

CORPORATE SUSTAINABILITY POLICY

Embracing the **philosophy of “Life is Renewal,”** Tofaş’s **“Corporate Sustainability Policy”** is based on business models that are based on strategies for a sustainable future.

BUSINESS MODELS AND STRATEGIES FOR A SUSTAINABLE FUTURE

Tofaş plans its sustainability and social responsibility activities by carefully considering the economic, social, and environmental aspects. Implementing continuous improvement and achieving higher goals are the main pillars of the company’s approach to corporate sustainability.

Embracing the philosophy of “Life is Renewal,” Tofaş’s Corporate Sustainability Policy is based on business models that are based on strategies for a sustainable future.

Under the Corporate Sustainability Policy, Tofaş aims to fulfill its responsibilities toward its stakeholders—not only the local communities where the Tofaş Plant is located, but rather the entire country. To this end, the company undertakes its sustainability and social responsibility activities in an integrated manner, creating an entire value chain that includes suppliers, dealers and all other stakeholders.

Tofaş’s Corporate Sustainability Policy—designed to enhance the company’s environmental, social and corporate governance performance—consists of the following principles:

- Implementing continuous process improvement via effective risk management;
- Achieving the ultimate goal of zero accidents to ensure occupational health and safety;
- Improving the overall performance of the company and production efficiency;
- Building a culture of open communication by encouraging active employee participation;
- Embracing efficient energy use, environmental protection and conservation of natural resources;

- Enhancing knowledge and awareness of climate change among stakeholders and society;
- Implementing an environmental management policy that is based on national environmental laws, rules and regulations, applicable environmental standards, and the most advanced technologies available in this field;
- Ensuring information security and business continuity in all operations;
- Complying with all national and international laws, rules and regulations;
- Managing stakeholder relationships in a transparent and sensible manner;
- Ensuring continued customer satisfaction;
- Training suppliers on sustainability practices;
- Sharing environmental sustainability policy and procedures with the public in a transparent manner;
- Undertaking social responsibility activities in accordance with company strategies, goals and priorities;
- Embracing Corporate Governance Principles, ethical values and fraud prevention in particular, as an fundamental part of corporate culture.

In terms of Corporate Governance and Sustainability practices, Tofaş places great importance on Risk Management, Business Ethics and Fraud Prevention, Sustainability Management and Stakeholder Engagement.

In addition to implementing corporate governance practices across the entire organization, Tofaş also undertakes various social responsibility initiatives geared toward its stakeholders.

The company’s primary objectives include treating of stakeholders equally, sharing information in an appropriate manner, implementing good corporate governance, and ensuring sustainability in all business activities.



CORPORATE SOCIAL RESPONSIBILITY POLICY

Tofaş's sustainability policy is rooted in corporate social responsibility and driven by social impact; therefore, it is implemented both internally and through activities and efforts to benefit society.

Sustainability Management practices include fighting climate change and reducing emissions; product portfolio and product strategies; markets and customer satisfaction; R&D management; world class manufacturing and management standards; energy efficiency; environmental management systems; occupational health and safety; work environment and talent management; supply chain management; dealers and the service network. The company reviews its Sustainability Policy in light of sustainability reports on climate change, the environment, employee health and safety, corporate governance, ethical values, supply chain, and social responsibility.

Tofaş provides detailed, comprehensive information about ongoing and periodic social responsibility and sustainability activities in its annual reports, sustainability reports as well as in other print, periodic, and informational publications. The company provides information and the links related to these efforts and initiatives, which are developed and executed in line with company policies, to its employees, shareholders, business partners, and all other stakeholders via the corporate intranet and the website

In accordance with its Sustainability Policy, Tofaş considers social responsibility efforts an opportunity for corporations to demonstrate accountability and fulfill their duties and responsibilities toward their stakeholders. Tofaş engages in social responsibility practices that are both sustainable and extendable, as a core component of its corporate policy.

As noted in Tofaş's Corporate Governance Compliance Reports, the company's social responsibility embraces all its stakeholders. Tofaş undergoes a Corporate Governance Assessment and is assigned separate Corporate Governance Rating (CGR) scores for the categories of "shareholders," "public disclosure and transparency," "stakeholders" and "Board of Directors." These scores are included in Tofaş's Corporate Governance Compliance Reports, which are publicly disclosed each year to Borsa Istanbul (BIST) via the Public Disclosure Platform and are also published on Tofaş's corporate website.

Tofaş is included in the BIST Corporate Governance Index; the company is committed to compliance with Corporate Governance Principles as an ongoing and dynamic process. Every year, Tofaş undertakes all necessary efforts to fulfill the index criteria.

Tofaş's Sustainability Policy is based on the sustainability and CSR policies of its two main shareholders—Fiat Chrysler Automobiles and Koç Holding—and the principles of the Global Compact, to which Koç Holding is a signatory.

