereby maintaining its market continuity. This structure not only enhances supply chain resilience but also offers a strategic advantage in terms of operational continuity. Furthermore, Arzum does not rely on a single mode of transportation. By developing multimodal logistics solutions, such as sea-rail or rail-road combinations, the Company enhances its resilience against climate-driven disruptions and increases its operational mobility. Utilizing and maintaining readiness for alternative transportation methods ensures that Arzum possesses a more robust structure against climate-induced logistics interruptions.

4.2 Impact of Climate-Related Risks on Strategy

To minimize the impacts of climate-driven supply chain disruptions, Arzum is taking significant steps to enhance flexibility and resilience within its business model. Aiming to reduce the risks associated with single-source dependency, the Company has decided to collaborate with multiple manufacturers for its strategically important and high-demand product groups. This approach enables Arzum to build a more robust structure against climatic shifts or other operational challenges by increasing supply chain diversity. These strategic plans aim to maintain Arzum's competitive advantage while strengthening its ability to respond rapidly to climate-related changes in customer demand. Within the framework of its sustainable growth strategy, the Company has begun establishing a flexible supply network that can adapt to changing dynamics in the event of damage to production sites or assembly lines caused by climate change.

Simultaneously, integrating intermodal transportation into its processes holds great importance for Arzum in order to enhance supply chain resilience, optimize costs, and minimize the adverse effects that climate change may impose on logistics operations. In this context, by moving beyond traditional procurement methods and utilizing flexible, dynamic logistics frameworks that are sensitive to environmental factors, Arzum aims to maintain this approach and continue enhancing these practices. In doing so, the Company aims to prevent disruptions in logistics activities within product procurement processes caused by changing climatic conditions and to enhance its capacity for real-time response to emerging challenges. The combined effect of Arzum's multimodal transportation approach and diversified supplier collaborations enables the creation of a broad spectrum of supply sources. This, in turn, allows Arzum to sustain its competitive advantages, better meet customer expectations, and take a significant step toward developing a sustainable growth model.

5 Risk Management

5.1 Assessment of Sustainability and Climate-Related Risks and Opportunities

Arzum has adopted an Enterprise Risk Management (ERM) framework to identify, assess, prioritize, and manage significant risks. The risk management process ensures that risks are addressed systematically, control mechanisms are evaluated, and action plans are developed to reduce risks to acceptable levels.

Arzum's risk management process is conducted within the risk appetite established by the Board of Directors and aims to increase risk awareness across the Company and ensure sustainability by managing risks through a holistic approach. The monitoring and assessment of sustainability and climate-related risks and opportunities are carried out by Arzum's Sustainability Committee. Risk management processes include the identification of risks, the conduct of scenario analyses, the review of data sources, and the assessment of probability and impact.

5.1.1 Identification and Definition of Risks

Arzum adopts a systematic approach to identifying, assessing, prioritizing, and monitoring risks. As part of this process, risks are tracked in a risk inventory that lists factors that could threaten strategic objectives. In the inventory, risks are numbered using the abbreviation of the function to which they belong, brief descriptions are provided, root causes are identified, and risks are categorized according to their primary risk type. Additionally, risk references are included where available, and up to two responsible officials are assigned for each risk.

To identify risks and opportunities, the company monitors industry analyses, risk management publications, scenario analyses, and the practices of other companies in the sector. Additionally, the report draws upon global standards such as those of the TCFD (Task Force on Climate-related Financial Disclosures) and the Sustainability Accounting Standards Board (SASB) of the International Sustainability Standards Board (ISSB). Potential risks are identified by analyzing internal and external audit reports, and a shared risk perception is established through workshops organized with employee participation. Risk maps and inventories serve as key tools in this process.

