

LIFE IS RENEWAL



TOFAŞ SUSTAINABILITY REPORT 2016



TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

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ABOUT THE REPORT

Tofaş 2016 Sustainability Report covers the activities conducted by Tofaş Türk Otomotiv Fabrikası A.Ş.


With our sustainability reporting which we first started at 2013, as Tofaş we aim to present the most up-to-date information to all our stakeholders, notably including our investors and shareholders, employees, dealers, suppliers, business partners, universities and non-governmental organizations. In line with transparency and accountability principles, through our fourth report, we share with stakeholders our studies we conducted, management approach we followed, social, economic and environmental impacts of our activities, objectives we aim and performance results we achieved during our sustainability journey.

Tofaş 2016 Sustainability Report that has been prepared in accordance with GRI Standards: “core” option, the latest version of reporting framework featured by GRI, covers the activities conducted by Tofaş Türk Otomotiv Fabrikası A.Ş. Any information other than financial data regarding our subsidiaries Fer Mas Oto Ticaret A.Ş. and Koç Fiat Kredi Finansman A.Ş., unless otherwise indicated, has not been included in this report.

This report consists of a portfolio of subjects obtained as a result of a study conducted to identify sustainability priorities when determining the report content. In some prioritized subjects, we provided performance results of the related stakeholders in addition to regular company data available. In addition to indicators stated by GRI Standards, for enabling a more comprehensive analysis, performance evaluation methods generally acknowledged in our sector were also employed during the content preparation process of this report.

The information disclosed in Tofaş 2016 Sustainability Report covers the performance realized during the reporting period between 1 January - 31 December 2016 while data regarding previous terms were also shared. We aim to conduct our future reporting practices by following the same guiding methodology in an annual plan.

You can access the 2016 and previous years' sustainability reports in PDF format as well as more detailed reporting content on www.tofas.com.tr.



We continue to present the most up-to-date information about our activities in line with transparency and accountability principle.

MESSAGE FROM CEO

For Tofaş, 2016 was a successful year that will be referred to new model launches, manufacturing and export records and valuable prizes. We strengthen our global position through expanding work load and R&D capabilities as our factory achieved the highest number production volume in FCA.

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We have just completed an unsteady year comprised of critical economic and political developments in the world. Experiencing unexpected advancements both locally and internationally, Turkish economy has overcome challenging processes. Despite these difficulties, Turkish automotive industry has achieved 20% expansion in 2016. At Tofaş, we continued our sustainable growth and preserved our pioneer position in the industry.

For Tofaş, 2016 was a successful year that will be referred to new model launches, manufacturing and export records and valuable prizes. We strengthen our global position through expanding work load and R&D capabilities as our factory achieved the highest number production volume in FCA. We increased total production by 38% in 2016 compared to previous year, and have reached the highest production volume so far. Again, we ranked first in total automotive exportation with a 61% increase in export.

With the strength derived from our shareholders, Koç Holding and Fiat Chrysler Automobiles, we are working to build a sustainable future while continuing to create value for all our stakeholders. We are striving constantly to improve the social and environmental as well as the economic dimensions of our performance in keeping with our principle of being a company that is transparent, accountable, fair, and responsible.

We continued to strengthen our corporate sustainability performance in reporting period as well. Our corporate governance performance rating, a measure of our compliance with Capital Markets Board Corporate Governance Principles, was also raised to 9.14 out of 10. In addition, according to comprehensive evaluation made by EIRIS together with by the Borsa Istanbul in terms of BIST Sustainability Index, we achieved to be among 43 Turkish companies that comply with BIST sustainability criteria.

Fiat Egea Project has nationally become a source of honor as a global model family developed in Turkey. We are content with the official awards our R&D center receives. Tofaş R&D Center has been selected as "The Best R&D Center in Automotive Sector" for the second time in a row by the Republic of Turkey, Ministry of Science, Technology and Industry, and ranked first in Turkey by R&D expenditure in European Commission.

We act with awareness on risks that climate change creates on our business field as it is one of the most crucial issues the world is facing today. We focus on mitigating the climate change risks of our practices and products. In this regard, we produce sustainable mobility solutions including vehicles with low emissions and alternative fuel technologies. Thus, we work to minimize our impacts on environment and to effectively manage these impacts.

During the reporting period, we continued to improve our environmental performance which is one the main focuses of FCA's World-Class Manufacturing (WCM) methodology. Despite the significant increase in production volume in 2016, we reduced energy consumption per vehicle by 17% to 3,90 GJ, and emission volume per vehicle by 16% to 0,400 ton CO₂e. Thanks to energy efficiency projects, we acquired 60.169 GJ energy and 4.213 CO₂e emission saving. In addition, we continued to conduct our operations with minimum amount of water consumption and to recycle water we used. In 2016, we recycled 63.397.013 m³ water and discharged over 1 million m³ waste water.

We continue to monitor our suppliers that are a crucial part of our sustainable work success in environment, occupational health and safety, quality, efficiency, and employee development. In reporting period, we have worked with 24 suppliers according to WCM Expansion Project in order for our suppliers to integrate WCM methodology into their business model. Moreover, we share our know-how with suppliers through Tofaş Academy. In this regard, 808 employees of 60 suppliers participated in training modules for suppliers.

One of our basic goals is to create a participating business environment in which employees improve their professional and individual capabilities. In 2016, 8.113 individuals received 665.629 person*hour training organized to enhance knowledge and talents of employees based on Tofaş Academy practices. In addition, we conducted applications that support the engagement of our employees to business processes. Besides, we have also implemented practices supporting our employees' participation in business processes.

We continued to strengthen our occupational health and safety performance in line with our "Zero Accident" target and our "Step by Step Workplace Safety" approach throughout the year. Since 2006 when we initiated World-Class Occupational Safety practices, we have reduced the average number of workdays lost due to accidents (LTA) by 96%. Our achievements in Occupational Health and Safety have been received "Golden Glove" award in companies category and "Golden Suggestion" award in personal category in the competition organized by MESS.

As a corporate citizen, we continue to create value for the society we live in thanks to social responsibility projects we conduct. Our understanding of corporate social responsibility is also integrated with corporate culture and policies. We give priority to ongoing and



sustainable social responsibility projects for many years. We keep our pace in conducting projects in education, environment, culture & arts and in sports. In the reporting period, we spent over 23 million TL to corporate citizenship practices.

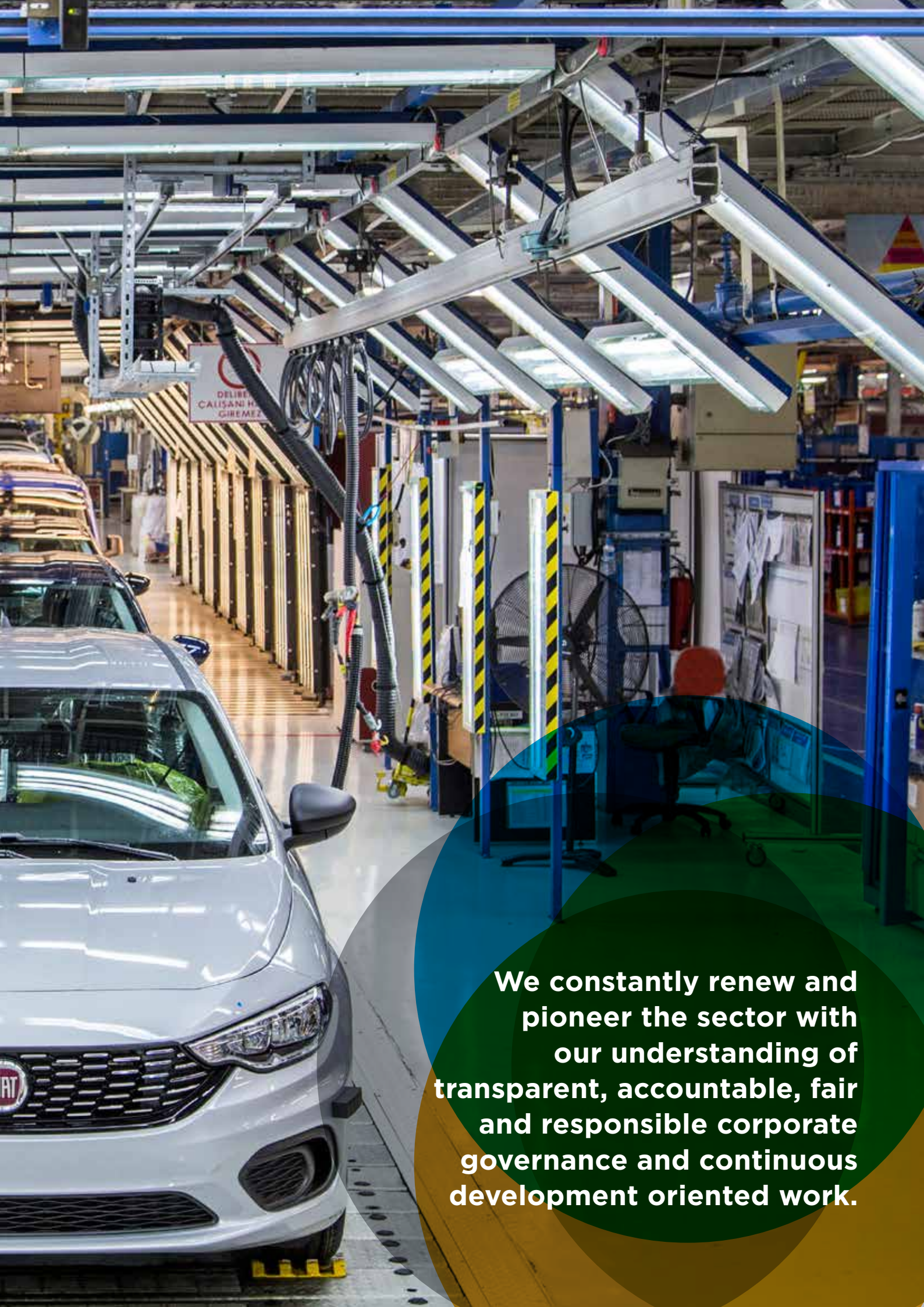
In closing I therefore take this opportunity to thank all our stakeholders including our employees, shareholders, suppliers and business partners for contributing to our successful performance in 2016.

Cengiz Eroldu
CEO




DELIBERA
CAUSANI HARICI
GIREMEZ

UNAY
DLGE



DELİRE
ÇALIŞANI H
GİREMEZ

We constantly renew and pioneer the sector with our understanding of transparent, accountable, fair and responsible corporate governance and continuous development oriented work.

GOVERNANCE AND SUSTAINABILITY

We manage Tofaş Corporate Governance practices with an accountable, fair and responsible understanding in line with Corporate Governance Principles.

Our management approach is based on the value and principles derived from our shareholders, Koç Holding and Fiat Chrysler Automobiles (FCA). In view of our commitment to business ethics, responsibility and development oriented working system, we continue to lead the industry while constantly renewing ourselves.

CORPORATE GOVERNANCE STRUCTURE

We conduct Tofaş Corporate Governance practices in accordance with the Corporate Governance Principles in a transparent, accountable, fair and responsible manner. We follow the current principles and regulations that meet the international measures and we continuously develop our practices. In order to improve our corporate governance performance, we measure and share it with our stakeholders through reporting. We manage our corporate governance practices with the understanding of implementation of Corporate Governance Principles at every level.

In this context, we have been subject to rating process of BIST Corporate Governance Index since 2007, and we are willing to implement this as a constant and dynamic process considering our commitment to the corporate governance principles. We conduct studies required for the Index criteria periodically every year. In an evaluation conducted in 2016, our corporate governance rating note was announced as 9.14. Moreover, our company has also been among 43 Turkish companies listed in the BIST Sustainability Index based on the comprehensive evaluation of EIRIS conducted under Borsa Istanbul.

Tofaş Board of Directors consists of 10 members, two of whom are independent, elected by the General Assembly within the scope of the Capital Markets Board Corporate Governance Communiqué and in accordance with the CMB regulations. Our company is subject

to II-17.1 CMB Corporate Governance Communiqué provisions within the scope of the Capital Markets Board legislation and due to the fact that it is regulated within the scope of aforementioned Communiqué that the Number of Independent Members of the Board of Directors as being 2 shall be sufficient for the Joint Ventures (JV Companies) consisting of two real or legal persons sharing the management control of the Joint Venture equally with the contract, having 2 Independent Members in the Board of Directors is also a valid regulation for our Company provided that permission is obtained from the CMB. While Chairman and Chief Executive Officer duties are carried out by different individuals, CEO is the only executive Board member. Board of Directors is responsible for determination of strategic approaches and their conduct, risk management, effectiveness of early warning and control systems, identification of corporate objectives, compliance with corporate governance principles and the efforts to achieve anticipated performance and results. The Board of Directors is administered within the framework of the Turkish Commercial Law, Capital Market Law and the provisions of the Articles of Partnership are responsible for the realization of the targeted performance and execution of the work in this direction; and they report directly to the Board of Directors.

Corporate Governance Committee, Audit Committee, Early Detection of Risks and Risk Management Committee, which perform under the Board of Directors, have a key role in ensuring the effectiveness of the activities of the Board of Directors. Nomination Committee and Remuneration Committee duties are carried out by the Corporate Governance Committee.

The detailed information about Tofaş corporate governance structure is available on www.tofas.com.tr or in our interactive 2016 Tofaş Annual Report available on <http://ir.tofas.com.tr>.



RISK MANAGEMENT

At Tofaş, risk management is a Board responsibility, and related tasks and activities are conducted by Audit Committee, as well as Early Detection of Risks and Risk Management Committee in accordance with legal regulations. Early Detection of Risks and Risk Management Committee is responsible for the determination of corporate risk policies, identification of the possibilities regarding measurement and management of risks, establishment of convenient risk limits, as well as monitoring and reporting. Corporate risk strategies are determined in accordance with the reporting from this Committee to Board of Directors. Risk management is a part of the expansion of annual targets and performance evaluation system.

We have 5 main steps based on a methodology recognized globally to monitor and manage the risks of Tofaş:

- 1. Identifying the risk:** In the first place, we try to predict how potential future incidents may influence our company goals and build an opinion towards when, where, how and why risks can appear.
- 2. Measuring the risk:** We cluster identified risks by magnitude and criticality. We try to clarify the magnitude and understand correlations.
- 3. Evaluating the risk:** We analyze balance and impact between positive and negative results caused by the identified risks; yet we decide which risks to focus on by prioritizing in order to reduce risk level.
- 4. Mitigating or transferring the risk:** We create and conduct an action plan including necessary actions and precaution for mitigation of potential negative impacts of risks which are identified as critical.
- 5. Continuous monitoring:** We check the effectiveness and efficiency of our risk management system. We take necessary precautions promptly, and yet evaluate their effectiveness; if necessary we improve the process.

Our risk management organization is formed in line with legal requirements as well as additional regulations. They perform their duties according to the principles such as “protection of corporate assets and values”, “ensuring commercial, financial and operational confidence” and “corporate risk management sustainability”. The Sustainability risks, one of the six main pillars of Tofaş’s risk management portfolio, comprise all subjects that have impacts on company’s sustainability performance. Thereby considering possible sustainability risks, the preventive approaches are defined and the outcomes are reported.

Please visit www.tofas.com.tr for detailed information about Tofaş corporate risk management policy, principles, organization and practices.

9.14
Corporate
Governance Rating
Note

GOVERNANCE AND SUSTAINABILITY

Our basic principles for all our activities are commitment to business ethics rules and zero tolerance to bribery and corruption.

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BUSINESS ETHICS AND ANTI-CORRUPTION

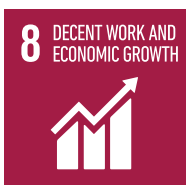
Our basic principles for all our activities are commitment to business ethics rules and zero tolerance to bribery and corruption. Tofaş Code of Ethics, which is binding for all employees, suppliers and business partners, defines the basis of our understanding of ethics and rules to be applied. Besides, our approach to corruption and bribery is clearly defined in our Anti- Bribery and Corruption Policy.

Our principles and policies regarding business ethics and anti-corruption cover the topics of compliance of conduct with business ethic, protection of all kinds of corporate assets and information, the prevention of conflict of interest, issues to be considered during the establishment of business relations and partnerships, health and safety in working environment, and bribery and anti-corruption practices. Breach reporting mechanisms and the disciplinary rules and sanction in case of any violation are also defined in our policy and procedures and process is monitored precisely The 10th principle of United Nations Global Compact (UNGC) on anti-corruption signed by our shareholder Koç Holding, is an integral part of our business ethics and anti-corruption approach.

Within business ethics and anti-corruption program, in tandem with Tofaş Ethics Committee and the Internal Audit Department, we follow a compliance program that includes risk-based assessments, monitoring, auditing, reporting and training activities.