CORPORATE SUSTAINABILITY POLICY

Tofaş's sustainability approach is based on corporate social responsibility and **impact criteria on society.**

PRIORITIZING SUPPORT TO CORPORATE AND SOCIAL DEVELOPMENT

In keeping with its approach to corporate social responsibility, Tofaş strictly complies with all applicable laws, rules and regulations, and prioritizes activities that support corporate and social development. To this end, the company undertakes CSR initiatives in areas such as human resources and human capital investment, stakeholder culture and corporate vision, education, culture and arts, environmental sensitivity and protection, in keeping with stipulated criteria and relevant principles. Through its environmental policy and activities, Tofaş aims to develop and implement a proactive environmental management system that is compatible with the principle of sustainable development.

Tofaş adheres to national and international standards in all areas of social responsibility, and aims to further improve them.

SUSTAINABILITY POLICY AIMED AT STAKEHOLDER SATISFACTION AND EXPECTATIONS

When dealing with issues involving social development, ethical behavior, and environmental management, Tofaş takes an integrated approach that engages stakeholders and considers their expectations and satisfaction. Tofaş works to continuously improve its sustainability and CSR performance and practices in line with the corporate vision and stakeholder expectations.

The company's Board of Directors oversees the implementation of the Corporate Sustainability Policy and evaluates it in terms of environmental, social and governance factors. Related issues are monitored and reported by the Board Committees.

While executing corporate, social and environmental activities, Tofaş places great importance on managing, improving and monitoring these efforts. The company reports its environmental, social and governance performance, and shares the findings with its stakeholders and the public via sustainability reports.

Tofaş constantly improves its sustainability and social responsibility efforts in keeping with company policies in order to ensure full compliance with national and international standards.

CORPORATE SOCIAL RESPONSIBILITY

Tofaş focuses on **long-term social responsibility projects** that create value for society in the areas of sports, education, culture & the arts.



While contributing to the national economy on many levels, Tofaş focuses on long-term social responsibility projects that create value for society and support social advancement in the areas of sports, education, culture & the arts.

SPORTS

Tofaş Sports Club

Founded in 1974 at the Bursa Tofaş Plant and originally known as Tofaş SAS, a club devoted to watersports, athletics, and team sports, the Tofaş Sports Club adopted its current name in 1995. Today, the club's offerings encompass a wide range of activities that include basketball, football, volleyball, table tennis, water polo, and even bridge. Tofaş Sports Club's basketball teams were the first to play in the European Cup finals; brought home Turkish national championships; and won the Turkish Presidential Cup, the Turkish Cup (several times) and the World Schools Basketball Championship. Tofaş Basketball Team competes in the Super League in the 2016-2017 season.

Years of investment in the youth basketball infrastructure enables Tofaş Sports Club to cultivate many talented players for sports in Turkey.

Tofaş Gym

Located in the Nilüfer district of Bursa, Tofaş Gym hosts Tofaş Sports Club's basketball games while enriching the social lives of the residents of Bursa.

CORPORATE SOCIAL RESPONSIBILITY

The primary mission of Next Generation Tofaş is to transform Bursa into a city of sports and then **extend the project across Turkey.**



The Next Generation Tofaş Project

Launched in 2016, the Next Generation Tofaş Project aims to provide children with equal access to sports while helping them develop a mindset and perspective to achieve success not only in sports but all areas of life. Next Generation Tofaş is a basketball training model that engages trainers, families and children. The goal is to cultivate the next generation of athletes by giving youth the opportunity to play basketball in their own communities and under equal conditions.

By year's end, the Next Generation Tofaş Project had reached a total of 650 children at eight basketball schools established in various districts of Bursa. Nine junior basketball teams, consisting of children selected for the program, continue their training at the Mustafa V. Koç Sports Complex. In order to ensure continuity of sports activities, the company provides theoretical and practical sports training to 14 basketball training interns each week. The project's other activities include an e-learning system to train families and trainers in the region; street tournaments to promote basketball across all levels of society; scientific and creative drama workshops to help children develop social intelligence.

Tofaş has also established Turkey's first sports library at the club and plans to further expand it in 2017. The primary mission of Next Generation Tofaş is to transform Bursa into a city of sports and then extend the project across Turkey.

Mustafa V. Koç Sports Complex

The Mustafa V. Koç Sports Complex, which Tofaş Sports Club commenced construction on in February 2015, opened its doors in June 2016. The Mustafa V. Koç Sports Complex serves not only Tofaş employees, but also amateur sports clubs and athletes in Bursa. With 5,800 square meters of space, the gymnasium consists of three basketball courts, a fitness facility, and a fully-equipped sports rehabilitation center that can provide all types of physical therapy.



