

CORPORATE SUSTAINABILITY POLICY

TOFAŞ'S CORPORATE SUSTAINABILITY POLICY TAKES AN INTEGRATED APPROACH THAT IS GROUNDED IN BUSINESS MODELS THAT ARE COMPATIBLE WITH STRATEGIES FOR A SUSTAINABLE FUTURE.

BUSINESS MODELS GROUNDED IN STRATEGIES FOR A SUSTAINABLE FUTURE

Tofaş's sustainability- and social responsibility-related activities are dealt with in the context of their social, environmental, and economic dimensions. In main outline, Tofaş's attitude towards corporate sustainability concentrates on making continuous improvements and moving the goalposts further ahead.

Tofaş's corporate sustainability policy takes an integrated approach that is grounded in the philosophy that "Life is Renewal" and within a framework of business models that are compatible with strategies for a sustainable future.

The Tofaş Corporate Sustainability Policy is informed by the need to elucidate the company's responsibilities towards all Tofaş stakeholders everywhere and not just those living in the vicinity of the Tofaş plant. Thus is the company equally mindful of both sustainability and corporate social responsibility issues when dealing with suppliers and dealers as well as with other stakeholders.

The environmental, social, and corporate governance aspects of the Tofaş Corporate Sustainability Policy are rooted in the tenets of:

- Effectively managing risks and constantly improving all processes;
- Abiding by "Zero-Accident" principles in matters pertaining to occupational health and safety;
- Improving the company's performance and production efficiency;
- Encouraging active employee participation and fostering open communication;
- Making efficient use of energy while protecting environmental balances and natural resources;
- Increasing stakeholder knowledge and community awareness of climate change issues;
- Adhering to a sustainable environmental management policy that is grounded in national environmental laws and regulations, applicable environmental standards, and the best available technologies for dealing with such matters;
- Ensuring information security and business continuity in the conduct of all operations;
- Complying with the requirements of national and international laws and regulations;
- Managing stakeholder relations transparently and with common sense;
- Ensuring continuity in customer satisfaction;
- Improving suppliers' own sustainability practices,
- Behaving transparently when dealing with the public at large on matters involving sustainable environment policies and practices;
- Making stakeholders aware of the company's corporate social responsibility activities, strategies, objectives, and priorities;
- Making adherence to ethical values, combatting corruption, and all other corporate governance principles part of the company's corporate culture.

The company's corporate governance structure, risk management, business ethics and anti-corruption rules, sustainability management, and stakeholder engagement approaches are all matters of concern when dealing with governance and sustainability issues.

Besides efforts aimed at the deployment and ongoing conduct of corporate governance activities within the company, all due attention is also given to ensuring that the company's external stakeholders are likewise involved in achieving the same aims.

In keeping with this, ensuring the sustainability of all of the company's corporate activities when treating all stakeholders equally, disclosing information responsibly, and abiding by corporate governance practices is one of the company's fundamental objectives.

CORPORATE SOCIAL RESPONSIBILITY ATTITUDES

Tofaş's attitude towards sustainability is mindful of both corporate social responsibility and social impact and therefore informs the conduct of social activities both within the company and when dealing with the public at large.

Thus dealing with climate change and emissions, product portfolio and product strategies, markets and customer satisfaction, R&D management, WCM and management standards, energy efficiency, environmental management systems, occupational health and safety, workplace environment and talent management, supplier chain management, and dealership and services networks are all vital to sustainability management. The publication of sustainability reports that reveal the company's behavior in matters involving climate change, the environment, occupational health and safety, corporate governance, ethical values, supply chains, and social responsibility is a basic element of Tofaş's sustainability policy.

Comprehensive and detailed information about Tofaş's regular and occasional social responsibility and sustainability activities is provided in the company's annual reports as well as through printed, periodical, and informational publications. Information about Tofaş's social and environmental efforts and activities, about the management of these processes, and about

the reported results of the company's administrative, social, and environmental performance are publicly disclosed and disseminated among the company's employees, shareholders, business partners, and all other stakeholders. Essential information and links to it are also provided on Tofaş's intranet and on its internet websites so as to keep stakeholders informed about ongoing and intended activities related to company policies.

Believing that corporate entities should conduct their social responsibility activities accountably and with an awareness of their duties and responsibilities towards their stakeholders, Tofaş regards it as a matter of its corporate sustainability policy to engage in social responsibility practices that are both sustainable and extensible.