5.1.2 Risk Assessment and Prioritization

Arzum determines the risk score and level by assessing risks based on their net impact and net probability. The identified risks are managed by classifying them on a heat map. Since high-risk threats pose critical risks to the company, detailed action plans are developed to address these risks, and senior management is actively involved in the process. Since medium-level risks require specific control mechanisms, they are monitored by the relevant managers. Although low-to-medium risks pose a relatively smaller threat, necessary precautions are being taken; however, whether action plans are documented is at the discretion of the business. Low-risk issues, on the other hand, have a minimal impact on the business, are managed by the party responsible for the risk, and do not require the development of written action plans.

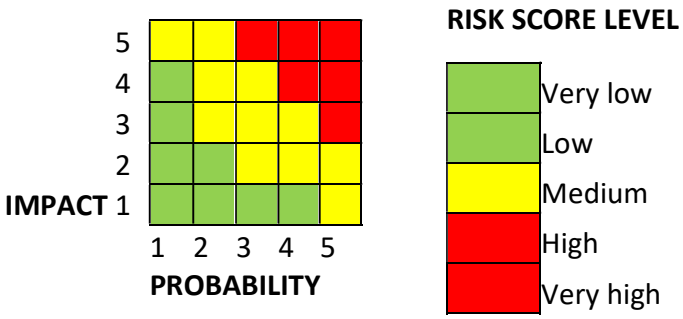


Figure 1: Arzum Impact and Probability Scale

5.1.3 Risk Response

Arzum determines its risk responses based on the net risk score and addresses them under four main categories: Risk Avoidance, Risk Acceptance, Risk Mitigation, and Risk Sharing. Risk assessments are conducted through periodic meetings or in response to emerging needs; during this process, the root causes of risks are analyzed, appropriate action plans are developed, and actions are implemented upon the approval of the relevant parties. Actions and measures taken for priority risks are presented to the Board of Directors through the Committee for Early Detection of Risk.

During the prioritization of risks identified in workshops, the Credit Control and Risk Management Department evaluates the effectiveness of existing controls and, in collaboration with the Internal Audit Manager, raises awareness among risk owners and provides the necessary guidance.

5.1.4 Reporting and Monitoring of Risks

The monitoring and assessment of risks encompass each unit creating and tracking its own risk inventory, with all risks being consolidated and managed by the Credit Control and Risk Management Department. Emerging risks or changes in existing risks are reviewed every two months and reported to senior management. Additionally, critical changes or newly identified risks are reported to the relevant parties in a timely manner. Arzum carries out the monitoring and assessment of sustainability and climate-related risks through the Sustainability Committee.

Changes in Arzum's risk monitoring process are reviewed during the preparation of each year's annual report, and processes are updated in line with the lessons learned and best practices derived from the previous year's Corporate Risk Management implementations.

6 Metrics and Targets

6.1 Industry-Specific Metrics

Considering Arzum's line of business, business model, and value chain, the relevant metrics are provided below within the framework of the guidance in "TSRS 2 Volume 6 — Multiline and Specialty Retailers & Distributors" as part of the Industry-based Guidance on Implementing TSRS 2.

Arzum operates in the consumer appliances sector and carries out its product sales through wholesalers, retailers, chain stores, and e-commerce channels. The Company's value chain encompasses sales, distribution, after-sales services, and supply chain management processes.

Accordingly, the sector-specific metrics regarding energy management and operational scope, which reflect the nature of Arzum's activities, are presented below.

6.1.1 Total Energy Consumption

Subject	**Metric**	**2024 Data**	**Unit**
Energy Management in Retail and Distribution	Total energy consumption	416,23	Giga joule (GJ)

6.1.2 Percentage of Grid Electricity

Subject	**Metric**	**2024 Data**	**Unit**
Energy Management in Retail and Distribution	Percentage of grid electricity	100	Percent (%)

6.1.3 Percentage of Renewable Energy

Subject	**Metric**	**2024 Data**	**Unit**
Energy Management in Retail and Distribution	Percentage of renewable energy	0	Percent (%)

6.2 Activity Metrics

Within the scope of Arzum's retail and distribution operations, the company's operational sites and their respective sizes are presented in the table below. These metrics reflect the company's operational scope and infrastructure.

