



TOFAŞ

TÜRK OTOMOBİL FABRİKASI A.Ş.

Sustainability Report 2021

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About the Report

Through this report, we aim to present our forward-looking activities in line with the most up-to-date information to our stakeholders. This is the ninth Sustainability Report of Tofaş, which has been prepared as per the latest Global Reporting Initiative (GRI) Standards. It highlights our approach toward environmental, social, and governance (ESG) criteria which guide our activities in the field of sustainability. The content and data disclosed in this report have been independently verified, and we are pleased to share our 2021 global operations with all our stakeholders. These operations are shared based on our impacts and contribution to ESG and Sustainable Development goals, as well as our sustainability performance and targets. We have endeavored to understand our activities' direct and indirect impact and focus our efforts on streamlining our operations most efficiently.

Prepared in compliance with GRI Standards: the "Core" option, this report's scope has been determined as the activities carried out by Tofaş between 1 January 2021 – 31 December 2021. The eighth edition of this annual sustainability report was published in 2021. Data of Tofaş's affiliates, namely, Koç Fiat Kredi Finansman A.Ş. and Fer Mas Oto Ticaret A.Ş., is not included in this sustainability report. The corporate carbon footprint data contained in this report has been verified by third party companies.

We would be delighted to hear your valuable insights and thoughts about our sustainability journey:
sustainability@tofas.com.tr

A Message from our Board Member and the CEO



Dear Stakeholders,

With the pandemic, the world goes through a process where we can clearly feel the rapid change in the business world caused by issues such as the acceleration of technological developments, economic and environmental crises, along with new working styles, difficulties in supply processes, and changes in customer expectations. In this period, as Tofaş, we continued to create economic value by ensuring the continuity of our business, while prioritizing the health of all our stakeholders, especially our employees, and the protection of employment. Our working principles that we have always adhered to, our R&D, digitalization, and innovation efforts that we have invested in for many years, our knowledge and ability to act agile, continue to give us strength in managing this transformation in our company in the most effective way.

Turkey's automotive market shrank in 2021 due to the slowdown in the global supply chain. In addition, the market has experienced problems in Europe market due to problems in the supply of semiconductor materials. Despite all these variable and challenging conditions, our company represented 17% of the industry with its 228,544 units of production in 2021, and 12% of it with

112,477 units of exports, while it became the leader in terms of local sales with 97% domestic production.

With our wide brand and product portfolio, we have strengthened our strong position in the automotive industry this year as well. With our strong brands in the automobile and light commercial vehicle market in Turkey, we have reached a market share of 13.1% in automobile sales and 27.4% in the light commercial vehicle market. Our Fiat brand has achieved leadership in the total market for the third time in a row with 121,254 sales and 16.4% market share in passenger and light commercial vehicle total sales. While Fiat Egea became the best-selling vehicle in Turkey for the sixth time in a row, the new member of the family "Egea Cross" was awarded as the "Car of the Year in Turkey" award in 2021 by the Automotive Journalists Association. The most preferred light commercial vehicle of 2021 was Fiat Doblò. Our company also strengthened its competitive position in the market by offering the hybrid models of Fiat 500, Fiat Panda, Jeep® Renegade, and Maserati Levante for sale in 2021.

Our R&D Center stands out as one of the important hubs of the Stellantis Group with its product engineering experience, new product development competencies, and the high technology and diversity of its laboratories. As Tofaş, we were selected as the Best Automotive R&D Center in Turkey by the Ministry of Industry and Technology in 2021, and we were among the top 3 companies in the general ranking within the scope of the "R&D 250, Turkey's Most R&D Investing Companies" research prepared by Turkishtime. With the importance we attach to R&D and the investments we have been conducting for many years, we are pleased with the level achieved by our R&D Center today.

We prioritize the promotion of the digital transformation and the innovative perspective in all our processes for the sustainability of our business. Our company, which continues to work rapidly towards the smart factory with digital optimization applications for productivity purposes, has also focused on developing information technologies such as 5G, cloud, and cyber security. We also continue to invest in robotic transformation for fundamental infrastructure and operational processes with data

analytics-oriented projects. Our Fiat and Jeep brands, which carry their digital competence to sales and after-sales processes to improve the customer experience, launched all models in the product range online in 2021. Fiat continued to enhance Turkey's most comprehensive connectivity technology "Fiat My Companion Connect" in 2021 with new applications such as "Accident Black Spot Notification" and "Smart Insurance" to provide comprehensive and value-added services to our customers.

On the other hand, we accept it as our main responsibility to create a safe and healthy learning and development-friendly work environment for all our employees within the Tofaş culture. We set all our human resources processes and policies in line with the Tofaş Ethical Principles as well as the principles of inclusiveness, equality, and diversity of the UN Women's Empowerment Principles (WEPs), which we signed in 2017; and we see all mental and physical differences as a value.

As Tofaş, in 2022, we made commitments to empower women and girls in the field of technology and innovation, which has a key place in our activities, by participating in the "Technology and Innovation" action group of the UN Generational Equality Forum. Today, we aim to increase the rate of female employees, which is 18% in these areas, to 30% by 2026; to increase the rate of female managers working in the same field from 13% to 20%; and to reach 30,000 girls with awareness studies. In this context, we plan actions to strengthen both our candidate pool and our human resources processes and policies with awareness studies to increase the number of girls studying in the fields of science, technology, engineering, and mathematics.

The increase in the pace of climate change reveals the seriousness of the measures to be taken in this regard. We are aware that we need to take actions beyond our responsibilities to increase our social welfare and minimize our impact on the environment in all our processes in order to ensure the long-term sustainability of both the Turkey's economy and our company. Our company, which supports the circular economy and accelerates its work within the scope of the transition to a low-carbon economy, aims to reduce the environmental impact in all its processes, use and protect resources and energy responsibly, increase efficiency, reach zero waste level, raise awareness of its stakeholders in this regard, and continues the necessary improvements in this

direction. As a corporate member of the Climate Platform, we support the transition to a low-carbon economy with energy efficiency studies. In 2021, we prevented 5,148 tons of CO₂ emission by saving 77,974 GJ thanks to 384 energy efficiency projects we implemented to reduce energy consumption and CO₂ emissions. We reduced the amount of freshwater used in the production of each vehicle, which was 2.98 m³ in 2020, to 2.91 m³ in 2021. With the recycling works we have conducted; we plan to reduce this level to 2.86 m³ by 2024. Within the scope of these studies, as Tofaş, we have ensured the reuse of sixty million m³ of water in 2021 thanks to the in-plant circulation system. In this direction, we will continue our efforts to achieve our goals of being a carbon-neutral facility in the long term with confident steps.

On the other hand, with a plain and proactive occupational safety approach, and in accordance with the legislation in force, protecting all our employees from injuries and occupational diseases because of occupational accidents is our most important and unchanged priority.

As Tofaş, we conduct our corporate sustainability initiatives in an accountable, transparent, fair, and responsible manner in addition to all our activities. In order to ensure the effective operation of the Committees within the Board of Directors, we established the Early Risk Detection and Risk Management Committee in 2021 to conduct studies to determine the risks that may jeopardize the existence, development, and continuation of the company, to implement the necessary measures related to the risks, and to manage the risk.

We strive to move our company forward every day with the responsibility given by the trust in our company and the respect we have for human and nature. I would like to express my sincere thanks to all our parties, especially our shareholders, customers, employees, dealers, and suppliers, who helped us to achieve sustainable values and our goals in this journey.



Cengiz Eroldu

Board Member and CEO

About Tofaş

About Us

Tofaş, a leading company in the automotive sector of Turkey with its production volume, export performance and R&D competency, was founded in 1968. Tofaş, with its headquarters in Istanbul, carries out its production activities in its factory in Bursa, which is established on an area of approximately 1 million m², of which 350 thousand m² is indoors. At Tofaş, we conduct all our R&D and production activities in the automotive sector and in Turkey with our 6410 employees.

24.3% of Tofaş's shares are traded on the Istanbul stock exchange and are included in both the BIST 30 and the BIST 100 indexes; control of the remaining shares is divided equally between Koç Holding and Stellantis. Tofaş's publicly-traded shares are also included in the Istanbul stock exchange's Corporate Governance and Sustainability indexes.

Tofaş, one of the leading production and R&D centers of Stellantis, plays a vital responsibility in global product projects and provides added value to the Turkish economy, industry, and R&D accumulation. Our R&D Center was established in 1994. We cooperate with Stellantis Italy Research Center, foreign design centers, and faculty members of the various universities in many of our research projects, which TÜBİTAK and the European Union also support.

We continue our actions, which we have designed to meet customer expectations best way possible in all segments in the domestic market, with a comprehensive brand and product portfolio. We produce the Fiat Egea family; Sedan, Hatchback,

Station Wagon, and Cross models, and Fiat Doblò and Fiorino models. We export Doblò, which was developed and produced in Tofaş, to the USA under the brand Ram ProMaster City. Regarding our overseas activities, Egea has been launched in various parts of the world under the Fiat Tipo brand. Additionally, in the domestic market, Tofaş represents six brands: Fiat, Fiat Professional, Alfa Romeo, Jeep®, Maserati, and Ferrari.

We have a total of 74 dealers across Turkey. The dealer network of the brands Tofaş provides our customers with new vehicle sales, second-hand vehicle sales, maintenance-repair, and spare parts sales services. We are strengthening our products and services we offer to our customers; advanced logistics and distribution competence, advanced after-sales service, and long-term relationships based on the trust established with dealers.

The vast majority of Tofaş dealers act as an integrated facility where brand-new vehicle sales and after-sales services are offered to customers at one place. Customer services include motor insurance, traffic insurance, and car loans. There are 97 Fiat sales points and 125 Fiat service points in Turkey, including the other points linked to the main dealers. There are 19 main dealers of Alfa Romeo-Jeep®. Moreover, there are 5 Alfa Romeo-Jeep® separate service points exclusively providing service to our customers.

2021 Tofaş Highlights, Awards & Recognitions

- As Tofaş, we are responsible for 17.9% of Turkey's automotive industry production with 228,544 vehicles we produced in 2021, 12% of Turkey's export volume with 112,477 export sale and it has become the leader in domestic production in our country with 124,738 domestic sales and a rate of 97%.
- In 2021, we reached a market share of 13.1% in automobile sales and 27.4% in the light commercial vehicle market. Our Fiat brand became the leader in the total market for the third time in a row, with 121,254 sales and a 16.4% market share in passenger and light commercial vehicle total sales.
- When we look at our financial performance in 2021; Tofaş's revenues in 2021 increased by 26% compared to the previous year and reached 29.7 billion TL. In the same period, Tofaş increased its net profit by 83.9% compared to the previous year and reached TL 3.3 billion.
- The new company Stellantis was founded when the FCA and PSA groups joined forces together.
- Tofaş R&D Center was selected 2nd in the "R&D, Large R&D Centers" category in the R&D and Design Centers 2020 Performance Index Awards organized by the Ministry of Industry and Technology, and it became the only automotive company in the ranking.
- Tofaş was placed amongst the top 3 companies with the highest R&D expenditure in the overall ranking within the scope of the "R&D 250, Turkey's Top Companies with the Highest R&D Expenditures" ranking prepared by Turkishtime.
- Tofaş's "Paint Shop Intelligent Energy-Management System" project placed first in the Ministry of Energy and Natural Resources' "Energy-Efficiency In Industry" competition.
- The Egea family has been completely renewed with the best technologies in its class, and the new member of the family, Egea Cross, was launched in Turkey.
- Fiat Egea Cross model won the "Car of the Year" competition in Turkey, organized by the Automotive Journalists Association (OGD). It was selected 1st with a total score of 3,290 from 76 automotive journalists. With a total score of 3,290 from 76 automotive journalists, it was ranked number 1.
- "Accident Black Spot Alert" for 250 points with a high risk of accidents has been added to the "Fiat Seatmate Connect" application, which was developed at Tofaş for users in Turkey.
- "Fiat Online" went online with specific models in 2020 and provided 24/7 service during the pandemic, even during the complete lock-down, and has expanded by including all passenger cars in the Fiat product range in 2021.
- The renewed version of Ducato was launched in Turkey.
- The "Jeep® Online" sales platform, which facilitates vehicle purchasing and delivery processes by aiming to offer customers comfortable, reliable, and practical solutions, has been launched.
- Combining the legacy inherited from Willys with 4X4 performance and advanced technology, the 80th anniversary special version of Jeep® Wrangler is on sale in Turkey.
PHEV (plug-in hybrid) version of Jeep® Renegade was launched in Turkey.
- Ferrari introduced the 296 GTB, SF90, and Portofino M models at the Fer Mas's showroom in İstanbul as a part of its global launch in August 2021.
- The Levante Hybrid model was launched in Turkey, a critical step of Maserati's electrification strategy.
- In recognition of the innovative employee learning/development solutions which it develops as well as of human resources practices that have an impact on the employee experience, Tofaş received a total of four awards in different categories of the 2021 round of Stevie Awards. Tofaş's "Employee Orientation & Adaptation", "Digital Transformation School: Get Ready", and "Fiat Egea New Product Launch Development" programs each received gold Stevies while the company was awarded a bronze Stevie for its "Covid-19 Measures" program.

About Tofaş

Memberships

- Bursa Industrialists and Businessmen's Association (BUSİAD)
- Bursa Chamber of Commerce and Industry (BTSO)
- Bursa Chamber of Commerce and Industry Education Foundation (BUTGEM)
- Demirtaş Organized Industrial Zone (DOSAB)
- Demirtaş Organized Industrial Zone and Businessmen's Association (DOSABSIAD)
- DenizTemiz Association (TURMEPA)
- Foreign Economic Relations Council Eurasia, Africa and Middle East Business Council (DEİK)
- World Italian Entrepreneurs Association (CIIM EurAsiaMed)
- ERT-TBC
- Ethics and Reputation Society (TEİD)
- Association of Financial Institutions (FKB)
- Climate Platform (REC Turkey)
- Istanbul Chamber of Commerce (İSO)
- Italian Chamber of Commerce
- Corporate Communication Experts Association (KİD)
- Corporate Risk Management Association (KRYD)
- Vocational Qualifications Authority (MYK)
- Automotive Distributors' Association (ODD)
- The Automotive Manufacturers Association (OSD)
- Automotive Technology Platform (OTEPE)
- Advertisers' Association (RVD)
- Turkish Industry and Business Association (TÜSİAD)
- Turkish Researchers' Association (TÜAD)
- Foreign Trade Association of Turkey (TURKTRADE)
- Internal Audit Institute of Turkey (TİDE)
- Turkish Quality Association (KalDer)
- Corporate Governance Association of Turkey (TKYD)
- Turkish Metal Industrialists' Association (MESS)
- The Union of Chambers and Commodity Exchanges of Turkey (TOBB) Automotive Industry Assembly
- TOBB Automotive Commercial Assembly
- Turkey Personnel Management Association Bursa Branch (PERYÖN)
- Uludağ Exporters' Associations Automotive Industry Exporters' Association (OİB)
- National Formwork Producers' Association (UKUB)
- International Investors Association (YASED)
- Investor Relations Association (TÜYİD)

Sustainability Approach of Tofaş

Responsible Governance

Our corporate sustainability strategy ensures that the continuity of our activities and practices in this area aligns with the Capital Markets Board (CMB) Corporate Governance Communiqué Principles. We conduct our operations with an accountable, transparent, fair, and responsible approach. The principles we have adopted are reflected in our efforts in the field of sustainability. We transparently share the performance values obtained from our actions with the public and our stakeholders.

