

**FORD OTOSAN**

2021

**SUSTAINABILITY  
REPORT**



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# About the Report

As the leading force and technological leader in the automotive sector in our country, we continue our sustainable growth in all business processes that we configured as per UN Global Compact - UNGC and Sustainable Development Purposes. As Ford Otosan Sanayi A.Ş., we are sharing our sustainability report including, performances, objectives, and progressions in the environmental, social, ethical and economic areas.

Ford Otosan Sustainability Report includes the activities between 1 January - 31 December 2021. 2021 Our Sustainability Report has been prepared in accordance with the GRI Standards: Core option. In the report, we share our progress against compared to previous years, including our strategic management approach, relationship with our stakeholders and the best practices within our sustainability efforts.

Please send your report related questions, feedbacks, and suggestions to [esg@ford.com.tr](mailto:esg@ford.com.tr)

 When you see the icon, you can go to the link of the video by clicking on it.

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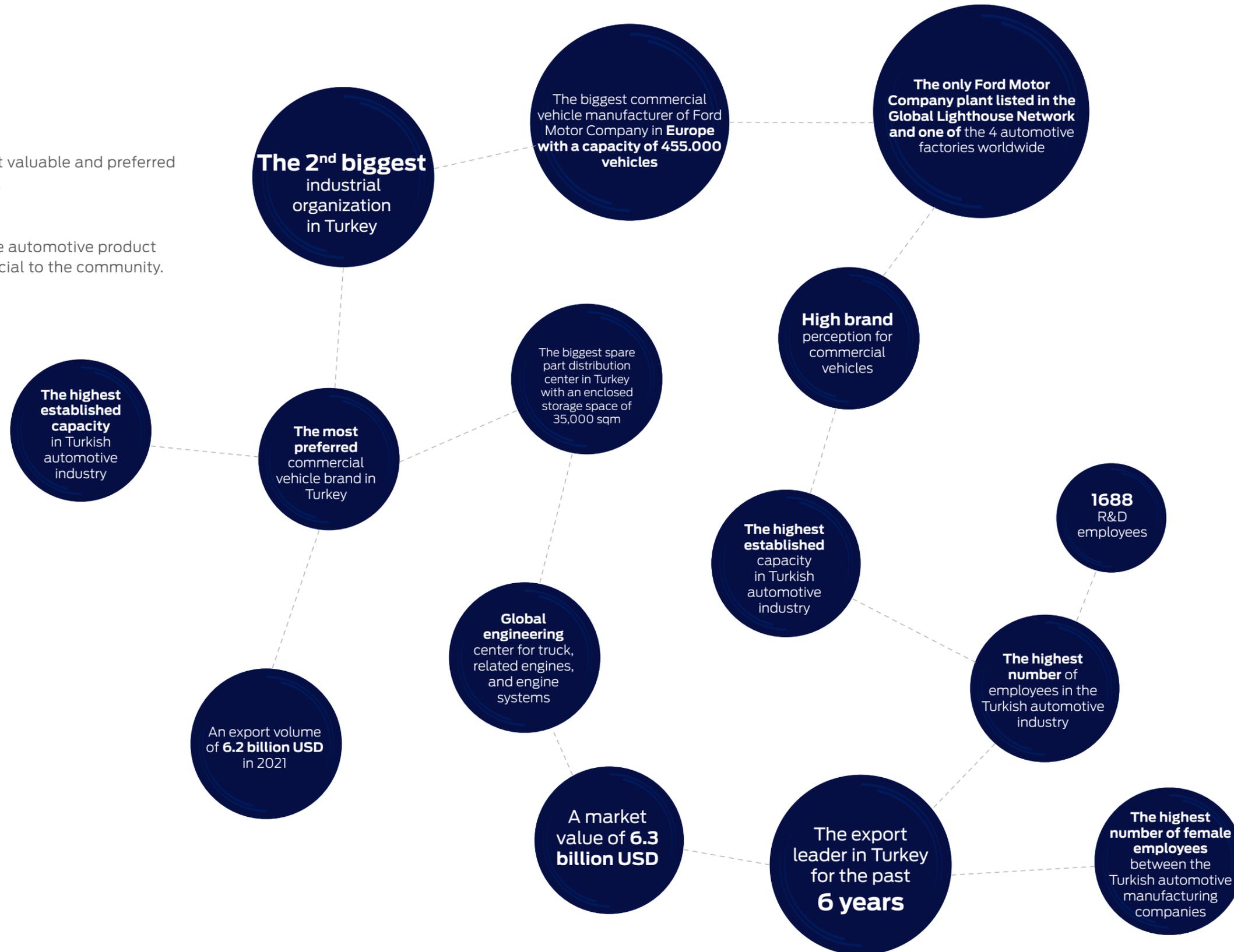
# Ford Otosan in Numbers

