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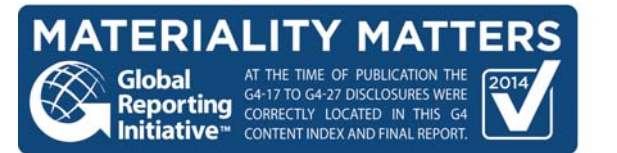
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## ABOUT THE REPORT

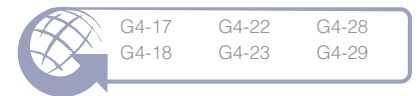
### Is it possible to build a sustainable future beginning today?

Here, at Tofaş, we believe that it is possible. For that purpose, from vehicles we manufacture to production systems, and from the workplace to relations with our stakeholders, we seek to streamline and to continuously improve sustainable working principles throughout our entire value chain. In that respect, we are pioneering our sector in Turkey by issuing the first Tofaş Sustainability Report in November 2014 in an effort to share the studies we have undertaken during our sustainability journey, the results we have obtained, and our future projections.

While determining the content, boundary and scope of the Tofaş Sustainability Report, not to mention in the calculation of performance data and structuring disclosures, we have complied with the Core-level principles mentioned in the G4 Reporting Guidelines as issued by the Global Reporting Initiative (GRI). Covering the data regarding the studies undertaken by Tofaş Türk Otomobil Fabrikası A.Ş., the report issued is intended to meet the needs of all stakeholders, including investors, shareholders, employees, dealers, suppliers and business partners, as well as universities and NGOs, to access transparent, direct and current information regarding Tofaş' operations and performance. Except for their financial data and unless stated otherwise, data from Tofaş subsidiaries Fer-Mas Oto Ticaret A.Ş. and Koç Fiat Kredi Tüketici Finansman A.Ş is not covered by this report.

The content of this report was established based on the material sustainability issue portfolio. In specifying the performance as to certain material issues, apart from the company information, we also covered the information regarding related stakeholders. In addition to the performance indicators stated by the GRI G4 Reporting Guidelines, we also benefited from the data forms generally acknowledged by the sector during the preparation of performance disclosures used in the contents of the report. Issued for the first time in November 2014, the Tofaş Sustainability Report covers a one-year period from 01 January 2013 to 31 December 2013. We seek to prepare our future reports on a similar annual basis.

The PDF version of the Tofaş Sustainability Report 2013, along with other detailed information regarding the contents of the report, is available at [www.tofas.com.tr](http://www.tofas.com.tr).



## MESSAGE FROM THE CHAIRMAN

Dear Stakeholders,

With its foundations laid in 1968 on the dream of its founder, the late Vehbi Koç, “to establish an automotive factory in Turkey in order to enable everyone to own a car,” Tofaş continues its operations as the pioneer company of its sector. Realizing approximately 20% of Turkey’s total automotive production and export operations, and recognized as the sixth largest industrial corporation in Turkey, today Tofaş is a global actor, maintaining its sustainable growth through its R&D investments and through the added value it generates in economic and social fields. Tofaş fulfils its responsibilities by playing an active role in the development of automotive technologies, shedding light on the future by increasing local knowledge, experience and resources – in addition to its financial and operational success. We combine our experience and expertise with our technology and tremendously valuable human talent in order to create the conditions necessary to achieve better living standards for future generations. At a time when new expectations and needs regarding our future are arising, our primary goal is to fulfill our responsibilities before our stakeholders by taking immediate action to secure a sustainable future.

A major obstacle for the structuring of a sustainable future is climate change. It becomes apparent that climate change involves risks that are likely to directly affect social and economic life. The significant share of transportation in anthropogenic greenhouse gases, which is one of the causes for climate change, places major responsibilities squarely on the shoulders of the automotive industry. Tofaş acts with complete awareness of this responsibility, and with products and continuous improvements to manufacturing processes it works for the development of technologies which seek to combat climate change. Achieving “Golden Level” in the World Class Manufacturing (WCM) System in 2013 is a good indication of the excellence achieved in production processes.



With the studies conducted in the reporting period, Tofaş succeeded in improving its sustainability performance across its value chain in social, environmental and economic aspects. Alongside the progress ensured in production and product-based environmental performance, significant gains were achieved in the fields of occupational health and safety, talent management, and supply chain during the year. The positive impacts of these achievements are also evident in operational efficiency and financial performance as well.

“Achieving “Golden Level” in the World Class Manufacturing (WCM) System in 2013 is a good indication of the excellence achieved in production processes.

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Tofaş has also sustained its support for community development, an integral part of its corporate culture, through ongoing corporate citizenship practices.

We appreciate Tofaş' long-established operations conducted with the sustainable management understanding and reporting practices launched in 2013. Looking to the future, we will maintain our operations in line with our vision of generating sustainable value for the economic and social development of our country for both current and future generations. I would like to express our gratitude towards our shareholders, employees, suppliers and dealers who continue to support Tofaş in these achievements.



Mustafa V. Koç  
Chairman of the Board of Directors



## MESSAGE FROM THE FCA EMEA COO

Dear Stakeholders,

Tofaş is a major automaker in its market and also a pivotal member of FCA ecosystem. Through the competencies developed over time, Tofaş' role in the FCA world exceeds being a regional manufacturer and today is the 2<sup>nd</sup> biggest R&D Center in EMEA; as well. Thus, it plays an essential part in FCA's future projections.

For our future, we believe that the financial success can only be sustainable by an organization, determined by environmental awareness, respect for people, fair and transparent conduct in commercial relationships and positive contribution to the society. FCA's approach to sustainability is widely recognized at the international level. For the fifth consecutive year, Fiat was included in the prestigious Dow Jones Sustainability World and Europe Indices. In addition, for the second consecutive year we were recognized as Italy's corporate leader in addressing climate change with inclusion in the Italy 100 Climate Disclosure Leadership Index (CDLI) and Climate Performance Leadership Index (CPLI).

Being a member of FCA ecosystem relies on not only achieving excellence in operations but also sharing a common vision towards the future of our business and actively engaging in joint efforts. In this sense, Tofaş also assumes a crucial responsibility in FCA's sustainability agenda.

Striving to build a secure future for its customers, employees, suppliers, dealers and society in general, thereby adopting the provision of high-quality, sustainable products as an ultimate goal is one of the main components of FCA's sustainability commitments. In this regard, we embrace Tofaş' efforts for forging its sustainability program and taking all necessary actions promptly, both in organizational as well as operational terms, and we take this as a major step forward.



We recognize this reporting period as a year of significant advancement in terms of developing sustainability studies of Tofaş. One example of Tofaş' success is its achieving the "Golden Level" in the World Class Manufacturing (WCM). Achieving an exceptional performance in the WCM studies is particularly important since the main WCM pillars – energy efficiency and occupational health and safety – are also integral parts of our sustainability efforts.

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In 2013, Tofaş reduced its energy consumption and its greenhouse gas emissions per vehicle manufactured. Along with the R&D studies contributing to our strategy of delivering sustainable mobility solutions, these efforts are critically important for operating in line with the FCA's global commitment to combating climate change. Reduction of total water withdrawal per vehicle manufactured also constitutes a significant performance achievement.

Employees are the major contributor to our success, and providing them with a safe working environment is one of our main responsibilities as an employer. Therefore, Tofaş's practices conducted in line with our "zero occupational accidents" objective are highly crucial and in 2013, significant improvements recorded in this area as well.

These examples reflect only a small portion of the operational successes, achieved during the reporting period. Improvements made with regard to developing the organizational and managerial structure of sustainability studies, such as the formation of sustainability management bodies both at executive and managerial levels, placing sustainability issues in risk management models and other areas of major importance, will enable Tofaş to perform better in future periods and make progress in realizing their sustainability strategy.

I would like take this opportunity to express my strong confidence in Tofaş's future success in its sustainability journey and thank all our stakeholders, primarily our employees, shareholders, suppliers and dealers who play leading roles in these efforts.



Alfredo Altavilla  
FCA Chief Operating Officer for EMEA Region  
Member of Tofaş Board of Directors

## MESSAGE FROM THE CEO

Dear Stakeholders,

In line with its status as a pioneer of Turkey's automotive industry, Tofaş has adopted as a goal since its foundation the generation of sustainable value by committing to continuous improvement for the economy, industry and all stakeholders. I proudly emphasize that today, we became the second-largest R&D and production center of Fiat Chrysler Automobiles (FCA) in Europe after Italy, developing and producing vehicles for six global brands with our 6,268 employees, and designing the mobility technologies of the future with the R&D competence we have acquired. The point we reached through valuable contributions of our major shareholders, Koç Holding and FCA, bestows upon us even more responsibility for the economies we operate in, the society we live in and the world in general to be able to enjoy a sustainable future. Therefore, we act with the awareness of this responsibility, and we make expend tremendous effort to ensure that our operations create value for our stakeholders in all social, environmental and economic dimensions.

In addition to being a period of success in terms of production, export, and domestic market operations of Tofaş, 2013 is also notable as a turning point for accelerated development of responsible and sustainable business models within our organization. In this context, we expect the activities of all teams under the coordination of the Tofaş Sustainability Committee and Sustainability Work Group to deliver positive outcomes regarding the improvement of our corporate sustainability performance in the future as they did in this reporting period.

We hope to achieve successful results that will support our practices in future periods by ensuring a continuous development trend in the Carbon Disclosure Project and BIST Sustainability Index studies, in which we participated this year for the first time. Achieving to be the first and only Turkish company listed in A level at CDP Global listing, and also to be listed in BIST sustainability Index in which companies listed in Borsa Istanbul and demonstrating the highest level of sustainability performance, reflects that we are taking the right steps forward.



Climate change is one of the pivotal issues on our agenda for building a sustainable future. The fact that automotive manufacturers are working towards solutions, approaching climate change with sensitivity, and tackling the problem with its attendant social, environmental and economic risk dimensions, is indeed an important gain. As one of the strategic R&D and manufacturing plants of Fiat Chrysler Automobiles (FCA) – a leading actor in the reduction of energy and emission levels of vehicles, in the development of alternative fuel technologies, as well as in alternative sustainable mobility solutions, we assume an active role in these efforts directly alongside the improvement of production processes designed to combat climate change.

Through these studies, we make a significant contribution to the R&D track records of the Turkish automotive industry, in addition to that of our company, with our approach which prioritizes localization in R&D studies while contributing to the production of sustainable automotive technologies of the future. The most important indicator of our efforts in this field is our inclusion in the World's Most R&D Investing Companies ranking conducted by the European Union in 2013, thereby becoming one of only three Turkish companies amongst the ranking's first 1,500.

Among the successes we have achieved in the reporting period is that we were one of the three FCA plants to reach the Gold Level in the World Class Manufacturing (WCM) Program, one of the leading methods in structuring sustainable business processes and ensuring continuous development across our value chain, primarily in production, conducted in 177 Group plants and 370 supplier plants across the FCA ecosystem. Thanks to our WCM studies focusing specifically on sustainability issues such as occupational safety, energy and emission management, and as compared to our base year 2012, we have reduced our per-manufactured vehicle energy consumption from 4.76 GJ to 4.60 GJ, our emission value from 0.482 ton CO<sub>2</sub>e to 0.458 ton CO<sub>2</sub>e, and our water consumption from 3.55 m<sup>3</sup> to 3.51 m<sup>3</sup>. Furthermore, we have achieved significant improvements in our raw material consumptions with our responsibility-oriented material consumption practices.

Providing a decent, safe, and improvement-oriented work life for our talented and experienced workforce, which remains one of our most important values, is a significant field of development. In the reporting period, we maintained the occupational health and safety performance improvement trend which we began in previous years. In this regard, we have reduced our injury and lost day frequency rates including contractor employees to 0.05. We aim to continue to reinforce our occupational health and safety practices in our production processes in future periods in order to achieve "zero occupational accidents". Additionally, along with our Tofaş Academy practice, we

realized significant improvements in supporting the professional development of our employees by organizing a total of 224,198 person x hours of training with 5,619 participants.

In the reporting period, we continued our supplier improvement studies which we conduct with the idea that the business success of Tofaş is directly correlated to the success of our business partners operating in our supply chain. In this regard, we achieved significant results in our suppliers' performance in the fields of efficiency, quality, environmental management and occupational safety.

In addition to studies we carried out for improving our sustainability performance in our operational processes, we also continued our corporate citizenship efforts, an integral part of Tofaş' corporate culture. Thus, we maintained our support for the development of initiatives related to education, culture & arts and sports.

In 2013, which has been significantly successful for us in terms of our sustainability performance improvement, we are also proud to have become the first company in the Turkish automotive industry to publish a sustainability report pursuant to the GRI G4 Reporting Framework, realizing yet another pioneering practice in our industry. On this occasion, I would like to extend our thanks to all our stakeholders, primarily our employees, shareholders, dealers, suppliers and sub-industry participants who support us in our journey of fulfilling our responsibility to build a sustainable future for everyone.



Kamil Başaran  
Member of the Board of Directors & CEO



“

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## GOVERNANCE AND SUSTAINABILITY “Transparent and Responsible Management for Corporate Sustainability”

Thanks to the governance structure we have developed in light of the values and principles taken over from our main shareholders Koç Holding and Fiat Chrysler Automobiles (FCA), we have reached the pole position in our sector. Shaped by being committed to superior norms of business ethics and focused on continuous improvement and responsibility, our understanding of business laid the cornerstone for the success we have come to enjoy for years.

### CORPORATE GOVERNANCE STRUCTURE

Formed by the principles of accountability, transparency, fairness and responsibility, our corporate governance understanding lies behind our organizational and managerial practices, which we develop day-by-day through modern principles and practices in line with international norms. In this respect, we aim to inform our stakeholders through reporting practices and to adopt corporate governance principles, which improve our awareness, by establishing a persistent, benefit-generating structure. On the other hand, we embrace performance assessment and improvement as a self-disciplinary principal. With this regard, by adopting corporate governance principles at every level, we appraise our corporate governance efforts in which we have been carrying out rating studies since 2007. Being one of the first five corporations conducting rating studies, as of the launch of BİST Corporate Governance Rating, we also became the first Koç Group Company and the first automotive company involved in rating studies. By these efforts, as a result of the 2013 assessments, Tofaş' corporate governance rating note has been shifted to 9.14, by which we became the automotive company with the highest note in the BİST Corporate Governance Index.

Our investors and stakeholders recognize our understanding of corporate governance as a dynamic process and constant improvement in our rating note since its first practice in 2007, as a significant indicator and confidence factor.

The Tofaş Board of Directors is composed of 12 board members, while two of those members are independent. The Chairman and CEO roles are exercised by two different individuals and the CEO is the only executive board member. The responsibilities of the Board of Directors include determining strategic trends, ensuring the functionality of risk management, early detection and control systems, compliance with the corporate governance principles, setting corporate goals and achieving the expected performance towards these goals. Achieving the targeted performance and undertaking the necessary studies for that purpose are among the duties of the CEO and the corporate senior management.

The studies undertaken by the subcommittees play a crucial role in ensuring the operational efficiency of the Tofaş Board of Directors. In that respect, the Corporate Governance Committee, the Audit Committee, and the Early Detection of Risk and Risk Management Committee continue their studies under the Board of Directors within defined principals. In line with the Corporate Governance Principles, the Corporate Governance Committee also acts as the Nomination and Remuneration Committees. You may find more information regarding our corporate governance structure in Tofaş Annual Report 2013.



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G4-34 G4-44

\* During the aforesaid rating reporting in 2014, in line with changes regarding the methodologies followed by rating agencies as a result of new TCMB regulations, rating notes of all index constituents were revised. Since rating engagements are conducted out of 85 points instead of 100 in the application of mandatory articles of Corporate Governance Principles in line with new methodology, together with all other companies, Tofaş' rating note was revisited and declared as 8.95.

## RISK MANAGEMENT

Risk management at Tofaş is carried out in line with an understanding starting and spreading from the higher management levels to the company in general. The highest body responsible for risk management is the Board of Directors, which fulfils that duty through the Early Detection of Risk and Risk Management Committee. The committee is responsible for establishing the corporate risk policies, determining the possible methods to measure and manage risks, and setting, monitoring and reporting proper risk limits. Studies and results regarding risk management are directly reported to the Board of Directors while the necessary methods of action are shaped on the Board of Directors level. The methodology we have adopted for the monitoring and management of risks is based on the implementation and extension of various globally-acknowledged steps. In that respect we follow five main steps regarding risk management in general.

1. Identifying the Risk: In the first stage, we try to forecast future events that might impact the company and to what degree these events could prevent and slowdown (or accelerate) our company from reaching its goals. We then identify the risks carried or that might be carried. This identification study also includes forming an opinion as to where, when, how and why those identified risks could occur.

2. Measuring the Risk: In the next step, we list the risks that we have identified according to their sizes and level of criticality. Hence we try to state the relations between them and clarify their sizes.

3. Evaluating the Risk: Analyzing the balance and impact between the positive and negative results that the risks on the portfolio could cause, we prioritize by deciding

which risks we need to focus on first to reduce the general risk level.

4. Mitigating or Transferring the Risk: In an effort to mitigate or transfer the most possible negative impact from the risks placed at the top of the criticality list, we identify the necessary actions and measures and then implement them.

5. Constant Monitoring: With a view to confirming that our risk management system functions properly and is active, we constantly re-evaluate whether the measures have been taken on time and have yielded results so that we could then make the adjustments required. Shaped not only according to legal obligations but also with the support of additional regulations we have set, our risk management organization acts according to the principles to safeguard the company assets, ensuring the commercial, financial and operational reliability, and sustainability in corporate risk management. As a result of the assessments, the potential risks Tofaş may come to face are grouped under six titles including strategic, financial, operational and, external risks, as well as compliance and sustainability, and are thus managed. Sustainability risks, which account for one of the six main areas of our risk management portfolio, include issues that have an impact on the sustainability performance of Tofaş. The sustainability risks Tofaş may face are assessed in that respect while preventive approaches are set and the outcome observed is examined and reported. You may find more information regarding the principles, organization and studies of Tofaş corporate risk management at [www.tofas.com.tr](http://www.tofas.com.tr).



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## BUSINESS ETHICS AND INTERNAL CONTROL

Acting in line with the superior principles of business ethics during our operations is a vital part of our business understanding. The foundations for our understanding of ethics and all of the principles we are supposed to comply with are covered by the Tofaş Code of Ethical Conduct document. The ethical rules are binding for all our business units and employees of every level, as well as our shareholders, Board members, suppliers and dealers. All Tofaş employees are expected to comply with those rules, which are a part of our daily life, and are responsible for guiding and warning other employees in that respect and notifying about the situations in line with the procedures set in the suspicion of a violation.

During the implementation process of the Tofaş Code of Ethical Conduct, various sessions are held with employees, and they are informed about the ethical rules and the implementation procedures. As part of our recruitment process, new employees are informed on the Code of Ethical Conduct, and we ensure that they have read all of the rules. Moreover, it is among the essential duties and responsibilities of all the medium and high-level managers to make necessary efforts and take the lead in paying the required attention to those norms while ensuring compliance with them as well as further notifying all the employees about the Code of Ethical Conduct. None of our employees is held responsible for any loss the company may suffer because of their compliance with ethics rules.