EDUCATION

Fiat Laboratories

Fiat Laboratories aims to train those employed by the Turkish automotive industry, equipping them with skills needed today and making them conversant in the industry's newest technologies to boost their job performance. Fiat Laboratories engages in such efforts in conjunction with Koç Holding's "Vocational Education: A Crucial Matter for the Nation" project. Collaborating with the Ministry of Education's General Directorate of Vocational and Technical Education and working through Fiat Laboratories, Tofaş helps industrial technical training schools and institutions to improve their capacity to provide motor vehicle technology instruction. The first Fiat Laboratory opened at Şişli Industrial Vocational High School in Istanbul in 2006, celebrating its 10th anniversary year in 2016.

Since 2006, Fiat Laboratories have been set up at 11 vocational schools in Istanbul, Bursa, Kocaeli, Ankara, Antalya, İzmir, Adana, Samsun, and Diyarbakır. They are provided with training resources by Tofaş after-sales services managers, representatives of Tofaş's regional service council, and local services managers. In 2016, Tofaş doubled the number of Services Managers who provide training and coaching at Fiat Laboratories.

As of end-2016, a total of 1,500 students and instructors had taken part in Fiat Laboratories country-wide to date. Last year, the labs graduated 221 students. Of these, 65 (10 of them female) graduates were given jobs at Fiat authorized services while another 11 were hired by the Tofaş plant.

Under the 2015–2016 European Union Project, students and instructors selected from Fiat Laboratories at participating schools had the opportunity to receive training and work at authorized services in various European countries.

The instructors employed by Fiat Laboratories receive current technology technical training and instruction on behavioral and social responsibility issues as part of the on-the-job training (OJT) provided every year by Tofaş Academy. To date, some 400 vocational school teachers from different cities across Turkey have attended such OJT trainings, the 10th round of which took place in 2016.

Under the "Vocational Education: A Crucial Matter for the Nation" project, 274 of the students who attended classes at Fiat Laboratories and who met the specified requirements in 2016 were provided scholarships by the Vehbi Koç Foundation every year.

Tofaş Science High School

Construction on Tofaş Science High School, located in the Demirtaş Organized Industrial Zone in the Özlüce district of Bursa's Nilüfer township, began in 2012 and was completed in time for the 2014–2015 academic year. Situated on a 12,252 m² tract, the school has 16 classrooms, 70 dormitory rooms capable of accommodating 280 residents and a gymnasium. Some 397 students are currently enrolled at the school.

Tofaş Science High School graduated its first class in 2015. A strong indicator of the high quality of instruction provided at the school is the 87% average score achieved by its students on the national university undergraduate placement exam in 2016. This pass rate made Tofaş Science High School the most successful educational institution in its category in Bursa province.

CORPORATE SOCIAL RESPONSIBILITY

Tofaş Museum of Cars and Anatolian Carriages **opened its doors in 2002 and has received about 600 thousand visitors since then.**



CULTURE & THE ARTS

Tofaş Museum of Cars and Anatolian Carriages and Tofaş Art Gallery

Located in Bursa's venerable Umurbey district, the Tofaş Museum of Cars and Anatolian Carriages is private museum focused on the Anatolian transportation heritage. Its collection includes not only Tofaş-manufactured cars but also examples of historic carts, carriages, wagons, and other transport-related objects, making it the first and only museum of its kind in Turkey. The museum occupies a former silk-weaving mill, the historic Umurbey Hammam, and an old Turkish residence adjacent to the latter—all renovated and repurposed by Tofaş. Tofaş Museum of Cars and Anatolian Carriages opened its doors in 2002 and has received about 600 thousand visitors since then.

On display in the former mill, which houses the main part of the museum, is a historical panorama of the history of human transport in Anatolia, beginning with a wheel 2,600 years old and extending to the present day with examples of Tofaş-built motor vehicles.

The Umurbey Hammam, located on the same grounds as the Tofaş Museum of Cars and Anatolian Carriages, serves as an art gallery. The gallery recently hosted the "Here I am, Zeki Müren" exhibition, which was organized in collaboration with Yapı Kredi Culture and Arts. The exhibit attracted 30,000 visitors between November 2015 and February 2016. Meanwhile, "The Poise of the Steelyard: Balances, Weights, Measuring Devices" exhibition, showcasing social and commercial life throughout history, opened in September 2016 and had attracted more than 20,000 visitors by year's end.

Pamukkale Hierapolis archaeological excavations

Since 2005, Tofaş has sponsored the archaeological excavations at Hierapolis—the ruins of one of the five biggest ancient cities in Turkey. Adjacent to the Pamukkale thermal zone, both Hierapolis and Pamukkale were declared UNESCO World Heritage sites in 1988. Excavation work, overseen by the Ministry of Culture and Tourism and the Denizli governor's office, continued during the 2016 season with Tofaş support. The excavations are being conducted by an international team of about 70 archaeologists, architects, restorers/conservators and other experts from Turkey and Italy primarily. One of the finest examples of Roman theater architecture, the Hierapolis

Tofaş continues to sponsor the archaeological excavations at Hierapolis, with a special focus on the restoration of the remains of Plutonium, which was uncovered in this ancient city.



theater was probably built during the reign of the Emperor Hadrian after a devastating earthquake in 60 AD.

