

Life is renewal



Tofaş Sustainability Report | 2014

Sustainability Report | 2014

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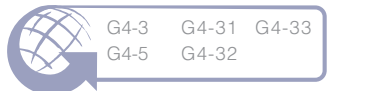
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**Jeep**

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**TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.**

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## ABOUT THE REPORT

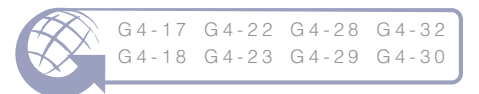
As Tofaş, in line with our aim to construct a sustainable future from now, we are continuing to adopt sustainability-based working principles in our workplaces, production processes, stakeholder relations and value chain. With the second Tofaş Sustainability Report this year, we shed light again on our work on our way of sustainability, the social, economic and environmental effects of our operations, our management approach, the results we gathered at the end of performance evaluations, and our plans for the future, for our stakeholders.

We aim to provide up to date and comprehensive information about Tofaş for many stakeholders, especially our investors and shareholders, employees, retailers, suppliers, partners, universities and NGOs, with Tofaş Sustainability Report 2014, which we prepared in accordance with the core requirements of the Global Reporting Initiative (GRI) G4 Reporting Framework. The information on this report that was prepared in line with our transparency and accountability principles comprises our activities as Tofaş Türk Otomobil Fabrikası A.Ş. Information about our affiliates, Fer Mas Oto Ticaret A.Ş. and Koç Fiat Kredi Finansman A.Ş., except financial data, has not been included in this report unless otherwise stated.

We took the set of subjects determined at the end of the process of setting our priorities for sustainability as a basis for the content of this report. Under some priority titles, we included performance results for relevant shareholders along with company information. While documenting the performance data in this report, we made use of performance evaluation criteria accepted sector-wide as an addition to indicators set forth by GRI G4 Reporting Framework, in order to achieve a more comprehensive and in depth analysis. The Greenhouse Gas Emissions data for 2014 disclosed in the Sustainability Report as a result of verification audit held on the basis of international standards has been verified by Bureau Veritas with reasonable assurance.

The scope of Tofaş Sustainability Report 2014 is the one year period between the dates 01.01.2014 and 31.12.2014. We aim to continue our annual reporting practices in the following years.

You may find Tofaş Sustainability Report 2014 and detailed information about the report's content on this website: [www.tofas.com.tr](http://www.tofas.com.tr)



## MESSAGE FROM THE CEO

Dear Stakeholders,

As Tofaş, we are completing a year where we sustained our pioneering position in the automotive sector and created sustainable value for our shareholders. We are now pursuing the future with firm steps with about 6,500 employees, our capabilities in new vehicle development, and our production and investments in global standards.

With the awareness of our responsibilities for the society and the world we live in, we are working for the construction of a sustainable future. In this manner, we are establishing business models based on future strategies by taking a comprehensive approach on the environmental, social and economic dimensions of our operations. Moreover, we are proceeding with concepts of accountability, disclosure, fairness and responsibility in all our processes and operations. Together with the importance we give to Corporate Governance practices, we are treating our corporate risk management and our understanding of corporate responsibility along with the concept of sustainability within the framework of a holistic approach. In addition, we are continuing our operations by showing the due care for anti-corruption and bribery in accordance with the corporate reporting transparency criteria in the scope of Tofaş Code of Ethical Conduct and our ethical values.

We continued to improve our corporate sustainability performance in the year 2014 where we pursued a stable route in our production, exports and domestic market operations, as well as our financial performance. With the great interest we show in sustainability, we managed to be the first Turkish company to be included among the 187 companies in the category A of the Carbon Disclosure Project's (CDP) 2014 Climate Performance Leadership Index. After this success, it is the proof of us carrying our corporate sustainability performance forward each year that we were also included in the "BİST Sustainability Index" prepared in 2014 for the first time by Borsa İstanbul.

We are aware of the risks placed upon our field of work by the issue of climate change which is one of the most



important environmental and social problems of today's world. With this awareness, we are working to minimise the contribution of our operations to climate change and we are taking part in the efforts of the automotive sector to create solutions for this issue. Besides this, with the leadership of FCA, we are taking part in minimising vehicles' environmental effects and production of sustainable future automobile technologies by taking active part in studies on the production of sustainable mobility solutions, development of vehicles with lower emissions and alternative fuel technologies.

“ As Tofaş, we are completing a year where we sustained our pioneering position in the automotive sector and created sustainable value for our shareholders. We are now pursuing the future with firm steps with about 6,500 employees, our capabilities in new vehicle development, and our production and investments in global standards. ”

We sustained our position by becoming one of the four FCA factories to reach Gold Class in the World Class Manufacturing Programme practiced by 175 group factories and 370 supplier factories of the FCA. We achieved positive results in environment, which is one of the main focuses of the methodology. Now, we strive to expand our sustainable business processes particularly among our suppliers and in our entire value chain extending our dealers and customers.

Due to the decrease in our quantity of production in parallel with the sector-wide recession in 2014, we established the level of energy usage as 4.77 GJ/vehicle, as opposed to 4.60 GJ/vehicle in 2013. And, our CO<sub>2</sub> emissions per vehicle increased 4%. Despite this, we have reduced our total emissions 6,145 ton CO<sub>2</sub>e and managed to reduce our water consumption from 3.51 m<sup>3</sup>/vehicle to 3.47 m<sup>3</sup>/vehicle. We made important improvements in material and waste management with our operations we conducted in the scope of our aims to achieve zero waste and zero not recycled waste.

It is among our main promises to provide our employees with a safe, dynamic, human-focused and fair working environment where a collective learning culture is dominant. In the reporting period, we continued to improve one of the most important improvement areas of ours, occupational health and safety, by reducing the frequency of accident with lost days to 0.02 and accident without lost days to 0.04. We are continuing to improve occupational health and safety conditions in the scope of our “zero accident” aim and “Step by Step Workplace Safety” approach.

The awards we received as a result of these studies prove that we are on the right track. In the scope of the “European Best Practices Awards Competition” organized as a part of “Let’s Cooperate to Prevent Risk Campaign” conducted in our country in 2012-2013, our “Step by Step Workplace Safety” project was selected as the project that will represent our country in Europe as it emphasizes the employee involvement in OHS practices and management’s loyalty through an applicable and effective theme. Subsequently, the project was sent to Europe by the Ministry of Labour and received awards in various sectors out of hundreds of projects sent to EU-OSHA by 29 EU member and candidate countries by ranking among Europe’s best 10 practices.

In 2014-2015 period, in the scope of the competition themed “Healthy Workplaces Manage Stress”, our project was selected by Ministry of Labour as the first project that will present our country among all participating companies and practices. In recent months, the project was selected and awarded by EU-OSHA as one of Europe’s best practices. We are glad that our sensitivity for occupational safety which is essential for our all works is rewarded in the international area.

In addition to this, we provided training of 40 person/hours per employee by proceeding with our training operations under Tofaş Akademi in order to support our employees’ occupational improvement.

Operational and financial sustainability of our suppliers in our value chain carries great significance for the sake of sustainable work success. We continued to improve close relations with our suppliers and support their development in the reporting period. We followed our suppliers’ performances in a broad spectrum that includes subjects like quality, environment, efficiency, work safety, employee improvement to ensure mutual work success. We also continued to support the improvement of our dealers, which constitute one of our most important groups of partners. In this scope, we contributed to the heightened work success of our dealers with dealer improvement projects we conducted.

In the year 2014, we relentlessly sustained our corporate social responsibility operations, which are important components of our corporate culture. We continued our contribution in social improvements with projects we established in the fields of education, culture-arts and sports.

In the future, we will continue to improve our sustainability performance with the power presented to us by our main shareholders Koç Holding and FCA, and play our part for our responsibilities for the construction of a sustainable future. On behalf of the Tofaş, I would like to thank all of our stakeholders, especially our employees, shareholders, suppliers and partners for their trust in and support for us.



Cengiz Eroldu  
Member of Board of Directors & CEO





### GOVERNANCE AND SUSTAINABILITY

We are in a pioneering position in the sector in terms of our governance structure, which we improved in line with values and principles we base on our shareholders Koç Holding and Fiat Chrysler Automobiles (FCA). We believe that the source of our success is our devotion to work ethics norms, and our understanding of business focused on responsibility and ever-lasting improvement.

### CORPORATE GOVERNANCE STRUCTURE

We are shaping Tofaş Corporate Governance practices, which we see as a continuous and dynamic process, in line with principles of transparency, accountability, fairness and responsibility defined by our Corporate Governance Principles. We are continuing to improve our organisation and management practices we established with this approach day by day with modern principles and modifications in line with international criteria, and working to provide Corporate Governance Principles that will ensure our awareness. In line with our aim to measure and increase our performance, we are informing our stakeholders through our reports.

While we started the process of grading for our corporate governance operations in 2007, we are managing these with an understanding that aims to establish corporate governance principles on every level. By being positioned among the five companies that do grading in this area, we managed to be the first automotive company to enter the BIST Corporate Governance Index. At the end of the evaluation in the year 2014, our grade for corporate management rating was declared 8.95 for the first half of the year, and was set at 9.01 on 5 November 2014 as a result of the evaluation of operations during the year.

Tofaş Board of Directors comprises 12 members, two of which are independent, chosen by the General Assembly, in accordance with Corporate Governance Principles published by Capital Market Board. While Chairman and CEO positions are filled with two different individuals, the only Executive Board Member is the CEO. Our Board of Directors is responsible for the identification and management of strategic tendencies, risk management, and ensuring the operations of early warning and control systems. Furthermore, subjects like determining corporate aims, ensuring compliance with corporate management principles, and operations that aim to provide the anticipated results and performance in these areas, are also within the responsibilities of our Board of Directors. It is administered in compliance with the provisions of the Turkish Commercial Code, the Capital Markets Legislation and the Articles of Association. It is among the duties of the CEO and senior management to ensure the performance in line with company strategies, and conduct operations with this aim.

Committees that report to the Board of Directors in accordance with the established standards also have important roles in ensuring the operational activities of the Board of Directors. These committees are the Corporate Governance Committee, the Audit Committee, and the Early Detection of Risk and Risk Management Committee. The duties of the Nomination and Remuneration Committees are conducted by the Corporate Governance Committee.

You may find detailed information on Tofaş corporate management structure on the address [www.tofas.com.tr](http://www.tofas.com.tr) and Tofaş 2014 Annual Report.







## RISK MANAGEMENT

We, as Tofaş, conduct risk management activities with an approach that spans all layers of our company. While our top authority with this responsibility is the Board of Directors, the operations in this area are conducted by the Early Detection of Risk and Risk Management Committee. The committee is responsible for establishing corporate risk policies, determining possibilities regarding risk measurement and management, and establishing, evaluating and reporting relevant risk limits. We determine the required paths to take according to the report presented to the Board of Directors about the committee's activities about risk management.

We evaluate risk management in five main steps in the scope of the methodology we adopted based on the application and generalisation of steps accepted world-wide.

1. Identifying the risk: In the first step, we determine the risks that are or can be carried by predicting the effects of possible future events on our company's aims. On this stage, we determine when, where, how and why such risks will occur.

2. Measuring the risk: In this step, we put the risks we predicted into an order in terms of magnitude and impact. We try to foresee the relations among risks and clarify the impact level.

3. Evaluating the risk: We analyse balance and impact among positive and negative results risks may bring. We determine the risks to focus on in order to decrease the overall risk level and set our priorities.

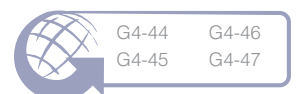
4. Mitigating or transferring the risk: We determine the activities and precautions to moderate or appropriate risks we find most critical, and put them into action.

5. Constant monitoring: We continuously monitor our risk management system to ensure the effectiveness and timeliness of precautions taken for the sake of the system's operability and effectiveness. We make the necessary adjustments as a result of our evaluation.

Our risk management structure that we shaped on legal requirements and additional adjustments, works on principles of "protection of company estates and values", "establishment of commercial, financial and operational trust" and "sustainability in corporate risk management".

As a result of our risk management work, we manage potential risks under these 6 different groups: strategic, financial, operational, external, compliance and sustainability. All subjects that affect Tofaş's sustainability performance reside under one of these 6 groups. We determine sustainability risks with preventive measures and report the results we have in hand.

You may find detailed information regarding Tofaş corporate risk management policy principles, organisations and operations on the address [www.tofas.com.tr](http://www.tofas.com.tr).





## BUSINESS ETHICS AND INTERNAL CONTROL

Our devotion to superior work ethics norms is an integral part of our working principles. The document Tofaş Code of Ethical Conduct, which contains the foundations of our understanding of ethics and the rules to be followed, is binding for all our working units, employees of any level, as well as members of Board of Directors, shareholders, suppliers and dealers. All Tofaş employees are required to abide by these rules which are parts of our ways of work and daily lives, guide and warn other employees in this matter, and in compliance with the procedures in place, notify the necessary bodies in case there is suspicion of a violation.

All employees were informed about ethical rules and application procedures during the process of putting Tofaş Code of Ethical Conduct into practice. As a part of the recruitment process, we inform new employees about ethical rules and ensure that they have read the entire document. All mid-level and senior managers are responsible for the appreciation of these rules and the compliance of our employees. Additionally, no Tofaş employee shall be responsible for any kind of damages the company may face as a result of their compliance with ethical rules.

Tofaş Code of Ethical Conduct, having a broad spectrum of content, contains potential issues our employees and other relevant stakeholders may face in their activities. While preparing Tofaş Code of Ethical Conduct, we take the principles of the United Nations Global Compact (UNGC), also signed by Koç Holding, under human rights, working standards, environment and fight against corruption as reference.

Additionally, Tofaş Code of Ethical Conduct document's scope includes human rights issues like employee conduct, rules that apply to relations with Tofaş's internal and external stakeholders, occupational health and safety principles, prohibition of political activities, prevention of corruption, misconduct and bribery, and prevention of discrimination as described in the UN's Universal Declaration of Human Rights. Procedures to follow in case of violation and discipline practices are also established in this document.

Our Board of Directors is responsible for ensuring the operations are conducted in compliance with work ethics and operates this responsibility through the agency of Tofaş Ethics Committee. Tofaş Ethics Committee, established by our Board of Directors, composed of the CEO, Legal Affairs Manager, Human Resources Director and other related directors. The committee convenes every 6 months, or upon the call of any of the members.

Tofaş Ethics Committee is responsible for the adoption and understanding of ethics principles inside the company, the communication with internal and external stakeholders as well as making revision and effective management of that communication when needed, evaluating and resolving violation reports by employees or third parties, establishing investigation committees when needed, making sure resolutions are applied in compliance with discipline procedures, and providing information the related authorities and officials.

All employees are responsible for reporting suspicions of violation to the Ethics Committee. There are open and easily approachable channels in place to ensure all employees and stakeholders are able to follow the violation reporting process.



While it is compulsory to include the clear identity and contact information of the complainant, the confidentiality of such information and the process is ensured by the Ethics Committee. Parties reserve the right to appeal to the binding nature of the resolutions by the Ethics Committee; however, the Ethics Committee's decisions regarding the objection are final.

Bribery, misconduct and corruption are behaviours we cannot tolerate on any terms, and investigation and discipline procedures are in place in case our employees or third parties show such behaviours.

As Tofaş, we do not take sides in about ideological opinion, tendency or establishment; nor do we support any political party, politician or candidate's operations or campaigns, directly or indirectly. As we prohibit such conduct within company operations, we also prohibit the use of company resources for such conduct. Additionally, we do not conduct lobbying activities for our company's interests or support persons that conduct such activities. On the other hand, in the scope of transparent relations we established with public institutions, we mutually share information and address information requests about our sector. Through the agency of the work by sectoral NGOs, we express the problems that might be of interest to the general sector. We abide by free competition requirements and fully comply with relevant legal procedures in cases where public institutions are our customers, or during the bidding processes.

An effective internal control mechanism is an indispensable element of a responsible and sustainable management culture. The Audit Committee reporting to the Board of Directors is responsible for the operations and activities of internal auditing systems, and informing the Management Board about the precautions to take. Our operations' consistency and accountability in potential financial, operational and other risk groups are ensured

by the Early Detection of Risk and Risk Management Committee's usage of the results of internal auditing work.

Audit groups of our main shareholders Koç Holding and FCA, independent auditing firms determined by the Board of Directors and our internal auditing department, perform audits of our company periodically. The main focus of such audits is on the compliance of our conduct in our operations with regulations, company principles, policies and procedures, the effectiveness of practice and control processes, the authenticity of the performance results reached, and the reliability of record keeping and measurement methods. The conducted audits contain the compliance of ethical rules including corruption, misconduct and bribery.

Tofaş Internal Audit Manager has certificates for Certified Internal Auditor (CIA) and Independent Accountant and Financial Advisor (SMMM). Tofaş Internal Audit Department is administratively and functionally reports directly to Tofaş CEO. Due to direct reporting to CEO, Internal Audit Department has no hierarchical relation to audited units. The audit plan and audit execution are carried out by Internal Audit Department hence the independence of the department is preserved.