The Board of Directors is primarily responsible for conducting all company activities in accordance with laws and regulations the Tofaş Business Ethics Rules and Tofaş Anti-Bribery and Corruption Policy. This responsibility is exercised through Tofaş Ethics Committee nominated by our Board of Directors. The Ethics Committee is composed of CEO, Chief Legal Officer, Human Resources Director and other related directors. Committee gathers at every 6 months or upon call from any of its members. Tofaş Ethics Committee is responsible for the dissemination and the understanding of ethical principles through the company, its communication with internal and external stakeholders, revision when necessary, its effective management, the investigation and settlement of the employees' and third parties' notice of violations, establishing a commission of inquiry if necessary, implementing the decision according to the discipline procedure and informing the related authorities. Sanctions, even contract cancellations to be applied in case of breaches are held according to Tofaş Discipline Procedure.

Tofaş Ethics Committee is also responsible for monitoring and auditing of compliance with anti-bribery and corruption policy and code of ethics. Internal audit department conducts periodical auditing activities regarding compliance with such codes and policies on behalf of the Tofaş Ethics Committee. Risks related to code of ethics, anti-bribery and corruption are identified through risk-based assessment. Several factors including the quality of the activity, the place of conduct, internal and external risks, and current internal controls are considered in risk-based assessments. Anti-bribery and corruption risks are key criteria in detecting internal and external risks. For instance, units that work directly with public and private sector suppliers and customers are deemed to have higher risks.



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An audit plan is prepared to strengthen internal control in necessary areas according to the risk assessment results prepared by internal audit department. This audit plan is submitted for approval and review to Board Committee. Besides, based on the risk-based assessment results, departments that have relatively higher risk level are included primarily to the audit plan or subject to routine controls. anti-corruption and bribery risks are handled in these auditing activities, and risk-mitigating controls are evaluated. In case of inefficient control levels, the related departments conduct corrective actions. The results of significant complaints, problems and examinations are assessed and reviewed at least quarterly by Board Committees via Internal Audit Department and Ethics Committee.. There are no bribery cases observed in the audits conducted in 2016.

All employees are responsible for protecting our values and principles of ethics and acting in accordance with working principles, and moreover, they give a signed declaration of commitment. In this context, our code of ethics and anti-bribery and corruption policy are communicated with all employees. In addition to declaration of commitments we received from current employees, code of ethics and anti-bribery and corruption policy are submitted to newly hired colleagues by signature. All senior and mid-level managers are responsible for attaching the necessary importance to code of ethics and the compliance of employees to these codes. It is evident in our Anti-Bribery and Corruption Policy that Tofaş employees cannot be deemed responsible for any loss that the company suffers due to their actions compliance with ethical rules. Not only employees, but Board members, suppliers and dealers, namely all business partners and all stakeholders must fully obey these codes and policies. Compliance to business ethics and anti-corruption rules are an integral part of our activities, and we struggle to improve them constantly.

We continuously communicate our rules and policies regarding business ethics and anti-corruption with our business partners via platforms such as website and periodical publications. We frequently get in contact with our stakeholders to discuss the improvement and efficiency of anti-bribery and corruption mechanisms. Tofaş is a member of Ethics and Reputation Society (TEID). We follow new perspectives and up-to-date practices in business ethics and anti-corruption through TEID. We pay only membership fee to TEID to receive their reinforcements and no extra payments are made. We improved our online training program based on feedbacks gathered from suppliers and dealers that completed our online program on code of ethics

and anti-bribery. Moreover, we consult to dealers, suppliers and non-governmental organizations when prioritizing subjects that shall be included in the report. According to this consultation, 95% of the related stakeholders deemed business ethics and anti-corruption subjects as top priority.

We conduct due diligence including anti-bribery and corruption issues before establishing business partnerships and selecting business partners such as suppliers and dealers. We choose business partners which commit to obey the related rules and policies, and before establishing a partnership, we evaluate prospective partners according to specific criteria including ethic compliance.

Objective criteria specified in internal procedures are taken into account when selecting agents or companies that Tofaş will receive goods or services from.. Such criteria include subjects such as anti-corruption and bribery risks, and the pre-assessments are conducted jointly by the related business unit and purchasing department. In selecting agents/ companies complying with the criteria and remuneration of agents/companies, the purchasing department evaluates the alternatives and select the most advantageous company for Tofaş. These agents or companies only receive payment on the condition that their services comply with the rules and policies of Tofaş and related laws and regulations. We include laws and code of ethics in contracts signed with business partners; we declare that failing to obey these rules will cause termination of contract. In addition, we follow the performance of our business partners related to anti-bribery and corruption. There are no bribery or corruption cases submitted us related to our business partners in 2016.



GOVERNANCE AND SUSTAINABILITY

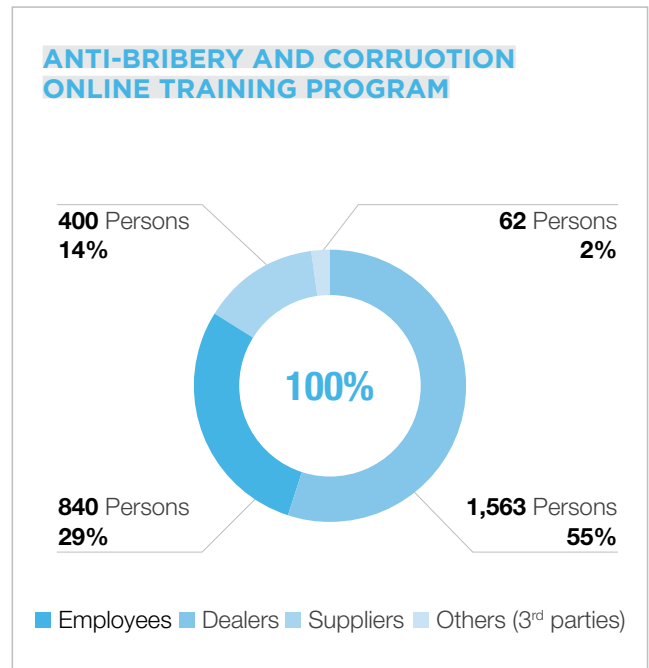
In order to recognize and adopt Tofaş Code of Ethics, we conduct online training and reminding activities that include Code of Ethics and Anti-Bribery and Corruption Policy.

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In order to recognize and adopt Tofaş Code of Ethics, we conduct online training and reminding activities that include Code of Ethics and Anti-Bribery and Corruption Policy. In addition to theoretical information, this training program includes case studies that one may encounter in business life, and is offered not only to employees but suppliers and dealers as well. In 2016, a total of 2,865 individuals received online training, 840 of which are our employees. We believe that awareness on anti-bribery and corruption has improved compared to the previous reporting period thanks to online trainings we offered during this year. In 2016, we renewed employee declarations on conflict of interest.

The sufficiency of anti-bribery and corruption policies, mechanisms and reporting are evaluated independently by Board Committees at least once a year. In this context, mechanisms, systems and procedures we developed in regards to anti-bribery and corruption were evaluated independently and approved by Audit Committee of Tofaş Board Committee. The assessment result is available publicly in our website in committee meeting minutes dated 02/20/2017.

We monitor individuals and companies in the black list formed according to information gathered from various sources such as public authorities, international data providers and social media sources in order to comply with current regulations and company rules. Based on our procedures, we detect agents, suppliers, contractors and customers that are known or suspected to give bribe, and we commence the termination process of ongoing contracts with these suppliers.



Easy to access and open whistleblowing channels are established to detect any situations violating Code of Ethics and Anti-Bribery and Corruption Policy. In order to create employee awareness, employees and suppliers are reminded about the whistleblowing channels at certain intervals. Employees, business partners and all other stakeholders can send e-mails to etikkurul@tofas.com.tr anonymously or with their names, notifying any suspicious situation they believe to violate these rules and policies. In addition, notifications made to corporate addresses or shared

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with employees are also assessed. Ethics Committee ensures the confidentiality of shared information and the interrogation. This Committee ensures that employees that notify any suspicious violation of anti-bribery and corruption policy are not subject to any negative reactions.

In 2016, there are no cases observed to violate anti-bribery policy in our company. There are also no cases of bribery reported based on notifications sent via notification channels. In 2016, Tofaş has received 9 notifications on different subjects via these communication channels. The results of these notifications are as follows:

NOTIFICATIONS RECEIVED VIA WHISTLEBLOWING CHANNELS	2016	2015
Disciplinary Sanction	3	2
Unconformity Not Detected	6	3
TOTAL	9	5

As explicitly stated in Code of Ethics, Tofaş cannot be a part of any political or ideological thought, trend or organization; and cannot support activities or campaigns of any political parties, politicians or candidates whether directly or indirectly. In the frame of transparent relations, we established with public institutions, we share know-how mutually and respond openly to demands of information regarding our sector. In addition, we work to express general industrial issues via the studies conducted by industrial non-governmental organizations. We act in open competition rules without sacrificing full compliance principle to laws and procedures in case public institutions become customers or when participating tenders.

INTERNAL CONTROL AND INTERNAL AUDIT

Creating an effective internal control mechanism for each business process is an essential part of our understanding of responsible and sustainable management. We maintain effectiveness and efficiency of our operations, reliability of our reporting, compliance to the regulations and protection of our assets by our designed internal control systems.

Our internal control system has been designed based on the international standards and best practices, and has been integrated in our company policy, procedure, instructions and business process. We give importance to our employees to have responsibility, necessary information, capacity and authority regarding internal control processes.

Effectiveness of our internal control systems is assessed by Tofaş Internal Audit Department and the external audit services. The external audit services include audits conducted by audit teams of Koç Holding and FCA, independent audit companies determined by the General Assembly, and other related ad-hoc third-party services. Necessary actions are taken immediately in case of detection of any improvement areas, as a result of these audits.



Internal control systems complying with international standards

GOVERNANCE AND SUSTAINABILITY

Creating a sustainable and value-generating management model is one of our priorities.

Our Internal Audit Department's goals, authorities and responsibilities are defined in Internal Audit Guide. Reporting directly to the CEO, the Internal Audit Department do not have any hierarchical link to other departments. Thus, the independence and objectivity of auditors are ensured. It has ensured that internal auditors have analytical thinking competence, strong communication skills, audit technical knowledge and ethical values required by the profession. Internal auditors improve their knowledge, skills and other qualifications continuously by professional development practices.

The Audit Committee under Board of Directors is responsible for evaluating the effectiveness and the conduct of internal audit system, and for reporting improvement areas to the Board.

Inter-unit audits are also a part of our internal audit system. Unit representatives are provided to specialize in certain subjects and these representatives evaluate other departments in line with their expertise. In addition to internal audits, we provide periodical audit studies for dealer and supplier activities as well. We conduct audits on sustainability issues including environment, working and manufacturing conditions, and ethics and quality.

SUSTAINABILITY MANAGEMENT

Creating a sustainable and value-generating management model is one of our priorities. At Tofaş, Sustainability Management subject, one of the six main subjects of our corporate risk management, is under the responsibility of the Early Detection of Risk and Risk Management Committee. Reports about these works are presented to the Corporate Governance Committee and thus the Board of Directors is informed about the operations. Thus, sustainability subject is under responsibility of the Board and monitored by its members. Therefore, the operations conducted by executives, notably CEO, related directorships, are coordinated by the Sustainability Team and reported to the given Board Committees.

We manage the sustainability subject in the context of "Tofaş Sustainability Policy" including our general sustainability approach. Our sustainability strategies are defined and monitored by Tofaş Sustainability Committee. The Sustainability Work Group is responsible for strategic decision making about sustainability management and putting it into practice and for sharing the performance results through sustainability reports.

Tofaş Identification of Sustainability Priorities study has been prepared based on the content definition principles featured in GRI Standards. While the issues in GRI Standards form the majority of our issue universe, subjects that are closely related to our sector are also available.

Material issue universe is redesigned with the participation of both internal and external stakeholders in the reporting period. In order to do this, we organized a survey primarily for company

managers. Afterwards, we organized a second survey with the participation of stakeholder groups including suppliers and non-governmental organizations, and finalized our subject universe. While updating this universe, we have also considered Sustainable Development Goals defined as universal set of goals that deal with environmental, political and economic issues our universe is facing.

In this concept, the subject universe consisting of 40 issues and 17 goals are evaluated by two different

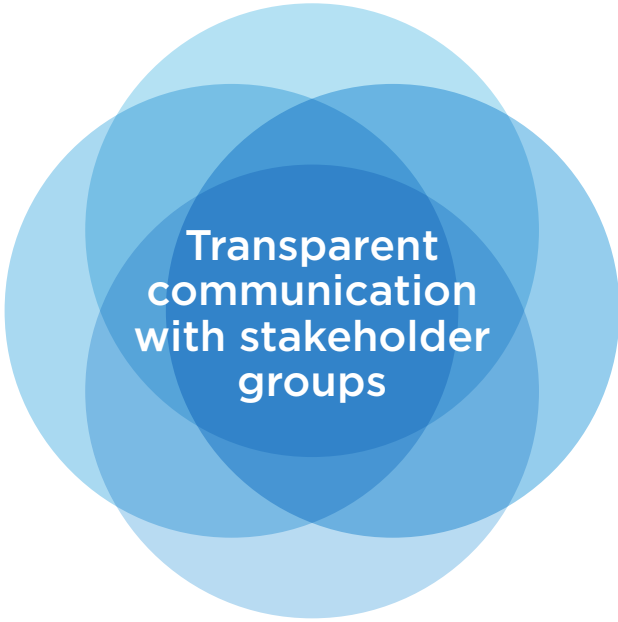
studies conducted by mid-level and senior managers of Tofaş. Following the consolidation of these studies, the impact of these subjects and sustainable development goals on the business success of Tofaş is investigated. In the final step, the subjects are primarily prioritized according to their impacts on Tofaş’s business success and stakeholder expectation parameters. The primary subjects revealed after these studies are as follows:

	TOFAŞ SUSTAINABILITY ASPECTS	SUPPLY PROCESSES	MANUFACTURING PROCESSES	DISTRIBUTION PROCESSES	MARKETING & SALES PROCESSES	AFTER- SALES PROCESSES
Governance Aspects	Business Ethics & Anti-corruption	■	■	■	■	■
	Sustainability Risk Management in Value Chain	■	■	■	■	■
Environmental Aspects	Climate Change	■	■	■		
	Energy Consumption	■	■	■		
	Greenhouse Gas and Other Emissions	■	■	■		
	Environmentally-friendly Material Use and Waste Management	■	■	■		
	Product, Process, Mobility Model Innovation		■			
	Electric/Alternative Fuel Automobiles		■		■	■
	Automobile Fuel Consumption		■		■	■
Economic Aspects	Digitalization		■		■	■
	Customer Satisfaction		■		■	■
	Product and Service Quality		■		■	■
	Brand Perception		■		■	■
	Supplier and Dealer Business Success	■			■	■
Social Aspects	Occupational Health and Safety	■	■			
	Talent Management and Occupational Training	■	■			
	Human Rights in the Office	■	■			
	Women Employment, Diversity, Equal Opportunities		■			
	The balance of Business Life - Private Life		■			
	Vehicle and Traffic Safety		■		■	■

GOVERNANCE AND SUSTAINABILITY

While identifying our stakeholders for collaboration, we give priority to the institutions and the organizations that embrace the ethic working principles and culture, seek for a common goal and that are solution oriented.

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STAKEHOLDER ENGAGEMENT

We establish a communication based on transparency and responsiveness with stakeholder groups within our area of influence. Based on mutual goals, we ask for our stakeholders' opinions and inform them about our activities. We work with our stakeholders towards common objectives. While planning our activities, we pay utmost attention to establish the best possible channels by considering the qualifications of target stakeholder groups.

While identifying our stakeholders for collaboration, we give priority to the institutions and the organizations that embrace the ethic working principles and culture, seek for a common goal and that are solution oriented. In addition to this, we collaborate with the non-governmental organizations and the professional organizations which we regard as a major strength in mass improvement; in addition, we become a member of these organizations and take charge in their governance bodies.