Restoration work on the theater's scaenae frons facade, the elaborate multi-story background of the proscenium, is now complete, making this the only ancient theater in Turkey to have a fully-reconstructed and functional stage. As a result of this work, the 12 thousand-seat theater is now in active use again as a venue for cultural and artistic activities, as it was originally intended.

Among the other significant Hierapolitan structures that have been unearthed are two necropolises, baths, a basilica, martyrium, the Frontinus Gate, gymnasium, an Apollo temple and the so-called Pluto's Gate, a shrine sacred to the ancient god of the underworld.

Tofaş continues to sponsor the archaeological excavations at Hierapolis, with a special focus on the restoration of the remains of Plutonium, which was uncovered in this ancient city. In the Greco-Roman period, Plutonium, or Pluto's Gate, was a cave entrance into the underworld ruled by Pluto and

his wife Persephone. Plutonium was considered a "gateway to hell" because the poisonous vapors—carbon dioxide emissions killed all living creatures entering the cave. The artifacts unearthed during the excavations at the Plutonium site, which is extremely attractive with the mystique and natural beauty surrounding it, take the known history of Hierapolis back by 300 years.

Küçükyalı Archaeological Park Sponsorship

Excavations at the Küçükyalı Archaeological Park on the Asian side of Istanbul began in 2001. For 13 years, Tofaş has supported the work here, which is being carried out by Italian and Turkish archaeologists under the supervision of the culture ministry's Directorate of Cultural Properties and Museums. Under the project, which is also supported by the local municipality, publicity and guide services were again provided throughout the 2016 digging season, as in previous years. Other activities at the site included research and conservation work and programs for primary school students.

An archaeological laboratory set up by Koç University continued to be used throughout the season for such activities as conservation, restoration, photography and database management.

ENVIRONMENT

In 2016, Tofaş implemented 51 energy efficiency projects via **WCM Energy Management Methodologies**.

Embracing environmental protection as an important component of its social responsibility, Tofaş focuses on effectively managing and, as much as possible, minimizing both the direct and indirect adverse environmental impact of all aspects of its value chain.

In 2016, Tofaş implemented 51 energy efficiency projects via WCM Energy Management Methodologies; including other projects launched in fourth quarter 2015, a total of 124 energy efficiency projects had a direct impact on the company's operations in 2016.

ENVIRONMENT & ENERGY POLICY

In keeping with its core principle of integrating sustainable development into its product, manufacturing, and service processes, Tofaş employs and develops lean and proactive environmental and energy management systems.

To this end, Tofaş:

- Regards having to dispose waste of any kind as a resource loss and therefore develops methods that prevent waste from occurring in the first place;
- Works to constantly improve its energy performance both through energy efficiency process design and in its product and service procurements;
- Ensures that it has access to all the information, expertise, and economic resources needed to regularly review and achieve its environmental and energy-related goals and objectives;
- Devises and implements strategic action plans to achieve sustainability through assessment of risks and opportunities;
- Develops innovative product and process solutions to combat climate change;
- Believes that it must comply with all legal and regulatory requirements the company is subject to as well as with internationally accepted standards in its business processes;
- Seeks to minimize energy and water consumption, waste generation, water and air effluents both by educating its employees, contractors, dealers, and suppliers and by constantly improving the vehicles it makes;
- Tofaş develops solutions to manufacture vehicles and spare parts that have a minimal impact on the environment and seeks to use more recyclable materials in production.

Tofaş's environmental vision is to possess a world-class environment management system that uses proactive, efficient management tools. In order to achieve its "Zero Waste/Zero Loss" goal, the company's philosophy is: to "never purify, not pollute".

Tofaş's Environment & Energy Policy aims both to reduce waste at source and to recover and recycle as much as possible of what is generated. For example, 100% of the industrial waste resulting from its manufacturing processes is either recovered or else used as raw material and energy inputs in the cement industry, thereby helping the company achieve its "Zero Waste Disposal" goal.

Tofaş was one of the first companies in Turkey to bring its energy management practices into compliance with ISO 50001 Energy Management System standards and to have them independently certified. Tofaş's ISO 50001 certification was recently validated when an audit in 2016 determined there were no instances of non-compliance.

Supporting the transition to a low carbon economy through its energy efficiency efforts, Tofaş is also a corporate member of the Climate Platform. The hundreds of energy efficiency projects that the company has undertaken are steadily reducing the energy density of its operations.

When new investments are undertaken or changes made in machinery and equipment, environmental-impact and energy efficiency procedures are standardized both by initiating a Kanban (lean/just-in-time manufacturing) process and by adhering to best-available-technology (BAT) practices.