## Vision

Being Turkey's most valuable and preferred industrial company.

## Mission

Providing innovative automotive product and services beneficial to the community.



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# Ford Otosan Highlights



*The highest volume of employment in the Turkish automotive industry with **13.724** employees*



*The biggest commercial vehicle center of Ford in Europe with a manufacturing capacity of **455.000** vehicles*



*The most competent R&D center in the Turkish Automotive industry with **1,688 R&D** employees*



**The first automotive Company in Turkey** and the one of the 4 automotive factories in the world to be included in the "Global Lighthouse Network" list of the World Economic Forum (WEF) via 'Industry 4.0' and smart plant practices.

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# Chairman's Letter



Ali Y. Koç

Chairman of the Executive Board

**While working to shape the automotive sector and the future of the sector, we consider creating social benefit among our primary goals, with the belief that companies develop together with the society they are in.**

## Dear Stakeholders,

Reviewing our business approach has become a significant need in the light of the environmental and social changes we face. An inclusive approach, a balanced and cyclic economy is required for a sustainable future.

Period during which changes happen faster than the usual, shapes the expectations and needs while it brings many new threats and opportunities. As Ford Otosan, we continue our development at full steam with sustainability driven new strategies, business models and innovation-driven new products.

We make our investment, R&D and innovation efforts by focusing on electric and hybrid vehicles for a long time in line with our global electrification strategy developed as per our vision of leading the electrical transformation in the automotive industry. In line with this vision, we will make one of the largest investments in the automotive industry, worth 20.5 billion TL, which will continue until 2026, in order to realize our new generation commercial vehicle projects, including electric and connected vehicles. With this investment, our Kocaeli Factories will become the first and only integrated electric vehicle (including batteries) manufacturing facility in Turkey.

As the leading commercial vehicle manufacturer in Turkey with over 60 years of experience as well as qualified and competent colleagues, we maintain our efforts for developing smart transportation models with low-emission and providing environment-friendly products and services in the smart cities in future, at full force.

Thanks to our engineering competencies and R&D power, we export the heavy commercial vehicles manufactured in Turkey to over 40 countries while the vehicles developed with the efforts from Ford Otosan

engineers keeps making us proud throughout the world. With the manufacture of Ecotorq gearbox designed and developed by Ford Otosan engineers in 2021, we've become one of the distinguished automotive brands in the world, developing and manufacturing the entire powertrain, which includes engine, axle and gearbox.

We have a planet-friendly, value-added approach while boosting our financial performance and competitiveness. Accordingly, we created our mid and long-term plans in compliance with EU Green Deal and by setting the date of zero emission objective as 2050. We continue our journey for a zero-emission product with low environmental impact with the intent of doing better for our planet and the people.

While working to shape the automotive sector and the future of the industry, we consider creating social benefit among our primary goals possessing the belief that companies develop together with the society they are in.