In addition to company internal audits, we conduct periodic audits on the operations of dealers, suppliers and business partners. The audits of sustainability issues like environment, working and production conditions, ethics and quality are conducted by our business unit responsible for the related stakeholder group.

You may find detailed information on principles and procedures about Tofaş Code of Ethical Conduct, risk management structure and control mechanisms on the address [www.tofas.com.tr](http://www.tofas.com.tr).

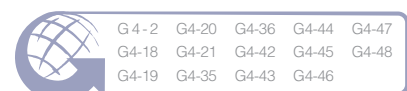
## SUSTAINABILITY MANAGEMENT

We consider establishing a sustainable management model which creates value as one of our key responsibilities. In relation to this approach, “Sustainability Management”, one of the 6 main titles that constitute corporate risk management model, is among the responsibilities of the Early Detection of Risk and Risk Management Committee. Additionally, information flow on the level of the Board of Directors is ensured by reporting to the Corporate Governance Committee.

We have published “Tofaş Sustainability Policy” that contains general frame and principles of our sustainability approach to improve our sustainability management. Then, we established Tofaş Sustainability Committee that is responsible for the determination and inspection of strategic orientation of our sustainability operations, and the Sustainability Working Group that is responsible for putting strategic plans that are dedicated to sustainability management into action and reporting performance results via sustainability report.

In the scope of our implementation of Tofaş Sustainability Issues Materiality Identification, we determined all relevant subjects that may have impact on our sustainability performance under a 5-stage process, in accordance with the completeness, sustainability context, materiality and stakeholder inclusiveness principles of the GRI G4 Reporting Framework. In the first stage, we established potential material aspects applicable for sectoral, operational and geographical qualifications in our workshops with the participation of Tofaş Sustainability Working Group. Then we prioritised related subjects in the scope of our meeting with mid-level and senior management. While prioritising these aspects, we took their potential impact on business value, position in the value chain and importance in terms of stakeholder expectations into account. We informed Koç Holding and FCA about the process and the results, and then received their suggestions. After we re-evaluated our prioritisation work with Tofaş Sustainability Working Group utilising expert opinions, we completed it by submitting it for the approval of Tofaş Sustainability Committee.

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



## STAKEHOLDER ENGAGEMENT

We consider establishing a communication environment based on transparency and accountability with the stakeholders in our circle one of our main responsibilities. With this approach, we are asking our stakeholders opinions about our activities, informing them about our operations and pursuing activities that encourage us to cooperate for our common goals. We are planning such activities via the most relevant channels considering the target stakeholder group's qualifications.

We preferably work with solution-oriented institutions and organisations that adopt similar working principles and business culture to those of Tofaş and pursue common goals. We act in cooperation with NGOs and professional organisations that we see as driving force for collective development, become members of such establishments and take part in their management.

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





## CLIMATE CHANGE

The environmental risks brought upon by climate change which is a global issue, also carry social and economic risks. There are precautions taken globally against this issue largely caused by man-made greenhouse gas emissions and legislation and control mechanisms prepared to minimise its effects. The automotive sector, aware of the risks brought upon by climate change, focuses on the subject on level of sectoral organisations, and the manufacturers of the sector are proceeding with their operations with the awareness of their responsibilities. As one of the pioneering manufacturers of the automotive sector, we are expected to develop vehicles that have lower emission rates and use alternative fuel sources, and perform transportation and shipping operations with more sustainable methods. We are working in line with these expectations of our stakeholders while we are pursuing our operations.

We are evaluating the issue of climate change with its legal dimensions like emission limits, operational dimensions like significant changes in weather conditions, and financial dimensions like emission trade, and pursue our operation in the scope of risks and opportunities determined by our corporate management.

In the scope of our work against climate change;

- We are contributing to efficiency increases in vehicles with conventional engines developed by FCA, promoting alternative fuel systems like ones using natural gas and biofuels, and the studies on improving electric and hybrid vehicles.
- We are reducing greenhouse gas emissions that result from our production activities by adopting energy efficiency studies in our facilities.
- We are reducing emissions that result from distribution activities by increasing the efficiency of our logistic activities.
- We are working to promote environment and climate responsibility awareness by conducting supplier and dealer improvement operations, and customer information services.

## PRODUCT PORTFOLIO



## PRODUCT PORTFOLIO

As the only automotive company in Turkey that produces both automobiles and light commercial vehicles, we are developing and manufacturing vehicles under various brands and models for international producers like Fiat, Citroen, Peugeot under the Minicargo Project, and Opel, Vauxhall, RAM under the New Doblò Project.

## DEVELOPING MARKETS and PRODUCT STRATEGY

While establishing its global product portfolio, Fiat Chrysler Automobiles (FCA) takes consumer expectations into account and aims to produce vehicles with reduced fuel consumption and emission values which satisfy customer expectations and needs. With the responsibility of being one of the strategic partners of FCA's network of ensuring global mobility, we are manufacturing vehicles that satisfy the necessities of the target markets in high quality conditions, in line with the planned brand and model diversity. Additionally, we are communicating our markets' needs and customer expectations to FCA's global strategy setting processes, and providing local data support.

One of the key elements of our global strategy is providing the solutions that work the best for customer expectations and needs. Our proactive team, paying attention to genuine and ever-changing conditions of different markets, creates solutions that will satisfy such needs and expectations in a timely and complete manner. This way, we make use of the opportunities provided to us by both international and domestic markets, and strengthen our position in the market.

In addition to this, we are the domestic representative of brands like Fiat, Alfa Romeo, Lancia, Jeep, Maserati and Ferrari. We are managing the sale, authorized service and spare part services of the brands.

You may find up to date information about our product portfolio on Tofaş 2014 Annual Report.

Increasing our operations in developing markets is one of our top priority business goals. In our product design and manufacturing processes, we pay attention to legal frameworks, fuel quality and norms, safety standards, climate and geography conditions in target markets. We take all these variables into account while implementing our projects and operations. Designing the Linea FL model according to the conditions of the market in India, manufacturing vehicles that are suitable for the physical conditions and fuel norms in hot or cold climate countries like African countries and Gulf States, modifying our light commercial vehicles to address the postal transportation needs in markets like Denmark, Sweden and England are examples of our implementations.

In the reporting period, we continued our operations to increase the added value and competitiveness of the Doblò model in the light commercial segment in the US and Canada markets. Additionally, we shaped our new automobile and light commercial investments over the year in accordance with different customer needs of international and domestic markets.

G4-6  
G4-27

## MARKET OUTLOOK

In the year 2014, 767,681 vehicles were sold in the automotive market in Turkey. While the overall vehicle market has experienced a 10% fall when compared to the year 2013, the market showed an increasing trend in the last quarter of the year 2014.

Total Market (unit)	2013	2014	Change
Automobile	664,655	587,331	(-) 11.6%
Light Commercial Vehicle (LCV)	188,723	180,350	(-) 4.4%
<b>Total</b>	<b>853,378</b>	<b>767,681</b>	<b>(-) 10.3%</b>

In the domestic market where 587,331 vehicles were sold, we had a sale of 39,542 vehicles by reaching 6.7% market share with the Fiat brand. Our best performing model was Fiat Linea in the year 2014, with 5.5% market share. The fastest growing brand of the year was Maserati, with the contribution of its Ghibli model, and the second fastest growing brand was Jeep, with the increase in sales of its Renegade model.

In the light commercial vehicle market that showed an increasing trend in the last quarter of 2014, 180,350 vehicles were sold. In this market, we sustained our leadership with our best-selling LCV brand Fiat and sold 49,586 vehicles. The model that contributed the most to our performance was the most preferred model of its segment, Doblo. With our market share of 12% including the brands Fiat, Alfa Romeo, Lancia, Jeep, Ferrari and Maserati, we reach 92,355 vehicles sold in retail in total.

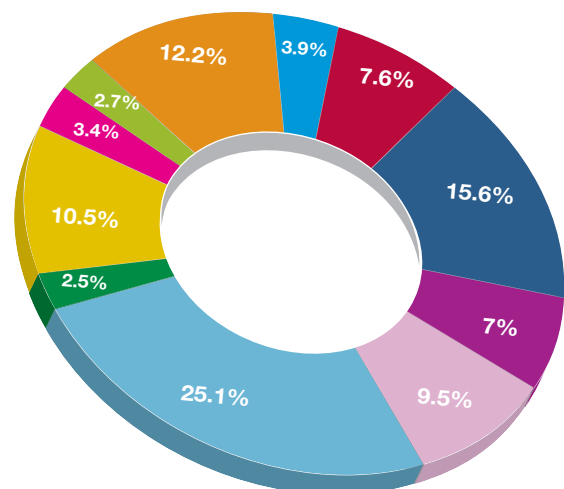
Retail Sales (unit)	2013	2014	Change
Automobile	53,104	42,769	(-) 19.5%
Light Commercial Vehicle (LCV)	47,337	49,586	4.8%
<b>Total</b>	<b>100,441</b>	<b>92,355</b>	<b>(-) 8.1%</b>

In the year 2014, there was a 5% growth in the automobile market, and 11% growth in the light commercial vehicle market in Europe. Despite this increase, the market in France stayed parallel to its state in 2013 and was left behind other countries. On the other hand, the suspension of the important vehicle market in Argentina, and the distress in Russia and Ukraine caused the decline of exporting vehicles to these countries. As a result of these developments, our export shrunk by 11.3% in 2014 and was set at 142,281 units. We achieved export revenue of ? 1.5 billion by exporting a total of 25,067 automobiles and 117,214 light commercial vehicles.

Export (unit)	2013	2014	Değişim
Automobile	43,477	25,067	(-) 42%
Light Commercial Vehicle (LCV)	116,842	117,214	0.3%
<b>Total</b>	<b>160,319</b>	<b>142,281</b>	<b>(-) 11.3%</b>

### Distribution of Exports by Countries (%)

Italy	25.1%	MENA	10.5%
UK	15.6%	Germany	7%
Other Eurohe	12.2%	Other	2.5%
France	9.5%	Spain	7.6%
South America	2.7%	Belgium	3.9%
		USA&Canada	3.4%





## CUSTOMER EXPERIENCE

In line with the product strategy we share with FCA, in order to provide the best customer experience, we are designing our products and services while paying attention to customer expectations and needs. We are ensuring that our vehicles protect their value during the ownership period, therefore creating added value for our customers, by protecting customer loyalty and constantly improving customer experience.

We are basing our quality approach on FCA's Global Quality System that aims to guarantee products' and services' compliance with superior quality norms. Within this scope, we aim for a product and service line that complies with relevant legal and sectoral legislation, is safe in its physical norms, and has higher performance than its competitors. Additionally, we are working to ensure that our products will satisfy customer needs not only with their engineering quality, design and ergonomics, but also regarding the dealer and authorised service operations in processes during and after sales. As a result of market research FCA teams conduct while the product is still in design and configuration stages, information is collected on customer satisfaction about the existing product portfolio, and customer needs and expectations are determined on a global level. We are supporting these processes where Consumer Promoter Score and Net Promoter Score are measured and evaluated, by sharing the results we received from domestic market customer feedbacks. Therefore, we are contributing to the establishment of the most suitable product range.

Our business improvement experts are planning improvement programmes in cooperation with our dealers and authorised dealers in order to ensure customer satisfaction in sales and after-sales services and provide better service quality. In addition to these programmes, we are providing sales and after-sales services with workflows established in the scope of ISO 9001 System Standards. We are following our customers' satisfaction with such services via our customer relations management system, and reach the customer in case any dissatisfaction occurs, to compensate the encountered issues. Additionally, we are measuring customer satisfaction through the agency of research conducted by third parties.

We are following up on our after-sales performance over determined indicators and share this information monthly with the company's senior management in order to design a business plan.

We consider informing consumers about products and services in a timely and complete manner is a basic right of the consumer, and we see it as an important part in improving the customer experience. We are providing all



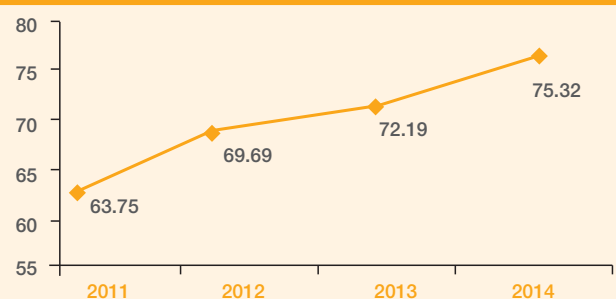
our consumers with resources that contain information about our vehicles. Our consumers may reach these resources that contain information about relevant legislation, as well as responsible and safe driving in the after-sales process, or at any time they require the resources, on Tofaş's corporate website. We are also constantly informing our dealers and suppliers about our products in order to ensure their capacity to inform our consumers.

In the scope of the "Vehicle Admission on Tablets" implementation we started in 2014, we are providing our customers who visit Tofaş dealerships for maintenance and malfunctions with the opportunity to follow the vehicle admission process on tablet computers next to their vehicles. This way, we are conducting many different kinds of control near the customer, inform the customer about all the necessary details and ensure that the customer delivers their vehicle in safely.

We are offering our customers a wide variety of service with 17 different services we established with our after-sales business improvement programmes. With these programmes, we increased our Customer Satisfaction Score to 75.32% in 2014.

Towards our goals about our quality of after-sales services and providing superior customer experience, we are working to continuously improve our customer satisfaction level and become a brand that sits among the top lines on the European Customer Satisfaction Index. You may find up to date information on Tofaş Customer Satisfaction Policy on Tofaş 2014 Annual Report.

Customer Satisfaction Trend





## R&D MANAGEMENT

We are continuously conducting our business in line with our ideals to provide the customer with products that are “the most suitable for the customer” and “world-class quality” which helped us reach our current pioneering position in Turkish automotive industry.

We are aiming to develop automobiles and commercial vehicles competitive in every field with the work we are doing at Tofaş R&D Centre that we founded in the year 1994. That this centre is the only FCA R&D Centre in Europe outside Italy, gives Tofaş a strategic value. With its facilities that are able to compete with Europe, the centre was declared the R&D Centre by the Turkish Ministry of Industry and Commerce in 2008.

Settled on an area of 17,700 m<sup>2</sup>, Tofaş R&D Centre employs more than 600 employees. We allocated 541,057 TL to R&D operations to improve the current capacity in the year 2014. Our company became one of three Turkish companies in the first 1,500 on European Union’s ranking of “The Top World R&D –Investor Companies” with its ranking at the 1,290th place. Additionally, as a result of innovative studies we conducted via Tofaş R&D Centre, we increased the number of patent applications by 46% compared to last year and applied for 67 patents, received 4 new patents in various areas.

	2012	2013	2014
Total R&D			
Expenditure (million TL)	107	113.5	541.1
Number of R&D Employees	395	491	605
Number of Patents	28	48	4

With our R&D Vision 2020 approach which is the main element in determining our strategic goals, we are developing vehicles and technologies that meet customer satisfaction and inspire people all over the world. Taking part in the designing process of the products FCA R&D is planning to develop in Europe and the Middle-East, developing products and production technologies in order to create customer value, developing excellence centers which FCA can benefit from in its new models, ensuring the improvement of joint design and engineering firms in Turkey, are our main goals in the scope of R&D Vision 2020.

We believe that R&D collaborations also has an important role in reaching our strategic goals. With this approach, we pay special attention to improving joint designers, organising local engineering firms and cooperation with universities. Since 2006, we put 92 projects into action with 15 different universities. We organised most of the projects with grants by TÜBİTAK and European Commission’s 7th Framework Programme (FP7) and cooperated with design centres and university scientists in different countries, especially FCA Research Centre.

### Plaque for R&D Projects from Uludağ University

In the reporting period, the projects “Reconstructible Autonomous Manufacturing Systems” and “Developing Charging Units for OBC Electric Cars” for Tofaş R&D Centre’s Autorecon Plate Attachment Operations, took their places among “the most successful projects” that receive plaques in the scope of Uludağ University’s 4th R&D days.



## SUSTAINABLE MOBILITY SOLUTIONS

We increased the number of EU Research Projects (FP and Eureka) we took part in to 12 in the year 2014. In the scope of these projects, we strengthened our knowledge and experience in R&D, having the opportunity to work with more than 100 project partners. We are proud of being the first Turkish firm to take one project leadership in the field of production technologies with the Robopartner Project (Human-Robot Cooperation for Intelligent, Flexible and Safe Operations in the Assembly Factories of the Future).

We believe Tofaş employees with high level of knowledge, talent and experience will add value on our R&D operations. In this scope, we are providing our employees with the opportunity to use the facilities of the R&D Centre, in order to improve their research and creativity skills. In the year 2014, we continued our work with TRIZ method that aims to accommodate creative thinking into employees' approaches and frames of mind. We made 48 certifications on different levels in the scope of the 1st and 2nd level trainings we conducted. We are planning to have 65 employees to receive TRIZ training in 2015.

**Oktay Çalışkan**  
MBA Student, Bahçeşehir University

Tofaş's important contributions to university-industry cooperation lead to the creation of qualified, innovative and creative projects by both universities and the industry. Tofaş also supports people who work in this field by investing large amounts in research projects. I think Tofaş does pioneering work with a big team and big investments.