Our sustainability-oriented management approach has been adopted by the CEO and all members of the Board of Directors. Tofaş Board of Directors consists of ten members. While two of these members are independent, the Chairman and the CEO are different people. The CEO reports directly to the Board of Directors as the sole executive officer. The Board of Directors, which carries out the business and administration of the company, consists of an even number of persons between eight and twelve. The General Assembly elects them within the framework of the provisions of the Turkish Commercial Code and the regulations of the Capital Markets Board.

The quorum for meetings and decisions in the Board of Directors is ensured by all members' participation and affirmative votes. To achieve this quorum, the attendance and affirmative votes of at least 2 (two) non-independent members nominated by A Group shareholders and at least 2 (two) non-independent members nominated by D Group shareholders are required. The obligations imposed by the Corporate Governance Principles and the Capital Markets Board are reserved.

Half of the members to be elected to the Board of Directors must be selected among the candidates nominated by the A Group shareholders and the other half by the D Group shareholders. One of the candidates nominated by A and D Group shareholders must have the independence qualifications defined in the Capital Markets Board regulations.

The number and qualifications of the independent members to take office in the Board of Directors are determined according to the regulations of the Capital Markets Board regarding the Corporate Governance Principles. While the Audit Committee consists entirely of independent members, 40% of the Corporate Governance Committee and half of the Early Detection of Risk Committee are composed of independent members. Members of the Board of Directors, who can be elected for a maximum of three years, can be re-elected if their term of office has expired.

Title of Partners	Stock Group	Share Amount (TL)	Voting Rights	Share Percentage
Stellantis	D	189,279,856.87	18,927,985,687	37.8560
Koç Holding Inc.	A	187,938,121.26	18,793,812,126	37.5876
Temel Trade and Investment Inc.	A	175,693.44	17,569,344	0.0351
Koç Family	A	1,166,042.17	116,604,217	0.2333
Other Partners	E	121,440,286.26	12,144,028,626	24.2880
		500,000,000.00	50,000,000,000	100

Sustainability Approach of Tofaş

The shareholders present at the Ordinary and Extraordinary General Assembly meetings use their voting rights in proportion to the nominal value of their total shares. At the General Assembly meetings, the votes are cast openly, but vote by secret ballot is preferred the request of the shareholders holding at least one-twentieth of the shares represented in the meeting.

Tofaş adopted the registered capital system following the provisions of the Capital Markets Law and switched to the registered capital system with the permission of the Capital Markets Board dated 8.1.1991 and numbered 532. The registered capital ceiling of the company granted by the Capital Markets Board is TL 1,000,000,000 (one billion Turkish liras) and is valid for the years between 2021 and 2025 (5 years). The Board of Directors, from 2021 to the end of 2025, is authorized to take decisions on the issuance of privileged, premium or below par value shares to increase the issued capital by issuing new shares up to the registered capital ceiling when deemed necessary following the provisions of the Capital Market Law.

As Tofaş, we aim to maintain diversity in terms of age, gender, race, nationality, and ethnicity among the candidates of the Board of Directors. You can review our Board of Directors Diversity policy, which came into effect on January 31, 2022, at tof.com.tr/Sustainability/Policies/.

The wage policy established by Tofaş for senior executives and members of the board of directors is determined as a fixed fee at the annual General Assembly meeting, valid for all members of the Board of Directors. Payment plans based on the company's performance are not used in the compensation of Independent Board Members. Senior Executive salary consists of two components: fixed and performance-based. Fixed fees are determined by factors such as macroeconomic data in the market, wage policies

prevailing in the market, size of the company, long-term goals and positions of individuals. Performance-based wages are divided into two which are individual and company performance evaluations. For the wages determined according to the company's performance, sustainability of success and improvements compared to previous years are among the principles considered when determining company targets.

As Tofaş, we have developed an equal opportunity employment policy and a succession plan for all critical managerial positions. This succession plan, which we have implemented, is submitted to the approval of the Chairman of the Board of Directors after the CEO approves it.

While we strengthen all our activities in terms of continuity and efficiency, we ensure the security of our reports with our work in the field of internal audits. We establish effective control mechanisms with a responsible and sustainable management approach. The effectiveness and functioning of the internal audit systems are evaluated by the Audit Committee, which reports to the Board of Directors. As a result of the evaluation, the actions taken for improvement are reported to the Board of Directors by the Audit Committee.

Risk management, ensuring the functionality of early warning and control systems, determining and managing strategic trends, establishing corporate goals, complying with corporate governance principles, following and achieving targeted performance in this area are included among the duties of the CEO and senior management.

As Tofaş, within the framework of our approach to sustainability, we prioritize environmental, social, and economic values for our employees and all stakeholders in our sphere of influence. We approach all our activities with a lifelong perspective to convey sustainability awareness to our stakeholders and to

effectively apply the relevant values in our business processes. Within the framework of responsible governance, we have created a management model that comprehensively evaluates risks by adopting environmental and social values, which are the main components of sustainability.

All members of the board of directors and CEO, especially our Chairman of the Board of Directors, act with an awareness of the importance of sustainable management. This understanding is reflected in business processes through the relevant committees. The Early Detection of Risk and Risk Management Committee is responsible for the management of the Sustainability Committee in accordance with the sustainability strategy.

Risks and opportunities are determined by all our units, employees, and other relevant stakeholders. In this context, necessary actions are taken to minimize risks. The risk owners observe the progress made from the action plans. The Early Detection of Risk and Risk Management Committee reports the activities and practices in this field to the Corporate Governance Committee or the Board of Directors, according to the degree of importance. The Board of Directors receives information about sustainability activities, and the members evaluate the issues that are on the agenda. Sustainability-related activities, supervised by the senior management, directorates, and units, are coordinated and reported by the Sustainability Team.

“Tofaş Sustainability Policy” outlines our sustainability approach and serves as a framework for successfully implementing sustainability management. The Sustainability Committee is responsible for determining and monitoring Tofaş’s strategies in this field. The reporting, which summarizes the performance results regarding sustainability management, is carried out by the Sustainability Working Group.

Sustainability Management



Sustainability Approach of Tofaş

Our senior management structure consists of 18 employees, including the CEO, who is also a company employee.

	2017	2018	2019	2020	2021
Senior Management Structure (Number)	16	17	19	19	18
Gender-Based	16	17	19	19	18
Female	0	0	1	1	1
Male	16	17	18	18	17
Age Group	16	17	19	19	18
18-30	0	0	0	0	0
31-40	0	1	1	0	0
41-50	9	9	8	7	6
51-60	7	7	10	12	12
Nationality	16	17	19	19	18
TR Citizen	15	15	17	17	16
Foreign National	1	2	2	2	2

We adopt a comprehensive approach to developing forward-looking and sustainable business models by implementing our Corporate Sustainability Policy. Our priority is to create a management model that constantly improves and creates value. We consider the social, environmental, and economic dimensions of our sustainability and social responsibility activities.

Tofaş's Corporate Sustainability Policy reveals our responsibility to our stakeholders throughout the country, including the regions where our factory is located. We approach all our stakeholders in an inclusive manner within the framework of our sustainability approach and corporate social responsibility practices.

Among the responsibilities of the CEO and the management of the company are;

- Identifying and managing strategic trends,
- Ensuring the functionality of risk management, early warning, and control systems,

- Determining corporate goals,
- Ensuring compliance with corporate governance principles and carrying out studies to achieve the expected performance and results in this field,
- Auditing and approving the sustainability report and checking that all material issues have been reviewed.

Within the scope of the Risk Management Policy, reporting is made to the Board of Directors in the field of risk management following the legal legislation and regulations. As Tofaş, we approach risk management comprehensively in economic, environmental, and social dimensions and continue our activities in line with the principles of "protecting company assets and values", "providing commercial, financial, and operational confidence", and "sustainability in corporate risk management".

Tofaş management is financially, commercially, operationally, and organizationally responsible for managing corporate risks, taking and implementing all measures required by internal audit and internal control activities.

After the compensation policy of the Board of Directors and senior executives is determined, it is presented to the information of the shareholders at the General Assembly. The General Assembly information document allows the disclosure of privileged shares, voting rights, organizational changes, resumes of the members of the Board of Directors, the compensation policy of the Board of Directors and senior executives, the reports to be prepared, and the information to be disclosed three weeks before the General Assembly to our investors and shareholders.

Employment bonus can be paid to senior executives in case they leave their positions. The bonus is determined by taking into account the period of time they worked at Tofaş, the time they served as a senior manager, the contribution they made, the last target bonus before the date of leaving, and the salary and premium information paid in the previous year.

Climate Management at Tofaş

As Tofaş, we evaluate climate change under sustainability management. Our company's sustainability and climate crisis-focused strategies are determined and followed by the Sustainability Committee. The Sustainability Working Group reports directly to the Sustainability Committee and is responsible for making strategic decisions in sustainability management.

The CEO has the highest level of responsibility to manage climate-oriented issues closely related to environmental and economic dynamics.

Studies in the field of sustainability are closely followed by the members of the Board of Directors.

We have developed management mechanisms to identify climate-oriented risks most effectively and to plan and implement the necessary actions within the framework of our corporate sustainability strategy. The Board of Directors closely monitors risk management and action plans within the scope of climate change and leads activities in these areas. At the same time, they make performance measurements of related activities and examine whether the determined climate change-oriented targets are reached or not.

As Tofaş, it is our top priority to have a sustainable management model that creates value for all our stakeholders. Sustainability management is one of the main dimensions of our corporate risk management; it is under the Early Detection of Risk and Risk Management Committee, which meets twice a year in line with the strategic targets. All activities carried out in this direction are reported to the Corporate Governance Committee and activities in the field of sustainability, particularly the fight against climate change, are reported to the Board of Directors. In this area, the coordination of the activities executed by the relevant managers, especially the CEO, is carried out by the Sustainability Working Group and reported to the appropriate committees.

The Environment, Health, and Safety (EHS) Manager, who is part of the Sustainability Working Group and leads the Sustainability Committee, manages climate-related risks and opportunities at the operational level. The EHS Manager keeps track of relevant KPIs to ensure successful management in this area.

Sustainability Approach of Tofaş

Incentives for the management of climate-related issues:

Promoted	Incentive Type	Comment
All Employees	Prize money	We have developed a Reward System to promote and implement improvement actions for all our employees. Proposals and improvement actions (Kaizen) regarding energy efficiency and greenhouse gas reduction within the framework of the Tofaş Bid System.
Management	Prize money	Overall sustainability performance, including climate change.
Facility Manager	Prize money	World Class Manufacturing – Energy, Cost Allocation, and Environment Pillars activities and scores. Energy efficiency and related greenhouse gas emission reductions.
Environment, Health, and Safety Manager	Prize money	Defining targets for climate change initiatives in collaboration with energy managers and unit energy management emitters.
Energy Manager	Prize money	Energy Action Plan includes achieving targets for improving energy efficiency and reducing greenhouse gas emissions.

Risk Analysis

Risk reporting principles were determined, with the committee, as a result of the evaluation of the Risk Management System of Tofaş Turkish Automobile Factory Inc. Reporting studies and Committee evaluations are periodically submitted to the Board of Directors in accordance with the determined principles.

Company activities are managed proactively by the management, taking into account the extent to which risks and risk-based financial, commercial, and operational results will affect the company. The management handles the identification and evaluation process in 5 stages for the systematic management of risks:

- 1- Identification of risks
- 2- Measurement of risks
- 3- Evaluation of risks
- 4- Reducing or transferring risks
- 5- Monitoring and reporting risks

Internal Control System and Internal Audit System are monitored by the Audit Committee. The Committee takes proactive measures against predictable potential risks such as corporate risk management and financial, commercial, and operational risks within the company's internal control system and internal audit activities. Evaluations are made to make sure that the company fulfills the responsibilities required by the legal regulations on internal control, internal audits, and risk management.

The statements and reports of the relevant committees are presented to the Board of Directors. Internal audit activity is carried out to ensure that the company's internal control system is subject to continuous monitoring and evaluation.

Precautionary approach or precautionary

principle: To ensure that the committees within the Board of Directors work more efficiently, the Early Detection of Risk and Risk Management Committee was established within the framework of Article 378 of the Turkish Commercial Code No. 6102, which entered into force on July 1, 2012, with the Board of Directors' decision dated 01.10.2012. The purpose of this committee are to carry out studies for the early detection of risks that endanger the company's existence, development, and continuity, implement the necessary measures regarding the identified risks, and manage the risk.

In 2021, 7 meetings were led by Neslihan Tonbul with the participation of Sergio Duca, Melih Poyraz and Giorgio Fossati.

ESG Risks and Opportunities

	Risks	Opportunities
Economic	<ul style="list-style-type: none"> - Payment risks - The main financial consequences of risks are represented by the loss of market share due to the temporary inability to use the tools requested in the market. 	<ul style="list-style-type: none"> - DBS (Direct Debit System) - Internal control system - Tofaş R&D Centre increased the number of EU-funded research projects
Environmental	<ul style="list-style-type: none"> - New CO₂ emissions regulations of the European Union require CO₂ reductions ranging from 30-50 percent by 2030. 	<ul style="list-style-type: none"> - Energy-saving projects implemented by Tofaş in line with World Class Production (one of the highest standards in production worldwide) are a structured production system that encourages sustainable, systematic improvements to eliminate losses. - In our production processes, we are working on solutions that will further reduce our energy consumption, mainly focusing on reducing the use of fossil fuels.
Social	<ul style="list-style-type: none"> - There is no middle or long term risk 	<ul style="list-style-type: none"> - We are working on spreading the awareness of environmental and climate responsibility in our value chain with our supplier and dealer development activities and customer information services. - Everyone at Tofaş is constantly encouraged to contribute suggestions and Kaizens. Every suggestion or Kaizen are taken into consideration, and its potential implementation is evaluated.

Sustainability Approach of Tofaş

Climate change as a process integrated into the company's risk governance mechanisms

As Tofaş, we position climate risks in our value chain. We evaluate these risks according to the importance of managing them in a better and integrated way. These climate risks are determined by our score over the financial impact values.

