



**TOFAŞ**

TÜRK OTOMOBİL FABRİKASI A.Ş.

Sustainability Report 2020

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## About the Report

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made during our sustainability journey, our managerial approaches, the social, economic, and environmental impacts of our activities, our performance results, and our targets.

Tofaş Sustainability Report 2020 covers the works carried out by Tofaş Türk Otomobil Fabrikası A.Ş. between 01.01.2020 and 31.12.2020. Except for financial data, information on our affiliates, i.e. Fer Mas Oto Ticaret A.Ş. and Koç Fiat Kredi Finansman A.Ş., is not included in this report, unless stated otherwise.

This report is prepared in compliance with GRI Standards: "Core" option. The report content has been determined based on the portfolio of topics we obtained as a result of the study aimed at determining sustainability priorities. In certain priority topics, aside from the company information, we included the performance results

of the studies we have been carrying out together with our stakeholders that are in the sphere of our value chain. When preparing the data included in the report, we used indicators specified in the GRI Reporting Standard as well as such performance evaluation criteria as the CDP and corporate governance grade, which are recognized in this field, to provide a more comprehensive and holistic analysis opportunity for readers.

We aim to carry out our future reporting studies by following the same guidance methodology on an annual basis. You can access our interactive sustainability webpage at

[tofas.com.tr/Surdurulebilirlik/SurdurulebilirlikRaporlari](https://tofas.com.tr/Surdurulebilirlik/SurdurulebilirlikRaporlari) to see the sustainability reports of previous years as well as the PDF version of the Tofaş Sustainability Report 2020.

## Message from CEO



Dear Stakeholders;

Covid-19 pandemic, which began in 2020, has led to unprecedented impacts on both humanity and business world. Billions of people faced physical, emotional, and financial challenges. And unfortunately, Turkey was intensely affected by this pandemic. As Tofaş, our priority was to protect the health of all of our stakeholders, especially our employees, safeguard their jobs, and to protect them from revenue losses, and in this process we also continued to create economic value by ensuring continuity of work. Our long-term R&D, digitalization, and innovation works, as well as the knowledge we have, and our ability to act fast provided us with great power during these hard times.

Like all other sectors, global automotive sector faced challenges in trade and supply chain; however, Tofaş maintained its place as a significant industrial organization in Turkey, and showcased its value added for the sector and economy thanks to 250,000 vehicles produced, 118,000 vehicles exported, and 93% domestic production rate in domestic market sales.

With the brands it represents in Turkey's automobile and light commercial vehicle markets, including Fiat, Fiat Professional, Alfa Romeo, Jeep®, Ferrari, and Maserati; Tofaş was able to increase its market share up to 18.4% in 2020 by selling 142,000 vehicles, which was 80,4% greater than the previous year. In 2020, our brand, Fiat, maintained its top position in automobile and light commercial vehicle sales. Egea family was renewed with an investment of 225 million USD, and a new model, Cross, was added to the product range.

Thanks to an export share of 13%, Tofaş ranked 7 out of top 10 exporters, and was named among 10 largest industrial organizations in "Top 500 Industrial Enterprises" survey.

Tofaş R&D, on the other hand, operates as one of the two major R&D centers of the FCA Group in Europe. Investment of 10 million Euros was made to purchase new testing equipment for our R&D Center with the aim of increasing our ability to develop products. As Tofaş, we were among the top 3 companies with the highest R&D spending in the general ranking, within the scope of the "R&D 250, Companies with the Highest R&D Expenditure in Turkey" research prepared by Turkishtime. In 2020, Tofaş R&D Center renovated Egea family and supported FCA in their R&D projects by exporting engineering services. The number of EU research projects we took part in raised up to 26, and with 23 patents we ranked 7 in "Top 250 R&D Companies of Turkey" survey conducted by Turkishtime magazine. As a result of our innovative work, we applied for 36 new patents in 2020. We owe the success we achieved under such compelling conditions brought about by the pandemic to the practices we developed in years with an understanding of sustainability. Even though our definitions for risks and actions, which cover environmental and social matters and affect our value chain, were created based on such topics as climate crisis and gender mainstreaming, it was our agile administrative performance, digital transformation, ability to take rapid actions, and innovative perspective that helped us take administrative decisions during the pandemic.

Within the scope of digital transformation, i.e. an integral part of the future of production, we have managed to increase our production capacity

while also improving our assembly lines thanks to the algorithms we developed with smart factory procedures.

Customer services, on the other hand, were provided through digital channels and e-trade practices during the pandemic. Furthermore, we began selling vehicles on Fiat Online, our new digital platform. Thanks to "Fiat Yol Arkadaşım Connect (Fiat Seatmate Connect)" technology, "Connect Kasko (Connect Insurance)" became the first example of smart insurance pricing in Turkey. Using the real-time data we collected from our machines and equipment, we put into use more than 100 projects with regards to "Internet of Things", which provided efficiency in energy and production; and we improved our processes thanks to more than 50 advanced analytic studies, image processing procedures, robotic process automatization works, as well as advanced robotic and collaborative robot (cobot) practices.

Our units also showcased their corporate sensitivity by rapidly responding to social needs alongside their main activities. Accordingly, the protective healthcare equipment designed and produced at our R&D Center were delivered to healthcare organizations in 70 cities and Tofaş produced 50,000 pieces of face shield, and 1,300 biologic sampling and intubation cabinets. Furthermore, we created an online platform to collect requests and track production and shipment functions; and we shared our equipment designs as an open source so that other companies were able to produce healthcare equipment as well. With the aim of protecting public health during Covid-19 pandemic, Fiat and BiTaksi launched the first "Cabinet Taxi" project in Turkey. Accordingly, a special isolation system that divides the taxi into two compartments was developed in Tofaş R&D Center to protect both the drivers and the passengers from the virus. Furthermore, vehicle disinfection service was provided free of charge for Fiat, Alfa Romeo and Jeep brands.

In any case, our main responsibility in Tofaş culture is to create a safe work environment for all of our employees. With this responsibility in mind, we updated our occupational health and safety rules in line with the requirements brought about by the pandemic, and we strived to safeguard our employees' lives by rapidly implementing protective measures and transitioning to remote work. What's more, since we began our World-Class Occupational Safety activities, we have managed to reduce Lost Time Accident

(LTA) frequency by 96% in our factory, which sets an example with the scores it gets and the importance it attaches to occupational health and safety within the scope of WCM.

In 2020, we were awarded by Stevie Awards and Brandon Hall Group for nine human resources practices in miscellaneous areas, and innovative learning and technology solutions developed by our training and development organization, Tofaş Akademi.

Today, we also focus on climate crisis a topic that draws more and more attention from the public. Based on our understanding of responsible production and consumption, we reduce natural resource consumption and waste, while increasing our recovery rates. Accordingly, our target for 2024 is to reduce our emission by 33% compared to our base year, 2011, and to become a carbon neutral company in the long term.

The present report analyzes the results pertaining to the year 2020, and evaluates our sustainability performance. It also notes that the meetings organized to discuss a possible merger between FCA and PSA groups ended, and "Stellantis" Group, in which both companies have an equal share of 50%, was established as of January 2021. It is thought that the force created with the merger of the companies will increase their operational and capital efficiency, while also boosting their growth and technology development capacity. We, as Tofaş, will focus on increasing our power and performance with the synergy and additional value created by this new entity.

I would like to thank all of our stakeholders, especially our shareholders, customers, employees, dealers, and suppliers, who help us maintain our basic values in our journey, for trusting, supporting, and contributing to our company while we continue to grow with our products, activities, and services without compromising on our respect for people and environment.



**Cengiz Eroldu**  
Board Member & CEO

## Governance and Sustainability

Adopting the values and principles of Koç Holding and Fiat Chrysler Automobiles (FCA), Tofaş sees management and sustainability as two peas in a pod. Accordingly, we obey the norms of business ethics, manage our risks effectively, and act in accordance with our sustainability strategy in all of our activities. We encourage stakeholders to participate in decision-making processes and assess their expectations through miscellaneous communication channels.

### Corporate Governance Structure

In line with the Corporate Governance Principles issued by the Capital Markets Board of Turkey (CMB), we manage our corporate sustainability activities in an accountable, transparent, fair, and responsible manner. We strive to use these principles in our sustainability activities at all levels, measure our performance and transparently share the results with the public and our stakeholders.

Based on an assessment of the activities we conducted in 2020, our Corporate Governance Rating was found to be 9.26 thanks to our efforts to improve our administrative practices.

Tofaş Board of Directors consists of 10 members, including two independent members. The titles "Chairman of the Board of Directors" and "CEO" refer to two different positions, which cannot be filled by the same person. CEO is the only member responsible for executive performance and reports directly to the Board of Directors.

The CEO and the senior management of the company are responsible for ensuring the proper functioning of risk management and early warning and control

systems, identifying and managing strategic trends, determining corporate targets, ensuring compliance with corporate governance principles, and achieving the expected performance in this field.

The Corporate Governance Committee, the Audit Committee, and the Early Risk Detection and Risk Management Committee report to the Board of Directors, and play an important role in ensuring that the Board of Directors operates effectively. The duties of the Nomination Committee and the Remuneration Committee are also performed by the Corporate Governance Committee.

For more information about Tofaş's corporate governance structure, you may visit [tofás.com.tr/Yatirimcilliskileri/KurumsalYonetim](https://www.tofas.com.tr/Yatirimcilliskileri/KurumsalYonetim) or refer to the Tofaş Annual Report 2020, which is published interactively at [ir.tofas.com.tr/2020](https://ir.tofas.com.tr/2020).

### Risk Management

Even though the Board of Directors is responsible for Risk Management processes, relevant tasks and activities are carried out by the Audit Committee, and the Early Risk Detection and Risk Management Committee. The reports submitted by these committees to the Board of Directors are based on while determining corporate risk strategies.

Risk management is addressed as part of the annual target spread and performance evaluation system. Accordingly, universally known risk management principles and steps are applied and popularized within the company. Following five-step methodology is used to monitor our risk management processes:

- ▶ Risk Identification
- ▶ Risk Measurement
- ▶ Risk Assessment
- ▶ Risk Reduction or Transfer
- ▶ Continuous Monitoring of Risks

Sustainability risks cover all matters that have an impact on the sustainability performance, and are one of the main topics in Tofaş's risk management portfolio. While determining the sustainability risks, the principle of prevention is adopted, and relevant risks are reported as part of the Risk Management Policy.

For more information about Tofaş's corporate governance structure, you may visit [tofas.com.tr/Yatirimcilliskileri/KurumsalYonetim](http://tofas.com.tr/Yatirimcilliskileri/KurumsalYonetim) or refer to the Tofaş Annual Report 2019, which is published interactively at [ir.tofas.com.tr/2020](http://ir.tofas.com.tr/2020).

## Business Ethics and Anti-Corruption

All of our activities in Tofaş are guided by our commitment to the rules of business ethics and "zero tolerance" against corruption and bribery, both of which are the cornerstones of our corporate culture. Our ethical values and the rules we have to follow are regulated by "Tofaş Code of Conduct and Code of Practice" document. "Our Anti-Bribery and Anti-Corruption Policy", on the other hand, showcases our perspective in the fight against corruption and bribery.

These rules and policies address the following issues: protection of all kinds of company assets and information, prevention of conflicts of interest, issues to be taken into consideration in establishing business partnerships, occupational health and safety, anti-bribery and anti-corruption, and compliance with business ethics. The same rules and policies also define disciplinary actions and sanctions

to be applied when these rules and principles are violated, as well as the mechanisms used to report such violations, and relevant processes are analyzed with due diligence. Our business ethics and anti-corruption approach is based on the United Nations Global Compact (UNGC), Principle 10: Anti-Corruption.

### Anti-Corruption Policy and Systems

Within the scope of business ethics and anti-corruption, we follow a compliance program that includes risk-based assessment, monitoring, auditing, reporting and training activities carried out under the coordination of Tofaş Ethics Committee and Internal Audit Department. Significant steps were taken to prevent corruption by adopting the principle of segregation of duties and by defining relevant control points. The functionality and effectiveness of business processes and control points are reviewed periodically through audits conducted by the Internal Audit Department. Furthermore, business processes and financial statements of the company are audited at least twice a year by different independent audit teams.

The Tofaş Board of Directors bears the primary responsibility for ensuring that the activities of the company are carried out in compliance with the relevant legislation, the Tofaş Code of Ethics and the Tofaş Anti-Bribery and Anti-Corruption Policy. Relevant tasks are carried out by Tofaş Ethics Committee assigned by Tofaş Board of Directors. Tofaş Ethics Committee consists of the CEO, the Chief Legal Counsel, the Director of Human Resources and other relevant directors, and convenes every 6 months or upon the call of one of the members. The Ethics Committee is responsible for spreading the ethics principles in the company, helping people understand such principles, communicating with internal and external stakeholders, as well as effectively managing and revising the code of ethics, when required. The Committee is also responsible for reviewing the violations reported by employees and third persons, making a decision, establishing investigation committees, when required, applying decisions in line with the discipline procedure, and informing relevant authorities. The Tofaş Code of Ethics and the Personnel Regulation also mention the sanctions to be applied in case of a violation, including termination of a contract.

## Governance and Sustainability

Tofaş Ethics Committee also monitors and supervises compliance with the code of ethics, and with the anti-bribery and anti-corruption policy. Compliance with the code of ethics and policies is supervised through periodical audits performed by the Internal Audit Department. Risk-based assessment is based on while defining the risks associated with those codes and policies. During this assessment several factors are taken into account, including the quality of the activity performed, its location, relevant internal and external risks, and on-going internal controls. The risk of corruption and bribery is among the significant criteria used when determining internal and external risks.

Based on the results of the risk assessments carried out by Tofaş Internal Audit Department, an audit plan is prepared to review and strengthen the effectiveness of internal controls at required points, which is then submitted to the Audit Committee for review and approval. The units that are subject to a higher level of risk according to the risk-based assessment are given priority in the audit plan. These audits address corruption and bribery risks, and eliminative procedures are performed within this scope. When these procedures fail to satisfy the needs, relevant units propose corrective actions. The Internal Audit Department submits the results of the audit activities in writing and verbally to the General Manager and the Audit Committee affiliated with the Board of Directors. Significant issues and problems detected during the audits are addressed by the Internal Audit Department and Ethics Committee in relevant Board Committees that gather together at least four times a year. In the audits carried out in 2020, no bribery case was encountered.

All employees are responsible for acting in accordance with the work principles, and obeying corporate values and ethics principles of Tofaş, and they sign a document to guarantee that they will fulfill their relevant responsibilities. In this context, our code of ethics and anti-bribery and anti-corruption policy are communicated to our employees, including new recruits, who accept the documents with their

signatures. The code of ethics is also mentioned in the mandatory orientation training for our new staff. Furthermore, since December 2017, our personnel have been attending their respective unit's periodical briefing meetings about the code of ethics.

Our senior executives and mid-level managers are responsible for attaching required importance to the code of ethics, and ensuring compliance with those codes. It is explicitly stated in our Anti-Bribery and Anti-Corruption Policy that our employees will not be held liable for any losses incurred by the company due to their compliance with the code of ethics. It should also be noted that members of the Board of Directors, our suppliers, dealers, all of our business partners and stakeholders are responsible for ensuring compliance with those codes and policies. According to us, business ethics and anti-corruption are a significant part of the activities we conduct with our stakeholders, and we strive to make required improvements in this regard. Accordingly, to inform our business partners, we publish our codes and policies on our website, which are always accessible via internet.

One of the most significant topics we pay attention to while choosing our business partners and forming partnerships is compliance with our code of ethics and anti-bribery and anti-corruption policy. Therefore, while forming partnerships, and choosing our suppliers and dealers, a "due-diligence process" is applied, during which such topics as anti-bribery and anti-corruption are discussed.

While assessing the companies to supply goods or services for us, or firms to represent us, we use our corporate criteria, which address the risk associated with anti-corruption and anti-bribery. During the assessment process, relevant business unit and purchasing department work together. Purchasing department assesses alternatives to make a choice among qualified companies and to determine a price, and the company with the greatest number of advantages for Tofaş is chosen. The companies are chosen transparently and fairly. The companies are



paid on condition that they provide their services in accordance with Tofaş's codes and policies. Relevant control points are created in business processes with the aim of making payments properly for the services provided, and ensuring compliance with the codes and policies mentioned earlier. Effectiveness of these control points is regularly tested by the Internal Audit Department. Ethical code of conduct and codes of practice that are expected to be obeyed by the parties, as well as binding legislations are mentioned in the contracts signed with our business partners. Business partners are informed that the contract signed will be revoked in case of a violation of those codes and legislations. Furthermore, their anti-corruption and anti-bribery performance is constantly monitored. There was no case of bribery or corruption in relation to our business partners in 2020.

The adequacy of our Company's anti-bribery and anti-corruption policies, mechanisms and reports is evaluated by the Board Committees at least once a year. It should be noted that the Audit Committee reporting to Tofaş Board of Directors independently evaluated and approved our anti-bribery and anti-corruption mechanisms, systems and procedures. The result of the evaluation can be found in the minutes of the committee meeting dated February 3, 2021.

In order not to violate our codes or applicable regulations, we collect information from international data providers, public authorities, and social media, and list the companies and persons blacklisted for bribery and corruption. Following our procedure, we detect suppliers, contractors, mediators, and customers who are known or suspected to bribe, and revoke our on-going contracts.

We have accessible and open communication channels that help us detect violations of the Ethical Code of Conduct and the Anti-Bribery and Anti-Corruption Policy. To raise awareness, our employees, suppliers, and other stakeholders are regularly notified to remind them the communication channels they can use to report such violations. Accordingly, our employees, business partners, and other stakeholders can send anonymous e-mails to [etikkurul@tofasc.com.tr](mailto:etikkurul@tofasc.com.tr) to report violations of our codes and policies. Besides, the notifications we receive through customer relations center and corporate web page, as well as the notifications submitted by our employees are reviewed with due diligence.

Ethics Committee guarantees that the details given in such notifications as well as relevant investigations to be conducted will be kept confidential. The Committee also protects informant employees and stakeholders from all kinds of undesired situations. This is clearly emphasized in Tofaş's Code of Ethics, Code of Practice, and Anti-Bribery and Anti-Corruption Policy.

As clearly stated in Code of Ethics, Tofaş cannot be a part of any political or ideological tendency or organization. Tofaş cannot give any in-kind or financial aid, or moral support, neither directly or indirectly, to any campaign or political activity conducted by political parties, politicians, or candidates. Tofaş's relationships with public institutions are transparent. Information is exchanged as part of such relations, and sectoral information is provided explicitly, upon request. We work with sectoral NGOs to solve sectoral problems and to share opportunities for development. If we are to sign a tender or work for a public institution, we fully comply with the laws and procedures, and obey free competition rules.

**Governance and Sustainability**

**Reporting: Anti-Corruption**

We provide online training courses for our employees, suppliers, and dealers, and conduct activities to remind them our Code of Ethics and Anti-Bribery and Anti-Corruption Policy with the aim of helping them get familiar with and adopt Tofaş’s Code of Ethics. These training courses involve both theoretical knowledge and case studies from business life. First applied in 2016, and revised in 2018, the online training program reached 750 dealer personnel in 2020. It is still being improved based on the feedbacks we receive from our suppliers and dealers. Within the scope of the sustainability report,

a prioritization analysis was performed in cooperation with our dealers, suppliers, and NGOs, as a result of which business ethics and anti-corruption were determined to have the highest priority (by 95%).

In 2020, no bribery-related case was reported through our communication channels, and no bribery case was experienced in our Company. Again, in 2020, no corruption-related allegation was made against the company. A total of 35 cases were reported to Tofaş through our communication channels in 2020, and the results are as follows:

<b>Notifications Submitted through our Communication Channels</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Those That Led to a Disciplinary Decision	2	3	4	5	3
Those in which No Incompatibilities Were Detected	33	20	13	9	6
<b>TOTAL</b>	<b>35</b>	<b>23</b>	<b>17</b>	<b>14</b>	<b>9</b>

The feedbacks, views, and recommendations provided by our stakeholders with regards to compliance with the code of ethics, as well as those related to anti-bribery and anti-corruption are taken into consideration and used to improve currently available practices. Accordingly, Tofaş works with TEİD (Ethics and Reputation Society), an experienced association in Turkey specialized in anti-corruption and anti-bribery, which provides our company with the information collected from our stakeholders. Two of our directors serve as members in TEİD Board of Directors. Furthermore, our Internal Audit Department attends TEİD’s anti-corruption activities, and closely follows up the information and opinions shared. Only a membership fee is paid for TEİD’s support.