In 2011, Tofaş issued the Turkish automotive industry's first greenhouse gas emissions reports. In 2016, the company's greenhouse gas emissions reporting was independently certified as being ISO 14064 standard compliant. According to verification results, Tofaş greenhouse gas emissions declined by 4,213 tons of CO₂ thanks to energy efficiency projects executed throughout the plant. Environmental audits conducted both by authorities and independently determined that Tofaş was in full compliance with all requirements.



SUSTAINABLE MANUFACTURING

Having adopted sustainable manufacturing principles in its operations, Tofaş achieves natural resource use efficiency by implementing the 5R (Refuse, Reduce, Reuse, Recycle, Recover) hierarchy in all the company's production processes.

In 2015, Tofaş undertook 51 new energy efficiency projects that implemented WCM energy management methodologies and techniques. Including other projects launched in fourth quarter 2015, a total of 124 projects had a direct impact on the company's operations in 2016. These various projects conserved 60,169 GJ of energy and reduced CO₂ emissions by 4,213 tons.

As a result of ongoing efforts, Tofaş cut the amount of sewage sludge by 10% compared with the previous year.

Based on a comprehensive survey conducted by EIRIS, a leading global provider of environmental, social and governance research, among companies listed on BIST (Borsa Istanbul), Tofaş was deemed eligible for inclusion in the BIST Sustainability Index, along with 43 Turkish companies.

In 2014, Tofaş became the first Turkish company to be included in the "A" list of the Carbon Disclosure Project (CDP)'s Climate Change Program. Tofaş prepared and submitted its response to CDP in 2016. As a result of the CDP evaluation, the company was once again selected to the A-list and received the "CDP Turkey Climate Leadership Award."

Tofaş responded to the CDP Water program for the first time in 2015 and again in 2016, with the company's score raised to "B Management" level.

Tofaş's Environment & Energy Policy aims primarily to achieve the "Zero Waste/Zero Loss" goal. To this end, the company developed the Sustainable Waste Management and 5R project, which won an award in the "Waste Management" category at the Sustainable Business Awards, organized by the Sustainability Academy. The project also received an award at the "Green Dot Industry Awards," organized by ÇEVKO (Environmental Protection and Packaging Waste Recovery and Recycling Foundation).

Tofaş has actively used the Proactive Carbon and Energy Management in Seven Steps methodology, a component of World Class Manufacturing, since 2011. With the introduction of this methodology, the company began to focus on identifying aspects of energy efficiency and carbon emissions mitigation as well as adhering to energy loss classification and prioritization principles. A standardized and effective method for making improvements was achieved by integrating this systematic approach into all processes, ranging from new investments to modifications of existing the plant.

GREEN PRODUCTS

Environment-focused projects—such as vehicle electrification, alternative fuels, eco-friendly materials, vehicle weight reduction, and recycling—took center stage among Tofaş's technology research activities in 2016. Some of these projects were concerned with issues whose results will likely be incorporated into existing products or new models in the coming year while others are long-term market trends.

CLIMATE CHANGE

Tofaş strives to increase **environment and climate change responsibility awareness** throughout its value chain.

ONE OF THE BIGGEST PROBLEMS TODAY IS CLIMATE CHANGE

Climate change is one of the most serious problems confronting today's world. Climate change has the potential to pose not just environmental but also social and economic risks whose implications for the world can be addressed only by a comprehensive and concerted response by every possible actor involved.

Scientists are generally in agreement that the problem of climate change today is largely the result of greenhouse gas emissions generated by human beings. Efforts are now being made throughout the world to create control mechanisms and legal frameworks that will allow measures to be taken to deal with this critical situation. The automotive industry has been actively involved in such efforts by identifying what needs to be done to resolve the problem not only at the level of industry-wide organizations but also, out of their own sense of responsibility, by individual producers.

LASTING SOLUTIONS THROUGH SUSTAINABLE METHODS

On the issue of climate change, Tofaş understands that its stakeholders expect the company to manage the contributory effects of its existing manufacturing and other operations while also developing vehicles whose emissions are lower and/or which use alternative fuels. Additionally, Tofaş is expected to make vehicles that will enable people to exercise their right to travel and transport in ways that are more sustainable.

At the same time, Tofaş sees climate change as an issue having statutory and regulatory dimensions (such as emission limits), physical and operational dimensions (such as radical changes in weather conditions), and financial dimensions (such as emissions-trading). As a result, Tofaş looks for ways to create opportunities for the company by formulating proactive enterprise risk management responses to the types of risks that all these dimensions might pose.

EFFORTS TO FIGHT CLIMATE CHANGE

Tofaş works diligently to satisfy its stakeholders' expectations with respect to fighting climate change and to fulfill all of its responsibilities in this area.