As is also noted in Tofaş's sustainability and its corporate governance compliance reports, the company's social responsibility embraces all of the company's stakeholders. Tofaş has all of its efforts in this direction independently rated and reported on. These reports provide specific details about the company's corporate governance practices under the individual headings of "Shareholders", "Public disclosure and transparency", "Stakeholders", and "Board of Directors" as appropriate. Such reports also include the company's corporate governance rating, which is likewise announced annually through the Public Disclosure Platform at the İstanbul Stock Exchange (BIST) and on the company's corporate website.

Tofaş's shares are included in the BIST Corporate Governance Index. In addition and because it regards this matter as an ongoing and dynamic process in line with the importance it gives to corporate governance principles, the company conducts an annual review to determine its own compliance with BIST CGI criteria.

The principles and corporate social responsibility attitudes embodied in the United Nations Global Compact, to which Koç Holding subscribes, and the sustainability and corporate social responsibility perspective of its other principal shareholder Fiat Chrysler Automobiles both provide the overall framework for Tofaş's sustainability policy.

CORPORATE SUSTAINABILITY POLICY

TOFAŞ REGARDS IT AS A MATTER OF ITS CORPORATE SUSTAINABILITY POLICY TO ENGAGE IN SOCIAL RESPONSIBILITY PRACTICES THAT ARE BOTH SUSTAINABLE AND EXTENSIBLE.

CORPORATE AND SOCIAL PROGRESS PRIORITIES

In line with the corporate social responsibility attitudes that it espouses and the practices that they involve, Tofaş regards compliance with the requirements of law as a fundamental necessity. The company therefore has identified priorities that will foster dynamics capable of stimulating both corporate and social progress. Company-stipulated criteria and principles inform Tofaş's actions in all matters which fall within the domain of corporate social responsibility such as projects that invest in human resources and in people, stakeholder culture and corporate vision, supporting education, promoting culture and art, environmental awareness, and protecting the environment. Through both its environment policy and the activities associated with it, Tofaş seeks to adhere to and to improve upon a proactive environment management system that is compatible with the principle of sustainable economic development.

In all matters falling within the domain of social responsibility, Tofaş is mindful of and abides by all essential national and international standards while also engaging in efforts of its own to improve those standards.

A SUSTAINABILITY POLICY THAT TAKES STAKEHOLDER SATISFACTION AND EXPECTATIONS INTO ACCOUNT

When dealing with issues involving social impact, ethical behavior, and environmental management in the context of Tofaş's sustainability policy, the company takes an integrated approach which engages with stakeholders and which takes their expectations and satisfaction into account. In line with this, another important issue is the ongoing development and continuity of corporate social responsibility attitudes that are compatible both with the company's vision and with the preferences of its stakeholders.

For this reason, the Tofaş Board of Directors is responsible for overseeing the environmental, social, and administrative aspects of the company's corporate sustainability policy with an eye on further developing that policy. Such issues are overseen by established board committees and reported to the board as a whole.

In line with Tofaş's social and environmental efforts and activities, information about the management of these processes and also about the reported results of the company's administrative, social, and environmental performance is made available to all of the company's stakeholders and is also publicly disclosed. Particular attention is given to these matters in the company's sustainability reporting.

Efforts are currently being made to incorporate, into company policy, approaches that will permit Tofaş's sustainability and social responsibility activities to be assessed in light of national and international standards. The progress of these efforts is monitored.

CORPORATE SOCIAL RESPONSIBILITY



TOFAŞ FOCUSES ON ENDURING SOCIAL RESPONSIBILITY PROJECTS WHICH WILL CREATE VALUE FOR SOCIETY IN MANY DIFFERENT WAYS.

While contributing to the national economy in many different ways, Tofaş also focuses on enduring social responsibility projects which will create value for society and which will support social progress in the areas of education, culture & art, and sport in many different ways.

SPORT

Tofaş Sports Club

Founded in 1974 at the Bursa Tofaş plant originally as "Tofaş SAS", a club devoted to watersports, athletics, and team sports, the Tofaş Sports Club adopted its existing 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. The Tofaş Sports Club's basketball teams were the first to play in the European Cup finals, brought home the Turkish national championships, and have won the Turkish Presidential Cup, the Turkish Cup (several times), and the Schools Basketball World Championship. Last year the Tofaş Sports Club brought home the championship from the 17th Cevat Soydaş Basketball Tournament. During the 2017-2018 season, the Tofaş Basketball is contending in the ULEB European Cup and Super League.

Many years of investment in youth academies have enabled the Tofaş Sports Club to nurture many talented players for sports in Turkey.