TEİD annually prepares “Anti-Corruption Program Effectiveness Survey” based on OECD’s and UN’s best anti-corruption practices, which is used to assess the effectiveness of Tofaş’s anti-corruption program and reporting system, and required improvements are made accordingly. Wishing to follow-up the developments in the international platform, our company has become an active member and participant of TEİD, UN, OECD and B20 working groups.

Being one of the 140 signatories of the “Business Ethics Common Principles Declaration”, i.e. Europe’s largest anti-corruption collective action, Tofaş remains the first and only signatory from Turkish automotive sector. In line with its goal of becoming the sectoral leader in the fight against corruption, Tofaş encourages its large suppliers to participate in this collective action.

## Internal Control & Internal Audit

Our internal control and internal audit processes allow us to increase the effectiveness of our activities and ensure their continuity, while also safeguarding the reliability of our reports. Having an effective internal control and internal audit mechanism is a significant part of our responsible and sustainable governance approach. The Board of Directors is responsible for proper functioning of the internal control and audit system. Members of the Board of Directors and CEO coordinate the procedures on behalf of the Board of Directors.

Our internal control system was developed in accordance with international standards and best practices, which was then integrated into business processes through policies, procedures, and instructions in order for our employees to assume responsibility, gain knowledge and competence with regards to the internal control processes. Internal control systems are checked by the teams working with Tofaş Internal Audit Department, audit teams affiliated to Koç Holding and FCA, and through external audits performed by independent audit companies. Such audits help detect the areas that are open for improvement, and required actions are taken promptly by relevant units to develop these areas.

The objective, authority and responsibilities of the Internal Audit Department are defined in the Internal Audit Regulation. The Internal Audit Department has no hierarchical relation with other units, and reports directly to the CEO of the Company, who is also a Member of the Board of Directors. This measure was taken to guarantee the independence and objectivity of auditors. The knowledge, skills, and abilities of internal auditors are strengthened with continuous occupational development activities.

The Audit Committee affiliated to the Board of Directors is responsible for analyzing the effectiveness of the internal audit systems, and checking how they function. The actions to be taken for improvement, which are defined based on the analysis made, are reported to the Board of Directors by the Audit Committee.

Apart from the audit procedures mentioned above, inter-unit audits can also be performed. In other words, unit representatives specialize in certain areas and assess other units. In addition to the internal audits carried out within the company, we regularly audit our dealers and suppliers to see their sustainability levels. During these audits such areas as environment, working and manufacturing conditions, ethics, and quality are addressed.

## Sustainability Management

Based on our understanding of sustainability we prioritize economic, environmental, and social values both for our employees and for all of our stakeholders in our area of influence. We create lifelong activities so that we can convey our sustainability culture and awareness to all processes and stakeholders. Within the scope of our risk-based management model, we improve our current practices taking into account environmental and social values, i.e. the main components of sustainability.

At Tofaş, sustainability is adopted as a management philosophy by the entire Board of Directors, including the CEO. Our sustainability strategy defined by Sustainability Committee is managed by the "Early Risk Detection and Risk Management Committee".

In the risk-based working model, action plans are prepared by all of our units based on the risks and opportunities identified by our field personnel and other relevant stakeholders, and the progress made is monitored by risk owners. Risk Management Committee reports all works and practices carried out within this scope to the Corporate Governance Committee or to the Board of Directors, depending on their level of significance, meaning that the Board of Directors is informed about the sustainability activities performed, and the members of the Board of Directors discuss these topics as part of the agenda. Sustainability activities managed by the senior management, directors, and units are coordinated by the Sustainability Team, and reported to the members of the Board of Directors.

## Governance and Sustainability

### Sustainability Management



Sustainability is managed within the framework of “Tofaş Sustainability Policy”, which includes the general principles of our sustainability approach. Our sustainability strategies are determined and monitored by the Sustainability Committee. Sustainability Working Group, on the other hand, is responsible for reporting sustainability management performance results through a sustainability report.

You can access Tofaş’s Corporate Sustainability Policy at [tofasc.com.tr/Surdurulebilirlik/Politikalar/](http://tofasc.com.tr/Surdurulebilirlik/Politikalar/) or in the Tofaş Annual Report 2020, which is published interactively at [ir.tofasc.com.tr/2020/](http://ir.tofasc.com.tr/2020/).

### Sustainability Priorities

We determine our sustainability priorities by involving our stakeholders, with which our interaction is higher and on which our influence is higher; and through the targets we set, we continue to witness in our business processes the positive impact of our management approach about sustainability priorities.

We created a wide universe of subjects in line with the factors covered in the GRI standard, and by considering the various subjects that are closely related to the automotive sector. When determining our sustainability priorities, we took into consideration Sustainable Development Goals, which are recognized as global goals that address environmental, social and economic problems.

We carried out two separate questionnaire studies to ensure the participation of internal and external stakeholders in decision-making mechanisms. While the first of these questionnaires was carried out with the participation of the company’s executives, the second one was carried out with our stakeholder groups, including suppliers and non-governmental organizations. In this way, the universe of subjects was finalized.

Within the scope of the study to determine the sustainability priorities, the universe of subjects consisting of 40 subjects and 17 Sustainable Development Goals was evaluated by senior and medium level managers of Tofaş. Subsequently, the studies were consolidated and the relevance of these subjects and goals with the operations of Tofaş was evaluated. In the last stage, priorities were determined by considering both the level of impact of Tofaş’s operations on these subjects and the expectation of our stakeholders. As a result of this evaluation made in 2017, we decided to manage our priorities through long-term targets, in line with the target year of 2030 set for Sustainable Development Goals; and we are monitoring our progress on related topics annually and are updating our action plans in line with the new knowledge and experience we gain.

The below table, which is the result of all these studies, shows Tofaş's main production-related processes that are associated with the priority subjects determined as a result of the survey carried out with our stakeholders.

Our goal here is to update the priorities of the company based on a lifelong perspective, and accordingly create new action plans, through which we will create value together with all of our stakeholders.

	<b>Tofaş's Sustainability Priorities</b>	<b>Procurement Processes</b>	<b>Production Processes</b>	<b>Delivery Processes</b>	<b>Marketing &amp; Sales Processes</b>	<b>After-Sales Processes</b>
<b>Governance Priorities</b>	Business Ethics and Anti-Corruption	x	x	x	x	x
	Management of Sustainability Risks in the Value Chain	x	x	x	x	x
<b>Environmental Priorities</b>	Climate Change	x	x	x		x
	Energy Consumption	x	x	x		x
	GHG and other Emissions	x	x	x		x
	Use of Environmentally Friendly Materials and Waste Management	x	x	x		x
	Product, Process, Mobility Model Innovation		x			
	Electric/Alternative Fuel Vehicles		x		x	x
	Vehicle Fuel Consumption		x		x	x
<b>Economic Priorities</b>	Digitalization	x	x	x	x	x
	Customer Satisfaction		x		x	x
	Product and Service Quality		x		x	x
	Brand Perception		x		x	x
	Business Success of Suppliers and Dealers	x			x	x
<b>Social Priorities</b>	Occupational Health and Safety	x	x	x		
	Talent Management and Vocational Training	x	x		x	x
	Human Rights at Workplace	x	x			
	Woman Employment, Diversity, Equal Opportunities		x		x	
	Business Life - Private Life Balance		x			
	Vehicle and Traffic Safety		x		x	x

## Governance and Sustainability

### Stakeholder Engagement

Tofaş needs its stakeholders' cooperation and inclusive stakeholder engagement to reach Sustainable Development Goals. Therefore, to reach our sustainability goals, we act together with our stakeholders, trying to spread sustainability culture among all stakeholders and cooperate more with specialized institutions. We adopt a transparent and accountable approach while communicating with the public and the stakeholders in our value chain.

Our goal is to turn our sustainability culture into a fundamental understanding in all of our business processes, and we know how significant it is to cooperate with all of our employees, dealers, and suppliers in our path to reach this goal. In this context, we encourage our stakeholders to comply with the UN Global Compact.

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

## CONSUMER EXPERIENCE

In our sector, it is very significant to reach high standards when it comes to security, comfort, and quality. Therefore, if we want to maintain our success and be a part of the global markets we need to read our end customers’ needs and expectations properly. Hence, we try to understand consumer experience from all perspectives, monitor global developments, and continue to develop ourselves with a competitive mindset.

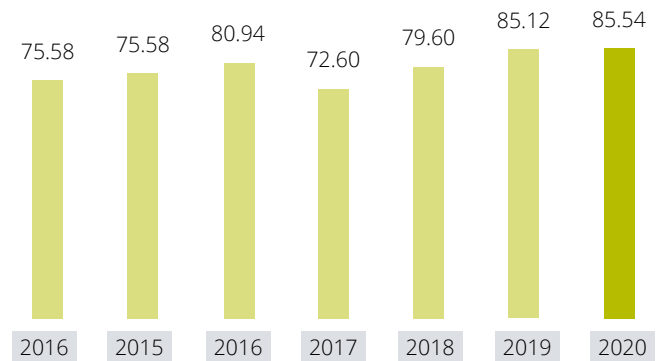
### Customer Satisfaction

According to customer satisfaction surveys, creating a variety of models and brands that will satisfy the needs of target markets, and reaching high quality standards in production are the most prominent issues. Another pillar of customer satisfaction, on the other hand, is to offer proper solutions to customers in sales and aftersales processes and to respect customers’ rights under all circumstances. Tofaş does its best to meet the needs and expectations of its customers at the highest level possible in line with the company policies and legal practices. Our consumers love low-maintenance family cars that are affordable for a large segment of the society, as well as light commercial vehicles that are suitable for both working class and families with kids.

We manage our culturally-diverse customers, dealers, and authorized services located in 126 points at various regions of Turkey with a common understanding of customer relations management system, as a result of which, the three pillars of customer satisfaction, i.e. customers, dealers/authorized services and Tofaş, progress systematically.

We strive to achieve the highest rank in the European Customer Satisfaction Survey, based on our after-sales service quality and the consumer experience we provide. Accordingly, our customer satisfaction score, a significant indicator in this respect, was 85.12% in 2019, which reached 85.54% in 2020.

Customer Satisfaction Trend\* (%)



\* Calculation method was changed as of 2018.  
 \* NPS is followed.



Thanks to **Vehicle Status Tracking at the Service** application created based on customer experience at service points, customers are able to track the status of their vehicles and receive instant notifications through the digital screens in the waiting rooms. Using these screens, customers can instantaneously view all relevant service procedures.

With our **“Fast Service”** option developed in line with one of our brand promises, i.e. the principle of “speed”, we aim to shorten the service time for maintenance/repair works. We guarantee that the vehicles will be delivered within one hour, provided that the customers make a **“Fast Service”** appointment for a procedure falling under the scope of **“Fast Service”**.

Tofaş was the first Turkish automotive company to provide its customers with the opportunity to start a video chat with a sales consultant via the website, without any requirement to install any application or make an appointment. Thanks to our project called “Connect to the showroom instantly and buy your car!”, video calls were made with potential customers over [www.fiat.com.tr](http://www.fiat.com.tr), during which customers had the chance to talk with dealers which facilitated the sales process.

You can access our Customer Satisfaction Policy at [tofas.com.tr/Surdurulebilirlik/Politikalar](http://tofas.com.tr/Surdurulebilirlik/Politikalar) or in the Tofaş Annual Report 2020, which is published at [ir.tofas.com.tr/2020/](http://ir.tofas.com.tr/2020/).

### Fiat Connect Insurance

One of the most significant factors ensuring customer satisfaction and loyalty is insurance policies, one of the services we provide at our service stations. Considering the main problems faced while setting a price for policies, e.g. not taking into account vehicle activity while setting a price, and reflecting costs associated with damages on policies, we decided to create «smart insurance» business model using such technologies as Cahtbot, RPA, and Connect, considering how and how long the vehicles are used, which allow us, in cooperation with Aksigorta, to prepare policies suitable for our customers and provide them with cost advantages. As a result, we developed a business model that creates value for our insurance stakeholders based on the data collected, encouraged our customers to drive safely, and strengthened the loyalty our customers have for us.

### Free Vehicle Disinfection Service For Our Customers

During the pandemic, vehicle disinfection service was provided free-of-charge for Fiat, Alfa Romeo, and Jeep® brands, regardless of make, model, or km, with the aim of protecting public health.

## Innovation

We act in accordance with our understanding of “sustainable future” in all of our direct or indirect interactions with our stakeholders, and we see innovation as a value that we have integrated into all of our processes in our path to reach our sustainability goals.

Our innovation studies consist of the improvement and advancement of existing models and the development of new models. As part of our digital transformation efforts in 2019, we implemented various projects and reviewed and put into practice several case studies to enhance our employees’ competencies, and improve our infrastructure and databases. Apart from these, we develop programs that encourage in-house entrepreneurship and innovation. We strive to reach and implement innovative and creative business ideas that will carry Tofaş to the future. In the scope of our open innovation efforts, we meet startup companies with which we can develop collaborations, and utilize external innovation ideas.

Within the scope of our innovation works, we improve existing models and develop new ones. As part of our ongoing digital transformation efforts, we enhanced our employees’ competencies, while also implementing projects and performing case studies to improve our infrastructure and databases. In order to apply innovative and creative business ideas that will carry Tofaş to the future, we organize programs that encourage innovation within the company, while also evaluating potential initiatives and innovative ideas of others with the aim of collaborating with them.

### R&D Management

Our R&D Department improves existing technologies based on the changing needs, and rapidly creates new technologies in line with our strategy to become a global, competitive product and technology development center. As part of this strategy, we successfully create and launch new products that meet the needs of the market, and constantly improve our currently available products in line with the expectations.

Tofaş R&D Center cooperates with universities, co-designer suppliers, and engineering companies, and conduct activities within this network, which showcases Tofaş’s sustainability culture and the importance it attaches to the collaborations it formed within the scope of its sustainability goals. In 2020, support was given to the research projects focusing on the areas that were defined to have strategic priority, which were either developed by Tofaş alone or in cooperation with universities and industry.

Our 2023 targets involve training qualified human resource with a PhD, as required by the industry, in collaboration with universities and the industry, encouraging employment of researchers with a PhD, and strengthening the cooperation between universities and the industry. And as a result, TÜBİTAK made a call for Industry PhD Program No.2244. Within the scope of this program, a total of 18 PhD students were planned to be hired by Tofaş R&D Center to work on the following projects.

- Improvement of competitive design and material development inputs for future cars with cutting-edge technology applications,
- Artificial Intelligence in Design,
- Development and Verification of ADAS (Advanced Driver Assistance System) Applications,
- NVH performance management of HVAC systems and acoustic mapping,
- Improvement of Innovation Management Methodology, and Investigation of Patents and International Incentive Programs throughout the World.

Furthermore, in 2020, Tofaş worked with 12 supplier companies on automobile design projects, which were supported by TÜBİTAK and H2020.

In our R&D Center, we have three main components: environmental sustainability, social sustainability, and competence. We monitor these components, i.e. milestones of our works, through long- and short-term goals.

We are aware of the fact that being able to generate knowledge and produce technology is one of the most significant factors in today's world, especially if we want to create economic value and outpace our competitors. Accordingly, we closely monitor currently available technologies from around the world, and contribute to their development processes. To highlight the details that bring technological superiority and innovativeness together, we integrate design processes into R&D works while creating our passenger and commercial vehicles. In 2020, we focused on improving and developing Fiorino, Doblo and Egea models, and FCA R&D projects. Furthermore, we continue to work on the project that was launched in 2019 to design a new Egea model (MCA).

**“We allocated TRY 575 million for R&D expenditures in 2020, which means an increase of approximately 53% compared to the previous year.”**

With its infrastructure that can compete with Europe in the field of vehicle development, Tofaş R&D Center is located on a total space of 20,110 m<sup>2</sup> and employs approximately 579 personnel in its laboratories and offices. Tofaş R&D Center, with its various laboratories equipped with high technology, is one of FCA's largest R&D centers in Europe. When recruiting personnel to Tofaş R&D Center, we give priority to those who have a master's or doctoral degree.

#### **R&D Engineer Training Program**

We continued the Summer Term R&D Engineer Training Program in 2020, which we have been carrying out in cooperation with Bursa Industrialists and Businesspeople Association (BUSIAD) and Uludağ Automotive Industry Exporters' Association. The program was also supported by Tofaş Academy as a program partner.

With its infrastructure that can compete with Europe in the field of vehicle development, Tofaş R&D Center is located on a total space of 20,110 m<sup>2</sup> and employs approximately 579 personnel in its laboratories and offices. Tofaş R&D Center, with its various laboratories equipped with high technology, is one of FCA's largest R&D centers in Europe. When recruiting personnel to Tofaş R&D Center, we give priority to those who have a master's or doctoral degree.

Of the personnel working in the R&D Center, 64 were holding a master's degree or a PhD in 2008, which reached up to 113 in 2020. In the recruitments to be made for the R&D Center, priority is given to the

employment of those who have a master's or doctoral degree. As of 2020, the numbers of Tofaş R&D staff studying in PhD and master's degree programs are 16 and 27, respectively.

One of the prerequisites for Turkey to increase its international recognition and develop itself, as a product development center, is to address all elements of the R&D value chain in a holistic approach. Tofaş attaches special importance to such issues as joint design development, organization of local engineering companies, and collaborations with universities. Carrying out university-industry collaboration projects in parallel with its technology development studies, Tofaş R&D Center has been involved in 137 projects with 18 different universities in the last 16 years.

In many research projects carried out at Tofaş R&D Center with the support of TÜBİTAK and the European Union, we cooperate with FCA Research Center and foreign design centers as well as faculty members of various universities. Tofaş R&D Center has increased the number of its EU supported research projects to 26 and has worked with more than 200 international project partners within the scope of these projects.

Tofaş R&D Center aims to increase the number of patent applications every year with new projects and innovative ideas that provide added value. As a result of innovative works, 38 new domestic patent applications were made and 43 patents were approved, while 19 international patent applications were made and 6 international patents were approved.

#### **Cabinet Taxi Project:**

With the aim of protecting public health during coronavirus pandemic, Fiat and BiTaksi launched the first "Cabinet Taxi" project in Turkey. Accordingly, a special isolation system was developed in Tofaş R&D Center to protect both the drivers and the passengers from the virus.

The vehicles designed within the scope of the project are furnished with a panel that separates driver seat from the passenger seats, and the panel is supported with independent air filters, blocking the flow of air coming from the air conditioning system. The filter used is capable of holding 0.05 micron microorganisms and particles; therefore, it stops infiltration of Covid-19 virus, which is 0.10 micron.

## Innovation

### Light Sealer:

Within the scope of the Light Sealer project, density of beige putty used for impermeability and anti-corrosion purposes during production was changed from 1.45 g/cm<sup>2</sup> to approximately 1.35g /cm<sup>2</sup>; and material, line, and quality approvals were obtained. While developing the coloring agent, Tofaş's Quality, R&D, Purchasing, and Production Departments worked with two different suppliers, as a result of which glass bubble was added to the material, which decreased the weight by 0.67 kg and reduced the cost by approximately 0.3 € per vehicle, while also preventing such quality problems as putty bubbles that need repair.

In many research projects carried out at the R&D Center with the support of TÜBİTAK and the European Union, we cooperate with FCA Research Center and foreign design centers as well as faculty members of various universities. In 2020, REVOLUTION, LEVIS, and ECOFACT H2020 projects were approved, meaning that Tofaş is now a part of 26 EU research projects, and within the scope of these projects, Tofaş R&D Center worked with more than 200 international project partners. Tofaş R&D Center aims to increase the number of patent applications every year with new projects and innovative ideas that provide added value. As a result of its innovative works, Tofaş applied for 38 new patents. In 2020, In addition to intensively carrying out R&D activities for the improvement of Fiorino, Doblò and Egea models in 2020, Tofaş R&D engineers also supported other product projects of FCA besides the models we produced in Turkey. The first phase of the MCA project that involves designing a new Egea model, on the other hand, was initiated at serial production level, while the second phase is on the way. Furthermore, R&D activities were initiated to ensure that the engines used in Doblò and Fiorino models meet new emission requirements to be accepted in the following years. Besides, development works were conducted to increase the competitiveness of Doblò, Egea, and Fiorino models, which will continue in 2021 as well.

## Digital Transformation

Digital transformation plays a key role in increasing customer satisfaction and improving operational efficiency. As Tofaş, we closely follow new technologies and practices at global scale, and shape our digital transformation accordingly. In line with our strategy, "Life is Renewal", we continue to renew both our products and operations. Working in accordance with our "rapid experiencing and prototyping" approach, Tofaş Digital Transformation Committee monitors new technologies in our agenda and the opportunities these technologies create. We increase customer experience by monitoring the process through data collected from our vehicles and production lines, improve our processes through data analyses that are based on advanced analytical techniques, and by doing so we channel our workforce to tasks with high value added. Thanks our hard work we have managed to see innovation opportunities in design and spare part processes, and we are currently working on our post-production processes with a lifelong development perspective. Within this scope, our data analytics project that won International Quality Award in 2019 allowed us to manage financial resources more effectively by using historical data on warranty costs of our customers' vehicles.