Tofaş Code of Ethical Conduct covers a wide scope of content, including any potential issues our employees and other stakeholders may face during operations. The Tofaş Code of Ethical Conduct document includes various chapters, such as rules of conduct for employees, rules

valid for the relations between Tofaş internal and external stakeholders, rules to avoid conflicts of interest, occupational health and safety principles, ban on political activities, prevention of corruption, misconduct and bribery, human rights clauses, such as prevention of discrimination as stated in the UN Universal Declaration of Human Rights. The document also features and regulates the procedures and the discipline practices to be observed in the case of any violations.

Ensuring the continuation of our operations in line with the superior norms of business ethics is also among the duties of our Board of Directors. This responsibility is exercised through the Tofaş Ethics Committee assigned by our Board of Directors. Composed of the CEO, Legal Affairs Manager, HR Director and other related directors, the Tofaş Ethics Committee convenes every six months regularly or upon the call of any committee member for a meeting. Tofaş Ethics Committee is responsible for a number of issues, including spreading and making known the ethical principles throughout the company, communication with internal and external stakeholders as well as revision and effective management of that communication when needed, examining and reaching a decision about violation notifications regarding employees and third parties, opting for the establishment of investigative committees when needed, implementing the decisions reached in line with the disciplinary procedures and providing information for the related authorities and officials.



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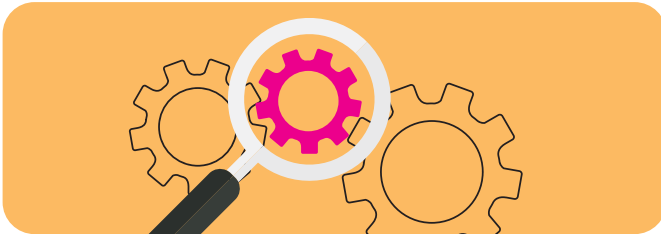
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It is the responsibility of all our employees to notify the Ethics Committee whenever they suspect a violation of the ethics rules. There are channels available with easy access for all our employees and stakeholders to notify of any violations. Clear identity and communication information of those who report the situation are required, while the Ethics Committee ensures that such information and the related investigation are kept confidential. The decisions reached by the Ethics Committee are binding while the parties reserve the right to object to those decisions. The decisions of the Ethics Committee regarding the objection are final.

Bribery, misconduct and corruption are not tolerated, regardless of the conditions or their scale. Should our employees or the third parties act in such ways, we will follow established investigative and disciplinary procedures.

As is clearly stated in our ethics rules that Tofaş does not submit to or take part in any political or ideological thought, tendency or organization. Therefore, none of the operations or campaigns of any political parties, politicians or nominees can be directly or indirectly supported. We do not allow such actions on company operation sites nor do we allocate company resources for such studies. Meanwhile, we establish transparent relations with public organizations for the mutual exchange of information and ideas and meet their demand for information regarding our company and our sector. Studies of NGOs in the sector are the basic means to express the problems of the sector in general and to develop the related public policies to address those problems. As Tofaş we do not lobby in favor of our company's interests and do not lend our support to those who organize such operations. When public organizations are customers, or when there is a tender to be held, we act in line with open competition norms as well as show full compliance with related legal and procedural situations.



We believe in the need for an effective internal control mechanism to implement a responsible and sustainable understanding of management. In that context the Audit Committee, set by the Board of Directors, is responsible for the efficiency and functionality of our internal audit systems as well as providing reports to the Board of Directors about the measures to be taken for the results

received. Because we seek to ensure the consistency of our operations and our accountability in the financial, operational and other risk groups our company may encounter, the Early Detection of Risks and Risk Management Committee benefits from the results of the studies of internal control.



Periodical audit practices account for the basis of our control studies. Those studies are undertaken at various intervals to cover the entire company and are composed of audits held by our main shareholders, Koç Holding and FCA audit groups, independent audit companies appointed by the General Assembly and our internal audit unit. The audits mainly focus on the compliance of our operations with the regulations, company principles, policies and procedures, efficiency of the control processes, confirmation of the performance data obtained and reliability of the registration and measuring methods. Compliance and non-compliance with our ethical norms, including corruption, misconduct and bribery, are covered by the audits.

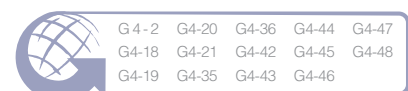
Supplier, business partner and dealer operations are other areas we audit. Those studies are held by our business unit responsible for the related stakeholder group and include sustainability issues such as environment, working and production conditions, ethics and quality. You may find more information regarding principles and procedures about our risk management organization, ethical rules and audit mechanisms at [www.tofas.com.tr](http://www.tofas.com.tr).

## SUSTAINABILITY MANAGEMENT

Establishing a sustainable management and value generation model is among the most fundamental responsibilities of the management of companies. In line with this understanding, we have taken significant steps toward the development of our sustainability management. We have first identified sustainability among the six main titles comprising the corporate risk management model through the Early Detection of Risk and Risk Management Committee, hence a responsibility of the Board of Directors. During the reporting period we published the Tofaş Sustainability Policy, which defines the coverage and general principles of our understanding of sustainability. Then we established the Tofaş Sustainability Committee responsible for identifying the strategic trends of our sustainability studies and monitoring them with the participation of our senior managers. Moreover, we established the Sustainability Working Group, where our company unit is represented in general and which is responsible for the implementation of strategic plans for sustainability management, as well as for the disclosure of the results obtained through sustainability reports.

Another study we held during the period is the Tofaş Sustainability Issues Materiality Identification practice. During the materiality process, which we conducted in line with completeness, sustainability context, materiality and stakeholder inclusiveness principles defined generally by GRI G4 Reporting Framework that we also applied in the reporting process, we followed a five-step process, thus we aimed to define the totality of an issue portfolio which may have impacts on the sustainability performance of Tofaş. In the first phase of the practice, through workshops we held with the participation of the Tofaş Sustainability Working Group, we discussed potential material aspects applicable to the company's sectoral, operational and geographical characteristics. Then we evaluated all potential material aspects obtained through a study with participation of senior and mid-level managers. During this evaluation, we prioritized related aspects according to their potential impacts on business value, position in the value chain and stakeholder expectation level. We informed and asked for feedback from FCA and Koç Holding managers about the process we followed and our preliminary findings. We also evaluated all our findings with the Tofaş Sustainability Working Group by employing views received from specialists. We submitted our conclusions to the Tofaş Sustainability Committee and after their approval we finalized the materiality process.

	Material Issues	Supply Processes	Manufacturing Processes	Distribution Processes	Marketing & Sales Processes	After-Sales Processes
Governance Aspects	Business Ethics & Anti-corruption	•	•	•	•	•
	Sustainability & Risk Management	•	•	•	•	•
	Stakeholder Engagement	•	•	•	•	•
	Management of Sustainability					
	Risks in the Supply Chain	•	•	•	•	•
Environmental Aspects	Energy Efficiency & Emissions	•	•	•		
	Environmental Impacts of Manufacturing		•			
	Sustainable Mobility Solutions		•			
Economic Aspects	Product & Service Quality		•		•	•
	Customer Satisfaction		•		•	•
	R&D Management and Collaborations		•			
	Dealer and Supplier Business Success	•			•	•
	Product Strategy in Developing Markets		•		•	
Social Aspects	Occupational Health & Safety	•	•			
	Talent Management & Vocational Training	•	•			
	Human Rights in the Workplace	•	•	•	•	•
	Community Development	•	•	•	•	•



## STAKEHOLDER ENGAGEMENT

We believe that one of the prerequisites of being a responsible company is establishing a communication environment based on transparency and accountability with our stakeholders within our sphere of influence. That is why we undertake practices focused on obtaining the views of our stakeholders, informing them of our operations and ensuring that we can act together towards our common goals. While planning those practices, we take the characteristics of the target stakeholder group into consideration and strive to create the most proper channels.

We also prioritize solutions-oriented organizations and institutions which have adopted ethical business principles and a working culture similar to ours and which are willing to reach common goals.

We believe that civil society is a significant driving force for collective development. Hence we act in cooperation with many NGOs, particularly professional organizations, pursuing membership and taking part in their governance bodies.

Stakeholder Group	Practice Type and Frequency
<b>Employees</b>	Surveys and Research (at various intervals); Training Activities, Tofaş Code of Ethical Conduct, Corporate Portal, Announcements and Postings (continuous); Suggestion and Rewarding System (instant); OHS Committees, Working Groups and Committees (at various intervals); Internal Publications (three times a year); Performance Management and Career Development Meetings, Social Activities (at least twice a year); Management Meetings, Communication Meetings, Annual Report, Sustainability Report, Environment Day (annually); Working Life Evaluation Survey (annually).
<b>Majority Shareholders</b>	General Assembly Meetings, Annual Report, Corporate Governance Compliance Report, Sustainability Report (annually); Board of Directors Meetings, Interim Reports (quarterly); Material Disclosures (upon necessity).
<b>Minority Shareholders</b>	Investor Presentations, One-on-One-Interviews (upon request); General Assembly Meetings, Annual Report, Corporate Governance Compliance Report, Sustainability Report (annually); Interim Reports (quarterly); Material Disclosures (upon necessity).
<b>Dealers</b>	One-on-One Meetings (upon request); Abroad Dealer Meetings, Domestic Dealer Meetings, Customer Satisfaction Survey, Annual Report, Sustainability Report (annually); Internal Publications (three times a year); Internal Publications (three times a year); Dealer Trainings (continuous).
<b>Suppliers</b>	One-on-One Meetings (upon request); OHS Committees (monthly); Annual Report, Sustainability Report (annually); Supplier Business Ethics Principles, Training and Development Programs (continuous); Internal Publications (three times a year).
<b>Product End Users</b>	Product Labels and User Guides (continuous), Marketing Communication Studies (continuous); Participation in Fairs, Annual Report, Sustainability Report (annually).
<b>Local Community</b>	Complaint System, Social Projects, Donations and Sponsorships (upon request). Information Meetings (upon necessity); Annual Report, Sustainability Report (annually).
<b>Sector Actors</b>	Meetings and Discussions, Projects and Initiatives (upon request); Participation in Fairs (several times a year); Annual Report, Sustainability Report (annually).
<b>Local Administrations</b>	Meetings and Discussions (upon request); Annual Report, Sustainability Report (annually).
<b>Public Institutions</b>	Meetings and Discussions (upon request); Informative Reports (at various intervals); Public Audits (at various intervals/instant); Annual Report, Sustainability Report (annually).
<b>NGOs</b>	Memberships (continuous); Working Groups, Committee and Board Memberships (periodic); Joint Projects and Initiatives, Meetings and Discussions (upon request); Annual Report; Sustainability Report (annually).
<b>Universities and Academics</b>	Scholarship and Internship Opportunities, Participation in Academic Congresses and Seminars, R&D Project Partnerships, Tofaş R&D Publications (continuous); Sponsorship and Support; Support for Academic Research and Publications; Meetings and Discussions (upon request); Annual Report, Sustainability Report (annually).
<b>Employee Families</b>	Informative Studies (continuous); Internal Publications (three times a year); Social Events (at least two times a year); Environment Day (annually).
<b>Opinion Leaders</b>	Meetings and Discussions (upon request); Annual Report, Sustainability Report (annually).
<b>Media</b>	Interviews and Talks; Meetings and Discussions (upon request); Press Releases, Material Disclosure (upon necessity); Annual Report; Sustainability Report (annually).





## CLIMATE CHANGE “Comprehensive and Holistic Response to Climate Change”

Climate change is one the most significant problems the world is currently facing. For this issue, which has the potential to create social and economic risks as well as for its environmental impact to fall off the global agenda, all concerned players must provide a comprehensive and holistic response. The general view of scientists is that the problem of climate change is largely caused by anthropogenic greenhouse gas emissions. Under the circumstances, measures have begun to be taken worldwide, and as well as control mechanisms and legal regulations aiming for the reduction of the impact of climate change are to be formed. The automotive industry is observed to have identified its responsibilities, and organizations industry-wide have tackled with the issue alongside manufacturers who have conducted their business responsibly. In this regard, we see that the most important expectation of our stakeholders from us, besides production and other activities, is to develop vehicles with lower emission levels or using alternative fuels and to produce vehicles aimed at realizing transportation operations and the freedom of travel, which is a basic human right, with more sustainable methods. We work to fulfil this responsibility.

Otherwise, we evaluate climate change as an area with a dimension of legal regulations such as emission limits, a physical and operational dimension such as radical alterations in weather conditions and a financial dimension such as emission trade. We aim to give early responses to the risks that might be caused by all these dimensions within the scope of our corporate risk management, thereby creating opportunities.

Within the context of the work Tofaş has undertaken aimed at combating climate change:

- As one of the most important R&D and production centers, we support studies for increasing the efficiency of vehicles with conventional engines, generalizing the use of alternative fuel systems such as natural gas and biofuel and for developing electric and hybrid vehicles, which FCA has conducted in line with its product strategies.
- We reduce greenhouse gas emissions generated as a result of our manufacturing processes by increasing energy efficiency in our plants.
- We work towards reducing emissions caused by our distribution activities by increasing efficiency in our logistic operations.
- We work towards disseminating environmental and climate responsibility awareness throughout our value chain with our supplier and dealer development studies and customer information services.



## PRODUCT PORTFOLIO *"Journey to the Future with Innovative, Safe and Environmentally-Friendlier Vehicles"*

As the only automotive company in Turkey with the ability to produce both passenger and light commercial vehicles, we develop and produce vehicles under tens of brands and models for global producers such as Fiat, Peugeot, Citroen, Opel, Vauxhall and RAM. We also provide authorized dealership and spare part services for Fiat,

Jeep, Lancia, Alfa Romeo, Maseratti and Ferrari brand vehicles across Turkey.

You may find more information about our current product portfolio in the [2013 Tofaş Annual Report](#).

## DEVELOPING MARKETS AND PRODUCT STRATEGY

In view of market and consumer expectations, Fiat Chrysler Automobiles (FCA) focuses its global product portfolio strategies on vehicles which respond to customer expectations and needs most appropriately with reduced fuel consumption and emission values. Our fundamental role, as one of the strategic partners of the global mobility network of FCA, is to ensure the production of vehicles meeting the requirements of target markets under high quality conditions while complying with the determined brand and model variety. It is also important for us to communicate the needs of our markets and customer expectations, thereby supporting global strategy determining processes of FCA with local data.

Providing the most suitable solutions for customer expectations and demands is one of the most important components of our global strategy. However, every market has its own peculiar conditions and requirements which constantly change. In this regard, our proactive working team listens to our customers in our local and export markets and provides solutions that will completely respond to their needs promptly. In this way, we benefit from the opportunities offered by our target markets and we develop our market presence.

As Tofaş, increasing our presence in developing markets by improving our performance in export markets as well as in the domestic market is one of our most important business objectives. We deliver the most suitable solutions through our design, product and production technology development processes by taking country-specific requirements into account. For instance, legal regulations, fuel quality and norms, safety standards, climate and geographical conditions in the target markets are factors we consider in our product design and production processes. In this direction, we have completed various successful projects and practices in the reporting period.

As part of these works we designed the Linea FL model in conformity with the conditions of the Indian market in 2013. We have completed successful implementations regarding the production of vehicles suitable for the physical conditions or fuel norms of countries with a hot climate, such as African and Gulf countries, as well as countries with a cold climate. We have ensured the modification of our passenger and light commercial vehicles to suit the needs of mail delivery vehicles in markets such as Denmark, Sweden and England. We are conducting studies to increase the added value and competitive edge of our light commercial vehicle segment, Doblo model, in the USA and Canada.

## MARKET OUTLOOK

In 2013, the Turkish automotive market grew to 853,378 units sold. The total vehicle market grew by 9.7%, mainly from passenger vehicle sales and despite the decrease in the light commercial segment.

Total Market (unit)	2012	2013	Change
Automobile	556,280	664,655	%19.5
Light Commercial Vehicle	221,481	188,723	-%14.8
<b>Total</b>	<b>777,761</b>	<b>853,378</b>	<b>%9.7</b>

We have recorded, with the Fiat brand, a 13.5% increase in domestic automobile sales, which reached 664,655 units, thereby acquiring a 7.6% market share with a total of 50,256 units. The most preferred passenger car in the domestic market was our Fiat Linea model with a 5.6% market share. We have recorded a 30.9% improvement in the sales of our brands such as Alfa Romeo, Lancia and Jeep. During the year our Maseratti and Ferrari sales totaled 73 units.

In 2013, when the light commercial vehicle market contracted, we obtained a share of 25.1% with our Fiat brand and sold 47,337 retail vehicles. The Fiat Doblo model was the most preferred model of its segment with a share of 11.5%. We reached 100,441 units in total retail sales with Fiat, Alfa Romeo, Lancia, Jeep, Ferrari and Maseratti brands.

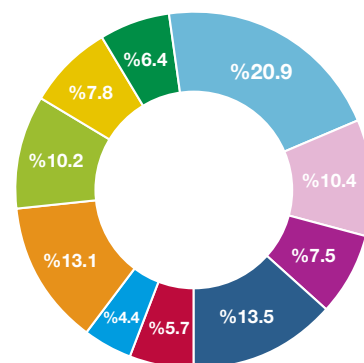
Retail Sales (units)	2012	2013	Change
Automobile	46,461	53,104	%14.3
Light Commercial Vehicle	58,137	47,337	-%18.6
<b>Total</b>	<b>104,598</b>	<b>100,441</b>	<b>-%4.0</b>

In 2013, when our main export market, Europe, contracted, we adopted the strategy of improving our market presence in non-European countries, primarily in South America and in the MENA region. As a result of this strategy, we succeeded in improving our export volume by 4.1%. We exported 43,477 passenger cars and 116,842 light commercial vehicles in 2013, thereby raising our export income to 1.6 billion euros.

Export (units)	2012	2013	Change
Automobile	46,869	43,477	-%7.2
Light Commercial Vehicle	107,200	116,842	%9.0
<b>Total</b>	<b>154,069</b>	<b>160,319</b>	<b>%4.1</b>

### Export Country Distribution

Italy	%20.9	MENA	%7.8
England	%13.5	Germany	%7.5
Other Europe	%13.1	Other	%6.4
France	%10.4	Spain	%5.7
South America	%10.2	Belgium	%4.4





## CUSTOMER EXPERIENCE

Providing the most excellent consumer experience via products and services that fulfil customer expectations and demands is the fundamental product strategy component we share with FCA. By our customer loyalty, we aim to develop the consumer experience constantly and provide our customers with added value by preserving the value of our vehicles during the ownership period.

We follow FCA's Global Quality System, which aims to ensure that products and services are delivered at high quality norms. Within the framework of this understanding of quality, we aim for our products to comply with all relevant legal and industrial regulations, to be reliable by physical norms, to have a higher performance than their competitors and to meet the expectations of our customers with authorized service and dealer services in presales and aftersales processes, as well as their engineering quality, design and ergonomics. Customer experience enhancement work begins with product design and configuration processes. The related teams of FCA conduct market research in order to determine customer expectations and demands and to learn about the level of satisfaction attained with the current product portfolio, on a global scale. As Tofaş we supplement these processes, where Consumer Promoter Score and Net Promoter Score evaluations are employed, with customer feedbacks from the local market, thereby contributing to the creation of the most suitable product range.