CORPORATE SOCIAL RESPONSIBILITY



Tofaş Gymnasium

Tofaş plays its home games at the Nilüfer Tofaş Gymnasium in Bursa. These well-attended encounters also contribute to the social life of Bursa's inhabitants.

Next Generation Tofaş Project

The goal of the Next Generation Tofaş Project is to provide all children with an equal opportunity to take part in sports. Launched in 2016, one of the aims of the project is to foster attitudes and points of view among children that will help them be successful not just in sports but also in all aspects of life. The Next Generation Tofaş Project is based on a training and implementation model that focuses on the trainer-family-child triangle in order to foster a generation that truly believes that every child should have an equal chance to play basketball wherever they may live.

Under the Next Generation Tofaş Project, 10 basketball schools were opened in different Bursa townships and these were attended by nearly a thousand children as of the end of the year. Sixteen little league basketball teams whose members were chosen from these schools

are currently undergoing training at the Mustafa V. Koç Sports Complex. In order to ensure the sustainability of these activities, 34 trainee coaches taking part in the project every week are provided with theoretical and applied coach training. An e-learning system has also been set up in order to teach local trainers and children's families about the project. Other project activities aimed at fostering basketball culture among the public include street tournaments as well as science and creative drama workshops that are conducted with the aim of supporting children's social intelligence development.

Mustafa V. Koç Sports Complex

The premises and facilities of the Tofaş Sports Club Mustafa V. Koç Sports Complex, which opened its doors on 9 June 2016, are available not only to Tofaş personnel but also to Bursa's amateur sports teams and athletes. With 5,800 m2 of space, this complex contains three basketball courts, a fitness center, and a fully-equipped sports rehabilitation center capable of providing whatever forms of physical therapy athletes may require.

EDUCATION

Fiat Laboratories

Seeking to train those who are employed by the Turkish automotive industry and to equip and make them conversant with the industry's newest technologies so that they can make use of them in the performance of their jobs, Fiat laboratories began life as part of 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, which was opened at the Şişli Industrial Vocational High School in İstanbul in 2006, celebrated its 11th year in operation in 2017.

Fiat laboratories have been set up at 11 vocational lycees in İstanbul, 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.

As part of the Tofaş Vocational Education Support Program, a Fiat Egea car was turned over to each of the schools hosting a Fiat laboratory in 2017 so as to allow students to work on more up-to-date cars and to make the students better aware of the new technologies that such vehicles incorporate.

As of 2017, the number of students and instructors taking part in Fiat laboratories around the country had reached 2,000. Last year the laboratories graduated 213 students. Under a 2016-2017 European Union project, students and instructors taking part in Fiat laboratories also took part in training activities in European countries like Germany, Spain, France, Slovakia, Portugal, and Italy. In the course of such activities, they gained hands-on experience in vehicle servicing operations while also proudly representing the Fiat name by their presence.

The instructors who are employed in Fiat laboratories are themselves given current-technology technical training as well as training on behavioral and social responsibility issues as part of the on-the-job training (OJT) provided every year by Tofaş Academy. Five hundred vocational lycee teachers from different parts of Turkey also took part in such OJT along with Fiat laboratory instructors in the 11th round of the program.

Under the "Vocational Education: A Crucial Matter For The Nation" project, students who attend classes at Fiat laboratories and who satisfy requirements are provided with scholarships every year by the Vehbi Koç Foundation. Such scholarships were awarded to 311 students in 2017.

Tofaş Science High School

Located in the Demirtaş Organized Industrial Zone in the Özlüce district of Bursa's Nilüfer township, instruction at Tofaş Science High School began in 2014-2015 academic year. Occupying 12,252 m² of grounds, the school has 16 classrooms, 70 dormitory rooms capable of accommodating 280 residents, and a gymnasium. There are 412 students currently enrolled at the school.

Turning out its first graduates in 2015, the Tofaş Science High School ranked first among the schools that students in Bursa most wanted to enroll at in the run-up to the 2016-2017 academic year.

In 2017 an Innovation Workshop was opened at Tofaş Science High School with the support of various Tofaş departments. This workshop provides students with a setting in which they are given opportunities to gain hands-on experience with project-development issues ranging from developing ideas through innovative methods to prototyping while also discovering their own aptitudes and potentials. The aim of the Innovation Workshop is to support the education of young people who are well-equipped to shape the futures of the automotive industry and of engineering.