The environmental, social and economic issues we face on a global level, especially climate change, lead the business world to take responsibility to improve the society's quality of life and create sustainable solutions. As a company that operates in the automotive sector, aware of our responsibility, we are developing technologies and solutions to ensure that freedom of travel, a basic human right, and the need for mobility can be enjoyed sustainably.

Developing comprehensive sustainable mobility solutions is the most important part of the global product strategy of FCA, for which we are taking care of production processes and product development. In this direction, within the group, we are conducting studies aiming for the reduction of the environmental impact like; increasing the variety in vehicles using alternative fuels and accessibility of vehicles with alternative impulse systems, reducing the environmental impact of vehicles with conventional engines, starting initiatives that satisfy new mobility needs, promoting awareness and responsible behaviours of consumers towards energy consumption.

We are contributing to such work as one of the most important strategic R&D and manufacturing centres of FCA, conducting research towards developing new technologies and using our findings in production processes.

The major amount of our sustainably mobility studies consists of studies that reduces the environmental impact of our products. At the same time, we are conducting studies on increasing comfort and safety of the vehicle, the driving experience and the passenger, and developing service-focused business models that satisfy customer expectations.



### Vehicles with low energy consumption and emission values

Fuel consumption and emissions resulting from consumption are the main environmental impacts of motor vehicles. A major part of studies across FCA on developing sustainable mobility solutions is concerned with vehicles' fuel consumptions and emissions. With the increasing importance of the issue of climate change, the fuel consumption and emission levels of vehicles produced under FCA were greatly resulted as a result of legislation that came into effect, especially in EU countries, our main market for exports. As Tofaş, we are contributing to FCA's work on vehicles with low fuel consumption and emission levels, and we see the subject as an area for constant improvement in the scope of our R&D studies. Doblo 1.3 Diesel Euro6 Improvement Project We started the production process by completing our work to adopt Euro6 standards for the Doblo brand gas-gas petrol and CNG vehicles in 2013. In the scope of our Doblo 1.3 Diesel Euro6 Improvement Project in 2014, we are planning to satisfy Euro6 emission standards by conducting work on design and design verification to satisfy new criteria about engines, engine systems and electric architectures of diesel-powered Doblo vehicles.

### Project for developing vehicle information networks and driver support systems

One of the subjects we are working on is the information flow among electronic units that are becoming more and more abundant in vehicles. In this approach, we are planning to develop software that will ensure the necessary speed and reliability of such complex information flows among units, and working to develop systems that will provide fast and reliable communication. We are cooperating with Middle East Technical University (METU) to develop software that is able to handle the algorithmic

tabulation work of such systems and conduct test operations in the scope of the AutoNET Project. By this, we are planning to increase the reliability of vehicle networks, and decrease the required time to design and test vehicle networks. We are planning to adopt the AutoNET software into new vehicle models in the year 2015.

### DobloUSA Project

In the year 2014, we completed the DobloUSA project which we started in 2011, aiming to satisfy safety standards and customer expectations in Doblo vehicles to be released into the US market. With the project, we renovated vehicle chassis, body and architecture, electronics, engine, transmission mechanism and other relevant parts for adoption of market standards, conducted design activities on systems and sub-systems. We started the production phase of parts templates for firms by holding technical review meetings with supplier firms for parts where design and verification processes were completed. This way, we took the first steps to industrialise the project. We are planning to conclude the innovative practices we established at the end of this project we worked in cooperation with universities and local design organisations, with 11 new patents.



## Doblo 1.3 Diesel Euro6 Improvement Project

We started the production process by completing our work to adopt Euro6 standards for the Doblo brand gas-petrol and CNG vehicles in 2013. In the scope of our Doblo 1.3 Diesel Euro6 Improvement Project in 2014, we are planning to satisfy Euro6 emission standards by conducting work on design and design verification to satisfy new criteria about engines, engine systems and electric architectures of diesel-powered Doblo vehicles.

## Electric and alternative fuel vehicles

A significant part of our sustainable mobility work consists of developing electric vehicles and vehicles using alternative fuel that can become mainstream in usage. We are operating R&D work planned in line with FCA product strategies with Tofaş R&D centre. Within this scope, we established three successful implementations in the reporting period.

The first of these implementations is the Improve Project we developed in the scope of our work on performance of electric vehicles' electronics, road efficiency integration and management. With this project started in 2013 and planned to last 3 years, we are planning to decrease fuel consumption and increase range, acquire effectiveness in fully electronic breaking systems, and achieve route optimisation and energy efficiency with cloud infrastructure. We continued our work to improve the project during the reporting period. Within this scope, we established topologies for prototype vehicles, conducted work on vehicle and software architectures, and started the procurement processes.

In the scope of the Wicharge Project we are operating in order to develop a wireless charging system for electric vehicles, we started the simulation processes by determining the requirements. We are planning to establish a prototype and demo application for the project where concept development processes are completed. We are planning to conduct automotive feasibility and cost studies in the next step of the project.

In the scope of the E-Brake Project we are operating in order to develop a method for the best electronic breaking in electric vehicles, we are analysing breaking methods of electric vehicles and developing breaking software. This way, we are ensuring increase in breaking efficiency and improvement in vehicle range. While we are increasing our knowledge about electronic breaking with this project being inspected by the Ministry of Industry, we are defining the best breaking algorithm.

## Vehicle safety, driving and passenger comfort

Besides minimising the environmental impacts of the vehicle we manufacture, one of our areas of focus is to ensure such vehicle provide our customers with a safe and comfortable driving and travelling experience. In accordance with the "safety for everyone on the road" vision of FCA, which has highly qualified vehicle safety technologies and research laboratories, we are also operating various projects that are effective in increasing the vehicles' safety and comfort at Tofaş R&D Centre.

Besides production engineering and quality, driver behaviour, driving culture, geographical properties and road structure are factors that directly affect vehicle safety. Because of this reason, vehicle safety criteria vary from market to market. In this direction, we are conducting studies to ensure the compliance of our vehicles with the legislation and other requirements in different markets. Work that is concerned with the design and engineering modifications of vehicles is conducted by our Tofaş R&D team, considering the requirements of markets and segments.

In line with our focus on the importance of human life, we are equipping our vehicles with several passive safety systems to ensure a safe driving experience for our customers and prevent harm in case of accidents. Even before this, we are placing active safety systems on our vehicles to prevent accidents. This way, we are paying attention to the safety of not only drivers and passengers, but also other vehicles, passengers and pedestrians in traffic, outside the vehicle. We are constantly working with FCA to improve our existing systems and develop new systems.

**Prof. Mustafa İlhan Gökler**  
**Director, METU-BİLTİR CENTER**

It is an institution that cooperates most effectively with OEMs that have international partners in Turkey. The projects conducted in cooperation between Tofaş and METU-BİLTİR have been successful examples of university-industry cooperation like those in developed countries. While our faculty members are focusing their research on the needs of the industry, many postgraduate students took part in the projects. I hope the number of projects that are based on experience, knowledge and effort will increase and the sustainability of such studies will be ensured in the future.



As one of the most important strategic R&D centres of Fiat Chrysler Automobiles (FCA) and the pioneering institution of the Turkish automotive sector, we are keeping up with world-class efficient, high quality and sustainable manufacturing processes. We are conducting continuous improvement works by inspecting the efficiency and effectiveness of our manufacturing processes where we utilise best technologies in the scope of quality systems and standards.

### WORLD CLASS MANUFACTURING AND MANAGEMENT

WCM (World Class Manufacturing) is the methodology we utilise to systematically improve and advance our competitive power in manufacturing. WCM Programme, which aims zero work and environment accidents, zero quality mistakes and zero loss, was started by FCA in the year 2006, and now it is being used by 175 group factories and 370 suppliers around the world.

As one of the first factories to adopt WCM practices, we gained the title of “The Fastest-Improving Factory” in the first years of the programme and managed to be the first FCA Factory to reach the Silver Level in the year 2009. We reached the Gold Level with the establishment of the results of the 2013 inspection that we improved ourselves about workplace accidents by 97%, external quality indicators by 68%, productivity by 35%, machine failures by 75%. We continued our improvements by raising our points in the year 2014. Our employees had great contributions to our success in WCM practices. All our operators made 42 suggestions in the year 2014 and accelerated our improvements with creative solutions. We are continuing our WCM studies with a great motivation, and aiming to be an exemplary FCA factory. With this goal in mind, we are also improving ourselves in parts of WCM methodology that address external stakeholders. Since 2009, in the scope of the WCC (Word Class Company) Programme, we are leading the implementation of WCM methodology for suppliers. We conducted world-class mutual work to increase competitiveness with our 36 suppliers that constitute 58% of our local purchasing

operations by the year 2014. Besides this, in the scope of the WCD (World Class Dealer) Programme which aims to increase customer satisfaction, service quality and efficiency for Fiat dealers after sales, we continued our operations to extend the New Periodic Maintenance Standard we created to all our dealers.

**Ayfer Çırak Coşkunöz**  
**Director of the Environment and Occupational Safety Expertise Group, BUSİAD**

Tofaş’s concern of R&D activities, especially WCM, is exemplary for the sector. The company is raising the level of expectations towards the sector by contributing in the improvement of its suppliers in addition to its own.

Tofaş, besides fully participating in and supporting the Environment and Workplace Safety Expertise Group’s activities, shows a sharing attitude at panels and meetings with its concerned participation in Environment and Occupational Safety studies.



In addition to the WCM methodology, we are keeping up with several systems and standards of efficiency and management quality in our manufacturing processes. This way, we are keeping our capacity to deal with potential risks in field of manufacturing and our quality of management at the top level. The main standards we follow in this field are ISO 9001 Overall Quality System Standard, OHSAS 18001 Occupational Health and Safety Standard, ISO 14001 Environment Management System Standard, ISO 50001 Energy Management Standard, and ISO 14064 Greenhouse Gasses Accounting and Verification System Standard. Besides all these, we are preventing potential risks by following all our processes step by step with the WPI (Work Place Integration) methodology, and ensuring the inspection of the usage of chemicals in our supply chain and prevent the usage of prohibited materials with the IMDS Programme. We are also increasing our performance level towards management systems and standards we are following, our employees' awareness and motivations with periodic external independent audits, certifications and verifications.

## ENERGY EFFICIENCY AND EMISSIONS

Energy consumption, in addition to its impacts on the environment, is also a significant cost item. Therefore, controlling and minimising the levels of energy consumption will help us prevent physical, social and economic risks resulting from climate change. This will also prevent the negative effects on our competitiveness due to potential increases in energy unit costs.

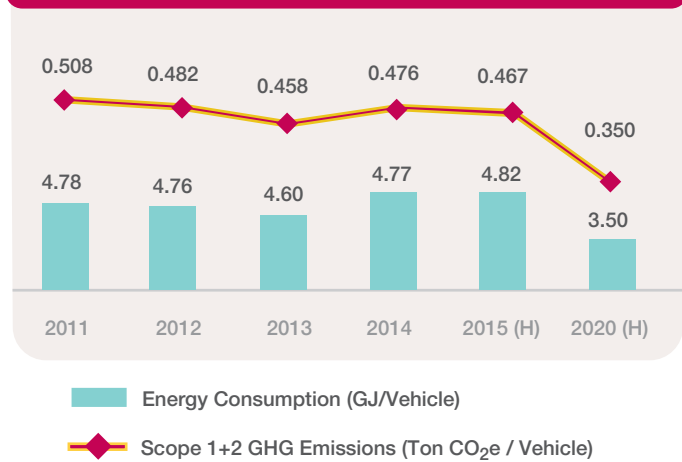
Ensuring energy efficiency and management of emissions in production are two of the most important factors for our environment management work. We are managing our energy efficiency and emission studies with a culture of responsibility sharing ranging from senior management to operational units, with the leadership of the Energy Guides Committee, Tofaş Sustainability Workgroup and Tofaş Sustainability Committee. We are monitoring monthly and annually according the base year our short, medium and long-term goals we determined in line with our strategic plans, and reporting results to the senior management on a monthly basis with the finding we gather in the scope of the F Matrix Energy Improvement Programme.

We are following ISO 50001 Energy Management Standard and WCM Energy Pillar principles in the energy management practices we proceed within the scope of Tofaş Environment and Energy Policy. We are following ISO 14064 Greenhouse Gasses Accounting and Verification Standard for the management of greenhouse gas emissions and conducting accounting and verification studies in compliance with Scope 1, Scope 2 and Scope 3 levels. In this context, our GHG emission values are

verified through independent audits in accordance with ISO 14064 in the reporting period. Also, we are keeping our emission levels below the limit values determined by official authorities.

With significant operations in 2014, we managed successful results with our sustainable production processes. We stood among 15 Turkish firms in BİST Sustainability Index as a result of the comprehensive evaluation by the international assessment organisation EIRIS (Empowering Responsible Investment) on Borsa İstanbul. We also managed to be the first Turkish company to be included in the A List of the Carbon Disclosure Project's (CDP) Performance Leadership Index.

### Energy Consumption and Emissions Trend per Vehicle



In the reporting period, we experienced an increase in energy consumption per vehicle manufactured due to the decreasing level of production because of market conditions. However, although our goal for energy consumption per vehicle for the production in 2014 was 5.00 GJ, we managed to limit our energy consumption to the level of 4.77 GJ with our additional projects to reduce energy consumption. We realized the level of greenhouse gas emissions per manufacturing of one vehicle as 0.476 ton CO<sub>2</sub>e.

Due to our plans for new model investments and comprehensive project work in the year 2015, we are estimating an energy consumption of 4.82 GJ. We are planning to reduce energy consumption levels to 3.50 GJ by the year 2020 in line with our strategic plans on energy efficiency. Our goal for emission levels per vehicle is 0.467 ton CO<sub>2</sub>e for 2015; which we aim to achieve at 0.350 ton CO<sub>2</sub>e for 2020.



## Energy efficiency projects

We are conducting several studies towards energy efficiency and minimisation of greenhouse gas emissions resulting from energy consumption. In the year 2014, we actualized 111 new energy efficiency projects in operations about thermal leakage, recycling waste heat recovery, cooling, lighting automations that maximise the utilisation of day light, localisation and automation systems for reducing pressurised air leaks, correlation and optimisation of energy consumption and usage of isolation materials. With the projects we started in the last quarter of 2013, the total number of energy efficiency projects that contributed to the year 2014 reached 240. With these projects, we saved 124,812 GJ energy and reduced emissions by 9,720 CO<sub>2</sub>e.

### Project to Reduce Cycling Losses with New Generation Boiler Technology

In the reporting period, we completed the project in the scope of our energy efficiency operation for the renovation of boilers we started in 2012. Within the project, we retired the boilers used to produce hot water and steam that completed their operating life-spans, and replaced them with long-lasting, flexible, easy to maintain hot water boilers. With this project to reduce thermal energy leakages, we aim to increase boiler efficiency, therefore reducing energy consumption and emissions.

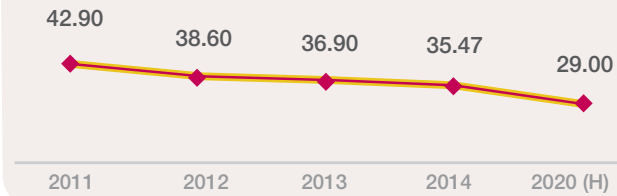
Project to reduce VOC emissions in the painting process  
One of the main processes in automotive manufacturing, painting, results in the release of Volatile Organic Compounds (VOC). In the year 2014, we reduced the VOC emission per painted surface from 36.9 gr/m<sup>2</sup> to 35.5 gr/m<sup>2</sup>. Therefore, we achieved our goal to keep this level below 35.9 gr/m<sup>2</sup> for 2014. We reduced the total VOC emission by 10.3% compared to 2013 and achieved an emission level of 891 tons. We are planning to continue our work in this field and reach a level of 29 gr/m<sup>2</sup> by 2020.

In the reporting period, in the scope of the project we actualized with the aim of reducing VOC emissions, we conducted operations to reduce the amount of thinner used in cleaning processes. We aimed to prevent the usage of high amounts of thinner due to the usage manners changing from person to person in cabin wall cleaning operations, direct effects of paint changing operations, increased usage of thinner after drying and colour change applications for cleaning. In the scope of these operations, we identified the usage of nylon tapes on cabin walls into



cleaning operation cards and monitored the usage of thinner per operator. We provided training for the operators with high usage levels with Monopoint Courses. At the end of these implementations, we achieved a reduction by 18% on thinner consumption, which is the costliest unit in painting lines.

### VOC Emissions Trend



◆ VOC Emissions (gr / m<sup>2</sup>)

## ENVIRONMENTAL MANAGEMENT SYSTEM

In the scope of our vision to establish a “World-Class Environment Management System”, we are working to achieve manufacturing processes with minimised environmental effects with proactive and plain management tools. Through Tofaş Environment and Energy Policy we established with this approach, we are planning to achieve sustainability in environmental management, and proceed with the principle of “not polluting instead of treating the pollution”.

We hold a comprehensive and systematic approach on environmental management. While being the first manufacturer in Turkish automotive sector to reach the ISO 14001 Environmental Management System Standard, we are also following the WCM Environmental Pillar. We are pursuing the environmental management with an understanding of responsibility that covers a range from senior management to production units.