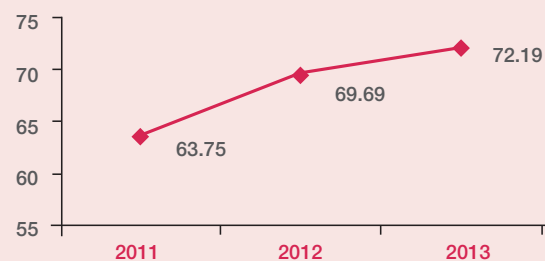
In order for our vehicles, which are produced at high quality norms, to be acclaimed during sales and aftersales processes, we aim to enhance the service quality by collaborating with all relevant parties, from our product and spare part suppliers to dealers and authorized services, through development programs we conduct. In addition to these processes coordinated by our Aftersales Business Enhancement specialists, we offer sales and after-sale services with workflows structured within the framework of the ISO 90001 System Standard. We constantly track the satisfaction level of our consumers with our services through our customer relations management systems. We find ways to make up for the flaws experienced by directly contacting our customers who we failed to satisfy. Subsequently, we determine whether our customers were satisfied with the results of impartial third party research. We track our aftersales performances through performance indicators, share them with the company's senior management in monthly plans and revisit our action plans.



We regard providing accurate, complete and prompt information to our consumers about our products and services as a basic consumer right, and we believe it to be an important part of enhancing the overall consumer experience. For this reason, we offer to all our consumers who buy our vehicles resources where they can readily find information about our vehicles. Through these resources we provide information about legal regulations as well as information regarding the safe and responsible use of our products. Our consumers may access all these resources during the sales process or through our webpages whenever they need. We also constantly inform our dealers and authorized services about our products, ensuring they communicate the most accurate information to our consumers.

As a result of the aftersales business development studies that we conducted during the reporting period, we became one of the most successful brands in the industry in creating service variety, offering 17 different services to our consumers. We have obtained successful results from our studies by improving our Customer Satisfaction Score in 2013. In line with our aftersales service quality and our objective to create an excellent consumer experience, our aim is to constantly improve our customer satisfaction level and to rank among the highest in the European Customer Satisfaction Survey realized across all brands. You may find current information about Tofaş Customer Satisfaction Policy in the [2013 Tofaş Annual Report](#).

### Customer Satisfaction Trend





## R&D MANAGEMENT

Our leading position in the Turkish automotive industry was brought about by our ideal to offer world-class products and services that are the most suitable for our customers. The studies conducted at the Tofaş R&D Center, which we established in 1994, played a significant role in the realization of this ideal. Being FCA's only R&D Center located in Europe, except in Italy, provides the Tofaş R&D Center with strategic significance. The Tofaş R&D Center, which has the required infrastructure to compete with Europe with its intellectual and physical conditions, was also registered by the Ministry of Science, Industry and Technology in 2008.

About 500 R&D employees work at the Tofaş R&D Center, which has a 17,700 m<sup>2</sup> working area. New investments are made every year in order to constantly develop our R&D capacity. A total of 113.5 million TL was allocated to R&D studies conducted in 2013, and 48 patents in various subjects were registered as a result of the completed projects. Our company was evaluated according to the resources allocated to R&D through a study conducted by the European Union and it was ranked 1,290th among the Top World R&D-Investor Companies to become one of only three Turkish companies to be listed among the first 1,500.

	2011	2012	2013
Total R&D			
Expenditure (million TL)	126.8	107	113.5
Number of R&D Employees	395	395	491
Number of Patents	25	28	48

Our R&D approach, which we call R&D Vision 2020 and which aims to meet customer expectations completely in every region of the world and to develop exciting vehicles and technologies, is also the basic component in the identification of our strategic targets.

In this direction, our objective is to take part in the design process of the products which Fiat Chrysler Automobiles (FCA) R&D plans to develop in Europe and the Middle

East, to develop products and production technologies in order to create customer value, to develop excellence centers which FCA can benefit from in its new models and to ensure the improvement of joint design and engineering firms in Turkey. To be able to improve R&D studies exclusively with local resources would be a significant strategic achievement in realizing these objectives. In this direction, we shape our improvement and investment plans and we improve our R&D capacity in terms of technical competence and personnel. With these studies we aim to become autonomous in the next two years.

We believe that R&D collaborations multiply the added value generated and play a significant role in achieving our strategic targets. For this reason, we focus on designer improvement, organizing local engineering firms, and university collaborations.

In the reporting period, we conducted various joint studies with companies whom we can collaborate with for short, medium and long terms for the enhancement of our local engineering network. We certified 14 product lines in 2011, and 12 in 2012 and 2013, out of the 49 domestic product lines where production and development studies can be performed, as joint designers. In the framework of university collaborations, we have conducted 104 projects with 13 universities since the establishment of our R&D Center, of which 88 have been continuing since 2006 until today. We conducted various projects within the scope of TUBITAK and European Union 7th Framework Program supports, by working together with design centers and academicians located in different countries, primarily with the FCA Research Center. In 2013, we increased the number of EU Research Projects (FP7 and Eureka) we participated in to nine. Within the scope of these projects, we had the opportunity to work together with over 80 international project partners, thereby developing our knowledge and experience.



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With the ROBOPARTNER Project (Human-Robot Cooperation Technologies for Intelligent, Flexible and Safe Operations in Future Mounting Plants) we take pride in being the first and only Turkish company to lead a project in the field of production technologies development.

We believe that another stakeholder group which can make the most valuable contribution to our R&D studies, besides our corporate R&D organization and R&D partners, is Tofaş employees with their high level of knowledge, talent and experience. In this direction, we have offered the facilities of our R&D center to our employees, ensuring that they use their creative and inquisitive qualities to increase the R&D resources of Tofaş. In 2013, we realized the third term of the “My Project” competition, organized with this intention. Within the context of the competition, our employees realized the Inexpensive, Light and Silent Engine Cooling System and Enabled Seat and Front Opening of Engine Hood projects. In 2013, we started TRIZ studies, which aim to incorporate creative thinking in the approaches and thinking structures of our R&D employees. In this scope, we have conducted 1st and 2nd level trainings, realizing 28 certifications of different levels.

## SUSTAINABLE MOBILITY SOLUTIONS

The social, environmental and economic challenges we are facing on a global scale, primarily climate change, impels every sector to take responsibility in the direction of ensuring an acceptable quality of life for society in the future, and to produce sustainable living solutions. As a member of the automotive industry, our task is to develop the technologies and solutions that will enable us to meet mobility requirements and freedom of travel, which is a human right, through sustainable methods. FCA, whose products we develop and produce, attributes pivotal importance to the development of holistic sustainable mobility solutions as the most significant aspect of its global product strategy. In this regard, various studies aiming for the reduction of the environmental impacts of products are conducted across the Group. Studies aiming for reducing the detrimental environmental impacts of vehicles with conventional engines, primarily energy consumption and emission values, increasing the variety of vehicles consuming alternative fuels and the accessibility of vehicles with alternative impulsion systems, and developing initiatives devoted to new mobility needs and shaping energy consumption sensitive consumer behavior are conducted. We participate in these studies, being one of the most strategic R&D and production centers of FCA, conduct research aimed at developing new technologies and reflect our findings on production processes under the umbrella of Tofaş.

Studies for reducing the environmental impact of our products account for a large part of our sustainable

mobility studies. While our other focus points are the enhancement of vehicle, driving and passenger comfort and safety, and the structuring of service-oriented business models which can satisfy customer needs.



## MCV Euro5+ and Doblo Euro5+ Projects

With the project we implemented in this reporting period, we aimed for ensuring the compliance with the Euro5+ standard of all gasoline and diesel engine options of MCV and Doblo brand vehicles and vehicles that we will deliver to market in EU countries by the beginning of 2014. In the context of the project, we have conducted design and design verification studies in the fields of engine, engine systems and electrical architecture, and we developed the final ECU software to be used on the vehicle. Subsequent to the practice, we have performed dynamics, comfort, safety, fuel consumption and other performance tests on the vehicles to confirm that they comply with the Euro5+ and 1.4CNG E6 systems, and we launched mass production for all motorizations.

### Project for Developing High Efficiency Impulsion and Charge Systems for Electrical Vehicles

In the reporting period, we conducted two main system development projects to be used in mass-produced electrical vehicles. The first of these aimed for developing high efficiency impulsion systems for electric vehicles. This project was also a continuation of the Doblo EV design project, launched during the previous period in line with Tofaş' strategic road map, the first fully electrical light commercial vehicle designed with completely local resources in Turkey. As a result of the study, we have realized the electrical engine prototype and genuine driver algorithm and completed the performance tests. After positive results were achieved, we completed the mass production preparations of the electrical engine we designed for the Doblo vehicle platform. In another project we conducted during the period, we aimed for developing charge systems for electrical vehicles. With the project, we developed charge systems that can work on-vehicle at the power levels of 3.3 kWh, 6.6 kWh and 9.9 kWh, realized performance tests and completed mass production preparations.





## Vehicles with Low Energy Consumption and Emission Values

The most significant environmental impacts originating from vehicles are fuel consumption and emissions. The fuel consumption and emission amounts of vehicles, which gained importance after the emergence of climate change, constitute an important part of the sustainable mobility development studies across FCA. There has been a significant decrease in the fuel consumption and emission values of vehicles produced within the body of FCA in compliance with legal regulations in places across our main export market, the EU.

As Tofaş, we support studies for reducing the fuel consumption and emission values of vehicles in line with the product strategies of FCA, and we see this issue as an important component of our R&D studies.

## Electric and Alternative Fuel Vehicles

Developing vehicles with alternative fuel and electric engines that will have an extensive area of operation constitutes a significant part of our R&D studies, which we conduct in line with our objective to provide our customers with sustainable mobility options. For R&D studies planned in line with FCA product strategies, the Tofaş R&D Center performs in strategic research fields. Many of our projects conducted in this regard generally focus on electrical vehicle engines, interfaces and various systems for several models and the development of parts and components to be used in vehicles equipped with CNG and ANG fuel systems.

## Project for Developing Vehicle to Vehicle (V2V) Communication Technologies for a Safe Journey

Through applications which we developed within the scope of the project, which we conduct together with our project partners KoçSistem and Ford Otosan, such as collision prevention systems using vehicle to vehicle and vehicle to highway wireless communication technologies,

traffic condition information transmission systems using vehicle position, junction collision warning systems, communication systems with traffic lights, blind point warning and adaptable tracking systems, we aim to enhance the driving safety and comfort promised by our vehicles. We aim to increase the competitive edge of our vehicles in markets such as America, Europe and the Far East by developing these technologies.

One topic we are studying is the intercommunication of the increasing amount of electronic units installed on vehicles. We aim to develop software that will ensure that these units will carry out this complicated communication operation at the required process speed and on a reliable scale. At this point, we are also working on systems that will provide an opportunity for fast and reliable communication in order to fulfil this function. With the AutoNET project, which we conducted in the reporting period, we aim to develop design software that will undertake the algorithmic scheduling of such systems and conduct test processes.

## Project for Improving Fuel Storage and Alternative Fuel Mixes for Natural Gas Vehicles

With the project we launched in 2011 and continued in the reporting period, we gained considerable ground in the popularization of natural gas vehicles in Turkey, the opening of new R&D spaces in this field and the development of low-cost and innovative solutions that can compete with international producers.

With the project, we achieved successful results in producing fuel tanks suitable for use in CNG and ANG systems for the first time in Turkey. The second part of the project was the development of "a domestic natural gas filling station". With this implementation developed by local resources, we aimed to contribute in the identification of technical confirmation conditions for domestic natural gas filling stations and to facilitate the encouragement of the extensive usage of natural gas vehicles with the advantage offered to the consumer through this system.

## Studies for Reducing the Environmental Impacts of Vehicles

We approach the issue of ensuring sustainable mobility from a holistic perspective. Therefore, regarding sustainable mobility, we also take into account the environmental impacts of vehicle beside fuel consumption, emission values and alternative fuel systems. We aim to reduce the amount of raw material being used without risking vehicle safety with new technologies. Consuming fewer raw materials means using resources more efficiently, and it also means less waste, a lighter vehicle, and therefore less fuel consumption. Besides, since vehicle costs are reduced, we can offer our vehicles to consumers with more feasible costs. Also, improving the recyclability of the parts used in the vehicles provides us with significant gains in terms of environmental impact and material efficiency.

In this direction, we have realized three successful implementations. In the first of these studies, we aimed to replace the door knuckle in use with a new model designed and produced by local means, which consumes fewer raw materials. With the new production method we developed within the scope of the study, we have reduced the weight of the cast knuckle by 25%. We intend to use these parts in Linea, MCV and Doblo models after their technical approvals. With the second project we implemented, we succeeded in recovering 18 tons of waste annually by transforming 10-20% of the waste generated during the rubber production process into product, thanks to the resin we developed in collaboration with Kocaeli University.

As a result of another project wherein we researched the utility of plant-based fibers in insulation and interior trim parts, we focused on finding the utilization potential of natural fibers in polypropylene and the optimum filling material rate. By measuring the impact resistance of the composites we have acquired as a result of the study with pulling and bending tests, we have achieved the most suitable composition.

## Project for Ensuring In-Vehicle Thermal Comfort with Solar Energy

In-vehicle acclimatization systems are among indispensable elements of driving comfort. Yet, current conventional acclimatization systems can have negative impacts on fuel consumption and vehicle performance. With the project we conduct jointly with Middle Eastern Technical University, we aim to feed the vehicle acclimatization function with solar energy. With the information we obtain as a result of this project, we will look for ways to reduce the cooling workload on current acclimatization devices or to replace them with systems working completely on solar energy.

## Vehicle Safety, Driving and Passenger Comfort

In addition to developing the environmental impact performance of the vehicles we produce, providing our customers with a safe and comfortable driving and passenger experience is also among our main fields of improvement. Alongside technologies and practices developed through studies conducted with the "safety for everyone on the road" vision of FCA, which enjoys the most advanced vehicle safety technology and research laboratories in the world, projects conducted at the Tofaş R&D Center are also effective in enhancing the safety and comfort of our vehicles.

Vehicle safety is closely related to vehicle design, production engineering and quality, as well as driver behavior, driving culture, geographical characteristics and road structure. Therefore, although general principles are common, vehicle safety criteria differs in various markets. For this reason, we conduct development studies for the vehicles we produce to comply with the legal regulations and different characteristics of the markets where they are delivered for sale. The Tofaş R&D Team conducts studies devoted to the adaptation of the design and engineering of our vehicles to the requirements of new markets and segments.

### “ DobloUSA Project

With the DobloUSA project we started in 2011 and plan to complete by 2014, we conduct design and design confirmation studies to meet local safety norms for our Doblo brand vehicles that will be delivered to the American market. Within the context of the studies, vehicle chassis frame, body and architecture, electric, engine, gearbox and other related components were examined and necessary design and novelties for compliance with market conditions were identified. We aim for the innovative practices developed within the project, for which we cooperated with various universities and design companies, to result in 11 new patents. ”

The importance attributed to vehicle safety is the importance attributed to human life. In order for our customers to have a safe driving experience when using our vehicles and to elude any accidents without any harm, we equip our vehicles with various passive safety systems. Besides, the most effective way to protect oneself from an accident is to prevent it from happening. At this point, active safety systems installed on the vehicles we produce come to the forefront. Since the aim of these systems is to prevent any dangerous situations from occurring, the safety of other vehicles, passengers and pedestrians in traffic is considered beside that of the driver and passengers. Constant development studies for improving these existing systems, as well as adding new ones to them, are conducted by FCA.





## MANUFACTURING *"World Class, Efficient and Sustainable Production"*

As a leading player in the Turkish automotive sector and one of the two strategic R&D centers of Fiat Chrysler Automobiles (FCA) in Europe, we implement state-of-the-art technologies accompanied by world class, efficient, quality and sustainable manufacturing processes. We enhance our performance by continuously improving our manufacturing capabilities in line with the internationally acknowledged quality and efficiency systems.

### WORLD CLASS MANUFACTURING AND MANAGEMENT STANDARDS

Zero occupational and environmental accidents, zero quality defects and zero loss are the main goals of the World Class Manufacturing (WCM) methodology focused on occupational safety, quality, environmental and delivery aspects. We implement the WCM standards in an effort to continuously improve our competitive power.

We have managed to be among the first factories to implement the WCM studies launched in 2006 throughout FCA, including 177 Group factories and 370 supplier factories. We take pride in the fact that we became the first FCA Factory that achieved Silver Level in 2009 and won "The Fastest Improving Factory" award during the process. The audit conducted in 2013 confirmed that we improved occupational accident rates by 97%, external quality indicator rates by 68%, productivity rates by 35% and breakdown rates by 75%, hence we achieved the Gold Level. The fact that we became one of the three FCA Factories achieving the Gold Level through our studies for continuously improving our manufacturing standards during the WCM journey makes us even more proud.

It was the participation of our employees that made a great difference to the success we have come to enjoy. During the 2013 studies, every operator made an average of 49 suggestions, thus lending support to our success through their creative solutions.



**TOFAŞ, WORLD CLASS  
MANUFACTURING "GOLD LEVEL"**

Motivated by our employees, we seek to ensure that our WCM studies gain further impetus for us to be a model factory among all the other FCA Factories. At that point we also intend to enhance our performance regarding the aspects of the WCM methodology involving our external stakeholders. We have taken significant steps during the reporting period for that purpose. For instance, we lead the way for our supplier companies to adopt the World Class Company (WCC) methodology, which we have been implementing since 2009. During the reporting period we continued our joint studies with 30 supplier companies, which constitute 55% of our local procurement operations, to improve their competitiveness in line with the international criteria. Moreover, within the scope of the World Class Dealer (WCD) Program seeking to enhance after-sales customer satisfaction, service quality and efficiency for Fiat dealers, we undertook joint studies with a number of peer Fiat dealers to develop our New Periodical Maintenance Standards, and went on to ensure that those standards were implemented at all our dealers.





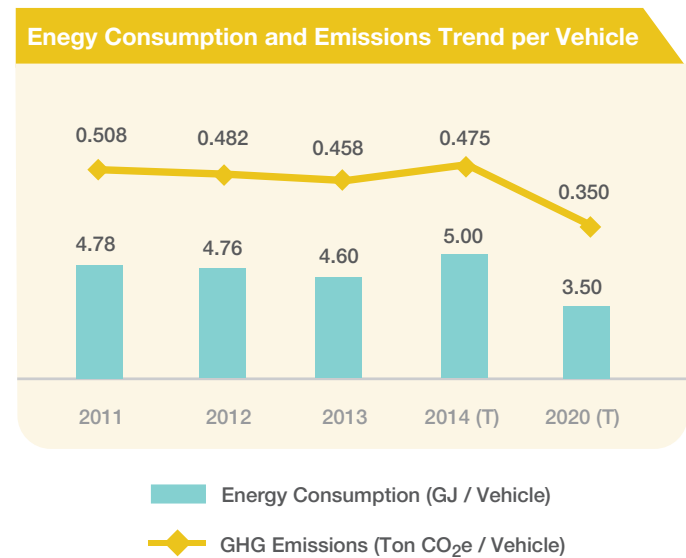
Apart from the WCM, we implement many other different efficiency and management quality systems and standards about manufacturing. Those standards ensure that not only our management quality but also the capacity to exercise early preventive intervention in any potential risks regarding various aspects of manufacturing remain high. The fundamental methodologies we have adopted include the ISO9001 Total Quality System Standard, the OHSAS18001 Occupational Health and Safety System Standard, the ISO14001 Environmental Management System Standard, the ISO50001 Energy Management System Standard, the ISO14064 Greenhouse Gas Accounting and the Verification System Standard. In addition to those aforementioned methodologies, we implement the Work Place Integration (WPI) methodology to monitor all our processes step-by-step to prevent any potential risks and adopt programs such IMDS with a view to check the use of chemicals in our supply chain and ensuring that any prohibited raw materials are not used in our products. Various periodic independent external audits, certification and verification practices regarding the management system and standards we implement not only ensure high performance for our systems but also contribute to creating a high level of awareness and motivation for our employees.