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STAKEHOLDER GROUP	PRACTICE TYPE AND FREQUENCY
Employees	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).
Majority Shareholders	General Assembly Meetings, Annual Report, Corporate Governance Compliance Report, Sustainability Report (annually); Board of Directors Meetings, Interim Reports (quarterly); Material Disclosures (upon necessity).
Minority Shareholders	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).
Dealers	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).
Suppliers	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).
Product End Users	Product Labels and Users Guides (continuous), Marketing Communication Studies (continuous); Participation in Fairs, Annual Report, Sustainability Report (annually).
Local Community	Complaint System, Social Projects, Donations and Sponsorships (upon request). Information Meetings (upon necessity); Annual Report, Sustainability Report (annually).
Sector Actors	Meetings and Discussions, Projects and Initiatives (upon request); Participation in Fairs (several times a year); Annual Report, Sustainability Report (annually).
Local Administrations	Meetings and Discussions (upon request); Annual Report, Sustainability Report (annually).
Public Institutions	Meetings and Discussions (upon request); Informative Reports (at various intervals); Public Audits (at various intervals/instant); Annual Report, Sustainability Report (annually).
NGOs	Memberships (continuous); Working Groups, Committee and Board Memberships (periodic); Joint Projects and Initiatives, Meetings and Discussions (upon request); Annual Report, Sustainability Report (annually).
Universities and Academics	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).
Employee Families	Informative Studies (continuous); Internal Publications (twelve times a year); Social Events (at least two times a year); Environment Day (annually).
Opinion Leaders	Meetings and Discussions (upon request); Annual Report, Sustainability Report (annually).
Media	Interviews and Talks; Meetings and Discussions (upon request); Press Releases, Material Disclosure (upon necessity); Annual Report, Sustainability Report (annually).



We are working by aiming at production of exciting tools and technologies that fully meet customer needs in every region of the world in accordance with our R&D vision.



PRODUCT PORTFOLIO

We give utmost importance to offer solutions to customers, to meet their needs and to protect their rights under any conditions within the frame of company policies and legal practices.

102-44

Tofaş is the only Turkish automaker which produces both personal cars and light commercial vehicles. Beside Fiat Linea, Fiat Egea and Dodge Neon, we produce for Fiat, Citroen and Peugeot within the scope of the Project Minicargo, and for Fiat, Opel, Vauxhall and RAM within the scope of the project New Doblo project. Moreover, we are the domestic representatives of six brands (Fiat, Alfa Romeo, Lancia, Jeep®, Maserati and Ferrari).

In line with FCA's global product portfolio strategy, we work to produce vehicles with decreased levels of emissions and fuel consumptions that meet the expectations and requirements of customers the most. As one of the global strategic partners of FCA, we work for high quality manufacturing of vehicles meeting with the target markets' requirements, with due regard to defined brand and model versatility.

You can find information about our current product portfolio in the 2016 Tofaş Annual Report.

CUSTOMER EXPERIENCE

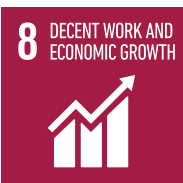
Providing excellent customer experiences with our products and services which meet customers' expectations and demands is the most important component of our main product strategy. We design our products and services by considering our customers' expectations and demands. Sharing the requirements of Turkish market and customer expectations, we give domestic support to FCA's global strategy formulation processes. We work to provide high quality manufacturing in accordance with defined brand and model versatility of vehicles



that have the requirements of target markets. By constantly improving customer experience, we ensure that our vehicles retain their value during the consumption period, thereby adding value for our consumers.

CUSTOMER SATISFACTION

We give utmost importance to offer solutions to customers, to meet their needs and to protect their rights under any conditions within the frame of company policies and legal practices. We work to rank in the top levels of International Aftersales Customer Satisfaction Survey with our after-sales service quality and excellent customer experience. We work in coordination with dealers and authorized services and prepare development plans in order to sustain customer satisfaction both during and after sales, and to offer higher service quality to customers.





We monitor customer satisfaction levels regarding our services via customer relations management system. We resolve any oversight causing customer dissatisfaction by contacting consumers directly to compensate. We continuously improve customer satisfaction and measure satisfaction levels via independent researches.

BRAND PERCEPTION

FCA conducts customer market researches on a global scale in order to understand customers' expectations and demands, and to learn satisfaction levels about current portfolio. We support the process where Consumer Promoter Scores and Net Promoter Scores are considered, with the results that we received via local market customer feedbacks. This help us evaluate customers' perception of Fiat, Alfa Romeo, Jeep and Maserati and their opinions about product range with a holistic approach.

Among consumers, the reasons standing the Fiat brand out is for our passenger cars to come with low user costs, fit for family use and to be environmentally friendly; for the light commercial vehicles to be technically developed, innovative, reasonably priced, fit for work-life and featuring price-benefit balance.

AFTER-SALES BRAND PROMISE

We structured our after-sales brand promise under 3 principles: Easiness, Excellent Services, Trust & Transparency. We addressed our services through these principles; hence developed projects accordingly.

Courtesy Car Project

This project aims to offer a substitute vehicle to mechanic retail customers in the cases that we are not able to deliver their own vehicles in the same day for any reason, and to help them do their daily activities without any interruption. Through this project launched in all Fiat services in 2016, total courtesy car park in Fiat services is 350 vehicles which were offered to customers via dealer ownership model. To date, 12,000 customers used this service. While the score of customers whose services are delayed for a day remains at 79.2% in the Customer Satisfaction Index, the score of customers who were offered a substitute vehicle is 82.6%

Emergency Road Assistance Monitoring Project

According to customer surveys conducted based on our emergency roads assistance services, stranded customers feel stressed when they do not know the exact time when the assistance arrives. In order to create solutions, we instantly notify customers about the location of emergency road assistance vehicles. We aim to increase brand reliance via this application that help customers monitor these assistance vehicles without feeling stressed.



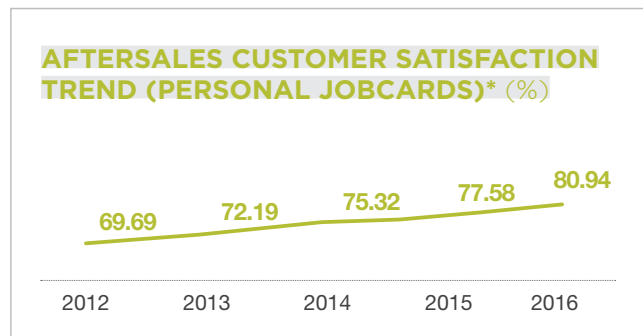
PRODUCT PORTFOLIO

Our goal for our products and services is that they should have suitable qualifications complying with legal and the industrial regulations, should be physically reliable, and have higher performance levels when compared to our competitors.

PRODUCT AND SERVICE QUALITY

We adopt a quality culture that is customer satisfaction-oriented. We take the participation of employees to quality management and their development as a principle, thus we create competitive advantage in world class manufacturing. We work to improve the quality level of all products and services and to enhance this to the most competitive level. While identifying our quality strategies, we base FCA's Global Quality System that aims provision of product and services in high quality norms. We periodically update and improve our quality management system based on changing customer expectations.

Our goal for our products and services is that they should have suitable qualifications complying with legal and the industrial regulations, should be physically reliable, and have higher performance levels when compared to our competitors. We give importance not only to engineering quality, design and ergonomics in our products, but to meet customers' expectations in services offered by our dealers and authorized services in pre and after-sales period as well. We offer sales and after-sale services via work flows we provide based on ISO 9001 System Standard.



* 1 Dealer promoter score

MARKET OUTLOOK



PRODUCT PORTFOLIO

At Tofaş R&D Center, we aim to contribute to national economy by developing passenger cars and commercial vehicles distinguished with their technological superiority and innovative engineering details.

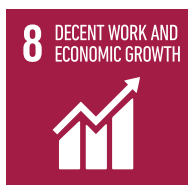


R&D MANAGEMENT

Based on our R&D vision, we work with an aim to produce exciting vehicles and technologies that completely meet the needs of customers around the world. At Tofaş R&D Center, we aim to contribute to national economy by developing passenger cars and commercial vehicles distinguished with their technological superiority and innovative engineering details.

Tofaş R&D Center, which is established on a total of 18,090 m² laboratory and office area, is the only center - apart from Italy - that provides service to European markets of FCA thanks to high-tech and diverse laboratories, and almost 700 employees; and which possesses an infrastructure that is capable to compete with European equivalents. Tofaş R&D Center has been registered as an R&D Center by The Ministry of Industry and Trade in 2008.

Tofaş R&D Center received the Best R&D Center award for two consecutive years in the 5th Private Industry R&D Center Summit organized by the Ministry of Science, Industry and Technology in 2016. Our center has outdistanced 27 rankings in R&D Investments Score List of Joint Research Center of European Commission and ranked 547th. Tofaş ranked the first for two consecutive years amongst the Turkish companies listed.





We believe that embracing all aspects of R&D value chain is one of the prerequisites in order to increase and improve international recognition of Turkey as a product development center. In this regard, we focus on co-designing, organization of local engineering companies, and cooperation with universities. In 2006-2016 period, we worked in coordination with 15 different universities in almost 117 projects. With an aim to realize innovative ideas of Tofaş employees and to promote cooperation, we chose dissertation projects of about 20 students from different universities according to “My Project” organized since 2011.

We have built various collaborations on projects supported by TUBITAK and European Union. As of 2016, we have been working in 12 EU Research Projects (FP7 and EUREKA). So far, we have worked with more than 100 international project partners via these projects. With Robopartner Project (Human-Robot Collaboration Technologies for Intelligent, Flexible, and Secure Operations in the Future’s Assembly Plants), we became the first and only Turkish company leading a project in Production Technologies field.

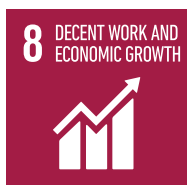
We aim to increase our patent applications each year through new added-value projects and innovative ideas. As a result of innovative studies conducted by Tofaş R&D Center, we have increased our number of patent applications by 32%, compared to previous year, and applied for 141 new patents.

In order to develop creativity and inventing technics of our R&D professionals, in 2016, we continued with the TRIZ method which is a creative problem solving method. With these studies, we realized 65 patent applications from 76 applicable suggestions chosen out of 308 ideas. We are still working on remaining 11 suggestions.

SUSTAINABLE MOBILITY SOLUTIONS

In line with changes in today’s world and developing technology, we develop technologies that meet the new mobility needs of our customers and produce solutions for them. We work to provide freedom of travel and different mobility needs of individuals via sustainable methods.

In order to produce sustainable mobility solutions which is one of the key components of FCA’s global strategy, researches and studies on increasing automobile versatility and alternative fuel systems, decreasing the environmental impacts of conventional motor vehicles, initiating services that meet new mobility requirements, and creating responsible consumer action in regards to energy consumption, are conducted. As Tofaş, we support these studies as well. In addition, we conduct studies on business models in order to decrease environmental impacts of our products, to develop vehicle information networks and driver assistance systems, to create vehicle, driving and passenger comfort, to digitalize products and processes, and to develop electric and alternative fuel vehicles.



PRODUCT PORTFOLIO

We embrace FCA’s “safety for all passengers” vision. Based on customer-oriented technological research activities, we focus on developing smart cars that serves for and supports drivers in regards to comfort and safety.

Vehicle Safety, Driving and Passenger Comfort

We embrace FCA’s “safety for all passengers” vision. Based on customer-oriented technological research activities, we focus on developing smart cars that serves for and supports drivers in regards to comfort and safety. We conduct studies to ensure vehicles offered to the market comply with legal regulations and other requirements in these markets.

We equip our vehicles with various numbers of passive safety systems to help customers experience safe driving and to avoid any harm in case of an accident. Before that, we place active safety systems in our cars to avoid accidents. Thus, we pursue not only the safety of the driver and the passengers but also the safety of other cars, passengers and pedestrians.

Digitalization

We manage the issue of digitalization on senior management level. The strategies and projects developed in three main aspects including product digitalization, industrial process digitalization and digitalization in commercial areas are submitted to the senior management on monthly basis. The improvement areas that get to be highlighted due to the survey study conducted during the reporting period include implementation speed of digital initiatives, transparency and finally more efficient use of digital data during customer journey.



Let Me Drive

Driverless autonomous vehicle “Let Me Drive” developed at Tofaş is in test drive. A prototype Doblò vehicle has been converted into an autonomous vehicle that can follow a course based on GPS coordinates. This vehicle can avoid objects and pavements on the road, and has full control on accelerator, brakes and wheel.

In 2016 we began for pilot implementation of the projects as internal digital initiative including multi-camera artificial vision for quality control, equipment spare parts production through 3D printers and the use of “augmented reality goggles” for operator guidance in manual logistics operations. Within the scope of the EU Framework Program, we contributed to the development of medium-load capacity collaborating robots capable of working with people in common areas besides autonomous mobile robots for internal logistics while undertaking and mainstreaming the pilot studies of the “Digitalized Showroom” project in the commercial aspect. As for after sales, we implemented the emergency road assistance project enabling the



customers to monitor the condition of their vehicles online during the service period. Moreover, within the scope of the “Fiat on My Mind” project held with Koç University Incubator Centre” we launched the project process for 5 projects after organizing face to face meetings for 30 of approximately 100 business ideas received from outside sources.

Vehicles with Low Energy Consumption and Emission Values

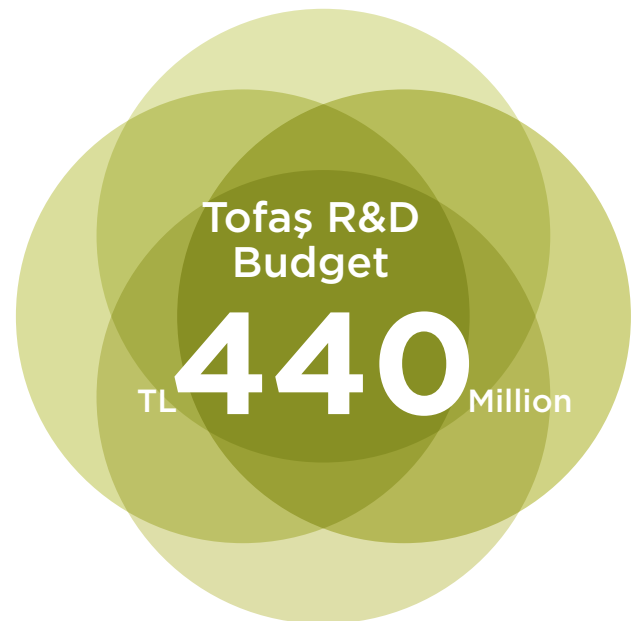
Along with climate change that gains importance, the share of FCA's projects providing low fuel consumption and emissions studies in total sustainable mobility studies has been increasing. A significant decrease has been realized in terms of fuel consumption and emission values in the vehicles produced by FCA. As Tofaş, we contribute these studies and consider this subject as a continuous development area.

We carry out studies about decreasing the environmental impacts of vehicles other than fuel consumption, emission value and alternative fuel system. We aim to provide more efficient usage of resources, by decreasing material usage without compromising vehicle safety, and produce less waste. Additionally, with our studies to increase the recycle qualifications of materials used in the vehicles, we increase environmental and material efficiency performance.

In 2016, we spent 30 million TL to emission reduction projects out of 440 million TL R&D budget.

Electric and Alternative Fuel Vehicles

One of the areas we focus on in regards to sustainable mobility studies is to develop vehicles with electric and alternative fuel engines. We closely monitor electric vehicle technologies globally. Within this framework, we carry out studies to integrate innovative solutions and applications with these technologies, and to produce electric vehicle systems and components locally. We take part in R&D studies developed within FCA in order to develop these vehicles which will be used widely in future. We realize projects about developing electric engines, interfaces and various systems, and parts and components to be used in vehicles equipped with CNG and ANG fuel systems.







We reduced our energy consumption per vehicle by 17% to 3.90 GJ while we increased our total production by 38% in 2016 compared to the previous year.

MANUFACTURING

We conduct studies to expand WCM (World Class Manufacturing World Class Production) methodology among our external stakeholders.

We follow world-class, efficient, quality and sustainable manufacturing processes as being one of the strategic R&D centers of FCA and a pioneer company in Turkish automotive industry. We utilize high-end technologies in manufacturing processes, and aim to monitor and constantly improve the efficiency of our processes through quality systems and standards. We measure and evaluate our products and services' impacts during the lifecycle, starting with the manufacturing process.

WORLD-CLASS MANUFACTURING AND MANAGEMENT STANDARDS

WCM (World Class Manufacturing) is the methodology we use for systematical improvement and development of our competitiveness in manufacturing. Aiming to achieve zero occupational and environmental accidents, zero quality error and zero loss, this program has been applied in 210 FCA manufacturing facilities and 370 suppliers' manufacturing facilities around the world.

Having started the WCM practices in 2006, after receiving 'The Fastest Improving Factory' award, we became the first FCA factory that reached Silver Level in 2009. After the audit conducted in 2013, we celebrated our success as being one of the three factories reaching Gold Level in FCA world. In 2016, we reached a score of 76 and continued to develop and improve. Also with the contributions of our employees, we continue to reduce occupational accidents and machine malfunctioning, and enhance our productivity and external quality indicators during our WCM journey. In 2016, each operator gave 24 suggestions on average and supported our studies with their creative solutions.

Not only we apply WCM methodology in our operations, but endeavor to expand it to areas in which external stakeholders operate. Within the World Class Company (WCC) Program, we have been leading our suppliers to apply WCM methodology since 2009. By the end of 2016, we have been conducting practices with 24 suppliers.