Our strategic goals determined on the level of expert units like the Sustainability Committee and the Sustainability Workgroup, as well as senior management and the Management Board are monitored by the Directorate of Environment, Health and Workplace Safety and Energy Guides. We are taking environmental performance as a part of corporate and individual performance evaluation, and we are sharing the findings of the process we manage in line with our goals periodically with senior management and over different channels with our stakeholders. It is under the responsibilities of the Early Risk Detection and Risk Management Committee to achieve system reliability towards environmental management, which is an important element in our risk management.

Our environmental management system, implementations and performance are constantly monitored by periodic internal and external audits, WCM and ISO 14001 inspections and Koç Holding Environmental Inspections. Complying with the existing legislation is an integral part in environmental management. Legislation changes are constantly monitored by our units responsible for environmental management and the required compliance is ensured. With this approach, we have not experienced any incompliance with environmental legislation in the reporting period, and we have not faced any sanctions. Additionally, it is very important for us that our stakeholders do not experience any environmental problems as a result of our operations. We have not received a complaint about this issue in the reporting period.

Being a manufacturing facility that has been operating for years, calls for the need to achieve constant investments and improvements to develop established environmental management and performance. Because of this need, we are transferring large sums of resources to

environmental management and operations to improve environmental performance. In the reporting period, we allocated 1.6 million TL for environmental management operations. Additionally, we carried out training activities for our employees and our partners' employees to ensure more effective environmental management by increasing the level of knowledge and awareness. In this scope, in the reporting period, we carried out environmental trainings worth 3,092 person x hours for Tofaş employees and 825 person x hours for partner employees.

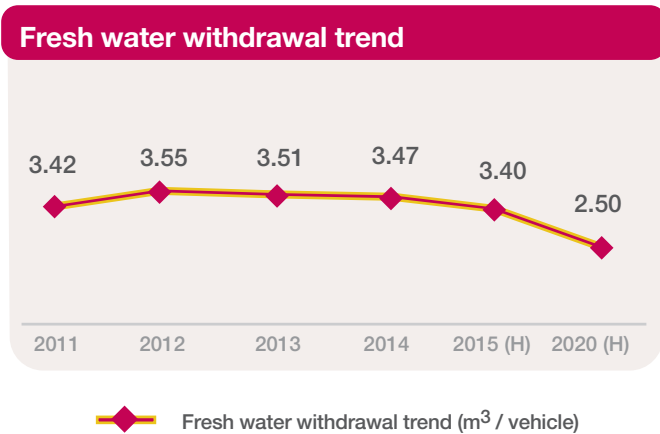


The projects we operated in the scope of our environmental management and the successful results are awarded by various organizations. We took the first place at the Energy Management Awards Programme, established by BUSİAD for the first time in 2014, and the second place at the 14th Environment and Energy Awards – Large Scale Institution Energy Efficiency by Istanbul Chamber of Industry. Additionally, at the Sustainable Manufacturing Competition by the Ministry of Science, Industry and Technology, we were granted an award under the category “Large Business Sustainable Production” with our “Waste Heat Recovery Projects”.

## Water management

We are proceeding with the awareness that water consumption will be of a greater importance than all other resources in the future. Responsible water management including consumption and waste management processes is an integral element of our goals to construct a sustainable future.

The major portion of our water consumption results from the consumption of underground water for production. The amount of water purchased from other sources for domestic use and as drinking water constitutes a very small portion. As a result of our analyses on the water resources we are using, we could not find any pressure on our part resulting from our consumption on the sustainability of the resources. Additionally, our stakeholders, especially local communities are not under risk regarding their water needs, due to the type of water resources we are using.



We achieved a significant reduction in water consumption with the constant improvement implementations we developed in the reporting period. We completed our operations in 2014 using 10% less fresh water resources. We reduced the amount of fresh water needed to produce a unit from 3.51 m<sup>3</sup>/vehicle in 2013 to 3.47 m<sup>3</sup>/vehicle in the reporting period. With this result, we exceeded our performance we planned for the year 2014, set at 3.69 m<sup>3</sup>/vehicle. In line with the reduction in our level of production, our 2015 goal is 3.40 m<sup>3</sup>/vehicle; to be reduced to 2.50 m<sup>3</sup>/vehicle in 2020.

Using the withdrawn water in the most efficient way is a part of our responsible water management. Therefore, we are reusing the withdrawn fresh water several times, and providing a great portion of our water requirements from recovered resources. In the reporting period, we managed

to recover 52,430,664 m<sup>3</sup> of water, including the recycled waste water of 9,450 m<sup>3</sup>.

In addition to water consumption, we pay great attention to waste water management as it is an important part of recycling and waste water can have negative impacts on biodiversity. We are maximising the recycling of waste water resulting from our production processes and discharging the remaining amount in compliance with the regulations on waste water discharge, under the upper-limits required by the legislation. In the reporting period, we discharged a total 580,600 m<sup>3</sup> of waste water and achieved a discharge ratio of 2.61 m<sup>3</sup> per vehicle.

## Efficient and environmentally friendly material and waste management

We are conducting our production operations with an approach that incorporates material and waste management. We are taking efficient usage of materials as a priority, as inefficient usage will increase the amount of waste sludge, and have a negative impact on production costs by affecting our financial performance. In this approach, we set “zero material loss” and “zero non-recovered waste” as our priority goals regarding this issue. The basis of the work we are conducting to reach our goals consists of operations such as the minimisation of material usage, usage of recycled/recyclable material, minimisation of resulting waste and fully recovering the waste.

All of the design, manufacturing, purchasing and after-sales processes are effective on the type and amount of materials used in production. To this respect, we are evaluating our environment-friendly material usage options keeping all our processes in mind. The results reached by our relevant units and suppliers are also important for our studies to reduce the amount of materials used.





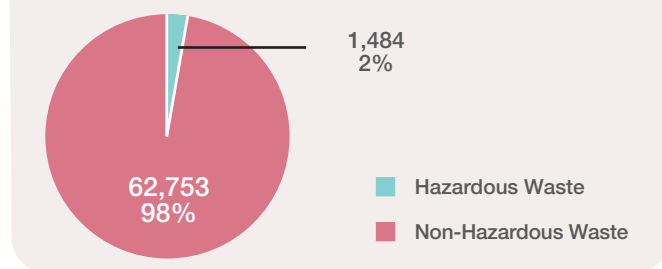
### Project to Reduce Plate Thickness

In the scope of the project we started in 2014, we aimed to reduce consumption of plates and its environmental impacts by reducing the thickness of the material used for the production of plates. With this project, we are planning to supply 1% thinner material, with the condition that FIAT standards are protected, therefore achieve 1.5 kg less weight per vehicle and reduce fuel consumption by 0.4-0.8%. In the year 2014 which we considered the testing period of the project, we used 0.2% thinner material and managed to save 166.4 tons in steel consumption.

### The Project to Reduce Sludge

The project we started at our waste treatment facility in 2014 played an important part in our goal to reach zero waste disposal. The project where we plan to improve the treatment performance, reduce the amount of sludge and minimise disposal costs has two parts. The first phase of the project started in the reporting period and let to a decrease by 30% in the amount of waste.

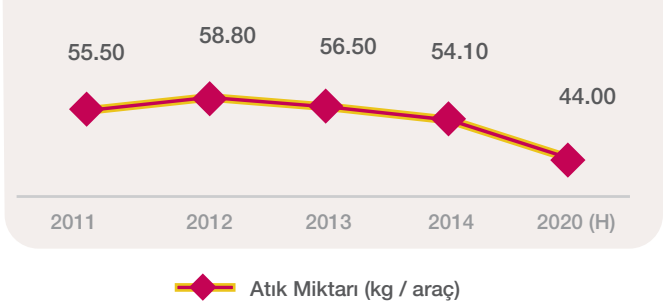
#### Total Waste By Type (ton-%)



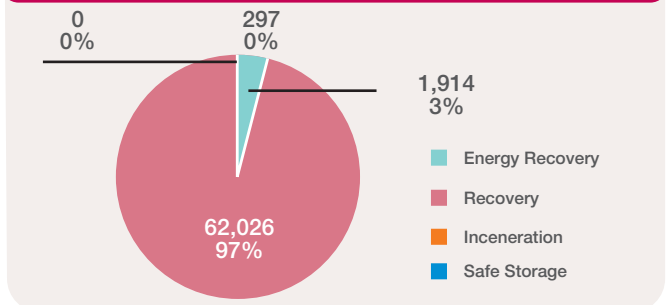
In the reporting period, we reduced the total amount of waste except metallic waste by 4% and managed to achieve a waste per vehicle value of 54.1 kg/vehicle, exceeding our expectations for 2014 set at 56.00 kg/vehicle. We are planning to reduce this ratio to 44 kg/vehicle by the year 2020.

It is our main goal to send zero waste to landfills by recovering all waste materials resulting from production using suitable methods. In the reporting period, we reached this main goal with the waste management principles we followed.

#### Waste Generation Trend



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



## WORK ENVIRONMENT



### WORK ENVIRONMENT

Our main vision towards Tofaş business life is to be a workplace for young talents who are adaptive to change, innovative, broad minded, with a multidimensional frame of mind, supportive of their self-improvement and the improvement of their environments; to improve our creativity by accepting professionals with different visions into our team, to continuously gain new information, and to establish a collective learning culture that consists of leaders who are willing to share their knowledge and experience.

In line with this vision, we are promising a safe, dynamic, progress-oriented and decent, fair working environment to all our employees.

You may find further information on our policies, systems and operations on human resources on the address [www.tofas.com.tr](http://www.tofas.com.tr).

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

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

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

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

**WE CARE  
ABOUT  
PEOPLE AND  
NATURE**

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

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

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

SHAPING  
THE  
FUTURE

WINNING  
THROUGH

CONDUCTING  
THE TEAMS

IMPROVING  
COOPERATION

LEARNING  
CONTINUOUSLY



## OCCUPATIONAL HEALTH AND SAFETY

We believe in the necessity of establishing a simple and effective occupational health and safety management for a safer work place. We are conducting our work on this issue in line with our goals of “zero accident” and “Step-by-Step Safety”. We are focusing on the satisfaction of legal requirements and operations to ensure participation on all levels.

We are shaping our occupational health and safety processes according to the World-Class Work Safety and Tofaş OHS Policy. In addition to this, while pursuing our operations, our main methodologies for reference are OHSAS 18001 Standard, WCM Safety Pillar, Fiat Safety Standards and Tofaş Contractor Procedure. Occupational health and safety is an important part of our corporate risk management procedures. This is why we are managing the issue with an organisation level that covers a range of level from senior management to production units. We are determining our strategic goals about the issue by evaluating the results of the risk assessments carried out with the company’s senior management periodically. We are reducing occupational health and safety risks with action plans established upon these goals.

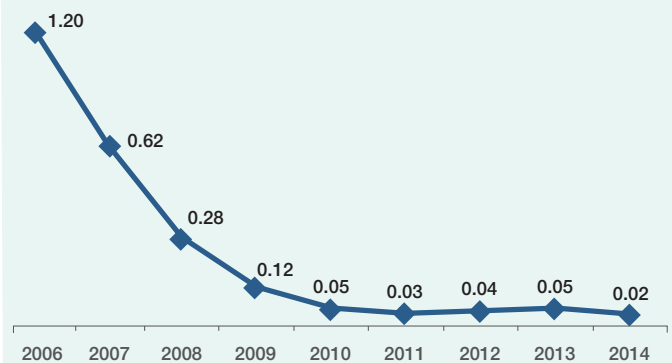
We are seen as an example by FCA regarding various issues about occupational health and safety and we are accepting visitors for events that take place for observing different practices. At the end of audits in the year 2014, we protected our position as the first company to receive 4 points among FCA factories in the scope of the WCM Safety Pillar.

You may find detailed information about our occupational health and safety management on the address [www.tofas.com.tr](http://www.tofas.com.tr).

We are working to provide a safer workplace and reach our goal of zero accidents by repairing the risks we indicated. In this process, we reduced the frequency of accidents with lost days to 0.02 level with the Cultural Change for Occupational Safety projects we started in 2006 and repairs of unsafe behaviour and conditions. At the end of our applications, we reduced the frequency of accidents without lost days to 0.04, from 0.06 in 2013.

We are executing several training programmes to raise awareness among Tofaş and contractor employees regarding occupational health and safety. In the scope of these programmes, we trained Tofaş employees with 59,532 person x hours worth training, and provided partner employees with 7,649 person x hours worth training in the year 2014.

### Lost Time Accident Frequency



(Number of Accidents X 100.000 / Working Hours)



We believe that success in occupational health and safety comes from establishing systems and standards based on risk management, as well as increasing employee participation in decision making processes and raising their awareness. With the awareness of the fact that workplace safety is under everyone's responsibility, we are conducting operations ensure that both our occupational safety specialists and our employees take responsibility in this matter.

Workplace Safety Simulation Training Area (DOJO), is a programme where employees are informed about the risks in the workplace with the help of equipments and simulated stations.

With our Workplace Safety Captainship activity, we are choosing a blue-collar employee in the lean team to act as a team captain for a week to observe problems and unsafe behaviour in the workplace and report it with the team leader. We are reducing the amount of unsafe situations and behaviours by warning our employees who show unsafe behaviour.

In the scope of our Team Flags practice, we are using flags to identify workplace sections for teams in terms of occupational safety. We are hanging a blue flag if there have been no accidents in a section, and an orange flag if the section had accidents. The orange flag stays up for 3 months after the accident. With this application, we are planning to encourage appreciation of workplace safety in teams and to generalise the awareness that workplace safety is an important factor in success.

We are planning to repair unsafe behaviour in nonroutine professions and strengthen the workplace safety culture with the Workplace Safety Drama Training which we set up as an interactive drama method. In the scope of the

training, work lives of employees are reflected comprehensively and potential incidents are played out in a proactive workplace safety approach. In the year 2014, we had 326 Tofaş employees to take part in this drama training.

Our occupational health and safety operations took place among the best practices in Europe in the scope of the competition themed "Healthy Workplaces Manage Stress" set up by The European Agency for Safety and Health at Work (EU-OSHA).



## TALENT MANAGEMENT

We aim to make Tofaş a centre of attraction for talented professionals who will lead us to a future as a world-class company. We believe in the need to establish a learning culture where talents will flourish, extend and be shared, in order to build dynamic, versatile and creative teams. Even more important than this, we are working to create a fair, peaceful and decent workplace. We are promising our employees an organisation where mutual trust and respect flourish, participation and diversity are encouraged and highly motivated teams work together to reach goals.



## A Decent workplace

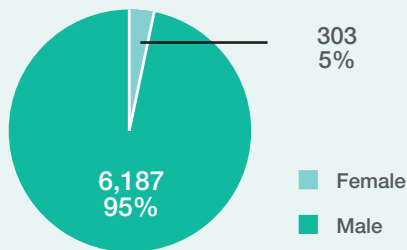
We believe, in a decent workplace, talent and creativity shine out, efforts are assessed fairly, and employees provide the highest potentials. We make our recruited personnel feel that they will be working in a fair and equal workplace.

In the recruitment process, we assess our candidates' technical qualifications, general behaviour tendencies,

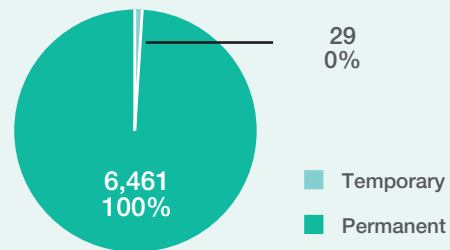
work ethics and their suitability for our corporate culture over systematic methods that ensure equal opportunities for everyone. In the recruitment process or the following human resources processes, we do not discriminate based on age, gender, religion, ethnicity or any other similar factors. We offer all employees equal opportunities for an equal work.

### Workforce Statistics

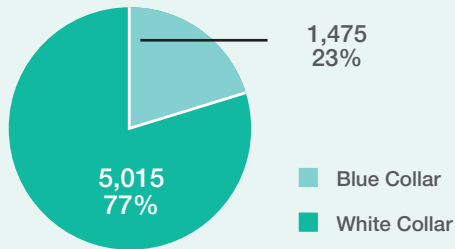
Employee Breakdown by Gender



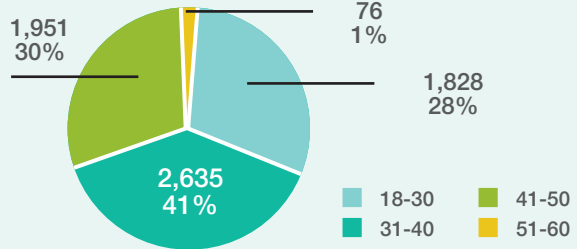
Employee Breakdown by Contract Type



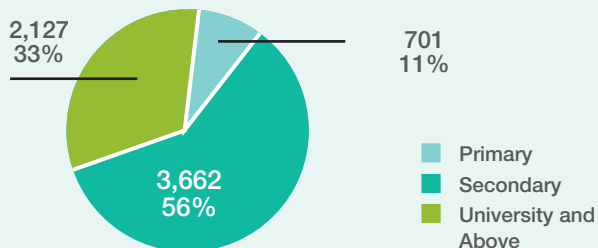
Employee Breakdown by Category



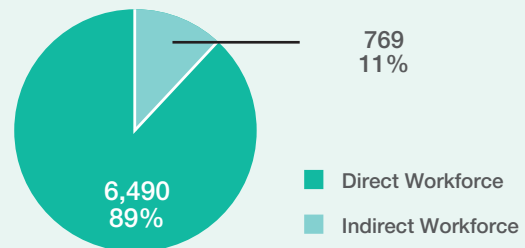
Employee Breakdown by Age Group



Employee Breakdown by Education



General Workforce Breakdown





In order to establish a workplace where human rights and workers' rights are enjoyed thoroughly, supported and improved, we consider UN Global Compact, for which one of our shareholders, Koç Holding is a party, as binding document. With this approach, we oppose and prevent discrimination, practices that may be considered discrimination, child work force abuse, forced or compulsory labour and abuse of rights of workers, and we do not tolerate such behaviours under any circumstances in our operations.