At Tofaş, the Risk Management System is a multi-disciplinary and integrated process under the responsibility of the Board of Directors.

The climate-related risk assessment process starts with categorizing the probability of occurrence, potential impact on profitability, business continuity, and reputation (and a combination of these elements). These elements are analyzed together to determine the importance and order of priority of risks. Current measures are analyzed, and future containment measures, action plans and responsible persons are identified for the events that exceed a predetermined severity threshold.

According to the Tofaş risk assessment methodology, climate-related risks are scored considering financial, reputation-related, productive, operational, human, and legal effects. The maximum score is defined as the risk assessment score. All risks are evaluated according to impact, probability, and time frame. If the score is less than six as a result of the calculation, we define the risk as acceptable. Other classifications are moderate risk (scores 6 to 12) and high risk (scores 12 to 16). However, if there is a reputational or legal risk, the potential risk is always defined as "High". To score financial impact, risk can be defined as an appropriate level of financial loss that does not have a material impact on the company. Less than 1,000,000 euros is not considered a significant economic impact.

Types of climate-related risks:

Risk type	Importance level	Risk description
Current regulations	*****	All activities of our company are managed following the relevant regulations. At the same time, it is closely monitored for current and possible future arrangements and is budgeted regularly each year.
Emerging regulations	*****	Emerging regulations directly related to company operations, such as laws, regulations, and government policies regarding increased fuel economy requirements and reduced greenhouse gas emissions, significantly impact our company operations. Compliance with emerging regulatory constraints related to climate change requires substantial management resources, instrument engineering and design attention, and additional costs and investments.
Technology	*****	Regulations in the technology field, especially new technologies in the automotive sector, are closely monitored. Our research projects in technology areas that we prioritize strategically, such as increasing research on autonomous driving technology by considering the transition to a lower carbon and energy-efficient economy, continued in 2021. Tofaş worked with 12 supplier companies in design development projects supported by TÜBİTAK and H2020 in 2020. In addition, the work of the "Fiat Friend Connect" (FYA Connect) Project, which was developed as the first remote access technology of its class within Tofaş, was completed in 2018, and the number of current users of FYA Connect reached 20,000. Since 2019, FYA Connect has been active in all models produced by Tofaş.
Legal	***	We do not expect any future conflicts concerning this item.
Market	*****	The change in customer behavior directly affects company operations. The risks associated with changes in customer expectations and needs are significant as they can result in delays in developing new technologies and cause the inability to create and sell profitable products. We follow the changing needs and trends of customers through our regular research. The ever-changing habits and developing technology worldwide create unique requirements for individuals, including our customers. As Tofaş, we develop technologies and solutions to meet these needs by using sustainable methods. Another area we are working on is the development of alternative fuel vehicles. In this direction, we closely follow the electric vehicle technologies in the world and work towards integrating these technologies with innovative solutions and applications for the domestic production of these vehicle systems and components. We also support Stellantis' efforts to expand alternative fuel systems using natural gas and biofuels.
Prestige	***	We do not expect any future conflicts concerning this item.
Acute physical	***	Nilüfer Stream, which is 500 meters from Tofaş, has been determined as the main flood risk.
Chronic physical	**	We do not expect any future conflicts concerning this item.

Sustainability Approach of Tofaş

Management of the climate related risks

The liabilities arising from current regulations of our existing products and services are considered climate-related financial risks, and these regulations increase the cost of our activities.

Laws, regulations, and government policies significantly impact our business processes, including increased fuel efficiency requirements, reduced greenhouse gas, and exhaust gas emissions.

We allocate the R&D budget to related activities to minimize climate-related risks. As part of the Stellantis, to comply with CO₂, polluting emissions, and fuel efficiency regulations we take different measures. To specify, we optimize the environmental performance of conventional engines, increase the use of compressed Natural Gas (CNG), reduce vehicle energy demand (e.g. weight reduction and aerodynamic improvements) and emissions, design systems (e.g. starting and stopping), engage customers, and raise awareness (e.g. eco:Drive).

The activities aim to ensure the domestic production of electric vehicle systems and components by integrating these technologies with the innovative solutions/applications that we developed. Being aware of the issues such as fuel consumption, exhaust emissions, and the environmental impact of reducing the total weight of the vehicles, we carry out intensive studies in this field. Activities in this field focus on high strength/light material technologies and hybrid solutions, as well as lightweight design solutions based on cross-section and topology optimization. We spent approximately 49 million Euros on R&D in 2021.

Changing customer behavior is considered a climate-related market risk, and these risks can reduce our revenue by reducing demand for our products and services.

The massive and unexpected increase in demand for low CO₂ emission vehicles could result in a potential financial impact on our revenue when considered a risk. The main economic consequences of this risk are the loss of potential sales due to the temporary unavailability of the tools demanded in the market. As a result of the market research we conducted, we observed the risk of losing approximately 2.5% market share.

Awareness of climate change is growing as the auto industry's mobility solutions focus more and more on low-emission vehicles. We see this issue as one of the most critical development areas. At Tofaş, we conduct consumer analyses to correctly identify new market trends to manage this risk. We seek positive cooperation with unions and employee representatives to ensure production flexibility. We constantly monitor market shares and consumer demand development and analyze possible scenarios and their financial implications. Specific analyses are made on consumer attitude towards ecological cars, price elasticity, market penetration, reputation index, etc. The activities aim to ensure the domestic production of electric vehicle systems and components by integrating these technologies with the innovative solutions/applications developed. Our new type of hybrid model is launched in 2022.

Our climate strategy and decarbonization plans

As Tofaş, we use the IPCC's transition and physical climate scenarios. We signed "The 2°C Challenge Communique", an international business statement calling for global policies and actions to tackle climate change.

We use three different scenarios to avoid exposure to regulatory risks:

High Carbon Price Scenario: This scenario represents the implementation of policies deemed sufficient to reduce greenhouse gas emissions in line with the goal of limiting climate change to 2°C by 2100. The scenario is based on research by OECD and IEA (2017).

Moderate Carbon Price Scenario: This scenario assumes that policies will be implemented to reduce greenhouse gas emissions and limit climate change to 2°C in the long term, but action will be delayed in the short term. It is based on assessments of the adequacy of the country's National contribution statement by Ecofys, Climate Analytics and the Climate Action Tracker by the New Climate Team, and research by the OECD and IEA. It is assumed that countries with Nationally Determined Contributions that are not in line with the 2°C targets in the short term will increase their climate mitigation efforts in the medium and long term.

Low Price Scenario: This scenario represents a country's complete application of its national contribution statement adequacy based on research by the OECD and IEA (2017). Prices in this scenario are likely to fall short of meeting the goals of the Paris Agreement.

Tofaş may be exposed to annual carbon pricing risk ranging from USD 1.6 million to USD 5.6 million within Scope 1 until 2030. This risk may change under different scenarios.

We use three different scenarios to avoid exposure to physical risks:

High Climate Change Scenario (RCP 8.5): Business remains as usual with emissions at current rates. This scenario is expected to cause a warming of more than 4 degrees Celsius by 2100.

Reasonable Climate Change Scenario (RCP 4.5): Applying decisive mitigation actions to reduce emissions to half the current levels by 2080. This scenario is more likely to result in warming more than 2 degrees Celsius by 2100.

Low Climate Change Scenario (RCP 2.6): Applying aggressive mitigation actions to halve emissions by 2050. This scenario is likely to result in less than 2 degrees Celsius of warming by 2100.

We use asset-level data to analyze the relevant climate scenario. In a low climate change scenario, we face 2 degrees of warming by the end of the century. In a reasonable scenario, it exceeds two degrees. Finally, in the high scenario, it exceeds 4 degrees by the end of the century.

We get the latitude and longitude coordinates of the facilities in question. We then match these facilities to a range of climate change hazards, seven in total.

Once we've matched them, we come to a level that can measure facility-level exposure. This then affects corporate or aggregated physical risk scores.

The time horizon handled by our company for the physical risks scenarios are considered to be until 2050, as it is realized in the transition risk analyses such as market risks and risks arising from regulations.

Sustainability Approach of Tofaş

For evaluation, we consider water stress, flooding, heat waves, cold waves, hurricanes, forest fires, and sea level rise.

Climate change will further alter the magnitude and frequency of natural hazards and threaten our physical assets and business continuity. Our risk management policy primarily focuses on loss prevention and mitigation to help prevent property damage that could disrupt our business. According to the risk assessment, the annual investment and maintenance budget is arranged to reduce the risk score.

Tofaş has committed to reducing its Scope 1 and Scope 2 emissions by 50% by 2030 compared to 2019. Scope 1 and Scope 2 emissions were set as targets, with a total of 104,187 CO₂e in 2019.

In our production processes, we are working on solutions that will further reduce our energy consumption, focusing on reducing fossil fuel use. These solutions have resulted in significant savings in energy-related costs over time. In 2021, we achieved a total energy efficiency of 77,974 GJ and savings of €520,000. Energy-efficient machines and facilities are selected first according to our green supply strategy.

In 2021, we worked to reduce energy consumption and CO₂ emissions in line with the World Class Manufacturing methodology we are affiliated with. 384 energy efficiency projects were initiated, 77,974 GJ of energy was saved, and 5,148 tons of CO₂ emissions were prevented within the scope of these studies. We support the transition to a low-carbon economy with energy efficiency efforts. We are also a corporate member of the Climate Platform.

The share of the development of low-emission vehicles within the scope of Stellantis in mobility solutions is increasing with the importance of climate change. As Tofaş, we support these efforts and see this issue as an area that requires continuous improvement. The total spending in design and test infrastructure for our Tofaş R&D center in the vehicle concept, style, body, interior design, suspension, engine, emissions, vibration and acoustics is more than 49 million euros. Our R&D Center has increased the number of EU-supported research projects to 23 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 yearly with new value-added projects and innovative ideas. As a result of its innovative works, Tofaş has applied for 45 patents in Turkey and 17 in the international arena.

Our risk and opportunity management processes increase our credit rating and create an opportunity to cooperate with investment banks. In this direction, our environmental activities allow access to capital easier.

Stakeholder Analysis

Stakeholder Engagement

As Tofaş, we have adopted a sustainability approach that focuses on our stakeholders, who are in the sphere of influence of our operations. Our sustainability policy has been created with the consideration of the expectations and needs of our stakeholders. It has been designed with the goal of having a better performance in environmental, social and governance (ESG) areas. We want to invest in the future within the framework of the Sustainable Development Goals (SDGs) and spread sustainability awareness across all our stakeholders in a way of the needs of new generations.

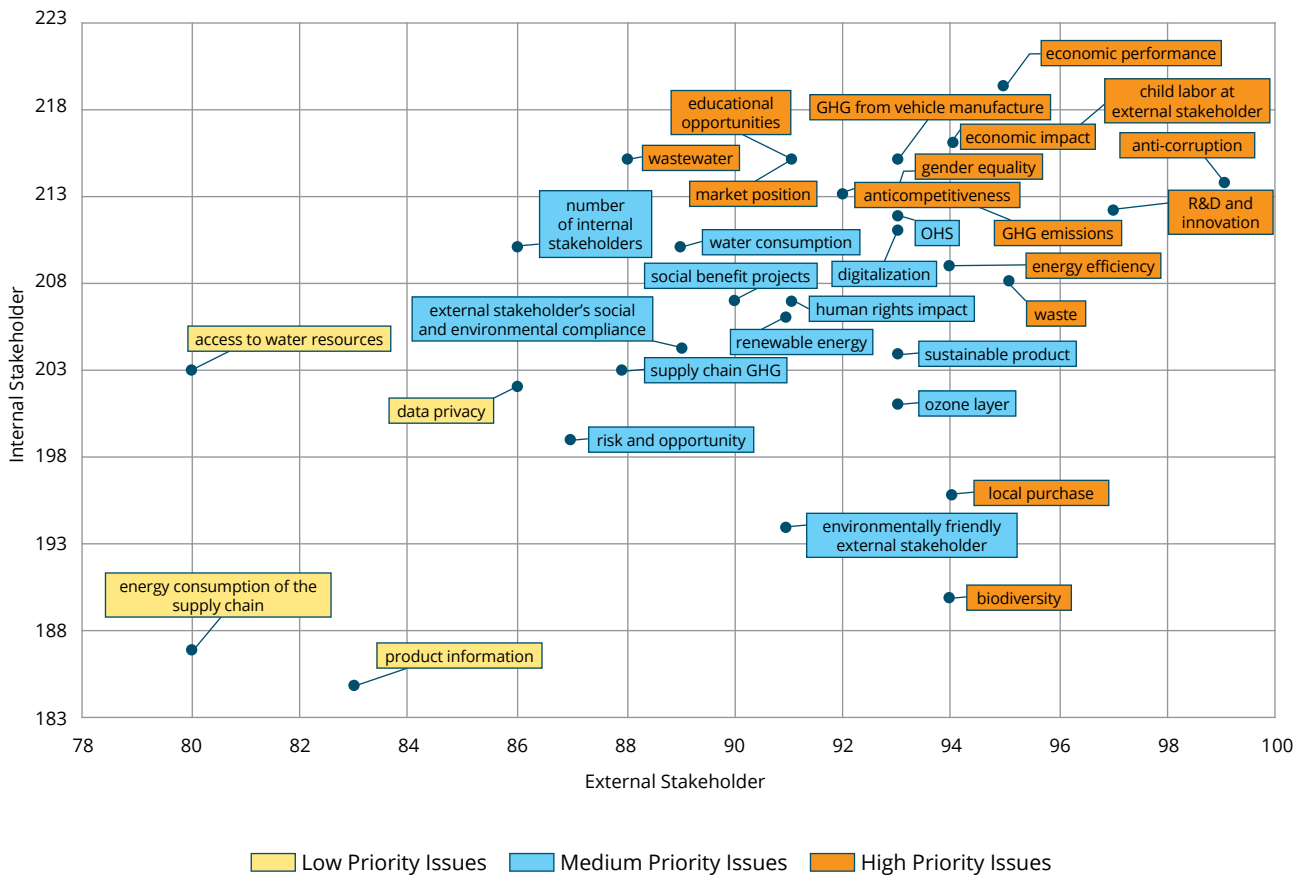
We act with the responsibility that all our employees, dealers, and suppliers should work together to reflect our sustainability approach towards all business processes. We focus on transparency and responsibility criteria in line with the strategic importance we attach to stakeholder interaction. At the same time, we encourage our stakeholders to work in compliance with the UN Global Compact.