In addition to WCM methodology, we follow various other management, quality and system standards in regards to manufacturing processes, enabling us to keep our management quality and the capacity to respond to possible risks in manufacturing at top levels. The basic standards we adopt in this field are ISO 9001 Total Quality System Standard, OHSAS 18001 Occupational Health and Safety System Standard, ISO 14001 Environmental Management System Standard, ISO 50001 Energy Management System Standard, ISO 14064 GHG Calculation and Audit System Standard, ISO 20000 Service Management System Standard.

Top 3
At Top 3 Among
World Class
Manufacturing
Plants





We preclude potential risks by monitoring all our processes entirely with WPI (Work Progress Integration) methodology. In addition, we apply IMDS program and ensure control of chemicals and non-use of forbidden raw materials in our supply chain.

We enhance our performance level on management systems and standards we follow, as well as the awareness and motivations of employees in this regard through periodical independent external audits, certification and verification studies.

CLIMATE CHANGE

Climate change is one of the major problems that the world is facing today. Precautions have been taken around the world, and control mechanisms and legal regulations have been initiated to mitigate the impacts of climate change. Automotive industry has significant responsibilities regarding climate change. At Tofaş, we act with an awareness of the environmental, social and economical risks that climate change may cause and the responsivity we undertake.

Climate change issues fall under the responsibility of the Sustainability Committee and the Sustainability Work Group and are reported to CEO. We consider the greenhouse gas emission objectives in the performance evaluations of our executives that

are responsible for climate change. We consider climate change as a field that has legal regulation aspects such as emission limits, physical and operational aspects such as radical changes in weather conditions, and financial aspects such as emission trade. Moreover, we give early response to these risks that may occur with all these aspects in regards to corporate risk management, and aim to create opportunities. We take into account the risks of climate change while defining product strategy as well.

We work in regular communication and collaboration with public authorities about climate change. In this case, we are a member of Climate Platform founded by Regional Environment Center (REC) and Turkish Industry and Business Association (TÜSİAD). In addition to this, we contribute to the improvement of the regulations and standards about the automotive industry via our membership in the Automotive Industry Association.

We follow international agenda on climate change, which is among the Sustainable Development Goals. We support and actively participate in the application of international decrees in national level. We are a signatory to the “2°C Challenge Communiqué” which is an international corporate declaration call for global action and employment of global policies against climate change.



MANUFACTURING

We aim to decrease greenhouse gas emissions by 30% by 2020 sourced by production activities.

After being the first Turkish company taking part in the A list of the CDP Climate Change program in 2014, we have become one of the companies awarded with “CDP Turkey Climate Leaders” according to an evaluation in 2016. We responded to CDP Water Program for the first time last year, and in 2016 we responded to this program again. Based on the evaluation results, our water performance increased to “B Management” level.

At Tofaş, we are aware that the most significant expectation of stakeholders in regards to climate change is to develop vehicles that have lower emission levels or use alternative fuels; and to produce vehicles to provide freedom of travel which is a human right and the transportation operations via more sustainable methods. We consider the expectations of stakeholders while performing our operations. We provide energy saving through studies we conduct in order to decrease fuel consumption of vehicles, which is one of the most significant emission resources. We also conduct studies to provide energy efficiency in distribution processes. Moreover, as being one of the main R&D and production center, we support all studies conducted by FCA on increasing efficiency in conventional motor vehicle, developing electric and hybrid vehicles. Taking 2011 as our base year, we aim to decrease greenhouse gas emissions by 30% by 2020 sourced by production activities.

We aim to expand environmental and climate responsibility awareness in all value chain. Thus, we carry out development practices for suppliers and dealers, and we inform our customers.

Greenwall

Flora plays a crucial role in combating against climate change. Annually about 200 to 500 tons of CO₂ is converted via photosynthesis. Greenwall is a vertical garden application based on plant diversity that contributes greatly to the combating the climate change. Greenwall poses effective results in decreasing the impacts of high emission and drought.

Tofaş seeks to implement vertical garden practices in areas suitable inside and outside the factories for increasing climate change awareness while revitalizing the green factory perception, and therefore also increasing the awareness of the employees regarding the issue.

ENERGY EFFICIENCY AND EMISSIONS

We give particular importance to energy efficiency and emission management in order to mitigate environmental, social and economical risks caused by the climate change and to hinder our competitiveness to be affected negatively by the energy unit cost increases. We manage this subject, that is the most important part of our environmental management, with an organization starting from the senior management and expanding to related departments.

The Energy Guides Committee, Tofaş Sustainability Committee and Tofaş Sustainability Work Group are responsible for the energy efficiency and the emission management and report directly to CEO. We continuously improve and monitor our energy efficiency and emission performance in accordance with short, medium and long term objectives.



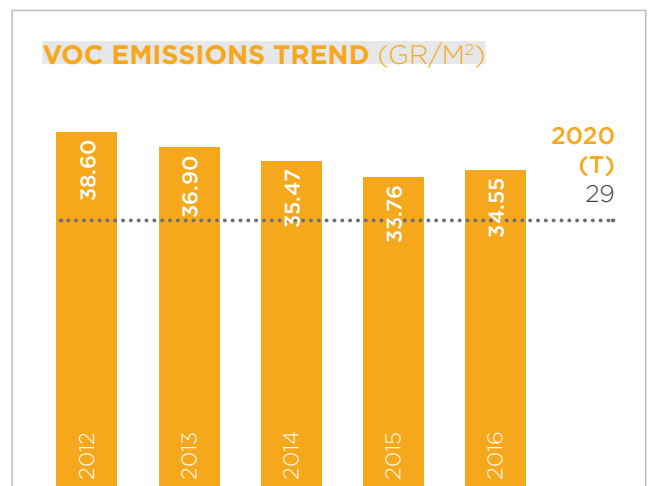
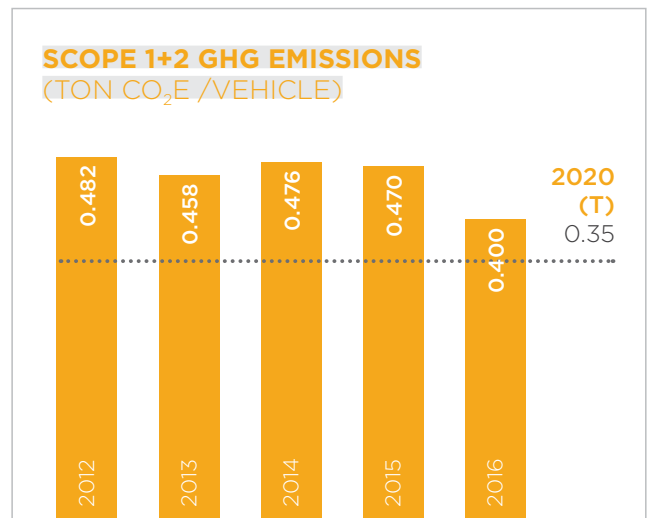
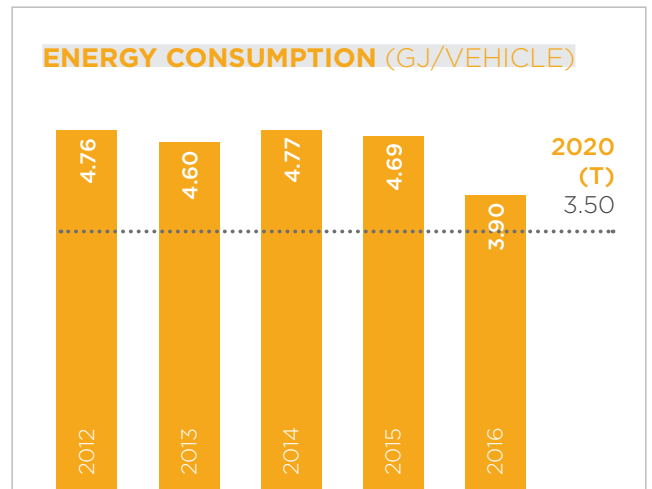
We have been actively following the 7 Steps Proactive Energy and Carbon Management System Project which is a part of the World Class Manufacturing (WCM) methodology since 2011. Thus, we consider the identification of priority areas, the classification of the energy losses and the prioritization principles at our energy efficiency and the carbon emission reduction practices. We have developed standard and efficient improvement strategies by integrating this systematic approach to all processes in both current facilities and new investments.

We adopt ISO 50001 Energy Management Standard and WCM Energy Pillar principles in energy management practices we conduct based on Tofaş Environmental and Energy Policy. Moreover, we adopt ISO 14064 Greenhouse Gas Calculation and Audit Standard for greenhouse gas emission management. We also conduct Scope 1, Scope 2 and Scope 3 level calculations and verifications. Our greenhouse gas emission values have been independently regarding ISO 14064 Standard in the reporting period. At the same time, we keep emission level under the legal limits defined by public authorities.

We decreased energy consumption per vehicle by 17% to 3.90 GJ level despite the increase in production volume in 2016. Thus, we are now a step closer to the target value of 3.50 GJ for the year 2020. In parallel to this reduction in energy consumption, we decreased emission per vehicle by 16% to 0.400 tons of CO₂e. We aim to realize energy consumption per vehicle as 3.50 GJ and emissions as 0.350 tons of CO₂e by 2020.

We aim to realize our logistics operation with minimum environmental impact. We aim to mitigate sustainability risks that may occur during logistics operations where these risks may emerge significantly such as energy consumption, GHG emissions and secondary packaging material usage. For this reason, we take into account criteria such as energy efficiency management system, carbon footprint validation certificate and emission calculations in selecting service providers. We use vehicles with low emission levels complying with the current environmental standards. We develop marine or railway transportation solutions alternative to roadways. We develop practices that will decrease the distance covered per travel based on local milkrun operation.

In 2016, we continued to transport materials via long trailers instead of trucks during supply process. We released less amount of emission thanks to this study that saves 144 rounds and 7,200 km every month.



MANUFACTURING

Our environmental vision is to build a “World-Class Environmental Management System” by using the proactive and lean management tools. In order to reach our main goal zero waste/zero loss, instead cleaning, we prefer not to pollute to begin with.

During paint application, one of the main processes of automotive manufacturing, volatile organic compound (VOC) emissions occur. VOC emission weight per surface dyed was 34.55 gr/m² in 2016. By continuing our efforts in the future, we aim to reduce VOC emissions to 29.00 gr/m² level in 2020.

Energy Efficiency Projects

We continue to reduce energy consumption and related GHG emissions thanks to energy efficiency projects. In this regard, we conduct multiple studies in various fields including heat loss prevention, waste heat recovery, cooling, the lighting automation using the maximum rate of the solar illumination, the localization and automation systems to reduce the compressed air leakages, the energy consumption correlation and optimizations, insulation material usage.

In regards to WCM Energy Management methodology, we conducted 51 new energy efficiency projects in 2016. The number of effective projects in 2016 has reached 124 together with the projects realized in the final quarter of 2015. Thanks to these projects, we saved 60,169 GJ energy and 4,213 CO₂e emission.

Waste Heat Recovery Project

Ovens in Paintshop Solvent-based Facility heated the air in the atmosphere to its set value via steam and fed it from certain points within the furnace. The hot air fed within the oven transferred its energy to the vehicle, it was then discharged to the atmosphere via exhaust fans. In our “Waste Heat Recovery Project,” we take the energy of 150°C hot gas released from furnace exhausts using a recuperator unit we established, and then reduced its heat to 90°C. At the same time, using the fresh air we fed to ovens and the energy we recovered from exhaust gas in pre-heating, we recovered 75% of the hot gas released to the atmosphere.



ENVIRONMENTAL MANAGEMENT SYSTEM

Environmental protection is a crucial component of our social responsibility. Thus, we focus on controlling and minimizing not only the direct environmental impacts but also indirect environmental impacts occur in the entire value chain as well. We commit to continuously reduce the negative impacts we created on environment. Our environmental vision is to build a “World-Class Environmental Management System” by using the proactive and lean management tools. In order to reach our main goal zero waste/zero loss, instead cleaning, we prefer not to pollute to begin with.



We act in accordance with Tofaş Environmental and Energy Policy in management of environmental issues and commit to review our policy periodically. We inform our employees about Environmental and Energy Policy through class and on-the-job trainings in a periodical basis, and we regularly share our targets and strategies with the employees.

We manage the environment by following the ISO 14001 Environmental Management Standard and the WCM Environment Pillar, with a responsibility approach starting from the senior management and expanding to the production departments. Our environmental goals are determined not only by expert units such as Sustainability Committee and Sustainability Work group, but also at senior management level, and are reported to the Board. The identified goals are realized by the Environment, Health and Safety Management, the Environment and Energy Guides.

The environmental performance is an integral component of corporate and individual performance evaluation. We monitor our environmental performance regularly and share the results achieved with our senior management and with our stakeholders.

Environmental management is also an important constituent of our corporate risk management. The Environmental Management Unit is responsible for ensuring the system reliability and for reporting our environmental management system audits periodically to the senior management. We continuously monitor our environmental performance level via regular internal and external audits, the WCM and the ISO 14001 audits and the Koç Holding Environmental Audit.



The changes in legal regulations are followed by our team that is in charge of environmental management. During the reporting period, we have not had any case of non-compliance with the environmental regulations and were not subjected to any formal sanctions in this regard. In addition to the compliance, it is also important for us that our stakeholders are not affected by any negative environmental impact caused by our activities. In this regard, we consider the feedbacks from our stakeholders on the environmental impacts of our activities. During the reporting period, we did not receive any grievance in this regard.

In order to continuously develop our environmental management, we allocate a significant amount of resource to environmental performance improvement studies. In this regard, environmental investment and management expenditure we spent was about 1,2 million TL in 2016.

We organize environmental trainings to increase the environmental awareness of our employees and the employees of our business partners; and to inform them. In the reporting period, we have organized 3,504 person*hour training to Tofaş employees and 322 person*hour training to business partner employees.

Our performance in environmental management is fortified with awards we received each year. In 2016, we ranked first in the waste management category in Sustainable Business Awards organized by Sustainability Academy thanks to our "5R Project for Sustainable Waste Management." We also ranked first in the ÇEVKO Green Dot Industrial Awards with the same project. In addition, we also received finalist award in European Union Environment Awards Turkey Program through "Solar DRY" Project.

MANUFACTURING

Environmental protection is a crucial component of our social responsibility. We commit to continuously reduce the negative impacts we created on environment.

Water Management

We attach importance to the efficient use of water, which is the most crucial natural resource, and shape our water management approach accordingly. We work to conduct our operations with the least possible water consumption, adopt a responsible approach in waste water processes.

The underground water used in production processes has the most significant share in our total water consumption. The municipal water and the water bought from third parties for domestic use and potable water have a small share of 0.5% in our total water consumption. Consistency and sustainability of the water resources that we use have most importance for us. Therefore, we analyze our water resources periodically. As a result of analysis carried out in 2016, no stress caused by our consumption was found on resource consistency. On the other hand, the water requirements of our stakeholders, notably the local community living close to our production facilities, are not under any risk because of the type of the water we use.

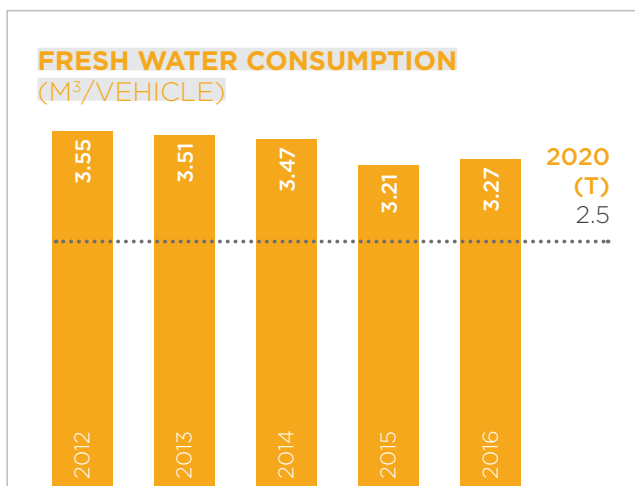
We have reached the highest production volume in 2016 so far. Accordingly, water resource volume we

used has increased compared to the previous year. Thus, fresh water consumption per vehicle was 3.27 while it was 3.21 in 2015. We aim to reduce this ratio to 2.50 m³/vehicle by 2020.

We emphasize responsible use of fresh water resources. In this context, we reuse the fresh water withdrawn for multiple cycles and feed the production with recycled waste water which arises as a result of processes; thus, we supply the most significant share of our water requirement. During the reporting period, we recovered 63.397.013 m³ of water in this context.

We monitor our biodiversity impacts on the natural areas and the organisms that live there in order them not to be affected by our operations and we conduct the environmental impact assessment studies. We perform periodic controls with an aim to identify potential risks and take precautions to mitigate those. We adopt the principles of the Biological Diversity Agreement to which Turkey is a signatory party.