We have been carrying out projects having the aim of creating social benefit in cooperation with the Vehbi Koç Foundation since the first day of its establishment, keeping it in our focus at all times to support everyone's right to access quality education.

In 2021, we carried out various projects through the Vehbi Koç Foundation for the commissioning of scholarship programs, the support of schools in various provinces of Anatolia and the establishment of platforms that aim to strengthen teachers and bring them together.

In addition, we continue to work on gender equality. Supporting women in the field of technology and innovation is among our priority issues.

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***In 2021, we established Rakun Mobilite, with 100% participation of Ford Otosan, to respond our customers' needs in the area of mobility and develop innovative products and technologies. Dreaming of manufacturing an environment-friendly electric vehicle to serve at end point delivery based on our know-how in electric and commercial vehicle production, we started manufacturing two and three-wheeled Rakun Motocycles at our Eskişehir Plant in 2022.***

We designed a 6-week online training program for 1,000 female students studying in engineering departments of universities, under the "Women Developing Each Other Project" in cooperation with the Young Guru Academy (YGA). With this program, which provides access to introductory courses in the fields of technology through Up School, we enable women to develop themselves in the field of technology.

In line with our social responsibility approach, during 2021, we donated a total of 123.4 million TL to foundations and associations, of which 110.5 million TL to the Vehbi Koç Foundation, to be used in education, health, environmental protection and disaster support.

We also continue our pioneering efforts for boosting equal opportunity, representation and rights at the workplace which is another significant part of our sustainability program. Having an understanding of "Equality at Work", we prioritize deployment of equal opportunity throughout the industry, particularly including women employees into the business life, and are listed as the female employment leader of the automotive industry in the Bloomberg Gender Equality Index.

We, as the biggest commercial vehicle center of Ford in Europe with a manufacturing capacity of 455,000 vehicles, have a turnover of 71.1 billion TL with 44% increase this year. We're ranked as the export leader of our country for 6 consecutive times since 2011, with a volume of 6.2 billion USD in 2021. Ford Trucks, one of our brands, achieved the all-time high volume in manufacturing (12,745) and in sales (12,466).

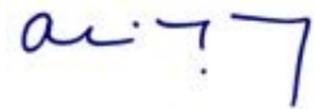
We have the most competent R&D center in the Turkish Automotive industry with 1,688 employees and a solid technical infrastructure. We transparently share the environmental and social aspects of our activities while creating this value for our Company and country. This year, our Company increased its value by 98% in the BIST-100 Index with the title of top value automotive company.

In 2021, we established Rakun Mobilite, with 100% participation of Ford Otosan, to respond our customers' needs in the area of mobility and develop innovative products and technologies. Dreaming of manufacturing an environment-friendly electric vehicle to serve at end point delivery based on our know-how in electric and commercial vehicle production, we started manufacturing two and three-wheeled Rakun Motocycles at our Eskişehir Plant in 2022.

With this report, we present Ford Otosan's environmental, social and corporate management approach and its progress in these areas for you, our stakeholders.

We'll resolutely continue our sustainability management efforts which are intended to increase our capacity for creating value for all our stakeholders in the forthcoming years. Hereby, I appreciate all our stakeholders for their trust in our Company and their support for on efforts.

**Ali Y. Koç**  
**Chairman of the Executive Board**



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# Message from the General Manager



Güven Özyurt  
General Manager

**At Ford Otosan, we always give top priority to the weight we attach to people, and accordingly we thrive and grow. We believe in agile organizational structures to be able to lead the future.**

## Dear Stakeholders,

We faced many different challenges and uncertainties, particularly the pandemic, during the past two years. Social and environmental changes worldwide made all the industries re-evaluate their business approach. Changing world and uncertainties we faced showed all of us that companies need to create highly adaptive, agile and consolidated systems to have a long lifetime. We, as the Ford Otosan Family and all our employees, dealers, suppliers and customers take justified pride of being one of the companies that complete this transformation with innovative, sustainable, skillful strategies in the automotive industry.