## ENERGY EFFICIENCY and EMISSIONS

Energy consumption constitutes the largest part of our production-related environmental impact and emission generation, as well as one of the most significant input cost. Failure to control, along with higher consumption values, will not only pose physical, social and economic risks related to climate change but will also have a negative impact on our competitiveness because of a potential surge in energy unit costs. That is why ensuring energy efficiency and implementing emission management comprise a significant part of our environmental management.

Managing energy efficiency at Tofaş involves the distribution of responsibility, beginning with senior management and continuing through to our business units. The Energy Specialists Committee, the Tofaş Sustainability Working Group and the Tofaş Sustainability Committee lead our energy efficiency and emission management studies throughout the company. In setting our short-term, medium-term and long-term objectives in line with our strategic plans, we monitor our progress regarding those targets through the identified performance indicators monthly, and also annually according to the base year. All our findings along with the F Matrix Energy Improvement Program output are reported monthly to our senior management.

While defining the fundamental principles of studies we perform through Tofaş Environmental and Energy Policy, we implement the ISO50001 Energy Management Standard and the WCM Energy Pillar principles in our energy management practices. The ISO14064 Greenhouse Gas Accounting and Verification Standard is used to manage the greenhouse gas emissions generated by our company's operations and our greenhouse gas accounting and verification studies comply with the Scope 1 and Scope 2 levels. We ensure that the emission types and parameters generated remain below the limit values set by the official authorities. As of 2014, we will be participating in the Carbon Disclosure Project (CDP) to monitor our improvement regarding the impact of our operations on climate change and share the results with our related stakeholders through an internationally acknowledged practice.



We continued the trend of reducing energy consumption per vehicle manufactured during the reporting period. In the base year 2012, 4.76 GJ of energy was consumed for each vehicle manufactured. In 2013 we succeeded in reducing that amount to 4.60 GJ. In the same way, the greenhouse gas emission released from the manufacturing of one vehicle fell from 0.482 Ton CO<sub>2</sub>e to 0.458 Ton CO<sub>2</sub>e.

Per-vehicle energy consumption and emission rates are expected to increase because of the production levels that are estimated to go down within the scope of the 2014 market projections. Our goal for 2014 is to limit energy consumption value per vehicle by 5.00 GJ and the emission amount to be generated per vehicle by 0.475 ton CO<sub>2</sub>e. In line with our energy efficiency strategic plan, we seek to reduce our energy consumption per vehicle by 26%, to 3.50 GJ, and the emission generated per vehicle by 27%, to 0.350 Ton CO<sub>2</sub>e by 2020, when compared with the base year 2012.

### Waste Heat Recovery Project

As a result of a project started in 2012 and completed during the reporting period, we have achieved the reuse of flue gas normally released into the atmosphere at high temperature in painting processes by means of a specially designed and highly automated thermic energy recovery system. As a result, 51.760 GJ of energy is recovered and transferred to another painting process where heat energy is needed .Therefore we have saved natural gas to generate energy, achieving reduction in emissions as well. Our project has been honored in the “Sustainability Category for Large Scale Enterprises” category of the “Efficiency Project Awards” organized by the Turkish Ministry of Science, Industry and Technology Energy Efficiency General Directorate.

The main areas our studies focus on ensuring energy efficiency and energy consumption related greenhouse gas reduction include flue gas waste heat recovery, illumination automations to maximize daylight use, localization and automation systems to reduce compressed air leaks, boiler projects providing efficiency in thermal transformations, new generation door and tunnel practices and the use of insulation materials to avoid heat loss. Our goal is to implement projects based on the best available technics in those areas to further improve our performance. In that context we undertook 121 energy efficiency studies in 2013 which led to a savings of 72,614 GJ of energy and prevented 6,541 tons of CO<sub>2</sub>e greenhouse gas emissions.

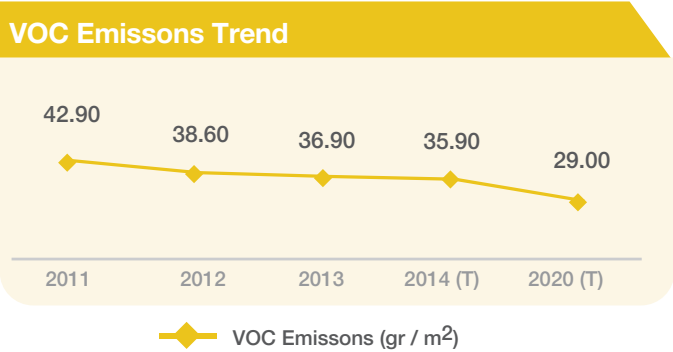
### Illumination Efficiency and Automation Projects

Quality of illumination constitutes a significant part of quality, occupational ergonomics and safety. Within the scope of our project to reduce energy consumption and related emissions while ensuring suitable illumination conditions in the large manufacturing workshops with high ceilings, we introduced a number of practices, including automation of the illumination systems, replacing light fittings with more efficient models and automatic control of illumination practices depending on the periods when there is production.

Equipping the work areas with smart illumination automations, we reduced the manually controlled illumination systems from 102 points to 12 control points. Then we replaced the mercury vapor lamps with more efficient models and ensured that they function when needed through motion sensors. Thanks to those studies started in 2012 and completed during the reporting period, we have saved 10,219 GJ of energy on an annual basis.

### Project to Reduce VOC Emissions in the Painting Process

The emissions generated during the production process are not limited to greenhouse gases. Painting processes, one of the main processes of automotive manufacturing, generates VOC emissions. We reduced the VOC emission weight per surface area painted from 38.6 gr/m<sup>2</sup> in 2012 to 36.9 gr/m<sup>2</sup> in 2013. During this period the total VOC emission amount generated in total was reduced by 9%, to 992.8 tons, as compared with the previous year. We plan to continue our studies in this regard in the future and intend to reach 35.9 gr/m<sup>2</sup> in 2014 and 29.0 gr/m<sup>2</sup> in 2020.



We scored a number of significant firsts for the Fiat Chrysler Automobiles (FCA) manufacturing facilities and Turkish automotive sector with our project launched in 2011 and completed during the reporting period to reduce the VOC emission generated during the painting process. The project involves four main operational steps.



The first one is the One Bell Paint Coating Practice, which was used for the first time in FCA factories and Turkey. As a result of this process, the metallic coating practice that used to be completed at the two robotic coating stations began to be completed at a single station thanks to the changes we have introduced to the paint formulations and coating parameters. We also scored another first for the FCA factories and in Turkey by replacing the 100% solvent-based materials in technical cleaning operations with non-solvent based materials. As part of another component of the project, we have replaced the low-pressure high-volume airbrushes in manual coating processes with electrostatic airbrushes, hence increasing the coating efficiency and reducing the amount of paint and solvent used.

Finally, we replaced the polyester resin coating practices with a polyurethane resin coating practice, which has led to a decline in the amount of paint and solvent used. Thanks to the implementation of this project, we have come to enjoy a higher level of reduction in VOC emissions than we originally expected. The VOC emission level, which was 42.9 gr/m<sup>2</sup> in 2011, decreased by 14% and turned out to be 36.9 gr/m<sup>2</sup> as a result of the project. Moreover, we have reduced the annual solvent use by 55,000 tons, paint waste generated by 130 tons and saved for up to 750,000 Euros thanks to the reduction in the materials used.

## ENVIRONMENTAL MANAGEMENT SYSTEM

We are an automotive company with a long-established environmental management background. The proactive approach we show not only seeks to ensure that our manufacturing processes are lean and efficient but also intends to minimize our environmental impact. Developed in line with this approach, the Tofaş Environmental and Energy Policy also aims to ensure sustainability in environmental management. Our guiding principle in environmental management is to “not pollute instead of treating the pollution”.

We believe that environmental management will be successful when managed in line with a holistic and systematic perspective. In that context, we have become the first manufacturer in the Turkish automotive sector to meet the ISO 14001 Environmental Management System Standards. Besides the ISO 14001 Standards, the WCM Environmental Management Pillar is one of the principal methodologies we have adopted. As far as environmental management is concerned, we have established an organization based on distribution of responsibility, starting from senior management to our manufacturing units. The strategic approaches and goals dealt by the specialized departments, such as the Sustainability Committee and the Sustainability Working Group, are also discussed at the senior management levels as well as the board of directors, while the Environmental, Health and Occupational Safety Directorate along with the Environmental Supervisors eventually implement those approaches and goals on site. As part of the performance evaluation system of the company, we manage environmental performance along with corporate and individual goals. The findings we obtain are then periodically shared with senior management and with our stakeholders through various channels. The Early Detection of Risks and Risk Management Committee are responsible for providing the systematic reliability of environmental management, which we regard as an important aspect

of corporate risk management.

What is more, the systematic integrity of our environmental management, the practices we implement and the performance we demonstrate is controlled through periodic internal and independent external audits, legal inspections and WCM and ISO14001 audits, along with the Koç Holding Environmental Audit. Meanwhile, legal compliance is an important aspect for environmental management and the subject of a dynamic area of regulations. Our teams responsible for environmental management closely monitor the legal regulation amendments and ensure our required compliance. Thanks to those efforts, we have neither experienced any non-compliance incidents with the environmental regulations during the reporting period nor faced any official sanctions from the authorities related to that aspect. We attach great importance to ensuring that our stakeholders around us do not experience any environmental nonconformity because of our operations. During the reporting period we have not received any grievance in that context.

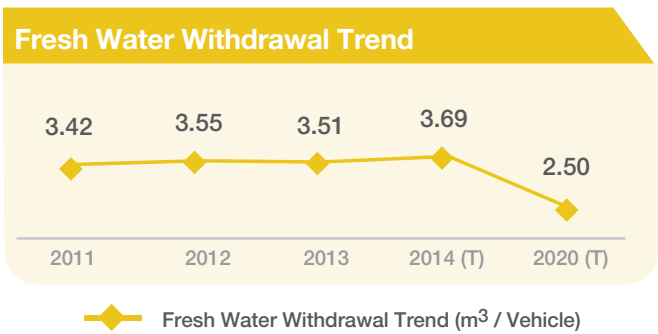
Being a long-established, large-scale manufacturing facility means that we enjoy a legacy of environmental management in terms of systems and perception. Meanwhile, the same characteristic also brings up the need for continuous investments and improvements to develop our environmental performance further. We therefore take such studies seriously and annually spare a significant amount of funds for studies focused on enhancing our environmental performance and management. In that respect we allocated over 1.7 million TL for our environmental management practices and 250 thousand TL for investments to improve environmental performance in 2013. Training Tofaş and its business partner employees to increase their awareness, experience and knowledge plays an important role in establishing effective environmental management. In that context during the reporting period we provided Tofaş employees with 630 person x hours and our business partners' employees with 1,150 person x hours of environmental training.

Apart from energy efficiency and emission, the principal areas we focus on in environmental management include water management, efficient and environmentally friendly materials and waste management. The management methods we adopt, the projects we implement and the successful outcomes we enjoy in all those areas are duly noted and awarded by various organizations. In that respect, we enjoyed the First Prize in the 2012 European Business Awards for the Environment Turkey Program while enjoying the highest score among all FCA factories and reached the Gold Level as a result of the WCM audits.



## Water Management

Firmly believing that water will be more important than all the other resources in the years to come, we think that unless measures are taken today, accessing clean water resources will be at least as difficult as accessing energy is for the world's increasing population. Therefore, implementing a responsible water management policy, coupled with consumption and wastewater processes, constitutes one of the most important elements of our goal to build a sustainable future. The most notable share of our total fresh water resource consumption is underground water consumption. The amount of water bought from external sources for drinking water purposes remains negligible when compared with underground water abstraction. The resources we use are periodically examined, and no stress is observed on the continuity of the resources because of our consumption. Meanwhile the water needs of our stakeholders, especially those of the local community, are not risked because of the type of the water resources we use.



As a result of the practices we have continuously developed from previous periods until now, we have enjoyed a significant decline in our water consumption values. During the reporting period we completed our manufacturing operations with 6% less fresh water resources consumed as compared to the previous year. This way fresh water withdrawal per vehicle manufactured, which was at a 3.55 m³/vehicle level in 2012, fell to 3.51 m³/vehicle in 2013. In parallel with the decline in our vehicle production, we plan to reach 3.69 m³/vehicle in 2014 and 2.50 m³/vehicle in 2020.

An important aspect of using fresh water resources responsibly is using the water withdrawn in the most efficient fashion. That is why we use the fresh water withdrawn multiple times and recycle the waste water generated in the process, therefore ensuring that we meet a greater portion of our water needs from the resources recovered. In that context we recovered 52,079,106 m³ of water, 20,665 m³ of which came from recycled wastewater, in 2013. In other words, we met 98.4% of our need for water, which nears 53 million m³ in total, through recycled and reused water, while only 1.6% of our water need was met through fresh water resources.

We place the utmost importance on wastewater management because, apart from being an important aspect of recycling, the pollution load of wastewater has the possibility to exert a negative impact on biodiversity. Using our modern treatment facilities, we first try to recycle the wastewater generated in our operations as much as possible, and then we discharge the remaining wastewater with pollution loads lower than the wastewater discharge permissions to the suitable and officially designated receiving environments. In 2013 we discharged a total of 587,561 m³ of wastewater, which amounts to 2.25 m³/vehicle. In 2014 we plan to decrease that amount to 2.22 m³/vehicle and then to 0.50 m³/vehicle in 2020.

While the receiving environments stated in the discharge permits are neither areas with high biodiversity values nor areas with special status, the measures and audits carried out by public authorities regarding our wastewater discharge performance have not observed any significant negative impact on the current biodiversity values nor on living beings.

## Efficient and Environmentally Friendly Material and Waste Management

Continuing our manufacturing processes with a perspective dealing with the material and waste management processes in an integrated fashion, we believe that inefficient use of materials will inevitably lead to an increase in the amount of waste generated either during or after production. We also regard the delivery of waste to the landfills as a loss of materials. The inefficiency would hamper our financial performance too, thereby preventing us from reducing our product costs. That is why our fundamental goal is to reach zero material loss and zero non-recovered waste levels. The resource management studies we undertake in an effort to reach that goal are focused on reducing the amount of resources used, using recycled and recyclable materials as much as possible and minimizing or fully recovering the waste generated.

The type and amount of materials used in production have a direct impact on many business processes from design to procurement and from manufacturing to after-sales services. Therefore the policy to use more environmentally friendly materials defines our options, while all the results received by our units and suppliers in the studies to reduce materials play an important role.



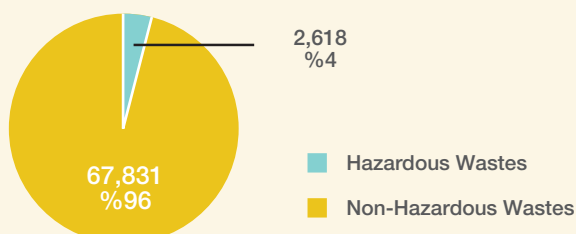


### Project for Reducing Sheet Iron Consumption Amount

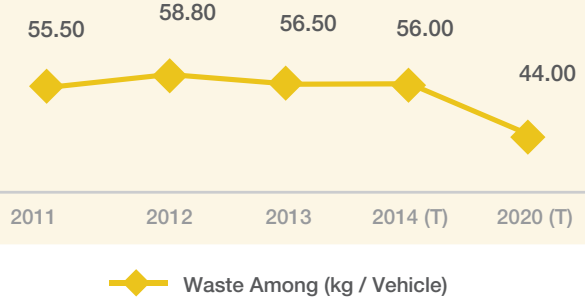
Within the scope of the project launched in 2012 and completed during the reporting period, we sought to reduce the amount of sheet iron used in manufacturing and its related environmental impact. As part of the project, we implemented two main practices. The first was to change sheet iron cutting techniques, which was necessary for leaving extra parts to fix the sheet iron plates on the press units, and to introduce the S-shaped cutting technique instead of the traditional regular cutting practices. This way we reached the minimum extra parts to be left on the iron sheet for the machinery to hold onto. Another practice involved a mold-in-mold technique, which basically means that the empty sections of the mold parts which would turn into waste were filled with the molds of other parts. Therefore, not only did we prevent consumption of material that would be disposed, but also enabled the press machinery to produce more parts in a single move. Thanks to the project we prevented the consumption of 840 tons of sheet iron materials and also decreased emissions by 1,640 ton CO<sub>2</sub>e on Scope 3 level.

The main goal of the waste management principles with which we comply is to ensure the recovery of all the waste generated during production and deliver zero waste to landfills. We have managed to reach that significant goal during the reporting period. During the year the total waste amount generated was reduced by 4% when compared to the previous period and waste generation turned out to be 56.5 kg/vehicle. We plan to reduce that amount to 56.0 kg/vehicle in 2014 and to 44.0 kg/vehicle in 2020.

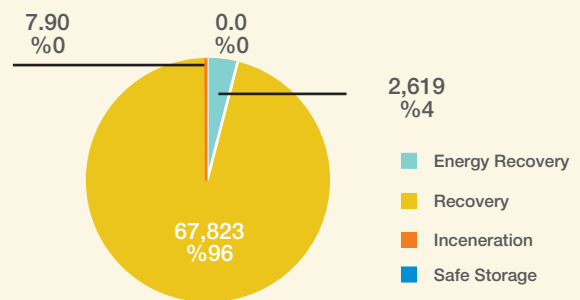
#### Total Wastes by Type (ton-%)



#### Waste Generation Trend



#### Total Wastes by Disposal Method (ton-%)



### Use of Hazardous Waste in Cement Factories as Energy and Raw Material

The project launched in 2013 to use the hazardous waste as alternative fuel and raw materials for cement production played an important role for us to reach the zero Waste disposed at landfills goal. Within the scope of the project, dewatered waste sludge and domestic waste were used as an alternative energy resource at the cement factories, thereby recovering energy that amounts to burning 647 tons of coal. In the same way, greenhouse gas emissions were reduced too. Meanwhile the 717 tons of ash generated through incineration was used as a mineral additive in the cement composition, which led to additional greenhouse gas reduction because of the clinker it substituted.

### Paint Sludge Recovery Project

Thanks to the project we introduced during the reporting period to recover solvent-based paint waste, the applied paint sludge is collected in the point circulation tank and is delivered to licensed recycling companies. This process has led to recycling 14% of the waste sludge, which has provided 86 tons of anticorrosive paint material.



## WORKPLACE *"A Safe, Dynamic, Development-Oriented and Fair Working Environment for Leaders of the Future"*

Being a center of attraction for talented youth who accommodate changes rapidly, are innovative and versatile, have a global perspective and constantly develop themselves and their surroundings, developing our creativity with variations, by incorporating in our team professionals with different perspectives and directing them to a common objective and constituting a collective learning culture from leaders always eager to learn new things and to share their knowledge and experience with others describe our main vision of business life in Tofaş.

Therefore, we promise to provide a safe, dynamic, development-oriented, decent and fair working environment for all our employees.

You may find detailed information about our human resources policies, systems and practices at [www.tofas.com.tr](http://www.tofas.com.tr).