The waste water management is an important part of our water management understanding because of its potential negative impacts on biodiversity. We try to recycle the waste water occurred during our operations at a maximum level at our modern treatment facilities and we discharge waste water to the receiving environments with loads under the limit values defined in discharge permits. In 2016, we discharged over 1 million m³ of waste water. The receiving environments defined in our discharge permits are not high biodiversity value areas. Thanks to our waste water discharge performance, no negative impact found on current biodiversity value or living beings during calculations and audits performed by public authorities.



Efficient and Environmentally-Friendly Materials and Waste Management

As a requirement of Tofaş Environment and Energy Policy, we aim to reduce the waste at the source and to recover as much as possible. In this case, we focus on the reduction of material use, recycled/ recyclable materials to be used on a larger scale, and waste amount to be minimized and fully recovered. We ensure 100% of industrial wastes in production process to be used as a recycled material or as raw material and energy resource in the cement industry, so we reach our aim “zero waste disposal.” In addition to our related business units, we ensure that our suppliers play an active role in using environmentally-friendly materials in production processes and reducing the amount of material.

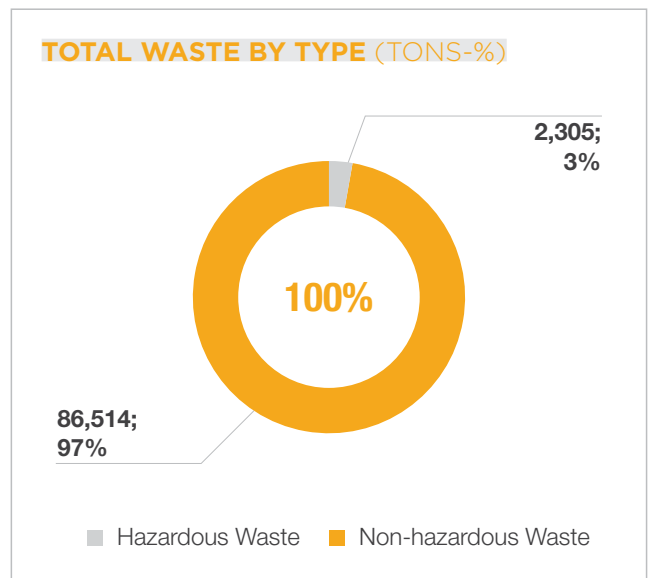
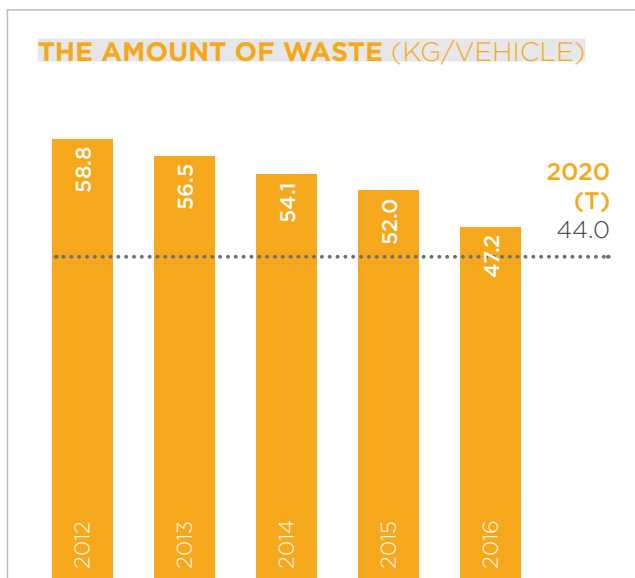
In parallel with the increase in our production amount, we also had an increase in our waste amount in 2016. During this period, our total waste amount was 88,819 tons in which 2,305 tons were hazardous and 86,514 tons were non-hazardous.

We provide efficiency in natural resource utilization through 5R improvements (Refuse, Reduce, Reuse, Recycle, Recover) in our production processes. Thanks to “Sustainable Waste Management and 5R” project we developed to achieve zero waste/zero loss target, we received award in “Waste Management” category in Sustainable Business Awards organized by Sustainability Academy in 2016, and in “Green Dot Industrial Awards Competition” organized by Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO).



Sheet Thickness Reduction Project

In 2016, we continued to the project with an aim to reduce the sheet consumption and its potential environmental impacts by reducing average thickness of steel consumed. With this project, we aim to supply 1% thinner flat steel materials and provide a less fuel consumption by approximately 0.4%-0.8% per vehicle without compromising Fiat safety and quality standards. Within this period, we supplied 0.45% thinner material than the nominal thickness, thus we saved 658 tons of steel. We aim to achieve 1% reduction rate as the main objective of the Project in 2017.



WORK ENVIRONMENT

We provide a safe, dynamic, decent workplace and fair development opportunities to our employees.

We aim to create a work culture that embrace a collective learning approach consisting of professionals that think innovatively, are able to adapt changes, have a broad perspective, are keen on self-development, and leaders that are willing to share their know-how. We provide a safe, dynamic, decent workplace and fair development opportunities to our employees.

You may find detailed information about HR policy, systems and practices on www.tofas.com.tr.

OCCUPATIONAL HEALTH AND SAFETY

We commit to reach “zero occupational accident” goal persistently by continuously improving occupational health and safety culture. We go beyond legal requirements in occupational health and safety, we steer our Occupational Health and Safety processes through World-Class Occupational Safety and Tofaş OHSAS Policy, and we support our processes and applications by OHSAH 18001, WCM Occupational Safety Standards and Tofaş Contractor Procedure methodologies.

We manage occupational health and safety, which is a part of our corporate risk management procedures, with an organization starting from the senior management expanding to the manufacturing units. Occupational and Fire Safety Management performing directly under the Environment, Health and Occupational Safety Management is responsible for occupational safety in our facility. Full time occupational safety experts working in manufacturing managements are performing functionally under this unit that carries out central management, coordination and reporting. Individuals responsible from other units support the functions. Related goals are defined according to risk assessment studies conducted by senior management and the necessary actions are taken.



Occupational health and safety ranks in the first place in the World Class Manufacturing (WCM) model as it is the most material factor. Tofaş Factory hosts visits organized in order to examine distinctive practices in place, which are introduced by FCA as benchmarks for others. We adopt World Class Proactive and Lean Occupational Safety approach. In this regard, we create sustainable occupational safety culture through safe workplaces and aim to protect all human resources within the borders of the company against injuries and health deteriorations.

We aim zero occupational accident and zero occupational disease with Occupational Health and Safety (OHS) Management System. We have reduced Lost Time Accident (LTA) frequency by 96% since 2006 when World Class Occupational Safety practice was initiated.



OHS Trainings and Practices

We aim to increase the occupational health and safety awareness of Tofaş and contractor employees, and provide trainings to them. In the reporting period, we have organized occupational health and safety trainings for 55,460 person*hours to 6,966 Tofaş employees and for 5,405 person*hours to 7,207 contractor employees.

We adopt the principle that all employees are equally responsible from occupational health and safety improvement practices. We encourage our employees to take responsibility and to engage in decision-making processes by various practices:

- With the Occupational Safety Simulation Training Area (DOJO) application, we aim our employees to learn the work place risks by the help of risk simulated stations and equipment. In 2016, we have conducted 10.400 person*hours of DOJO trainings.
- Through 29 directives established in Contractor Management Procedure, we aim to approach contractor processes proactively to audit and to make them safer by identifying the rules before the work starts.
- We provide an interactive training that we call the Occupational Safety Drama Training in order to maintain zero unsafe behavior at the non-routine works and to strengthen the occupational safety culture.
- Via Attention and Concentration Test (Vienna Test), we aim to measure attention, concentration and motor skills of the vehicle operators, the maintenance and the quality control staffs and the test drivers.

- Shopfloor Employees undertake occupational safety responsibility during a week in a lean production team of 8-15 workers, based on our Safety Captain practice. Thus, while Captains in charge perform their duties, they observe the possible workplace unsafe conditions and the unsafe acts.
- Within our Team Flag practice, by hanging occupational safety flags in the workzone of production teams, we distinguish better performing teams. A blue flag stands for a team who has no accident, an orange flag stands for the one who has.

Thanks to our occupational health and safety practices, we won the “Golden Gloves” award in the companies’ category and the “Golden Suggestion” award in the personal category both in 2015 and 2016 in the competitions organized by MESS.

Certification Practice for Field Safety Auditors

We initiated certification practice for field safety auditors in 2016 in order measure and develop ability of them to capture non-conformities related to occupational safety. Thus, potential auditors go through an exam in an environment prepared privately and full of unsafe conditions and acts put on purpose. Auditors that fail receive trainings at certain areas and their ability to see the unsafe acts is enhanced.

WORK ENVIRONMENT

We assume the United Nations Global Compact as binding for us as well and aim 100% compliance to its principles.

102-41

TALENT MANAGEMENT

We work to become a favorite workplace for the innovative, creative, multi-dimensional and competent professionals. We provide a fair, peaceful, development and people-oriented workplace environment. We create an opportunity for our employees for becoming a part of an organization where the engagement is rewarded, teams work with high motivation and the relations are managed on the basis of mutual respect and trust.

Workplace Culture

We provide our employees a fair and equitable workplace culture where they can enhance their skills, creativity and potentials. During the hiring process, we evaluate our prospects' knowledge, skill, and capabilities. During recruitment or any other HR process, we don't discriminate against age, gender, belief, ethnic origin or any similar aspect. We enable equal opportunities to all our employees in the same position.

At Tofaş, the human rights are managed via Tofaş Ethic Committee performing under the Board of Directors. About human rights, we assume the United Nations Global Compact, which is adopted by our main shareholder Koç Holding, as binding for us as well and aim 100% compliance to its principles. We don't allow child labor, forced or compulsory labor and abuse of employee rights under no circumstance. Within our activities, we avoid any practice that can be identified as discriminatory. This understanding of human rights is also binding for our value chain beside the company operations. We expect our suppliers and business partners to act according to these principals. In 2016, we didn't receive any formal complaint regarding supplier and business partner operations which raise a concern that these rights were at risk.

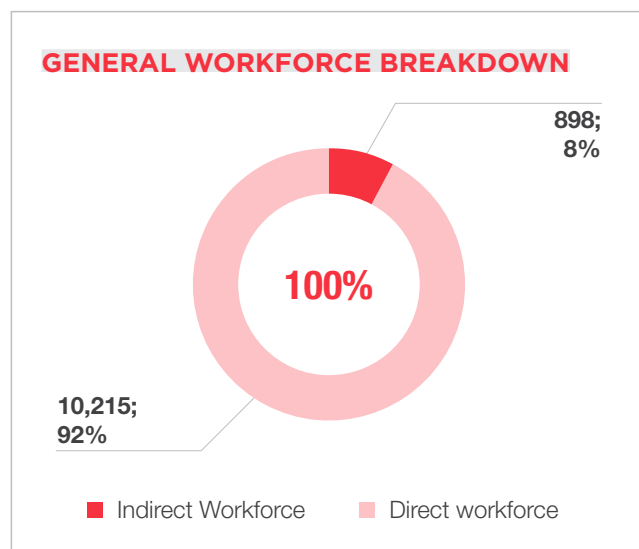
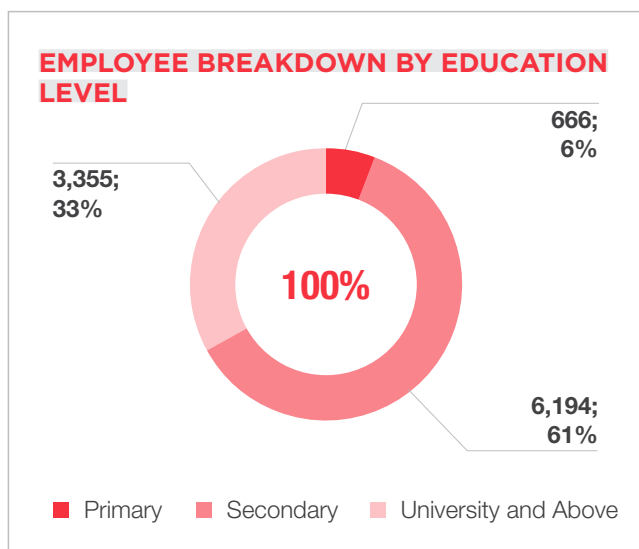
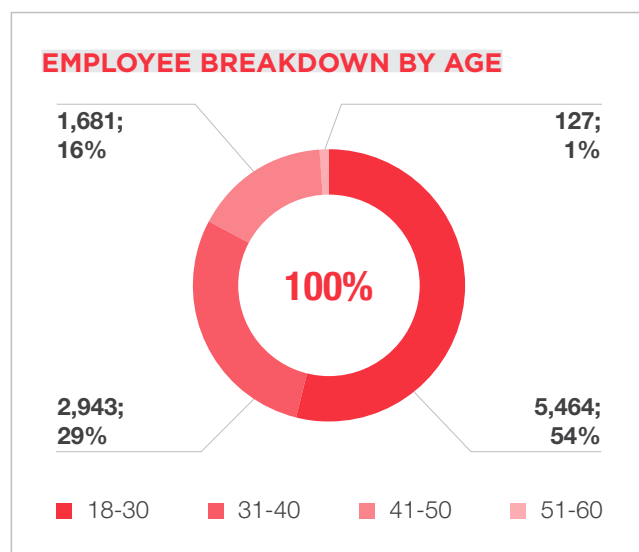
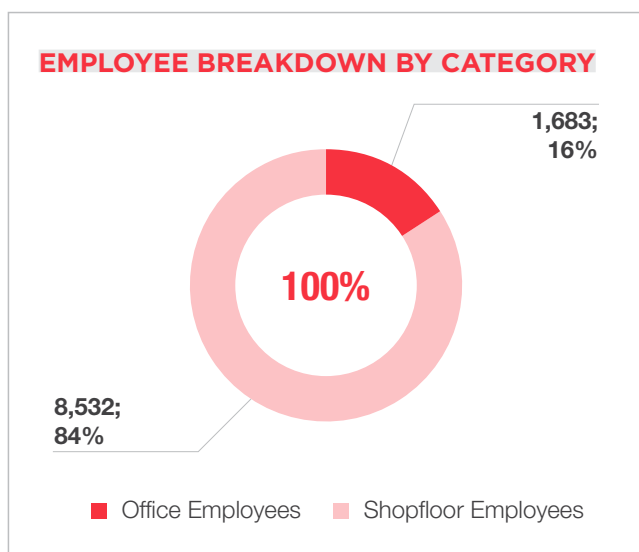
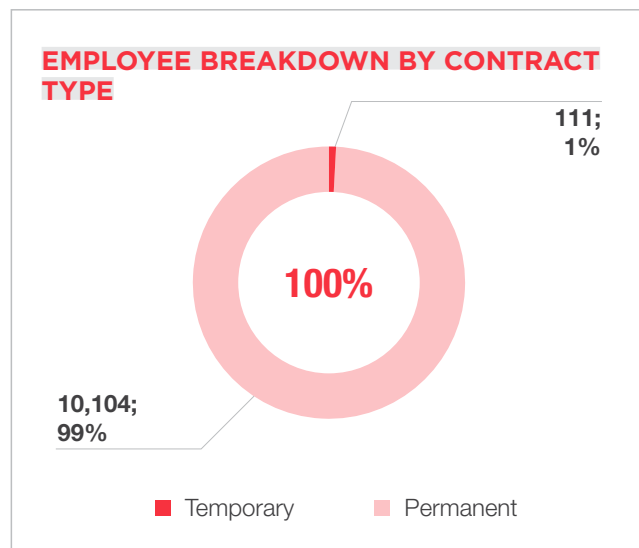
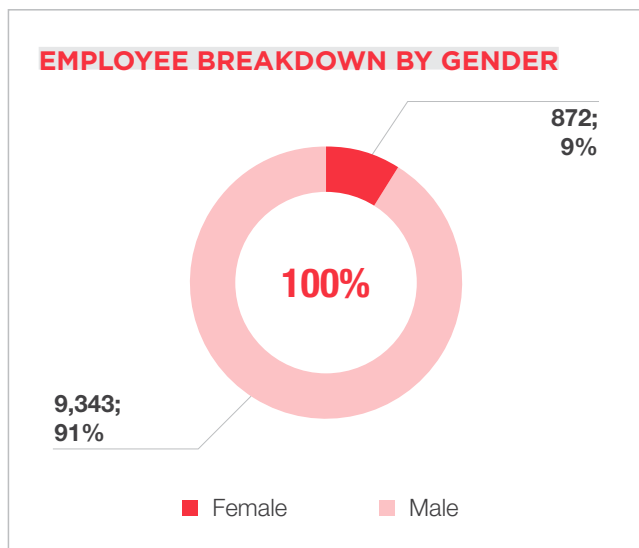
We respect our employees' right for unionization and organization. By year 2016, 77% of our employees companywide are covered by collective bargaining agreement. We engage in close and constructive relations with trade unions for our employees to use their right freely. In line with our approach to unionization, we didn't experience any production or labor loss caused by the industrial relations during reporting period. We expect our suppliers and business partners to enforce union rights in full. We didn't receive any complaints about certain risks on the union rights regarding the operations of our suppliers or business partners during the reporting period.