## We consider the sustainability priorities while defining our business strategies.

Focusing on the demands and requests of all the stakeholders, we define our business strategies at the heart of our operations via prioritization analysis studies. We carried out extensive stakeholder analysis studies to make the area of sustainability one of the prioritized topics for Ford Otosan while defining our business strategy for 2021 and accordingly climate change, low-carbon manufacturing, occupational health and safety, vehicle quality and safety, air quality, electric vehicles, alternative fuels and vehicles with low-carbon footprint were defined as “very highly prioritized topics”.

## We've become a signatory of the UN Global Compact in 2021 which is one of the most significant steps we've taken in the light of our prioritized topics.

We're trying to achieve our vision of leading the electric transformation in the automotive industry by unifying our R&D and innovation power with fellow workers with high level of competence and awareness. In this respect, we've showed our devoutness in this area once again by becoming one of the signatories of UN Global Compact in 2021.

While focusing on the topics of fuel optimization, reduction of greenhouse gas release and development of electric, lightweight, connected, autonomous vehicles, we also plan to be carbon-free in 2050 by maintaining our EU Green Deal compliant operations.

## We expect to have zero emission models in our entire commercial vehicle portfolio by 2024.

We try to make all our products ready for this transformation with the objective of becoming the first and only integrated electric vehicle manufacturing facility. In this respect, we released Ford's first fully electric commercial vehicle in the second quarter of 2022. Earlier the same year, we also launched our Battery Installation Facility. Besides, we continue testing our prototyped 100% electric truck in the heavy commercial vehicle segment.

We contributed to increase in Turkey's competitiveness in heavy commercial vehicle production abroad and to development of sub-industry and supply ecosystem within the country, by developing the first and only local gearbox, engine, and axle of Turkey through the efforts of our engineers who make a difference in their fields. Therefore, we increased the ratio of local products among the heavy commercial vehicles we manufacture up to 90% in the area of local product use which is one of the building blocks of sustainability.

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**Considering the sustainability, we make plans and develop strategies with the objectives of financial growth, high employee loyalty and happiness, making our suppliers, customers and dealers feel the impact we make, talent acquisition, retention, and development, providing maximum benefit for the world, environment and the people.**

At Ford Otosan, we always give top priority to the weight we attach to people and accordingly, we thrive and grow. We believe in agile organizational structures to be able to lead the future.

In 2021, we published our Leadership Manifesto, derived from our value and cultural principles under the name of Dynamic Balance. We designed the agile organizational structure allowing for us to achieve maximum efficiency and satisfaction with the vision of leading the future together with all our stakeholders; and built it holistically in terms of organizational change, culture and leadership transformation, employee experience and work principles. At the end of 2021, 1,850 employees at our Company switched to agile working order; and we aim at using a 100% agile model at Ford Otosan at the end of 2022.

Considering the sustainability, we make plans and develop strategies with the objectives of financial growth, high employee loyalty and happiness, making our suppliers, customers and dealers feel the impact we make, talent acquisition, retention, and development, providing maximum benefit for the world, environment and the people.

I'm happy and honored to present our 2021 Sustainability Report, prepared in a transparent and inclusive way through harmonization of the social and environmental impact we created as Ford Otosan and our success in the area of governance, for consideration of all the stakeholders.

Güven Özyurt  
General Manager



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# Strategic Management



# Strategic Management

Today, adapting ourselves to the ever-changing conditions and keeping up with the changes are only possible with a strategic planning-based management approach. Having strong financial assets as well as managing environmental and social capitals actively are essential for companies to improve their economic performance. Differentiation of expectations of the business world, investors and other stakeholders transform the current order to a system in which responsible investment is prevalent for the companies. In this context, it is of importance for the companies to manage the risks in the areas of environment, society and governance with a holistic understanding of risk management and also focus on creating benefits by using the opportunities in such areas.