**WE ARE AN  
AGILE TEAM,  
WE WORK  
WITH PASSION**

We are big team who act fast and reach the result quickly. We are passionate about our work.

**WE ARE  
COMPETITIVE,  
WE MAKE A  
DIFFERENCE**

We develop ourselves continuously. We always aim the best. We are innovative and we think simple.

**WE CARE  
ABOUT  
PEOPLE AND  
NATURE**

In TOFAŞ, people make a difference and our customers come first. For this reason we work in the light of "first the people" approach. We accomplish our responsibilities to environment and society.

**WE ARE  
AMBITIOUS,  
WE COMMIT  
AND WE  
ACHIEVE**

We embrace our target. We reach the result despite of obstacles. We work transparently, we see our mistakes as a development opportunity.

**SHAPING  
THE  
FUTURE**

**WINNING  
THROUGH**

**CONDUCTING  
THE TEAMS**

**IMPROVING  
COOPERATION**

**LEARNING  
CONTINUOUSLY**





## OCCUPATIONAL HEALTH AND SAFETY

We internalize occupational health and safety as a value and we believe in the necessity of forming a proactive and lean occupational health and safety management system in order to create a safe workplace. As we perceive the realization of the “zero accident” level, which is our general objective in the field of occupational health and safety, to be a choice rather than mere chance, we take the “Step-by-Step Safety” approach as a basis in our work. We acknowledge compliance with legal regulations, along with management, individual and team participation practices, to be the main focus of our approach.

Our main guide in the management of our occupational health and safety processes is the World Class Occupational Safety and Tofaş OHS Policy. The OHSAS 18001 Standard, WCM Safety Pillar, Fiat Safety Standards and Tofaş Contractor Procedure are also among the basic methodologies directing our practices in the field of occupational health and safety.

We manage occupational health and safety issues, which constitute an important aspect of our corporate risk management procedures, through an organization reaching from senior management to production units. We determine our strategic targets in light of the results found in our risk assessment studies that we realize periodically with the company's senior management. We reduce our occupational health and safety risks through action plans we form in line with these targets.

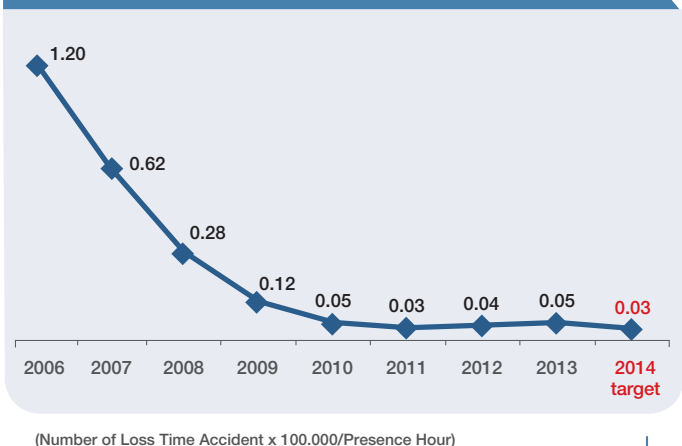
As a result of the studies we conducted in 2013 aiming for zero work accidents, we were awarded by the European Agency for Safety and Health at Work (EU-OSHA) as being one of the ten best plants in Europe within the context of the “European Good Practice Awards”. Besides being the only plant in Turkey to achieve this, we were also the first plant among FCA plants to receive four points within the context of the WCM Safety Pillar.

You can reach more detailed information about our occupational health and safety management at [www.tofas.com.tr](http://www.tofas.com.tr).

As a result of the studies we have conducted since 2006 in order to create a safer working environment and achieve the zero accident objective by improving the risks we identified, we have reduced the rate of Lost Time Accident (LTA) by 95%, Unsafe Acts by 87% and unsafe conditions by 95%. Consequently, we have reduced our frequency of LTA to the level of 0.05.

We develop training programs that include various subjects of health and safety in order to constantly raise the knowledge and awareness of Tofaş employees, as well as that of our suppliers and business partners, in relation to OHS. In this regard, we provided Tofaş employees with a total of 28,518 person x hours of training and employees of business partners with 5,982 person x hours of training in 2013. If an important aspect of achieving success in the field of occupational health and safety is to form systems and standards based on risk management, the other important aspect is to raise employees' awareness and to ensure their participation in the decision making processes.

### Lost Time Accident Frequency





The most basic principal we aim for our employees to adopt in the field of OHS is that occupational safety is everyone's task. To this end, we carry out practices for our employees to take responsibility and initiative in this field, alongside our occupational safety specialists.

Safety Management Audit and Training (SMAT) consists of field audits realized by employees at all levels, from senior management to blue collar employees. Our aim is to identify unsafe acts and conditions and to exchange information with employees that focuses on their safety. Thanks to these audits we have been implementing since 2009, which comprise one or more 15-20 minutes operations, we began identifying risks present in our working areas and improving them.

With our Safety Patrol practice, our senior management audits a predetermined area for a period of 30 minutes, with large participation, every 2-3 weeks. Ways to remove nonconformities are discussed with employees in the field. The most significant objective of this practice is to indicate that senior management attaches importance to employee's safety and that occupational safety will be improved by acting together.

In our Safety Captain practice, a blue collar employee, who is a lean team member, observes nonconformities and unsafe acts in the working area, reports them in collaboration with the team leader and warns individuals who behave unsafely. As another lean team member assumes the position of captain every week, approximately 350 employees observe the working area all at once with the perspective of occupational safety.

Shift start controls are one of the most important parts of autonomous occupational safety. Employees perform occupational safety controls with a check list before starting work, which enables many occupational safety risks to be

identified before there is an accident and/or a near-miss. Danger Prediction (Kiken Yochi) is one of our practices aimed at the development of our employees in the field of occupational safety and danger prediction. The Four Round Danger Prediction is a practice designed for individuals working in teams, as in production. The objective of this practice is to improve danger prediction and countermeasure identification competences of team members. In this practice, team members watch a photograph or a video of a working area with their leader and brainstorm about probable dangers.

In the team flags practice, the working areas of lean teams with no accidents are marked with a blue flag, while the ones with accidents are marked with an orange flag. The orange flag, which indicates personnel with an accident, stays on for three months. Our primary goal in this practice is to popularize the perception that the prevention of working accidents is an important element of success.

## TALENT MANAGEMENT

The way to become a world class company is to work with world class professionals. In order to form an agile, versatile and creative team and to be a center of attraction for the most competent professionals in their fields, it is necessary to generalize a learning culture whereby talents will be developed, enhanced and shared and, more importantly, to create a fair and peaceful working environment where people are valued. We promise all our employees will be part of an organization where an atmosphere of mutual respect and trust prospers, participation and diversity are encouraged; which desires to achieve targets as a team with its high motivation.

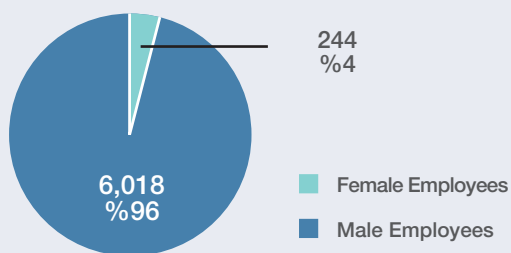
## A Decent Workplace

We believe that talent and creativity reveals its true value in a decent working environment and that employees who believe their efforts will be valued justly realize their potential at the highest level. Starting with the process of recruitment, we make sure that Tofaş employees feel they are part of a fair and equitable organization. We make use of systematic tools which provide an equal opportunity for everyone in the hiring process in order to assess the technical skills of the candidates as well as their behavioural

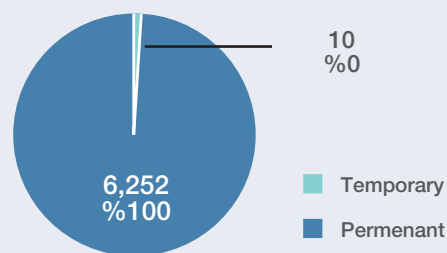
tendencies, their understanding of business manner and their compatibility with corporate culture. Our objective is to offer the right job to the right person. Apart from fulfilling the conditions necessitated by the job offered, the age, sex, belief, ethnicity or any other personal traits of the candidates are not considered as determinants in recruitment, nor are they decisive in any other human resource processes. It is essential that all Tofaş employees are offered equal opportunities.

## Workforce Statistics

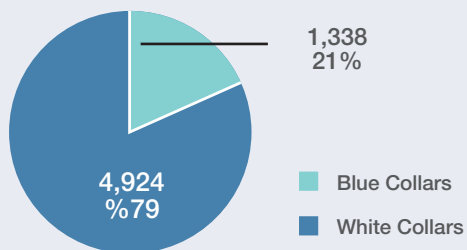
Employee Breakdown by Gender



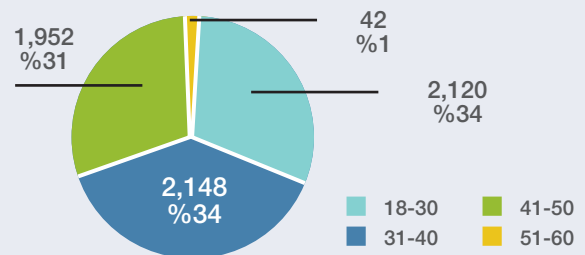
Employee Breakdown by Contract Type



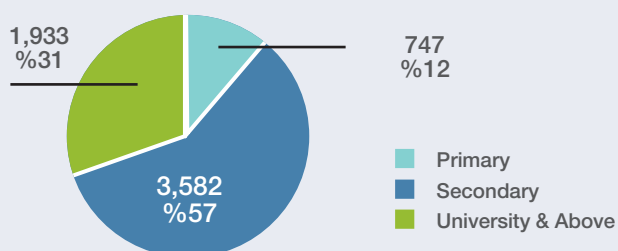
Employee Breakdown by Category



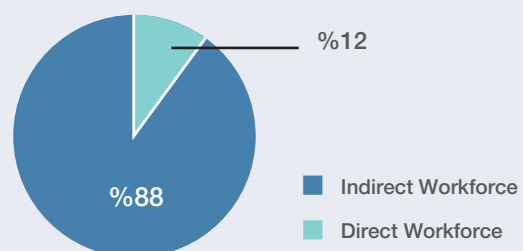
Employee Breakdown by Age Group



Employee Breakdown by Education Level



General Workforce Breakdown





The first step in structuring a working environment where human and employee rights are extolled is to fully provide and support human and employee rights. The UN Global Compact, of which Koç Holding, one of our main shareholders, is a signatory, constitutes binding norms for us as well. In this scope, we prevent discrimination and any practice that may be seen as discrimination, abuse of child labour, forced and compulsory labour practices and abuse of employee rights. We do not tolerate such behaviors under any circumstances. These principles are binding for our corporate operations as well as our entire value chain.

We require that our suppliers, business partners and dealers also abide by these principles. In consequence of the studies we conducted during the reporting period, we have found no supplier or business partner operations where these principles are at significant risk and we have received no official complaints in this direction.

The vital point of production is our employees, who have devoted their knowledge, skills and labors to the achievement of corporate objectives. Unions play an important role in representation for our employees to be able to collectively express their expectations and demands. For this reason we provide the appropriate conditions for our employees to use their union rights freely and we establish close and healthy relations with unions. Across Tofaş, all of our 4,924 blue collar employees operate within the scope of the collective agreements signed with the unions. The unionization rate is 79% company-wide.

As a result of this constructive communication atmosphere which we have developed over the years, we have not experienced any production or workforce losses due to industrial relations in this reporting period, just as in previous periods. We wish for this atmosphere of communication to be continued and enhanced in future periods. We also expect relevant parties in our supply chain to fully provide union rights. In the reporting period there were no supplier or business partner operations where union rights were under significant risk to our best knowledge, and we received no official complaints in this direction.

### Continuous Development Oriented Workplace Employee

Our aim is to create a learning culture throughout our organization. We encourage our employees to realize the potential of their talents and creativity at the highest level, and we offer various opportunities of development to this end.

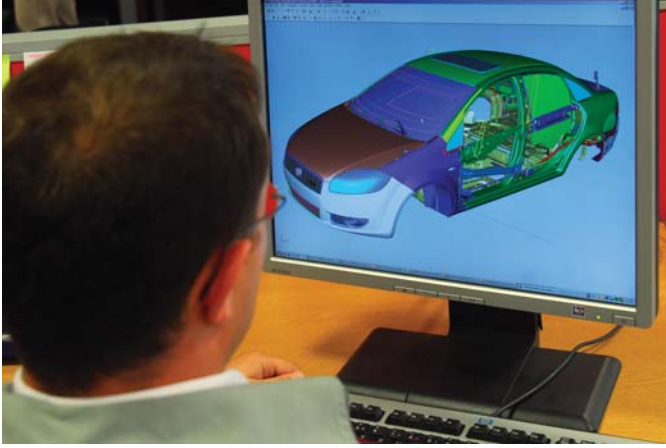
In the reporting period, we brought to life the Tofaş Academy practice, thereby immensely accelerating learning processes. During the year, we provided 14,128 in-class training organizations and 7,682 distant training or training support materials for white collar employees. Similarly, we provided 5,981 in-class training organizations and 1,295 distant training or training support materials for blue collar employees. We offered a total of 22,198 person x hours of training in which 5,619 people participated.

### High Performance-Oriented Workplace

We are a success-oriented organization. Whenever we achieve an objective, we regard this, not as an end point, but as a step that will lead us to a new objective. We appreciate the difficulties we experience in achieving our objectives as an opportunity to acquire a new competence. Yet, in order to truthfully consider success and difficulties, we need to control our performance objectively, take lessons from the results, and properly identify what is to be developed and how. We make use of our performance evaluation and career development systems to find the right answer to these questions.

Trainings – Number of Participants (person)		5,619
Blue Collar		4,380
White Collar		1,239
Female		121
Male		5,498

Employee Trainings –		
Total Hours (person x hours)		224,198
Blue Collar		122,560
White Collar		101,638
Female		10,120
Male		214,078



The performance management system we use to achieve corporate objectives involves all white collar and blue collar employees. Objectives and behavioural performance are the two basic elements evaluated by the management system.

We review the objectives we set at the beginning of the year at least once a year together with development plans. Target achievements, as well as behavioral competences and attitudes expected from employees, specific to Tofaş, are among the issues we evaluate. Issues pertaining to sustainability management are also included among the performance targets together with the improvement of the management organization.

We provide feedback to our employees about the performance level they achieve as required by performance system procedures. In 2013, we provided all white collar employees and 99.9% of blue collar employees with feedback.

The performance management system is also an important component of the remuneration policy. Elements such as the characteristics of the work being executed, the responsibilities that are taken and the general wage levels are determinants in the identification of employee compensation levels, while performance results are influential, especially for the determination of our white collar employees' success fees. We also adopt the principle of "equal wage for equal labor" in our remuneration practices. Therefore, no employees are treated differently on account of their sex or any other personal traits in the issue of remuneration, as in any other process. Everyone is compensated equally for the work they execute with analogous characteristics and levels. A difference in the compensation of equivalent employees can only be due to variations in seniority and performance-based premiums.

## Workplace Adding Value to Social Life

We believe that creativity and motivation will rise with a human resource that can enrich business and private lives respectively. For this end, we provide our employees with opportunities that will consolidate their success in business, as well as social opportunities that will colour their social and family lives.

There are 11 clubs and nine sports teams established by Tofaş employees on the basis of voluntarism. Social clubs organize over 200 social activities such as concerts, exhibitions, shows and conferences, cultural activities, and kayak and diving trips every year. Our football, volleyball, basketball, swimming, tennis, bowling, chess and sailing teams attend the Koç Sports Festival, CorriFiat and many intercorporate sports organizations every year. Thousands of employees participate in the Football and Bowling Tournaments which we organize among the units within the company. The Tofaş Day organization realized annually brings together all Tofaş employees and their families.



## VALUE CHAIN IMPROVEMENT

*"Growing Together with Our Business Partners through a Responsible and Reliable Value Chain"*

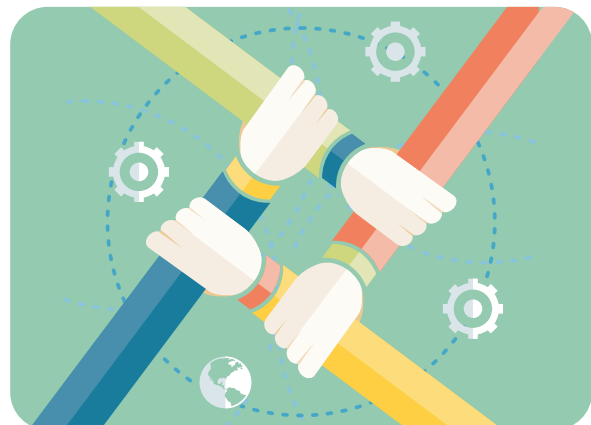
The Automotive sector is based on the conversion of raw materials and semi-finished goods into vehicles that meet consumer expectations with superior quality norms and rigid legal regulations, while bringing those manufactured vehicles together with consumers as well as providing uninterrupted maintenance-repair and spare parts services that meet the criteria for ensuring customer satisfaction. The ultimate success of that flow depends on the perfect coordination of hundreds of organizations. Therefore, we believe that only by adopting the norms that are identified with Tofaş, namely business ethics, environment and working norms, and by a continuously improving value chain, could sustainable business success be truly achieved. We see how greatly that understanding has contributed to the successful improvement levels we have reached up until now. That is why we lend our support to our suppliers and dealers so that they can enhance their business success while ensuring continuous improvement in their productivity and the ways they do business. Within the scope of that approach, we introduce new programs annually to provide training for our suppliers and dealers within the Tofaş Academy.

## SUPPLIER RELATIONS

In order for an automotive sector in a certain production geography to reach a high level of development, the main manufacturers have to reach the same high level of development as the raw materials, subsidiary industry, logistics and service sectors. We believe in the fact that we will enjoy much more powerful development and longer lasting achievements if we are accompanied by a supply chain that is financially strong, is environmentally conscious, is safe and efficient in terms of its operations, and can be

relied on as far as its production quality and sustainability are concerned. That is why we establish close relations with our suppliers and attach special importance to their development.

Seeking to develop relations with our suppliers based on mutual business success, we invest in developing the business success of that network further. In an effort to help that investment yield successful results, we ensure that our selection, business and operation development, learning, control and feedback processes are based on models that comply with the best international practices and systems as far as our supply chain studies are concerned. We manage those processes through a systematic method based on monitoring the performance goals set in strategic areas with an organization composed of many specialized units, such as Supply Chain Improvement, WCM and Subsidiary Development. The results we get are reported regularly to the senior management and the Early Detection of Risks and Risk Management Committee as well as the Board of Directors. The strategic orientation and goals set by the senior bodies of management also determine our future operations.





## Supplier Profile

The first and the most important stage in ensuring continuous improvement regarding our supply chain is choosing the right partners to work with. The main principles we take into consideration while determining our suppliers include: whether they boast the quality system, technical and organizational capacity sufficiently, whether they have the financial power to continue our supply operation without interruption, whether they have passed our audits regarding working norms, and whether they continuously monitor the development and best practices in their sectors to develop themselves and their competitive power further while also supporting our competitive power in terms of quality and cost efficiency. Apart from that, our greatest expectation from the companies to be included in our supply network is for them to show a business partnership approach based on openness and confidence while adopting our common goals so that they can focus on growing together.