These principles we value about human rights and workers' rights are binding not only for our company operations, but also for our broader value chain. We expect our suppliers and partners to act in line with these principles. In the reporting period, we did not receive any formal complaints or information regarding a possibility that these principles are at risk for any supplier or partner. Unions play a significant part for our employees to be able to collectively express their expectations and demands. We ensure that our employees enjoy their union rights freely and establish close relations with unions. By the year 2014, 99% of our 5,015 blue-collar employees operate within the scope of a collective labour agreement, and the company-wide union membership ratio is 77%. As a result of constructive relations we hold with unions, we did not encounter any production or labour loss as a result of industrial relations in the reporting period. We also expect our suppliers and partners to respect and apply union rights thoroughly. In the reporting period, we did not receive any formal complaints or information regarding a possibility that these rights are at risk for any supplier or partner operation.

We attach great importance to the improvement of the living standards of our employees and their families, as our most valuable capital. In the scope of our work in accordance with this approach, any employee or a family member may choose to be a part of KoçAilem Programme and enjoy private health insurance opportunities provided to the Group. In addition to this opportunity and their official social security plans, our employees have the right to make use of the pension fund provided by "Koç Holding Pension and Support Fund Foundation" in order to have an additional assurance after their work life. While our employees in this programme are making payments worth 6% of their gross salaries, subject to a maximum wage determined by the Foundation, the same amount is matched by Tofaş and transferred to the fund as the employer's contribution. With this contribution, we are supporting our employees to make savings.

### Continuous Development Oriented Workplace

In order to establish an organisation-wide learning culture, we encourage our employees to use their talent and creativity potentials to the best of their capacity with several improvement opportunities. In the scope of Tofaş Akademi application, which combines training and progress management activities together, we carried out an in-class training operation with the attendance of our 10,214 white-collar workers and provided 9,119 distant-learning materials and supporting materials. With the attendance of our 9,073 blue-collar employees, we carried out an in-class training operation, and provided 1,143 units of distant-learning, book and visual material support. With the training work we conducted over the year, worth 268,412 person x hours, we had an attendance of 7,131 people. We provided approximately 40 hours of training per employee in the scope of our training operations in 2014.





#### Employee Trainings -

**Number of Participants** 7,131

Blue Collar	5,819
White Collar	1,312
Female	148
Male	6,983

#### Employee Trainings -

**Total Hours (person x hours)** 268,412

Blue Collar	141,080
White Collar	127,332
Female	13,420
Male	254,991

### High Performance-Oriented Workplace

As a success-oriented organisation, we believe in the necessity to accurately assess the successes and difficulties we encounter on the way to our goals, and to determine our talents and traits that are open to improvements. To achieve these, we objectively measure our performance with our performance assessment and career development systems and learn from the results. The performance assessment system we are using to reach our corporate goals includes all our blue-collar and white-collar employees. We evaluate our employees' individual goals and behavioural performances with this management method. We review our annually determined goals in line with our improvement plans at least once during the year. Besides goal-reaching purposes, we assess behavioural qualifications and attitudes employees should have that are specific to Tofaş. Issues regarding sustainability management are also among our employees' performance goals.

We give feedback to our employees about their performance levels by sharing the results we gain from the performance management system. In the reporting period, all our white-collar and blue-collar employees received performance feedback.

Performance management system is also an important part of the remuneration policy. While salaries are determined based on factors like the quality of work, responsibilities taken, general salary levels, performance levels are especially important to determine the success fees of our white-collar employees. On the other hand, we manage our accounting work on the basis of the "equal payment for equal work" principle. We do not discriminate against any employee based on their personal qualities. Salary differences between equivalent employees may only result from premium differences based on seniority and performance.

### Workplace adding value to social life

We believe that enriching our employees' work and personal lives will improve their creativity and motivation. In addition to the opportunities we provide to our employees to improve their success at work, we are also providing them with opportunities about their social and personal lives.

We have 11 clubs and 9 sports teams established by our volunteer employees. Our clubs organise more than 200 events like exhibitions, concerts, shows, conferences, and culture, skiing and diving trips. Our football, volleyball, basketball, tennis, swimming, bowling, chess and sailing teams take part in business to business sports organisations such as Koç Spor Şenliği and CorriFiat. Moreover, we are organising annual inter-unit football and bowling tournaments for thousands of our employees and gather all our employees and their families together on Tofaş Day.



### VALUE CHAIN DEVELOPMENT

The automotive sector is established on transformation of several materials and intermediate-products into vehicles that satisfy consumer expectations in line with legal requirements and high quality norms, then to be presented to the consumer with reasonable conditions. After sales, services to preserve vehicle safety and value such as maintenance and spare parts services should be provided continuously to ensure consumer satisfaction. Successfully containing this flow is dependent on hundreds of organisations working in cooperation.

We believe sustainable business success is possible with a value chain as in Tofaş that adopts work ethics, environment and operation norms and constantly progresses. In accordance with this approach, we are providing support for the improvements in our suppliers and dealers' business success, and constant progress of their working methods, as they constitute an important part of our value chain. With these goals in mind, we are providing training programmes for our suppliers and dealers in the scope of our work in Tofaş Akademi.

### SUPPLY CHAIN MANAGEMENT

Development of the automotive sector is directly dependent not only on the development of its main producers, but also the development of raw material, logistics and service sectors. We are aware of the fact that we need financially powerful, operationally environment-friendly, supply chain that is reliable in production quality and sustainability for overall sustainable success. Because of this, we are establishing close relations with our suppliers based on mutual business success and placing our efforts on their development.

We are shaping our supplier selection, business and operation improvement, learning, control and feedback processes with operations and systems that are compatible with international best practices to ensure the success of our network of suppliers. We are managing these processes with our units on Supply Chain Development, WCC, Sub-industry Development and methods based on monitoring strategic goals. We are periodically sharing performance results with Company Senior Management, the Board of Directors and the Early Risk Detection and Risk Management Committee. Goals and strategic tendencies determined by these organs are decisive for the next operational period.



## Supplier Profile

Selecting the right business partners is the first and most important step in ensuring continuous development of our supply chain. The basic criteria we are using while selecting suppliers are; having technical and organization capacity adequacy through quality systems,, having the financial power to constantly run our supply operations, improving themselves and their competitive power by monitoring the developments in the sector, being successful in our audits on process and work, able to support our competitive power in terms of quality and cost effectiveness. Our most primary expectation from firms that would take place in our supply chain is that they have an understanding of business partnership based on disclosure and trust and they cooperate with us towards mutual goals.

The primary responsibilities of units in charge of our supply chain are, supplying and storing materials to be used in vehicle manufacturing, reinforcing the production line, and providing the customers with vehicles in a timely manner with the expected quality. Direct and indirect materials, spare parts, investment-service management constitute our main operation units. The procurement of engines and gearboxes as direct materials is conducted by FCA.

We are contributing to the localisation of the automotive sector by procuring 74% of the parts other than engines and transmission gear from domestic suppliers. Domestic procurement constitutes 49% of our entire purchasing budget. We are co-managing most of our international procurement with FCA purchasing organisation. We directly procured materials and parts from 149 domestic, 21 international firms in the reporting period. We also made purchase operations to indirectly procure materials and services from 1,752 domestic, 267 international firms.

### Tofaş Supplier Audit Map

The main tool we refer to while we are assessing our supplier's performances is Tofaş Supplier Inspection Map. In the scope of this work, we are periodically assessing our suppliers according to the level of priority and satisfaction in terms of quality, delivery, cost, competitiveness, improvement performance and awareness and the percentage of Tofaş purchases in revenue. We are determining medium and long-term goals as a result of this assessment.

Being Tofaş's supplier requires satisfaction of certain quality and business norms, having a business culture, and being able to create innovative and quick solutions. In order to have a sustainable supply management, our suppliers are required to ensure operational and financial sustainability, and minimise manufacturing risks. Cases where the supplier gets most of their business volume from one OEM (Original Equipment Manufacturer), results in situations where the supplier is easily affected by the changes in the OEM's business volume. We are aiming an environment where other manufacturers also exist to ensure that our suppliers have powerful operational and financial capacity and they can sustain their stability. While increasing the quality of our supply chain with supplier improvement projects, we are providing our suppliers with qualifications they can utilise to create business diversity.

#### Hülya Polatcan

#### HR Director, Üstünberk Holding

Martur entered the automotive sector by servicing Tofaş and reached this position by improving its industrial process with Tofaş's leadership. Tofaş, before and after its WCM implementations, acted towards increasing cumulative profit by sharing what it knows and has learned about efficiency, quality, cost, time, people, social and environmental awareness. Tofaş, not only leading us, but also acting in cooperation with us, contributed a lot to the country's economy.

### Supplier development practices

We are supporting our suppliers that we see as business partners in their development and competitiveness in several subjects such as product design, organisational-technical development, quality, cost improvement, physical and financial risks, production process improvement and joint purchasing. In the year 2014, we focused on generalising the WCM methodology, improving risk management especially for social, environmental, operational and financial fields in the supply chain, and carried out orientation applications for our suppliers' employees.



With training operations we established under Tofaş Akademi, we provided in-class training to 745 employees from 67 supplier firms. We conducted a total of 1,002 person x hours of supplier training.

In the scope of the orientation programme we started in 2014 and named "Sinerji", we set up meetings with supplier employees in order to inform them about our business processes and expectations, and answer their questions. In the reporting period, we gathered with 90 employees of our 33 suppliers four times and we informed them about purchasing, project management, quality and logistics processes. We are planning to broaden the programme and providing 150 supplier employees with orientation training in 2015. With this programme, we are aiming to carry supplier capabilities to the top level and teach them about Tofaş operations in the most accurate way.

We are operating the Diagnosys 7 Dissemination Project to increase activeness in 7 Step operations like current situation analyses, and improve our 7 Step certified suppliers' capabilities to diagnose and solve problems by providing them with diagnosis competence. We certified two firms that succeeded in the reporting period in this project where we aim to add 5 new firms annually and reach 35 firms by 2019. In following periods, we are planning to share the project's monitoring systematics with the firm regularly and determine strategies as result of the findings.

Dissemination of WCM principles among suppliers is an important part of the WCM programme which is used by 175 FCA factories and 370 supplier firms around the

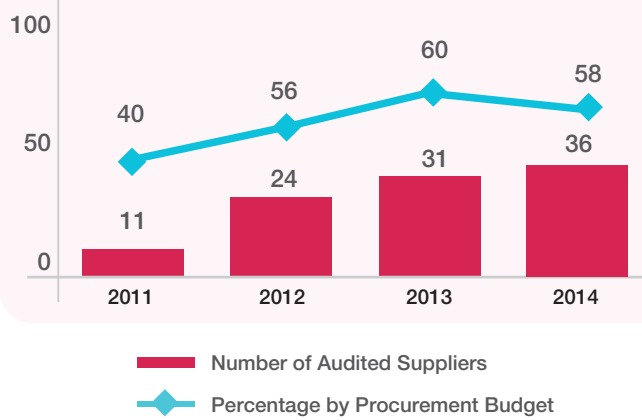
world. The motivation of integrating WCM methodology into their business models has an integral place in the adoption of the programme by our suppliers. Therefore they need financial resources and expert labour. In the scope of the WCM Dissemination Project we have been operating since 2009, we are aiming to accelerate our suppliers' improvements in especially environment and occupational health and safety issues and increase their competitive power by improving their WCM performance.

We are also training our suppliers over FCA system on various subjects and providing consulting services. In order to monitor performance improvements, we are setting management meeting every three months, and annual audits, one on the level of specialists, and one on the level of managers. In addition to these, to monitor our performance in these operations, FCA Central WCM Office also audits our suppliers in random periods. In the year 2014, we reached the planned level of success for 12 of the 19 firms we took under the scope of the WCM Deployment Project.

In the reporting period, we continued the WCM Alignment Programme we started in 2013 to introduce our suppliers who are not in the WCM Programme to WCM principles, and ensure they satisfy basic requirements and apply them in their daily work flows. In 2014, we successfully implemented development plans based on the gap analysis work we conducted for five of our supplier firms in the critical product line. We are planning to include more supplier firms in the WCM Alignment Programme in the following years by increasing the number of critical product lines.

Management of sustainability risks in the supply chain In the direction of our comprehensive point of view about sustainability, we are evaluating sustainability risks for the general oversight of the value chain. We are preparing systems and action plans towards the early detection and prevention of environmental, social and economic risks in the supply chain. We are embracing a proactive approach that supports our suppliers in expanding the knowledge base about the management of sustainability risks and financial/operational resources. We are trying to establish the awareness that both them and Tofaş will benefit from the improvements if they reach the planned levels of implementation and performance.

### Expansion of WCM Among Suppliers



Evaluating risks in the supply chain requires a comprehensive and effective inspection process. We are planning our inspections in a broad scope that includes subjects like environment, workplace safety and employee development, and providing our suppliers with development plans they can increase their levels of performance with. We conducted our auditing application with 36 suppliers that constitute 58% of our purchasing in terms of budget in the year 2014.

**Mehmet Onur ATEŞ**  
Quality Chief & WCM Coordinator, Matay Otomotiv

The most important part of doing business with Tofaş is working for mutual improvement. We started adopting the WCM because we were working with Tofaş. We can see the positive effects in the position we reached so far. I can safely say that our processes are more effective in all of our operations.

### Supplier risk assessment project

In the reporting period, we continued to improve and implement our Supplier Risk Assessment Project we established by combining local and international norms and best practices. In the scope of the project, we are evaluating risks and business sustainability with a comprehensive approach that includes subjects such as supply chain, fixed assets, management, product reliability, information security, occupational health and safety. Starting from the findings of our field visits, we are preparing a risk evaluation report for each supplier, and determining action plans for suppliers with risk sharing meetings. We are also monitoring the implementation of these plans that aim to remove the anticipated risks. Including the new firms that were added in the years 2014, 46 suppliers are evaluated in the action plan monitoring cycle in scope of the project.

### Reduction of social and environmental impacts in raw material and product logistics

One of our main goals is to preserve the sustainability of production and responding correctly to and punctually to product demands, at the same time we conduct the logistics operations that extend to 150 million kilometres safely and with minimum environmental impact. As we are conducting logistics operations by the agency of service providing firms, we are managing the sustainability impacts resulting from the operations under the supply chain. While under the coordination of our work units responsible for the supply chain, many different units such as procurement, production, financial affairs, sales and marketing are included in the logistics process. While we are making sure with internal policies and procedures that this operation is conducted without mistakes and continuously, we are monitoring and reporting performance indicators and goal reaching information on a monthly basis. We are keeping ourselves up to date about recent development and changes in order to improve our logistics performance and implement them.

Imported raw materials constitute 30% of our logistics operations volume, while local materials conducted by Tofaş service provider take up 35%, what we call "Milkrun". The remaining 35% is entirely established by the local raw material logistics operations of the supplier firm. The entire product logistics operation is managed by Tofaş service provider.



Social fields such as road safety, and environmental fields like energy consumption, greenhouse gas emissions, usage of protective packaging materials, are fields where sustainability risks are the most apparent in logistics operations. In order to treat these risks, we are working with service providers who can satisfy certain business principles and standards. We are taking different factors into account while selecting service providers; environmental impact areas such as energy efficiency management systems, carbon footprint verification certificate, emission accounting, usage of electric vehicles, waste collecting organisation, and forestation work, and social capacities like day-care services to encourage employment of women.

To reduce the environmental impact of our logistics operations, we are using low-emission vehicles that comply with current environmental standards, developing marine and railroad transportation solutions as an alternative to road transportation, conducting logistics optimisation studies and monitoring the occupancy rate of our vehicles. With the help of the work we did in the year 2014, we reduced the total transportation distance by 15.7% for the Milkrun operation and 8.2% for pres material logistics. We also reduced the average distance covered per voyage by 7.8% for product logistics compared to the previous year.

Another important issue about minimising the environmental impact of logistics processes is the consumption of packaging materials. We are reducing the consumption of packaging materials with developments of occupancy amounts and prevention of cardboard usage. In addition to these, we are reducing the amount of waste and emission by establishing standards on usage of light materials in packaging, achieving standardisation, and storing packages vertically on trailers.