With our sustainable business model, we manage financial and non-financial risks with an integrated view and gravitate towards the investments to provide maximum return in the long term by responding to the requests of responsible investors. We have a further consolidated structure against the problems caused by the global crisis in line with our superior risk management strategy.

Traded in the Star Market, Ford Otosan shares are also listed with the status of Group A share. They are also included in important indices used by the investors intended to make sustainability driven responsible investments such as BIST Sustainability, FTSE4Good Emerging Markets and Bloomberg Gender Equality (since 2021) indices. For the past three years, we respond. We continue to respond to the Carbon Disclosure Project (CDP) climate and water programs. Additionally, we're one of the global companies supporting the Task Force on Climate-Related Financial Disclosures (TCFD) in 2021.

While the BIST-100 index increased by 26% on the basis of Turkish Lira (TL) in 2021, value of Ford Otosan

## **Ford Otosan received the title of the most valuable Company in the BIST upon reaching the highest market value ever in 2021.**

shares increased by %98 and performed 72 points above the BIST-100 Index. Our Company completed the year in 4th place in total, while being ranked the most valuable automotive Company in the Istanbul Stock Exchange with a market value of 6.3 billion USD. Foreign investor ratio of the public shares of Ford Otosan is 69% at the end of 2021.

In 2021, Ford Otosan reached the highest market value of US\$ 11 billion in its history, making it the most valuable company in the BIST.

We make the Dynamic Balance and Digital Transformation, Innovation and Simplification processes, established with the purpose of responsible growth, into our Common Culture, and transform our activities in line with this culture. We decided that the smartest business manner model to represent our Dynamic Balance Culture serving at our vision of leading the future is an agile manner of work. In this context, as Ford Otosan, we designed our agile management approach holistically by considering the organizational changes, cultural and leadership transformation, employee experience and working practices. On the other hand, we aim to boost

efficiency of the production through improvement and simplification of the business processes via Simple Transformation and efficient use of time and energy.

### **Corporate Governance**

We defined the primary focus of our Corporate Governance approach as having a responsible, fair, transparent and accountable governance for all the stakeholders including our shareholders and investors in the ecosystem. We continue to make our financial performance sustainable and integrate the opinions of all the stakeholders into our priorities with the governance method defined accordingly.

We increase our compliance with the Corporate Governance Principles with the progress we make in the area of governance every year.

You can access Ford Otosan's Corporate Governance Principles Compliance Report on the page 116 of 2021 [Activity Report](#)

Our Executive Board has 12 members, including 2 independent members. There are 3 female members and 9 male members. Chairman of the Executive Board and General Manager positions are covered by different people. Term of office for the members is 12 months and 12 members in the board aren't in charge of execution

There are four committees working under the Executive Board. These are Audit Committee, Remuneration Committee, Early Detection and Management of Risk Committee and Corporate Governance Committee.

[You can access detailed information on the Committees Under Ford Otosan's Executive Board here.](#)



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# Ethics, Transparency, Internal Control and Internal Audit



At Ford Otosan, we adopted compliance with the laws, international agreements to which Republic of Turkey is a party, and the United Nations Global Compact, and accordingly act within the framework of integrity and honesty, accountability and transparency as principles in all our activities. Materialization of this principle requires personal commitment and accountability of all Ford Otosan employees in terms of these high integrity standards.

Once the Ethics Policy is approved and put into action by the Executive Board in 2018, the governance structure has been redesigned to comply with this policy throughout the Company, resulting in establishment of Ethics Council, Internal Audit and Ethics Committee as well as Ethics Evaluation Commission. Besides, Ethics Coordination was established for following up and actively dealing with ethics violation reports.

Internal Audit governance structure was changed within

2021, and Internal Audit Manager started reporting functionally to the Committee in Charge of Audits, which is one of the subcommittees of the Company's Executive Board, and administratively to the Ford Otosan General Manager. Also, an independent Internal Control Management Department was established under the Finance and Accounting Department within the scope of the reconfiguration.