We actively follow prominent digital technologies from around the world, including artificial intelligence, data science, IoT, RPA, image processing etc., and we approach these technologies with the responsibility of a "technology leader". Thanks to our academy, we are improving our competencies with regards to these developing technologies, while also increasing awareness at corporate level. Operational efficiency in our production facility is managed by a general committee in parallel with the digitalization process. Data on operational processes and efficiency are shared with the senior management on a monthly basis, and mature ideas of our employees regarding improvement of processes are taken into consideration.

- Our corporate internal communication platform TofaşGO, which we launched in 2017 and was deemed worthy of many national and international awards, is being used more and more actively by our employees day by day. In 2020, we continued to improve the application in line with the feedbacks we received from our employees, and added various features, such as live broadcasting, creating social groups, receiving personalized notifications, and giving real-time feedbacks in all directions.
- With our “IoT” platform, we can now collect many data within the company from different points, especially in the industrial area, make instant decisions automatically, or create the necessary reports for decision making processes. We successfully completed many technical, administrative and financial forecasting projects with the help of “data science” and “learning systems” by processing the data we produce. Through this infrastructure, we can track quality errors and equipment, carry out simultaneous predictive maintenance works, and monitor and track many of our processes, including those on-the-line. Thanks to “robotic process automation”, we have eliminated many jobs that did not create any added value, and achieved a leaner and more efficient operation level. In 2020, we continued our investments on robotic transformation for basic infrastructure and office processes.
- We are the first and only Turkish company that has taken on the leadership of the Robopartner Project, which is carried out under the EU Framework Program (FP7) to extend the use of robots in assembly lines and to develop business models, methods, software, and equipment for common, productive, and safe robot/human working environments.

When it comes to autonomous driving and connectivity, we act in accordance with the FCA’s strategy about the global risks and opportunities in the automotive sector. Within the scope of the digital transformation, we focus on the communication between on-board electronic units. Our applications use “connectivity” technology to remotely connect vehicle owners to their

vehicles via their smart phones or computers, and we are taking necessary steps to create the infrastructure of a platform economy, which is currently under development. Furthermore, we continue to improve our services taking users’ experiences and feedbacks into consideration.

## Vehicle Safety, Driving and Passenger Comfort

Our priority in all of our processes is vehicle safety and quality, which is also a significant factor in customer satisfaction. In line with FCA’s “safety for all passengers” vision, we attach great importance to developing smart vehicles with the aim of offering the best service and support to drivers, especially in terms of comfort and safety. We make sure that all of our innovations are in full compliance with the legal regulations and requirements in relevant markets.

Our vehicles are equipped with active and passive safety systems that safeguard drivers and passengers riding our vehicles, while also ensuring the safety of other passengers and pedestrians on the road. Accordingly, passive safety systems minimize possible damages and losses in case of an accident, while active safety systems aim to prevent accidents. Now, with the help of driver and vehicle data used by data science and learning algorithms, we are trying to prevent potential accidents and malfunctions before they occur.

## Innovation

### FYA Connect (Fiat Seatmate Connect)

By monitoring the risks and opportunities in autonomous driving and connectivity technology, i.e. one of the most significant developments in the automotive sector, and by following the global trends, we launched “FYA Connect” in 2018, which is still being furnished with new functions, and value-added services.

FYA Connect, which connects drivers to their vehicles using connectible vehicle technology, creates a totally different and exclusive customer experience. In 2019, FYA Connect users enjoyed such functions as Vehicle Locator, Tire Check, Remote Lock/Unlock, Trunk Control, Ambulance and Roadside Assistance (in case of an accident), Drawing Alert, Black Spot Alert, Speed and Distance Limit, Vehicle Malfunction Search, Fuel and Battery Indicator.

In 2020, on the other hand, other remote control functions were added, including Adblue Quality and Level Check, Trip-Based Fuel Consumption Indicator, and LPG Level Indicator. Furthermore, taking lessons from some tragic examples of children being left in school busses, we send a notification to relevant driver when the vehicle is locked with a child in it, and our MIM (Customer Communication Center) calls the driver if the doors are still locked after five minutes.

We continue to create value for our customers, Tofaş, and our dealers, based on the data collected through Connect. When we receive a malfunction alert from a vehicle that is on the road, we call our relevant customer as soon as they stop, inform them about what to do, and send a tow truck or make an online reservation at our service stations, when required.

In 2020, we launched two different business models we created with FYA Connect, which is currently used by 22,000 drivers. And thanks to Connect Insurance and Connect Fleet products, we create value for our customers, and use connectible vehicle technology in the most effective manner.

### Connect Fleet

Recent trends indicate that companies buy their own vehicles rather than using rental services. However, as a result of this trend companies need to collect receipts for the expenses made, and enter details about the trips and costs manually, while the information given might turn out to be incomplete or incorrect, and these problems are hard to manage. Connect Fleet solution, on the other hand, offers companies with growing fleets the opportunity to save time and money in fleet management, keeps track of the vehicles including their km, brand, model, inspection and maintenance details as well as fair usage quotas, and prepares the reports and analyses needed by the companies. While developing this solution, we collaborated with a start-up company, and used digital tools such as Connectivity vehicle data and fleet management web portal. Since the date we launched this program, i.e. the end of 2020, 50 different companies serving in medicine, tourism, food, and automotive sectors, which have self-owned fleets, became a user of this program. Thanks to these programs we strengthen our post-sales contact with our customers, and offer various solutions to their mobility needs.

## Climate Change

In today's world, climate change is now a fundamental reality that defines future visions as well as risk and opportunity perceptions of many countries and companies. And while managing the climate change crisis, business world is trying to find solutions to fulfill its responsibilities and switch to low-carbon economy. Accordingly such topics as digital transformation, greater use of distributed energy resources, and consuming natural resources responsibly and with the lowest environmental impact possible gain more and more importance.

Many actors in the automotive sector have made commitments to take necessary actions in this regard. In this context, we, as Tofaş, are trying to put into use the best practices to prevent climate change, and shape our plans to create a low-carbon future.

The steps we take in our transition to low-carbon economy and fight against climate change focus on three main topics:

- Reduction of emissions from our production activities
- Raising awareness of our supply chain regarding climate change and monitoring the related emissions
- Studies on energy efficiency and alternative fuels in vehicles

All relevant works carried out in Tofaş are managed by the Sustainability Committee and Sustainability Working Group, and the results are reported to the CEO. All of our stakeholders are informed about the significance we attach to these works, and we see all of them as our solution partners.

From a lifelong perspective, Tofaş's and its stakeholders' greatest impact on climate change is due to the use of vehicles. Accordingly, our stakeholders expect us to provide solutions to make their commercial operations and individual trips more sustainable. Therefore we focus on creating low-emission or alternative-fuel vehicles. We are aware of the fact that the process of transition to low-carbon economy is open for constant improvement, and that the bar should be set higher and higher in every step we take. We transparently

inform our stakeholders about our achievements through our annual reports.

In 2020, Tofaş submitted its responses to the Carbon Disclosure Project (CDP), and as a result of the assessment made, the company was included in the C and B bands in Climate Change and Water Management programs, respectively.

### **"21% of our R&D activities are about reducing emissions."**

Within the scope of transition to a low carbon economy,

- We support the following efforts of FCA, which were launched in accordance with its product strategies: increasing efficiency in conventional motor vehicles; expanding the use of alternative fuel systems, and developing electric and hybrid vehicles. In 2020 we worked on the following projects:
  - Studies on the development of a fully electric vehicle
  - Development of a battery management system
  - Integration of a wireless high-speed charging system (100kW) into a vehicle,
  - Computer-aided analyses and simulations (HiL and SiL etc.)
  - Studies on the development of a model-based embedded software
  - Development of a control unit for electric vehicles
  - Development and integration onto a vehicle of a 48 V Light hybrid system
  - In-wheel driving systems application
- To reduce greenhouse gas (GHG) emissions resulting from production, we invest in energy efficiency in our production facilities.
- With our efforts to reduce fuel consumption in vehicles, we try to save energy and minimize the release of emissions.

## Climate Change

- We carry out studies that will ensure energy efficiency in our distribution operations.
- Through customer information services as well as studies on the development of suppliers and dealers, we are working to disseminate the environmental and climate responsibility throughout our value chain.

**“By 2024, we aim to reduce our greenhouse gas emissions resulting from production by 33% compared to 2011.”**

For more information about Climate Change, you may visit [tofas.com.tr/Surdurulebilirlik/CevreVelklm](https://tofas.com.tr/Surdurulebilirlik/CevreVelklm) or refer to the Tofaş Annual Report 2020, which is published interactively at [ir.tofas.com.tr/2020/](https://ir.tofas.com.tr/2020/).

## Mobility Solutions

Technological developments and ever-changing global trends create new mobility needs. Considering the needs altered by mobility and freedom of travel, we, as Tofaş, produce new solutions to meet those changing needs with sustainable methods. We contribute to FCA's researches and studies to help our customers become more conscious about energy consumption.

### Low-Emission Vehicles

Awareness is raising about the climate change, as a result of which FCA's mobility solutions focus more and more on low-emission vehicles. Acting as a counterpart in these works, we, as Tofaş, see this topic as one of the most significant areas of development.

“Stage 2” emission homologation testing of Fiorino 1.4 LPG was performed successfully in the TOFAŞ Emission Laboratory.

We produce low-emission vehicles, while also creating solutions to produce less waste by using resources effectively in production, and to reduce the use of raw materials without risking vehicle safety.

In addition to our customers' demands and expectations, new regulations are being signed everyday about emission and safety, and the vehicles on the market are expected to comply with those regulations. Therefore, we have decided to improve Egea/Tipó model vehicles with such engine options

as 1.6 and 1.3 diesel E6d Final, 1.0 and 1.4 petrol E6d Final. Furthermore, as part of such improvement activities, we have also worked on a new ADAS package, which will meet safety-related expectations.

People are getting more and more conscious about the environment, and our petroleum sources are scarce, as a result of which customers in Turkey and abroad are preferring hybrid and electric vehicles over petrol and diesel ones. Accordingly, we have plans to use T4P2 hybrid engines in Egea/Tipó model vehicles.

### Portable Emission Measurement System (PEMS)

The Portable Emission Measurement System allows the performing of measurements, which are normally performed in emission laboratories, under real road conditions. The system has been developed to assess the vehicle's emission results in a traffic environment that represents actual road conditions instead of tests carried out under constant conditions in emission laboratories. The use of PEMS for passenger cars in Turkey was first launched by Tofaş. The test results are used as an input for the engine software of vehicles during the project phase and serves as a reference for the measurements made in our emission laboratory. Real Driving Emissions (RDE) tests, which became mandatory with the Euro 6D-Temp emission level and which were applied in a type approval test for the first time in Turkey, were completed using the Portable Emission Measurement Device (PEMS).

### TOFAŞ Emission Laboratory Hybrid & Electric Vehicle Measurement System

TOFAŞ Emission Laboratory is being updated within the scope of compliance with current technology and emission regulations.

To meet the new requirements regarding the emission tests of hybrid vehicles and to carry out the range and energy consumption tests of electric vehicles, the necessary systems will be put into operation at the TOFAŞ emission laboratory this year. After this modification, in addition to the tests of internal combustion vehicles that are currently being carried out, it will be possible to perform the type approval, production verification, and research and development tests of all kinds of hybrid, fuel cell, and electric vehicles in the laboratory.



## Alternative Fuel Vehicles

Another area we focus on within the scope of our mobility solutions is the development of alternative fuel vehicles. Accordingly, we closely monitor electric vehicle technologies, and try to integrate them

with innovative solutions and practices. Our aim is to locally produce electric vehicle systems and components. Furthermore, we, as TOFAŞ, participate in FCA's efforts to popularize alternative fuel systems such as biofuel and natural gas. Relevant projects and objectives thereof are as follows:

### Assured H2020 Project

- Ensuring a better understanding of the effect of fast charging profiles on the battery in terms the life of the charger-vehicle combination, sizing, safety, network reliability and energy efficiency increase; and reducing the total cost of ownership (TCO),
- Developing new generation modular high power charging solutions for electric buses and trucks and light commercial vehicles,
- Integration and verification of the system on electric city transport buses, different types of trucks (600kW - pantograph) and 1 light commercial electric vehicle (100kW - wireless) prototype suitable for fast charging.

### SYS2WHEEL H2020 Project

- Efficient adaptation to BEVs and existing vehicle platforms and development of components, systems and architectures by 2030 for the future CO2 free city logistics

### Hi-Fi H2020 Project

- Reduction of efforts and costs by verifying the hardware integration of the electric vehicle components into the system in the software environment, thus preventing the errors that may occur in further stages
- Developing a method for the development and testability of electric vehicle components

### Project on the Development Of a Battery Management System With Active and Passive Balancing Properties Suitable for Automotive Standards for Electric and Hybrid Vehicles

- Robust and fast Battery Management Systems (BMS) solutions for potential projects on different types of battery packs
- Being more reliable and configurable than ready-made BMS solutions.

## Energy Efficiency and Emissions

We collaborate with our stakeholders in our supply chain as well as with FCA to fight against climate change. We attach great importance to energy efficiency and emission reduction activities, since the fastest way to create an impact is to make improvements in our production processes. Accordingly, we aim to fulfill our responsibility in the fight against climate change by reducing energy and emission density of our products every year.

We monitor and improve our energy efficiency and emission performance in line with short-, medium- and long-term targets. Such topics as energy efficiency and management of emissions are regulated by Energy Guides Board Working Group and Tofaş Sustainability Committee, and the results are reported to the CEO. Thanks to our efforts we keep our emission values below the limit values determined by public authorities.

In our transition to low carbon economy, our energy efficiency works stand out. These projects help reduce energy consumption and greenhouse gas emissions. Within the scope of WCM Energy Management Methodology, Tofaş launched more than 200 energy efficiency projects in 2020. Taking into account the projects launched in the last quarter of 2019, the total number of energy projects implemented in 2020 reached 289. The majority of the projects are subject to very low investment costs (ROI<1) within the framework of Smart Solutions, LCA (Low Cost Automation), operational control techniques, and awareness activities, and amortize themselves very rapidly.

In line with the production figures that decreased compared to the previous year due to economic reasons, there have been changes in the working shifts. The fixed energy consumptions and decreased daily production rates had an adverse effect on the energy consumption per vehicle (GJ/vehicle) and GHG Emissions. Due to such negative impact and thanks to the reductions in fixed energy consumption, energy

consumption was 4.02 HJ/ton, which is below the expected level of 4.07 GJ/ton.

As a result of the studies carried out to reduce fixed energy consumption in the last two years, during which the automotive industry was adversely affected by economic conditions, the base energy level was reduced by 24% compared to 2017.

**TOFAŞ received the “Certificate of Achievement”, an award given to the projects that enhance efficiency, from the Minister of Energy at the Award Ceremony organized by the Ministry of Energy and Natural Resources of the Republic of Turkey.**

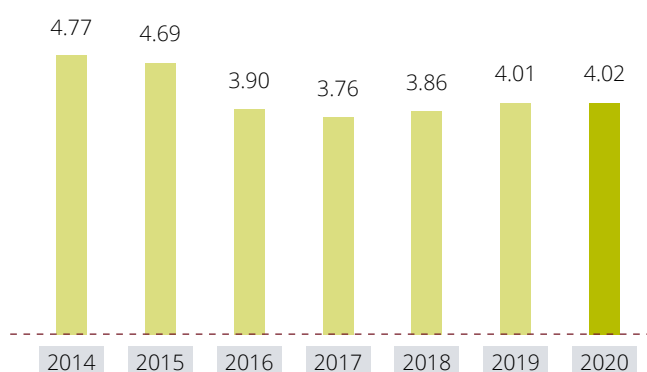
**We developed a special algorithm software that instantly analyzes the effects of different production conditions and parameters on energy consumption and that can indicate the losses occurred on a process basis. With our software called TEMAS (Tofaş Energy Monitoring Analyzing System), we aim to make a difference in our energy projects within the scope of digital transformation activities.**

Volatile Organic Compound (VOC) emissions occur during painting applications, which is one of the main processes in automotive production. We managed to reduce the VOC emission weight per painted surface from 35.47 g/m<sup>2</sup> (in 2014) to 30.88 g/m<sup>2</sup> and continue our efforts to further reduce VOC emissions in line with our targets.

We support the transition to a low carbon economy through our studies on energy efficiency. We are continuing to reduce energy consumption and associated greenhouse gas emissions with the projects we implement. Thanks to the projects launched in 2020 within the scope of WCM (World Class Production) Energy Management Methodology, we have managed to save 3,115 GJ worth of energy and reduce CO<sub>2</sub> emissions by approximately 3,000 tons.

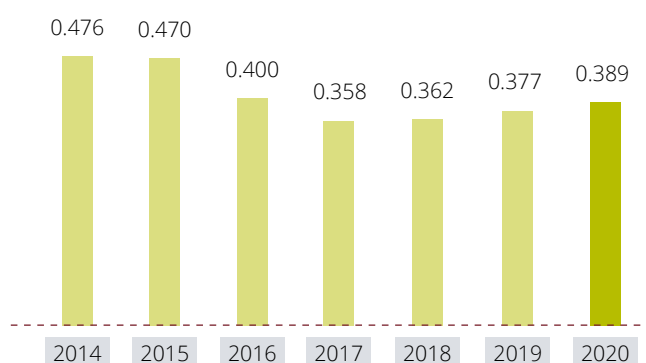
Besides these energy efficiency and emission reduction efforts, we also focus on the emissions mentioned under Scope 3, collaborate with our stakeholders, and produce solutions to reduce carbon density of our operations.

### Energy Consumption (GJ/vehicle)

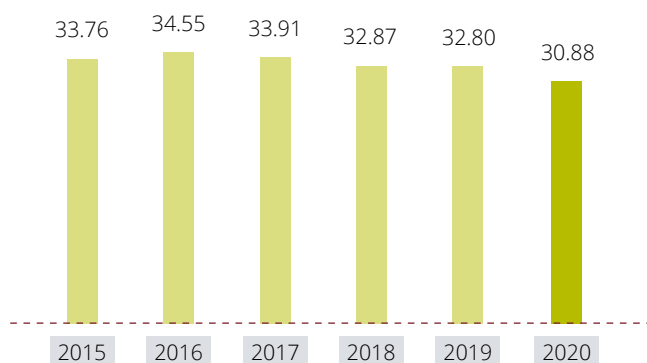


### GHG Emissions

(Scope1+Scope2) (ton CO<sub>2</sub>e/vehicle)



### VOC Emission Trend (gr/m<sup>2</sup>)



## Production

We, as Tofaş, continuously increase our productivity through cutting edge technologies we use in our production processes and in line with the quality systems and standards we follow. We harmonize our understanding of efficiency, quality, and sustainability with our 50 years of experience to minimize the environmental impacts caused by our production processes. Looking at it from a lifelong perspective, we thoroughly monitor the positive and negative impacts of our products and services.

**“Thanks to our sustainable production concept, we have secured a place among the 50 Turkish firms qualified for the BIST Sustainability Index in 2020 as a result of a comprehensive assessment made by EIRIS, an international rating foundation, in Istanbul Stock Exchange.”**

### World Class Manufacturing

We prioritize our customers’ quality-related expectations with the aim of increasing the level of quality in all of our production and service processes in our value chain, and reaching the most competitive level. We produce world class products and provide competitive advantage thanks to our quality concept centered around customer satisfaction.

The WCM (World Class Manufacturing) methodology we have been using since 2006 help us systematically improve the competitive power in our production. Accordingly, the WCM methodology basically helps us reach such targets as “zero accident”, “zero loss”, and “zero quality error” in areas such as occupational safety, quality, cost, delivery and environment. FCA’s 213 factories and approximately 400 suppliers produce their products in line with WCM methodology.

- Zero Occupational Accident
- Zero Environmental Accident
- Zero Loss
- Zero Quality Error

Since 2006, the year when our WCM journey began, we received the “Fastest Growing Plant” award, and became the first FCA plant to reach the Silver Level in 2009. As a result of an audit conducted in November 2013, TOFAŞ crowned its accomplishment by becoming one of the first three factories to reach the “Golden Level” in the FCA world. Focusing on constantly raising its production standards throughout its WCM journey, TOFAŞ ranked first among all automobile factories applying WCM by scoring 81 in the audit that took place in 2019.