In the scope of the implementation we put into action in 2014, we started to manage deliveries from four of our suppliers with tractor trailers instead of trucks. After this change, transportation operation, previously conducted with four trucks, was achieved with two tractor trailers. Thanks to this implementation, we reduced the monthly number of voyages by 36 and emission by 1.79 kg CO<sub>2e</sub>. With the project, we are planning to reduce the distance, traffic and emissions.

We are working to reduce the rate of shipping and handling costs in total vehicle cost with another implementation we call Logistics Flow Change. In the scope of the logistics flow improvement work we started in 2014 for four firms, we conducted 6,272 kilometres of the road delivery using marine transportation. With the implementation, we are optimising logistics flows by determining the most economical and sustainable transportation methods according to Tofaş's suppliers' locations and the properties of the cargo. The project which started as a Tofaş implementation, disseminated around the FCA world as a best practice.

With CBU Delivery Process Order Management and Product Logistics, one of our implementations towards logistics process optimisation, we are surrounding the completely-built unit (CBU) parking spaces and monitoring the loading area over CCTV in the scope of export safety precautions. Therefore, we are documenting delivery risks and minimising the time the units reach the customer by reducing the waiting times for the vehicles.



### Authorized dealer and service network

The authorised dealers and service points, where our products and services meet our customers, are our partners with the most important role in customer satisfaction. In addition to new and used vehicle sales, maintenance, repairs and spare parts sales services, Tofaş's dealer network provides financial services like motor and traffic insurance, and automobile loans. The success of this network affects our success directly, and our success increases the business value of these dealers and services.

By the year 2014, we have 81 dealers in Turkey. 75 of these dealers are conducting sales of the Fiat brand,

while 13 are selling Alfa Romeo, Jeep and Lancia brands. While most of our dealers are providing the customers with integrated services like sales, services, and spare parts, some are utilising sales and service points in different locations to provide a closer service to the customers. Including these 44 satellite points, the Fiat brand is serving its customers with 115 sales and 132 service points in total. In our dealer network which provides employment for a total of 5,663 people, 320 people are employed in sales and services of the brands Alfa Romeo, Jeep and Lancia.

We continued to start various dealer development projects in the reporting period to increase our dealers' success and our customers' satisfaction. Firstly, we established training modules under Tofaş Akademi towards the improvement of management skills of dealers' general managers and department managers. With the training programme that contains eight different modules, we are aiming to improve performances and higher management skills of our dealers, and increase their competitive advantages. We are also planning to determine new areas of need for managers and address such needs with new training programmes in the future. In another project we started in 2014, the Dealer HR Project, we published our Human Resources processes to be implemented by our dealers. In the scope of the project managed by HR specialists we appointed specifically for each dealer, we planned to reduce dealer employment turnover rate, and satisfy our customers' expectations better with high-performing and devoted employees. During the year, we also started the Goal-Oriented Management Process. In the scope of the project we operated with the aim of increasing the effectiveness of dealers' finance personnel, we designed a certification process to be renovated every three years. We certified 87% of our dealers with the implementation where finance personnel were evaluated in terms of the determined goals.



### CORPORATE CITIZENSHIP

As a corporate citizen that holds social awareness as a principle, we are working to ensure social development within our range of operations. Accordingly, we are operating social responsibility projects, and cooperating with public and non-governmental institutions. In the core of the social responsibility culture we are embracing, we are operating activities that support education, culture-arts and sports.

Our social development work conducted under Tofaş Donation and Sponsorship Policy is managed by our Corporate Communication Management. We are determining the needs and expectations of local communities and stakeholders and shaping our projects and operations accordingly. We transferred 11.34 million TL in resources into corporate citizenship projects.

### CONTRIBUTION TO LOCAL ECONOMY

As a pioneering establishment of the automotive industry, we have a significant place in Turkish economy. With the awareness of the responsibilities brought by our possession of a broad value chain that contains hundreds of suppliers and dealers, we are working to have positive impact on the local economy and seeing the local labour force as our primary resource of employment. As a result of this approach, all of our blue-collar employees and 89% of our senior managers consist of qualified local employees.

Besides our direct economic impacts, we are sustaining our increasing indirect economic impacts with the operations we conduct on the level of suppliers and business partners, process and product R&D programmes that are worth recognising as global best practices. We are creating positive value for our sector and our country with our direct and indirect economic effects. In the reporting period, at the “Ekonomiye Değer Katanlar 2014” awards given by Bursa Chamber of Commerce and Industry (BTSO), we were awarded the first place in “innovation”, second place in “exports”, and fourth place in “corporate tax” categories.

#### Direct Economic Impact (million TL)

<b>Created Economic Value</b>	<b>7,440.00</b>
Net Sales	7,440.00
<b>Distributed Economic Value</b>	<b>7,307.12</b>
Operation Costs	6,062.36
Employee Wages	520.03
Dividends	485.00
Taxes	228.38
Social Investments	11.34
<b>Accumulated Economic Value</b>	<b>132.88</b>



## EDUCATION

With the belief that the investments in young generations will shape our country's future, we are continuing our work on social responsibility.

### Fiat Laboratories

With our Fiat Laboratories application integrated with the "Vocational Schools are National Matters" (Meslek Lisesi Memleket Meselesi) project, we are aiming to create human resources that harbour the technical qualifications required by the automotive sector. With the help of the work operated in cooperation with the Directorate of Vocational and Technical Training, the Ministry of Education, we are contributing to the expansion of engine technology fields in schools and institutions that provide vocational and industrial training. Our after-sales managers, local service council representatives and local specialists are working together in Fiat Laboratories established in 11 vocational high schools in 9 cities; Istanbul, Bursa, Kocaeli, Ankara, Antalya, İzmir, Adana, Samsun and Diyarbakır. By 2014, 806 students and trainers utilised Fiat Laboratories that graduated its first students in the year 2009. 70 graduates, 9 of which are female students found jobs at Fiat authorised services in 2014. Additionally, Vehbi Koç Foundation provided scholarship opportunities for 330 students trained at the laboratories who satisfy the necessary conditions.



In the scope of the programme, we are providing technical and behavioural training to teachers and students under our training and management portal Tofaş Akademi. By means of the portal where students' personal information is stored, our graduates gain privileges to be employed by authorised services or directly by the factory. In addition to these opportunities, we are providing training about social responsibility projects, as well as technical and behavioural training in the scope of the in-service training we prepared for laboratory teachers. We prepared the 8th of the In-Service Training Programme in 2014 and the programme was utilised by 700 vocational high school teachers since its initiation.

In the reporting period, we arranged that students take the necessary training with hardware specific to our brands by donating about 250 electronics and mechatronics parts

to Fiat Laboratories. Additionally, we provided "engine renovation", "spare parts" and "Opar Olio oil" training to all Fiat Laboratories and organised 6 school visits to our factory.

Postgraduate Programme in Automotive Engineering We started the first Automotive Master's Degree Programme supported by an international university in Turkey in the year 2007 with the cooperation of Politecnico University of Turin and Uludağ University. So far, 115 students took part in, and 22 students graduated from the programme we established in order to provide support for the cultivation of the qualified human resources that will carry the Turkish automotive sector forward.



### Tofaş Fen Lisesi

Tofaş Fen Lisesi (Tofaş Science High School), opened in cooperation with Demirtaş Organised Industrial Zone (DOSAB) in Bursa, started education in the 2014-2015 season. 384 students are studying at the high school with 16 classrooms, 70 dorm rooms with a capacity for 280 students, and a gymnasium.

## ARTS & CULTURE

We are conducting work towards domestic and international recognition of our cultural and artistic values, preservation and exhibition of our historical assets.

### Deniz Can Taylan

#### 12th Grade Student, Fiat Laboratories

A modern Fiat Laboratory was opened in 2006 at my school with Tofaş's contributions. I am gathering knowledge about the newest automobile technologies at the laboratory where I have been working for three years. At the same time, I am receiving practical skills training on the theoretical knowledge I acquired from my work in the laboratory by doing an internship at Tofaş services. I am gaining more technical skills and experience through annual factory visits. The thought of graduating with skills and experience gives me hope about my future. With the value it places on us laboratory students, Tofaş is boosting our confidence and ensuring our development as individuals who are confident about the future.



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

The first and only Anatolian Cars Museum of Turkey, built with the restoration of an area spread on 17 thousand squared metres including the old silk factory in Bursa Umurbey Neighbourhood, the historical Umurbey Bath and the old Turkish house, is continuing its operation. The museum, visited by hundreds of thousands of people since its first day, takes its visitors on a journey that starts with a 2,600-year-old wheel, ranging to motorised vehicles manufactured by Tofaş.



Tofaş Art Gallery, serving in the Umurbey Bath inside Tofaş Museum of Anatolian Cars, hosted the “Time Machines” (Zaman Makineleri) exhibition between 2013 and 2015. In two years, 100,000 people visited the exhibition that features a thousand different watches, 400 ephemeris, and 400 clocksmith tools from different periods in the Master Architect Naim Arnas collection.

## Sponsorship for Pamukkale Hierapolis Excavations

Since 2005, we are one of the main sponsors of the excavations in the Ancient City of Hierapolis, which was included in UNESCO’s World Heritage List in 1988. In 2014, we supported the work under the management of

the Ministry of Culture and Arts and the Governor’s Office of Denizli in Hierapolis, one of the five examples of ancient city remains of Turkey.

As a result of the restorations so far, Hierapolis Ancient Theatre, one of the most beautiful examples of Roman theatres built around 1,800 years ago, was restored and put into service for culture and art events with its capacity of 12 thousand people.

Artefacts discovered other than the Ancient Theatre are; Nekropol, Hot Springs, the Big Church, San Flippe Matrium, Frontinus Gate, Gymnasium, Temple of Apollo and Pluto’s Gate. Ancient City of Hierapolis, whose visitor count reach 1.8 million people last year, became one of the most visited archaeological sites in Turkey.

Among the plans for the next few years, there is a focus on the completion of restorations of the stage tower of the theatre, the seating area and the part where the orchestra plays. It is also planned to build a route for tourists to access the stage tower’s restored parts.

## Sponsorship for Küçükyalı Arkeopark Excavations

We have been supporting the Küçükyalı Archaeology Park excavations that were started in 2001 by Turkish and Italian researchers under the management of the General Directorate of Cultural Heritage and Museums, the Turkish Ministry of Culture and Tourism, for 11 years. Like every year, in the scope of the operations in 2014, activities like conservation in scientific laboratories, restoration, photographing and database operations, as well as the usage of the laboratory built by Koç University continued. During the excavation season, guidance and introduction activities, training activities for students and literacy courses were conducted.



## SPORTS

We are carrying out various types of work to generalise sports among all factions of the society, with the awareness of the uses of sports for societal development. Besides our main branch basketball, we are raising new talents for Turkish sports with athletes we train for different sports teams, some of which take part in national teams.

### Tofaş Sports Club

Tofaş Sports Club, founded in 1974 at the Tofaş Factory in Bursa with the name Tofaş SAS (underwater sports, athletics, sports games), gained its current name in 1995. The club that operates in branches of basketball, football, volleyball, table tennis, water polo, and bridge, brought Bursa the first European Cup Final, the first Turkish Championships, Presidency Cup Championships, Turkish Cup Championships and World Schools Basketball Championship in basketball. Tofaş Sports Club, qualifying for FIBA Eurochallenge Cup in 2012-2013 season, completed the league in the 8th place with 16 wins in 2013-2014 season and qualified for European cups. While the nursery club MG Spor rised to the final at the Young Men's Turkish Championship, they also managed to proceed to the last 16 teams in the third division. Four athletes who played for the team were added to the A Team of Tofaş Basketball.

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

We have been training athletes with Tofaş Basketball schools under Tofaş Sports Club for the last 15 years. Tofaş Basketball Schools, accredited by the Turkish Basketball Federation's Basketball Schools Accreditation Programme, trains 3,500 children at 23 schools in 9 cities. With the project that helped us provide Turkish basketball with significant players, we have reached 15 thousand children at 50 schools so far.



We left 15 years behind with the Basketball Volunteers Project which we established for the training of children aged 7-14 who do not have the opportunities to participate in sports to to structural problems and lack of resources in cooperation with the Educational Volunteers Foundation of Turkey (TEGV). So far in the scope of the project, more than 10 thousand children participated in basketball and 300 TEGV volunteers received the Basketball Coach Training. In 2014, 124 female students and 29 volunteer coaches from 10 different cities in Turkey gathered at Koç University's campus for Fiatball Basketball Festival organised by Tofaş Sport Club and TEGV. We are carrying our project on in 10 cities with 13 TEGV training parks.

#### **Buse Karagüzel** FiatBall participant/Samsun

I am really happy to arrive in Istanbul for FiatBall Festival. I was on an airplane and a boat for the first time. I learned about living far from my family and made many friends. I love basketball. I was really happy after winning the matches we played here. This place is even more beautiful than I expected. I will go back home with wonderful memories. I am really sorry to be leaving the camp. I could stay here forever.

## CORPORATE MEMBERSHIPS

Organization	Responsibility
The Climate Platform (REC Turkey)	Membership
Automotive Industry Association (OSD)	Board of Directors and Committee and Working Group Memberships
Automotive Distributors Association ( ODD)	General Assembly, Board of Directors, Audit Comission and Committee Memberships
Istanbul Chamber of Industry (ISO)	Assembly Membership and Group Professional Committee Membership
Bursa Chamber of Commerce and Industry (BTSO)	Assembly Membership and Committee Membership
Turkish Metal Industrialist Union (MESS)	Membership
Foreign Investors Association Industry Working Group Presidency (YASED)	Board of Directors and Committee Memberships; Automotive and Automotive Supply Industry Working Group Presidency
Uludağ Automotive Industry Exporters' Association (OIB)	Vice Chairman of the Board of Directors; Board of Directors and Expertise Group Memberships
Bursa Industry and Business Association (BUSIAD)	Board of Directors and Specialist Groups Memberships
Demirtaş Organized Industry Zone (DOSAB)	Board of Directors Membership and Education Commission Membership
Demirtaş Organized Industry Zone Businessmen Association (DOSABSIAD)	General Assembly Memberships
Turkey Personnel Association Bursa Branch (PERYÖN)	Corporate Membership and Board of Directors Membership
Foreign Economic Relations Board Eurasia, Africa and Middle East Council (DEİK)	Membership
Foreign Trade Association of Turkey (TÜRKTRADE)	Membership
Turkish Quality Association (KALDER)	Membership and Board of Directors Membership
Association of Advertising Agencies (RVD)	Membership
Italian Trade Association	Representation
World Italian Entrepreneurs Association (CIIM EurAsiaMed)	Board of Directors Memberships
Turkish Industry and Business Association (TÜSİAD)	Membership and Working Group Memberships
Turkish Marine Environment Protection Association (DENİZTEMİZ-TURMEPA)	Membership
Association for Corporate Communication Specialists (KID)	Board of Directors Memberships
The Union of Chambers and Commodity Exchanges of Turkey(TOBB)	Automotive Industry Assembly Membership, Automotive Coommerce Assembly Membership
The Turkish Enlargement Business Council of the European Round Table of Industrialists (ERT-TEBC)	Membership
Financial Institutions Association (FKB)	Membership, Board of Directors Membership
Işık University	The Department of Industrial Engineering Advisory Board Membership
Turkish Republic Ministry of Science, Industry and Technology	Subcommittee Membership
The Institute of Internal Auditing - Turkey ( TİDE)	Membership
Turkish Researchers Association (TUAD)	Membership
Corporate Governance Association of Turkey (TKYD)	Corporate Membership and Working Group Memberships
Turkish Investor Relations Society (TUYİD)	Corporate Membership
Ethics and Reputation Society (TEİD)	Corporate Membership and Representation
Bursa Chamber of Commerce and Industry Education Foundation (BUTGEM)	Board of Directors Memberships
Professional Competency Board (MYK)	Automotive Sector Committee Presidency
Automotive Technology Platform (OTEP)	Executive Board and Safety Group Memberships
METU/BILTİR-UTEST Product Usability Test Unit (OTEST)	Advisory Board Membership
Istanbul Chamber of Commerce (İTO)	Membership
Tool Manufacturers' Association of Turkey (UKUB)	Board of Directors Associate Membership
Tax Council of Turkey	Working Group Memberships
Enterprise Risk Management Association of Turkey (KRYD)	Membership