We provide various opportunities for our employees and their families to enhance their life standards. In this context, if they prefer, our employees and their families can benefit from the KoçAilem Program provided to Koç Group companies and the Group-wide private health insurance. Office employees can also benefit from the pension fund provided by Koç Holding Pension and Support Fund Foundation when starting the job. Our employees who adhered to the program make payment at the rate of 6% of their gross salary on condition not to exceed the ceiling amount defined by the Foundation, and the same amount is transferred to the fund by Tofaş as an employer contribution. In 2016, Tofaş hourly paid workers are included to Complementary Health Insurance with 100% company contribution. Employees can include their spouses and children to this insurance. In addition to social security opportunities provided to employees, we also support the education of the children of our employees. The number of children benefiting from scholarship practice initiated in 2011 has reached 1,147.

We initiated Day Care Support in 2016 in order to contribute to female employees to keep their business-private life in balance and to increase the number of females employed. 242 female employees benefited from this application throughout the year.



WORKFORCE STATISTICS 2016



WORK ENVIRONMENT

We gather training and development management of the whole value chain under Tofaş Academy umbrella.

Continuous Development-Oriented Workplace

We gather training and development management of the whole value chain under Tofaş Academy umbrella that has been operating to enhance the knowledge and talents of our employees. In 2016, at Tofaş Academy, we have provided 5,076 class trainings and 4,904 distance learning that supports self-development to office employees. In addition, we provided 7,686 classroom trainings and 70 distance learning to shop floor employees. During 2016, we have conducted 60 hours of trainings for office employees and 87.8 hours for shopfloor employees. Again, within the Tofaş Academy programs, we gave technical class trainings to 693 employees of our 75 suppliers for 620 hours; and a technical and behavioral training to 5,240 dealer owners.

EMPLOYEE TRAININGS	
Number of Participants (person)	8,113
Shopfloor Employees	6,429
Office Employees	1,684
Female	879
Male	7,234
Employee Trainings - Total Hours (person x hours)	665,629
Shopfloor Employees	564,527
Office Employees	101,102
Female	107,754
Male	557,875

Employee Experience Management Practice

We aim to improve our processes in the eyes of internal customers through EEM / Employee Experience Management Practice developed under the philosophy of Design Thinking. We systematized studies initiated in 2014 according to this practice in 2016. In this regard, we defined the actions to be taken by evaluating personnel transportation, "Instant Reward," "Employment" and "Steer Your Career" processes, and primarily the Dining

Hall processes via this EEM methodology. Again, within the year, we realized some of these actions and improved the processes. Based on the positive feedbacks received, we aimed to have 15 different processes to be reviewed under the supervision of the related units in order to expand EEM approach to company-wide. Thus, Human Resources Directorate initiated this expansion. In this context, we defined the steps of the methodology, and teams that will realize EEM projects received related trainings.

High Performance-Oriented Workplace

On the way to success and to our objectives, it is vital for us to evaluate our performance, to identify our skills and improvement areas correctly. We continuously monitor our performance and take necessary lessons from the results. We apply the Performance Management System that includes all Tofaş employees to support performance and development oriented culture. Two cornerstones of Performance Management System are the "Leadership Principles" defined as goals and behavioral competences. Our goals are determined annually; are reviewed at least once a year together with the development plans. Subjects related to sustainability management are also among the performance goals of our employees. Thanks to 360 Degrees Competency Evaluation approach, employees have the opportunity to give feedback about Leadership Principles to their managers and colleagues.





We consider the results of Performance Management System for the remuneration policy. While determining our employees' remuneration level, we consider some factors such as the nature of business, the responsibilities taken, and the general wage level. We also accept the principle "equal pay for equal work" and don't let our employees to be discriminated due to gender or any other personal characteristics. The remuneration difference between our employees doing an equal job can only appear because of differences based on seniority or performance achievement.

Workplace Adding Value to Social Life

At Tofaş, we give importance to our employee's professional and personal life balance and provide them some activities to enrich their social life. We believe that their social opportunities affect positively their professional life.

All employees can benefit from social facilities within Tofaş Factory together with their spouses and children. These facilities give an opportunity to employees to come together in special days and organizations. 15 volunteer clubs and 10 volunteer sport teams initiated by employees continue on their activities. Our social clubs arrange averagely 200 cultural, artistic and sportive activities a year such as concerts, exhibitions, shows and conferences, and more than 50.000 employees and their candidates attend each year. Tofaş sports club opened summer schools on swimming, basketball and football and created sports opportunities for children of our employees. Our sport teams participate each year to Koç Holding Sport Fest, and to sports organizations between companies such as Fiat GAMES and CorriFiat. In addition to this, as many of our employees attends the intercorporate tournament and we gather our employees and their families together in the Tofaş Day. Besides these activities, we offer dietician service to employees on appointment basis, in addition to general health services given both in Tofaş Factory and in General Directorate.

We initiated Day Care Support in 2016 in order to support female employees keep business-private life in balance and to increase the number of women employed. 242 female employees benefited from this support throughout the year.

Automotive Post-Graduate Program

During hiring process for Tofaş R&D Center, personnel that have post-graduate or doctor's degree have priority. The number of employees that received post-graduate or doctor's degree have increased to 146 in this R&D Center. In this regard, we support Automotive Post-Graduate Program organized mutually with Uludağ University. According to this program, 6 experienced Tofaş employees give lectures on vehicle mechanics, automotive designing, manufacturing and project management (doctorate), on introduction to automotive engineering (undergraduate), and on vehicle designing. As of 2016, 14 Tofaş employees have been participating to post-graduate program, while 3 Tofaş employees have been participating to doctorate program.

Hack-Oto

Hack-Auto is a three-day talent camp that helps students with high potential studying at target universities get to know the work life in Tofaş and be aware of job opportunities; at the end of the program, employment opportunities are offered. In 2016, 52 participants were selected among 12,000 applicants. Following the event, the potential candidates were called for suitable positions and suitable candidates received job offers.

VALUE CHAIN IMPROVEMENT

We provide our suppliers and dealers with training opportunities via programs organized under Tofaş Academy umbrella.

We believe that we can achieve sustainable business performance via a sustainable value chain. We work to create a continuous development-oriented value chain adopting business ethics and working principles identical to that of Tofaş. In this vein, we contribute to the improvement of business success of our suppliers and dealers which are the material constituents of our value chain. We provide our suppliers and dealers with training opportunities via programs organized under Tofaş Academy umbrella.

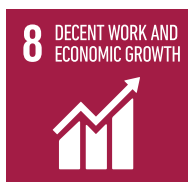
SUPPLY CHAIN MANAGEMENT

We adopt the development of both our employees and suppliers continually, providing organizational excellence, and improving business processes steadily as a principle with an aim to protect our competitiveness, to reduce product and purchasing costs, to obtain the best quality and delivery performance in purchased goods and services, and to sustain all of these aspects. We work for achieving a sustainable business performance through a supply chain that is financially sound, environmentally friendly in terms of operations, and reliable in terms of production quality and consistency. We follow good practices and systems at global scale and model our supply chain processes accordingly. Thus, we build close relations based on business success, openness and trust with our suppliers.

We manage our supply chain processes by expert units such as our Supplier Development which report directly to the CEO, together with specialty units such as the WCC and the Supply Industry Development. Strategic goals and performance results achieved periodically are reported to the senior management, Early Detection of Risks and Risk Management Committee and to the Board of Directors. The objectives and strategic approaches determined by our senior management identify our future activities.

We expect our suppliers to adopt similar ethical principles with us. For that reason, we include Tofaş Code of Ethics to the agreements concluded with suppliers. In case of any breach, we support them to comply with these norms.

In purchasing, we continue to simplify business processes. In addition to projects initiated in 2016, our goal is to be an OEM (Original Equipment Manufacturer) of Turkey with the highest volume of production in 2017. Thus, in order to sustain the increased production capacity, Purchasing Directorate conducted planning studies in regards to capacity increases for suppliers.





Selecting the Supplier

Principally, we expect our suppliers to act together towards common objectives. When selecting suppliers, we expect them to be technically and organizationally excel in order to meet automotive industry's expectations, to be financially sound, to have a capacity that contributes Tofaş's competitiveness in terms of quality and cost reduction, to integrate innovations and industrial best practices to their business processes, to succeed in our process and work norm audits.

We primarily prefer local suppliers when carrying our purchasing activities in accordance with our goals of localization and reducing external dependence which are among our medium and long-term strategies. Except engine and transmission, we carry out 73% of our purchases from local suppliers. We conduct majority of our international purchasing with FCA purchasing organization. In 2016, we realized direct material and equipment supply from 161 local and 25 foreign companies, and we supplied indirect materials and services from 2,198 local and 203 foreign companies.

Supplier Development Practices

We give importance to enhancing suppliers' competitive edge and support their development. In this context, we support the extension of WCM methodology, developing risk management in supply chain and conducting orientation studies for supplier employees to enhance their qualifications.

We conduct efficiency-enhancing studies in direct labor and quality areas in supplier manufacturing processes through LCA (Low Cost Automation). We provide cost competitiveness to suppliers via an application lead by WCM Supplier Development Unit.

We evaluate our supplier performance via Supplier Map. We periodically inspect our suppliers in terms of quality, cost, competitiveness, self-development performance, awareness and financial performance. Regarding the results, we develop medium and long term objectives and improvement plans for them.

We expect our suppliers to adopt similar ethical principles with us.

17 PARTNERSHIPS FOR THE GOALS



VALUE CHAIN IMPROVEMENT

We adopt proactive methods in order to early-detect, manage and monitor environmental, social and economic risks that may appear in the supplier chain.

We conduct WCM Expansion Project in order our suppliers to integrate WCM methodology to their business models and to embrace the WCM Program. Through this project, we aim at supporting our supplier development particularly in environment and health and safety; enhancing their competitiveness by improving their WCM performance. WCM expansion projects initiated in 2009 have been applied in 24 suppliers by the end of 2016.

We share Tofaş's technical expertise and Tofaş Academy trainings with our suppliers. In 2016, we provided 45 training modules to 808 employees from 60 suppliers.

We initiated "UP" (Apply the Competencies, Plan the Development) program for the technical competency development of employees working in purchasing, quality, project and logistics units of certain suppliers. In this vein, 24 employees of nine suppliers finished the basic trainings. Our goal is to help suppliers continue their journey of development through UP program and trainings prepared specifically for expertise areas.

For improving our suppliers' management skills, human resources and process efficiency, we continued our projects on competency development in the areas of problem solving, planning, and diagnosis in 2016.

We continued to carry out "Synergy" meetings organized to introduce business processes and expectations to suppliers and to answer their questions in 2016. We reached 168 employees of 34 suppliers.

In 2016, 46 suppliers attend to GO (Focus on Development) Summit in which best practices were shared to help develop HR processes of suppliers.

Sustainability Risks Management in Supply Chain

We evaluate sustainability risks throughout our entire supply chain. We adopt proactive methods in order to early-detect, manage and monitor environmental, social and economic risks that may appear in the supplier chain. We support our suppliers operationally and financially to enable them to gain information about sustainability risk management.

We monitor and evaluate performance of all suppliers in areas of trade efficiency, quality and delivery via defined standards in order to secure quality and sustainability in manufacturing and increase our competitiveness. We work to increase suppliers' awareness on the fact that reaching the target performance and practice level is also a factor that provides development for the supplier.

Suppliers should ensure sustainability and minimize manufacturing risks for a sustainable supply chain management. We expect our suppliers to be operationally and financially sound and to continue their profitability. Hence, we prefer them to have business diversity and to be in the supply chain of other manufacturers. We support our suppliers to serve to other markets through studies that will increase their competence.





We identify risks in supply chain through an extensive and effective auditing practice. Therefore, we conduct extensive supplier audits including environment, occupational health and safety, and employee development; then we support our suppliers through development plans we prepared to improve their performance.

To identify financial risks in supply chain, we carry out audits via our Financial Risk Management Department together with the support of an independent third party corporation. We provide consultancy in financial matters as evaluating suppliers in low, medium or high risk categories. Audits help us to take precautions by identifying financial risks of suppliers in advance and to avoid interruptions in production continuity. In 2016, we have completed financial risk evaluations of 37 suppliers and developed their action plans.

AUTHORIZED DEALER AND SERVICE NETWORK

The most crucial business partners in customer satisfaction are the authorized dealer and service. Tofaş dealer network provides services such as new car sale, second hand car sale, maintenance & repair, spare part sales with an after-sale service that has a supported technological infrastructure.

Providing service to brands including Fiat, Alfa Romeo and Jeep®, Tofaş Dealer Network has 74 main offices for Fiat and 14 main offices for Alfa Romeo-Jeep®. In order to give closer and good quality service to our customers, dealers open additional sales and services points in different locations. We have 43 “satellite sales and services points” structured this way. Beside these points, Fiat brand, provides a service to its customers by 114 sales and 136 service points. Employing 5,500 individuals in our dealer network, and 335 employees work in sales and services for the brands Alfa Romeo, Jeep and Lancia.

5,500
Tofaş dealer
network employee
number

17 PARTNERSHIPS
FOR THE GOALS



CORPORATE CITIZENSHIP

As part of our corporate citizenship approach, we create positive impact on local economy with our wide value chain that includes hundreds of companies from our suppliers to our dealers.

102-44

At Tofaş, we define ourselves as a corporate citizen. We adopt a responsible approach towards development of the society we operate in. We focus on long-term social responsibility projects that create value for the society and that support social development with a multi-dimensional approach in sport, environment, culture & art fields.

We manage our social development studies within the scope of Tofaş Donation and Sponsorship Politics via Corporate Relations Directorate. Before defining our future projects, we consider local community and stakeholder expectations and needs.

We allocated more than 23 million TL to corporate citizenship projects during the reporting period.

CONTRIBUTION TO LOCAL ECONOMY

As part of our corporate citizenship approach, we create positive impact on local economy with our wide value chain that includes hundreds of companies from our suppliers to our dealers. We accordingly give utmost importance to increase local employment. All our field workforce and 85% of our executives consist of local employees.

We also contribute indirectly to the local economy with our corporate and professional improvement activities conducted with our suppliers and business partners and with R&D studies.

SPORT

Tofaş Sports Club

Tofaş Sports Club that was founded with the name Tofaş SAS (water sports, athletics, sportive games) in Bursa Tofaş Factory in 1974, continues to operate in branches including basketball, football, volleyball, table tennis, water polo and bridge. Tofaş Sports Club brings new talents in Turkish sport with ongoing investments in youth teams and youth-team focused model. The club brought the first European Cup Final and the first Turkey Championships, Presidency Cup Championship, Turkey Cup Championship and Schools Basketball World Championship to Bursa in Basketball branch. Tofaş Basketball Team continues to compete in Super League in 2016-2017 season.



New Generation Tofaş Project

New Generation Tofaş Project has been initiated in 2016 to support children in gaining a culture and perspective that will help them to be successful in all aspects of life beyond sports training. The goal of this project is to provide equal opportunities to children for accessing to sports. New Generation Tofaş is a training and practice model in the triangle of a coach, family and the child for a generation that embrace a true sports culture in which every child can play basketball under the same opportunities in their neighborhoods. Through New Generation Tofaş Project, we reached to 650 children. 9 teams formed with children selected to youth team continue their theoretical and practical trainings under the supervision of professional trainers. Moreover an e-learning system established in order to train families and trainers in these regions; street tournaments organized for developing a public-wide basketball culture, and science and creative drama workshops to support social intelligence development of children.

In 2017, we plan to develop the only sports library in Turkey founded within the club. The goal is to extend New Generation Tofaş Project, first initiated with a mission to make Bursa a city of basketball, to nationwide starting from Bursa.

Mustafa V. Koç Arena

Mustafa V. Koç Sports Center construction of which began in February 2015 by Tofaş Sports Club has been opened in 2016. Mustafa V. Koç Sports Center offers service not only to Tofaş personnel, but amateur sports clubs and athletes in Bursa. 5,800 m² complex includes a sports hall with three basketball courts, training center and fully-equipped athlete rehabilitation center that covers all kind of physiotherapy requirements.

Tofaş Sports Center

Tofaş plays home-games in Tofaş Sports Center located in Nilüfer, Bursa. Games contributing social life in Bursa, reach high seat occupancy levels.

We focus on long-term social responsibility projects that create value for the society and that support social development with a multi-dimensional approach in sport, environment, culture & art fields.

CORPORATE CITIZENSHIP

In the reporting period, we realized Sales Academy, the development program which is the first in the industry that aims to help students achieve an occupation in automotive sales.