Stakeholder Analysis

Stakeholder Group	Application Type and Frequency
Employees	Surveys and Research (at various intervals); Training Activities, Tofaş Ethical Principles, Internal Communication Platforms (digital signage, intranet), Announcements (continuous); Suggestion and Reward System (current); OHS Committees, Working Groups and Committees (occasional); Internal Periodicals (three times a year); Performance Management and Career Development Meetings, Social Events (at least twice a year); Management Meetings, Communication Meetings, Activity Report (annually), Sustainability Report, Environment Day (annually); Working Life Evaluation Questionnaire (annually)
Main Shareholders	General Assembly Meetings, Annual Report (annually), Sustainability Report (annually); Board of Directors Meetings, Financial Performance Reports (four times a year); Special Case Disclosures (when needed)
Minority Shareholders	Investor Presentations, One-on-One Talks (upon request); General Assembly Meetings, Annual Report (annually), Sustainability Report (annually); Financial Performance Reports (four times a year); Special Case Reports (when needed)
Dealers	One-on-One Talks (upon request); Dealer Meetings, Annual Report (annually), Sustainability Report (annually); Internal Periodicals (three times a year), Dealer Training (continuous); Customer Satisfaction Surveys (annually)
Suppliers	One-on-One Meetings (On Request); OHS Committees (once a month); Annual Report (annually), Sustainability Report (annually); Supplier Code of Ethics (continuous); Internal Periodicals (3 times a year), Training and Development Programs (ongoing); Supplier Summit
End Users	Product Labels and User Manuals (continuous), Marketing Communication Studies (ongoing); Expo Participation, Annual Report (annually), Sustainability Report (annually)
Locals	Compliant System, Community Project, Donations and Sponsorships (upon request); Information Meetings (when needed); Annual Report (annually), Sustainability Report (annually)
Sectoral Actors	Meetings and Discussions, Projects and Initiatives (upon request); Expo Participation (periodical); Annual Report (annually), Sustainability Report (annually)
Local Authorities	Meetings and Discussions, Annual Report (annually), Sustainability Report (annually)
Public Institutions	Meetings and Discussions (upon request); Disclosure Reports (at various intervals); Public Audits (at various intervals/instantaneous); Annual Report (annually), Sustainability Report (annually)
Non-Governmental Organizations	Memberships (continuous); Working Groups, Committee and Board Memberships (periodical); Joint Projects and Initiatives, Meetings and Discussions (upon request); Annual Report (annually); Sustainability Report (annually)
Universities and Academics	Scholarship and Internship Opportunities, Academic Congress and Seminar Participation (continuous); R&D Project Partnerships, Sponsorship and Supports; Support for Academic Research and Publications; Meetings and Discussions (upon request); Annual Report (annually); Sustainability Report (annually)
Employee Families	Information Studies (continuous); Internal Periodicals (three times a year); Social Events (at least twice a year); Environment Day (annually)
Thought Leaders	Opinion Leaders Meetings and Discussions (upon request); Annual Report (annually), Sustainability Report (annually)
Media	Interviews and Talks (upon request), Meetings and Talks (several times a year); Press Releases (during the year), Special Case Disclosures (when needed); Annual Report (annually), Sustainability Report (annually)

Materiality Analysis

We have included our stakeholders in our sustainability efforts in accordance with the AA1000 Stakeholder Engagement Standard. We have determined Tofaş’s priority issues in the field of sustainability as low, medium, and high priority according to the results of the surveys attended by both internal and external stakeholders.



Stakeholder Analysis

Cooperation with Stakeholders for Climate Change

Suppliers

WCM (World Class Manufacturing is a methodology for systematically improving competitiveness in production. It aims to reach “zero” on occupational safety, quality, cost, delivery, and environment.) activities, which account for 45% of the total purchasing expenditures, are carried out to improve production standards at the facilities of 37 suppliers.

Since 2017, 100% of our direct suppliers have been involved in the improvement program as part of our Green Supply strategy. In this program, our suppliers fill in a survey about their environmental management systems and their performance, including their greenhouse gas emissions and other impacts on climate change. Then, we cooperate and support our suppliers in improving their environmental projects (energy efficiency, etc.).

We analyze ESG performance of our direct suppliers. We then select 15 suppliers from different sectors. We organize workshops, site visits, and action plans that include technical and methodical development projects to improve their performance and reduce their risk scores. Action plans are designed as short-medium, and long-term plans. We have 101 projects in total. As a result of short-term projects, 76% of which have now been completed, energy efficiency and greenhouse gas emissions have also increased by approximately 35%.

Customers

At Tofaş, we regularly communicate with customers to provide information on the efficient use of our products and services. For example, the “Fiat Yol Arkadaşım” application provides information about efficient driving styles and fuel economy by analyzing driving habits. This information can help to reduce fuel consumption and harmful emissions released into the atmosphere. These devices can reduce fuel consumption by up to 25% in the city driving scene.

Tofaş customers can access features such as manuals, guides, connectivity (Fiat Yol Arkadaşım Connect), and other educational videos. Eco:Drive is another system that our vehicles have which is a software system that is available on selected models and offers personalized tips on driving habits to reduce fuel consumption and emissions. Eco:Drive’s regularly updated impact and measures include CO₂ avoided by the eco:Drive community.

Our Impact Through Associations

OSD (Automotive Industry Association):

The Turkish Automotive Industry Association, the Turkish partner of ACEA (European Automobile Manufacturers Association), represents the interests of 15 manufacturers of automobiles, trucks, and buses in Turkey.

Today's most significant challenges include using limited resources responsibly and protecting our environment.

Sharing concerns about global warming, the auto industry actively contributes to finding sustainable solutions. Thanks to the industry's extraordinary efforts and billions of euros invested in R&D, the industry continues to make progress in reducing CO₂ emissions.

Vehicle manufacturers, as technology leaders, drive innovation towards cleaner, "greener" transportation. Every year, lower-emission cars, vans, and trucks get into market that demonstrates this commitment.

However, stating that the target set by the EU is very ambitious, AIA draws attention to issues such as technological breakthroughs, new refueling infrastructure, and rapid renewal of the vehicle fleet on European roads. Fuel, energy sectors, and policymakers need to combine their efforts in this challenging task.

TÜSİAD – Environment and Climate Change Working Group:

This working group was established to support the development of regulations that will ensure economic growth in parallel with environmental policies and the sustainability of natural resources in Turkey. This working group examines climate change regulations for both Turkey and the EU. It also contributes to the work of the Turkish Climate Platform (REC Turkey).

Tofaş is in constant dialogue and cooperation with many public institutions. In 2011, it became a member of the Climate Platform, which was established as an independent non-profit initiative with the collaboration of the Regional Environment Center Turkey (REC) and TÜSİAD (Turkish Industry and Business Association). It aims to support the transition to a low carbon economy and efforts to combat climate change.

With its participation in the associations like in AIA, Tofaş contributes to the development of regulations and standards for the automobile industry.

Economic Performance

Automotive Market and Tofaş's Place

The Turkish automotive sector continued its steady growth in the first half of 2021. However, the global scale microchip problem in the supply chain caused the production to slow down, and the Turkish automotive market shrank in the second half of the year.

Production of the European automobile market (the European Union, UK, and the European Free Trade Area) slowed down in 2021 due to disruptions in the supply of semiconductor materials.

Also, with the continuation of the effects of Covid-19, albeit decreasing, there was a 5% shrinkage compared to the previous year. In terms of main markets, Germany shrank by 10.1%, while France was 0.5%, Spain 1% and Italy. It showed a growth performance of 5.0%. Considering the shrinkage experienced in 2020, the European automobile market closed the year 2021 at 10% below its pre-crisis level in 2019. Tofaş completed the year with 112,477 units, as a result of a 4.6% contraction in exports in 2021 compared to the previous year.

In 2021, Tofaş's volumetric share in Turkey's exports was 12%.

SALES (UNITS)	2020	2021	CHANGE (UNITS)
Domestic Sales	141,576	122,309	-19,267
Manufactured	131,313	115,982	-15,331
Egea Sedan	79,371	49,183	-30,188
Egea HB	11,124	21,677	-10,553
Doblò	23,952	28,865	4,913
Fiorino	16,867	16,257	-610
Imported	10,263	6,327	-3,936
Ducato	3,841	2,243	-1,598
Fiat 500	1,300	635	-665
Jeep®	4,587	2,906	-1,681
Fullback	1	0	-1
Alfa Romeo	241	172	-69
Panda	219	235	16
Maserati	51	101	50
Ferrari	22	35	13
Export Sales	117,903	112,477	-5,426
Tipo	19,153	16,278	-2,875
Tipo HB and SW	41,687	29,246	-12,441
Doblò	33,090	37,697	4,607
Ram	10,621	11,064	443
Minicargo	13,335	18,180	4,845
Others	17	12	5
Total	259,479	234,786	-24,693

The share of export sales accounted for 49.3% of the total sales in 2021, and the profit from these sales was 14,643,275 Turkish liras.

	2020	2021
Annual Export Revenue (Million TL)	10,821	14,643

Local Leadership

Domestic Market

Despite the global challenges in the supply chain and the decline in the automobile market in Turkey, Tofaş managed to lead its sector with a share of 97% domestic production in domestic sales while representing 17% of the total industrial production in 2021.

Tofaş represents six brands (Fiat, Fiat Professional, Alfa Romeo, Jeep®, Maserati, Ferrari) in the domestic markets with its wide range of product portfolio that meets customer expectations in all segments. Tofaş's sales revenue was 29.7 billion in 2021. It strengthened its position in the automotive sector with a domestic market share of 16.9%.

Fiat Egea has become Turkey's best-selling vehicle for the sixth consecutive time in 2021. Moreover, with its body options and most preferred vehicle in its segment, the Fiat brand maintained its sectoral leadership by increasing its share in the light vehicle market. As the minivan class constitutes an essential part of the market, the Fiorino continued its successful performance, and Fiat Doblò became the "Most Preferred Light Commercial Vehicle of the Year." In 2021, Tofaş continued its leadership role in Turkey's automotive market for the third time in a row.

Key Actions of Marketing and Mobility:

- The scope of "Fiat Online," launched with specific models in 2020 and provided 24/7 service during the full closures of the pandemic, was expanded by including all passenger cars in the Fiat product range as of May 2021.
- In July 2021, a "Black Spot Alert" was added for 250 spots with high accident risk to the "Fiat Yol Arkadaşım Connect" application, which Tofaş developed for Fiat users in Turkey.
- In September 2021, the "Jeep® Online" sales platform, which facilitates vehicle purchasing and delivery processes by providing customers with comfortable, reliable, and practical solutions, was launched.

Economic Performance

R&D

With our R&D Center established in 1994, we aim to support the Turkish economy by producing superior passenger and commercial vehicles regarding engineering, design features, and technological attributes. This center is registered as an R&D Center by the Ministry of Industry and Trade as of 2008 and, with its 500 employees, is currently the best automotive R&D center in Turkey. Our goal is to create an infrastructure that can compete with Europe in vehicle development. Tofaş R&D Center is among the most critical research and development facilities of Stellantis with its advanced technology and wide range of laboratories.

We are conscious of the importance of R&D to be a pioneer in the local and global markets, and we continue our investments in this field. Investments in the total design and test infrastructure of our R&D Center exceeded 58 million Euros in 2021. These investments include areas of the vehicle concept, style, body, interior design, suspension, engine, emissions, vibration, and acoustics. In addition, Tofaş R&D Center has increased its physical testing and capacity capabilities with an investment of 10 million Euros between 2019 and 2021.

Tofaş is among the top three companies with the highest R&D expenditure in Turkishtime's "R&D 250, Turkey's Top Companies with the Highest R&D Expenditures" ranking.

In addition to all these investments, we also prioritize environmental investments. We have allocated 21% of our environmental R&D activities to emission reduction. At Tofaş, we work to develop lower-emission or alternative fuel-powered vehicles to improve the travel experiences, transportation, and distribution activities of our stakeholders.

We put great importance on cooperation with universities, a gathering of local engineering firms, and collaborative designs. Tofaş R&D Center, which carries out cooperative university and industry projects simultaneously with technology development studies, has worked on nearly 130 projects with 16 universities in the last 15 years. In addition, as Tofaş, we applied for 39 new patents in 2021.

Sustainable Supply Chain

At Tofaş, we evaluate the sustainability risks of our entire supply chain and operations. Our goal is to anticipate, manage, and observe the environmental, social, and economic risks that may occur in the supply chain. We aim to develop action plans using the most efficient and innovative methods in advance.

We support our suppliers with financial and operational issues to ensure they are informed about sustainability risk management. We evaluate the performance of our suppliers using specific criteria.

Our Financial Risk Management department conducts audits to identify financial risks in our supply chain with the help of an independent third party. At the same time, we identify social and environmental risks in our supply chain through efficient and comprehensive audit reviews. After these audits, we implement development plans to help our suppliers increase their performance.

By Directive 2000/53/EC, all parts supplied are checked for lead, mercury, cadmium, and +6 valence chromium presence using the IMDS System. In addition, the materials used at Tofaş comply with the GADSL (Global Automotive Declarable Substance List) standard and do not contain any prohibited chemicals.

One of the criteria for selecting suppliers is the evaluation of environmental performance. The environmental impact evaluation accompanies performance and cost evaluation of the goods and services to be purchased.

90% of direct material suppliers of Tofaş have the ISO 14001 certification, and we monitor the suppliers without this certification with a progression calendar. Also, WCM Environment audits of our suppliers have been started.

In 2021, we evaluated our 7 new suppliers on the environmental criteria. Moreover, the number of evaluated suppliers based on environmental criteria has reached 16.

With the work of our Foreign Trade Team, Tofaş material dispatch of various units within express in selected consignments aircraft cargo will go to the same location, organized land carrying our different loads we sent it by means of transport. In this way, we have achieved 20% emission gains.

Business Ethics

At Tofaş, business ethics is one of the core elements of company culture. Our every operation reflects our adherence to business ethics. Therefore, one of our employees' primary duties and responsibilities is to follow the framework of ethical principles in their business lives. The Tofaş Code of Ethics and the Tofaş Anti-Bribery and Anti-Corruption Policy are accessible to all our employees, dealers, suppliers, partners, and stakeholders, which are expected to comply with its standard of integrity throughout the organization.

The Tofaş Ethics Committee is responsible for implementing the Tofaş Code of Ethics and overseeing its compliance process. At Tofaş, no corruption case is encountered, and an unwavering corporate stance continues this subject. At Tofaş, antitrust and competition laws are sensitive matters, and we maintain a steadfast commitment to comply with these laws. Concerning this, Tofaş has not encountered any non-compliance on these subjects, and no lawsuit has been filed against Tofaş.

Tofaş has a "zero tolerance" policy against bribery and corruption and conducts its activities fairly, honestly, legally, and ethically. We aim to fully comply with legal regulations, ethical and professional standards, and universally accepted rules in all policies and procedures we establish.