Activity Metrics		**2024 Data**	**Units**
Number of retail points of sale and distribution centers		3	No.
Total gross floor area of retail and distribution facilities	Turkey	10.000	Cubic meters (m^3)
	Germany	500	
	Dubai	1.000	

6.3 Cross-Industry Metrics

Metric	Explanation
Green-house gas emissions	Scope 1 and Scope 2 emission values for the year 2024 have been included in the report, and the calculation methods and the methodology used are explained under the heading “6.3.1 Greenhouse Gas Emission Metrics.” According to Provisional Article 3 of the "Board Decision on the Scope of TSRS Application" regarding the "transitional provisions for reporting," there is no requirement to include Scope 3 emissions in the report during the first two-year reporting period in which TSRS is applied. Efforts to calculate Scope 3 emissions are currently ongoing.
Climate-related transition risks — amount and percentage of assets or business activities vulnerable to climate-related transition risks	No assets or business activities within Arzum's operations have been identified as vulnerable to climate-related transition risks.
Climate-related physical risks — amount and percentage of assets or business activities vulnerable to climate-related physical risks	Far East procurements where the double sourcing method is not applied have been evaluated within this scope. Detailed explanations are provided under the heading "4.1 Climate-Related Physical Risks."
Climate-related opportunities — amount and percentage of assets or business activities aligned with climate-related opportunities	As no climate-related opportunities with a potential impact on Arzum’s financial performance were identified, no assets or business activities have been categorized as aligned with climate-related opportunities.
Capital deployment — the amount of capital expenditure, financing or investment deployed toward climate-related risks and opportunities	There are no capital expenditures, financing, or investments deployed toward climate-related risks and opportunities.
Internal carbon prices: • An explanation of whether and how the entity applies a carbon price in its decision-making process (for example, investment decisions, transfer pricing, and scenario analysis); and • The price per metric tonne of greenhouse gas emissions used by the entity to assess the costs of its greenhouse gas emissions	There is currently no official carbon pricing mechanism in effect in Türkiye. Therefore, Arzum does not apply a carbon price in its decision-making processes, and there is no disclosable data available on this matter. However, developments regarding carbon pricing mechanisms in Türkiye are being monitored, and the Company plans to develop strategies and practices in this area in the forthcoming periods, depending on changes in legislation and market conditions.
Remuneration: • A description of whether and how climate-related considerations are factored into executive remuneration. • The percentage of executive remuneration recognized in the current period linked to climate-related considerations.	As stated in the disclosure under sub-heading "3.2 Board of Directors" within the "3. Governance" section, climate-related matters currently have no impact on executive remuneration in the report.

6.3.1 Greenhouse Gas (GHG) Emissions

Arzum's greenhouse gas emissions have been classified and calculated within the framework of the GHG Protocol (Corporate Accounting and Reporting Standard) and the ISO 14064-1:2019 Standard. The calculations include emissions resulting from electricity consumption at the office space where Arzum conducts its Headquarters activities, fuel usage of company vehicles for transportation purposes, and leakages originating from fire extinguishers and refrigerant gases.

In the calculation process, locally and internationally recognized, reliable sources were utilized for emission factors. Scope 1 emissions include the impact resulting from Arzum's company vehicle fuels, as well as leakages from fire extinguishers and refrigerant gases during the reporting period. The emission factors provided in the Intergovernmental Panel on Climate Change (IPCC) resources were taken as the basis for calculating the emissions of this data. Scope 2 emissions originate from the electricity purchased by Arzum during the reporting period and have been calculated by taking the national grid electricity emission factor into account. Arzum intends to establish targeted actions to mitigate its emissions in future periods. Additionally, the Company is planning to expand its reporting framework to include the calculation of Scope 3 greenhouse gas emissions.

The subsidiaries of Arzum are excluded from the scope of this report due to the absence of emissions resulting from their activities.

Greenhouse Gas (GHG) Emissions for 2024			
	Scope 1 (tCO_2e)	**Scope 2 (Location based -tCO_2e)**	**Total GHG Emissions (tCO_2e)**
Emissions	731,34	54,39	785,73