For more information about the World Class Manufacturing (WCM) Methodology visit [tofasakademi.com/tr/wcm/](http://tofasakademi.com/tr/wcm/) or see Tofaş Annual Report 2020 published interactively on [ir.tofas.com.tr/2020](http://ir.tofas.com.tr/2020).

## Quality

We are shaping our quality strategies in parallel with FCA's Global Quality System that aims to ensure that production and services conform to superior quality norms. Our products comply with legal and sectoral regulations, and our mission is to produce products that are reliable in terms of physical norms and that perform better than their rivals.

We have updated our quality policy in line with our vision, corporate culture and values, so that it can address current trends and expectations and meet the requirements mentioned in the updated version of ISO 9001:2015.

Our quality policy is centered around our customers. Accordingly, in our diagram, we have summarized our basic principles under seven groups, and highlighted "Q"uality.

We follow numerous management quality standards while carrying out our production processes, which helps us enhance our capability to respond to possible risks and strengthen our quality of management. We evaluate our performance through certification, external audit, and verification procedures, and take steps to make improvements. We avoid risks by monitoring all of our processes through WPI (Work Place Integration) methodology. The IMDS Program enables us to control chemicals and prohibited substances in our supply chain.

### QUALITY World Publishes Our Guarantee Expenditure Estimation Module

The paper about Guarantee Expenditure Estimation Model developed by Quality Department in cooperation with Information and Communication Technologies Department was published in the July-August 2020 issue of Quality World magazine as an inspiring case study.

Our project that won the grand prize in the Improvement System category in 2019 International Quality Awards aims to use artificial intelligence and data science in the automotive sector to produce higher-quality products that meet customers' expectations at a more advanced level. Artificial intelligence and data science help us produce more accurate estimations about possible quality-related problems that may occur in the future, based on currently available data. As a result, more effective solutions are created at the early phases of production process, and customer satisfaction becomes sustainable even before the vehicle is delivered to the customer.

### Contribution to Quality Literature

In 2020, several papers were written about the quality projects conducted in Tofaş, which were then published in prominent scientific journals from around the world.

These publications can be listed as follows:

- 1) **Publication Name:** A decision support system for proactive failure prevention: a case in a leading automotive company

**Content:** This study focuses on production-related chaos in the automotive sector, and aims to develop a multi-purpose Decision Support System (DSS) to estimate the quality and quantity of malfunction risks associated with the work stations used in production.

**Authors:** Armağan Altınışık / Quality Engineering Director, Özcan Çavuşoğlu / Quality Method & Planning Manager

**Published on:** Journal of Enterprise Information Management/29.01.20201)

## Production

- 2) **Publication Name:** The seven-step failure diagnosis in automotive industry

**Content:** Within the scope of the project, a seven-step approach was developed for complicated and cross-functional diagnosis, based on the first two phases of universal problem solving approach.

**Authors:** Armağan Altınışik / Quality Engineering Director

**Published on:** Measurement Journal – Elsevier /29.06.2020

- 3) **Publication Name:** A comparison of off-line laser scanning measurement capability with coordinate measuring machines

**Content:** The paper compares the capabilities and uncertainties of CMM and Laser Tracker measurement systems through BIW (complete body).

**Authors:** Armağan Altınışik / Quality Engineering Director, Emre Bolova / Product Quality Engineering Expert

**Published on:** Measurement Journal – Elsevier/20.07.2020

- 4) **Publication Name:** Failure prediction in electrical connector assembly: a case in automotive assembly process

**Content:** The paper focuses on defining, prioritizing, and verifying the critical factors with regards to the complexity of electrical connector assembly process.

**Authors:** Armağan Altınışik / Quality Engineering Director, Utku Yıldırım / Production Quality Engineering Expert

**Published on:** Assembly Automation/18.09.2020

## Authorized Economic Operator (AEO) Certificate Issued by the Ministry of Commerce:

In 2014 we received our internationally acknowledged AEO certificate, which is issued by the Ministry of Commerce for the companies that are engaged in foreign trade activities, with the aim of facilitating their customs procedures and providing them with some privileges.

We have successfully passed our “**on-site audit**”, which is conducted by the auditors from the Ministry of Commerce at five-year intervals as part of our liability as a AEO certificate owner.

Furthermore, upon request of the Ministry of Commerce, we have conducted the first pilot scheme of “Onsite Imports Clearance for Manufacturer-Exporters” project in Turkey, which was launched in 2019, as a result of which we were given a Certificate of Appreciation by the same Ministry for our contribution to the process from preparation of the legislation to implementation thereof at a national level.

On top of that we have successfully completed our application and audit processes for “onsite imports clearance” and “onsite exports clearance” authorizations, and became the first automotive company and one of the leaders in Turkey to complete these processes. This procedure provides us with flexibility, saves costs and time, and simplifies our export processes as well as the processes we use to supply imported materials.

### **TSE (Turkish Standards Institution) CoP (Conformity of Production) Audit:**

Between June 8 and 12, we successfully passed our periodical CoP (Conformity of Production) audit conducted by TSE (Turkish Standards Institution) on behalf of the Ministry of Industry and Technology, and received our Declaration of Conformity certificate, which will be valid for two years.

Thanks to thorough preparations, as well as rapid and satisfactory feedbacks during the audit, we have gone through a very efficient audit process.

Furthermore, performed remotely due to Covid-19 pandemic, the audit has opened new gates for us in CoP audit.

### **FCA's Best Quality Performance Figures**

According to 2020 mid-year results of NCBS (New Car Buyer Survey), conducted by independent survey companies, our QUBO model commercial vehicle was listed in the 1<sup>st</sup> quartile, indicating the highest quality score.

The 2020 year-end results of FTC (First Time Capability) Quality Indicator, on the other hand, point out that our passenger models reached the best model level in FCA EMEA region.

According to 2020 year-end results of Functional and Dynamic Vehicle Quality Assessment that reflects the viewpoints of customers, TOFAŞ reached the best factory level in FCA EMEA region.

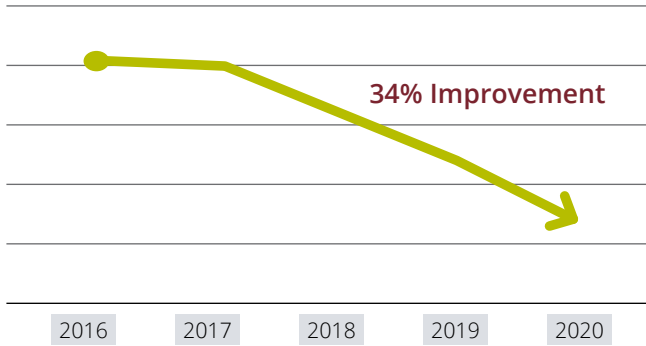
And finally, according to 2020 year-end results of Vehicle Body Geometry Quality Assessment, Egea Sedan model became the 2<sup>nd</sup> best model in FCA EMEA region.

### **Connected Supplier Brings Tofaş the First Place in CQI International Quality Awards**

With its "Connected Supplier" project Tofaş became the winner of the Improvement System category in 2020 International Quality Awards organized by Chartered Quality Institute, one of the world's most important Quality Institutes. In the category that witnessed a competition among 10 projects from five countries, our creative and unique point of view was praised by the jury. Our Warranty 4.0 Projection System project was the winner in the same category last year.

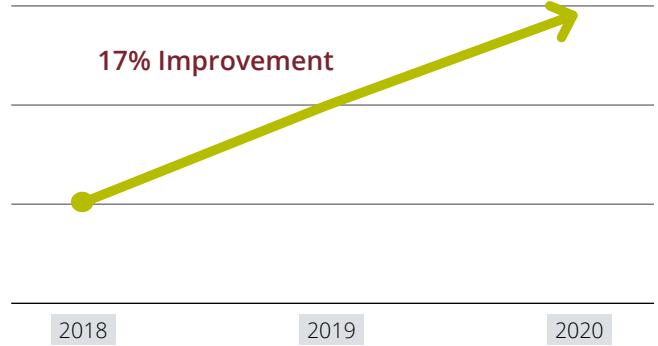
## Production

### Assessment from the Viewpoint of the Customers



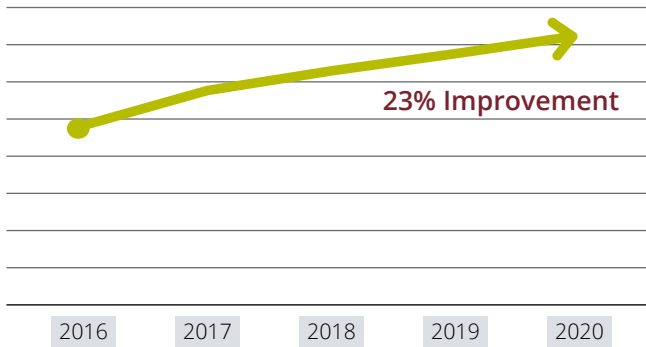
Indicates the aesthetic assessment performed before transferring vehicles to dealers and calculated over the number of errors found.

### First Time Capability



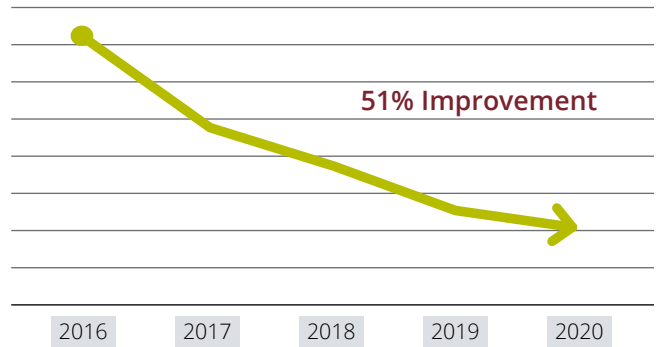
Indicates that the vehicle in question has been directly approved without any requirement for repair or additional service.

### Body Geometry



Indicates a level of compliance, which is calculated by measuring relevant parts of the bodies in accordance with the frequency defined in the control plan.

### Sub-industry Quality Performance



Indicates the error scores associated with the quality errors of the products produced by sub-industries.



## Digital Quality Management

Data associated with all new projects and mass production processes are kept in Tofaş's digital platform, which is used to manage quality data. The platform with integrated WCM QCS tools is capable of managing more than 40 error channels in and out of the company. Potential risks are also managed through the same system.

This software offers us various advantages, including:

- Creation of corporate memory;
- Management on a single platform;
- Access from any place in the world whether within the company or outside it;
- Managing WCM QCS activities in a digital medium.

The International Quality Awards ceremony was organized in London, capital of the United Kingdom, on November 27 by **The CQI** (Chartered Quality Institute) one of the leading Quality Institutes. It involved 103 projects from 10 different countries, competing in 7 main categories, and TOFAŞ Quality Team won the award in the "Improvement System" category outdistancing its international rivals.

The advanced level Machine Learning and Quality 4.0 application under the **Warranty 4.0 Projection System** was described by all jury members as an exemplary project.

"Digitalization" has been treated as a strategy by the Quality Directorate since 2017. The main objectives of this strategy are:

- To explore new technologies and processes;
- To provide reliable and effective quality processes;
- To understand customers better and faster;
- To perform more effective quality controls at lower costs.

Therefore, in order to attain our long-term quality goals in that context, the quality directorate and other production units work together in the following fields:

- IoT & Data Analytic
- RPA (Robotic Process Automation)
- Advanced Robot / Cobot Systems
- Data processing technologies
- AR&VR (Augmented & Virtual Reality) technologies, and conduct a total of 41 quality projects.

## Production

### Risk Management

The risks are identified and necessary actions are taken and followed up in accordance with the risk and opportunity assessment method defined for all processes in parallel with the perspective provided by the revised ISO 9001:2015. Periodic reviews are done to identify new risks and opportunities.

Risks and opportunities associated with our processes are defined in accordance with ISO 9001:2015, and relevant activities and follow-up procedures are carried out accordingly. New risks and opportunities, on the other hand, are defined via periodical reviews.

We analyze all processes associated with quality management falling under the scope of Quality Directorate and other departments with a strategic perspective using Hoshin Kanri methodology. Accordingly, we investigate potential risks, possible impacts, and measurements required to be taken, while also checking the risk maturity levels regularly.

### Stakeholder Engagement

Tofaş demands its stakeholders in the value chain to adopt Tofaş's business ethics and working norms, and to focus on constantly developing themselves. Within this scope, our objective is to improve the product and service quality of our suppliers, i.e. the most significant factor of our value chain, and we attach a great significance to this objective.

Accordingly, the Connected Supplier event was organized to produce low-cost technological solutions to quality problems, and attracted a large turnout by our suppliers.

### Environmental Management

To us, protection of natural resources is one of our fundamental responsibilities, and we carry out our operations with minimum environmental impact. We promise to bring under control and constantly reduce direct environmental impacts associated with our

activities, as well as indirect environmental impacts that emerge at any point of our value chain.

As per Tofaş Environment and Energy Policy, environmental issues are under the responsibility of the Sustainability Committee and Sustainability Working Committee, and the studies conducted are reported to the Board of Directors.

We think strengthening our management infrastructure is especially important when it comes to improving our environmental performance. Accordingly, we speed up our decision-making processes considering the economic impacts associated with environmental risks, and we allocate sources to manage environmental impacts within the scope of risk management. We attach great importance to raising awareness among our stakeholders and employees about the environment.

**“We spent more than TRY 1.32 million for environmental management and investments, and organized environment training for 8572 man\*hours in 2020.”**

For more information on Environmental Management and Tofaş's Environment and Energy Policy please visit [tofasc.com.tr/Surdurulebilirlik/Politikalar](http://tofasc.com.tr/Surdurulebilirlik/Politikalar) or see Tofaş Annual Report 2020 published interactively at [ir.tofasc.com.tr/2020](http://ir.tofasc.com.tr/2020).

### Water Management

We are aware of the fact that due to global warming and frequent extreme weather events the climate crisis will create a major pressure on our water resources; therefore, our goal is to use water efficiently and reduce our water footprint. We are trying to manage our water and waste water processes in the best way possible to minimize our water consumption. With various practices we put into use, we are trying to find solutions to constantly reduce the amount of water we use. Furthermore, we periodically analyze our water resources to ensure their continuity and sustainability.



## Green Purchasing

At the root of our green purchasing policy is our philosophy to spread our sustainability culture to our entire supply chain and to highlight products and services with minimized environmental impact. Our green purchasing policy aims at minimizing the environmental impacts stemming from the production processes of our suppliers and their services, improving their general environmental performance, and reducing environmental risks.

As part of our efforts, we provide suppliers from whom we purchase products to manufacture vehicles a list containing environmental issues. Guided by a due diligence logic, the list informs our suppliers about the consequences of their environmental impact (energy, water consumption), gives general information concerning environmental management system, and ask questions about management of environmental risks. Their replies help us calculate our environmental impact arising from the production of components of a car.

Our Green Purchasing program, launched in 2018, continued with improvement and development efforts made with our 7 suppliers selected from different sectors. We formulated action plans comprising of our suggestions for short-, medium-, and long-term methodic and technical development to improve their environmental and energy performance based on the field visits we paid to our pilot suppliers we selected with our technical experts responsible for the continuity and development of the production processes of our plant.

Among a total of 103 improvement actions that were being monitored, 76% were finalized by the end of 2020, and positive changes began to be observed in the environment and energy indicators of our pilot firms. While our program continues with our 7 suppliers in line with our action plans, we intend to roll it out to all of our direct material suppliers in the upcoming period.

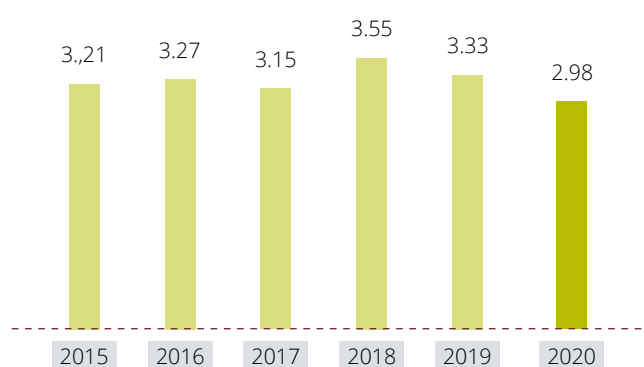
With regards to procurement of services, we draw up specifications laying down environmental sensitivities intrinsic to each service item and identifying preference criteria. Thus, services are purchased only from suppliers meeting the specified criteria.

The objective is to reduce environmental impacts associated with the production, supply, and service processes falling under the scope of our value chain, and our suppliers in particular, improve general environmental performance, and reduce environmental risks; which will lead to a holistic supply chain involving economic and social aspects.

We make intensive use of well water in our production processes. Our water consumption fell from 1.073.626 m<sup>3</sup> in 2018 to 929.882 m<sup>3</sup> in 2019. Our water consumption per vehicle dropped from 3.55 m<sup>3</sup> in 2018 to 3.33 m<sup>3</sup> in 2019.

For our production activities, we mostly prefer well water. Our water consumption fell from 1.073.626 m<sup>3</sup> in 2018 to 788.444 m<sup>3</sup> in 2020. Our water consumption per vehicle dropped from 3.55 m<sup>3</sup> in 2018 to 2.98 m<sup>3</sup> in 2020.

### Consumption of Fresh Water (m<sup>3</sup>/vehicle)



In line with our principle of responsible use of water resources, we make sure that fresh water is reused many times in various processes. For example, we continue to use the waste water created as a result of a production process to meet our need in another process.

**“We recycled 60.57 million m<sup>3</sup> of water in 2020.”**

In line with the Convention on Biological Diversity, which was signed by Turkey as well, we conduct periodical checks to detect potential risks and take required measures. We conduct environmental impact assessments and constantly monitor our biological impacts to avoid any adverse impact on the natural areas in our vicinity and on the creatures living there.

**Production**

Since waste water has the potential of creating an adverse impact on biodiversity, we approach waste water management as a significant aspect of our responsible water management process. Therefore, we try to recycle the waste water created as a result of our operations as much as possible in our modern treatment facilities, while discharging remaining non-recyclable waste water to pre-determined receiving environment at loads that are below the limit values mentioned in water discharge permits.

**“We discharged 510,000 m<sup>3</sup> of waste water in 2020.”**

**Management of Materials and Waste**

As stated in our Environment and Energy Policy, all kinds of waste disposal procedures mean loss of natural resources and raw material; therefore, we aim at minimizing the pollution associated with our processes and avoiding pollution at the source. We send all of our industrial wastes to cement sector as a source of raw material and energy, thus achieving our “zero waste disposal” goal thanks to this circular economy.

Our material and waste management activities focus on minimizing the amount of waste created, and reducing the use of materials in general, while increasing the use of recyclable materials. In addition to our own operations, we encourage our suppliers to reduce the quantity of materials they use.

The total amount of waste per vehicle was 3.06 kg in 2020.

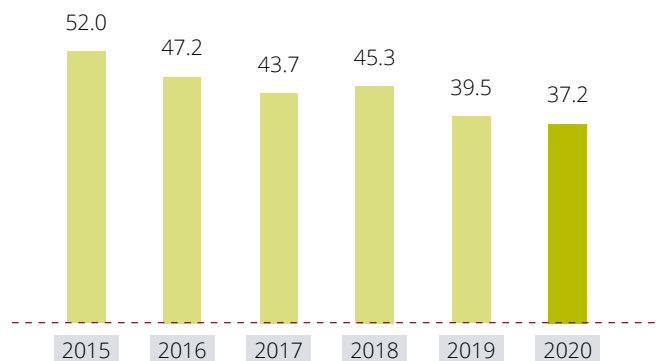
**In line with our perception of sustainable production, we efficiently use natural resources by making 5R (refuse, reduce, reuse, recycle, recover) improvements in all production processes.**

**We were awarded “Zero Waste Certificate” by the Ministry of Environment and Urbanization for our Zero Waste Management System we created in line with our understanding of sustainable environment management with the aim of avoiding pollution at source, preventing waste by using resources responsibly and efficiently, and finally separating wastes at source, collecting and recovering them.**

**Reduction of Plastics**

A certain level of carbon emission is created while extracting raw materials and producing the synthetic plastics used in the automotive sector. Our plan is to reduce the amount of plastics (petroleum fraction) used, and create financial value. We use recycled raw materials especially when producing mud flaps, aesthetic engine hoods, and skid plates. Accordingly, within the scope of the studies on the use of recycled PP, CAE analyses were performed for thermal and functional tests, and virtual analyses were used in most of those tests. As part of our circular economy, interior trim and exterior trim practices are still being put into use.