Performance Data	2011	2012	2013	2014
<b>Economical and Operational Indicators Production (number)</b>				
Production (number)	307,788	256,428	244,614	222,807
Automobiles	98,505	77,538	82,817	59,109
LCV	195,555	178,890	161,797	163,698
CKD/SKD	13,728	0	0	0
Total Retail Sales (number)	129,945	104,598	100,441	92,355
Automobiles	58,838	46,461	53,104	42,769
LCV	71,107	58,137	47,337	49,586
Total Exports (number)	180,698	154,069	160,319	142,281
Automobiles	53,216	46,869	43,477	25,067
LCV	113,562	107,200	116,842	117,214
CKD/SKD	13,920	0	0	0
Capacity Utilization Rate (%)	77	64	61	56*
Net Sales (thousand TL)	7,336,658	6,705,274	7,037,954	7,440,009
Domestic	3,242,963	2,928,462	2,876,376	3,023,705
Export	3,964,044	3,667,217	4,069,041	4,297,030
Other Real Operating Sales	129,651	109,595	92,537	119,274
Profit Before Tax (thousand TL)	508,088	497,440	477,075	472,253
Profit After Tax (thousand TL)	474,165	442,039	434,223	574,238
EBITDA (thousand TL)	806,196	834,155	816,735	815,607
Earning per Share (Kr)	0.95	0.88	0.87	1.15
Economic Value Generated - Net Income (thousand TL)	7,336,658	6,705,274	7,037,954	7,440,009
Economic Value Distributed (thousand TL)	6,853,313	6,534,307	6,669,779	7,307,124
Operating Costs	6,137,418	5,467,501	5,751,832	6,062,362
Employee Wages and Benefits	356,344	431,271	439,750	520,030
Dividend Payment to Shareholders	250,000	480,000	325,000	485,000
Government Taxes and Other Obligations	98,985	144,086	140,229	228,387
Community Investments	10,566	11,449	12,968	11,345
Economic Value Retained (thousand TL)	483,345	170,967	368,175	132,885
Government Incentives (thousand TL)	25,608	102,935	50,241	55,420
Corporate Governance Rating Notes	8.58	9.03	9.14	9.01**
Total R&D Expenditure (TL)	126,772	106,998	113,467	541,057
Total R&D Employees (number)	395	395	491	605
Total Number of Patents	25	28	48	4
<b>Environmental Performance Indicators</b>				
Total Energy Consumption (GJ)	1,406,295	1,220,966	1,124,120	1,063,686
Direct Energy Consumption - Natural Gas (GJ)	644,128	607,682	612,661	609,138
Indirect Energy Consumption (GJ)	762,167	613,284	511,459	454,548
Electricity	535,517	480,107	441,120	434,108
Steam	226,650	133,177	70,339	20,440
Energy Consumption per Vehicle Manufactured (GJ/vehicle)	4.78	4.76	4.60	4.77
Energy Saved Through Efficiency Projects (GJ)	95,400	113,500	72,614	124,812
GHG Emissions Reduction Through Efficiency Projects (Ton CO <sub>2</sub> e)	8,653	10,294	6,541	9,720
Scope 1	2,756	3,278	2,254	4,995
Scope 2	5,897	7,016	4,287	4,725

Performance Data	2011	2012	2013	2014
Direct GHG Emissions (Scope 1) (Ton CO <sub>2</sub> e)	60,977	51,058	49,208	50,103
Indirect GHG Emissions (Scope 2) (Ton CO <sub>2</sub> e)	88,705	72,574	62,919	55,879
GHG Emissions From Personnel				
Commuting (Scope 3) (Ton CO <sub>2</sub> e)***	-	-	2,639	2,740
GHG Emissions per Vehicle Manufactured (Ton CO <sub>2</sub> e/vehicle)	0.508	0.482	0.458	0.476
Total VOC Emissions (Ton)	1,371	1,091	993	891
Specific VOC Emissions (gr/m <sup>2</sup> painting surface)	42.9	38.6	36.9	35.5
Total Water Withdrawal - Underground sources (m <sup>3</sup> )	1,005,765	910,516	857,305	772,247
Fresh Water Consumption per Vehicle Manufactured (m <sup>3</sup> /vehicle)	3.416	3.551	3.505	3.466
Total Water Recovered (m <sup>3</sup> )	27,631,420	49,136,180	52,099,771	52,430,664
Reuse	27,607,277	49,103,510	52,079,106	52,421,214
Recycle	24,143	32,670	20,665	9,450
Waste Water Discharge - to Receiving Natural Environment (m <sup>3</sup> )	598,415	429,341	587,561	580,600
Total Hazardous Wastes by Disposal Method (Ton)	3,520.6	2,870.6	2,618.4	1,484.0
Energy Recovery	2,784.1	2,427.6	2,321.9	867.31
Recovery	343.7	441.9	288.6	320.073
Landfill	344.5	0.0	0.0	297.44
Incineration	22.9	4.2	7.9	0.0
Other	25.5	0.0	0.0	0.0
Total Non-Hazardous Wastes by Disposal Method(Ton)	81,624.6	69,379.1	67,831.5	62,753.1
Energy Recovery	8.5	322.7	296.8	1,046.90
Recovery	81,223.0	69,056.4	67,534.7	61,706.2
Landfill	350.1	0.0	0.0	0.0
Incineration	0.0	0.0	0.0	0.0
Other	43.0	0.0	0.0	0.0
Hazardous Wastes Transported for Disposal Purpose (Ton)	3,520.6	2,870.6	2,618.4	1,484.0
Total Packaging Material Used (Ton)	7,788	6,886	6,536	5,987
Packaging Waste Recovery Ratio (%)	100	100	100	100
Environmental Trainings - Participation (number of participants)	3,102	2,305	1,600	3,917
Direct Employees	2,402	1,575	630	3,092
Contractor Employees	700	730	970	825
Environmental Trainings - Total Hours (person*hours)	8,020	3,180	1,780	3,917
Direct Employees	7,320	2,090	630	3,092
Contractor Employees	700	1,090	1,150	825
Total Environmental Management Costs (TL)	1,965,000	917,000	721,000	1,581,544
Fines Due to non-Compliance to Environmental Regulations (number-TL)	0-0	0-0	0-0	0-0
Environmental Impact Grievances Received				
Through Formal Mechanisms (number)	0	0	0	0
Suppliers Screened by Using Environmental Criteria (number)***	0	2	6	9
<b>Social Performance Indicators</b>				
Employee Trainings - Participation (number of participants)	5,536	5,641	5,619	7,131
Blue Collar	4,380	4,576	4,380	5,819
White Collar	1,156	1,065	1,239	1,312
Female	89	114	121	148
Male	7,047	6,527	5,498	6,983

Performance Data	2011	2012	2013	2014
Employee Trainings - Total Hours (person*hours)	243,045	159,223	224,198	268,412
Blue Collar	149,482	106,525	122,560	141,080
White Collar	93,563	52,698	101,638	127,332
Female	7,957	9,870	10,120	13,420
Male	235,088	149,353	214,078	254,991
Average Hours of Training per Employee (hours/person)	31.4	22.0	35.8	39.9
Blue Collar	23.1	17.9	24.9	28.1
White Collar	73.7	41.8	76.0	86.3
Female	35.4	43.9	41.5	44.3
Male	31.3	21.3	35.6	41
Contractor Employee Trainings - Participation (number of participants)	3,954	3,842	4,417	5,167
Contractor Employee Trainings - Total Hours (person*hours)	4,264	4,301	3,312	3,875
Average Hours of Training per Employee (hours/person)	4.8	4.5	4.0	5.0
OHS Trainings - Participation (number of participants)	9,877	12,751	10,914	16,543
Direct Employees	5,923	8,909	6,497	8,062
Contractor Employees	3,954	3,842	4,417	8,481
OHS Trainings - Total Hours (person*hours)	59,060	25,456	34,500	67,181
Direct Employees	54,796	21,155	28,518	59,532
Contractor Employees	4,264	4,301	5,982	7,649
The Rate of Accidents without Lost Days (with first-aid)				
Direct Employees	0.07	0.06	0.06	0.04
Contractor Employees	1.21	0.79	0.58	0.13
Occupational Diseases	0	0	0	0
Direct Employees	0	0	0	0
Contractor Employees	0	0	0	0
The Rate of Accidents with Lost Days				
Direct Employees	0.03	0.04	0.05	0.02
Contractor Employees	0.24	2.06	0.73	0.51
Fatalities	0	0	0	0
Direct Employees	0	0	0	0
Contractor Employees	0	0	0	0
Number of Employees Involved in Activities with High Accident or Disease Risk	0	0	0	0
Suppliers Screened by Using Labor Criteria (number)***	0	2	15	21

\*A 56% capacity usage rate is observed, calculated by the installed capacity according to the three shift system; calculations using the two-shift system, which has been in operation since 2013, show a capacity usage rate of 84%

\*\*Within the scope of the Corporate Governance Rating Period Revision Report issued as of 12.05.2014, our rating score was 8.95 (89.51%) while with the Corporate Governance Rating Report issued as of 05.11.2014 after reviewing the activities within the year, our rating score was once again increased to 9.01 (90.09%)

\*\*\* The data is revised retrospectively due to the assessment change made regarding scope limits.

Employee Demographics	2011	2012	2013	2014
<b>Total Workforce (number)</b>	8,621	8,183	7,087	7,259
Direct Employees	7,740	7,229	6,262	6,490
Female	225	225	244	303
Male	7,515	7,004	6,018	6,187
<b>Contractor Employees</b>	881	954	825	769
<b>Employees by Contract Type (number)</b>	<b>7,740</b>	<b>7,229</b>	<b>6,262</b>	<b>6,490</b>
<b>Permenant</b>	6,731	6,413	6,252	6,461
Female	220	219	242	303
Male	6,511	6,194	6,010	6,158
<b>Temporary</b>	1,009	816	10	29
Female	5	6	2	0
Male	1,004	810	8	29
<b>Employees by Category (number)</b>	<b>7,740</b>	<b>7,229</b>	<b>6,262</b>	<b>6,490</b>
<b>Blue Collar</b>	6,471	5,967	4,924	5,015
Female	2	1	2	20
Male	6,469	5,966	4,922	4,995
<b>White Collar</b>	1,269	1,262	1,338	1,475
Female	223	224	242	283
Male	1,046	1,038	1,096	1,192
<b>Employees by Type (number)</b>	<b>7,740</b>	<b>7,229</b>	<b>6,262</b>	<b>6,490</b>
<b>Full-time</b>	7,740	7,229	6,262	6,490
Female	225	225	244	303
Male	7,515	7,004	6,018	6,187
<b>Part-time</b>	0	0	0	0
<b>Employees by Education Level (number)</b>	<b>7,740</b>	<b>7,229</b>	<b>6,262</b>	<b>6,490</b>
Unschoolled	0	0	0	0
Primary	898	819	747	701
Secondary	4,770	4,424	3,582	3,662
University and Above	2,072	1,986	1,933	2,127
<b>Employees by Age Group (number)</b>	<b>7,740</b>	<b>7,229</b>	<b>6,262</b>	<b>6,490</b>
18-30	4,177	3,330	2,120	1,828
31-40	1,628	1,897	2,148	2,635
41-50	1,905	1,968	1,952	1,951
51-60	30	34	42	76
<b>Senior Management Structure (number)</b>	<b>15</b>	<b>16</b>	<b>19</b>	<b>18</b>
<b>by Gender</b>	15	16	19	18
Female	1	1	1	1
Male	14	15	18	17
<b>by Age Group</b>	15	16	19	18
18-30	0	0	0	0
31-40	1	1	1	0
41-50	11	11	13	10
51-60	3	4	5	8
<b>by Nationality</b>	15	16	19	18
TC Citizen	14	15	16	16
Expatriate	1	1	3	2





Employee Demographics

2011

2012

2013

2014

**Mid-level Management Structure (number)**

**188**

**187**

**200**

**210**

**by Gender**

188

187

200

210

Female

15

14

18

20

Male

173

173

182

190

**by Age Group**

187

186

200

210

18-30

5

3

4

2

31-40

82

74

85

90

41-50

90

97

97

99

51-60

10

12

14

19

**Employees Covered by Collective Bargaining Agreement (number)**

**6,471**

**5,967**

**4,924**

**4,980**

**New Hires (number)**

**950**

**94**

**366**

**607**

**by Gender**

951

94

366

607

Female

37

25

40

76

Male

914

69

326

531

**by Age Group**

951

94

366

607

18-30

908

62

296

507

31-40

39

23

64

68

41-50

4

8

3

22

51-60

0

1

3

10

**Employees Left (number)**

**309**

**566**

**1,129**

**426**

**by Gender**

309

566

1,129

426

Female

8

21

20

20

Male

301

545

1,109

406

**by Age Group**

309

566

1,128

426

18-30

186

333

802

114

31-40

45

123

187

131

41-50

74

95

127

146

51-60

4

15

12

35

**Employees on Parental Leave**

**599**

**373**

**549**

**481**

Female

18

19

16

29

Male

581

354

533

452

**Employees Returned to Work After Parental Leave**

**74**

**45**

**549**

**481**

Female

10

10

16

29

Male

64

35

533

452

**Employees Returned to Work After Parental Leave And Still Employed 12 Months After Their Return**

**74**

**45**

**549**

**472**

Female

10

10

16

29

Male

64

35

533

443

## GRI G4 Content Index

Indicator	Description	External Assurance	Identified Omissions
<b>Profile Disclosures</b>			
G4-1	Message From the CEO (p.4-5)	-	-
G4-2	Message From the CEO (p.4-5); Sustainability Management (p. 10)	-	-
G4-3	Contacts (Inside Rear Cover)	-	-
G4-4	Tofaş 2014 Annual Report (p.46-50)	-	-
G4-5	Contact (Inside Rear Cover)	-	-
G4-6	Product Portfolio (p. 13); Market Outlook (p. 14)	-	-
G4-7	Tofaş 2014 Annual Report (p.81)	-	-
G4-8	Market Outlook (p. 14)	-	-
G4-9	Market Outlook (p. 14); Talent Management (p.29); Performance Data (p.46); Tofaş 2014 Annual Report (p. 110-115)	-	-
G4-10	Performance Data (p.46)	-	-
G4-11	Talent Management (p.29)	-	-
G4-12	Supply Chain Management (p.32)	-	-
G4-13	Tofaş 2014 Annual Report (p.82)	-	-
G4-14	Business Ethics and Internal Control (p.8-9); World Class Manufacturing and Management Standards (p.20); Talent Management (p.28)	-	-
G4-15	Governance and Sustainability (p.6); World Class Manufacturing and Management Standards (p.20); Talent Management (p.28)	-	-
G4-16	Corporate Memberships (p.42)	-	-
G4-17	About the Report (p.3)	-	-
G4-18	About the Report (p.3); Sustainability Management (p.10)	-	-
G4-19	Sustainability Management (p. 10)	-	-
G4-20	Sustainability Management (p.10)	-	-
G4-21	Within the materiality process, we have identified the scope and boundary of the performance indicators. While following indicator protocols for disclosures regarding Material Aspects complied with indicators defined in GRI G4 Reporting Guide; we have defined company-specific performance indicators for Material Aspects not defined by GRI G4. Due to the scope limit of reporting, informations regarding Tofaş subsidiaries Fer Mas Oto Ticaret A.Ş. ve Koç Fiat Kredi Tüketici Finansman A.Ş. companies are excluded from the reporting content, except for data we provide for giving a general information about the company's financial portfolio. On the other hand, whereas company information on Material Aspects are involved in the scope of the report; to be limited with related subtopics, we have employed supplier information for energy and emissions, OHS, talent management and vocational training, human rights in the workplace subjects, dealer and service information on product and service quality and customer satisfaction subjects; supplier, dealer and service informations on business ethics and anti-corruption, management of sustainability risks, dealer and supplier business success in the value chain subjects; FCA information on sustainable mobility solutions, R&D development and cooperations, product strategy in developing markets subjects. Sustainability Management (p.10)	-	-
G4-22	About the Report (p.3)	-	-
G4-23	About the Report (p.3)	-	-
G4-24	Stakeholder Engagement (p.11)	-	-
G4-25	Stakeholder Engagement (p.11)	-	-
G4-26	Stakeholder Engagement (p.11)	-	-
G4-27	Business Ethics and Internal Control (p.8-9); Developing Markets and Product Strategy (p. 13); Customer Experience (p. 15); Corporate Citizenship (p.38)	-	-
G4-28	About the Report (p.3)	-	-
G4-29	About the Report (p.3)	-	-