To this end:

- As one of FCA's most important R&D and manufacturing hubs and in line with FCA product strategies, Tofaş supports efforts to boost the efficiency of the conventional motor vehicles that the company is already making, increase the use of alternative-fuel systems such as natural gas and biofuels, and develop electrical and hybrid vehicles;
- Tofaş improves the energy efficiency of its manufacturing operations and reduces their greenhouse gas emissions;
- Tofaş engages in efforts to make its logistical processes more efficient;
- Tofaş strives to increase environment and climate change responsibility awareness throughout its value chain by informing and educating suppliers, dealers and customers.

OCCUPATIONAL HEALTH & SAFETY

Safe work spaces and **sustainable business safety culture** are Tofaş's priorities.



Occupational health and safety is the most important element of the World Class Manufacturing (WCM) methodology. In that respect, Tofaş Plant is considered a benchmark within the FCA community with representatives of many companies frequently visiting the facility to observe Tofaş's OHS operations and practices.

Adhering to a proactive and lean WCM-based approach to occupational health and safety issues, Tofaş aims to protect everyone coming into contact with its operations from risks that could be detrimental to their health or safety. This goal is accomplished by fostering a sustainable OHS culture and creating environments that are intrinsically safe.

OHS Culture

Tofaş strives to maximize OHS awareness not just among its own employees but also among the company's trainees, visitors, suppliers and contractors.

To this end, Tofaş is committed to:

- Fulfilling all its legal, regulatory and other obligations with respect to occupational health & safety issues;

- Abiding by the principle that improvements in OHS performance are a responsibility shared by all personnel;
- Setting targets at every level for participation in risk-assessment and risk-mitigation activities;
- Achieving a sustainable "Zero Accident" target by constantly improving the company's occupational health and safety culture.

Zero accidents & zero diseases

Tofaş's ultimate goal is to achieve zero accidents/zero diseases through the implementation of its Occupational Health & Safety Management System. Since initiating world-class occupational safety practices, Tofaş has reduced Lost Time Accident rate by 96%.

In 2016, 6,966 Tofaş employees received a total of 55,460 hours of training on OHS issues. During the year, OHS related information and/or training was also provided to 18,180 visitors to Tofaş premises and to Tofaş contractor and subcontractor personnel (4,618 hours).

OCCUPATIONAL HEALTH & SAFETY

Thanks to its successful occupational health and safety practices, **Tofaş has won the biggest award “Golden Glove”**, granted by MESS (Metal Industrialists’ Union of Turkey), for two years in a row.



Some aspects of OHS activities carried out in 2016 are highlighted below.

Safety Simulation Area Training: Safety Simulation Area (DOJO) training is conducted to instruct personnel on safety-related issues and risks by allowing employees to work with real and simulated equipment and tools in carefully controlled environments. DOJO training is highly effective in manufacturing operations such as body in white, assembly, painting, stamping, and chassis suspension. A total of 10,400 hours of DOJO training was administered to employees in 2016.

Contractor Management Procedures: The company created and currently uses a total of 29 sets of instructions and associated forms to proactively manage contractors’ operations. This approach ensures that all rules are communicated and understood before work begins and that the rules are abided by during the conduct of work through audits and inspections.

Safety Dramatization Training: Interactive role-playing is used as a training methodology both to bolster the OHS culture in general and to draw attention to the consequences of unsafe behavior in non-routine works.

Attention & Perception Testing: Also known as the “Vienna Test,” this method is especially useful for determining attention, perception, concentration, and motor-skill levels among machinery and equipment operators, maintenance personnel, quality control personnel and vehicle drivers.

Safety Captain: In this safety implementation method, a blue-collar worker is designated the safety captain of a so-called “lean” team of 8–15 people and given responsibility for their safety for a week. Although the captain is identified by a special cap and armband, he continues to perform his regular job while also keeping lookout for instances of acts and other infractions of safety rules.

Safety Pennants: Safety pennants are used to indicate the situation of production teams. Blue pennants are hung to indicate that no accidents have occurred there; orange ones signal that one has.

Tofaş’s successful performance on OHS issues has earned both national and international recognition. In 2015 and 2016, the company won two awards—“Golden Glove” in the “Companies” category and “Golden Suggestion” in the “Individuals category”—at the Occupational Health & Safety Best Practices Awards program conducted by the Metal Industrialists’ Union of Turkey.

SUPPLY CHAIN MANAGEMENT

Tofaş collaborates with its suppliers to reduce **dependence on foreign supplies and boost domestic production**, which figure among the company's medium- and long-term objectives.



Tofaş, in activities carried out; has adopted the principle of continuous improvement of its suppliers, organizational excellence and continuous improvement of business processes in order to maintain competitive advantage, reduce production and procurement costs, ensure and maintain the highest possible quality and delivery performance in goods and services purchased.