**The Amount of Waste (kg/vehicle)**



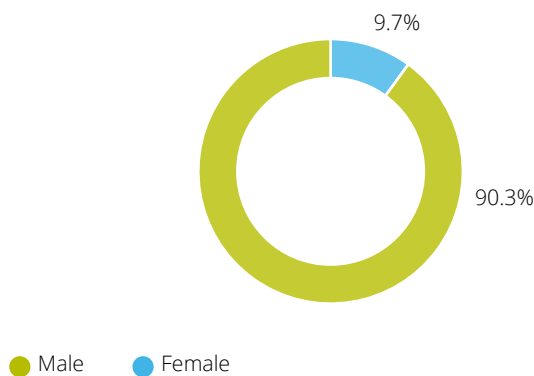
## Work Place

We believe that one aspect of being a pioneer company is to help employees, i.e. our most significant resource, rapidly adapt to today's competitive environment, which is shaped by experience and creativity. We are doing our best to offer a fair, egalitarian, participatory, healthy and safe working environment, where human rights are guarded, relationships are established based on respect and trust, and social life is enriched. Since we value our employees, we encourage them to develop their personal and professional skills through our skill and performance management practices. We hope that the importance we attach to our employees' personal and professional development as well as the working environment we create will turn us into a company that is preferred by innovative, creative, versatile, and competent professionals.

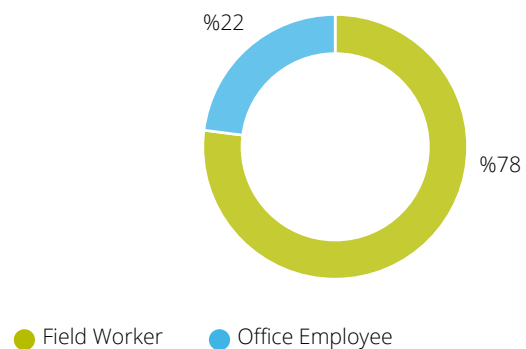
In July, Tofaş was awarded "TSE Covid-19 Safe Production Certificate" thanks to the measures taken and hygiene standards applied during the pandemic.

Tofaş and Turkish Standards Institution (TSE) signed "Safe Service Certificate" cooperation protocol, which covers prioritization and certification of health-related measures in all processes from production to service.

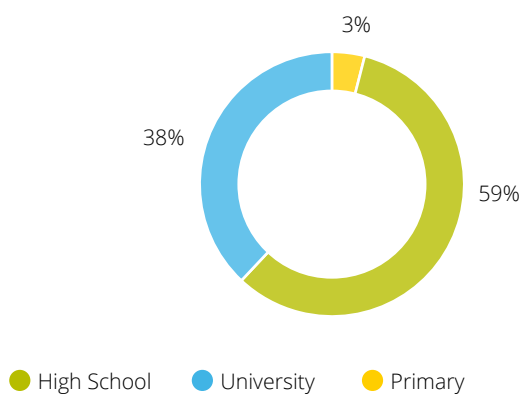
### Employees by Gender



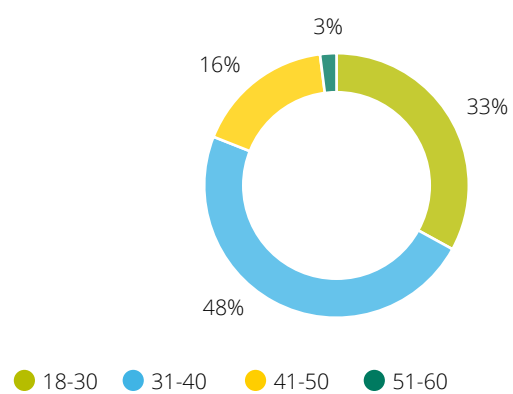
### Number of Employees by Categories



### Total Number of Employees by Education Levels



### Total Number of Employees By Age Groups



## Work Place

### Human Rights

We act 100% in accordance with the UN Global Compact, which was also signed by Koç Holding, the principal shareholder of Tofaş. Accordingly, Tofaş Ethics Committee working under the Board of Directors is responsible for regulating the issues associated with human rights, and we encourage our dealers and suppliers to follow the same principles.

We believe that diversity is the source of our corporate prosperity; therefore, it is one of the most significant components of our human rights approach. Hence, while recruiting employees or carrying out other human resources processes, we solely assess knowledge, talents, and skills. We do not discriminate our employees for their age, gender, beliefs, and ethnic origin. Furthermore, we implement "equal pay for equal work" policy, providing all of our employees with the same opportunities for the same job.

As an employer, Tofaş never tolerates child employment, forced working, violation of employee rights, or discrimination, and encourages the whole supply chain to adopt the same understanding. We expect all of our suppliers and business partners to act in line with the same human rights principles.

We encourage our employees to protect their union rights, and we care about their proper representation in their relationship with the management of the company. We allow them to freely exercise their collective bargaining and association rights, and we expect our suppliers and business partners to take the same stance with regards to their employees' union rights.

**"As of 2020, 77% of our employees are working under a collective bargaining agreement."**

All personnel working at our company, i.e. a Koç Group company, joins Koç Holding Pension & Assistance Fund, while field personnel are allowed to join the Fund as they please.

Furthermore, our employees and their families can benefit from the Koç Ailem Program and community-specific private health insurance offered to the employees working at Koç Group companies. All Tofaş employees paid per hour are covered by the Complementary Health Insurance with 100% contribution from the company. Employees are also allowed to include their spouses or children to the insurance, and in 2020 5,845 employees and 7,171 family members benefited from this option.

The number of children eligible for "One More Support to Education by Tofaş" scholarship that was launched in 2011 to support the education of our employees' children, reached 2,443 in 2020.

### Gender Equality

We believe that employment and increased representation of women is one of the most significant issues when it comes to social progress. In that context, our priority is to build better working conditions for our female personnel, increase their rate in the company, and encourage their participation in the workforce.

In 2016 we initiated a Daycare Allowance Program to help our female personnel balance their work and private life. Accordingly, a total of 718 female personnel took daycare allowance, including 276 in 2020. With this program we are trying to help our female personnel return to work after maternity leave, and take care of their children without losing the balance between work and family life.

We provide our female employees with the required support in order for them to be able to return to work after giving birth, and to achieve a balance between their business life and child care.

**"95% of female employees who had taken maternity leave returned to work at the end of their leave in 2020."**

### **Anemia Check-up for Female Personnel, and General Health Improvement Works:**

In Turkey, anemia is a significant public health issue affecting women's health. Despite being common among women, easy to diagnose, and easily treatable, there are very limited number of studies investigating anemia, and no systematical health program is applied to cure it.

With this in mind, a project was planned in collaboration with Uludağ University, Faculty of Medicine, Department of Public Health, and initiated on March 8, International Women's Day. The results to be obtained with this project are expected to inspire the programs conducted to improve health in business life.

Accordingly, in order to make sure that the study complies with the requirements of a scientific research, a collaboration was established with Uludağ University, Department of Public Health, and approval was obtained from the University's Ethical Committee. Furthermore, required preparations were made in order to be able to publish the results in scientific journals.

Within the scope of the study, complete blood counts of 340 female field personnel working at Tofaş were reviewed and analyzed for any signs of anemia, and the results were recorded using a software.

Based on these analyses, 122 personnel were diagnosed with iron deficiency anemia, and their 3-month oral iron sulphate treatment was initiated by Tofaş Healthcare Center, and effectiveness of their treatment was monitored via monthly blood counts.

This project helped reduce anemia rate among our female personnel (12%), while also decreasing the risk factors associated with efficiency and occupational accidents, including getting tired quickly, exhaustion, dizziness etc.

Thanks to the anemia study that ended in early 2020, a factor that is likely to undermine our female personnel's physical endurance during Covid-19 pandemic was eliminated, and their immune system was strengthened.

## **Employee Development**

### **Our Coaching and Talent Development Programs**

Thanks to the professional coaches trained by Tofaş, the company offers development counseling, individual coaching and team coaching to its employees for their competence and behavioral development.

#### **Development Counseling**

The Development Counseling program is a 7-step behavioral development journey. This program was designed for employees who are reaching out for a change through professional and personal development, to provide them with the opportunity to translate their potential and new skills into productive actions in line with the company's goals.

The Development Counseling program provides Tofaş employees with the professional support they need in the path going from the status quo to the desired ideal. The Development Counseling was designed as a unique program tailored to individuals. A development counselor helps employees seeking advice learn new methods, find new areas, and acquire new perspectives using coaching and mentoring tools.

Tofaş's "Behavioral Development Counseling" program, which has been used by some 300 employees since 2017, aims to enhance our employees' skills in line with the company's goals. We provide our employees with fully personalized development guidance through coaching and mentoring.

#### **Individual Coaching**

Individual Coaching is a development journey that lasts around 6 months, helping employees discover their potential to achieve desired results in line with the company's goals.

Initiated in 2018, Tofaş's "Individual Coaching" program helps employees discover their potential to achieve results in parallel with the company's objectives. The "Team Coaching" program, on the other hand, which has been active for two years, intends to mobilize the creative potential of teams in order to boost collective productive capacity.

## Work Place

### Team Coaching

The team coaching program was designed to create efficient and integrated teams, help teams mobilize their collective productive capacity and take actions accordingly. Thus, the teams devise a clear vision and take a specific direction, boosting performance within the company. The Team Coaching program consists of 4 sessions completed in 2 to 3 months. To derive maximum benefit from the program, the team leader and members are encouraged to join the program voluntarily.

### Follow-up Interviews

Performance improvement interviews, designed based on the needs of employees considering the outcomes of the survey conducted after determining the targets and planning the development steps, are conducted with Tofaş employees who, according to their performance assessment results, need improvement. As part of these interviews, feedback meetings are held with participation of employees and their supervisors, assessments are made, and actions to be taken for development are determined, which contribute to creation of an effective development plan.

Following the surveys conducted in the 2nd and 4th months after their recruitment, interviews structured based on their needs are held with newly recruited Tofaş employees.

### 360+ Instantaneous Vision Platform

In 2019, we launched the «360+ Instantaneous vision” program, which enables individuals to receive feedback from anyone they like whenever they want. The program allows employees to receive feedback from individuals at any level, and share their opinions with them.

We received numerous awards for the projects we carried out with one thing in mind: sustainable success can only be achieved by investing in people, technology, and working environment. On that note, we received EMCC 2019 Global Coaching Award from EMCC (European Mentoring & Coaching Council) for our approaches that are based on personalized social and experimental learning strategy aimed at developing the skills of our employees.

Our projects that brought awards in the category of coaching are underpinned by activities targeting

talented people who are at the heart of our company and the value chain that we own. We are managing this process as part of the main strategic initiative called “Valuable Employees Creating Value,” which intends to improve the organizational capabilities and the talent base that our company and value chain will need in the future.

### Our Learning and Development Projects

Founded in 2010, Tofaş Academy intends to create and discipline Tofaş’s corporate memory with the aim of achieving sustainable benefits, while also enabling all of its employees and stakeholders to do their job better today and to be prepared for the future.

Having assumed a key role in the company’s journey into the future, Tofaş Academy is focused on individual, professional, and organizational development by precisely identifying the needs with the objective of providing well-trained and experienced workforce for the automotive industry. With hundreds of training modules designed for different individual learning styles, and trainers trained within its organization, Tofaş Academy represents a development platform with physical conditions and content similar to that of universities and aims at offering a learning experience tailored for each employee. In that context, there are 234 active internal trainers, 9 development counselor, and 10 internal coaches whose development is also supported by Tofaş Academy.

Tofaş Academy offers training and development opportunities for around 15,000 people employed by Tofaş and its dealers and suppliers.

**“Thanks to its innovative learning and technology solutions, Tofaş Academy received three awards (two gold, and one bronze) at the Stevie Awards for Great Employers and Stevie International Business Awards in 2020.”**

At Stevie Awards and Brandon Hall Awards that cherish international companies and organizations for their annual performance and positive contributions to social life, such projects as “HR Lab”, “Health & Social Life at Tofaş”, “Digital Assistant Zekky”, “Evaluation Center”, “Personalized Talent



Development”, “Early Talent”, “Local Marketing & CRM Development Programs”, “Field Personnel Technical Competency System”, and “Digital Corporate Memory Wiki” were awarded.

### Smart Development Planning with “Zekky,” a Digital Development Assistant

We support our employees’ leadership skills and behavioral development through our behavioral development programs that we designed in line with our concept of personalized learning. In 2019, more than 1500 employees used digital development assistant Zekky, and among such options as classroom training, online training, video sources and articles offered by the Academy, as well as outsourced online training (MOOC), coaching and one-on-one mentoring, they benefited from leadership, behavioral and technical development programs suggested by the system considering their needs.

**“In 2020, average training hour per person was 37.2 hours for office employees; 22.9 hours for field personnel, and 20.3 hours for dealer employees.”**

**“Industrial Development Schools and Dojo Occupational Health and Safety Experience Area were put into service within Tofaş Academy.”**

- Supported by new features, including the Curriculum System, Wiki, Digital Development Assistant - Zekky, and Live Broadcasting System, Tofaş Academy Integrated Training Management System continued enriching 24/7 digital learning experience for field and office staff.
- Structured programs related to Data Science, RPA and IOT, all aimed at improving future capabilities, were designed.
- All team leaders completed the “Koç-like Leadership” program. The Field Leadership program supported development of our leaders managing field staff.

- In addition to the development programs for Innovation, Design-Oriented Thought and Agility, coaching support was provided for intra-company projects.
- Agility methods were employed in content production processes through “Agile Learning Design,” an original method developed by Tofaş Academy.
- Efforts were made to ensure equality in learning and development both for our employees’ families and all individuals in Turkey by virtue of social responsibility projects, including Coding for Children and Good Sign.
- Employee development was supported via I Am Proud To Be a Member of Fiat event, CRM and Service Marketing Day, STU (Service Technical Expert) and Warranty Experts Refreshment Training, and launching training including rival products, which aimed to enhance technical and behavioral capabilities of the employees of our dealers.
- Activation of the live broadcasting system introduced interactive learning through real time broadcasts to meet immediate needs of the employees of our dealers.
- Online and classroom training programs were organized within the scope of the Commercial Systems Project using co-education methodology with the aim of helping dealer employees adapt to the modern systems. Adopting an agile approach, regional training programs were organized for all dealer sale teams within one week.
- Designed to satisfy the need for a system where role-based development can be monitored, the Individual Development Program included training programs tailored to the roles and personal development needs of dealer employees, and initial training was organized for the dealer management team.
- Dealer Development School Programs enhance model and technology-related knowledge and communication skills of our employees assigned to work in the sales, service and spare parts departments, while also offering customized learning opportunities.

## Work Place

### Social Life

We offer various social amenities, activities and opportunities to increase employee motivation and enrich their work life with social activities. Teams of voluntary Tofaş employees (i.e. 22 clubs active in 16 fields of sports) continued their activities, and more than 15,000 employees and family members attended the events organized within this scope. However, due to pandemic, events were reduced in number, with some of them being organized through online platforms.

Football, volleyball, basketball, tennis, bowling, chess, swimming, track and field, table tennis, cycling and sailing teams made up of our employees take part in the annual Koç Sports Festival and inter-company events.

A fitness gym, basketball courts and table tennis area within Mustafa V. Koç Sports Hall are open to sports fans. Tofaş Sports Club provides the children of our employees with the opportunity to play basketball, football and volleyball, and to swim. There is an outdoor gymnasium accessible to all employees at Istanbul Head Office.

Around 300 cultural, fine arts, and sports events are organized annually in average, and more than 50 thousand employees and their families attend such events as concerts, exhibitions, shows and conferences.

### Occupational Health and Safety

Occupational health and safety is the first thing that comes to mind in World Class Manufacturing (WCM) management model. The occupational health and safety practices Tofaş conducts under FCA set an example for other companies. As a result, many international and local companies, as well as public institutions visit our factory to observe our occupational health and safety practices on site.

Matters falling under the scope of occupational health and safety are managed by Occupational Safety and Fire Safety Office, which reports to the Directorate of Health and Occupational Safety. Our processes are supported with Tofaş OHS Policy, WCM Occupational Safety Standard, ISO 45001, OHSAS 18001, FCA Occupational Safety Standards, and Tofaş Contractor Management methodologies.

We embrace World Class Proactive and Simple Occupational Safety approach in occupational health and safety practices. Our objective is to turn sustainable occupational safety culture into a norm with the help of our safe working areas and employees behaving safely, while also protecting all human resources within the boundaries of our plant from injuries and impairment of health.

Istanbul and Bursa branches of Tofaş successfully passed field and document checks performed under Integrated Certification Audit for ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 standards, which were conducted remotely considering the status quo.

As a result of this audit, we received our new certificate for ISO 45001:2018 standard, an advanced version of OHSAS 18001:2007 standard. ISO 45001 standard specifically focuses on the following issues: leadership of management, management of risks and opportunities likely to affect the management system, understanding the expectations of employees and relevant parties, ensuring participation and making sure that relevant parties are consulted, OHS risks associated with contractors, and management of change.

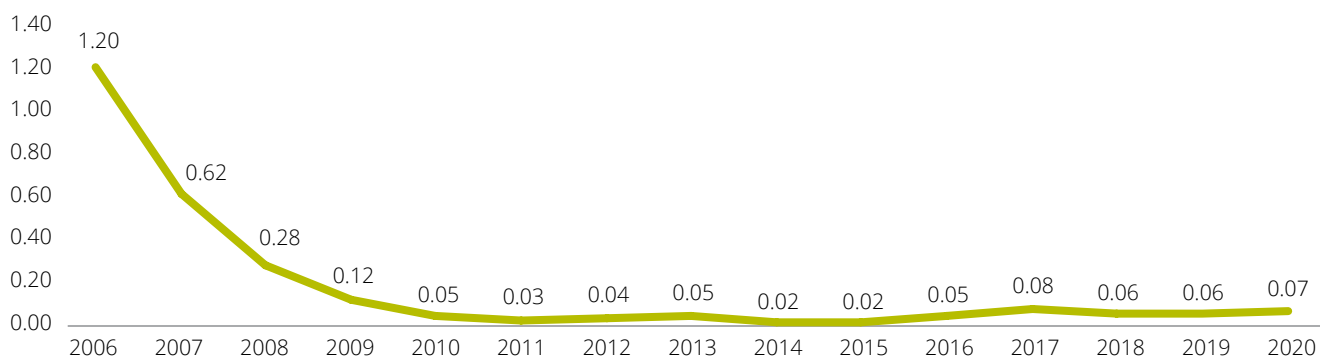
**“We have improved Lost Time Accident (LTA) frequency by 96% since 2006 when we initiated our World Class Occupational Safety activities.”**

#### Occupational Health and Safety Training and Practices

We organized training programs to raise awareness among both our employees and our contractors' employees regarding occupational health and safety, and through various practices we made sure that occupational health and safety culture took root and was embraced by greater number of people.

**“In 2020, we provided 4201 Tofaş employees with 35,184 person\*hour training on occupational health and safety, and offered 1306 person\*hour training to 1741 employees working at our contractors.”**

## Lost Day Accident Rate



\*  $\geq 1$  day lost time (accident number x 100.000 / working hour)

<b>Occupational Safety Simulation Training Area (DOJO)</b>	Our intention is to inform our employees on work-related risks through equipment installed and stations simulated. In 2020, we provided 14,004 man*hour DOJO training.
<b>Virtual Reality (VR) Inspection Certification</b>	We desire to measure our employees' capability to identify risks in the field, and to bring them to the same level. Within the scope of this practice, employees perform audits in a 3D virtual medium, which contains a section of a real production area where certain types of non-conformances exist. The risks identified are scored, and employees reaching a threshold are approved as auditors.
<b>Contractor Management Procedure</b>	Instructions are created to proactively supervise the works done by the contractors, to establish and reinforce all rules before the start of the work, and finally to perform audits.
<b>Occupational Safety Forum Theater and Drama Training</b>	They are interactive training methods used to prevent unsafe behavior and to strengthen occupational safety culture. They ensure that employees join a play in order to have a learning experience on occupational safety.
<b>Attention and Perception Test (Vienna Test)</b>	The test measures attention, perception, concentration and motor skills of construction machine operators, maintenance staff, quality control staff and test drivers.
<b>Occupational Safety Captain</b>	Within the scope of this practice, production teams made up of 8 to 15 field staff assume responsibility for occupational safety for two weeks. Captains wear special caps and arm bands during their assignment. They perform their own work while observing potential non-conformances and unsafe behaviors in the workplace.
<b>Occupational Safety Painting Competition</b>	The occupational safety painting contest organized annually to support occupational safety culture aims to reach out to the employees' children. We invite children participating in the contest and their families to the plant, and give them various prizes. Their paintings are exhibited at the factory.
<b>Team Streamers</b>	We put up occupational safety streamers in work areas of production teams to encourage zero accident. A blue streamer is displayed in case of no occupational accident, and an orange one is used to indicate that there has been an accident.