EDUCATION

Fiat Laboratories

Our goal for Fiat Laboratories is to train technical workforce having a command of new technology and to make use of this power in Turkish automotive industry. We work in collaboration with the Ministry of Education, Directorate General for Vocational and Technical Education; and contribute to development of motor vehicle technology areas in industrial technical education schools and establishments. We work together with After-Sales Managers, Service Council Regional Representatives and Regional Managers in Fiat Laboratories.

Fiat Laboratory launched for the first time in 2006 in Şişli Industrial Vocational High School celebrated its 10th anniversary. As of 2016, the number of students and teachers in Fiat Laboratories has become 1,500. In 2016, 221 students were graduated from Fiat Laboratories. 55 male and 10 female graduates started working in Fiat authorized services, while 11 graduates started working in Tofaş Factory. Within 2015-2016 European Union Project, Fiat Laboratory students and teachers selected from partner schools had the opportunity to have training in European countries and to have international experience by working in services in these countries. Until now, 400 vocational high school teachers benefited from In-Service Education Program organized for teachers working in laboratories. In 2016, 274 students who are studying at Fiat Laboratories started to receive scholarship from Vehbi Koç Foundation.



Tofaş Science High School

Tofaş Science High School we opened in Bursa with the cooperation of Demirtaş Organized Industrial Zone (DOSAB), gave its first graduates in 2015. As of 2016, 397 students have education in this high school which possesses 16 classes, 70 dorm rooms with 280 people capacity and a sport complex. In 2016, Tofaş Science High School students have achieved a success rate of 87% in the university qualification exam; thus preserving school's position as the most successful secondary school in Bursa.

Sales Academy

In the reporting period, we realized Sales Academy, the development program which is the first in the industry that aims to help students achieve an occupation in automotive sales. 35 candidates selected through interviews among 8,400 applicants received training based on this two-week program. Following this program, dealer internship program was organized and participants are entitled to graduate.



CULTURE & ARTS

Tofaş Bursa Museum of Anatolian Cars and Tofaş Art Gallery

Tofaş Bursa Museum of Anatolian Cars is the one and only Anatolian car museum, founded with the intent of protecting automotive heritage in Anatolia. We renovated and converted a land of 17,000 m², located in Umurbey Neighborhood that includes an old filature, Umurbey Historical Turkish Bath and old Turkish house near the Turkish bath into a museum. Tofaş Museum of Anatolian Cars that has opened its doors in 2002, welcomed almost 600,000 visitors as of 2016.

Historical Umurbey Turkish bath giving a service as Art Gallery within the boundaries of Tofaş Museum of Anatolian Cars, hosted "Here I am: Zeki Müren" exhibition between November 2015 - February 2016 and was visited by 30,000 people. The number of visitors to "Scale knob: Balances, Weights, Measuring Devices" exhibition launched in 2016 and that has the footprints of social and commercial life from past to present is over 20,000 by the end of the year.

Sponsorship for Pamukkale Hierapolis Excavations

Since 2005, we have been one of main sponsors of ancient city in Hierapolis Antique City in Pamukkale which is one of Turkey's five biggest ancient city ruins and listed as the UNESCO's World Heritage in 1988. Excavation works carried out under the control of Ministry of Culture and Tourism and Governorship of Denizli continued in 2016 as well. An international team with almost 70 people including archaeologist, architectures, restorators and specialists, primarily from Italy and Turkey, takes charge at Hierapolis excavations. Within the

scope of the excavations, renovation of Antique Theater hall, one of the best examples among Roman theatres that was constructed almost 1,800 years ago, has been completed. Hierapolis Antic Theatre, the only antic theatre in Turkey, the stage building of which has been renovated, was opened for arts and culture events with capacity of 12,000 people after renovation. We continue to support Hierapolis excavations through excavation and restoration works in Plutonium that was revealed in the ancient city.

We continue to support the Küçükyalı Archeology Park excavations under the supervision of the Republic of Turkey the Ministry of Culture, General Directorate of Cultural Heritage and Museums, started in 2001 by Italian and Turkish researchers, for the 13th year. Within this project supported by Maltepe Municipality, we conducted promotion and guidance activities, science activities and protection works during the excavation season in 2016. We continued researches at the conservation, restoration, photography and database operation departments within the scientific laboratory throughout the excavation season. We also continued to use the archeology laboratory founded by Koç University.

ENVIRONMENT

Environmental Awareness Training

We organized interactive training programs that aim to create Environmental and Energy Awareness in elementary schools within Demirtaş Organized Industrial Zone with "Hand in Hand for a Common Future" approach. We plan to extend this education consisting of fun applications and a question & answer session in the end that increases awareness to Bursa-wide.

CORPORATE MEMBERSHIPS

COMPANY NAME	RESPONSIBILITY IN THE INSTITUTION
Climate Platform (REC Turkey)	Membership
Automobile Manufacturers' Association	Board of Directors, Committee and Study Group Memberships
Automobile Distributors' Association (ADA)	General Assembly, Board of Directors, Audit Commission and Committee Memberships
Istanbul Chamber of Industry (ICI)	36 th Group Professional Committee and Assembly Memberships
Bursa Chamber of Commerce and Industry (BTSO)	Assembly and Committee Memberships
Turkish Metal Industrials Union (MESS)	Membership
International Investors Association (YASED)	Board of Directors and Committee Memberships; Automotive and Supply Industry Study Group Presidency
Uludag Automotive Industry Exporters' Association (OIB)	Vice Presidency of the Executive Board
Bursa Industry and Businessman Association (BUSIAD)	Board of Directors and Expert Group Memberships
Demirtaş Organized Industry Zone (DOSAB)	Board of Directors and Education Commission Memberships
Demirtaş Organized Industry Zone Industrialists' and Bussinessmen's Association (DOSABSIAD)	General Assembly Membership
People Management Association of Turkey (PERYÖN)	Membership
Foreign Economic Relations Board Eurasia, Africa and Middle East Works Council (DEİK)	Membership
Foreign Trade Association of Turkey (TÜRKTRADE)	Membership
Turkish Quality Association (KALDER)	Membership and Board Membership
Advertisers Association (RVD)	Membership
Italian Chamber of Commerce	Representation
World Italian Entrepreneurs Association (CIIM EurAsiaMed)	Board Membership
Turkish Industry and Business Association (TÜSİAD)	Membership and Study Group Memberships
DENİZTEMİZ-TURMEPA	Membership
Corporate Communications Professionals Association (KID)	Board Membership
The Union of Chambers and Commodity Exchanges of Turkey (TOBB)	Automotive Industry Assembly Membership, Automotive Trade Assembly Membership
ERT-TBC	Membership
Association of Financial Institutions (FKB)	Membership and Board Membership
Işık University	Department of Industrial Engineering Council Membership
Ministry of Science, Industry and Technology	Sub-committee Membership
The Institute of Internal Auditing (TİDE)	Membership
Turkish Researchers' Association (TUAD)	Membership
Corporate Governance Association of Turkey (TKYD)	Corporate Membership and Study Group Membership
Investor Relations Association (TUYİD)	Corporate Membership
Ethics and Reputation Society (TEİD)	Corporate Membership and Representation
Bursa Chamber of Commerce and Industry Educational Foundation (BUTGEM)	Board Membership
Professional Competency Board (MYK)	Automotive Industry Committee Presidency
Automotive Technology Platform (OTEP)	Executive Board and Security Group Membership
METU/BİLTİR-ÜTEST Product Use Test Unit (OTEST)	Council Membership
Istanbul Chamber of Commerce (İTO)	Membership
Tool Manufacturers' Association of Turkey (UKUB)	Substitute Board Membership
Tax Council	Study Group Membership
Corporate Risk Management Association (KRYD)	Membership

PERFORMANCE DATA

PERFORMANCE DATA	2012	2013	2014	2015	2016
ECONOMIC AND OPERATIONAL INDICATORS					
Production (number)	256,428	244,614	222,807	278,252	383,491
Automobiles	77,538	82,817	59,109	73,637	189,962
LCV	178,890	161,797	163,698	204,615	193,529
Total Retail Sales (number)	104,598	100,441	92,355	113,929	109,021
Automobiles	46,461	53,104	42,769	51,802	55,284
LCV	58,137	47,337	49,586	62,127	53,737
Total Exports (number)	154,069	160,319	142,281	173,873	279,537
Automobiles	46,869	43,477	25,067	32,055	139,629
LCV	107,200	116,842	117,214	141,818	139,908
Capacity Utilization Rate (%)	64	61	56	70	95
Net Sales (thousand TL)	6,705,274	7,037,954	7,440,009	10,168,542	14,605,281
Domestic	2,928,462	2,876,376	3,023,705	4,121,142	4,291,021
Export	3,667,217	4,069,041	4,297,030	5,729,275	9,839,301
Other Real Operating Sales	109,595	92,537	119,274	70,306	105,629
Profit Before Tax (thousand TL)	497,440	477,075	472,253	617,987	797,936
Profit After Tax (thousand TL)	442,039	434,223	574,238	830,801	970,228
EBITDA (thousand TL)	834,155	816,735	815,607	1,062,668	1,366,148
Earnings per Share (Kr)	0.88	0.87	1.15	1.66	1.94
Economic Value Generated - Net Income (thousand TL)	6,705,274	7,037,954	7,440,009	10,168,542	14,605,281
Economic Value Distributed (thousand TL)	6,534,307	6,669,779	7,307,124	10,076,334	14,053,163
Operating Costs	5,467,501	5,751,832	6,062,362	8,809,825	12,536,578
Employee Wages and Benefits	431,271	439,750	520,030	548,210	728,353
Dividend Payment to Shareholders	480,000	325,000	485,000	365,000	365,000
Government Taxes and Other Obligations	144,086	140,229	228,387	336,497	399,803
Community Investments	11,449	12,968	11,345	16,802	23,428
Economic Value Retained (thousand TL)	170,967	368,175	132,885	92,208	552,117
Government Incentives (thousand TL)	102,935	50,241	55,420	47,046	38,672
Corporate Governance Rating Notes	9.03	9.14	9.01	9.06	9.14
Total R&D Budget (TL)	106,998	113,466	541,057	586,059*	440,080*
Total R&D Employees (number)	395	491	605	674	628
Total Number of Patents	5*	6*	6*	6	5
ENVIRONMENTAL PERFORMANCE INDICATORS					
Total Energy Consumption (GJ)	1,220,966	1,124,120	1,063,686	1,303,923	1,496,302
Direct Energy Consumption - Natural Gas (GJ)	607,682	612,661	609,138	805,475	895,871
Indirect Energy Consumption (GJ)	613,284	511,459	454,548	498,448	601,050
Electricity	480,107	441,120	434,108	498,448	601,050
Steam	133,177	70,339	20,440	0	0
Energy Consumption per Vehicle Manufactured (GJ/vehicle)	4.76	4.59	4.77	4.69	3.90
Energy Saved Through Efficiency Projects (GJ)	113,500	72,614	124,812	71,010	60,169
GHG Emission Reduction Through Efficiency Projects (Ton CO ₂ e)	10,294	6,541	9,720	6,225	4,213
Scope 1	3,278	2,254	4,995	4,403	2,688
Scope 2	7,016	4,287	4,725	1,822	1,525

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

PERFORMANCE DATA

PERFORMANCE DATA	2012	2013	2014	2015	2016
Direct GHG Emissions (Scope 1) (Ton CO ₂ e)	51,058	49,208	50,103	68,904	78,992
Indirect GHG Emissions (Scope 2) (Ton CO ₂ e)	72,574	62,919	55,879	61,753	74,313
GHG Emissions From Personnel Commuting (Scope 3) (Ton CO ₂ e)	-	2,639	2,740	3,442	4,938
GHG Emissions per Vehicle Manufactured (Kg CO ₂ e/vehicle)	0.482	0.458	0.476	0.47	0.40
Total VOC Emissions (ton)	1,091	993	891	1,054	1,388
Specific VOC Emissions (gr/m ² painting surface)	38.56	36.9	35.5	33.76	34.55
Total Water Withdrawal - Underground sources (m ³)	910,516	857,305	772,247	894,265	1,257,696
Fresh Water Consumption per Vehicle Manufactured (m ³ /vehicle)	3.55	3.51	3.47	3.21	3.27
Total Water Recovered (m ³)	49,136,180	52,099,771	52,430,664	60,841,359	63,397,013
Reuse	49,103,510	52,079,106	52,421,214	60,841,359	63,397,013
Recycle	32,670	20,665	9,450	0	0
Waste Water Discharge - to Receiving Natural Environment (m ³)	429,341	587,561	580,600	760,629	1,009,621
Total Hazardous Wastes by Disposal Method (ton)	2,870.6	2,618.4	1,484	1,447	2,305
Energy Recovery	2,427.6	2,321.9	867.31	1,014	1,667
Recovery	441.9	288.6	320.1	411	507
Landfill	0	0	297.44	22	131
Incineration	4.2	7.9	0	0	0
Other (Refinement)	0	0	0	0	0
Total Non-Hazardous Wastes by Disposal Method (ton)	69,379.1	67,831.5	62,753.1	7,847.9	86,514.0
Energy Recovery	322.7	296.8	1,046.90	1,060	1,448.5
Recovery	69,056.4	67,534.7	61,706.2	7,741.9	85,065.0
Landfill	0	0	0	0	0
Incineration	0	0	0	0	0
Other	0	0	0	0	0
Total Non-Hazardous Wastes by Disposal Method (ton)	2,870.6	2,618.4	1,484	1,447	2,305
Total Packaging Material Used (ton)	6,886	6,535	5,987	9,316	11,768
Packaging Waste Recovery Ratio (%)	100	100	100	100	100
Environmental Trainings - Participation (number of participants)	2,305	1,600	3,917	2,767	3,760
Direct Employees	1,575	630	3,092	2,143	3,517
Contractor Employees	730	970	825	624	243
Environmental Trainings - Total Hours (person x hours)	3,180	1,780	3,917	6,407	3,826
Direct Employees	2,090	630	3,092	1,648	3,504
Contractor Employees	1,090	1,150	825	4,759	322
Total Environmental Management Costs (TL)	2,109,100	1,821,600	1,581,544	2,230,971	1,034,007
Fines Due to non-Compliance to Environmental Regulations (number-TL)	0-0	0-0	0-0	0-0	0-0
Environmental Impact Grievances Received Through Formal Mechanisms (number)	0	0	0	0	0
Suppliers Screened by Using Environmental Criteria (%)	2	6	9	7	15

PERFORMANCE DATA	2012	2013	2014	2015	2016
SOCIAL PERFORMANCE INDICATORS					
Employee Trainings - Participation (number of participants)	5,641	5,619	7,131	8,187	16,226
Field Workers	4,576	4,380	5,819	6,090	6,429
Office Employees	1,065	1,239	1,312	2,097	1,684
Female	114	121	148	1,306	879
Male	6,527	5,498	6,983	6,881	7,234
Employee Trainings - Total Hours (person x hours)	159,223	224,198	268,412	94,918	1,331,258
Field Workers	106,525	122,560	141,080	25,258	564,527
Office Employees	52,698	101,638	127,332	69,660	101,102
Female	9,870	10,120	13,420	14,600	107,754
Male	149,353	214,078	254,991	80,318	557,875
Average Hours of Training per Employee (hours/person)	22.0	35.8	39.9	40.25	82.04
Field Workers	17.9	24.9	28.1	32.32	87.8
Office Employees	41.8	76.0	86.3	44.03	60
Female	43.9	41.5	44.3	40.82	122.5
Male	21.3	35.6	41	40.1	77.1
Contractor Employee Trainings - Participation (number of participants)	3,842	4,417	5,167	5,748	711
Contractor Employee Trainings - Total Hours (person x hours)	4,301	5,982	7,649	4,592	8,080
Average Hours of Training per Contractor Employee (hours/person)	4.5	4.0	5.0	4.6	11.4
OHS Trainings - Participation (number of participants)	12,751	10,914	16,543	8,756	14,173
Direct Employees	8,909	6,497	8,062	4,364	6,966
Contractor Employees	3,842	4,417	8,481	4,392	7,207
OHS Trainings - Total Hours (person x hours)	25,456	34,500	67,181	34,896	60,865
Direct Employees	21,155	28,518	59,532	31,602	55,460
Contractor Employees	4,301	5,982	7,649	3,294	5,405
Injury Rate (with first-aid)					
Direct Employees	0.06	0.06	0.04	0.05	0.05
Contractor Employees	0.79	0.58	0.13	0.81	1.70
Occupational Diseases	0	0	0	0	0
Direct Employees	0	0	0	0	0
Contractor Employees	0	0	0	0	0
Lost Day Rate					
Direct Employees	0.04	0.05	0.02	0.02	0.05
Contractor Employees	2.06	0.73	0.51	0.69	0.79
Fatalities	0	0	0	0	0
Direct Employees	0	0	0	0	0
Contractor Employees	0	0	0	0	0
Number of Employees Involved in Activities with High Accident or Disease Risk	0	0	0	0	0
OHS Committees Established (number)	9	9	9	9	9
Total Members in OHS Committees Established (number)	95	95	95	98	99
Employee Representatives in OHS Committees Established (number)	9	9	9	11	12
Total Suppliers based on Workforce Criteria (number)	2	15	21	20	21