Indicator	Description	External Assurance	Identified Omissions
G4-30	About the Report (p.3)	-	-
G4-31	Contact (Inside Rear Cover)	-	-
G4-32	About the Report (p.3); GRI Index (p.48); Legal Disclaimer (Inside Rear Cover); Independent External Assurance Report (p.54-55)	-	-
G4-33	About the Report (p.3); Legal Disclaimer (Inside Rear Cover); Independent External Assurance Report (p.54-55)	-	-
G4-34	Corporate Governance Structure (p.6); Tofaş 2014 Annual Report (p.92-97, 99-100)	-	-
G4-35	Sustainability Management (p.10)	-	-
G4-36	Sustainability Management (p.10)	-	-
G4-38	Corporate Governance Structure (p.6); Performance Data (p.46); Tofaş 2014 Annual Report (p.24-27,92-97)	-	-
G4-39	Tofaş 2014 Annual Report (p.24)	-	-
G4-40	Tofaş 2014 Annual Report (p.95-96)	-	-
G4-41	Tofaş Code of Ethical Conducts: <a href="http://www.tofas.com.tr/en/About/Documents/ETHICALCONDUCT_.pdf">http://www.tofas.com.tr/en/About/Documents/ETHICALCONDUCT_.pdf</a> (p.5-6)	-	-
G4-42	Sustainability Management (p.10)	-	-
G4-43	Sustainability Management (p.10)	-	-
G4-44	Corporate Governance Structure (p.6); Risk Management (p.7); Sustainability Management (p.10); Tofaş 2014 Annual Report (p.103)	-	-
G4-45	Risk Management (p.7); Sustainability Management (p.10)	-	-
G4-46	Risk Management (p.7); Sustainability Management (p.10); Tofaş 2014 Annual Report (p.96,99-100)	-	-
G4-47	Risk Management (p.7); Sustainability Management (p.10); Tofaş 2014 Annual Report (p.96,99-100)	-	-
G4-48	After being examined by Tofaş Sustainability Working Group, Tofaş Sustainability Report has been submitted to Tofaş sustainability Committee and published after their approval. Sustainability Management (p.10)	-	-
G4-51	Tofaş 2014 Annual Report (p.103)	-	-
G4-52	Tofaş 2014 Annual Report (p.103)	-	-
G4-53	Tofaş 2014 Annual Report (p.98,103)	-	-
G4-56	Tofaş Code of Ethical Conducts: <a href="http://www.tofas.com.tr/en/About/Documents/ETHICALCONDUCT_.pdf">http://www.tofas.com.tr/en/About/Documents/ETHICALCONDUCT_.pdf</a>	-	-
G4-57	Business Ethics and Internal Control (p.8)	-	-
G4-58	Business Ethics and Internal Control (p.8)	-	-
<b>Standard Disclosures</b>			
<b>Material Aspect: Economic Performance</b>			
G4-DMA	Not material	-	-
G4-EC1	Contribution to Local Economy (p.38); Performance Data (p.43)	-	-
G4-EC3	A Decent Workplace (p.29); Tofaş 2014 Annual Report (p.145-146)	-	-
G4-EC4	Tofaş 2014 Annual Report (p.142-143)	-	-
<b>Material Aspect: Market Presence</b>			
G4-DMA	Not material	-	-
G4-EC6	Performance Data (p.46)	-	-
<b>Material Aspect: Indirect Economic Impacts</b>			
G4-DMA	Corporate Citizenship (p.38); Contribution to Local Economy (p.38)	-	-
G4-EC7	Corporate Citizenship (p.38-41)	-	-
G4-EC8	R&D Management (p.16-17); Sustainable Mobility Solutions (p.17-19); Continuous Development Oriented Workplace (p.30); Corporate Citizenship (p.38-41)	-	-
<b>Material Aspect: Procurement Practices</b>			
G4-DMA	Supply Chain Management (p.32-33)	-	-
G4-EC9	Supplier Profile (p.33)	-	-

## GRI G4 Content Index

Indicator	Description	External Assurance	Identified Omissions
<b>Material Aspect: Energy</b>			
G4-DMA	Energy Efficiency and Emissions (p.21)	-	-
G4-EN3	Energy Efficiency and Emissions (p.21); Performance Data (p.43)	-	-
G4-EN5	Energy Efficiency and Emissions (p.21); Performance Data (p.43)	-	-
G4-EN6	Energy Efficiency and Emissions (p.21); Performance Data (p.43)	-	-
<b>Material Aspect: Water</b>			
G4-DMA	Environmental Management System (p.22); Water Management (p.24)	-	-
G4-EN8	Water Management (p.24); Performance Data (p.44)	-	-
G4-EN9	Water Management (p.24)	-	-
G4-EN10	Water Management (p.24); Performance Data (p.44)	-	-
<b>Material Aspect: Biodiversity</b>			
G4-DMA	Not material	-	-
G4-EN11	Tofaş production plants and other units are not located in the areas under protection due to their biodiversity or other environmental particularities.	-	-
G4-EN12	No significant negative environmental impact case witnessed in the neighbouring areas to Tofaş manufacturing plant has occurred due to Tofaş operations. All operations are conducted in line with limit values defined in permissions granted by related authorities	-	-
<b>Material Aspect: Emissions</b>			
G4-DMA	Energy Efficiency and Emissions (p.21-22)	-	-
G4-EN15	Energy Efficiency and Emissions (p.21-22); Performance Data (p.43-44)	Independently Assured	-
G4-EN16	Energy Efficiency and Emissions (p.21-22); Performance Data (p.43-44)		-
G4-EN18	Energy Efficiency and Emissions (p.21-22); Performance Data (p.43-44)		-
G4-EN19	Energy Efficiency and Emissions (p.21-22); Performance Data (p.43-44)		-
G4-EN21	Energy Efficiency and Emissions (p.21-22); Performance Data (p.43-44)		-
<b>Material Aspect: Effluents and Waste</b>			
G4-DMA	Efficient and Environmentally Friendly Material and Waste Management (p.24)	-	-
G4-EN22	Water Management (p.24); Performance Data (p.44)	-	-
G4-EN23	Efficient and Environmentally Friendly Material and Waste Management (p.24); Performance Data (p.24)	-	-
G4-EN25	Performance Data (p.44)	-	-
G4-EN26	Water Management (p.24)	-	-
<b>Material Aspect: Products and Services</b>			
G4-DMA	Sustainable Mobility Solutions (p.17-19)	-	-
G4-EN27	Sustainable Mobility Solutions (p.17-19)	-	-
<b>Material Aspect: Compliance</b>			
G4-DMA	Not material	-	-
G4-EN29	Environmental Management System (p.22)	-	-
<b>Material Aspect: Transport</b>			
G4-DMA	Reduction of Social and Environmental Impacts in Raw Material and Product Logistics (p.35-37)	-	-
G4-EN30	Reduction of Social and Environmental Impacts in Raw Material and Product Logistics (p.35-37)	-	-
<b>Material Aspect: Overall</b>			
G4-DMA	Not material	-	-
G4-EN31	Environmental Management System (p.22)	-	-
<b>Material Aspect: Supplier Environmental Assessment</b>			
G4-DMA	Tofaş Supplier Audit Map (p.33); Supplier Development Practices (p.33-34); Management of Sustainability Risks in the Supply Chain (p.35)	-	-
G4-EN32	Management of Sustainability Risks in the Supply Chain (p.35); Performance Data (p.44)	-	-
G4-EN33	Management of Sustainability Risks in the Supply Chain (p.35)	-	-

Indicator	Description	External Assurance	Identified Omissions
<b>Material Aspect: Environmental Grievance Mechanisms</b>			
G4-DMA	Not material	-	-
G4-EN34	Environmental Management System (p.22)	-	-
<b>Material Aspect: Employment</b>			
G4-DMA	Not material	-	-
G4-LA1	Performance Data (p.47)	-	-
G4-LA2	All Tofaş employees benefit identically from all rights in accordance with the nature of their employment contracts. By year 2014, there are no part-time employees within the workforce and there are 29 employees working with temporary employment contract.	-	-
G4-LA3	Performance Data (p.47)	-	-
<b>Material Aspect: Occupational Health and Safety</b>			
G4-DMA	Occupational Health and Safety (p.27-28)	-	-
G4-LA5	95 employees take charge in 9 OHS committees located in Tofaş manufacturing plant. Binding decisions with regards to OHS issues are taken in the committees all employees represented in.	-	-
G4-LA6	During the reporting period neither fatality nor occupational disease case occurred. Occupational Health and Safety (p.27-28); Performance Data (p.45)	-	-
G4-LA7	Performance Data (p.45)	-	-
G4-LA8	Our OHS commitments are found in the collective bargaining agreements. Most recent collective bargaining agreement contains OHS issues such as compliance to regulations, health and protective equipments	-	-
<b>Material Aspect: Training and Education</b>			
G4-DMA	Continuous Development Oriented Workplace (p.30)	-	-
G4-LA9	Continuous Development Oriented Workplace (p.30-31); Performance Data (p.45)	-	-
G4-LA10	Continuous Development Oriented Workplace (p.30-31)	-	-
G4-LA11	High Performance Oriented Workplace (p.31)	-	-
<b>Material Aspect: Diversity and Equal Opportunity</b>			
G4-DMA	A Decent Workplace (p.29)	-	-
G4-LA12	A Decent Workplace (p.29)	-	-
<b>Material Aspect: Equal Remuneration for Women and Men</b>			
G4-DMA	A Decent Workplace (p.29)	-	-
G4-LA13	High Performance Oriented Workplace (p.31)	-	-
<b>Material Aspect: Supplier Assessment for Labor Practices</b>			
G4-DMA	Management of Sustainability Risks in the Supply Chain (p.35)	-	-
G4-LA14	Management of Sustainability Risks in the Supply Chain (p.35)	-	-
G4-LA15	Management of Sustainability Risks in the Supply Chain (p.35)	-	-
<b>Material Aspect: Non-discrimination</b>			
G4-DMA	A Decent Workplace (p.29)	-	-
G4-HR3	During the reporting period, no case of discrimination has occurred.	-	-
<b>Material Aspect: Freedom of Association and Collective Bargaining</b>			
G4-DMA	A Decent Workplace (p.29)	-	-
G4-HR4	During the reporting period, no evidence for unionization and collective bargaining rights to be under risk in Tofaş operations. Same principle is also considered during supplier audit process and no risk element witnessed.	-	-
<b>Material Aspect: Child Labor</b>			
G4-DMA	A Decent Workplace (p.29)	-	-
G4-HR5	During the reporting period, no evidence for risk of child labour in Tofaş operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.	-	-

## GRI G4 Content Index

Indicator	Description	External Assurance	Identified Omissions
<b>Material Aspect: Forced and Compulsory Labor</b>			
G4-DMA	A Decent Workplace (p.29)	-	-
G4-HR6	During the reporting period, no evidence for risk of forced or compulsory labour in Tofaş operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.	-	-
<b>Material Aspect: Security Practices</b>			
G4-DMA	Not material	-	-
G4-HR7	Certified security personnel specialized in the field take charge in ensuring the safety of Tofaş operations. Communication with third parties and human rights issues are involved in the scope of the security personnel's training. All security personnel are informed about company procedures.	-	-
<b>Material Aspect: Assessment</b>			
G4-DMA	Business Ethics and Internal Control (p.8-9)	-	-
G4-HR9	Business Ethics and Internal Control (p.8-9)	-	-
<b>Material Aspect: Supplier Human Rights Assessment</b>			
G4-DMA	Management of Sustainability Risks in the Supply Chain (p.35)	-	-
G4-HR10	Management of Sustainability Risks in the Supply Chain (p.35)	-	-
G4-HR11	Management of Sustainability Risks in the Supply Chain (p.35)	-	-
<b>Material Aspect: Local Communities</b>			
G4-DMA	Corporate Citizenship (p.38)	-	-
G4-SO2	During the reporting period, no case of negative impact on localcommunity due to Tofaş operations has occurred. Corporate Citizenship (p.38)	-	-
<b>Material Aspect: Anti-corruption</b>			
G4-DMA	Business Ethics and Internal Control (p.8-9)	-	-
G4-SO3	Business Ethics and Internal Control (p.8-9)	-	-
G4-SO4	Business Ethics and Internal Control (p.8-9)	-	-
G4-SO5	Business Ethics and Internal Control (p.8-9)	-	-
<b>Material Aspect: Public Policy</b>			
G4-DMA	Not material	-	-
G4-SO6	Business Ethics and Internal Control (p.8-9)	-	-
<b>Material Aspect: Grievance Mechanisms for Impacts on Society</b>			
G4-DMA	Not material	-	-
G4-SO11	Business Ethics and Internal Control (p.8-9)	-	-
<b>Material Aspect: Customer Health and Safety</b>			
G4-DMA	Vehicle Safety, Driving and Passenger Confort (p.19)	-	-
G4-PR1	Vehicle Safety, Driving and Passenger Confort (p.19)	-	-
G4-PR2	During the reporting period, no case of non-compliance to regulations has occurred regarding vehicle and passanger safety aspects.	-	-
<b>Material Aspect: Product and Service Labeling</b>			
G4-DMA	Customer Experience (p.15)	-	-
G4-PR3	Customer Experience (p.15)	-	-
G4-PR4	During the reporting period, no case of non-compliance to regulations has occurred regarding customer information practices and product labeling.	-	-
G4-PR5	Customer Experience (p.15)	-	-
<b>Material Aspect: Marketing Communications</b>			
G4-DMA	Not material	-	-
G4-PR7	During the reporting period, no case of non-compliance to regulations has occurred regarding marketing communication aspects.	-	-

Indicator	Description	External Assurance	Identified Omissions
<b>Material Aspect: Sustainability and Risk Management</b>			
DMA	Risk Management (p.7); Sustainability Management (p.10); Management of Sustainability Risks in the Supply Chain (p.35)	-	-
<b>Material Aspect: Sustainable Mobility Solutions</b>			
DMA	Sustainable Mobility Solutions (p.17-19)	-	-
<b>Material Aspect: R&amp;D Management and Collaborations</b>			
DMA	R&D Management (p.16-17)	-	-
<b>Material Aspect: Dealer and Supplier Success</b>			
DMA	Supply Chain Management (p.32-37); Authorized Dealer and Service Network (p.37)	-	-
<b>Material Aspect: Product Strategy in Developing Markets</b>			
DMA	Developing Markets and Product Strategy (p.13)	-	-

# INDEPENDENT EXTERNAL ASSURANCE REPORT



TOFAS Türk Otomobil Fabrikası A.S.  
Yeni Yalova Yolu Cad. No:574/BURSA

To whom it may concern,

This letter is presented to TOFAS TURK OTOMOBIL FABRIKASI A.S. to present opinion of the Bureau Veritas Certification Turkey on the Greenhouse Gases Verification for the period 1" January 2014 to 31" December 2014.

Bureau Veritas Turkey consent to release of this letter by you to the Carbon Disclosure project in order to satisfy the terms of CDP disclosure requirements. Bureau Veritas Turkey not accepts or assumes any responsibility or liability on our part to CDP or to any other party who may have access to this letter or assurance report.

TOFAS TURK OTOMOBIL FABRIKASI A.S commissioned Bureau Veritas to perform a verification of its 2014 GHG Inventory. The verification was performed between April 2015 and May 2015.

### The GHG assertions verified were the following:

1. That the [2014 GHG Inventory for Customer has been developed in accordance with common industry practice, including ISO 14064-1:2006 Standard

2. That the calculated Scope 1 and Scope 2 GHG emissions for the 2014 are 105.982 tons of CO<sub>2</sub>e (the emission sources included for each source has been given in verification report)

3. That the calculated Scope 3 GHG emissions for the 2014 are 4.812.847 tons of CO<sub>2</sub>e (the emission sources included for each category has been given below)

- Upstream transportation and distribution: **50.541 tons of CO<sub>2</sub>e**
- Waste generated in operations: **838 tons of CO<sub>2</sub>e**
- Business travel: **874 tons of CO<sub>2</sub>e**
- Employee commuting: **2740 tons of CO<sub>2</sub>e**
- Downstream transportation and distribution: **25.148 tons of CO<sub>2</sub>e**
- Use of sold products: **4.526.558 tons of CO<sub>2</sub>e**
- End of life treatment of sold products: **206.148 tons of CO<sub>2</sub>e**

**The verification task was to form an opinion at a reasonable and limited level of assurance about the above GHG assertions, regarding:**

1. Conformance with the general requirements of ISO 14064-1.
2. Reasonableness of the calculated Scope 1 and Scope 2 emissions for the 01.01.2014-31.12.2014.
3. Limitation of the calculated Scope 3 emissions for the 01.01.2014-

31.12.2014.

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**The verification performed by Bureau Veritas applied ISO 14064-3 International Standard for GHG verifications. The following verification activities were conducted:**

1. Review of documentation, controls and methodologies, including other verification reports,
2. Assessment of risks and verification planning,
3. Assessment of documentation, controls and methodologies, including the facility quality management systems,
4. Documentation of verification findings and outstanding issues in verification report,
5. Assessment and documentation of resolutions to outstanding issues in verification report,
6. Issuance of verification statement and completion of verification.

**GHG Assertion #1:** The GHG inventory conforms to the general requirements of ISO 14064-1 Standard.

**GHG Assertion #2:** 105.982 tons CO<sub>2</sub>e of which 50.103 tons of CO<sub>2</sub>e are direct emissions (Scope 1) and 55.879 tons of CO<sub>2</sub>e are energy indirect emissions (Scope 2) are reasonable. (The emission sources included for each category has been given in verification report)

**View Declaration**

The greenhouse gas emission data (Scope 1 and 2) for 2014 disclosed in the Sustainability Report as a result of verification audit held on the basis of international standards has been verified with reasonable assurance.

**GHG Assertion #3:** 4.812.847 tons CO<sub>2</sub>e of which are other indirect emissions (Scope 3) are verified with limited assurance.

**View Declaration**

The greenhouse gas emission data (Scope 3) for 2014 disclosed in the Sustainability Report as a result of verification audit held on the basis of international standards has been verified with limited assurance.

**Verifier Opinion and Qualifications**

Based on the process and procedures conducted, the GHG assertion is prepared in accordance with the requirements of ISO 14064-1.

Based on the process and procedures conducted, the GHG assertion is materially correct and is a fair representation of the GHG data and information.

Date: 15 JUNE 2015

  
**ONUR YILMAZ**  
Product Manager

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