## Work Place

### Covid-19 Pandemic

During the pandemic, which was full of uncertainties, we took protective measures and adopted innovative practices to protect our employees' health and to help them and their families go through this process more smoothly.

In line with our goals, we established our Pandemic Committee before announcement of cases in Turkey, with the aim of protecting our target group, including our office and field personnel, personnel in the risk group, families of our personnel, and personnel working with our sub-contractors, and took required measures for our personnel who worked or travelled abroad. Accordingly, communication studies were conducted, and hygiene-related measures were taken. When cases began to be reported in Turkey, we took following actions taking into consideration the views and recommendations of Republic of Turkey Ministry of Health Scientific Committee and our on-site physicians, while constantly monitoring the needs and expectations of our employees.

#### Covid Captain

Thanks to our captaincy system, we adapted our proactive occupational safety approach and culture into the pandemic. As part of the project, a remote training was organized and reports were prepared.

Upon attending the training, our field personnel took weekly turns, conducted audits, and prepared reports using the pandemic checklist we prepared, which created a self-audit structure in the field. Our results indicate that 90% of pandemic-related insecure behaviors were eliminated within the first three months of the pandemic. Furthermore, thanks to our employees' autonomous observations and reports, we were able to create a robust pandemic culture.

Since we were able to provide our employees with a safe working environment and eliminate their pandemic-related insecure behaviors, our employees managed to overcome their anxiety and stress.

### Healthcare Services

- In addition to all the health measures taken in the production areas, we started to apply the 2.5 meter distance rule.
- In March, we were one of the first companies in Turkey to use thermal camera and thermometer scanning at our entrance to detect possible cases.
- We re-modeled our Healthcare Center in accordance with the social distance rules.
- We began using "Daily Health Status Assessment Questionnaire" to monitor possible cases.
- HES codes (a personal code indicating user's current health status) of all personnel and sub-contractors were recorded, and the codes are being checked periodically and automatically using a special program.
- Adequate number of protective equipment, including masks, face shields, and gloves, were procured to be used in the work place, and mask disposal bins were installed to safely dispose of the equipment after use.
- First, our personnel in the risk group, i.e. those who were pregnant or on their maternity leave, and those with chronic illnesses, then female personnel who had young children between the ages of 4 and 10, and finally all suitable office personnel were provided with the opportunity to work remotely.
- Thinking that there might be problems with finding a bed in hospitals in Turkey, five CPAP devices (breathing apparatus) were procured and our on-site physicians were trained to use them with the aim of being able to provide our personnel, who tested positive for Covid-19 and who might experience respiratory distress, with highly oxygenized air at home until finding a place in hospital.
- We began using Rapid Antigen Tests to assess suspicious cases detected by our physicians at our Healthcare Center.
- Data including the number of cases and quarantined patients are effectively monitored on a daily basis using a special program.

## Social Benefits

- During the curfew, free BeIN CONNECT memberships were given as a gift to our employees for four months in three different packages.
- Furthermore, we tried to motivate and uplift our personnel with online activities they attended at the comfort of their homes, as well as with challenges and social media posts; and our social clubs were active in online platforms.
- Our employees enjoyed Koç Group Sports Club's online sports activities, as well as free meditation, reading, and sports activities initiated by Koç Ailem.
- We provided our personnel with online diet services to avoid weight problems associated with being at home all the time.
- Our face-to-face psychological counseling service, provided within the scope of employee support programs, was transferred to an online platform.
- We gave free tablet computers to our employees' children, who attended distance education courses.
- Our Recreational Facility pleased its visitors with hygienic services provided at a time when people who wanted to eat their meals out could not find safe and hygienic places. In our periodically-disinfected facilities, bread, salt & pepper, and silverware are presented in disposable packages, napkins are sterilized, and our visitors use the 2D barcode on their silverware package to see the menu.
- Online seminars were organized with a special focus on psychology.

- An online guided tour to Tofaş Anatolian Cars Museum was organized.
- Health, education, and daily life-related contents were shared in our internal communication channels to help our employees spend their time effectively.
- Ramadan packages were delivered to our employees earlier than planned in a contact-free manner, making us happy to please our employees.

## Financial Support

- In the months our employees worked shorter hours, İŞKUR (Turkish Employment Agency) paid "Short-time Working Allowance", and when it failed to compensate their net incomes we covered the balance, paying their full salary on time.
- We put into practice Epidemic Financial Aid.
- We deferred cooperative-related payments for three months.

## Value Chain

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We manage our value chain network in an efficient and sustainable fashion. We are working with our stakeholders to create a value chain that has uniform ethical values and working principles, and that focuses on continuous development. We contribute to the performance and productivity of our suppliers and dealers, the most important components of our value chain.

### Supply Chain Management

We maintain our relationship with our suppliers in line with the concept of business partnership, ensuring sustainable competition, transparency, and trust. We believe that a supply chain that is financially strong, operationally environment friendly, and reliable in terms of production quality and continuity will reinforce our success. In that context, we are doing our best to contribute to continuous development of our suppliers that are among the key elements of our value chain.

Supply chain processes are carried out through specialized units, including Supply Chain and Purchasing Directorate, which directly reports to the CEO, and Supplier Quality and Development Unit. Special strategic goals and performance results are reported to the company's senior management, Committee for Early Detection of Risks and Risk Management, and the Board of Directors. Goals and strategies devised by the senior management guide us in our future operations.

We expect our suppliers to adopt the same ethical values as Tofaş. Thus, agreements that we conclude with suppliers also encompass Tofaş Ethic Standards. We support our suppliers in rectifying any infringement of our ethical standards.

We make sure that our procurement activities for our new projects lead to transfer of advanced and smart technologies to the Turkish automotive industry and contribute to Tofaş's competitiveness in the global arena. Tofaş works with more than 3,000 direct and indirect (service and industrial procurement) suppliers. We purchase goods from 148 direct material suppliers from 14 cities in Turkey.

### Supplier Selection

Our main expectation from our suppliers is their cooperation with us to attain common goals. We take account of some basic criteria while selecting our suppliers.

- We work with suppliers who have technical and organizational capabilities to meet the expectations of the automotive industry;
- Are financially strong;
- Have advanced design, production, and test capabilities;
- Have the capacity to contribute to Tofaş's competitiveness in terms of quality and cost improvements;
- Are able to constantly grow and increase their competitiveness keeping abreast of the developments and good practices in the industry;
- Adapt themselves to rapidly developing technology using their flexible and agile organizational capabilities;
- Monitor and minimize their environmental impact in line with our green procurement process;
- Have successfully passed our audits regarding process and working norms

We are handling our overseas supplier processes with FCA procurement organization. As regards to local procurement, we are keen to reduce the dependence of the Turkish automotive industry on imported goods and to increase domestic production of components. In 2020, we purchased 75% of goods, excluding motor and transmission gear, from local suppliers, and continued to contribute to the growth of local suppliers.

Localization is one of our medium- and long-term strategies. Our work with local suppliers helps them reach a global scale and become more competitive.

In December, we hosted an online **Supplier Meeting and Award Ceremony** to award successful suppliers of the year. Competing under eight categories, a total of 18 prominent suppliers were granted awards for their successful works. Furthermore, in Supplier Performance category, Egea Cross model vehicles were given as a gift to two suppliers, who created the greatest profit with their valuable technical recommendations.

### Supplier Development Practices

We pursue policies that will contribute to the development of our suppliers in many fields, including product design, organizational/technical development, quality, cost improvement, physical and financial risks, improvement of production process, joint procurement, and sustainability. Our aim is to establish a proactive and autonomous procurement process through our supplier development efforts. We organize special training sessions and events for our suppliers to share our technical knowledge with them.

One of our primary goals in our supplier development efforts is to establish a predictive and autonomous process, totally changing the reactive and problem solving-centered business method. In this context, our basic strategy is to:

- properly focus on our current problems, and adopt an approach that offers effective and permanent solutions;
- work in harmony as a strong and competent team to achieve common goals and objectives;
- establish systems that will identify and prevent all potential risks in our production processes before they escalate into a problem;
- design products and processes that will not lead to failures, put them into practice, and finally achieve perfect quality.

The main activities carried out in 2020 as part of continuous development of suppliers and sustainability concept are as follows:

- In 2020, in line with our strategy to **“create proactive and autonomous processes”**, we conducted an Early Involvement process with our suppliers to renovate Egea model vehicles, and we made proactive changes to make sure that the renovated designs are error-free and that they will bring us competitiveness in terms of the costs. Once again we worked with our suppliers to create error-free production processes. Within this scope, we gathered together the lessons learned in the previous years, improved production processes, and used the final error-free processes to ensure sustainability in production and quality.

## Value Chain

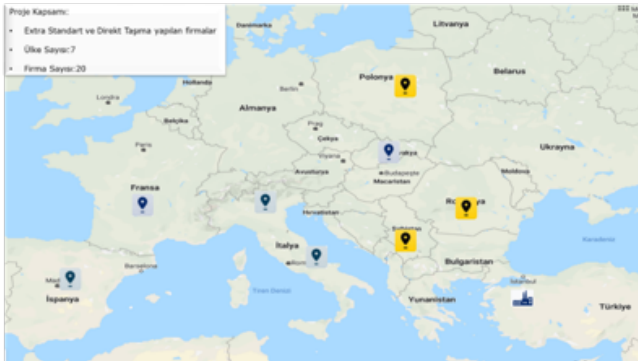
- Our **“digital transformation”** strategy involves putting into use innovative and technological solutions to solve current problems and permanently eliminate risks in our suppliers’ processes while also accelerating digital transformation, developing efficient and error-free production processes, and creating visual and effective management systems. In addition to those solutions, we brought together our suppliers and leading technology solution providers, including “start-ups”, at an online **“GoTech”** event with the aim of raising awareness among our suppliers, enabling them to access technology faster, and speeding up the spread of good practices. The event was initiated in 2018, and the third one was organized in 2020 to share 14 best practices with a total of 325 people and 78 suppliers, who attended the event.
  - As part of the **World Class Supplier (WCS) Program**, we have been doing our best to popularize WCM among the suppliers since 2009, in order for them to integrate World Class Manufacturing (WCM) methodology into their own business models. As of the end of 2020, we are carrying out these projects with 26 suppliers, and cooperate with 16 others. There are four Turkish suppliers in the FCA global supplier list, which includes a total of 14 suppliers that have attained WCM Bronze goal.
  - Attracted a large turnout, Connected Supplier event focused on devising low-cost technological solutions to quality problems. Between 2017 and 2020, technological solutions were devised with 83 start-ups and technology providers to address 31 processes.
  - Thanks to **Supplier Performance Management (Supplier Scorecard)** we are able to monitor supplier performance and growth indicators as well as internal customer satisfaction, and manage deviations with our suppliers. Performance management covers quality, logistics, and commercial performance, as well as the performance in continuous improvement activities and in management of stakeholder relations.
  - We began using Supplier Quality Library platform, which allow us to conduct online supplier audits, archive the results, and monitor their improvement, while also increasing the efficiency of the workforce to a great extent, and ensuring continuity of know-how. By using this platform and advanced internet systems together, we effectively carried out remote supplier audits, and ensured business continuity despite the pandemic.
  - **Candidate Supplier Application Portal** was put into use, and companies who wished to be a Tofaş supplier were given a chance to send their applications digitally. Accordingly, candidate companies are able to send their applications through the portal, which can be accessed via Tofaş’s official website. Keeping a digital record of the applications allows both suppliers and Tofaş to see new business opportunities.
  - In line with our **Digital Transformation** strategy, we assessed our business processes, and designed and put into use **RPA (Robotic Process Automation)** projects in certain areas, which reduced human error risk, and lowered the workload associated with manual procedures. Our goal is to spread the use of RPA projects to all of our processes.
  - Our **E-signature Project** allows relevant parties and our suppliers to digitally sign and archive documents and agreements. The objective is to avoid wasting time while waiting for the documents to be signed and archived, and refrain from all kinds of incorrect/incomplete procedures.
- “In 2020, 12 suppliers were assessed in terms of environmental criteria, and financial risk assessment was conducted in 119 suppliers.”



### 8% Less CO<sub>2</sub> Emission in Eskişehir Line

"Reduction of CO<sub>2</sub> Emissions" project, one of the Green Logistics projects falling under the scope of Local Material Transport operations of our Directorate of Supply Chain, was commissioned. Thanks to the project we conducted with Ekol Logistics, one of our business partners, we installed dual system to the vehicles working on the Eskişehir line to use CNG fuel, as a result of which we reduced our CO<sub>2</sub> emissions (9 tons/year) by 8% on Eskişehir line, and contributed to a sustainable environment. In time, the project will also be implemented in other regions we operate.

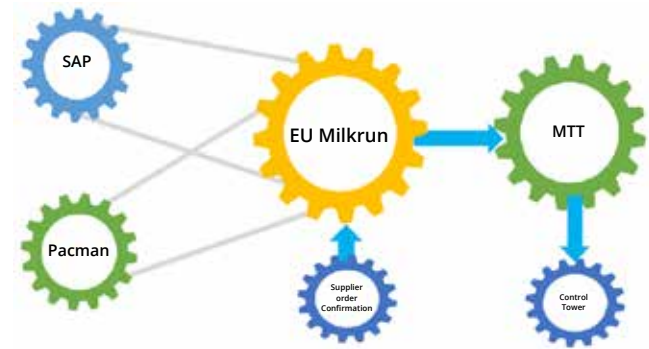
### EUROPEAN MILKRUN PROJECT TO REDUCE NUMBER OF TRIPS AND EMISSION VALUES



The materials we directly import from Europe are collected from 20 suppliers located in seven different countries with Milkrun trucks, and transferred to Tofaş on a weekly basis. Accordingly, we initiated our Europe Milkrun project in early 2020 with the aim of increasing truck occupancy rate and reducing costs, and at the end of the project's sixth month, i.e. in June 2020, it was put into practice. In order to plan Milkrun trips on a "minimum distance, maximum truck occupancy rate" basis, an optimization algorithm was developed on Python considering the time those imported materials are needed. And the algorithm was then integrated into Tofaş's systems. Supply Chain Development, Material Planning, Transport Planning, International Trade, and IT Teams worked together in this project. Thanks to the project, we

have managed to reduce our transportation by trucks by 5% in Milkrun operations. Furthermore, the project also reduced the total distance travelled per truck, lowering our emission values in Milkrun operations by approximately 7%. Total outcome associated with the project is as follows:

### EU Milkrun System Design



- Autonomous Planning
- Transport Mode decision mechanism (Ship-Truck-Minivan)
- Homogeneous distribution of orders by weekdays
- Merging countries
- Collecting goods from multiple points in a country
- Systematic checks on tonnage limitations
- Infrastructure for contracted management instead of spot management
- Management infrastructure for DAP contracts

### FLOW IMPROVEMENT WORKS

We worked with four of our international suppliers to improve their flows. As per our agreement with three of our suppliers, we were importing goods through a dispatch center; however, within the scope of our improvement operations, we eliminated the dispatch center, and began transferring goods directly from the suppliers to Tofaş.

These projects helped us save on costs, while also reducing the distance travelled annually by 58,250 nautical miles and 136,550 km, and lowering CO<sub>2</sub> emission by approximately 150 tones.

## Value Chain

### Management of Sustainability Risks in the Supply Chain

We assess sustainability risks not only for our own operations, but also for the entire supply chain. We employ proactive methods to predict, manage and monitor environmental, social and economic risks that may occur in the supply chain, and to map out required action plans in advance. We provide our suppliers with financial and operational support to help them acquire information regarding the management of sustainability risks.

We monitor and assess supplier performance based on specific criteria. We raise awareness among the suppliers in order for them to realize that reaching the targeted performance and implementation level is a factor that helps them grow.

We identify social and environmental risks in our supply chain through efficient and comprehensive audits. Through the development plans devised after the audits, we support our suppliers so that they can improve their performance. To identify the financial risks in our supply chain, our Financial Risk Management Department conducts audits, and gets help from a third party independent auditing company, when required.

**“In 2020, 12 suppliers were assessed in terms of environmental criteria, and financial risk assessment was conducted in 119 suppliers.”**

### Authorized Dealer and Service Network

We establish long-term relations with our dealers based on trust. Our advanced logistical and distribution capabilities and after-sale services increase satisfaction among our customers.

The dealer network established for the brands we represent is divided into sales, service and spare parts units. Almost all of the Tofaş dealer network serves customers as integrated facilities. Defined as 3S, this dealer network structure sells brand new cars and offers after-sale services in the same area. In addition, automobile insurance, traffic liability insurance and car loans are among the services offered to customers by many Tofaş dealers. As of 2020, Tofaş's dealer network offering services to Fiat, Alfa Romeo and Jeep® brands houses 71 Fiat and 18 Alfa Romeo-Jeep® regional dealers. Serving in a total of 97 sales and 126 service points, Fiat is among the top three brands in Turkey in terms of sales and service network.

In 2020, sales, after-sales and customer care center for Fiat, Alfa Romeo and Jeep® brands and the training management system for around 5,500 employers employed by Magneti Marelli and Opar, serving in the field of spare parts, have been updated in line with new generation technology. Furthermore, thanks to such programs as Sales School and Service School, and such events as I Am Proud To Be a Member of Fiat and Discovery Days, technical and behavioral development activities were conducted for the employees of the dealers, following a co-education method.

## Corporate Social Responsibility

Becoming a corporate citizen requires analyzing the needs of our society from different perspectives and producing proper solutions to current problems. With this objective in mind, we have made it our mission to contribute to the national economy through our employment policies, value chain and innovation efforts, while also creating value for our society through long-term social responsibility projects.

In the fight against coronavirus, many institutions assumed responsibilities, and social solidarity gained prominence. As an industrial enterprise, we got in contact with healthcare facilities to provide them with urgently needed medical supplies, and thanks to the efforts of Tofaş R&D personnel, we began producing equipment straightaway. In the process, we shared our resources and knowledge with other companies on an open platform.

### Contribution to Local Economy

With its broad value chain, Tofaş has a big sphere of influence over the local economy. Being aware of our responsibility, we are pursuing policies that will contribute to the local economy through various channels.

We directly contribute to the local economy through local employment. As of 2020, all field employees and 17 out of 19 senior managers are locally hired staff members.

We also provide direct and indirect contributions to the local economy through our efforts to enhance organizational and professional skills of people employed by our suppliers and dealers, as well as through R&D and innovation projects.

### Social Investments

Creating projects that will support social development is one of the most effective methods used to create value for society. We are fulfilling our responsibilities through long-term sustainable social responsibility projects.

We take account of the needs of the local community and expectations of our stakeholders while carrying

out our projects. We mainly conceive projects in the fields of sports, education, health and culture-arts, based on those components.

Social responsibility projects are conducted by the Corporate Communication Directorate in line with Tofaş's Donation and Sponsorship Policy. In 2020, we allocated TRY XX million for social responsibility projects.

### Sports

#### Tofaş Sports Club

Thanks to its deep-rooted infrastructure investments and infrastructure-based team model, Tofaş Sports Club continues to find new talents for the Turkish sports world.

#### Tofaş Sports Hall

As a host team Tofaş plays its games in Nilüfer Tofaş Sports Hall in Bursa. Attracting a high turnout, those games also contribute to the social life of Bursa residents.

#### New Generation Tofaş Project

The New Generation Tofaş Project was launched in 2016 to provide equal opportunity for children to access sports facilities and to help them acquire a culture and perspective that will contribute to their success in all spheres of life. The project is a training and implementation model involving a trio of coach, family and child to raise a generation with a true sports culture, offering every child an equal opportunity to play basketball where they live.

Since its launch, the New Generation Tofaş Project reached out to almost 5,000 children through 15 basketball schools founded in different counties of Bursa. Junior teams made up of children selected for training practice in Mustafa V. Koç Sports Hall. Athletes coming from the New Generation Tofaş compose the majority of the junior teams of Tofaş Sports Club.

The remote training system set up to train the trainers and families in the regions, street tournaments organized to spread the basketball

## Corporate Social Responsibility

culture, and science and creative drama workshops are among the other activities of the project. Trainers, families and children watched around 40,000 training videos in 2020, while the number of videos watched to date reached 140,000. Due to the pandemic, New Generation Tofaş practices were suspended in 2020.

### Mustafa V. Koç Sports Hall

Inaugurated by Tofaş Sports Club in 2016, Mustafa V. Koç Sports Hall serves Tofaş employees as well as amateur sports clubs and athletes in Bursa. The facility has a floor area of 5,800 m<sup>2</sup> and comprises of a gym housing three basketball tracks, a fitness center, and a full-service rehabilitation center providing all kinds of physical treatments to athletes.