The primary activity of the units responsible for our supply chain is ensuring on time provision of the parts to be used in manufacturing of vehicles and feeding of the production lines along with delivery of the finished vehicles to customers at a proper time and with proper quality. Our main supply operation items in this flow include engine, gearbox, direct materials, spare parts, investment-services and indirect materials. Amongst these operations, FCA is responsible for the supply of the engines and gearboxes.

Since we are the greatest supporter for localizing the automotive sector in Turkey, except for engines and gearboxes, 148 domestic suppliers provide 74% of the parts we procure. Those transactions account for 40% of our total procurement budget. As far as we are concerned, we undertake most of our supply operations abroad in cooperation with the FCA Purchasing organization. In 2013 the total number of our suppliers abroad from whom we procured direct materials and parts amounted to 28. In the same year, as for indirect materials and services procurement, we purchased materials from 1.960 domestic and 271 foreign companies.

### Tofaş Supplier Audit Map

The main instrument implemented in evaluating the performance of our suppliers during the working period is the Tofaş Supplier Audit Map. We evaluate our suppliers through priority and satisfaction variables at regular intervals in terms of criteria including quality, delivery, cost, competitiveness, self-development performance and awareness, as well as the percentage of Tofaş procurements in the total company turnover. In the light of our assessment results, we then provide medium and long-term strategic development plans for those companies.

Being a Tofaş supplier is an indicator of meeting certain quality and working norms in our sector besides boasting a proper business culture, along with the capability to come up with innovative and fast solutions. Therefore, companies are willing to be included in our supplier portfolio. In order to ensure sustainability in supply management, our suppliers need to be operationally and financially sustainable while minimizing their production risks. If the production for a single OEM accounts for a significant portion of our supplier's business volume, this might expose them to being excessively influenced by changes in production volumes. Yet we would like to see our suppliers, whom we regard as our business partners, boast a strong operational and financial capacity and sustain their profitability under any conditions. For that purpose we prefer them to diversify their business and develop their operations so as to make them capable of doing business through multiple OEMs, instead of depending on a single OEM. Therefore, during our supplier development studies our goal is to improve the quality of our supply chain while enabling our suppliers to gain capabilities that are superior to their competitors in every market of the world, so that they can enjoy the opportunity to be included in the supply networks of other manufacturers.

## Supplier Development Practices

We regard our suppliers as our business partners and undertake studies to support their development and competitive power in a number of areas, including: product design, organizational-technical development, quality, cost improvement, physical and financial risks, production process improvement and common purchasing.

As far as our operations to increase the business success of our suppliers are concerned during the reporting period, we especially emphasized training studies for extending the WCM methodology to our suppliers and development of their risk management in the supply chain, especially regarding social, environmental and financial areas, common process development, common purchasing, codesign and operational capability development.

We developed our studies further by providing trainings for our suppliers in 2013 under the Tofaş Academy. In that respect, 1,037 people from 118 supplier companies participated in our 26 different training modules during the reporting period. We thereby provided 1,106 personxhours of total training.



Launched in 2011 with the participation of 19 supplier companies, our Kalitem A development program continued during the reporting period with the addition of five new companies. Seeking to develop the project management and problem solving techniques of our suppliers, the study provides weekly and monthly consultancy services by our experts for our suppliers so that they can reach set development goal levels. As of 2013, 17 companies successfully completed the program. In 2014 we plan to add five new companies to the program and train internal trainers so that the techniques taught can be extended to the entire company staff.

With a view to increasing the success of our suppliers who have obtained the 7 Step certificate, we introduced the Diagnosys 7 Deployment Project to develop the correct diagnosis and efficient problem solving performance of those suppliers so that their success could be enhanced in the 7 Step studies regarding problem identification and current state analysis apart from gaining diagnosis competence. Until 2019 we plan to reach 35 companies in total by adding five new companies annually to the project, and during the reporting period the success rate of the participants reached 83%.

Implemented by 175 FCA factories and over 500 supplier companies all over the world, one of the most important components of the WCM program is extending the WCM guidelines throughout the supply chain. The fact that our suppliers also adopted the program and were highly motivated to integrate the WCM methodology into their business models played a significant part in our achieving the Gold Factory level within the scope of the WCM practices in 2013. Our suppliers need financial resources and a skilled labor force specialized in that area so that they can realize that motivation. Having determined that need on time, we introduced a development program focused on extending the WCM practices to our suppliers in 2009.

Within the scope of the WCM Deployment Project, our main goal is to enhance the WCM performance and competitive power of our suppliers while also speeding up their development in diverse performance areas, including environmental and OHS issues. Apart from the trainings we provide regarding the FCA System for our suppliers included in the project, our staff that are specialized in the related issues also provide regular consultancy services for those supplier companies.

Moreover, in an effort to monitor the development process enjoyed, we hold revision meetings once every three months, organize an annual company audit through an expert and an annual company management audit. Within the scope of the project, the FCA HQ WCM Office also audits our suppliers at irregular intervals to assess our performance. Out of the 18 companies covered by the project in 2013, we achieved the targeted success performance for 13 of them.

In 2013 we launched the WCM Alignment Program to introduce our suppliers that are not covered by the WCM program to the WCM guidelines and ensure that they meet the fundamental requirements and implement the guidelines during their daily workflow. We selected five supplier companies that are in the critical product lines in 2013 and accepted them into the program. Once we assessed the practices of our suppliers according to WCM guidelines and held a gap analysis, we drew up development plans for those suppliers based on the results obtained. We provide consultancy services for our suppliers so that they can undertake studies in light of the development plans and we assess the level of development they have achieved afterwards. In 2014, we plan to continue development studies with our five suppliers covered by the program.

## LISTENING TO OUR SUPPLIERS: WHAT DO THEY THINK ABOUT THE WCM PROGRAM???

**Could you tell us about the reasons for your company's participation in the WCM Program? In what aspects do you think the WCM Program differs from other development programs?**

First of all, I would like to thank our main industry Tofaş for having introduced us to WCM and guiding us along the way.

Starting from the 1990s, Martur has always participated in improvement studies. Having said that, the main influential factor for us to implement the WCM was our observation of the development by our main industry Tofaş regarding quality, cost and production areas. Above all, WCM has provided us with a new systematic approach to prevent any waste and loss. It has introduced us to a new perspective for all our practices, from occupational safety to environment, from production issues to logistics and human resources. We have managed to create a cultural change in light of this perspective and blended our ways of doing business with the WCM guidelines.

**What has your company gained from the WCM Program?**

Thanks to WCM, occupational safety has become the prioritized principle in all our processes. We have enjoyed positive improvements regarding our occupational health indicators through the studies we have conducted since 2009. Before WCM, we conducted various studies to eliminate losses but as a result of WCM, we realized that many of our operations, which we used to accept as a natural part of our work, were as a matter of fact unnecessary and wasteful. Our ability to identify loss, which was 15% at the start, rose to 45% as our studies progressed. We implemented new projects to eliminate those losses. In fact, we improved our in-line stock levels by 85%. Moreover, we came to acquire exemplary production areas praised for their high efficiency, ergonomics, technology and quality.

Another important aspect the WCM approach has introduced to us is the increase in our sensitivity to issues such as the environment and energy. We started an Energy Economy School to raise awareness for all our employees about energy loss and how they can save energy. The projects produced by our employees on how to avoid energy loss have led to a 30% improvement. We were among the first companies to obtain the ISO 14064 and ISO 50001 certifications for greenhouse gas and energy management systems in the automotive sector. Our exemplary studies have won us the Bursa Industrialists and Businessmen Association (BUSİAD) Environment Award.



**Tamer GALLEVCI**

Martur Production Director

**Some of the critical success factors for the WCM program include the motivation and participation of employees, as well as the senior management's approach to adopt the program. How have you achieved that in your company?**

Senior management needs to stand up for the WCM in the first place. As senior management, we have believed in the benefits derived from the WCM and have taken our strength from our human resources. Our employees too have adopted the WCM culture. They do not regard the WCM requirements as an additional issue to deal with and instead they see it as an ordinary way to work.

Viewed from a managerial perspective, WCM is a very effective guide regarding areas such as goal dissemination, communication, motivation, organizational development and efficiency. It is important to extend this culture to managerial and operational processes. Thanks to goal dissemination, we improve all the managerial levels and teams. The studies undertaken and the goal realization states are monitored on a daily, weekly and monthly basis.

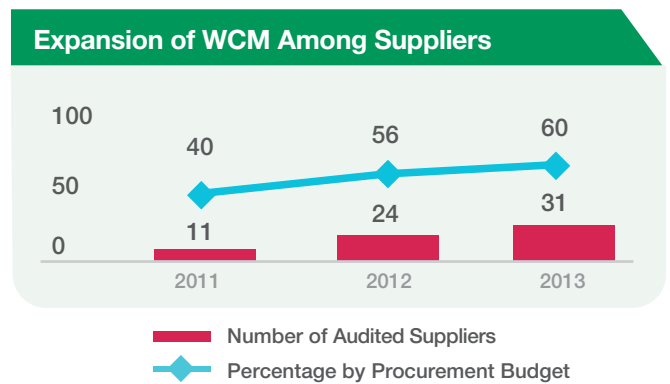
We have begun to achieve successful results by providing the right competencies for the right people. We have significantly improved our training studies and actively participated in those studies as management. We are advancing on the path to become a company that is focused on preventing losses and are also becoming a company that learns and teaches. We have made our employees feel that every action they take contributes to reaching the company goals and is noted by senior management. We have also created a competitive environment between teams and started a system to appreciate and award our employees. The number and content quality of suggestions have gone up thanks to the introduction of WCM.

I would also like to say that our WCM Program consultant Tofaş assesses our studies at certain intervals, which keeps the team spirit alive and works to increase our motivation.



## Management of Sustainability Risks in the Supply Chain

We approach sustainability management through a holistic approach. That is why we take special care in developing a sustainability risk perspective for our entire value chain. One of the most important parts of this is introducing systems and action plans for early detection and prevention of social, environmental and economic risks in our supply chain. Taking into consideration the limitations of our suppliers regarding their awareness or financial operational resources for managing sustainability risks in general, we have shown a proactive approach to support them in that respect. We have sought to raise their awareness to the fact that if they reach the targeted implementation and performance levels, it will result in yielding a business development opportunity both for themselves and Tofaş.



As far as developing efficient risk management is concerned in a complicated area such as supply chain, undertaking a comprehensive audit study is necessary. Implemented in the light of this approach, our supplier audit practices covered our 31 suppliers, which amount to 60% of our local purchasing on a budget basis in 2013. With respect to the identification of waste and use of the correct methods and targets, we evaluate the scope of improvement in a wide range which also includes occupational safety, employee development and environmental issues. We offer development plans with regards to improving our suppliers' performances based on output. Development plans cover different issues for every company. In the periods ahead, the common issues in which we expect to see performance development from all our suppliers include absenteeism, turnover and occupational safety.

### Supplier Risk Assessment Project

Launched in 2012, our Supplier Risk Assessment Project continued with our current supplier assessment practices during the reporting period with a pioneering and new content in our sector. This new practice we implemented depends on evaluating risk and business continuity through a multi-dimensional approach covering many issues

including environment, occupational health and safety, fixed asset, supply chain, product reliability, information security, management and working life. Starting with an onsite visit, our assessment process continues with the preparation of a risk assessment report based on our findings for every supplier and a risk-sharing meeting held with our suppliers. Once we have reached an agreement with a supplier regarding an action plan for the elimination of the detected risks, we also take great care in monitoring how the plan is implemented. We launched this practice in 2012 for 16 companies, and as of 2013 we reached 43 companies in total. We set-up action plans with them and began monitoring the implementation of those plans.

### Reduction of Social and Environmental Impacts in Raw Material and Product Logistics

Raw material and product logistics plays a critical role for ensuring production continuity as well as giving the correct and prompt response to the product demands of the market. Apart from the necessity to implement this operation, which covers 150 million kilometres of transportation on an annual basis, properly and on time, it is also one of our fundamental goals to ensure that it is implemented safely and with minimum impact on the environment. Since the service provider companies are responsible for product logistics, we assess the sustainability impact stemming from that operation within the scope of our supply chain and manage it accordingly.

Coordinated by our business units responsible for the supply chain, our logistics operations are implemented through processes involving many business units, such as procurement, production, financial affairs, sales and marketing. A large number of in-house policies and procedures are identified to enforce and ensure the flawless and uninterrupted continuity of this complicated operation. We discuss the performance indicators and goal realizations regarding those processes and report them on a monthly basis. Meanwhile, we also constantly monitor for innovations capable of improving our logistics performance and introduce them to our company.

We divide our logistics operations into two main groups, namely raw materials and product logistics. In terms of volume, 30% of the raw material logistics is composed of imported raw materials, while another 35% is composed of local raw materials supplied by Tofaş service providers we define as "Milkrun" and the final 35% of this group is composed of the local raw material transportation operations provided by the supplier companies. The Tofaş service provider is responsible for the entire product logistics.

The significant sustainability risks stemming from the logistics operations are either related to social areas such as road safety, or environmental areas such as energy consumption and issues depending on energy consumption, such as greenhouse gases and protective packaging material usage. With a view to developing higher performance in those areas, we first prefer to work with the service providers capable of meeting certain principles and service standards while doing business. In that respect the companies which provide transportation services for us are not only required to have environmental competencies such as an energy efficiency management system, carbon footprint verification certificate, emission measurements, electric vehicle usage, waste collection organization and tree planting studies, but also social competencies such as road safety, nursery practices for supporting female employment and social development projects.

In an effort to minimize the environmental impact from logistics operations, we prefer, primarily, vehicles with low emission levels that comply with the current environmental standards, implement transportation optimization studies and monitor vehicle capacity usage rates. As a result of the practices we introduced during the reporting period, the total transportation distance covered within the scope of the local Milkrun operation fell by 5.3% when compared with the previous year, while the average distance covered per run fell by 5.6% for press material logistics and decreased by 4.4% for product logistics.

Meanwhile, we are developing maritime or railroad transportation solutions as alternatives to land roads, depending on the geographical position of the suppliers or the product distribution network. Another important issue involving the minimization of the impact of energy and emissions from the logistics processes on the environment is packaging consumption. In-crate amount improvements and cardboard packaging prevention studies are among the improvement studies constantly undertaken to reduce packaging material consumption. Moreover, we also reduce waste and emissions by ensuring that the packaging used is produced from light materials and are standardized, as well as boasting standard measures enabling them to be stacked on top of each other inside a trailer.

## AUTHORIZED DEALER and SERVICE NETWORK

Our authorized dealer and service points are venues where our products and services meet our customers and, as our business partners, they take on the most

critical role for ensuring customer satisfaction. Tofaş' dealer network provides services such as new and used vehicles, maintenance, repair and spare part sales. In addition to that, our customers are also able to complete their financial transactions, such as car insurance, traffic insurance and vehicle loans. So the more successful our authorized dealers and services get, the more successful Tofaş gets to be in business. In the same way, the success of Tofaş contributes to enhancing the business value of our dealers and services.

We have 78 dealers all over Turkey, and 72 of those dealers sell Fiat vehicles while 13 of them sell Lancia, Alfa Romeo and Jeep (LARJ) vehicles. Apart from those, our FER MAS company, which is responsible for selling Ferrari and Maserati brands, also has a dealer and service location. Almost our entire dealer network provides sales, services and spare parts to customers through integrated facilities. Some of our dealers set up different sales and service points so that they can be closer to their customers. In that respect, when the 44 satellite points are included, the Fiat brand is among the top three brands in Turkey with 113 sales and 134 service points. In 2013, 5,663 people worked at the Fiat dealerships, while the sales and services for the Lancia, Alfa Romeo and Jeep brands were provided at 12 different points through 320 employees in total.

Within the scope of the Fiat Positive Customer Movement launched in 2013, we revised and updated our business processes defined for the sales and after sales points where our dealers contact our customers in such a way as to meet customer expectations more properly and increase the trust our customers hold in us. Meanwhile, we organized training programs for our sales and service managers so that the competence of the staff working at our dealerships could be constantly enhanced and the movement could be extended further. As a result, we were able to introduce a comprehensive project affecting all the sales-service operations of dealers along with their ways of doing business in a fast and efficient way.

Moreover, in 2013 we also implemented the Business Processes Assessment practice as the first step to revise the software used by our dealers. This study showed all our business processes and helped us define the processes and the software that will provide a competitive advantage for our dealers and Tofaş in the future. Within the scope of those definitions, Dealer Management System (DMS) and Central Management System (HQMS) software will be prepared under an umbrella, which will enable the operations between the dealers and Tofaş to be completed more efficiently, faster and in a way that addresses needs accordingly.



## CORPORATE CITIZENSHIP

"Corporate Citizenship Sensitive to Social Development"

As a corporate citizen sensitive to the development of the society in which we operate, we implement practices aimed at ensuring social development, support current practices and collaborate with institutions working in this direction.

Our social development studies and donation and sponsorship activities implemented in the framework of the Tofaş Donation Policy are carried out by our Corporate Communication Directorate. We identify the demands and expectations of the local society and stakeholders through research and leverage studies and we realize and implement our projects and activities accordingly. In 2013 we allocated resources worth around 13 million TL for corporate citizenship activities.

### Direct Economic Impact (million TL)

<b>Created Economic Value</b>	<b>7,037.95</b>
Net Sales	7,037.95
<b>Distributed Economic Value</b>	<b>6,669.78</b>
Operation Costs	5,751.83
Employee Wages	439.75
Dividends	325.00
Taxes	140.23
Social Investments	12.97
<b>Accumulated Economic Value</b>	<b>368.18</b>

## CONTRIBUTION TO LOCAL ECONOMY

As a pioneer of Turkey's automotive industry, we play a crucial role in regional and national economies as both an employer and a taxpayer. We create a vast value network that includes hundreds of companies, from our suppliers to dealers, through the large economic climate constituted by the value chain we manage. We consider the local workforce as our principal employment resource. All our blue collar employees and 84% of our senior management qualify as local workforce.

Alongside the direct economic impacts we create, we increase our indirect economic impacts, such as the corporate and professional development activities we conduct before our suppliers and business partners and our process and product R&D activities, which could constitute a global datum, thereby providing one of the best examples of productivity for our industry as well as the Turkish economy.

## EDUCATION

With the awareness that young generations are shaping our future, we perceive support for education to be one of the most fundamental responsibilities of being a corporate citizen.

In 2013, we performed R&D studies at Uludağ University and contributed to the "Solar Cars" project of Koç University students. We supported the Anadolu Scholars program conducted by Koç University aiming to provide education for talented students at Koç University. We also provided scholarships for students of the Italian High School.





## Fiat Laboratories

Through Fiat Laboratories, conducted in integration with the “Vocational Education: A Crucial Matter for the Nation” project carried out by Koç Holding, we aim to bring forth human resources who have mastered the new technologies in the automotive sector.

Alongside our professional teaching staff, our aftersales managers, service council regional representatives and region experts also work as trainers in Fiat Laboratories established in 11 vocational schools located in nine provinces, namely: Istanbul, Bursa, Kocaeli, Ankara, Antalya, Izmir, Adana, Samsun and Diyarbakir. As of 2013, 806 students and trainers have benefited from this practice conducted in collaboration with the General Directorate of Technical and Vocational Education, Ministry of Education. Out of the 242 students who graduated from Fiat Laboratories in 2013, 70 students, nine of whom were female, had the opportunity to work at Fiat authorized services. Among the students who studied at Fiat Laboratories, those who met the requirements were offered an education grant by the Vehbi Koç Foundation.