Procurement activities are mainly conducted in the categories of Direct Materials, Spare Parts, Investment–Services and Indirect Materials. In 2016, the Department's purchases amounted to EUR 3.8 billion. Tofaş purchases direct materials from 147 suppliers in 14 cities across the country.

CONTRIBUTING TO THE GROWTH AND DEVELOPMENT OF THE DOMESTIC SUB-INDUSTRY

Since day one, Tofaş has contributed significantly to the expansion and development of a home-grown automotive sub-industry by giving utmost importance to localizing its procurement and manufacturing processes as much as possible. Tofaş today procures 71% of its components other than engines and transmissions from domestic suppliers.

Reducing its dependency on non-domestic sources and increasing localized content have always been two of Tofaş's medium- and long-term strategic priorities. The company especially works with suppliers to localize the production and procurement of transmissions and of electrical, electronic, and mechatronic components. New projects undertaken for this purpose not only contribute to Tofaş's own development but also support those suppliers that Tofaş identifies as business partners in their efforts to compete and succeed at the global level.

SUPPLY CHAIN MANAGEMENT

Tofaş engages in an ongoing effort to streamline its procurement processes.

Among the many components that Tofaş procures locally, the most important are preformed sheet metal components; machined wrought and cast components; mechanical and electromechanical components; electrical system elements; molded and extruded plastic and rubber components; seats; door panels; windshields and windows; dashboards; bumpers; exhaust system components; chemicals; interior and exterior trim components; and fasteners.

IMPROVEMENTS IN PROCUREMENT PROCESSES

Whenever Tofaş considers the procurement aspects of new projects that it plans to undertake, the company pays particular attention to acquiring new technological capabilities for the Turkish automotive industry while boosting its own competitive strength. Tofaş encourages international firms that are global manufacturers of automotive components to invest in Turkey or to enter joint ventures with local suppliers.

While taking measures to reduce its procurement costs, Tofaş also works to streamline its procurement processes. With the new projects launched in 2016, Tofaş plans to become Turkey's top original equipment manufacturer (OEM) with the highest production capacity in 2017. To this end, the Purchasing Department has formulated plans to expand the production capacities of suppliers to ensure the continuity in its own production processes.

In all procurement processes, Tofaş manages supplier relationships on the basis of mutual trust and openness, and within the framework of sustainable competition and a long-term business partnership.

SUPPLIER SELECTION

While Tofaş selects suppliers of inputs for its assembly-line operations based on their access to sub-manufacturing capacity, every potential supplier is expected to meet certain basic criteria. These criteria include:

- Having both the technical (quality/cost competitiveness, delivery performance, project management, production capacity, co-design) and the organizational competencies capable of meeting the automotive industry's expectations;
- Being financially robust;
- Holding ISO/TS 16949 (quality) and ISO 14001 (environment) certifications;
- Having advanced design, manufacturing and testing competencies;
- Successfully passing Tofaş conducted Supplier Eligibility Assessment and Process Audit inspections;
- Having the ability to contribute favorably to Tofaş's own competitiveness by supporting improvements in its quality and cost-effectiveness;
- Demonstrating an ability to consistently improve and boost its competitive strength by closely monitoring what domestic and international competitors do;
- Showing a willingness and an ability to engage in a transparent, mutual-trust based business partner relationship in its dealings with Tofaş.

Aiming to enhance its own competitive abilities by protecting its manufacturing quality and continuity, Tofaş monitors and rates its suppliers' performance in such areas as business viability, quality, and delivery on the basis of its stipulated standards.

Under the world-class supplier management model, **Tofaş shares its innovative and best practices in automation** with its suppliers.



SUPPLIER DEVELOPMENT ACTIVITIES

Tofaş takes a business partnering approach in all procurement processes. The company carries out various activities to support supplier development in a number of areas. These include product design, organizational/technical development, quality, cost improvement, physical and financial risk management, manufacturing process improvement and joint procurement.

In keeping with continuous improvement and sustainability related objectives, Tofaş undertakes the following supplier development activities:

- Expanding WCM (World Class Manufacturing) Methodologies and Techniques across Suppliers: Tofaş began encouraging its suppliers to adopt World Class Manufacturing practices in 2009; by end-2016, 24 suppliers have started implementing WCM. Under the world-class supplier management model, Tofaş shares its innovative and best practices in automation with its suppliers.
- Financial Risk Management: As of year-end 2016, Tofaş completed financial risk assessment for 37 suppliers and developed action plans, as needed.
- Tofaş Academy Training Courses for Suppliers: Tofaş Academy is a training platform via which the company shares its technical knowledge and expertise with its suppliers. In 2016, 808 employees of 66 supplier firms completed 45 training modules that are designed for suppliers.
- “UP” Program (Use Your Competencies, Plan Your Development): Launched in 2016, the “UP” Program aims to improve suppliers’ competencies in key areas such as sales, quality, project planning and logistics. To this end, 24 employees of nine supplier firms completed their basic training. Training programs in specific areas of expertise will continue in 2017.
- Management Projects for Suppliers: Management projects are designed to improve suppliers’ management skills such as problem-solving, planning, diagnostic skills and organizational competencies in order to boost the efficiency of their human resources and business processes. These projects continued in 2016.
- Supplier Orientation: The supplier orientation program aims to provide suppliers with accurate information about Tofaş’s business processes. In 2016, 168 employees of 34 supplier firms participated in the “Synergy” program.
- Suppliers HR Summit: In 2016, 46 suppliers participated in the “Focus on Improvement Summit” where successful HR practices were shared.