CORPORATE SOCIAL RESPONSIBILITY



Vocational Education Support Program

Under Tofaş's Vocational Education Support Program in 2017, 57 Fiat Egea cars (15 of them cross-sections) were donated to 44 universities and 13 vocational lycees for use in workshop training activities. These donations were also supported by Fiat dealers in all 7 of Turkey's regions. Launched with the aim of providing the Turkish automotive industry with a technical workforce that is conversant with the industry's latest technologies, the Tofaş Vocational Education Support Program's objectives are to give students experience with the principles and procedures of automobile R&D and to train young people whose practical knowhow equips and qualifies them to take part in such activities.

CULTURE & ART

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 focusing on the Anatolian transport heritage. Its collection includes not only Tofaş-manufactured cars but also examples of antique carts, carriages, wagons, and

other transport-related objects that make it the first and only museum of its kind in Turkey. The museum occupies a disused silk-weaving mill, the historic Umurbey hammam, and an old Turkish house adjacent to the latter, all of which were renovated and repurposed by Tofaş. Occupying 17 thousand m2 of grounds, the museum 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 that is 2,600 years old and extending to the present day with examples of Tofaş-built motor vehicles.

Located within the same grounds as the museum is the Tofaş Art Gallery housed in the Umurbey Hammam, the original construction of which dates to 1430. To date the gallery has hosted six exhibitions. "The Poise Of The Steelyard: Scales, Weights & Measuring Instruments", a show with past and present-day examples of such equipment, attracted more than 70 thousand visitors.



Pamukkale Hierapolis archeological excavations

Since 2005 Tofaş has been sponsoring archaeological excavations at Hierapolis, the extensive ruins of one of the five biggest ancient cities in Turkey. Coterminous with the Pamukkale thermal zone, both Hierapolis and Pamukkale were declared UNESCO World Heritage sites in 1988.

Excavation work, which is being overseen by the Ministry of Culture and Tourism and the Denizli governor's office, continued during the 2017 season with Tofaş's support. The excavations are being carried out by an international team of about seventy archaeologists, architects, restorers/conservators, and other experts mainly from Italy and Turkey.

One of the site's star attractions is the Hierapolis theater. Built about 1,800 years ago, this is one of the finest examples of Roman theater architecture still in existence. Restoration work on the theater's scaenae frons facade, the elaborate multi-story background of the proscenium, has been completed making this the only ancient theater in Turkey to have a fully-reconstructed and functioning stage. As a result of this work, this 12 thousand-seat theater is now being used 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, a martyrium, the Frontinus Gate, a gymnasium, an Apollo temple, and the so-called Pluto's Gate (Plutonium), a shrine sacred to the ancient god of the underworld, Pluto.

Tofaş continues to support the Hierapolis excavations, where work is now in progress to excavate and restore the ancient city's Plutonium shrine. In ancient times this was believed to be a gateway to the underworld- the world of the dead ruled over by Pluto and his abducted wife Persephone- and because of this association the shrine is also sometimes referred to as "The Gate to Hell". Within the ancient shrine is a cave-like grotto that emits a dangerous cloud of carbon-dioxide gas that will suffocate any living thing that is unable to avoid it. Known in ancient times as the home of an oracle and still a magnet for visitors because of its natural wonders and ancient ruins, excavations at Hierapolis have turned up finds that push the site's known history back another three centuries.

ENVIRONMENT



IN 2017 TOFAŞ UNDERTOOK 34 NEW ENERGY EFFICIENCY PROJECTS. WITH THE INCLUSION OF OTHER PROJECTS THAT WERE LAUNCHED IN THE LAST QUARTER OF 2016, THE TOTAL NUMBER OF SUCH PROJECTS HAVING AN IMPACT ON THE COMPANY'S OPERATIONS REACHED 72 LAST YEAR.

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

In 2017 Tofaş undertook 34 new energy efficiency projects implementing WCM energy management methodologies and techniques. With the inclusion of other projects that were launched in the last quarter of 2016, the total number of such projects having an impact on the company's operations reached 72 last year.

ENVIRONMENT & ENERGY POLICY

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

In line with this, Tofaş:

- Regards having to dispose waste of any kind as a resource loss and therefore develops methods that prevents waste from occurring in the first place;
- Constantly improves its energy performance both through energy-efficiency process design and in the conduct of its product and service procurements;
- Ensures that it has access to all the information, expertise, and economic resources that it needs to regularly review and achieve its environmental and energy-related goals and objectives;
- Assesses risks and opportunities in order to plan and then implement sustainability-related strategic actions;
- Develops innovative product and process solutions aimed at combatting climate change;
- Believes that it is fundamentally essential to comply with the requirements of all laws and regulations to which it is subject as well as with internationally-accepted standards in its processes;
- Seeks to minimize energy and water consumption, waste generation, and water and air effluents both by educating its employees, contractors, dealers, and suppliers and by constantly improving the vehicles that it makes;
- Develops solutions for the manufacturing of vehicles and spare parts in order to make use of materials whose environmental impact is lower and whose recyclability/recoverability is greater.