We carry out technical and behavioral trainings befitting teachers and students through our training and management portal Tofaş Academy. At the same time, our graduates gain priority for employment in authorized dealers thanks to the portal where the personal records of students are kept. Additionally, we provide laboratory teachers with trainings about social responsibility projects, alongside technical and behavioral trainings, with the in-service trainings we have been organizing for seven years within the scope of Tofaş Academy. As of 2013, 600 vocational school teachers have benefited from our in-service training programs.

We conduct “Engine Rebuilding” trainings in all Fiat Laboratories and “Spare Parts” trainings in seven of them. In 2013, we donated around 250 electronic and mechatronic parts to Fiat Laboratories, enabling students to be trained with devices and equipment appropriate to our brands. Six schools visited Tofaş during Bursa Travel Days, organized within the scope of the project for the schools to visit our plant and Bursa.



Şişli Industrial Vocational High School Fiat Laboratory won the top prize in the category of “Best School Business Cooperation” at the project contest organized by Koç Holding in 2013. Automotive Engineering Master Degree Program With the Automotive Master’s Program which we implemented in collaboration with Torino Polytechnic University and Uludağ University in 2007, we aim to contribute to the education of the qualified workforce that will carry the Turkish automotive industry forward. Forty-eight students have participated in the program and presently 11 students have graduated.



## ARTS & CULTURE

As Tofaş, we attribute great importance to familiarizing large segments of society with their cultural and artistic wealth. We support artistic activities to promote our art in the national and international arena and we contribute to the unearthing, preservation and exhibition of Turkey's historic wealth through excavations.

The Antakya Civilizations Chorus, the Teksem Theater Club (consisting of disabled performers), the IKSIV Venice Biennial Turkey Pavilion, the Turkey Promotion Concerts of the Turkey Youth Philharmonic Orchestra, and the Meating Balat Exhibition -a parallel activity of the IKSIV Biennial- are among activities we have supported in 2013.



## Tofaş Bursa Anatolian Cars and Carriages Museum and Tofaş Art Gallery

The Tofaş Anatolian Cars and Carriages Museum, which was opened in 2002 following the restoration of a 17 thousand square meter field which includes an old silk factory located in Bursa's Umurbey District, continues to operate. Turkey's first and only Anatolian Cars Museum, which was established in order to protect the automotive heritage of Anatolia, has been visited by 450,000 people

to date. The museum offers its visitors a historical journey, starting from a 2,600 year-old wheel and continuing to motor vehicles manufactured by Tofaş.

We have completed the restoration of the Tofaş Art Gallery situated in the Umurbey Turkish Bath and opened in 2008. The gallery, which hosted the Time Machines Exhibition in 2013, offers visitors the opportunity to see around 1,000 watches, 400 ephemeras and 400 watchmaker's tools belonging to different periods from the collection of Master Architect Naim Arnas.

The Tofaş Anatolian Cars and Carriages Museum and Time Machines Exhibition was visited by 50,000 people in 2013.

## Sponsorship for Pamukkale Hierapolis Excavations

The ancient city of Pamukkale Hierapolis, which was included in the UNESCO World Heritage List in 1988, is one of the five largest ancient city ruins in Turkey. We have continued to provide sponsorship for the excavations, conducted under the leadership of the Turkish Ministry of Culture and Denizli Governorship, since 2005. In 2013, a team of around 70 people consisting of archeologists, architects, restaurateurs and experts from various countries around the world worked in the excavations. As part of the works, the stage building of the Ancient Theater, which was built around 1,800 years and is among the most beautiful examples of Roman theaters, was restored and opened to use for culture and arts activities with a capacity of 12,000 people. The Ancient Theater, Necropol, Thermae, Cathedral, San Filippo Matrium, Frontinus Gate, Gymnasium, Apollo Temple and Plutonium are among the most important works revealed in Hierapolis to date.

## Sponsorship for Küçükaly Arkeopark Excavations

We have continued to support the Küçükaly Archeology Park excavations commenced in 2001 by Italian and Turkish researchers under the authority and control of the Turkish Ministry of Culture, Cultural Assets and Museums Directorate for 10 years. Presentation and orientation activities, as well as preservation works and scientific activities including training studies intended for primary school students, were realized during the excavation season, which started in July 2013 and ended in August. Besides, studies were continued within the body of the scientific laboratory in conservation, restoration, photography and database processing departments, as well as the studies conducted at the archeology laboratory established by Koç University.





## SPORTS

Through activities we realize in the field of sports with regard to contribute its popularization, we support sport life in Turkey. We train athletes competing in national teams, in our main branch, basketball, as well as other branches.

### Tofaş Basketball Schools and Basketball Volunteers Project – FiatBall Basketball Festival

We have continued to train athletes for 14 years with Tofaş Basketball Schools, certified within the framework of Turkish Basketball Federation Basketball Schools Accreditation Program, under the roof of Tofaş Sports Club. We have brought significant names in Turkish basketball through our basketball schools in nine provinces and 23 schools, from which 3,500 children benefit annually. Within the scope of the “Tofaş at Schools Project” conducted in the context of Basketball Schools since 2011, we have reached 12,000 children in 40 schools.



We continue to successfully sustain our Basketball Volunteers Project, which we have implemented in collaboration with Tofaş Sports Club and Turkish Education Volunteers Foundation (TEGV), aimed in 2001 at children and youth between the ages of 7-14 who lack the opportunity to play sports due to structural problems and resource insufficiencies. Within the scope of the project, over 10 thousand children and youth between the ages of 7-14 were introduced to basketball and 263 TEGV

volunteers have received Basketball Coaching trainings. We have brought over 400 licensed athletes and 20 coaches into Turkish basketball.

We continue to organize the “FIATBall Basketball Festival” in a different city every year. The activity, which we organized at the Koç University Campus in Istanbul in 2013, was realized with the participation of 125 sportswomen and 26 volunteer coaches from 13 teams within the context of the Tofaş Basketball Schools and Basketball Volunteers Project. During the tournament, children’s teamwork, communication and life skills were developed.

### Tofaş Sports Club

The Tofaş Sports Club, conducting activities in the branches of basketball, football, volleyball, table tennis, water polo and bridge, was established at the Bursa Tofaş Plant with the name Tofaş SAS (water sports, athletics and sportive games) in the year 1974 and it was given its current name in 1995. The Tofaş Sports Club won the first European Cup Final and Turkey Championship in Bursa, as well as the Presidency Cup Championship, the Turkey Cup Championships and the Schools Basketball World Championship. In the 2012-2013 season, the Tofaş Basketball Team earned the right to compete in the FIBA Eurochallenge Cup, while 19 athletes and two coaches from Tofaş Sports Club Basketball Youth Setup were included in Basketball National Teams in the same season.

### Support for Disabled Athletes

In the year 2013, we provided the Bursa Visually Disabled Sports Club with sports material in order to support disabled athletes and we donated one Ducato to the Galatasaray Enabled Lions Basketball Team for use in the transportation of the disabled.



## Corporate Memberships

Organization	Responsibility
The Climate Platform REC Turkey	Membership
Automotive Industry Association (OSD)	"Board of Directors and Committee and Working Group Memberships"
Automotive Distributors Association (ODD)	"General Assembly, Board of Directors, Audit Commission and Committee Memberships"
Istanbul Chamber of Industry (İSO)	36. Group Professional Committee and Assembly Memberships
Bursa Chamber of Commerce and Industry (BTSO)	Assembly and Committee Memberships Turkey Metal Industrialists
Association (MESS)	Membership
Foreign Investors Association (YASED)	Board of Directors and Committee Memberships; Automotive Supply
Industry Working Group Presidency	
Uludağ Automotive Industry Exporters' Association (OIB)	Vice Chairman of the Board of Directors; Board of Directors and Expertise Group Memberships
Bursa Industry and Business Association (BUSIAD)	Board of Directors and Specialist Groups Memberships
Demirtaş Organized Industry Zone (DOSAB)	Board of Directors Membership
Demirtaş Organized Industry Zone Businessmen Association (DOSABSIAD)	General Assembly Membership
Turkey Personnel Management Association Bursa Branch (PERYÖN)	Membership
Foreign Economic Relations Board Eurasia, Africa and Middle East Council (DEİK)	Membership
Foreign Trade Association of Turkey (TÜRKTRADE)	Membership
Turkish Quality Association (KALDER)	Board of Directors Membership
Association of Advertising Agencies (RVD)	Membership
Italian Trade Association	Representation
World Italian Entrepreneurs Association (CIIM EurAsiaMed)	Board of Directors Membership
Turkish Industry and Business Association (TUSIAD)	Working Group Membership
Turkish Marine Environment Protection Association (DENİZTEMİZ-TURMEPA)	Membership
Association for Corporate Communication Specialists (KID)	Board of Directors Membership
The Union of Chambers and Commodity Exchanges of Turkey (TOBB)	Automotive Industry Assembly Membership, Automotive Commerce Assembly Membership
The Turkish Enlargement Business Council of the European Round Table of Industrialists (ERT-TEBC)	Membership
Financial Institutions Association (FKB)	Board of Directors Membership
Işık University	The Department of Industrial Engineering Advisory Board Membership
Turkish Republic Ministry of Science, Industry and Technology	General Safety Subcommittee Membership
The Institute of Internal Auditing - Turkey (TIDE)	Membership
Turkish Researchers Association (TUAD)	Membership
Corporate Governance Association of Turkey (TKYD)	Membership
Turkish Investor Relations Society (TUYİD)	Membership
Ethics and Reputation Society (TEİD)	Board of Directors Membership
Bursa Chamber Of Commerce And Industry Education Foundation (BUTGEM)	Board of Directors Membership
Professional Competency Board (MYK)	Automotive Sector Committee Presidency
Automotive Technology Platform (OTEP)	Executive Board and Safety Group Memberships
METU/BILTİR-UTEST Product Usability Test Unit (OTEST)	Advisory Board Membership
Borsa İstanbul (BİST- formerly Istanbul Stock Exchange)	Membership
Istanbul Chamber of Commerce (ITO)	Membership
Tool Manufacturers' Association of Turkey	Board of Directors Associate Membership
Tax Council of Turkey	SCT No.2 Working Group and VAT Working Group Memberships

## Performans Data

	2011	2012	2013
<b>Economical and Operational Indicators Production (number)</b>	<b>307,788</b>	<b>256,428</b>	<b>244,614</b>
Automobiles	98,505	77,538	82,817
LCV	195,555	178,890	161,797
CKD/SKD	13,728	0	0
Total Retail Sales (number)	129,945	104,598	100,441
Automobiles	58,838	46,461	53,104
LCV	71,107	58,137	47,337
Total Exports (number)	180,698	154,069	160,319
Automobiles	53,216	46,869	43,477
LCV	113,562	107,200	116,842
CKD/SKD	13,920	0	0
Capacity Utilization Rate (%)	77	64	61
Net Sales (thousand TL)	7,336,658	6,705,274	7,037,954
Domestic	3,242,963	2,928,462	2,876,376
Export	3,964,044	3,667,217	4,069,041
Other Real Operating Sales	129,651	109,595	92,537
Profit Before Tax (thousand TL)	508,088	497,440	477,075
Profit After Tax (thousand TL)	474,165	442,039	434,223
EBITDA (thousand TL)	806,196	834,155	816,735
Earning per Share (Kr)	0.95	0.88	0.87
Economic Value Generated - Net Income (thousand TL)	7,336,658	6,705,274	7,037,954
Economic Value Distributed (thousand TL)	6,853,313	6,534,307	6,669,779
Operating Costs	6,137,418	5,467,501	5,751,832
Employee Wages and Benefits	356,344	431,271	439,750
Dividend Payment to Shareholders	250,000	480,000	325,000
Government Taxes and Other Obligations	98,985	144,086	140,229
Community Investments	10,566	11,449	12,968
Economic Value Retained (thousand TL)	483,345	170,967	368,175
Government Incentives (thousand TL)	25,608	102,935	50,241
Corporate Governance Rating Notes	8.58	9.03	9,14*
Total R&D Budget (TL)	126,772	106,998	113,467
Total R&D Employees (number)	395	395	491
Total Number of Patents	25	28	48
<b>Environmental Performance Indicators</b>			
Total Energy Consumption (GJ)	1,406,295	1,220,966	1,124,120
Direct Energy Consumption - Natural Gas (GJ)	644,128	607,682	612,661
Indirect Energy Consumption (GJ)	762,167	613,284	511,459
Electricity	535,517	480,107	441,120
Steam	226,650	133,177	70,339
Energy Consumption per Vehicle Manufactured (GJ/vehicle)	4.78	4.76	4.60
Energy Saved Through Efficiency Projects (GJ)	95,400	113,500	72,614
GHG Emissions Reduction Through Efficiency Projects (Ton CO <sub>2</sub> e)	8,653	10,294	6,541
Scope 1	2,756	3,278	2,254
Scope 2	5,897	7,016	4,287
Direct GHG Emissions (Scope 1) (Ton CO <sub>2</sub> e)	60,977	51,058	49,208
Indirect GHG Emissions (Scope 2) (Ton CO <sub>2</sub> e)	88,705	72,574	62,919
GHG Emissions From Personnel Commuting (Scope 3) (Ton CO <sub>2</sub> e)	-	3,711	3,835

Performans Data	2011	2012	2013
GHG Emissions per Vehicle Manufactured (Ton CO <sub>2</sub> e/vehicle)	0.508	0.482	0.458
Total VOC Emissions (Ton)	1,371	1,091	993
Specific VOC Emissions (gr/m <sup>2</sup> painting surface)	42.9	38.6	36.9
Total Water Withdrawal - Underground sources (m <sup>3</sup> )	1,005,765	910,516	857,305
Fresh Water Consumption per Vehicle Manufactured (m <sup>3</sup> /vehicle)	3.416	3.551	3.505
Total Water Recovered (m <sup>3</sup> )	27,631,420	49,136,180	52,099,771
Reuse	27,607,277	49,103,510	52,079,106
Recycle	24,143	32,670	20,665
Waste Water Discharge - to Receiving Natural Environment (m <sup>3</sup> )	598,415	429,341	587,561
Total Hazardous Wastes by Disposal Method (ton)	3,520.6	2,870.6	2,618.4
Energy Recovery	2,784.1	2,427.6	2,321.9
Recovery	343.7	441.9	288.6
Landfill	344.5	0.0	0.0
Incineration	22.9	4.2	7.9
Other	25.5	0.0	0.0
Total Non-Hazardous Wastes by Disposal Method (ton)	81,624.6	69,379.1	67,831.5
Energy Recovery	8.5	322.7	296.8
Recovery	81,223.0	69,056.4	67,534.7
Landfill	350.1	0.0	0.0
Incineration	0.0	0.0	0.0
Other	43.0	0.0	0.0
Hazardous Wastes Transported for Disposal Purposes (Ton)	3,520.6	2,870.6	2,618.4
Total Packaging Material Used (ton)	7,788	6,886	6,536
Packaging Waste Recovery Ratio (%)	100	100	100
Environmental Trainings - Participation (number of participants)	3,102	2,305	1,600
Direct Employees	2,402	1,575	630
Contractor Employees	700	730	970
Environmental Trainings - Total Hours (person x hours)	8,020	3,180	1,780
Direct Employees	7,320	2,090	630
Contractor Employees	700	1,090	1,150
Total Environmental Management Costs (?)	1,965,000	917,000	721,000
Fines Due to non-Compliance to Environmental Regulations (number- TL)	0-0	0-0	0-0
Environmental Impact Grievances Received Through Formal Mechanisms (number)	0	0	0
Suppliers Screened by Using Environmental Criteria (%)	40	56	60
Suppliers Screened by Using Environmental Criteria (number)	11	24	31
<b>Social Performance Indicators</b>			
Employee Trainings - Participation (number of participants)	5,536	5,641	5,619
Blue Collar	4,380	4,576	4,380
White Collar	1,156	1,065	1,239
Female	89	114	121
Male	7,047	6,527	5,498
Employee Trainings - Total Hours (person x hours)	243,045	159,223	224,198
Blue Collar	149,482	106,525	122,560
White Collar	93,563	52,698	101,638



Performans Data	2011	2012	2013
Female	7,957	9,870	10,120
Male	235,088	149,353	214,078
Average Hours of Training per Employee (hours/person)	31.4	22.0	35.8
Blue Collar	23.1	17.9	24.9
White Collar	73.7	41.8	76.0
Female	35.4	43.9	41.5
Male	31.3	21.3	35.6
Contractor Employee Trainings - Participation (number of participants)	3,954	3,842	4,417
Contractor Employee Trainings - Total Hours (person x hours)	4,264	4,301	3,312
Average Hours of Training per Contractor Employee (hours/person)	4.8	4.5	4.0
OHS Trainings - Participation (number of participants)	9,877	12,751	10,914
Direct Employees	5,923	8,909	6,497
Contractor Employees	3,954	3,842	4,417
OHS Trainings - Total Hours (person x hours)	59,060	25,456	34,500
Direct Employees	54,796	21,155	28,518
Contractor Employees	4,264	4,301	5,982
The Rate of Accidents without Lost Days (with first-aid)			
Direct Employees	0.07	0.06	0.06
Contractor Employees	1.21	0.79	0.58
Occupational Diseases	0	0	0
Direct Employees	0	0	0
Contractor Employees	0	0	0
The Rate of Accidents with Lost Days			
Direct Employees	0.03	0.04	0.05
Contractor Employees	0.24	2.06	0.73
Fatalities	0	0	0
Direct Employees	0	0	0
Contractor Employees	0	0	0
Number of Employees Involved in Activities with High Accident or Disease Risk	0	0	0
Suppliers Screened by Using Labor Criteria (%)	40	56	60
Suppliers Screened by Using Labor Criteria (number)	11	24	31

\* During the aforesaid rating reporting in 2014, in line with changes regarding the methodologies followed by rating agencies as a result of new TCMB regulations, rating notes of all index constituents were revised. Since rating engagements are conducted out of 85 points instead of 100 in the application of mandatory articles of Corporate Governance Principles in line with new methodology, together with all other companies, Tofaş' rating note was revisited and declared as 8.95.