### 50 Hoops Neighborhood Courts Project

Pursuing its mission “to make Bursa a basketball city,” Tofaş Sports Club began building basketball courts in different counties of Bursa as part of 50 Hoops Neighborhood Courts Project in 2019. The inauguration ceremony of the project was held on the court in Yunuseli Quarter in the county of Osmangazi. The objective is to magnify the positive effects of sports in these neighborhoods, and raise a healthier and balanced generation. A total of 40 courts were opened within the year in collaboration with local governments, and construction works are still in progress for 10 more courts.

### Tofaş Basketball Schools

As of 2019, a total of 3,655 children are learning basketball in 18 Tofaş Basketball Schools serving in 10 cities to contribute to the whole society. Due to the pandemic, practices at basketball schools were suspended in 2020.

## Eğitim

### Fiat Laboratories

Fiat Laboratories, integrated with Koç Holding’s “Vocational High Schools Are a National Issue” project, were put into service in 2006. To date, 2,250 students and teachers received training at the laboratories.

The project aims to establish and support laboratories in schools with the aim of supporting motor vehicle technology training and education; moreover, training programs and workshops are organized for trainers, and students are supported in their efforts to find internships and jobs after graduation. Vehbi Koç Foundation offers scholarships

to qualified students studying at Fiat Laboratories within the scope of the “Vocational High Schools Are a National Issue” project.

In 2020, the term of the protocol signed with the Directorate-General for Vocational and Technical Education, with which Tofaş cooperates under Fiat Laboratories project, was prolonged. Tofaş will continue to support the project, which is currently being implemented in 5 schools, in the next 2 years.

### Tofaş Science High School

Jointly built by Demirtaş Organized Industrial Zone DOSAB and Tofaş, and inaugurated in 2014-2015 academic year, Tofaş Science High School is located in Nilüfer, Bursa.

The “Innovation Workshop” set up within Tofaş Science High School with Tofaş’s support was designed to raise skilled young people who will steer the automotive and engineering sector and shape the future. Selected by the Ministry of National Education as an inspiring project, the Innovation Workshop was decided to be rolled out to all science high schools.

### Coding Education for Children

Voluntary trainers from Tofaş began teaching coding to children to prepare new generations for the future through technology. A total of 208 students, all children of Tofaş employees, were divided into 16 groups and trained in robotic coding and 3D printers as part of the project, which was jointly organized by the Directorate of Information and Communication Technologies and Tofaş Academy.

The team extended the scope of the project and continued the training program in schools in Bursa and its periphery in coordination with the Republic of Turkey Ministry of National Education. In that context, a total of 240 children from six public primary schools selected in collaboration with the Republic of Turkey Ministry of National Education received training in robotic coding in the same year. The project won the first place in the Social Responsibility category under Technology Captains Awards.

### Good Sign Project

In 2019, Fiat launched ‘Good Sign’ digital platform to help hearing-impaired people communicate by writing comprehensibly. All hearing-impaired individuals in Turkey can access the platform free of charge at [engelsizhareket.fiat.com.tr](https://engelsizhareket.fiat.com.tr), and study words and example sentences through visuals,

sign language explanations, and lecture videos. The objective of the platform is to help hearing-impaired individuals easily understand what they read in their daily lives, and explain themselves better via writing. The platform that explained 100 words at first now displays 350 words, which is planned to reach and exceed 1000 in time. Elected as the top project in "Those Adding Value to the Environment and Society" category under the "Most Successful Koç Members" in 2019, the "Good Sign" also received the "Special Jury Award of the Year" in 2019 Gladiator Awards organized by the Association of Automotive Distributors (ODD).

## Health

As you know, due to the Covid-19, all of us had to leave our normal behind in 2020. And we have predicted that adaptation to the new rules brought about by new normal would be problematic. Creating and adhering to a solid culture is still challenging due to external factors, but we are doing our best to manage this process in the best manner possible by taking corporate measures, creating an environment of solidarity within the company, and collaborating with other institutions.

## Protective Equipment

In order to provide medical supplies needed in the fight against coronavirus, we got in contact with healthcare facilities, determined their needs, and made a list of equipment, e.g. face shield etc. that we could produce. Within this scope, Tofaş R&D personnel analyzed the samples of protective healthcare equipment, and rapidly conducted studies to upgrade them. As a result of their efforts, we produced 300 biological sampling cabinets, 971 intubation cabinets, and 50,000 face shields, and delivered the products to hundreds of healthcare facilities located in 70 different cities throughout Turkey. Furthermore, we began using an online platform to collect demands and to follow production and transfer functions, while also sharing equipment designs as an open source to make them available to other companies that wished to contribute to this process rapidly.

The project we conducted to produce protective equipment won the grand prize in Sustainable Business Awards under "Covid-19 Special Collaborations" category, while the online platform used in the project ranked second in "Future of Work - Human Machine Collaboration" category under IDC Turkey CIO Awards, and first in "Social Responsibility" category under Technology Captains Awards.

## LÖSEV Shop

Tofaş Volunteers Health Projects Team and LÖSEV sold LÖSEV Shop products on a stand set up in front of the mess hall to support children diagnosed with leukemia.

## Culture-Arts

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

Tofaş Bursa Anatolian Cars Museum is the first and only Anatolian cars museum founded to preserve automotive heritage in Anatolia. We opened the museum in a renovated silk factory located in Umurbey neighborhood in 2002. Visitors take a historical tour that begins with a wheel that was made 2,600 years ago and ends with motor vehicles manufactured by Tofaş.

Visited by approximately 800 thousand people since its foundation, Tofaş Bursa Anatolian Cars Museum also hosted 6 exhibitions at Umurbey Turkish Bath, which is located within its boundaries and serves as an art gallery.

### Sponsorship for Pamukkale Hierapolis Excavation

Since 2005, we have been supporting the excavation works in Hierapolis Ancient City in Pamukkale, which is one of the five largest ancient cities in Turkey and made it to UNESCO World Heritage List in 1988. An international team of approximately 70 people, including archeologists, architects, restorers and experts particularly from Italy and Turkey, are carrying out the excavation works under the aegis of the Ministry of Culture and Tourism and Denizli Governor's Office. An ancient theater, necropolis, hot spas, Grand Church, San Filippo Matrium, Frontinus Gate, Gymnasium, Apollo Temple and Pluto's Gate (Plutonium) are among the most important structures unearthed in Hierapolis so far.

Performance Data	2016	2017	2018	2019	2020
<b>Economic and Operational Performance</b>					
Production (pcs)	383,491	384,174	301,750	264,197	<b>250,630</b>
Total Retail Sales (pcs)	109,021	122,818	72,764	78,692	<b>141,976</b>
<i>Automobile</i>	55,284	64,133	44,374	59,602	<b>97,015</b>
<i>Light Commercial Vehicle</i>	53,737	58,685	28,390	19,090	<b>44,961</b>
Total Exports (pcs)	279,537	270,760	243,833	194,145	<b>117,903</b>
<i>Automobile</i>	139,629	152,089	133,362	107,189	<b>61,502</b>
<i>Light Commercial Vehicle</i>	139,908	118,671	110,471	86,956	<b>56,401</b>
Capacity Utilization Rate (%)	95	85	67	59	<b>56</b>
Net Sales (thousand TRY)	14,605,281	17,467,806	18,603,331	18,896,914	<b>23,556,747</b>
<i>Domestic</i>	4,291,021	5,409,421	3,934,701	5,355,308	<b>12,441,509</b>
<i>Overseas</i>	9,839,301	11,887,628	14,455,023	13,301,313	<b>10,821,043</b>
<i>Other Real Operating Sales</i>	105,629	170,757	213,607	240,293	<b>294,195</b>
Profit Before Tax (thousand TRY)	797,936	1,229,472	1,290,894	1,456,555	<b>1,830,776</b>
Profit After Tax (thousand TRY)	970,228	1,282,818	1,330,423	1,481,639	<b>1,784,170</b>
EBITDA (thousand TRY)	1,366,148	2,002,064	2,484,452	2,479,757	<b>3,025,512</b>
Earnings per Share (Kr)	1.94	2.57	2.66	2.96	<b>3.57</b>
<i>Economic Value Generated - Net Income (thousand TRY)</i>	14,605,281	17,467,806	18,603,331	18,896,914	<b>23,556,747</b>
Economic Value Distributed (thousand TRY)	14,038,555	16,243,695	16,999,598	17,441,968	<b>21,861,477</b>
<i>Operating Costs</i>	12,536,578	15,085,665	15,314,209	15,615,177	<b>19,699,090</b>
<i>Employee Wages and Benefits</i>	728,353	774,509	852,757	907,408	<b>916,840</b>
<i>Dividend Payment to Shareholders</i>	365,000	350,000	800,000	880,000	<b>1,200,000</b>
<i>Government Taxes and Other Obligations</i>	399,803	26,503	25,887	29,383	<b>31,884</b>
<i>Social Investments*</i>	8,821	7,018	6,745	10,000	<b>13,663</b>
Economic Value Retained (thousand TRY)	552,117	1,224,111	1,603,733	1,454,946	<b>1,695,270</b>
Government Incentives (thousand TRY)	69,938	169,575	160,643	266,290	<b>325,440</b>
Corporate Governance Rating Note	9.14	9.15	9.2	9.26	<b>9.26</b>
Total R&D Budget (million TRY)	498	244	244	355	<b>575</b>
Total Number of R&D Personnel	628	620	690	710	<b>579</b>
Total Number of Patents	5	5	32	22	<b>45</b>

Performance Data	2016	2017	2018	2019	2020
<b>Environmental Performance</b>					
Total Energy Consumption (GJ)	1,496,302	1,446,336	1,165,961	1,042,245	<b>993,438</b>
<i>Direct Energy Consumption - Natural Gas (GJ)</i>	895,259	862,084	676,304	593,241	<b>578,984</b>
Indirect Energy Consumption (GJ)	601,043	584,252	489,657	449,004	<b>414,454</b>
<i>Electricity</i>	601,043	584,252	489,657	449,004	<b>414,454</b>
<i>Steam</i>	0	0	0	0	<b>0</b>
Energy Consumption per Vehicle Manufactured (GJ/vehicle)	3.88	3.76	3.86	4.01	<b>4.02</b>
Energy Saved Through Efficiency Projects (GJ)	60,169	72,633	79,935	48,975	<b>31,155</b>
GHG Emission Reduction Through Efficiency Projects (ton CO2e)	4,213	5,918	5,387	3,960	<b>2,884</b>
<i>Scope 1</i>	2,688	2,708	3,505	1,584	<b>1,823</b>
<i>Scope 2</i>	1,525	3,210	1,882	2,376	<b>1,061</b>
Direct GHG Emissions (Scope 1) (ton CO2e)	77,808	68,467	50,062	46,266	<b>42,784</b>
Indirect GHG Emissions (Scope 2) (ton CO2e)	74,463	69,136	59,253	53,272	<b>54,757</b>
GHG Emissions From Personnel Commuting (Scope 3) (ton CO2e)	4,938	3,444	9,080	4,737	<b>5,671</b>
GHG Emissions per Vehicle Manufactured (kg CO2e/vehicle)	0.397	0.358	0.362	0.377	<b>0.389</b>
Total VOC Emissions (ton)	1,388	1,319	1,027	921	<b>849</b>
Specific VOC Emissions (gr/m2 painting surface)	34.55	33.91	32.87	32.78	<b>30.88</b>
<i>Total Water Withdrawal - Underground sources (m3)</i>	1,254,487	1,210,039	1,073,623	929,882	<b>788,444</b>
Fresh Water Consumption per Vehicle Manufactured (m3/vehicle)	3.27	3.15	3.55	3.33	<b>2.98</b>
Total Water Recovered (m3)	68,688,520	63,204,065	64,555,900	62,247,070	<b>60,569,408</b>
<i>Reuse</i>	68,688,520	63,204,065	64,555,900	62,247,070	<b>60,569,408</b>
<i>Recycle</i>	0	0	0	0	<b>0</b>
<i>Wastewater Discharge - Natural Receiving Environment (m3)</i>	1,009,621	987,634	743,173	630,014	<b>510,408</b>
Total Amount of Hazardous Waste by Disposal Method (ton)	2,305	2,341	1,861	1,495	<b>1,808</b>
<i>Energy Recovery</i>	1,667	1,869	1,439	1,093	<b>1,161</b>
<i>Recovery</i>	507	562	421.931	402.07	<b>647</b>
<i>Landfill</i>	131	0	0	0	<b>0</b>
Total Amount of Non-hazardous Waste by Disposal Method (ton)	86,514.0	93,109	74,310	55,507	<b>58,285</b>
<i>Energy Recovery</i>	1,448.5	2,766	884.6	1,120.10	<b>1</b>
<i>Recovery</i>	85,065	90,343	73,425	54,387	<b>58,284</b>

<b>Performance Data</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Amount of Hazardous Waste Transferred for Disposal Purposes (ton)	2,305	2,431	1,861	1,495	<b>1,808</b>
Total Packaging Material Used (ton)	11,768	10,263	8,298	6,022	<b>5,895</b>
Packaging Waste Recovery Ratio (%)	100	100	100	100	<b>100</b>
Environment Training for Personnel - Participation (number of participants)	3,760	1,662	5,443	12,842	<b>13,099</b>
<i>Company's Own Personnel</i>	3,517	329	2,859	3,521	<b>5,099</b>
<i>Contractor Personnel</i>	243	1,333	13,885	9,321	<b>8,000</b>
Environment Training for Personnel - Total Hours (person x hours)	3,826	1,662	6,664	4,850	<b>9,584</b>
<i>Company's Own Personnel</i>	3,504	329	2,671	3,521	<b>8,572</b>
<i>Contractor Personnel</i>	322	1,333	3,993	1,329	<b>2,012</b>
Total Environmental Management Costs (TRY)	1,034,007	1,309,448	1,340,123	1,176,024	<b>1,320,000</b>
Fines Associated with Violation of Regulations on Environment (number of fines, TRY values)	0	0	0	0	<b>0</b>
Environmental Impact-related Complaints Received Through Formal Mechanisms (number of complaints)	0	0	0	0	<b>0</b>
Total Number of Suppliers Assessed Based on Environmental Criteria	15	14	14	13	<b>12</b>
<b>Social Performance</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Personnel Training - Number of Participants	27,194	23,767	48,803	43,215	<b>37,726</b>
<i>TOFAŞ Field Personnel</i>	19,949	15,575	26,768	16,118	<b>18,237</b>
<i>TOFAŞ Office Personnel</i>	7,245	8,192	11,114	7,723	<b>11,905</b>
<i>Dealer Personnel</i>			10,006	18,101	<b>7,290</b>
<i>Supplier Personnel</i>			915	1,273	<b>294</b>
<i>Female</i>	3,475	1,962	7,325	5,534	<b>5,662</b>
<i>Male</i>	23,719	21,805	41,478	37,681	<b>32,064</b>
Personnel Training - Total Number of Hours (person x hour)	665,629	191,507	408,966	329,409	<b>247,274</b>
<i>TOFAŞ Field Personnel</i>	564,527	91,001	193,238	123,193	<b>119,800</b>
<i>TOFAŞ Office Personnel</i>	101,102	100,506	131,367	97,283	<b>57,566</b>
<i>Dealer Personnel</i>			73,465	96,340	<b>68,122</b>
<i>Supplier Personnel</i>			10,896	12,593	<b>1,786</b>
<i>Female</i>	107,754	24,988	64,936	50,894	<b>39,262</b>
<i>Male</i>	557,875	166,519	344,029	278,515	<b>208,011</b>
Average Hours of Training per Personnel (hours/person)	82.0	44.5	36.8	29.3	<b>26.2</b>
<i>TOFAŞ Field Personnel</i>	87.8	40.1	29.4	22.9	<b>22.9</b>
<i>TOFAŞ Office Personnel</i>	60.0	66.5	77.1	58.9	<b>37.2</b>
<i>Dealer Personnel</i>			13.4	19.2	<b>20.3</b>
<i>Supplier Personnel</i>			15.8	18.2	<b>3.1</b>
<i>Female</i>	122.5	41.4	31.9	24.2	<b>22.7</b>
<i>Male</i>	77.1	44.9	19.9	16.6	<b>14.2</b>



<b>Performance Data</b>	<b>2016</b>	<b>2018</b>	<b>2017</b>	<b>2019</b>	<b>2020</b>
OHS Training for Personnel - Number of Participants	14173	17881	11691	8496	<b>5942</b>
Company's Own Personnel	6966	8934	6920	4795	<b>4201</b>
Contractor Personnel	7207	8947	4771	3701	<b>1741</b>
OHS Training for Personnel - Total Number of Hours	60865	73016	91556	36168	<b>36490</b>
<i>Company's Own Personnel</i>	55460	66306	87978	34575	<b>35184</b>
<i>Contractor Personnel</i>	14173	17881	11691	8496	<b>1306</b>
Non-LTA Rate (first aid)					
<i>Company's Own Personnel</i>	0.05	0.33	0.30	0.15	<b>0.14</b>
<i>Contractor Personnel</i>	1.7	0.7	0.21	0.45	<b>0.40</b>
Occupational Disease Rate (ODR)					
<i>Company's Own Personnel</i>	0	0	0	0	<b>0.01</b>
<i>Contractor Personnel</i>	0	0	0	0	<b>0</b>
LTA Rate (number of accidents resulting in loss of ≥1 day x 100,000 / working hours)					
<i>Company's Own Personnel</i>	0.05	0.08	0.06	0.06	<b>0.07</b>
<i>Contractor Personnel</i>	0.79	0.16	0.04	0.23	<b>0.22</b>
Number of Occupational Casualties	0	0	0	0	<b>0</b>
<i>Company's Own Personnel</i>	0	0	0	0	<b>0</b>
<i>Contractor Personnel</i>	0	0	0	0	<b>0</b>
Number of personnel engaged in activities with a high risk of accident or occupational disease	0	0	0	0	<b>0</b>
<i>Number of Currently Available OHS Committees</i>	9	9	9	9	<b>9</b>
<i>Total Number of Members in OHS Committees</i>	99	99	99	99	<b>99</b>
Number of Employee Representatives in OHS Committees	12	12	12	12	<b>12</b>
Total Number of Suppliers Assessed Based on Workforce Criteria	21	26	14	14	<b>14</b>

<b>Employee Demography</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Total Workforce (number)	11.113	10.156	8.526	7.421	7.401
<b>Company's Own Personnel</b>	10.215	9.221	7.694	6.720	6.876
Female	872	872	800	694	668
Male	9.343	8.349	6.894	6.026	6.208
<b>Contractor Personnel</b>	898	935	832	701	525
Total Number of Employees by Contract Type	10.215	9.221	7.694	6.720	6.876
<b>Permanent</b>	10.104	9.221	7.665	6.714	6.425
Female	872	872	794	694	668
Male	9.232	8.349	6.871	6.020	5.757
<b>Temporary</b>	111	-	23	5	451
Female	-	-	-	-	-
Male	111	-	23	5	451
Total Number of Employees by Categories	10.215	9.221	7.694	6.720	6.876
<b>Field Personnel</b>	8.532	7.511	6.009	5.171	5.394
Female	540	509	421	339	325
Male	7.992	7.002	5.588	4.832	5.069
<b>Office Personnel</b>	1.683	1.710	1.685	1.549	1.482
Female	332	363	379	355	343
Male	1.351	1.347	1.306	1.194	1.139
Total Number of Employees by Employment Type	10.215	9.221	7.694	6.720	6.876
<b>Full Time</b>	10.215	9.221	7.694	6.720	6.876
Female	872	872	800	694	668
Male	9.343	8.349	6.894	6.026	6.208
<b>Part Time</b>	-	-	-	-	-
Total Number of Employees by Education Levels	10.215	9.221	7.694	6.720	6.876
Primary School	666	497	367	252	239
High School	6.194	5.536	4.473	3.892	4.040
University and Higher	3.355	3.188	2.854	2.576	2.597
Total Number of Employees By Age Groups	10.215	9.221	7.694	6.720	6.875
18-30	5.464	4.421	2.984	2.215	2.252
31-40	2.943	3.225	3.304	3.228	3.346
41-50	1.681	1.490	1.307	1.167	1.083
51-60	127	85	98	110	194
Total Management (number)	15	16	17	19	19
<b>By Gender</b>	15	16	17	19	19
Female	-	-	-	1	1
Male	15	16	17	18	18
<b>By Age Group</b>	15	16	17	19	19
18-30	-	-	-	-	-
31-40	1	-	1	1	-
41-50	8	9	9	8	7
51-60	6	7	7	10	12