Tofaş's environment vision is to possess a World Class Environment Management System that makes use of proactive and efficient management tools. In order to achieve its "Zero Waste/Zero Loss" goal, the company's maxim is "If you don't cause pollution in the first place, then there's nothing that you have to clean up."

One consequence of Tofaş's Environment & Energy Policy is that it seeks both to reduce waste at source and to recover and recycle as much as possible of any waste is generated. Thus 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 to 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 audited as being so. Tofaş's ISO 50001 certification was recently validated when an audit in 2017 ascertained there to be 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 which the company has undertaken are steadily reducing the energy density of its operations.

When new investments are to be undertaken or changes are to be 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 2017, the company's greenhouse gas emissions reporting was independently certified as being ISO 14064 standard-compliant. According to verification results, Tofaş's greenhouse gas emissions declined as a result of energy efficiency projects undertaken throughout the plant. Environmental audits conducted both by authorities and by stakeholders ascertained Tofaş to be in full compliance with all requirements.

ENVIRONMENT

AS A RESULT OF A COMPREHENSIVE SURVEY OF COMPANIES QUOTED ON BORSA İSTANBUL BY EIRIS, A LEADING GLOBAL PROVIDER OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE RESEARCH, TOFAŞ WAS ONE OF 43 TURKISH COMPANIES IDENTIFIED AS BEING WORTHY OF INCLUSION IN THE BIST SUSTAINABILITY INDEX.

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 of its production processes.

In 2017 Tofaş undertook 34 new energy efficiency projects implementing WCM energy management methodologies and techniques. With the inclusion of other projects that were launched in the last quarter of 2016, the total number of such projects having an impact on the company's operations was 72 last year. Thanks to these projects, 72,633 GJ of energy were conserved and CO2 emissions were reduced by 5,645 tons.

As a result of a comprehensive survey of companies quoted on Borsa İstanbul by EIRIS, a leading global provider of environmental, social and governance research, Tofaş was one of 43 Turkish companies identified as being worthy of inclusion in the BIST Sustainability Index.

In 2017 Tofaş once again submitted its responses to the Carbon Disclosure Project's (CDP) questions. As a result of the ensuing CDP review, the company was included in the Climate Change Program's “B” performance band. Tofaş also received a “B Management” rating in the CDP Water Program.

Constantly improving energy performance through changes in the design of energy-efficiency processes and in product and service procurements is a fundamental tenet of Tofaş's Environment & Energy Policy and therefore the company undertakes projects aimed at accomplishing this. In the İstanbul Chamber of Industry's series of “Energy Efficiency Awards”, Tofaş took second place with its “SolarDRY Direct Use of Solar Energy in Production Processes” project.

The “Proactive Carbon and Energy Management in 7 Steps” methodology, which is itself a component of World Class Manufacturing, has been in active use at Tofaş since 2011. With the introduction of this methodology, Tofaş began focusing its attentions on identifying aspects of energy efficiency and carbon emissions mitigation to which priority needed to be given as well as 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 plant.

GREEN PRODUCTS

Environment-focused projects such as vehicle electrification, alternative fuels, eco-friendly materials, vehicle weight reduction, and recycling take the front stage among Tofaş's technology research activities. Some of these projects were concerned with issues whose results are expected to be incorporated into existing products or new models in the years ahead while others are longer-term in their focus.

CLIMATE CHANGE

TOFAŞ STRIVES DILIGENTLY TO SATISFY ITS STAKEHOLDERS' EXPECTATIONS WITH RESPECT TO COMBATTING CLIMATE CHANGE AND TO FULFILL ALL OF ITS RESPONSIBILITIES TO DO SO.

Climate change is seen as one of the most serious problems confronting the world today. Dealing with the environmental, social, and economic risks that climate change poses requires a comprehensive and concerted response on the part of every actor that may be 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 so that this situation can be dealt with. The automotive industry for its own part has been actively involving itself 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.

ENDURING SOLUTIONS THROUGH SUSTAINABLE METHODS

Tofaş is aware that the most important thing that its stakeholders expect of it on the issue of climate change is that, while managing the contributory effects of its existing manufacturing and other operations, it should also develop vehicles whose emissions are lower and/or which use alternative fuels and it should make vehicles that will enable people to exercise their travel and transportation rights in ways that are more sustainable.