EMPLOYEE DEMOGRAPHICS	2012	2013	2014	2015	2016
Total Workforce (number)	8,183	7,087	7,259	8,868	11,113
Direct Employees	7,229	6,262	6,490	8,018	10,215
Female	225	244	303	422	872
Male	7,004	6,018	6,187	7,596	9,343
Contractor Employees	954	825	769	850	898
Employees by Contract Type (number)	7,229	6,262	6,490	8,018	10,215
Permanent	6,413	6,252	6,461	7,890	10,104
Female	219	242	303	422	872
Male	6,194	6,010	6,158	7,468	9,232
Temporary	816	10	29	128	111
Female	6	2	0	0	0
Male	810	8	29	128	111
Employees by Category (number)	7,229	6,262	6,490	8,018	10,215
Field Workers	5,967	4,924	5,015	6,399	8,532
Female	1	2	20	79	540
Male	5,966	4,922	4,995	6,320	7,992
Office Employees	1,262	1,138	1,475	1,619	1,683
Female	224	242	283	343	332
Male	1,038	1,069	1,192	1,276	1,351
Employees by Type (number)	7,229	6,262	6,490	8,018	10,215
Full-time	7,229	6,262	6,490	7,967	10,215
Female	225	244	303	422	872
Male	7,004	6,018	6,187	7,596	9,343
Part-time	0	0	0	0	0
Employees by Education Level (number)	7,229	6,262	6,490	8,018	10,215
Illiterate	0	0	0	0	0
Primary	819	747	701	716	666
Secondary	4,424	3,582	3,662	4,691	6,194
University and Above	1,986	1,933	2,127	2,611	3,355
Employees by Age Group (number)	7,229	6,262	6,490	8,018	10,215
18-30	3,330	2,010	1,828	3,331	5,464
31-40	1,897	2,148	2,635	2,719	2,943
41-50	1,968	1,952	1,951	1,860	1,681
51-60	34	42	76	108	127
Senior Management Structure (number)	16	19	18	16	15
by Gender	16	19	18	16	15
Female	1	1	1	0	0
Male	15	18	17	16	15
by Age Group	16	19	18	16	15
18-30	0	0	0	0	0
31-40	1	1	0	1	1

41-50	11	13	10	10	8
51-60	4	5	8	5	6
by Nationality	16	19	18	16	15
Turkish Citizen	15	16	16	14	13
Expat	1	3	2	2	2
Mid-level Management Structure (number)	187	200	210	166	170
by Gender	187	200	210	166	170
Female	14	18	20	20	18
Male	173	182	190	146	152
by Age Group	186	200	210	166	170
18-30	3	4	2	0	0
31-40	74	85	90	68	69
41-50	97	97	99	83	82
51-60	12	14	19	15	19
Employees Covered by Collective Bargaining Agreement (number)	5,967	4,924	5,011	6,391	8,524
New Hires (number)	94	366	607	3,087	3,623
by Gender	94	366	607	3,087	3,623
Female	25	40	76	124	574
Male	69	326	531	2,963	3,049
by Age Group	94	366	607	3,087	3,623
18-30	62	296	507	2,851	3,354
31-40	23	64	68	82	146
41-50	8	3	22	111	89
51-60	1	3	10	43	34
Employees Left (number)	566	1,129	426	925	1,375
by Gender	566	1,129	426	925	1,375
Female	21	20	20	38	89
Male	545	1,109	406	887	1,286
by Age Group	566	1,128	426	925	1,375
18-30	333	802	114	547	792
31-40	123	187	131	153	201
41-50	95	127	146	205	275
51-60	15	12	35	20	107
Employees on Parental Leave	373	549	481	490	611
Female	19	16	29	33	49
Male	354	533	452	457	562
Employees Returned to Work After Parental Leave	45	549	481	490	601
Female	10	16	29	33	49
Male	35	533	452	457	552
Employees Returned to Work After Parental Leave and Still Employed 12 Months After Their Return	45	549	472	479	590
Female	10	16	29	33	47
Male	35	533	443	446	543

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103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Risk Management in Supply Chain (p.44-45)
403-1	99 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.
403-2	Performance Data (p.53) During the reporting period neither fatality nor occupational disease case occurred.
403-3	Performance Data (p.53)
403-4	Our OHS commitments are found in the collective bargaining agreement. Most recent collective bargaining agreement contains OHS issues such as compliance to regulations, health and protective equipment.
Training and Education	
103-1	Sustainability Management (p.13)
103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Continuous Development Oriented Workplace (p.40); High Performance Oriented Workplace (p.40)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Risk Management in Supply Chain (p.44-45)
404-1	Continuous Development Oriented Workplace (p.40); Performance Data (p.43)
404-2	Continuous Development Oriented Workplace (p.40)
404-3	High Performance Oriented Workplace (p.40)
Diversity and Equal Opportunity	
103-1	Sustainability Management (p.13)
103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
405-1	Workforce Statistics 2016 (p.39); Performance Data (p.54-55)
405-2	High Performance Oriented Workplace (p.34)
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103-1	Sustainability Management (p.13)
103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
406-1	During the reporting period, no case of discrimination has occurred.

Freedom of Association and Collective Bargaining	
103-1	Sustainability Management (p.13)
103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
407-1	During the reporting period, no evidence for unionization and collective bargaining rights to be under risk in Tofaş operation. Same principle is also considered during supplier audit process and no risk element witnessed.
Child Labor	
103-1	Sustainability Management (p.13)
103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
408-1	During the reporting period, no evidence for risk of child labor in Tofaş operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.
Forced or Compulsory Labor	
103-1	Sustainability Management (p.13)
103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
409-1	During the reporting period, no evidence for risk of forced or compulsory labor in Tofaş operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.
Security Practices	
103-1	Sustainability Management (p.13)
103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Workplace Culture (p.38); Sustainability Risk Management in Supply Chain (p.44-45)
410-1	Certified security personnel specialized in the field take charge in ensuring the safety of Tofaş operation. 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 procedure.

GRI INDEX

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103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Vehicle Safety, Driving and Passenger Comfort (p.24)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11)
416-1	Vehicle Safety, Driving and Passenger Comfort (p.24)
416-2	During the reporting period, no case of non-compliance to regulations has occurred regarding vehicle and passenger safety aspects.
The Balance of Business Life - Private Life	
103-1	Sustainability Management (p.13)
103-2	Corporate Governance Structure (p.6); Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Workplace Adding Value to Social Life (p.41)
103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11)
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103-1	Sustainability Management (p.13)
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103-3	Risk Management (p.7); Internal Control and Internal Audit (p.11); Sustainability Risk Management in Supply Chain (44-45)

INDEPENDENT ASSURANCE STATEMENT

 TÜRK LOYDU Evliya Çelebi Mah. Tersaneler Cad. No:26/1 34944 Tuzla-İSTANBUL Phone: +90 216 581 37 00, Fax: + 90 216 581 38 20, e-mail: tlibb@turkloydu.org , web: www.turkloydu.org			
ASSURANCE STATEMENT (Reasonable Level)			
Statement Date: 13.06.2017	Statement No: 02	Revision No: 02	Page: 2 / 2

1. SCOPE OF WORK

Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. carried out office and field studies to provide an independent assurance at reasonable confidence level of its select GRI Performance Indicators (Energy Efficiency and GHG (CO₂) Emissions, Water Management) of TOFAŞ Sustainability Report 2016 according to GRI G4 Sustainability Reporting Guidelines. Verification activities were conducted during May-June 2017.

This Assurance Statement applies to the related data and information on these indicators included within the scope of work described below.

- G4-EN3 Energy Efficiency ve GHG Emissions Performance Data
- G4-EN8 Water Management Performance Data
- G4-EN10 Water Management Performance Data

The information and responsibility in the TOFAŞ 2016 Sustainability Report belongs to the organization and Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. was not involved in the drafting of the Report. The sole responsibility of the Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. was to provide independent assurance on the accuracy and reliability of information included, and on the underlying systems and processes used to collect, analyse and review it.

2. VERIFICATION ACTIVITIES

Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. undertook the following verification activities as part of its independent assurance:

- a. TOFAŞ Türk Otomobil Fabrikası A.Ş. has made this verification for one production site located at Bursa Factory; İstanbul Cad., No:574 16369 BURSA and head office building located at Büyükdere Cad. No: 145 Tofaş Han 34394 Zincirlikuyu/İSTANBUL,
- b. Site visit had been conducted at Bursa Factory; İstanbul Cad., No:574 16369 BURSA on 31.05.2017,
- c. Relevant personnel interviewed who are the responsible for the relevant data systems and collection, compilation and analyses processes during the site visit verification,
- d. Review and verify of performance indicator information and datas with reference documents,
- e. Evaluation of data and information management systems in terms of collection, aggregation, analysis and review.

3. ASSURANCE STATEMENT

We have been informed that the results of our studies; the data and information contained in the assurance statement is clear, understandable, accessible, accurate and reliable without any material error or misstatement at reasonable confidence level.

Based on our work, it is our opinion; the GRI Performance Indicators (Energy Efficiency and Greenhouse Gas Emissions, Water Management) of TOFAŞ 2016 Sustainability Report are verified and confirmed by the verification team.



Onur YILMAZ
 Technical Manager
 Greenhouse Gas Lead Verifier

GHG VERIFICATION STATEMENT

 TÜRK LOYDU Evliya Çelebi Mah. Tersaneler Cad. No:26/1 34944 Tuzla-İSTANBUL Phone: +90 216 581 37 00, Fax: +90 216 581 38 20, e-mail: tlbb@turkloydu.org , web: www.turkloydu.org			
GHG VERIFICATION STATEMENT			
Statement Date: 13.06.2017	Statement No: 01	Revision No: 02	Page: 2 / 3

1. SCOPE

Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. performed verification of conformity of the TOFAŞ GHG Inventory Report for the period 1st January 2016 to 31st December 2016 to *ISO 14064-1:2006 Greenhouse Gases-Part 1: "Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals"* at a reasonable confidence level according to ISO 14064-3 standard. Verification activities including office and field studies were conducted on May 2017.

These studies had been carried out in order to provide a verification opinion with reasonable confidence that the TOFAŞ 2016 GHG Inventory Report, which includes GHG emissions Scope 1 (direct greenhouse gas emissions) and Scope 2 (energy indirect greenhouse gas emissions) does not contain significant errors and to ensure that Scope 3 (other indirect greenhouse gas emissions) greenhouse gas emissions are verified at a limited confidence level in accordance with *ISO 14064-3:2006 Greenhouse Gases-Part 3: "Specification with guidance for the validation and verification of greenhouse gas assertions"*.

Türk Loydu Uygunluk Değerleme Hizmetleri A.Ş. approves the TOFAŞ greenhouse gas assertion in order to satisfy the terms of CDP disclosure requirements under the Carbon Disclosure Project.

2. GHG STATEMENT

The GHG assertions verified were the following:

- That the 2016 GHG Inventory has been developed in accordance with common industry practice, including ISO 14064-1:2006 Standard.
- That the calculated Scope 1 and Scope 2 GHG emissions for the 2016 are **153.305 tons of CO₂e**. The emission sources included for each source has been given in verification report.
- That the calculated Scope 3 GHG emissions for the 2016 are **8.963.951 tons of CO₂e**. The emission sources included for each category has been given below.

- Purchased goods and services	: 642.811 tons of CO₂e
- Upstream transportation and distribution	: 83.128 tons of CO₂e
- Waste generated in operations	: 724 tons of CO₂e
- Business travel	: 290 tons of CO₂e
- Employee commuting	: 4.938 tons of CO₂e
- Downstream transportation and distribution	: 47.518 tons of CO₂e
- Use of sold products	: 7.909.145 tons of CO₂e
- End of life treatment of sold products	: 275.396 tons of CO₂e

3. ASSURANCE LEVEL

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

- Conformance with the general requirements of ISO 14064-1:2006.
- Reasonableness of the calculated Scope 1 and Scope 2 emissions for the 01.01.2016-31.12.2016.
- Limitation of the calculated Scope 3 emissions for the 01.01.2016-31.12.2016.

 <h2 style="text-align: center;">TÜRK LOYDU</h2> <p style="text-align: center;">Evlîya Çelebi Mah. Tersaneler Cad. No:26/1 34944 Tuzla-İSTANBUL Phone: +90 216 581 37 00, Fax: + 90 216 581 38 20, e-mail: tlibb@turkloydu.org, web: www.turkloydu.org</p>			
GHG VERIFICATION STATEMENT			
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4. VERIFICATION ACTIVITIES

The verification performed by Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. applied ISO 14064-3:2006 International Standard for GHG verifications. The following verification activities were conducted:

- a. Review of documentation, procedure and methodologies, including emission report,
- b. Assessment of risks and verification planning,
- c. Assessment of documentation, control and methodologies, including the facility quality management systems,
- d. Assessment of verification findings and outstanding issues in verification report,
- e. Assessment and review of resolutions to outstanding issues in verification report,
- f. Issuance of verification statement and completion of verification.

5. VERIFICIATON OPINION

GHG statement has been prepared based on the processes and procedures carried out in accordance with the requirements of ISO 14064-1.

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

GHG Assertion #2: 153.305 tons CO₂e of which 78.992 tons of CO₂e are direct emissions (Scope 1) and 74.313 tons of CO₂e are energy indirect emissions (Scope 2) are reasonable.

View Declaration

The greenhouse gas emission data (Scope 1 and 2) for 2016 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: 8.963.951 tons CO₂e of which are other indirect emissions (Scope 3) are verified with limited assurance.

View Declaration

The greenhouse gas emission data (Scope 3) for 2016 disclosed in the Sustainability Report as a result of verification audit held on the basis of international standards has been verified with limited assurance.



Onur YILMAZ
Technical Manager
Greenhouse Gas Lead Verifier

GHG VERIFICATION STATEMENT



TÜRK LOYDU

SERA GAZI DOĞRULAMA BEYANI GREENHOUSE GASES VERIFICATION STATEMENT



Belge No / Certificate No: 2017.8826.0001

Türk Loydu hereby states that,

TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

GENEL MÜDÜRLÜK / HEAD OFFICE:
BÜYÜKDERE CAD. NO: 145 TOFAŞ HAN
34394, ZİNCİRLİKUYU, İSTANBUL, TURKEY

ÜRETİM TESİSİ / PRODUCTION FACILITY:
İSTANBUL CAD. NO: 574
16369, BURSA, TURKEY

firmasında Türk Loydu tarafından,

TS ISO 14064-1:2006

standardına uygun olarak gerçekleştirilen doğrulama sonucunda
in compliance with these standards conducting the verification of

Doğrulama Periyodu / Verification period: 01.01.2016-31.12.2016

Toplam Sera Gazı Emisyonu	: 153.305 tCO ₂ e
Doğrudan Emisyonlar	: 78.992 tCO ₂ e
Enerji Dolaylı Emisyonlar	: 74.313 tCO ₂ e
Güven Seviyesi	: Makul

Total Greenhouse Gas Emissions	: 153.305 tCO ₂ e
Direct Emissions	: 78.992 tCO ₂ e
Energy Indirect Emissions	: 74.313 tCO ₂ e
Level of Assurance	: Reasonable

yukarıda bildirilen Sera Gazı Bildirimi kapsamında doğrulanmıştır.
in this scope of above The Greenhouse Gas Assertion verified.

Belgelendirme Tarihi / Date of Certification : 12.06.2017

Doğrulama Raporu İş-Rev.No / Project-Rev.No of Verification Report : 8826-01

Sistem Belgelendirme Bölümü Müdürü
System Certification Division Manager

Teknik Yönetici
Technical Manager

TOFAŞ 2016 SUSTAINABILITY REPORT STAKEHOLDER FEEDBACK FORM

Which stakeholder groups do you belong to?

Employee		Local Community	
Shareholder		Local Administration	
Supplier		Public Institution	
Dealer		University & Academy	
Customer		Employee Family	
NGO		Other (please indicate)	
Media			

What was your overall impression of the report?

	VERY GOOD	GOOD	FAIR	POOR
Content				
Scope				
Materiality				
Readability				
Clarity of Quantitative Data				
Comparability				
Design				

To what extent does the report meet your expectations?

Comprehensively	
Partially	
Not at all	

Please share your comments, expectations and suggestions.

Name:
Email:
Phone:

You can share with us the feedback form via sustainability@tofas.com.tr.

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Design:

Finar Kurumsal

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