Our goal is to maintain a healthy competitive environment and conduct business where no antitrust issues arise. In case of trust violation, necessary actions will be taken to rectify the situation. Thus, ethical compliance is supported through in-house collective training, routine ethical code information, and online training to avoid possible wrongdoing.

Tofaş recognizes the importance of anti-corruption principles and intends to operate its business with good morals and under a good corporate governance framework. We regard the anti-corruption principle, the 10th principle of the UN Global Compact (UNGC), to which Koç Holding, one of our principal shareholders, is a signatory, as an essential part of our business ethics and anti-corruption strategy.

Tofaş does not discriminate in any of its activities or operations based on language, race, gender, political opinion, philosophical belief, religion, sect, or other factors. Unless the risk dimension of the work, the safety of the employee, or legal requirements necessitate it, different practices shall not be carried out directly or indirectly in the termination of the employment contract. The non-discriminatory approach is also adopted in the creation, implementation, and termination of the conditions due to gender or pregnancy, except for reasons related to the nature of the work. Equal remuneration for work of equal value will be free from discrimination based on sex. Recruiting, appointing, and promoting employers are not based on language, religion, or gender. Moreover, the employment of children is prohibited, and Tofaş, under no circumstances, will use forced or bonded labor in any of its activities and operations.

Environmental Performance

Climate Change and Environmental Impact

Continuing our activities in line with World Class Manufacturing (WCM) and ISO 14001 Standard, we have adopted a preventive and proactive approach to environmental risk management, which requires a great number of financial resources. We take measures beyond the requirements of environmental legislation by improving our production system with the WCM methodology; we eliminate pollution by reducing risks. As Tofaş, we keep potential risks under control and act confidently so that the economic effects of possible damages will be diminished.

In 1998, we took an important step as the first factory to receive the automotive industry's ISO 14001 Environmental Management System certificate. We aim to reduce and, where possible, eliminate environmental damage by having a well-established, sustainable Environmental Management System within the Environmental and Energy Policy framework. Thanks to our dedication to standards in this field, we increased environmental performance and ensured sustainability in production by complying with the relevant regulations.

We carry out our activities with a minimum environmental impact and consider protecting natural resources as one of our fundamental responsibilities. With our integrated approach to the environment, we are committed to controlling and reducing the indirect environmental impacts of our entire value chain and the direct environmental effects resulting from our activities.

At Tofaş, we report environmental issues to the Board of Directors under the responsibility of the Sustainability Committee and Sustainability Working Committee, including the Environment Department.

We believe improving our management infrastructure is essential and effective, mainly to make our environmental performance better. For this reason, we accelerate our decision-making processes by calculating the economic costs associated with environmental risks and allocating financial resources for these costs within the risk management framework. We value the importance of environmental problems and the development of environmental awareness among all our stakeholders and employees through incentives to carry the performance in this field to the future.

As Tofaş, we try to minimize the environmental impact of our logistics activities. Within the scope of sustainability of our logistics operations, we value the areas such as energy use, greenhouse gas emissions, and the use of protective packaging. In selecting service providers, we consider factors such as energy efficiency management systems, carbon footprint verification certificates and emission measurements. We also design alternative sea or rail delivery methods and use low-emission vehicles that meet current environmental criteria. We use procedures to shorten the distance traveled on each trip.

Tofaş continues its activities in compliance with national environmental laws and regulations, and "zero non-compliance" was detected in environmental audits carried out by both legal authorities and stakeholders in 2021. Since 1998, when we received the global ISO 14001 certification, there has been no case of non-compliance.

As Tofaş, our full compliance with all environmental and energy-related legal and other requirements is being audited annually by both legal authorities and their main shareholders, Koç Holding and Stellantis. No significant non-compliance has been detected in the audits carried out to this date, and no environmental criminal sanctions have been imposed on Tofaş to date.

As Tofaş, we deal with climate change in three aspects with an integrated approach: a dimension involving legal regulations such as emission limits, a physical and operational dimension involving issues such as sudden changes in weather conditions, and an economic dimension involving carbon trading. Rapid actions are developed against all kinds of threats that may occur in all these dimensions within the corporate risk management framework. Long-term solutions are offered by using environment-friendly techniques.

Departmental environmental and energy guides are involved in implementing environmental policies and procedures, and ensuring their adoption within the units. All environmental and energy guides attend monthly Environment and Energy Board meetings and organize the dissemination of policies within the department and related training activities.

As Tofaş, we appreciate helping solve environmental problems and raising environmental awareness among our employees and business partners. Within Tofaş Academy, we developed training modules to increase environmental awareness. In 2021, we used digital platforms to provide 74,512 hours of training to 6,128 employees.

In order to reduce our impact on nature with the “Let’s Breathe into the Future” campaign, we donated saplings to “Tema” on behalf of our 1007 colleagues, who act responsibly towards nature by not requesting an agenda in 2022.

We cooperate with non-governmental organizations, associations, and legal authorities to create environmental policies and reduce environmental impacts. In addition to our work with OSD membership and TÜSİAD working group membership, we aim to contribute to the value chain through university collaborations, associations, and partnerships with chambers.

Water Management

Climate change, as the effects of which we feel more and more as a result of global warming, increases the frequency of unusual weather events. This process also seriously affects water resources. As Tofaş, we focus on reducing our water use and water footprint with a conscious perspective of our resources. We try to reduce the amount of water we use by efficiently managing our water and wastewater systems.

We are working on various solutions and applications to improve our water use continuously. We aim to ensure the sustainability of our water resources by conducting regular analysis studies.

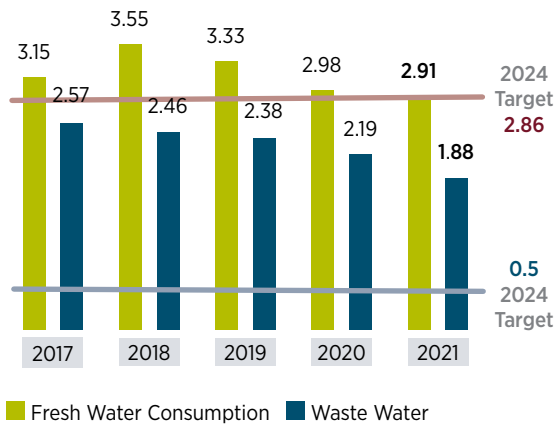
Tofaş Sustainability Committee determines and monitors all water-related strategies. At the same time, our Sustainability Working Group is responsible for strategic decision-making processes regarding sustainability management, and reports directly to the Sustainability Committee, which is led by the CEO.

The Environmental Health and Safety Manager is a member of the Sustainability Committee and the Sustainability Working Group leader. They manage all water-related issues, including risks and opportunities at the operational level. The Environmental Health and Safety Manager also closely monitors issues such as water consumption and wastewater treatment and ensures that they are managed in the best way possible.

We benefit from treated underground water resources in all our production processes. Our water use, which was 788,444 m³ in 2020, decreased to 776,732 m³ in 2021.

Environmental Performance

FRESH WATER CONSUMPTION (M³/VEHICLE)



Our water management approach is shaped in line with our principle of efficient water usage.

Due to its potential negative effect on biodiversity, wastewater management is critical to understanding water management. Wastewater generated as a result of our activities is recycled at the maximum level in our modern treatment facilities. We discharge our wastewater to receiving environments with amounts below the limit values specified in the discharge permits.

The amount of freshwater used by each vehicle, which was 2.98 m³ in 2020, was reduced to 2.91 m³ in 2021. We aim to reduce this level to 2.86 m³ by 2024 with the recycling studies we have carried out.

In line with our principle of responsible use of water resources, we ensure that the freshly drawn water is reused in various processes. We continue to use the wastewater generated by an industrial process to meet our water needs in other processes.

As a part of these efforts, we ensure reusing 60 million m³ of water in 2021, thanks to the in-plant circulation system.

In addition to enacting the Convention on Biological Diversity, to which Turkey is a party, we also identify potential hazards and take necessary measures through frequent inspections. In this context, we constantly monitor our biological impact. We highly regard the environmental impact assessment studies in order not to have a harmful effect on natural areas and wildlife around our operations. Wastewater treatment is an essential component of our responsible water management, as wastewater has the potential to impact biodiversity negatively.

Water and Supply Chain

At Tofaş, we closely monitor our direct material suppliers regarding freshwater resources, water consumption, wastewater amounts, discharge points, wastewater management systems, and action plans by location.

Freshwater is a critical requirement for our suppliers' processes. We are also affected by any water stress in all our processes indirectly. Resource availability is related to both physical and regulatory conditions. We send surveys to our suppliers about their water consumption, water resources, water treatment processes, and wastewater quality.

In line with the data, we collect from our suppliers, we have created a risk profile and matrix that shows the assessment of risks that might arise from possible legislative changes or ongoing processes. As a result of the evaluation, no risk was observed, but we continued our follow-up activities. We also conduct environmental impact assessments in line with an EIA matrix that includes water-related issues, through data. With this matrix, we are designing and launching a development program to properly use environmental aspects, including water resources, thereby reducing the environmental impact of suppliers.

Stakeholder-related Water Risk Assessment

	Eligibility & Scope	Statement
Customers	Not relevant, included.	As Tofaş, we take essential steps to reduce water consumption. We continue to listen to customer demands to make production processes sustainable. In this context, as Tofaş, we report the water issue as a priority in our Sustainability Reports.
Employees	Relevant, always included.	We consider the needs of our employees in risk assessments. In addition to providing sufficient drinking water for our employees, we also provide water conservation training.
Investors	Relevant, always included.	Borsa Istanbul Stock Exchange has launched a Sustainability Index, in which water-related issues are included in the evaluation criteria. Water-related problems are one of the priority issues communicated to all stakeholders in Tofaş's Sustainability Report.
Local communities	Relevant, always included.	We actively contribute to the development of local communities and try to minimize any negative impact we have on the environment. We work to reduce water withdrawal and improve the quality of discharged water at facilities located in areas with water shortages. We collaborate with local authorities and suppliers in these areas to run projects and initiatives that positively impact local communities.
NGOs	Relevant, always included.	We include NGOs in Tofaş's risk assessment for reputation and benchmarking purposes. We also listen to their suggestions and support cooperation with NGOs.
Other water users at the basin/ basin level	Relevant, always included	DOSAB Industrial Zone has underground water extraction wells and a treatment plant in the same basin.
Regulators	Relevant, always included.	While pressure on water suppliers is expected to continue, government officials are mandating that they provide zero fluid discharge in their operations to encourage producers to reuse water and reduce their overall water use.
River basin management officials	Relevant, always included.	State authorities are preparing a watershed plan to reduce the purified water outflow limits as well as zero discharge to the Nilüfer River in the future.
Legal special interest groups at the local level	Relevant, always included	We are members of OSD and TÜSİAD working groups and the leader of Koç Holding's water management and risk assessment working group.
Suppliers	Relevant, always included.	Water scarcity in suppliers will directly affect Tofaş's production. As Tofaş, we conduct WCM audits on suppliers to improve water management.
Local water services	Relevant, always included.	DOSAB Industrial Zone provides services for water facilities. We consider DOSAB services as an alternative that we can use in any future arrangement.
University	Relevant, always included.	We cooperate with Uludağ University Environmental Engineering Department on water management and wastewater quality.

Environmental Performance

Energy and Emissions

As Tofaş, we have been verifying annual greenhouse gas reports within the scope of ISO 14064-1 Greenhouse Gas Management System since 2010. In addition, we implemented the ISO 50001 Energy Management System in 2013 and continued our activities most efficiently.

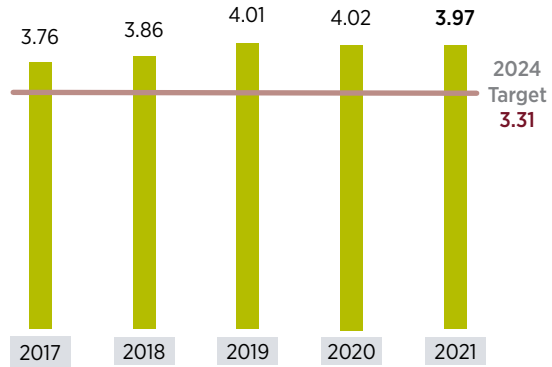
To combat climate change, we cooperate with Stellantis and our stakeholders in our supply chain. We have provided various improvements in the applications we will carry out in our production processes, which is an area where we can make the fastest impact. We plan to fulfill our responsibilities in the fight against climate change by reducing our products' energy and emission intensity every year.

In line with our short, medium and long-term goals, we monitor and improve our energy efficiency and emission performance. The CEO is informed about the work carried out by the Energy Guides Board Working Group and Tofaş Sustainability Committee, which deal with energy efficiency and emission control issues. As a result of our activities, we keep our emission values below the upper limits determined by government institutions.

In 2021, our total energy consumption from non-renewable (electricity and natural gas) sources was 906,678 GJ.

Non-Renewable Resources	Electricity Consumption	387,859 GJ
	Natural Gas Consumption	497,066 GJ
Renewable Resources	Solar Energy (SolarWall)	2,180 GJ
Total Energy Consumption		887,105 GJ

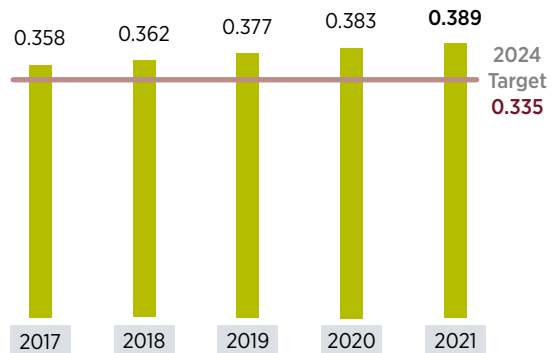
ENERGY CONSUMPTION (GJ/VEHICLE)



As a result of our efforts to minimize fixed energy consumption studies, the energy consumption per vehicle, which was 4.02 GJ/vehicle in 2020, decreased to 3.97 GJ in 2021, below the target value. We want to reduce our energy consumption intensity every year, and we have set an energy consumption target of 3.31 GJ/vehicle per vehicle for 2024.

In 2021, we implemented the World Class Manufacturing methodology and carried out activities to reduce energy consumption and CO₂ emissions. 384 energy efficiency projects were created within the scope of these activities. Thanks to these projects, a total of 77,974 GJ of energy savings compared to 2020 and a corresponding reduction of 5,148 tons of CO₂ were achieved.