At the same time Tofaş also sees climate change as an issue that has 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). Recognizing this, the company looks for ways to create opportunities for itself by coming up with proactive corporate risk management responses to the sorts of risks that all these dimensions might pose.

COMBATTING CLIMATE CHANGE

Tofaş strives diligently to satisfy its stakeholders' expectations with respect to combatting climate change and to fulfill all of its responsibilities to do so.

To this end:

- As one of FCA's most important R&D and manufacturing hubs and in line with FCA's product strategies, Tofaş supports efforts to improve the efficiency of the conventional motor vehicles that it is already making, to increase the use of alternative-fuel systems such as natural gas and biofuels, and to 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-creation chain by informing and educating suppliers, dealers, and customers.

OCCUPATIONAL HEALTH & SAFETY



THANKS TO ITS OUTSTANDING PERFORMANCE IN THE FIELD OF OCCUPATIONAL HEALTH AND SAFETY THE TOFAŞ PLANT SERVES AS A REFERENCE WITHIN THE FIAT CHRYSLER COMMUNITY.

Occupational health and safety ranks high among the most important elements of the WCM methodology. It is also an area in many aspects of which the Tofaş plant serves as a reference within the FCA community. The plant is frequently visited by representatives of firms wishing to observe Tofaş's OHS operations and practices in action.

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

66,306 hours

IN 2017, 8,934 TOFAŞ EMPLOYEES WERE GIVEN A TOTAL OF 66,306 HOURS OF TRAINING ON OHS ISSUES.

OHS CULTURE

Tofaş strives to maximize OHS awareness not just among its own employees but also among its trainees, visitors, suppliers, and contractors. To this end, Tofaş commits itself to:

- Fulfilling all of its regulatory and other obligations with respect to OHS issues;
- Abiding by the principle that making improvements in OHS performance is a responsibility shared by all personnel;
- Setting targets for participation in risk-assessment and risk-mitigation activities at every level;
- Achieving a sustainable “Zero Accident” target by constantly improving the company’s occupational health and safety culture.

TARGET: ZERO WORK-RELATED ACCIDENTS AND ILLNESSES

Tofaş seeks to achieve zero-levels of work-related accidents and illnesses by means of its Occupational Health & Safety System. Since the introduction of the World Class Work Safety program, the company’s Lost Time Accident rate has been reduced by 90%.

In 2017, 8,934 Tofaş employees were given a total of 66,306 hours of training on OHS issues.

Some aspects of Tofaş’s OHS activities during the year are highlighted below.

Safety Simulation Area Training: Safety Simulation Area (DOJO) training is conducted so as to train 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 6,400 hours of DOJO training was provided to employees in 2017.

Contractor Management Procedures: A total of 29 sets of instructions and associated forms have been created and are used to proactively manage contractors’ operations by ensuring, through audits and inspections, that all rules are communicated and understood before work begins and that such rules are abided by during the conduct of work.

Safety Dramatization Training: Interactive play-acting is used as a training methodology both to strengthen OHS culture in general and to draw attention to the consequences of unsafe behavior in non-routine tasks.

Attention & Perception Testing: Referred also to as the “Vienna Test”, Attention & Perception Testing is a method 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: This is a safety program in which one line worker is designated the safety captain of a team of eight to fifteen people and given responsibility for 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 on the lookout for instances of acts and other infractions of safety rules.

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

Tofaş’s workplace safety performance has earned it first place in the “Golden Gloves” of the “Occupational Health & Safety Best Practices Awards” program conducted by the Metal Industrialists’ Union of Turkey for the last two years in a row.

SUPPLY CHAIN MANAGEMENT



IN ORDER TO ENHANCE ITS OWN COMPETITIVE ABILITIES BY SAFEGUARDING 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.

In the conduct of its supply chain management operations, it is Tofaş's principle to regularly develop its suppliers' and their employees' capabilities, to achieve organizational excellence, and to constantly improve its business processes in order to protect the company's competitive strength, to reduce its production and procurement costs, to achieve the best possible quality and delivery performance in goods and services procurements, and to ensure the sustainability of all of these processes.

The company's procurements fall under three main headings: Direct Materials, Spare Parts & Investment Services, and Indirect Materials. In 2017 Tofaş's total procurements budget amounted to EUR 4.48 billion in value. The company purchases its direct materials from 151 suppliers located in 14 different cities.