CUSTOMER SATISFACTION POLICY

■ TRANSPARENCY

Detailed information about Tofaş is available to all stakeholders 24 hours a day/seven days a week via its websites and the Tofaş Call Center. Any questions, requests, or complaints that stakeholders may have can be forwarded to the company through the same channels.

■ ACCESSIBILITY

Fiat Call Center: 444 22 55 Fiat website: www.fiat.com.tr Alfa Romeo & Lancia Call Center: 444 19 10 Jeep® Call Center: 444 53 37 Alfa Romeo website: www.alfaromeo.com.tr Lancia website: www.lancia.com.tr Jeep® website: www.jeep.com.tr

■ RESPONSIVENESS

All requests for information submitted via company websites and call centers are responded to within specified periods of time.

■ OBJECTIVITY

All questions, requests, and complaints are addressed and responded to fairly and without prejudice.

■ FEES

Those who submit questions, requests or complaints are not charged any fees.

■ CONFIDENTIALITY

All personal information that is submitted to Tofaş is treated with the strictest confidence and is never revealed to any outside party.

■ CUSTOMER FOCUS

Tofaş is committed to resolving customers' problems, satisfying customers' needs and protecting customers' rights under all conditions pursuant to applicable company policies and legal requirements.

■ ACCOUNTABILITY

All questions, requests and complaints that are received are recorded upon arrival. When they are responded to, a full account is given of all decisions and actions that were taken along with the justifications for them.

■ CONTINUOUS IMPROVEMENT

All communications received from Tofaş stakeholders are used proactively as feedback for making improvements in the company's business processes, products and services.

ETHICAL VALUES AND ANTI-CORRUPTION POLICY

In all its business activities, Tofaş is committed to the highest standards of ethical conduct, which constitute the foundation of its organizational culture. Adherence to the highest ethical standards is the top priority and responsibility of every Tofaş employee. Tofaş personnel in addition to Tofaş dealers, suppliers and business partners, and all other stakeholders with whom the company engages are also expected to abide by the company's rules of ethical conduct.

Tofaş takes a “zero tolerance” approach to bribery and corruption and is committed to undertaking its activities fairly and honestly in line with legal and ethical rules. Situations in which the company may be exposed to risks of bribery or corruption are identified and measures to mitigate the risks are taken accordingly. In all the policies and procedures that it formulates, Tofaş strives to be in full compliance with the requirements of applicable laws, rules and regulations, with ethical and professional standards, and with the principles of the Universal Declaration of Human Rights.

The Tofaş Code of Ethics provides a comprehensive approach to dealing with issues involving potentially questionable conduct that might be encountered when dealing with company employees and other stakeholders. The Tofaş Code of Ethics is a document that sets out guidelines governing such matters as interacting with internal and external stakeholders, managing assets and information, avoiding conflicts of interest, protecting occupational health and safety, and preventing corruption, malfeasance and bribery. The Tofaş Code of Ethics likewise specifies what is to be done in the event that its guidelines are breached.

Since Koç Holding, one of Tofaş's major shareholders, has endorsed the United Nations Global Compact, all the 10 principles contained in that document that pertain to human rights, labor standards, environment and anti-corruption are essential elements of Tofaş's own commitment to ethical behavior.

Due care is given to protecting human rights and supporting the company's performance on such issues in the conduct of its business processes through policies and practices. The importance Tofaş places on human rights and practices is supported with the principle declared in the first article of the Tofaş Code of Ethics which states that the company: “respects human rights and the constitutional rights of freedom of association and collective bargaining.”

All forms of discrimination based on language, race, gender, political affiliation, religious belief, or similar considerations are prohibited in the conduct of business and workplace relationships at Tofaş. Work agreements between the company and its employees may incorporate no terms or conditions which, directly or indirectly, would subject an employee to different treatment on the grounds of gender or pregnancy at the time the agreement is executed, while it is in effect, or when it is terminated except in cases where job related risks, employee safety, or the requirements of law dictate otherwise. The principle of “Equal Pay for Equal Work” applies to everyone and no employee may be paid more or less based on their gender. All hiring, assignment and promotion decisions must be based on objective performance criteria and never on considerations such as language, religion, gender, race, or the like. Tofaş condones neither the employment of children nor any form of forced or compulsory labor.