GHG DENSITY EMISSIONS (TONS CO₂EQ/VEHICLE)

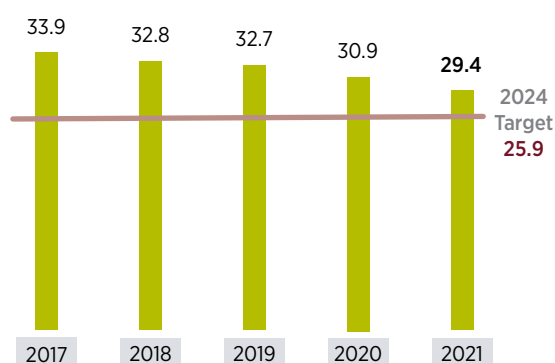


Although the total emission reduction was 72% higher than the previous year, this improvement was not reflected in the emission value per vehicle due to decreased production units.

As Tofaş, we also consider the reduction of greenhouse gas emissions in addition to our reduction targets for energy consumption per vehicle. We aim to reduce the GHG intensity emission trend, 0.389 tons of CO₂/vehicle, to 0.335 by 2024 and achieve a reduction of 14%.

The value of direct greenhouse gas (Scope 1) emissions from Tofaş's operations in 2021 is 42,790 tons of CO₂e, and the importance of indirect greenhouse gas (Scope 2) emissions is 46,180 tons of CO₂e. We have calculated the relevant emission calculations per the ISO 14064-1:2006 standard and provided operational controls. 2006 IPCC Guidelines for National Greenhouse Gas Inventories have been taken as reference for our emission values calculated in 2011.

VOC EMISSIONS (GRAM/M²)



As a result of improving operational controls, we have achieved a 15% reduction in VOC (Volatile Organic Compounds) emissions in the last 5 years. With solvent-free cleaning products, the transition to one-bell paint technology, water-based electrostatic paint applications, and the nitrotherm project, we have reached values far below the European Union limits on VOC emissions. As a result of these efforts, we reduced our VOC emissions to 29.4 grams/m² in 2021. As Tofaş, we continue our prospective reduction efforts and aim to reduce VOC emissions to 25.9 grams/m² in 2024.

The emission of substances harmful to the ozone layer (CFC-11 equivalent) resulting from Tofaş's activities is only 24 kg, and we aim to reduce this value to zero by 2024.

Among our efforts to transition to a low-carbon economy model, we stand out with our initiatives to increase energy efficiency. We significantly reduce energy use and greenhouse gas emissions with these implemented projects.

• Process Air Heating with SolarWall Technology

The Process Air Heating Project with SolarWall Technology, developed by the Tofaş Paint Production Department, is based on the idea of using the air heated by solar energy directly in the production process. This project, a pioneering and vital initiative in the field of renewable energy in the automotive sector, is based on the use of hot air heated with solar energy. We provide energy savings of 35% annually. In addition, while producing hot air from solar energy in return for 2,181 GJ/year of natural gas, we provide the equivalent of 122 tons/year of greenhouse gas reduction.

• Smart Energy Management System

Algorithms created with the Smart Energy Management System and internal resources at Tofaş's paint production facilities allow energy-consuming machines to switch to standby mode by automatically lowering the set values of the system during planned and unpredictable production stops. This system can determine when the production ends with the data it receives from the field and automatically closes the lines it produces with the least energy. As a result of this project, we saved 1,735,776 kWh of energy and 147,600 sm³ of natural gas per year, preventing the release of 1,060 tons of CO₂ into the environment. The first prize in the "Energy Efficiency in Industry Project Competition" organized by the Ministry of Energy and Natural Resources in 2021 was given to the Boyahane Smart Energy Management System.

As Tofaş, we have been using the ISO 50001 Energy Management System since 2013. In the independent audits of this management system carried out in 2021, "zero non-compliance" was detected.

Environmental Performance

Sustainable Material

As Tofaş, we have a sustainable approach in all our production processes. In this direction, we highly regard the efficiency of natural resource use. We carry out our activities within the scope of refusing, reducing, reusing, repurposing, and recycling improvements.

We always aim to manage our products and services' positive or negative effects in the best way possible. That's why we evaluate our products and services with a complete lifecycle perspective.

Comprehensive evaluations were made in Borsa Istanbul in 2021 by the international evaluation organization Refinitiv. As a result of these evaluations, Tofaş continued to be among the 50 Turkish companies eligible to be included in the BIST Sustainability Index with its sustainable production strategy. In addition, Tofaş answered the questions of the Carbon Disclosure Project (CDP) on water and climate change in 2021.

We transparently publish the results of our activities in these areas on our corporate website and annual sustainability reports. We also disclose our environmental and sustainability targets to all our stakeholders.

The European Directive 2000/53/EC targets are 85% recycling and 95% repurposing. As Tofaş, we care to work in harmony with these targets. In this direction, we recycle at least 95% of our vehicles that have completed their life, including energy generation.

In addition to minimizing the environmental impact of the production and use of our vehicles, we are constantly developing programs to make our processes more sustainable and our vehicles more environmentally friendly.

As Tofaş, we set targets to increase the use of recyclable and environmentally friendly materials in our vehicles. In this process, we recycle the recoverable components of materials that have reached the end of their life. We ensure that the remaining materials are disposed of by national and international regulations.

Some of the studies carried out under the leadership of Tofaş's R&D team to increase the ratio of recycled and environmentally friendly materials used in vehicles are as follows:

- OCEAN FABRIC - Production of seat covers with fabric produced from plastic bottle wastes in the sea,
- Recycling the industrial plastic bottle and producing parts from innovative recycled materials,
- MULTICYCLE - Allowing the same raw material to be used endlessly, with a method developed to recover the plastic raw material with its original properties,
- Using bio-based polymers in vehicle parts.

Social Performance

Diversity and Inclusion

At Tofaş, all our employees are being treated fairly and with respect. We provide a safe and healthy work environment, free of discrimination based on principles such as dignity, fairness, respect, and equality. Moreover, we work to always ensure the continuity of this environment. Therefore, we signed the United Nations Women's Empowerment Principles (WEPS) in 2017. Additionally, in line with Tofaş Ethical Principles, we view all gender, age, ethnicity, religious beliefs, life and expression styles, mental and physical differences as richness. Our goal is to create value from these differences. Thus, we developed our human resources policy and practices accordingly.

Human Rights

We act 100% in compliance with the principles presented in the UN Global Compact, to which Koç Holding, one of our principal shareholders, is a signatory. We fulfill our human rights, labor, environment, and anti-corruption responsibilities within the scope of our activities. Moreover, we pay attention to how various best practices may affect other areas to manage the whole business process with a holistic and responsible approach.

Diversity is one of the most important elements of our human rights strategy. Therefore, we evaluate our employees based on their knowledge, skills, and abilities in our recruitment and other recruitment principles. We do not allow discrimination based on age, gender, religion, or ethnicity in internal matters. While following a remuneration policy based on the principle of "equal pay for equal work", we give all our employees an equal chance to do a job of equal value.

In 2021, Tofaş was not subjected to any fines for non-compliance with laws and/or regulations in the social and economic field. However, there are 22 judicial decisions finalized against the company due to violations of employee rights.

At Tofaş, we have not and will not tolerate child labor, forced labor, violations of employee rights, and discrimination. We also work to free our supply chain from discrimination while operating our business. We expect all our dealers and business partners act in accordance with our standards of respect for human rights.

We consider it very important to protect the trade union rights of our employees, and we support our employees in exercising their corresponding rights. In this context, we attach great importance to solid representation of our employees vis-à-vis management. We create the necessary environment for our employees to freely exercise their right to collective bargaining and unionization, and we expect our suppliers and business partners to do the same.

Today, the first prerequisite for rapid adaptation to changing competitive conditions is investment in human resources, and our company's human resources strategy has been set with this in mind. Our goal is to create an infrastructure by offering our employees high motivation and providing them with the most competent people for their tasks.

At Tofaş, we are dedicated to creating a safe and healthy environment that adds value to social life and is based on mutual respect and trust. In one of our critical business units, 89% of the employees in senior management positions are from the local community. In 2021, the percentage of our female labor force increased from 9% to 10%, and we aim to improve it even more.

Social Performance

Employee Demography	2017	2018	2019	2020	2021
Total Workforce (Number)	10,156	8,526	7,421	7,401	6,410
Direct Employment	9,221	7,694	6,720	6,876	6,410
Female	872	800	694	668	645
Male	8,349	6,894	6,026	6,208	5,765
Total Number of Employees by Age Groups	9,221	7,694	6,720	6,875	6,410
18-30	4,421	2,984	2,215	2,252	1,804
31-40	3,225	3,304	3,228	3,346	3,323
41-50	1,490	1,307	1,167	1,083	1,112
51-60	85	98	110	194	170
Total Number of Employees by Categories	9,221	7,694	6,720	6,876	6,410
Hourly wages	7,511	6,009	5,171	5,394	4,946
Female	509	421	339	325	311
Male	7,002	5,588	4,832	5,069	4,635
Monthly salaries	1,710	1,685	1,549	1,482	1,464
Female	363	379	355	343	334
Male	1,347	1,306	1,194	1,139	1,130

	2017	2018	2019	2020	2021
New Personnel (Number)	536	245	5	497	384
By Gender	536	245	5	497	384
Female (8% in 2021)	74	76	1	12	31
Male (92% in 2021)	462	169	4	485	353
By Age Group	536	245	5	497	384
18-30	440	206	4	434	346
31-40	76	36	0	13	35
41-50	19	3	1	4	2
51-60	1	0	0	46	1

	2017	2018	2019	2020	2021
Turnover Rate of New Personnel (%)	5.28	2.87	0.07	6.72	5.99
By Gender	5.28	2.87	0.07	6.72	5.99
Female	0.73	0.89	0.01	0.16	0.48
Male	4.55	1.98	0.06	6.56	5.51
By Age Group	5.28	2.87	0.07	6.72	5.99
18-30	4.33	2.42	0.06	5.87	5.40
31-40	0.75	0.42	0	0.18	0.55
41-50	0.19	0.03	0.01	0.05	0.03
51-60	0.01	0	0	0.62	0.01

	2017	2018	2019	2020	2021
Employees on Parental Leave (Number)	679	644	624		470
Female	104	97	102		63
Male	575	547	522		407
Employees Returned After Parental Leave (Number)	655	644	624		459
Female	80	97	102		59
Male	575	547	522		400
Employees Returned From Parental Leave and Did Not Resign in the Last 12 Months (Number)	625	585	596		459
Female	63	78	90		66
Male	562	507	506		393

Social Performance

In 2020 and 2021, Tofaş has been identified as the company with “the most disabled employment” and implement “the most projects to support the employment of disabled people” in Bursa by the Ministry of Labor and Social Security. As of 2021, there are 209 disabled employees in Tofaş.

At Tofaş, we intend to increase the number of women and disabled employees through the measurements we will implement up until 2026. In this context, we aim to bring the proportion of women who have a share of 25% among office workers to 35% in 2026 and, simultaneously, to increase the rate of disabled employees from 3.3% to 5%.

	2021	2026
Female applicant ratio	28%	40%
Female employee ratio	25%	35%
Disabled employee ratio	3.3%	5%
Physically disabled employee ratio	-	15

Thanks to our support of our employees’ participation in the union and collective bargaining agreement, the participation rate in the collective bargaining agreement at Tofaş was 77%.

GENDER EQUALITY

Gender equality is one of the leading principles that Tofaş values. We try to express our concern on this issue through initiatives that will benefit the entire society.

We aim to increase the number of female students studying in STEM fields in line with the Gender Equality Forum’s global acceleration plan actions in the field of technology and innovation for gender. In this context, we create and support current projects that have the potential to spread across Turkey. With these projects, we aim to reach 30,000 girls by 2026.

UN Generation Equality Project

This project was born out of a need to improve the number of women working in the field of technology and innovation, as well as wanting to improve the number of girls working in these fields. In this context, various plans and commitments have been established for the project, which will start in 2022 and be completed in 2026.

- The ratio of women working in STEM fields, which was 18% in 2021, is planned to double to 30% by 2026. It is also aimed to increase the proportion of women working in STEM management fields from 13% in 2021 to over 20%
- To support existing projects by creating projects that will increase the number of female students studying in the field of STEM that have the potential to spread throughout Turkey. Direct access to 30,000 girls through projects will be gained until 2026.

Social media posts were made as part of the implementation. Commitments were announced together with other Group companies in a YouTube live broadcast. The project, in which Koç Holding and the United Nations are stakeholders, has not yet reached a conclusion. The output of the results will be discussed

FIAT BARRIER-FREE MOVEMENT PROGRAM

Fiat Barrier-Free Movement Program was established to help drivers and passengers with limited mobility to travel independently. It offers solutions for safe driving, and comfortable travel needs to increase the freedom of movement of disabled people and their families.

As Tofaş, with the Fiat brand, we strive to raise awareness of people with disabilities about purchasing vehicles, to make vehicles suitable for drivers and passengers, and to find solutions to many other problems.

In this context, with the “Aynı Dili Konuşanlar” project, sign language services for hearing-impaired consumers started in 2021. In this way, vehicle purchasing, and service processes were made sustainable in terms of accessibility, inclusion and equality.



As part of the Fiat Barrier-Free Movement, in 2022 Tofaş will develop the necessary infrastructure for the websites of all the brands it represents so that hearing impaired people can communicate with dealers without an intermediary person. All brands, dealers and service locations represented by Tofaş are expected to comply with accessibility standards by 2026.

The "İyiye İşaret" digital platform was introduced in 2019 as part of the Fiat Barrier-Free Movement. It helps the hearing impaired to communicate in writing in understandable Turkish. In this portal, which can be used free of charge by the hearing impaired, words and their use in sentences can be watched in visual, sign language and narrative videos.

OCCUPATIONAL HEALTH AND SAFETY (OHS)

Occupational health and safety (OHS) is positioned as one of the most important components of our management approach. Tofaş utilizes a lean and proactive occupational safety approach with the World Class Manufacturing (WCM) approach. Within this responsibility, we manage all our human resources in accordance with the applicable legislation. We aim to protect our employees from work-related injuries and occupational diseases.

We ensure best practices in our occupational health and safety procedures by supporting FCA standards. In this context, many local and international enterprises and official organizations come to our factory to see how we handle occupational health and safety. That factory is an example among Stellantis factories.

We create a safe working environment and a permanent occupational safety culture with our proactive and lean approach to occupational safety. We aim to protect all our human resources within the company's boundaries from occupational accidents and diseases.

Tofaş İstanbul and Bursa have successfully completed this year's Integrated ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 Standards Certification Audit. We were entitled to receive our certificate after the completion of this year's audit within the scope of the ISO 45001:2018 standard, which was created by developing the OHSAS 18001:2007 standard.

With the implementation of the ISO 45001 standard, some topics of occupational health and safety management have been brought to the forefront. These topics are; management of opportunities and risks that will affect the management system, management of occupational health and safety risks of contractors, management of expectations of employees and related parties, ensuring participation and consultation, and management of changes due to contractors' OHS risks.