71%

TOFAŞ TODAY PROCURES AN AVERAGE OF 71% OF ITS COMPONENTS OTHER THAN ENGINES AND TRANSMISSIONS FROM DOMESTIC SUPPLIERS.

CONTRIBUTING TO THE GROWTH AND DEVELOPMENT OF DOMESTIC SUBMANUFACTURING

Since the day it was founded, Tofaş has been contributing substantially to the growth and development of a home-grown automotive sub-industry by giving the utmost importance to localizing its procurement and manufacturing processes as much as possible. Tofaş today procures an average of 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 strategies. In line with this, the company is working with suppliers especially to localize the production and procurement of electrical, electronic, and mechatronic components. New projects undertaken for this purpose not only contribute to Tofaş's own development but also support suppliers, which Tofaş recognizes as its business partners, in their efforts to compete and succeed at the global level.

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 procurements aspects of new projects that it plans to undertake, it gives particular attention to acquiring new technological abilities for the Turkish automotive industry on the one hand and to boosting its own competitive strength on the other. In line with this, Tofaş encourages international firms that are global manufacturers of automotive components to invest in Turkey or to enter into joint ventures with local suppliers.

While taking measures to reduce its procurement costs, Tofaş also engages in an ongoing effort to streamline its business processes through the use of advanced procurement methods and digitalization. In 2018

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TOFAŞ PURCHASES ITS DIRECT MATERIALS FROM 151 SUPPLIERS LOCATED IN 14 DIFFERENT CITIES.

the company will be continuing its efforts to improve manufacturing costs through projects that focus on part collectivization and localization projects. In addition, plans also call for the commencement of activities that are related to a long-term "Supplier Park Rationalization" project that involves a comprehensive review and assessment of the company's supplier base.

In the conduct of all of its procurement processes, Tofaş ensures that its relationships with suppliers are transparent, mutually trust-based, and competitively sustainable within the overall framework of a long-term business relationship.

SUPPLIER SELECTION

While Tofaş selects those who will be supplying inputs for its assembly-line operations based on their access to submanufacturing capacity, there are certain basic criteria that every potential supplier is expected to satisfy.

Specifically all suppliers must:

- Possess both the technical (quality/cost competitiveness, delivery performance, project management, production capacity, co-design) and the organizational competencies capable of satisfying the automotive industry's expectations;
- Be financially robust;
- Hold ISO/TS 16949 (quality) and ISO 14001 (environment) certifications;
- Possess advanced design, manufacturing, and testing competencies;
- Have successfully passed Tofaş-conducted Supplier Eligibility Assessment and Process Audit inspections;
- Be able to contribute favorably to Tofaş's own competitiveness by supporting improvements in its quality and cost-effectiveness;
- Have demonstrated an ability to consistently improve themselves and increase their competitive strength by keeping a close watch on what its domestic and international competitors do;
- Demonstrate a willingness and an ability to engage in a transparent and mutual-trust-based business-partner relationship in their dealings with Tofaş.

SUPPLY CHAIN MANAGEMENT



In order to enhance its own competitive abilities by safeguarding 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.

SUPPLIER DEVELOPMENT

In the conduct of all of its procurements operations, Tofaş focuses on establishing and maintaining business-partner relationships while striving to help its suppliers to enhance their performance in many different areas such as product design, organizational and technical improvements, quality, cost-reduction, physical and financial risk mitigation, manufacturing process improvement, and collective procurement.

Some of the most important of the activities carried out during 2017 within the framework of the concept of ensuring uninterrupted development and sustainability among Tofaş's suppliers are highlighted below.

Promotion of WCM methodologies and techniques among suppliers:

Tofaş began encouraging its suppliers to adopt World Class Manufacturing practices in 2009. As of end-2017, 27 of them had done so. In order to encourage the spread of WCM practices among its suppliers, suppliers are also provided with examples of innovative WCS automation techniques that help Tofaş improve its manufacturing quality and costs. A Low Cost Automation (LCA) project that was introduced among thirty suppliers in 2017 will continue in 2018 with the goal of encouraging another 20 of them to adopt LCA themselves. A Set-Up Time Improvement Project, whose aim is to increase suppliers' manufacturing process efficiency, will also be initiated among ten Tofaş suppliers in 2018.

Financial risk monitoring: As of end-2017, financial risk assessments had been performed among 48 of the firms in Tofaş's supplier base and action was taken as needed to address issues.

1,135

LAST YEAR, 1,135 EMPLOYEES OF 68 SUPPLIERS MADE USE OF 58 TRAINING MODULES THAT ARE INTENDED FOR TOFAŞ SUPPLIERS.