Employee Demographics		2011	2012	2013
Total Workforce (number)		8,621	8,183	7,087
Direct Employees		7,740	7,229	6,262
Female		225	225	244
Male		7,515	7,004	6,018
Contractor Employees		881	954	825
Employees by Contract Type (number)		7,740	7,229	6,262
Permanent		6,731	6,413	6,252
Female		220	219	242
Male		6,511	6,194	6,010
Temporary		1,009	816	10
Female		5	6	2
Male		1,004	810	8
Employees by Category (number)		7,740	7,229	6,262
Blue Collar		6,471	5,967	4,924
Female		2	1	2
Male		6,469	5,966	4,922
White Collar		1,269	1,262	1,338
Female		223	224	242
Male		1,046	1,038	1,096
Employees by Type (number)		7,740	7,229	6,262
Full-time		7,740	7,229	6,262
Female		225	225	244
Male		7,515	7,004	6,018
Part-time		0	0	0
Employees by Education Level (number)		7,740	7,229	6,262
Unschoolled		0	0	0
Primary		898	819	747
Secondary		4,770	4,424	3,582
University and Above		2,072	1,986	1,933
Employees by Age Group (number)		7,740	7,229	6,262
18-30		4,177	3,330	2,120
31-40		1,628	1,897	2,148
41-50		1,905	1,968	1,952
51-60		30	34	42
Senior Management Structure (number)		15	16	19
by Gender		15	16	19
Female		1	1	1
Male		14	15	18
by Age Group		15	16	19
18-30		0	0	0
31-40		1	1	1
41-50		11	11	13
51-60		3	4	5
by Nationality		15	16	19
TC Citizen		14	15	16
Expatriate		1	1	3

## Employee Demographics

2011

2012

2013

Mid-level Management Structure (number)

188

187

200

**by Gender**

188

187

200

Female

15

14

18

Male

173

173

182

**by Age Group**

187

186

200

18-30

5

3

4

31-40

82

74

85

41-50

90

97

97

51-60

10

12

14

Employees Covered by Collective Bargaining Agreement (number)

6,471

5,967

4,924

New Hires (number)

950

94

366

**by Gender**

951

94

366

Female

37

25

40

Male

914

69

326

**by Age Group**

951

94

366

18-30

908

62

296

31-40

39

23

64

41-50

4

8

3

51-60

0

1

3

Employees Left (number)

309

566

1,129

**by Gender**

309

566

1,129

Female

8

21

20

Male

301

545

1,109

**by Age Group**

309

566

1,128

18-30

186

333

802

31-40

45

123

187

41-50

74

95

127

51-60

4

15

12

Employees on Parental Leave

599

373

549

Female

18

19

16

Male

581

354

533

Employees Returned to Work After Parental Leave

74

45

549

Female

10

10

16

Male

64

35

533

Employees Returned to Work After Parental Leave and

Still Employed 12 Months After Their Return

74

45

549

Female

10

10

16

Male

64

35

533



## GRI Index

Indicator	Description	Identified Omissions	External Assurance
<b>Profile Disclosures</b>		-	-
G4-1	Message From the Chairman (p.4-5); Message From the CEO (p.8-9)	-	-
G4-2	Message From the Chairman (p.4-5); Message From the CEO (p.8-9); Sustainability Management (p.14)	-	-
G4-3	Contacts (Inside Rear Cover)	-	-
G4-4	Tofaş 2013 Annual Report (p.39-43)	-	-
G4-5	Contacts (Inside Rear Cover)	-	-
G4-6	Product Portfolio (p.18)	-	-
G4-7	Tofaş 2013 Annual Report (p.20)	-	-
G4-8	Market Outlook (p.18)	-	-
G4-9	Market Outlook (p.18); Talent Management (p.33); Performance Data (p.47,50-51); Tofaş 2013 Annual Report (p.66-71)	-	-
G4-10	Performance Data (p.50-51)	-	-
G4-11	Talent Management (p.33)	-	-
G4-12	Supplier Relations (p.36-37)	-	-
G4-13	Tofaş 2013 Annual Report (p.21)	-	-
G4-14	Business Ethics and Internal Control (p.12-13); World Class Manufacturing and Management Standards (p.24-25); Talent Management (p.32-34)	-	-
G4-15	Governance and Sustainability (p.10,14); World Class Manufacturing and Management Standards (p.24-25); Talent Management (p.32-34)	-	-
G4-16	Corporate Memberships (p.46)	-	-
G4-17	About the Report (p.3)	-	-
G4-18	About the Report (p.3); Sustainability Management (p.14)	-	-
G4-19	Sustainability Management (p.14)	-	-
G4-20-21	"Sustainability Management (p.14);  Within the materiality process, we have identified the scope and boundary of the performance indicators. While following indicator protocols for disclosures regarding material aspects complied with indicators defined in GRI G4 Reporting Guide; we have defined company-specific performance indicators for material aspects not defined by GRI G4. Due to the scope limit of reporting, informations regarding Tofaş subsidiaries Fer Mas Oto Ticaret A.Ş. ve Koç Fiat Kredi Tüketici Finansman A.Ş. companies are excluded from the reporting content, except for data we provide for giving a general information about the company's financial portfolio. On the other hand, whereas company information on material aspects are involved in the scope of the report; to be limited with related subtopics, we have employed supplier information for energy and emissions, OHS, talent management and vocational training, human rights in the workplace subjects, dealer and service information on product and service quality and customer satisfaction subjects; supplier, dealer and service informations on business ethics and anti-corruption, management of sustainability risks, dealer and supplier business success in the value chain subjects; FCA information on sustainable mobility solutions, R&D development and cooperations, product strategy in developing markets subjects."	-	-
G4-22	About the Report (p.3)	-	-
G4-23	About the Report (p.3)	-	-
G4-24	Stakeholder Engagement (p.15)	-	-
G4-25	Stakeholder Engagement (p.15)	-	-
G4-26	Stakeholder Engagement (p.15)	-	-
G4-27	Business Ethics and Internal Control (p.12-13); Developing Markets and Product Strategy (p.17); Customer Experience (p.19); Listening to Our Suppliers (p.39); Corporate Citizenship (p.42-45); FAQ (turkish): <a href="http://www.tofas.com.tr/tr/yatirimci/SSS/SSS.2012.pdf">http://www.tofas.com.tr/tr/yatirimci/SSS/SSS.2012.pdf</a>	-	-
G4-28	About the Report (p.3)	-	-
G4-29	About the Report (p.3)	-	-
G4-30	About the Report (p.3)	-	-
G4-31	Contacts (Inside Rear Cover)	-	-

Indicator	Description	Identified Omissions	External Assurance
G4-32	About the Report (p.3); GRI Index (p.52-57); Legal Disclaimer (Inside Rear Cover)	-	-
G4-33	Legal Disclaimer (Inside Rear Cover)	-	-
G4-34	Corporate Governance Structure (p.10); Tofaş 2013 Annual Report (p.136-139, 141-142)	-	-
G4-35	Sustainability Management (p.14)	-	-
G4-36	Sustainability Management (p.14)	-	-
G4-38	Corporate Governance Structure (p.10); Performance Data (p.50-51); Tofaş 2013 Annual Report (p.14-15,136-139)	-	-
G4-39	Tofaş 2013 Annual Report (p.14)	-	-
G4-40	Tofaş 2013 Annual Report (p.138-139)	-	-
G4-41	Tofaş Code of Ethical Conduct (p.5-6)	-	-
G4-42	Sustainability Management (p.14)	-	-
G4-43	Sustainability Management (p.14)	-	-
G4-44	Corporate Governance Structure (p.10); Risk Management (p.11); Sustainability Management (p.14); Tofaş 2013 Annual Report (p.144)	-	-
G4-45	Risk Management (p.11); Sustainability Management (p.14)	-	-
G4-46	Risk Management (p.11); Sustainability Management (p.14); Tofaş 2013 Annual Report (p.139-141)	-	-
G4-47	Risk Management (p.11); Sustainability Management (p.14); Tofaş 2013 Annual Report (p.139-141)	-	-
G4-48	Sustainability Management (p.14); After being examined by Tofaş Sustainability Working Group, Tofaş Sustainability Report has been submitted to Tofaş sustainability Committee and published after their approval.	-	-
G4-51	Tofaş 2013 Annual Report (p.144)	-	-
G4-52	Tofaş 2013 Annual Report (p.144)	-	-
G4-53	Tofaş 2013 Annual Report (p.140-144)	-	-
G4-56	Tofaş Code of Ethical Conduct: <a href="http://www.tofas.com.tr/en/About/Documents/ETHICALCONDUCT_.pdf">http://www.tofas.com.tr/en/About/Documents/ETHICALCONDUCT_.pdf</a>	-	-
G4-57	Business Ethics and Internal Control (p.12)	-	-
G4-58	Business Ethics and Internal Control (p.12)	-	-
<b>Standard Disclosures</b>			
<b>Material Aspect: Economic Performance</b>			
G4-DMA	Not Material	-	-
G4-EC1	Contribution to Local Economy (p.42); Performance Data (p.47)	-	-
G4-EC3	A Decent Workplace (p.33); Tofaş 2013 Annual Report (p.104)	-	-
G4-EC4	Tofaş 2013 Annual Report (p.100)	-	-
<b>Material Aspect: Market Presence</b>			
G4-DMA	Not Material	-	-
G4-EC6	Performance Data (p.50)	-	-
<b>Material Aspect: Indirect Economic Impacts</b>			
G4-DMA	Corporate Citizenship (p.42); Contribution to Local Economy (p.42)	-	-
G4-EC7	Corporate Citizenship (p.42-45)	-	-
G4-EC8	Message From the Chairman (p.4-5); R&D Management (p.20-21); Sustainable Mobility Solutions (p.21-23); Continuous Development Oriented Workplace (p.34); Corporate Citizenship (p.42-45)	-	-
<b>Material Aspect: Procurement Practices</b>			
G4-DMA	Supplier Relations (p.36-37)	-	-
G4-EC9	Supplier Profile (p.37)	-	-
<b>Material Aspect: Energy</b>			
G4-DMA	Energy Efficiency and Emissions (p.25)	-	-
G4-EN3	Energy Efficiency and Emissions (p.25); Performance Data (p.47)	-	-
G4-EN5	Energy Efficiency and Emissions (p.25); Performance Data (p.47)	-	-
G4-EN6	Energy Efficiency and Emissions (p.25); Performance Data (p.47)	-	-

## GRI Göstergeleri

		Identified Omissions	External Assurance
<b>Material Aspect: Water</b>			
G4-DMA	Environmental Management System (p.27); Water Management (p.28)	-	-
G4-EN8	Water Management (p.28); Performance Data (p.48)	-	-
G4-EN9	Water Management (p.28)	-	-
G4-EN10	Water Management (p.28); Performance Data (p.48)	-	-
<b>Material Aspect: Biodiversity</b>			
G4-DMA	Not Material	-	-
G4-EN11	Tofaş production plants and other units are not located in the areas under protection due to their biodiversity or other environmental particularities.	-	-
G4-EN12	No significant negative environmental impact case witnessed in the neighbouring areas to Tofaş manufacturing plant has occurred due to Tofaş operations. All operations are conducted in line with limit values defined in permissions granted by related authorities.	-	-
<b>Material Aspect: Emissions</b>			
G4-DMA	Energy Efficiency and Emissions (p.25-27)	-	-
G4-EN15	Energy Efficiency and Emissions (p.25-27); Performance Data (p.47-48)	-	-
G4-EN16	Energy Efficiency and Emissions (p.25-27); Performance Data (p.47-48)	-	-
G4-EN18	Energy Efficiency and Emissions (p.25-27); Performance Data (p.47-48)	-	-
G4-EN19	Energy Efficiency and Emissions (p.25-27); Performance Data (p.47-48)	-	-
G4-EN21	Energy Efficiency and Emissions (p.25-27); Performance Data (p.47-48)	-	-
<b>Material Aspect: Effluents and Waste</b>			
G4-DMA	Efficient and Environmentally Friendly Material and Waste Management (p.28)	-	-
G4-EN22	Water Management (p.28); Performance Data (p.48)	-	-
G4-EN23	Efficient and Environmentally Friendly Material and Waste Management (p.28); Performance Data (p.48)	-	-
G4-EN25	Performance Data (p.48)	-	-
G4-EN26	Water Management (p.28)	-	-
<b>Material Aspect: Products and Services</b>			
G4-DMA	Sustainable Mobility Solutions (p.21-23)	-	-
G4-EN27	Sustainable Mobility Solutions (p.21-23)	-	-
<b>Material Aspect: Compliance</b>			
G4-DMA	Not Material	-	-
G4-EN29	Environmental Management System (p.27)	-	-
<b>Material Aspect: Transport</b>			
G4-DMA	Reduction of Social and Environmental Impacts in Raw Material and Product Logistics (p.40-41)	-	-
G4-EN30	Reduction of Social and Environmental Impacts in Raw Material and Product Logistics (p.40-41)	-	-
<b>Material Aspect: Overall</b>			
G4-DMA	Not Material	-	-
G4-EN31	Environmental Management System (p.27)	-	-
<b>Material Aspect: Supplier Environmental Assessment</b>			
G4-DMA	Tofaş Supplier Audit Map (p.37); Supplier Development Practices (p.37-38); Management of Sustainability Risks in the Supply Chain (p.40)	-	-
G4-EN32	Management of Sustainability Risks in the Supply Chain (p.40); Performance Data (p.49)	-	-
G4-EN33	Management of Sustainability Risks in the Supply Chain (p.40)	-	-
<b>Material Aspect: Environmental Grievance Mechanisms</b>			
G4-DMA	Not Material	-	-
G4-EN34	Environmental Management System (p.27)	-	-
<b>Material Aspect: Employment</b>			
G4-DMA	Not Material	-	-
G4-LA1	Performance Data (p.50-51)	-	-



Indicator	Description	Identified Omissions	External Assurance
G4-LA2	All Tofaş employees benefit identically from all rights in accordance with the nature of their employment contracts. By year 2013, there are no part-time employees within the workforce and there are 10 employees working with temporary employment contract.	-	-
G4-LA3	Performance Data (p.51)	-	-
<b>Material Aspect: Occupational Health and Safety</b>			
G4-DMA	Occupational Health and Safety (p.31-32)	-	-
G4-LA5	95 employees take charge in 9 OHS committees located in Tofaş manufacturing plant. Binding decisions with regards to OHS issues are taken in the committees all employees represented in.	-	-
G4-LA6	Occupational Health and Safety (p.31-32); Performance Data (p.49); During the reporting period neither fatality nor occupational disease case occurred.	-	-
G4-LA7	Performance Data (p.49)	-	-
G4-LA8	Our OHS commitments are found in the collective bargaining agreements. Most recent collective bargaining agreement contains OHS issues such as compliance to regulations, health and protective equipments.	-	-
<b>Material Aspect: Training and Education</b>			
G4-DMA	Continuous Development Oriented Workplace (p.34)	-	-
G4-LA9	Continuous Development Oriented Workplace (p.34); Performance Data (p.49)	-	-
G4-LA10	Continuous Development Oriented Workplace (p.34)	-	-
G4-LA11	High Performance Oriented Workplace (p.35)	-	-
<b>Material Aspect: Diversity and Equal Opportunity</b>			
G4-DMA	A Decent Workplace (p.33)	-	-
G4-LA12	A Decent Workplace (p.33)	-	-
<b>Material Aspect: Equal Remuneration for Women and Men</b>			
G4-DMA	A Decent Workplace (p.33)	-	-
G4-LA13	High Performance Oriented Workplace (p.35)	-	-
<b>Material Aspect: Değerlendirmesi Supplier Assessment for Labor Practices</b>			
G4-DMA	Management of Sustainability Risks in the Supply Chain (p.40)	-	-
G4-LA14	Management of Sustainability Risks in the Supply Chain (p.40)	-	-
G4-LA15	Management of Sustainability Risks in the Supply Chain (p.40)	-	-
<b>Material Aspect: Non-discrimination</b>			
G4-DMA	A Decent Workplace (p.33)	-	-
G4-HR3	During the reporting period, no case of discrimination has occurred.	-	-
<b>Material Aspect: Freedom of Association and Collective Bargaining</b>			
G4-DMA	A Decent Workplace (p.33)	-	-
G4-HR4	During the reporting period, no evidence for unionization and collective bargaining rights to be under risk in Tofaş operations. Same principle is also considered during supplier audit process and no risk element witnessed.	-	-
<b>Material Aspect: Child Labor</b>			
G4-DMA	A Decent Workplace (p.33)	-	-
G4-HR5	During the reporting period, no evidence for risk of child labour in Tofaş operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.	-	-
<b>Material Aspect: Forced or Compulsory Labor</b>			
G4-DMA	A Decent Workplace (p.33)	-	-
G4-HR6	During the reporting period, no evidence for risk of forced or compulsory labour in Tofaş operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.	-	-

## GRI Göstergeleri

Indicator	Description	Identified Omissions	External Assurance
<b>Material Aspect: Security Practices</b>		-	-
G4-DMA	Not Material		
G4-HR7	Certified security personnel specialized in the field take charge in ensuring the safety of Tofaş operations. Communication with third parties and human rights issues are involved in the scope of the security personnel's training. All security personnel are informed about company procedures.	-	-
<b>Material Aspect: Assessment</b>		-	-
G4-DMA	Business Ethics and Internal Control (p.12-13)	-	-
G4-HR9	Business Ethics and Internal Control (p.12-13)		
<b>Material Aspect: Supplier Human Rights Assessment</b>		-	-
G4-DMA	Management of Sustainability Risks in the Supply Chain (p.40)	-	-
G4-HR10	Management of Sustainability Risks in the Supply Chain (p.40)	-	-
G4-HR11	Management of Sustainability Risks in the Supply Chain (p.40)		
<b>Material Aspect: Local Communities</b>		-	-
G4-DMA	Corporate Citizenship (p.42)		
G4-SO2	Corporate Citizenship (p.42); During the reporting period, no case of negative impact on local community due to Tofaş operations has occurred.	-	-
<b>Material Aspect: Anti-corruption</b>		-	-
G4-DMA	Business Ethics and Internal Control (p.12-13)	-	-
G4-SO3	Business Ethics and Internal Control (p.12-13)	-	-
G4-SO4	Business Ethics and Internal Control (p.12-13)	-	-
G4-SO5	Business Ethics and Internal Control (p.12-13)		
<b>Material Aspect: Public Policy</b>		-	-
G4-DMA	Not Material	-	-
G4-SO6	Business Ethics and Internal Control (p.12-13)		
<b>Material Aspect: Grievance Mechanisms for Impacts on Society</b>		-	-
G4-DMA	Not Material	-	-
G4-SO11	Business Ethics and Internal Control (p.12-13)		
<b>Material Aspect: Customer Health and Safety</b>		-	-
G4-DMA	Vehicle Safety, Driving and Passenger Comfort (p.23)	-	-
G4-PR1	Vehicle Safety, Driving and Passenger Comfort (p.23)		
G4-PR2	During the reporting period, no case of non-compliance to regulations has occurred regarding vehicle and passenger safety aspects.	- -	- -
<b>Material Aspect: Product and Service Labeling</b>		-	-
G4-DMA	Customer Experience (p.19)		
G4-PR3	Customer Experience (p.19)	-	-
G4-PR4	During the reporting period, no case of non-compliance to regulations has occurred regarding customer information practices and product labeling.		
G4-PR5	Customer Experience (p.19)	-	-
<b>Material Aspect: Marketing Communications</b>		-	-
G4-DMA	Not Material		
G4-PR7	During the reporting period, no case of non-compliance to regulations has occurred regarding marketing communication aspects.	-	-
<b>Material Aspect: Sustainability and Risk Management</b>			
DMA	Risk Management (p.11); Sustainability Management (p.14); Management of Sustainability Risks in the Supply Chain (p.40)	-	-
<b>Material Aspect: Sustainable Mobility Solutions</b>			
DMA	Sustainable Mobility Solutions (p.21-23)		

Indicator		Description	Identified Omissions	External Assurance
<b>Material Aspect: R&amp;D Management and Collaborations</b>				
DMA		R&D Management (p.20)	-	-
<b>Material Aspect: Dealer and Supplier Business Success</b>				
DMA		Supplier Relations (p.36-38, 40-41); Authorized Dealer and Service Network (p.41)	-	-
<b>Material Aspect: Product Strategy in Developing Markets</b>				
DMA		Developing Markets and Product Strategy (p.17)	-	-



## NOTES

## NOTES