ISO 45001 standard, Koç Holding OHS Management Procedure and SPW (Stellantis Production Management) OHS Principles are in force within Tofaş. 100% of our 6410 employees are controlled within the system. Contractors who are not Tofaş employees are also 100% audited within the system.

All routine and non-routine works and areas are evaluated within the risk analysis process. With this analysis, risks are identified and, if necessary, urgent temporary measures are taken immediately. Permanent measures, starting with the most effective methods, are researched, defined as actions and monitored. At the same time, trainings (including more technical trainings such as CMSE, NEBOSH, if necessary) are provided for the teams that will participate in the risk analysis process. Risk analysis and other processes are reviewed as part of annual assessments and feedback is collected to improve the system.

Social Performance

Our employees can always report hazards and dangerous situations directly or through the systems provided. Employees close to the field are ensured to participate in OHS audits through the SMAT application. At Tofaş, we ensure that employees at all levels, starting with the management, are aware that OHS notifications are for the benefit of their work. It is under legal guarantee that our employees will never face any negative attitude regarding their notifications. This is also conveyed to employees through trainings. Hazard notifications are also encouraged through incentive systems.



We conduct a detailed root cause investigation in the PDCA cycle after incidents that occur or come close to occurring. In this context, we examine all data with the investigation team we have established and find the root cause. We investigate, plan, and monitor the actions to prevent the recurrence of the root cause. All these processes are reviewed weekly, monthly, and annually. In these reviews, incident and action evaluations are made, as well as feedback on system improvements.

At Tofaş, we apply risk analysis to identify and eliminate hazards in all our operations and areas. Our OHS field team routinely conducts field audits and reports nonconformities. In addition to these, we have practices such as SMAT, Safety Patrol, OHS kaizen, Safet Captain for not only the OHS team but also our employees to identify and report hazards. Trainings and reviews are carried out to increase the sustainability and quality of these practices. Data is transferred to a central OHS system and managed there. All our employees can easily access this system from their computers or phones.

Developments related to occupational safety are evaluated at bimonthly meetings attended by union representatives. Representatives are consulted on the development and implementation of the occupational health and safety management system and their participation is ensured. In addition, OHS surveys are organized periodically to improve the occupational health and safety system. Employees can submit their suggestions regarding the system or practices through the relevant systems. Information on occupational health and safety is made available to employees through boards in the field, closed circuit broadcasting in common areas, banners, posters, etc. At the same time, interactive information can be provided through the internal communication portal.

In accordance with the legal definition, occupational health and safety committee meetings and reviews are held every two months. The Employer Representative, Occupational Safety Specialist, Workplace Physician, Union Representative and Human Resources representative attend these board meetings. Decisions are taken with the absolute majority of the participants.

Occupational health and safety trainings are provided to all employees for a total of 12 hours every two years. In addition, employees are trained on the risks identified in risk analyses. The relevant persons receive occupational health and safety training when they start a new job or change jobs. In the DOJO training area, which is equipped with special equipment, the risks of each production unit are taught to field workers in practice at regular intervals.

We have a health center with a five-bed observation and emergency response area, a comprehensive analysis laboratory, respiratory, ophthalmic and audiometric control equipment. 6 doctors and 8 health officers provide free healthcare services to employees here. In addition, access to many private health institutions is facilitated thanks to complementary health insurance.

At Tofaş, we prioritize risks within the scope of risk analyses related to all our activities. We then define actions within the framework of these risks and monitor their realization.

In 2021, there were no fatalities from work-related accidents or occupational diseases. There were only a few accidents involving employees and contractor workers due to cuts and crushes.

The identification, characterization and remediation of accidents proceeded as follows:

- i. Hazards are identified through "Risk Analysis", "Field Inspections" and autonomous inspections,
- ii. Injury due to undefined work in the maintenance area,
- iii. The work area was reorganized in a safe way, made safe with poka yoke systems, and reinforced with trainings.

Activities for non-work-related health problems;

- Brochures, trainings, TofaşGO, and Wiki shares for heart health, salt use, etc.
- "Women Field Workers Anemia Program," developed due to the common anemia in women in our country, online nutritcounselling with FitBroccoli.
- Online exercise training (pilates, cardio, yoga, etc.) encourages movement during the pandemic.

Employees

	Number	Ratio
Number and rate of deaths from work-related injuries	0	0
Number and rate of high-impact work-related injuries (excluding fatalities)	2	0.17
Number and rate of work-related recordable injuries	11	0.92

Contractor

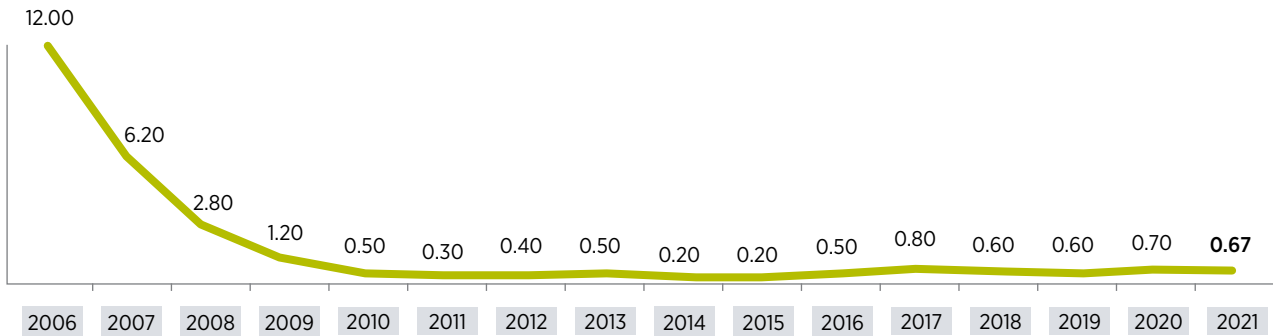
	Number	Ratio
Number and rate of deaths from work-related injuries	0	0
Number and rate of high-impact work-related injuries (excluding fatalities)	0	0
Number and rate of work-related recordable injuries	8	3.29

In 2021, the total number of accidents was 13. There were 8 accidents specific to our contractors. The total number of accidents, including fatalities, injuries and occupational diseases, was recorded as 21.

Through the hierarchy used in controls, the applicability of poka yoke systems to eliminate other hazards and minimize risks is prioritized and investigated. In this context, possible engineering changes and administrative arrangements are made. In addition, trainings are organized in support of these activities.

Social Performance

LOST DAY ACCIDENT RATE



* ≥1 day lost time (accident number x 1,000,000 / working hours)

ZERO OCCUPATIONAL ACCIDENT AND ZERO OCCUPATIONAL DISEASE GOAL

At Tofaş, we aim to maximize the occupational health and development culture not only of our employees, but also of our suppliers, interns, visitors and contractors.

In this context, we are committed;

- To meet all legal and other obligations regarding OHS,
- To adopt the principle that continuous improvement activities are the common responsibility of all employees,
- To obtain the opinions of all human resources about OHS practices and to ensure their participation,
- To reduce OHS risks by eliminating hazards,
- To sustainably achieve zero occupational accidents and diseases by continuously improving OHS targets and performance.

Sustainable, Proactive, and Simple Occupational Safety Management

We apply a seven-step methodology to achieve the improvement and excellence we aim for in occupational safety.

Step 1-2: The process starts with the analysis of accidents, as identifying the root causes of accidents and their countermeasures is crucial to successfully eliminate the possibility of further incidents. Another critical issue is the extension of the identified countermeasures to other areas.

Step 3: The main topic in this step is risk analysis (Legal Compliance and Risk Estimation). Other topics include Visual Management, Contractor Management and Training and eliminating risks in non-routine work.

Step 4: In this step, Occupational Safety Management Audits and Safety Patrols are implemented. Support at the management level is crucial to increase the motivation of our employees and spread the safety culture.

Step 5: At this stage, employees take their own safety responsibilities with the full support of senior management. Practices involving personal initiative are fundamental and critical, as an autonomous safety culture is created via representatives through the relationship between management and workers.

Step 6: In this step, team-based practices are initiated. The level of awareness of the team members is increased through collaborative practices.

Step 7: Health recommendations and campaigns start at this step. Body Age Calculation of Employees, Health & Dietitian Support, Home Occupational Safety Practices are critical issues at this stage.

Occupational Health and Safety Organization

Tofaş has an occupational safety core unit affiliated with our Environment, Health, and Safety Directorate. This team regularly attends weekly review and monthly occupational safety meetings. In this way, it keeps in touch with the occupational safety officers of each unit.

Our occupational safety department specializes in mechanical, electrical and electronic systems, chemistry, etc. They are also all certified occupational safety specialists.

In our main production units, there are 5 full-time occupational safety officers working under both the occupational safety unit and the EHS Directorate.

Within this organization, there are seven occupational physicians, nine health officers and one dietician. While performing their primary duties at the Health Center, they are also in close communication with the Human Resources department and cooperate with the EHS department.

We strive to achieve zero occupational accidents and zero occupational diseases within the parameters of our occupational health and safety management system. In the last fifteen years, Lost Time Accident (LTA) frequency has decreased by 94%.

At Tofaş, we believe that training has a very important place in workplace safety culture and we are constantly working to prioritize it. In 2021, 6,128 employees received 74,512 hours of occupational health and safety training.

Safe Workplace Award

Our “Occupational Safety in Logistics for 10s” project won the Exemplary Award at the Strong Communication Safe Workplace Good Practice Competition organized by the Ministry of Labor and Social Security as part of the 2021 OHS Week activities.

OHS Trainings Project

Within the scope of the “OHS Trainings that Safely Shape the Future” project, we provide university students with an occupational safety culture. This project won an award in the “Occupational Health and Safety” category of the Common Tomorrows Competition hosted by TISK in 2021.

As Tofaş, in addition to all efforts to combat the pandemic, we launched the Covid-19 vaccination program for all our employees and their families in 2021 with the slogan #HaydiTofaşAşıya. A total of 8,114 people benefited from this program. Our employees who want to be vaccinated can be vaccinated within their needs in the health center at the Tofaş Factory.

We are proud to be awarded the Bronze Award in the “Covid-19 Measures” category of “The Stevie Awards for Great Employers” with our Covid-19 practices that started in 2020 and continued with great devotion in 2021.

Employee Satisfaction

Everyone who starts working at Koç Group companies becomes a member of the Koç Holding Pension and Support Fund Foundation upon employment. Collected contributions are invested in securities and real estate investments. In the event of retirement or termination of membership, the collected contributions are repaid in the form of lump sum payments or retirement bonuses. Foundation members and pensioners benefit from health insurance that covers their spouses and children, and social benefits of foundation members include housing, financial support to meet certain needs, and risk coverage in case of death, inability to work due to illness and partial disability.

Social Performance

Tofaş employees have free health insurance, which is fully covered by the company. Employees have the option to include their spouses and children in the insurance coverage. At the end of 2021, there were 5,554 employees, 7,852 spouses, and 5,852 children covered by additional health insurance.

In 2021, the total number of scholarship holders reached 2,728 with the addition of 285 people to the "One More Support to Education from Tofaş" program launched by Tofaş for the children of the employees.

In 2021, 283 female employees were supported with the Nursery Assistance program, which was launched in 2016 to increase the proportion of female employees and maintain work-life balance.

Provision has been made for Tofaş's entire severance pay liability of TL 299,693,145.26 as of December 31, 2021. Social benefits are regularly provided to employees in compliance with regulatory laws.

Every year, approximately 15,000 people, mostly Tofaş employees, receive training and development services from Tofaş Academy, including dealer network, customer interest center, and supplier organizations.

Tofaş Academy's mission is "to provide the most appropriate learning experience for Tofaş and its value chain to enable them to do today's job better and prepare for the future."

The Academy provides 90% of its technical trainings with 249 trainers and 150 mentors using its own resources. Customized training and development plans are prepared for leadership and behavioral development both by using company resources and by expert trainers.

With the Digital Transformation School, which was established to provide digital competencies throughout Tofaş, 300 employees have completed certificate programs in data science, IoT, and RPA.

To support Tofaş's adaptation to the change process, 80 Scrum Masters graduated from the agile transformation training programs created for employees in 2021 and contributed to the change by taking part in more than 130 projects.

Award to Tofaş Academy

Tofaş Academy was deemed worthy of 3 gold and 1 bronze awards in The Stevie Awards for Great Employers category in 2021 for its innovative education and technology solutions.

PARTICIPANT	CONTENT	FIGURES
Monthly salaries	Total number of participants (virtual and face-to-face training)	4,479 people
	Digital learning percentage	90.4%
	Average training hours per personnel	64.3 hours
Hourly wages	Total number of participants (virtual-face-to-face training)	39,575 people
	Digital learning percentage	60.7%
	Average training hours per personnel	17.9 hours
Business Partners	Number of suppliers	50 companies
	Number of supplier employees participating in the training	838 people
	Total training hours	6,776 hours
Dealer Personnel	Total number of participants (virtual-face-to-face training)	4,014 people
	Digital learning percentage	70.21%
	Average training hours	12.1 hours

“Pusula” Operational Competency System

Implemented in 2021, the “Pusula” Operational Competency System includes team and organizational data, controls the competencies of field employees and tracks development requirements.

Supplier Development Platform: Developa

The digital development site “Developa” was established in 2021 to meet the competency needs of suppliers and to apply modern learning technologies. Developa, which is accessible to all Tofaş suppliers, is a pioneer in the field of training with approximately 1,000 content and learning platforms such as Tideo and Wiki in addition to asynchronous training.

Stakeholder Development

Launched in 2021 and aims to reach our dealers, the digital “Fiat Egea New Product Launch” received a Gold Award from the Stevie Awards. Sales and after-sales teams from across Turkey were contacted for the program, which makes the best use of digital training methods for different profiles in each session.

Tofaş Academy continued to offer tailor-made training and development programs to dealer and after-sales service personnel with its distance learning infrastructure compatible with pandemic conditions. Training, development, and consultancy services are offered through development activities called “Digital Literacy”, “Improving Sales Competencies”, “Improving Service and Customer Experience”, and “Strengthening Dealer Digital Learning Experience”.

In 2021, Tofaş provided a total of 239,099 hours of training to its employees.

- Total Training Hours: 239,099
- Average Training Hours per Person Office Personnel 70.5
- Average Training Hours per Person Field Personnel 18.7

TECHNICAL DEVELOPMENT SOLUTIONS “SEN NASIL İSTERSEN” (HOWEVER YOU WANT)

The pandemic that started in 2019 made it impossible to give technical training face-to-face. In addition, the educational preferences of adult students began to change. These developments have brought the need to learn in a shorter time and everywhere. In order for Tofaş employees to continue their education without interruption, we evaluated the changing education system and learning preferences in detail.