Tofaş Academy training for suppliers: Tofaş Academy is a training platform through which the company shares its technical knowledge and expertise with its suppliers. Last year, 1,135 employees of 68 suppliers made use of 58 training modules that are intended for Tofaş suppliers. In 2017 a “Use Your Competencies & Plan Your Development” (UP) program was introduced with the aim of helping specific suppliers to improve their competencies in such critical areas as quality, project management, and logistics. As of year-end, 56 employees of 14 suppliers had completed their basic training under this program. The UP program for suppliers will continue in 2018 with the introduction of training modules tailored according to each supplier’s area of expertise. Attention is also being given to expanding the scope of UP through the addition of new training modules that deal with such things as strategic management and employee loyalty management. Consideration is also being given to staging events such as “Supplier Technology Day”.

Management projects for suppliers: A series of projects aimed at increasing Tofaş suppliers’ problem-solving, planning, diagnostic, and organizational competencies as a way both of developing their management skills and of improving the efficiency of their human resources and business processes continued in 2017.

Supplier orientation: Orientation training is conducted to ensure that suppliers are provided with accurate information about Tofaş’s business processes. Such training was provided to 113 employees of 37 suppliers under the company’s “Synergy” program.

Suppliers HR Summit: Organized to provide suppliers with examples of successful human resources practices that they can use to improve their own, the 2017 “Focus on Improvement” Tofaş Suppliers HR Summit was attended by 74 suppliers.

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 Customer Care Center. Any questions, requests, or complaints that stakeholders may have may be forwarded to the company through the same channels.

ACCESSIBILITY

Please direct all queries as appropriate to:

- Fiat Care Center: 444 22 55
www.fiat.com.tr
- Alfa Romeo and Lancia Care Center: 444 19 10
www.alfaromeo.com.tr
www.lancia.com.tr
- Jeep Care Center: 444 53 37
www.jeep.com.tr

RESPONSIVENESS

All requests for information submitted via company websites and attention 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

No fees are charge of anyone who submits questions, requests, or complaints.

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 takes pains to resolve customers' problems, to satisfy customers' needs, and to protect customers' rights under all conditions within the framework of company policies and the requirements of law.

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.

TOFAŞ CODE OF ETHICS AND ANTI-CORRUPTION POLICY

Tofaş's commitment to the advanced business ethics that are part of the bedrock of its corporate culture inform all of the company's activities and operations. This means that ethical behavior of the highest sort is an essential priority and responsibility of every Tofaş employee. However not only Tofaş employees but also Tofaş dealers, suppliers and business partners, and all other stakeholders with whom the company actively engages are likewise expected to abide by the company's ethical guidelines. The Tofaş Board of Ethics is responsible for the implementation of the Tofaş Code of Ethics and for overseeing compliance with its rules.

Tofaş adheres to a no-tolerance approach when dealing with matters involving bribery and corruption. The company is committed to undertaking its activities fairly and honestly in line with legal and ethical guidelines. In all of the policies and procedures that it formulates, Tofaş strives to be in full compliance with the requirements of laws and regulations, with ethical and professional standards, and with universally-recognized principles. Within this scope, risks of bribery and corruption are identified and actions are taken to reduce them. Compliance with company ethical guidelines is supported by means of in-house group training sessions, regular ethical guideline announcements, and online training resources.

The Tofaş Code of Ethics provides a comprehensive approach for addressing issues involving potentially questionable conduct that company employees and other stakeholders might be encountered. The Tofaş Code of Ethics and the Tofaş Anti-Bribery and Anti-Corruption Policy set out guidelines governing such matters as interacting with internal and external stakeholders, avoiding conflicts of interest, protecting occupational health and safety, and preventing corruption, malfeasance, and bribery. What is to be done in the event that these guidelines are breached is clearly stated in the Tofaş Personnel Regulations.

The 10th principle titled "Anti-Corruption" of the United Nations Global Compact to which Koç Holding, one of Tofaş's major stockholders, is signatory, is an indispensable part of Tofaş's approach to business ethics and anti-corruption.

Special care is given to protecting human rights and to supporting the company's performance on such issues in the conduct of its business processes through policies and practices. One instance of the importance Tofaş gives to human rights and practices related to them is to be seen 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 be they 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 not incorporate any terms or conditions which, directly or indirectly, would subject an employee to prejudicial treatment on the grounds of gender or pregnancy at the time the agreement is entered into, 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 such considerations as language, religion, gender, race, or the like. Tofaş condones neither the employment of children nor any form of forced or compulsory labor.