Employee Demography	2016	2017	2018	2019	2020
<b>Nationality</b>	15	16	17	19	19
Republic of Turkey	13	15	15	17	17
Expat	2	1	2	2	2
Mid-level Management (number)	170	184	281	263	260
<b>By Gender</b>	170	184	281	263	260
Female	18	26	39	37	37
Male	152	158	242	226	223
<b>By Age Group</b>	170	184	281	263	260
18-30	0	0	9	5	4
31-40	69	77	138	124	113
41-50	82	84	100	102	110
51-60	19	23	34	32	33
Those Falling Under Collective Bargaining (number)	8,524	7,503	6009	5171	5346
New Personnel (number)	3,623	536	245	5	497
<b>By Gender</b>	3,623	536	245	5	497
Female	574	74	76	1	12
Male	3,049	462	169	4	485
<b>By Age Group</b>	3,623	536	245	5	497
18-30	3,354	440	206	4	434
31-40	146	76	36	0	13
41-50	89	19	3	1	4
51-60	34	1	0	0	46
Those Who Resigned (number)	1,375	1,530	1801	843	853
<b>By Gender</b>	1,375	1,530	1801	843	853
Female	89	74	155	83	97
Male	1,286	1,456	1646	760	756
<b>By Age Group</b>	1,375	1,530	1801	843	853
18-30	792	992	1256	448	556
31-40	201	179	242	170	93
41-50	275	246	222	131	49
51-60	107	113	80	94	155
Those on Parental Leave (number)	611	679	644	624	481
Female	49	104	97	102	93
Male	562	575	547	522	388
Those Who Returned After Parental Leave (number)	601	655	644	624	458
Female	49	80	97	102	70
Male	552	575	547	522	388
Those Who Returned From Parental Leave and Did Not Resign in the Last 12 Months (number)	590	625	585	596	464
Female	47	63	78	90	89
Male	543	562	507	506	375

## GRI CONTENT INDEX

Disclosures	Description and Page Numbers
<b>GRI 101: Foundation 2016</b>	
<b>GRI 102: General Disclosures 2016</b>	
<b>Organizational Profile</b>	
102-1	Legal Notice and Contacts (p.73)
102-2	Tofaş 2020 Annual Report (p.4-7)
102-3	Legal Notice and Contacts (p.73)
102-4	Tofaş 2020 Annual Report (p.4)
102-5	Tofaş 2020 Annual Report (p.4)
102-6	Tofaş 2020 Annual Report (p.4)
102-7	Performance Data (p.54)
102-8	Performance Data (p.54)
102-9	Supply Chain Management (p.46)
102-10	No significant change has been occurred neither in company's operational or financial structure nor supply chain.
102-11	Business Ethics and Anti-corruption (p.7-10); Internal Control and Internal Audit (p.11); World Class Manufacturing and Quality (s.28-33); Human Rights (p.38); <a href="https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx">https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx</a>
102-12	Sustainability Management (p.12); Climate Change (p.23-24); Human Rights (p.38); <a href="https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx">https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx</a>
102-13	Corporate Memberships (p.66-67)
<b>Strategy</b>	
102-14	Message from CEO (p.4-5)
102-15	Message from CEO (p.4-5); Sustainability Management (p.11)
<b>Ethics and Integrity</b>	
102-16	Business Ethics and Anti-corruption (p.7-10); <a href="https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx">https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx</a>
102-17	Business Ethics and Anti-corruption (p.7-10); <a href="https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx">https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx</a>
<b>Governance</b>	
102-18	Corporate Governance Structure (p.6)
102-19	Sustainability Management (p.12-13)
102-20	Sustainability Management (p.12-13)
102-22	Corporate Governance Structure (p.6); Tofaş 2020 Annual Report (p.34-35, 104-105)
102-23	Tofaş 2020 Annual Report (p.107)

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

102-24	Tofaş 2020 Annual Report (p.104-105)
102-25	Business Ethics and Anti-corruption (p.7-10); <a href="https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx">https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx</a>
102-26	Sustainability Management (p.12-13)
102-27	Sustainability Management (p.12-13)
102-28	Corporate Governance Structure (p.6); Risk Management (p.6-7); Sustainability Management (p.12-13)
102-29	Risk Management (p.6-7); Sustainability Management (p.13)
102-30	Risk Management (p.6-7); Sustainability Management (p.12-13)
102-31	Risk Management (p.6-7); Sustainability Management (p.13)
102-32	Sustainability Management (p.12-13); After being examined by Tofaş Sustainability Working Group, Tofaş Sustainability Report has been submitted to Tofaş Sustainability Committee and published after their approval.
102-35	Tofaş 2020 Annual Report (p.114)
102-36	Tofaş 2020 Annual Report (p.114)
102-37	Tofaş 2020 Annual Report (p.114)
<b>Stakeholder Engagement</b>	
102-40	Stakeholder Engagement (p.15)
102-41	Human Rights (p.38)
102-42	Stakeholder Engagement (p.14)
102-43	Stakeholder Engagement (p.14)
102-44	Customer Satisfaction (p.16-17); Corporate Citizenship (p.51); <a href="https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx">https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx</a>
<b>Reporting Practice</b>	
102-45	About the Report (p.3)
102-46	About the Report (p.3); Sustainability Management (p.12)
102-47	Sustainability Management (p.13)
102-48	About the Report (p.3)
102-49	About the Report (p.3)
102-50	About the Report (p.3)
102-51	About the Report (p.3)
102-52	About the Report (p.3)
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102-55	GRI Content Index (p.60)
102-56	Independent Assurance Statement (p.68); Legal Notice and Contacts (p.73)

<b>Material Issues</b>		
<b>Standards</b>	<b>Disclosures</b>	<b>Description and Page Numbers</b>
<b>Business Ethics and Anti-Corruption</b>		
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	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Business Ethics and Anti-corruption (p.7-10); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); <a href="https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx">https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx</a>
	103-3	Risk Management (p.6-7); Business Ethics and Anti-corruption (p.7-10); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Management of Sustainability Risks in Supply Chain (p.46); <a href="https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx">https://tofas.com.tr/en/Sustainability/Policies/Pages/CodeofEthics.aspx</a>
GRI 205: Anti- corruption 2016	205-1	Business Ethics and Anti-corruption (p.7-10)
	205-2	Business Ethics and Anti-corruption (p.7-10)
	205-3	Business Ethics and Anti-corruption (p.7-10)
<b>Climate Change</b>		
GRI 103: Management Approach 2016	103-1	Sustainability Management (p.13)
	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Climate Change (p.23-24); Mobility Solutions (p.23); Energy Efficiency and Emissions (26-27); Management of Sustainability Risks in Supply Chain (p.46)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Climate Change (p.23-24); Mobility Solutions (p.23); Energy Efficiency and Emissions (26-27); Management of Sustainability Risks in Supply Chain (p.46)
GRI 302: Energy 2016	302-1	Energy Efficiency and Emissions (p.26); Performance Data (p.54)
	302-3	Energy Efficiency and Emissions (p.26); Performance Data (p.54)
	302-4	Energy Efficiency and Emissions (p.26); Performance Data (p.54)
GRI 305: Emissions 2016	305-1	Energy Efficiency and Emissions (p.26); Performance Data (p.54)
	305-2	Energy Efficiency and Emissions (p.26); Performance Data (p.54)
	305-4	Energy Efficiency and Emissions (p.26); Performance Data (p.54)
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	305-7	Energy Efficiency and Emissions (p.26); Performance Data (p.54)
<b>Environmentally Friendly Material Use and Waste Management</b>		
GRI 103: Management Approach 2016	103-1	Sustainability Management (p.13)
	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Environmental Management (p.34-35); Material and Waste Management (p.36); Management of Sustainability Risks in Supply Chain (p.46)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Management of Sustainability Risks in Supply Chain (p.46)
GRI 306: Effluents and Waste 2016	306-1	Water Management (p.34); Performance Data (p.54)
	306-2	Material and Waste Management (p.36); Performance Data (p.54)
	306-5	Water Management (p.34)

<b>Occupational Health and Safety</b>		
	103-1	Sustainability Management (p.13)
GRI 103: Management Approach 2016	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Occupational Health and Safety (p.38); Management of Sustainability Risks in Supply Chain (p.46)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Management of Sustainability Risks in Supply Chain (p.46)
	403-1	Occupational Health and Safety Trainings and Practices (p.42)
GRI 403: Occupational Health and Safety 2016	403-2	Performance Data (p.54) During the reporting period neither fatality nor occupational disease case occurred.
	403-3	Performance Data (p.54)
	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.
<b>Talent Management and Occupational Training</b>		
	103-1	Sustainability Management (p.13)
GRI 103: Management Approach 2016	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Employee Development (p.39); Management of Sustainability Risks in Supply Chain (p.46)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Management of Sustainability Risks in Supply Chain (p.46)
	404-1	Employee Development (p.39); Performance Data (p.54)
GRI 404: Training and Education 2016	404-2	Employee Development (p.39)
	404-3	Employee Development (p.39)
	<b>Women Employment, Diversity, Equal Opportunites</b>	
	103-1	Sustainability Management (p.13)
GRI 103: Management Approach 2016	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Human Rights (p.38); Social Gender Equality (p.38); Management of Sustainability Risks in Supply Chain (p.46)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Human Rights (p.38); Management of Sustainability Risks in Supply Chain (p.46)
	405-1	Performance Data (p.54)
GRI 405: Diversity and Equal Opportunity 2016	405-2	Social Gender Equality (p.38)
	<b>Human Rights at Workplace</b>	
	103-1	Sustainability Management (p.13)
GRI 103: Management Approach 2016	103-2	Corporate Governance Structure; Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Human Rights (p.38); Social Gender Equality (p.38); Management of Sustainability Risks in Supply Chain (p.46)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Human Rights (p.38); Management of Sustainability Risks in Supply Chain (p.46)
	GRI 406: Non- discrimination 2016	406-1

GRI 407: Freedom of Association and Collective Bargaining 2016	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
GRI 408: Child Labor 2016	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.
GRI 409: Forced and Compulsory Labor 2016	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.
GRI 410: Security Practices 2016	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.
<b>Vehicle and Traffic Safety</b>		
	103-1	Sustainability Management (p.13)
GRI 103: Management Approach 2016	103-2	Corporate Governance Structure(p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Vehicle Safety, Driving and Passenger Comfort (p.21)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11)
GRI 416: Customer Health and Safety 2016	416-1	Vehicle Safety, Driving and Passenger Comfort (p.21)
	416-2	During the reporting period, no case of non-compliance to regulations has occurred regarding vehicle and passenger safety aspects.
<b>The Balance of Business Life - Private Life</b>		
	103-1	Sustainability Management (p.13)
GRI 103: Management Approach 2016	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Social Life (p.40)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11)
<b>Brand Perception</b>		
	103-1	Sustainability Management (p.13)
GRI 103: Management Approach 2016	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Customer Satisfaction (p.16)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11)



<b>Product and Service Quality</b>		
GRI 103: Management Approach 2016	103-1	Sustainability Management (p.13)
	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); World Class Manufacturing and Quality (p.28-33)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11)
<b>Customer Satisfaction</b>		
GRI 103: Management Approach 2016	103-1	Sustainability Management (p.13)
	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Customer Satisfaction (p.16-17)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11)
<b>Supplier and Dealer Business Success</b>		
GRI 103: Management Approach 2016	103-1	Sustainability Management (p.13)
	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Supplier Development Practices (p.46-47); Management of Sustainability Risks in Supply Chain (p.46); Authorized Dealer and Service Network (p.46)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Management of Sustainability Risks in Supply Chain (p.46)
<b>Sustainability Risk Management in Value Chain</b>		
GRI 103: Management Approach 2016	103-1	Sustainability Management (p.13)
	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Management of Sustainability Risks in Supply Chain (p.46)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11)
<b>Product, Process, Mobility Model Innovation</b>		
GRI 103: Management Approach 2016	103-1	Sustainability Management (p.13)
	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Mobility Solutions (p.23)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11)
<b>Digitalization</b>		
GRI 103: Management Approach 2016	103-1	Sustainability Management (p.13)
	103-2	Corporate Governance Structure (p.6); Risk Management (p.6-7); Internal Control and Internal Audit (p.11); Sustainability Management (p.12-13); Digital Transformation (p.20-21); Digitalization in Vehicles (p.20)
	103-3	Risk Management (p.6-7); Internal Control and Internal Audit (p.11)

## Our Corporate Memberships

<b>Advertisers' Association (RVD)</b>	Membership
<b>Association of Financial Institutions (FKB)</b>	Membership and Board of Directors Membership
<b>Automobile Distributors' Association (ODD)</b>	General Assembly, Board of Directors, Board of Auditors, and Committee Memberships
<b>Automobile Industry Association</b>	Board of Directors, Committee, and Working Group Memberships
<b>Automotive Technology Platform (OTEP)</b>	Executive Board and Security Group Membership
<b>Bursa Chamber of Commerce and Industry (BTSO)</b>	Assembly and Committee Membership
<b>Bursa Chamber of Commerce and Industry Education Foundation (BUTGEM)</b>	Board of Directors Membership
<b>Bursa Industrialists and Businessmen's Association (BUSIAD)</b>	Board of Directors and Specialization Group Memberships
<b>Climate Platform (REC Turkey)</b>	Membership
<b>Corporate Communication Experts Association (KİD)</b>	Board of Directors Membership
<b>Corporate Governance Association of Turkey (TKYD)</b>	Corporate Membership and Working Group Memberships
<b>Corporate Risk Management Association (KRYD)</b>	Membership
<b>Demirtaş Organized Industrial Zone (DOSAB)</b>	Board of Directors and Training Committee Memberships
<b>Demirtaş Organized Industrial Zone and Businessmen's Association (DOSABSİAD)</b>	General Assembly Membership
<b>DenizTemiz-TURMEPA</b>	Membership
<b>ERT-TBC</b>	Membership
<b>Ethic and Reputation Association (TEİD)</b>	Corporate Membership and Representation
<b>Foreign Economic Relations Council Eurasia, Africa and Middle East Business Council (DEİK)</b>	Membership
<b>Foreign Trade Association of Turkey (TURKTRADE)</b>	Membership
<b>Internal Audit Institute of Turkey (TİDE)</b>	Membership
<b>International Investors Association (YASED)</b>	Board of Directors and Committee Memberships; Automotive and Sub-Industry Working Group Chairmanship

<b>Investor Relations Association (TUYID)</b>	Corporate Membership
<b>Işık University</b>	Industrial Engineering Department Advisory Committee Membership
<b>Istanbul Chamber of Commerce (ISO)</b>	36th Group Occupational Committee and Assembly Membership
<b>İstanbul Chamber of Commerce (ITO)</b>	Membership
<b>Italian Chamber of Commerce</b>	Representation
<b>National Formwork Producers' Association (UKUB)</b>	Substitute Member of the Board of Directors
<b>ODTÜ/BİLTİR-ÜTEST Product Utilization Test Unit (OTEST)</b>	Advisory Board Membership
<b>Republic of Turkey Ministry of Industry and Trade</b>	Subcommittee Membership
<b>Tax Council</b>	Working Group Memberships
<b>The Union of Chambers and Commodity Exchanges of Turkey (TOBB)</b>	Automotive Industry Assembly Membership, Automotive Trade Assembly Membership
<b>Turkey Personnel Management Association Bursa Branch (PERYÖN)</b>	Membership
<b>Turkish Industry and Business Association (TUSIAD)</b>	Membership and Working Group Memberships
<b>Turkish Metal Industrialists' Association (MESS)</b>	Membership
<b>Turkish Quality Association (KalDer)</b>	Membership and Board of Directors Membership
<b>Turkish Researchers' Association (TUAD)</b>	Membership
<b>Uludağ Exporters' Associations Automotive Industry Exporters' Association (OIB)</b>	Vice Chairman of Board of Directors
<b>Vocational Qualifications Authority (MYK)</b>	Automotive Sector Committee Chairmanship
<b>World Italian Entrepreneurs Association (CIIM EurAsiaMed)</b>	Board of Directors Membership



# TÜRK LOYDU

## SERA GAZI DOĞRULAMA BEYANI GREENHOUSE GAS VERIFICATION STATEMENT

Belge No / Certificate No : 2021-0190.0010

### 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  
Türk Loydu hereby certifies that,

### TS ISO 14064-1:2006

(Aynı zamanda düzenlenen bu belge ISO 14064-3'e uygun olarak süreç, izleme ve raporlama gerekliliklerinin sağlandığını gösterir)  
(As well as criteria given to provide for consistent operations, monitoring and reporting in ISO 14064-3:2006)

standardına uygun olarak gerçekleştirilen doğrulama sonucunda  
in consequence of the verification carried out in compliance with the standard

Toplam Sera Gazı Emisyonu Total Greenhouse Gas Emission	: 97.542 tCO <sub>2</sub> e
Doğrudan Emisyonlar Direct Emissions	: 42.785 tCO <sub>2</sub> e
Enerji Dolaylı Emisyonlar Energy Indirect Emissions	: 54.757 tCO <sub>2</sub> e
Güven Seviyesi Level of Assurance	: Makul : Reasonable

yukarıda bildirilen Sera Gazı Bildirimi kapsamında doğrulanmıştır.  
verified within the scope of above-mentioned Greenhouse Gas Assertion.

Doğrulama Periyodu / Verification Period : 01.01.2020-31.12.2020  
Belgelendirme Tarihi / Date of Certification : 31.05.2021  
Doğrulama Raporu Ref.No / Ref.No of Verification Report : 2021-0190-02

Sorumlu Müdür  
Responsible Manager

Teknik Yönetici  
Technical Manager



# TÜRK LOYDU

Evliya Çelebi Mah. Tersaneler Cad. No:26/1 34944 Tuzla-İSTANBUL  
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## GHG VERIFICATION STATEMENT

Statement Date: 31.05.2021

Statement No: 09

Revision No: 01

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# TÜRK LOYDU

## TOFAŞ TÜRK OTOMOBİL FABRİKASI A.Ş.

### CARBON DISCLOSURE PROJECT

### 2020 YEAR GHG VERIFICATION STATEMENT



# TÜRK LOYDU

Evliya Çelebi Mah. Tersaneler Cad. No:26/1 34944 Tuzla-İSTANBUL  
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## GHG VERIFICATION STATEMENT

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### 1. SCOPE

Türk Loydu Uygunluk Değerlendirme Hizmetleri A.Ş. performed verification of conformity of the TOFAŞ GHG Inventory Report for the period 1" January 2020 to 31" December 2020 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 process analysis were conducted on March-April 2021.

These studies had been carried out in order to provide a verification opinion with reasonable confidence that the TOFAŞ 2020 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 2020 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 2020 are **97.542 tCO<sub>2</sub>e**. The emission sources included for each source has been given in verification report.
- That the calculated Scope 3 GHG emissions for the 2020 are **4.572.676 tCO<sub>2</sub>e**. The emission sources included for each category has been given below.
  - Purchased goods and services : **408.325 tCO<sub>2</sub>e**
  - Upstream transportation and distribution : **113.797 tCO<sub>2</sub>e**
  - Waste generated in operations : **775 tCO<sub>2</sub>e**
  - Business travel : **83 tCO<sub>2</sub>e**
  - Employee commuting : **5.671 tCO<sub>2</sub>e**
  - Downstream transportation and distribution : **25.384 tCO<sub>2</sub>e**
  - Use of sold products : **3.875.609 tCO<sub>2</sub>e**
  - End of life treatment of sold products : **143.032 tCO<sub>2</sub>e**

### 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 01.01.2020-31.12.2020.
- Limitation of the calculated Scope 3 emissions for the 01.01.2020-31.12.2020.



# TÜRK LOYDU

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## 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:

- Review of documentation, procedure and methodologies, including emission report,
- Assessment of risks and verification planning,
- Assessment of documentation, control and methodologies, including the facility quality management systems,
- Assessment of verification findings and outstanding issues in verification report,
- Assessment and review of resolutions to outstanding issues in verification report,
- 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:** 97.542 tCO<sub>2</sub>e of which 42.785 tCO<sub>2</sub>e are direct emissions (Scope 1) and 54.757 tCO<sub>2</sub>e are energy indirect emissions (Scope 2) are reasonable.

##### View Declaration

The greenhouse gas emission data (Scope 1 and 2) for 2020 disclosed in the Sustainability Report as a result of verification audit held on the basis of international standards has been verified with reasonable assurance.

**GHG Assertion #3:** 4.572.676 tCO<sub>2</sub>e of which are other indirect emissions (Scope 3) are verified with limited assurance.

##### View Declaration

The greenhouse gas emission data (Scope 3) for 2020 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

**Tofaş 2020 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](mailto:sustainability@tofas.com.tr).



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