Literature review, benchmark, and insight studies were conducted with Tofaş employees. Following these, the expert staff of Tofaş Academy created a new learning method by combining the data they collected with their knowledge and experience. Technical training, which was given only in the form of classroom training in the past, started to be offered with the motto “Sen Nasil İstersen” (However You Want) as of 2021.

Participants had the opportunity to choose according to their personal development and learning goals. With “**Self-Service**”, it was aimed for participants to take responsibility for learning, while “**A-Synchronous**” training provided participants with the opportunity to learn individually via video. “**Face-to-Face**” trainings were transformed into virtual classrooms for participants who wanted to experience learning with an instructor. For participants who wanted to specialize, the “**One-on-One**” learning option was offered.

This activity continued in 2021. Insights were collected from the employees again at the beginning of 2022, and with the results of this agile project, the “Sen Nasil İstersen” practice was updated.

Asynchronous training has been transformed into the “**Inverted**” method with the update, which enhances the learning experience. In addition, with the new normal, the “**Face-to-Face (Hybrid)**” learning method has been designed that uses both virtual classrooms and physical classrooms. In order to give participants more space and provide a personalized learning experience, the “**However You Want**” flow will be customized according to the trainees.

Social Performance

Our technical development activities are provided through our team of trainers and mentors. The staff within our company is constantly updated and growing according to changing needs.

As a result of analyzing 2021 data, the selection of technical development activities and the cumulative average of participant satisfaction rate are given in the relevant table. 2022 results are being closely monitored.

Type of Development Activity	2021 Add to Cart Rate	2021 Satisfaction Rate
Mentorship	396	4.60
Asynchronous	1,038	4.30
One-to-One	236	4.49
Self-Service	677	Learners' responsibility
Face-to-Face	1,046	4.49

Performance Management System

Launched in 2021, the performance management strategy that supports modern business and working practices will significantly accelerate Tofaş's digital transformation and transition to an agile way of working. A system that evaluates the past has been transformed into a future-oriented approach, and mathematical and mechanical target cards have been replaced with target structures that employees can update throughout the year. A development-centered mechanism has been implemented that supports interaction and communication between managers, staff and other stakeholders.

E-Tofaş Platform

The E-Tofaş platform was put into service in 2021 to provide Tofaş employees with easy access to the official documents they need. Documents requested through the E-Tofaş portal are sent to corporate e-mail addresses with a verification code. This portal provides access to payroll, spouse appointment documents, employment certificates and monthly average salary letters.

Social Impacts

Social Activities

As part of social activities, 22 clubs and 16 sports teams founded voluntarily by Tofaş employees organize events. Over 5,000 Tofaş employees and their relatives participated in the 33 events organized. Although the number of events decreased due to the pandemic, they were primarily conducted online.

Tofaş employees have access to restaurants, cafes, and indoor and outdoor playgrounds where they can spend time with their families. Those who want to play sports can use the table tennis area, basketball courts, and fitness center at the Bursa Plant's Mustafa V. Koç Sports Hall. All employees have access to outdoor sports facilities such as a basketball court, tennis courts and an astroturf field. In addition, all employees can benefit from the fitness center at the Istanbul Headquarters.

Acting responsibly to reduce environmental damage, 1,007 Tofaş employees did not request an agenda for 2022 and donated saplings to the TEMA Foundation as part of the "Breathe for the Future" program, demonstrating their shared sensitivity in this area.

Customer Satisfaction

We regularly conduct customer satisfaction surveys in order to respond to the needs and expectations of our target audience. In addition to the solutions, we offer in sales and after-sales processes to ensure the happiness of our customers, we take care to ensure consumer rights under all circumstances. We strive to meet the needs and expectations of our customers in the best way possible by complying with the relevant corporate rules and legal requirements.

We have a customer relationship management system built on a common understanding with customers, dealers and approved services from 126 locations in many regions of Turkey. Within the framework of this approach, customer satisfaction is ensured, and continuous improvement is achieved in every field.

With the Vehicle Tracking in Service Application, which we developed by focusing on customer experience, our customers can keep up-to-date with the status of their vehicles in service on digital screens in waiting areas. This way, customers can instantly monitor all stages of the cars' maintenance status.

By the "speed" philosophy we promised as a brand, we created "Fast Service" and enabled our customers to reduce their time for maintenance/repair operations. We guarantee that our customers who choose one of the transactions with the "Express Service" and make an appointment will receive their cars back within an hour.

As Tofaş, we have achieved a first in the automotive sector of Turkey by offering our customers the opportunity to start a video chat with a sales consultant without the need to download applications or make an appointment. Instant video chat is arranged with potential customers through Fiat.com.tr. The automobile sales procedure is carried out simply by offering dealer experience to customers with the "Connect to the showroom instantly, buy your car!" project.

Fiat Connect Insurance

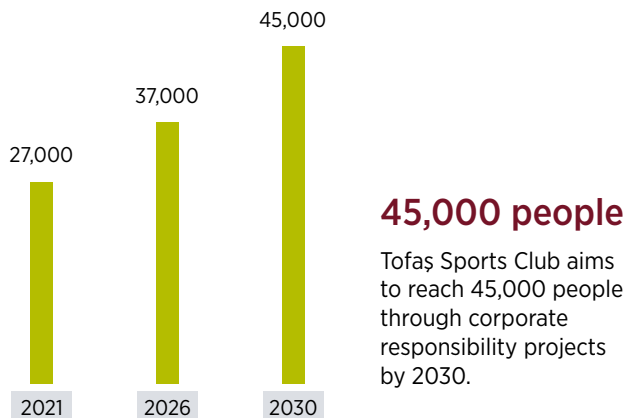
We ensure customer satisfaction and loyalty by offering motor insurance policy services at service stations. Among the most important concerns in the area of policy pricing are issues such as not affecting the policy price of vehicles that are not used for a long period of time and reflecting the costs of people who cause damage to the policies. As part of our aim to develop the "Smart Motor Insurance" business model, we use technologies such as chatbot, RPA and connect to base pricing on data such as vehicle usage. To this end, in cooperation with Aksigorta, we provided advantages such as cost savings and avoiding unnecessary payments by offering policy offers tailored to the usage characteristics of our customers. In the automobile insurance sector, we developed a business strategy that focuses on data and provides value for all our partners, and developed an application that increases customer loyalty by encouraging safe driving.

TOFAŞ SPORTS CLUB

Tofaş Sports Club, which supports young athletes in their basketball journey in Bursa and Turkey, was founded in 1974. Infrastructure-oriented activities have been ongoing for many years with the aim of providing equal opportunities for young people and supporting the upbringing of healthy generations. With the players and coaches trained within the scope of Tofaş Sports Club activities, Bursa aims to become a basketball city. The vision of being an exemplary sports organization that achieves national and international success and realizes the dreams of its fans has been established.

The Tofaş Sports Club's goals are to train athletes from the infrastructure to acquire new talents, to become an A team, and to support social responsibility activities. By 2030, the club aims to reach a total of 27,000 people through social responsibility programs within the scope of its activities.

NUMBER OF PEOPLE TO BE REACHED THROUGH TOFAŞ SPORTS CLUB SOCIAL RESPONSIBILITY PROJECTS



In the infrastructure of Tofaş Sports Club, more than 5,000 athletes and more than 400 trainers worked from its establishment to 2021. In addition to basketball, infrastructure development activities in water polo, swimming, and volleyball are also ongoing.

The Tofaş Sports Club men's basketball team has won two Basketball Super Leagues, three Turkish Cups, and one President's Cup since its establishment. Approximately 700 players participated in Tofaş Men's Basketball A Team until 2021. Our team continues to compete in the Basketball Super League and Basketball Champions League in the 2021-2022 season. Turkish basketball players in the A team squad for the 2021-2022 season consist of trained athletes. Tofaş Basketball Team plays its home games at the Nilüfer Tofaş Sports Hall, which contributes to the social life of the residents.

Tofaş Sports Club supports equal opportunities in sports and supports access to sports for all young people across the country, especially in the province of Bursa, where it is located, with its "Bursa, the City of Basketball" discourse. To this end, Tofaş Sports Club collaborates with non-governmental organizations, local governments, national and international organizations to produce effective and feasible solutions.

Launched in 2016, the New Generation Tofaş Project supports children's access to sports opportunities and helps them acquire the culture and perspective necessary to succeed in all areas of life, including sports education. This project ensures that every child can play basketball in their own environment and with equal opportunities, and contributes to the development of future generations in the field of sports with a teaching model that focuses on the triangle of instructor, family and child.

The majority of Tofaş Sports Club's junior teams are made up of New Generation Tofaş athletes. Young athletes are selected for the junior team and train in small groups at the Mustafa V. Koç Sports Hall. As part of the New Generation Tofaş Project, 15 basketball schools were established in various districts of Bursa, reaching a total of 5,000 children and 3,000 parents by 2021. We aim to increase this number to 20,000 by 2030.

Social Performance

Equal opportunities in sports initiative include organizing scientific and creative drama workshops and street competitions to promote basketball culture. There is also an e-learning system designed to support the training of coaches and families. By 2021, 220,000 training films had been watched through this system.

Tofaş Sports Club started the construction of basketball courts in different districts of Bursa in 2019 within the scope of the Neighborhood Courts Project. As of 2021, 38 basketball courts have been built in Bursa, and periodic maintenance of these courts is carried out. In 2016, Tofaş Sports Club opened the Mustafa V. Koç Sports Hall, which serves amateur sports teams, athletes, and Tofaş employees. This sports hall has 3 basketball courts, a fitness center, and a fully equipped athlete rehabilitation clinic to meet all kinds of physical therapy needs in a 5,800 m² building.

A total of 3,655 children were trained in basketball at 31 Tofaş Basketball Schools in 7 provinces with the aim of benefiting the entire society. By 2030, it is aimed to increase the employment rate of Fiat Laboratories graduates at Tofaş, its dealers or services to 50%. The 2030 target for the number of teachers benefiting from the In-Service Training Program is 40.

TOFAŞ SCIENCE HIGH SCHOOL

Located in the Nilüfer district of Bursa, Tofaş Science High School was established in the Demirtaş Organized Industrial Zone, a partnership between DOSAB and Tofaş, and started education in the 2015 academic year. As Tofaş, we support the professional development of Tofaş Science High School teachers and students. We also support the education of students who graduate with honors by providing university scholarships.

We have set up the "Innovation Workshop" within Tofaş Science High School for the skilled young people who will shape the future of the automotive and engineering sectors. With the "Innovation Workshop" we have established at Tofaş Science High School, we contribute to bringing versatile young people who will shape the future into the automotive

and engineering sectors. Defined as an exciting initiative by the Ministry of National Education, the Innovation Workshop will now include all science high schools. Tofaş Innovation Workshop aims to be among the top 3 STEM workshops in Europe by 2030.



We encourage Tofaş Science High School employees and students to produce joint projects in their areas of expertise. By 2026, we aim to achieve six projects with at least two patented works.

Through studies on gender equality and future professions at the Science High School, it is aimed to encourage female students to pursue engineering careers and thus increase the potential employment resource within the framework of the principle of equal opportunity.

FIAT LABORATORIES

Fiat Laboratories were established in 2006 as a part of the "Vocational High Schools Are a National Issue" project developed by Koç Holding. By 2021, the number of teachers and students who have received laboratory training will be 2,250.

The project aims to train motor vehicle technology and create laboratories in schools. In addition, seminars and training will be organized for trainers in related fields.

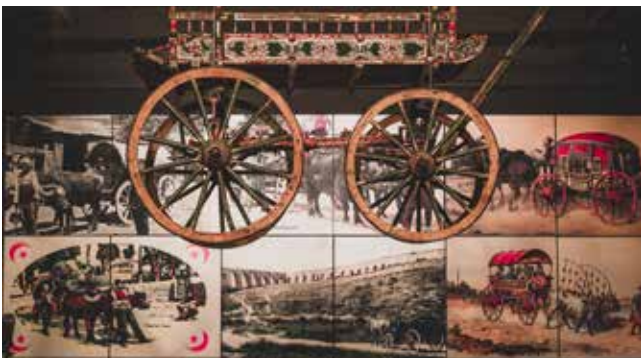
Fiat Laboratories within Tofaş has extended the duration of the protocol signed with the General Directorate of Vocational and Technical Education in 2019. According to this protocol, the support for the initiative, which is currently implemented in 5 schools, will continue until 2023.

All Fiat Laboratories students can do internships at Fiat dealers and authorized services within the procedure parameters. As part of Koç Holding's " Vocational High Schools Are a National Issue project, the Vehbi Koç Foundation provides scholarships every year to students who enroll in Fiat Laboratories and meet the relevant criteria.

Tofaş Academy conducts an in-service training program for teachers working in Fiat Laboratories and Motor Vocational Departments in various cities across Turkey. This program covers topics such as learning new technologies and personal development.

TOFAŞ MUSEUM OF CARS AND ANATOLIAN CARRIAGES AND TOFAŞ ART GALLERY

In order to preserve Anatolia's rich automotive history, we established the Tofaş Museum Of Cars And Anatolian Carriages, Turkey's first and only museum of Anatolian cars. The historic silk factory in the Umurbey neighborhood was renovated and converted into a museum for the establishment of this museum, where tourists embark on a historical journey that begins with a 2,600-year-old wheel and ends with Tofaş cars. Opened in 2002, this museum has welcomed 950,000 visitors to date.



The "Phaeton Café" within the museum is open to both Bursa residents and all other guests. Various concerts, exhibitions, and cultural events are organized annually in the museum garden, where 50 different plant varieties are cultivated.

The Umurbey Hammam, part of the Tofaş Museum of Cars and Anatolian Carriages, is an art gallery that currently hosts six temporary exhibitions. "The Knob of the Kants; Scales, Weights, and Measuring Instruments," the most recent exhibition that narrates the social and commercial life by shedding light on the past to the present, has hosted more than 200,000 visitors as of 2021.

SPONSORSHIP FOR PAMUKKALE HIERAPOLIS EXCAVATIONS

Since 2005, we have been supporting excavations at Hierapolis in Pamukkale, one of the five largest ancient cities in Turkey, which was added to the UNESCO World Heritage List in 1988. The excavations are carried out under the auspices of the Denizli Governorship and the Ministry of Culture and Tourism and involve an international team of more than 70 archaeologists, architects, restorers and experts, mostly from Turkey and Italy.



Among the most important structures discovered so far in the Ancient City of Hierapolis are the Ancient Theater, Necropolis, Hot Springs, Great Church, San Filippo Matrium, Frontinus Gate, Gymnasium, Temple of Apollo and Pluto's Gate (Plutonium). Despite the pandemic conditions, the ancient city of Pamukkale Hierapolis welcomes an average of 1.8 million tourists a year.

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