[You can access detailed information on the Ford Otosan's Ethics Policy here.](#)

Ford Otosan Working Principles and Ethics Code, which we consider as the foundation of our ethics and compliance culture, contain the rules to be followed at the highest level. Other Company policies, procedures and instructions convey details of these rules. Therefore, all the employees and other stakeholders must know these rules and act in compliance with them. The rules can be modified where needed.

At Ford Otosan, we regularly inform our Board

*Ford Otosan collects Ethics Violation Reports via Ethics Report Line (0850 305 50 10), Ethics e-mail address (etik@ford.com.tr) and the Ethics Contact form available on fordotosan.com.tr.*

Members, employees and Company or Company Representatives on Working Principles and Ethics Code to ensure compliance with these principles and rules. Besides, our Company rigorously inspect rule violations, impose sanctions in case of violations, take corrective actions, makes necessary updates and improvements as required in time for the Working Principles and Ethics Code. In addition, Ethics Coordination carries out awareness studies on ethics with the support from the other related units of the Company and creates training related content.

[You can access detailed information on the Ford Otosan's Ethics Policy here.](#)



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# Ethics, Transparency, Internal Control and Internal Audit

At Ford Otosan, employees and business partners definitely aren't tolerated for giving and accepting bribery, corruption, incentive for corruption, illegal benefit, facilitation payments and undue gifts for anyone.

We ensure that our employees are informed about our anti bribery and corruption methods and processes. The "Anti Bribery and Corruption Training" has been completed by 4,268 office employees by the end of 2021. Also, we pay attention for all the people and organizations with whom we have business relationship to carry out their activities in accordance with the United Nations Global Compact and ethical rules. In this respect, we ensure that our employees as well as our suppliers participate in Ford Otosan Anti Bribery and Corruption Training.

[You can access Ford Otosan Anti Bribery and Corruption Policy here.](#)

[You can access Ford Otosan Gifting and Accommodation Policy here.](#)

Our Company's internal control system covers an internal control plan including policies within the business flow, procedures, instructions and Company operations each year. With this structure, about 1,900 checkpoints are tested per year, and it's intended to establish confidence in Executive Board and partners regarding the accuracy of operations.

All the internal control and internal audit activities are periodically monitored by the Committee in Charge of Audit under the Executive Board, annual audit plans are reviewed and approved. Where needed, recommendations are made to the Executive Board by the Committee and feedback is provided in relation to the compliance of financial reports.

The Company regularly gets audit service from Koç Holding and Ford Motor Company every year and

**At Ford Otosan, employees and business partners definitely aren't tolerated for giving or accepting bribery, including in any way of corruption or having an incentive for corruption, deriving illegal benefit, making facilitation payments or providing undue gifts to anyone**

## Number of Reports Received by Ford Otosan Ethics Contact Channels



## Decisions Taken by Disciplinary Committee as a Result of Reports Delivered



Category	Number of Substantiated Incidents*
Violation of Company Rules and Procedures	17
Mobbing	5
Harassment	4
Corruption, Theft	3
Other	1

\*As a result of the evaluations made out of 109 requests that reached the ethical communication channels in 2021, 30 of them were confirmed.

inspections are conducted by the Company internal Audit organization. Besides, Ford Otosan Authorized Dealers and Services are audited via the dealer audit function within the internal audit regarding the mutual transactions with our Company. Also, any notice and complaint received in relation to the Company activities are inspected and resolved by the Internal Audit Leadership.

Reports and results of the studies within the scope of internal audit and control are regularly reported to the Committee in Charge of Audit, comprising Independent Board Members.

As a result of the internal audit efforts performed at our Company, it's been identified that there is a misconduct by false reporting the dealer claims and risks through irregularities in dealer current accounts and the dealer limits in Direct

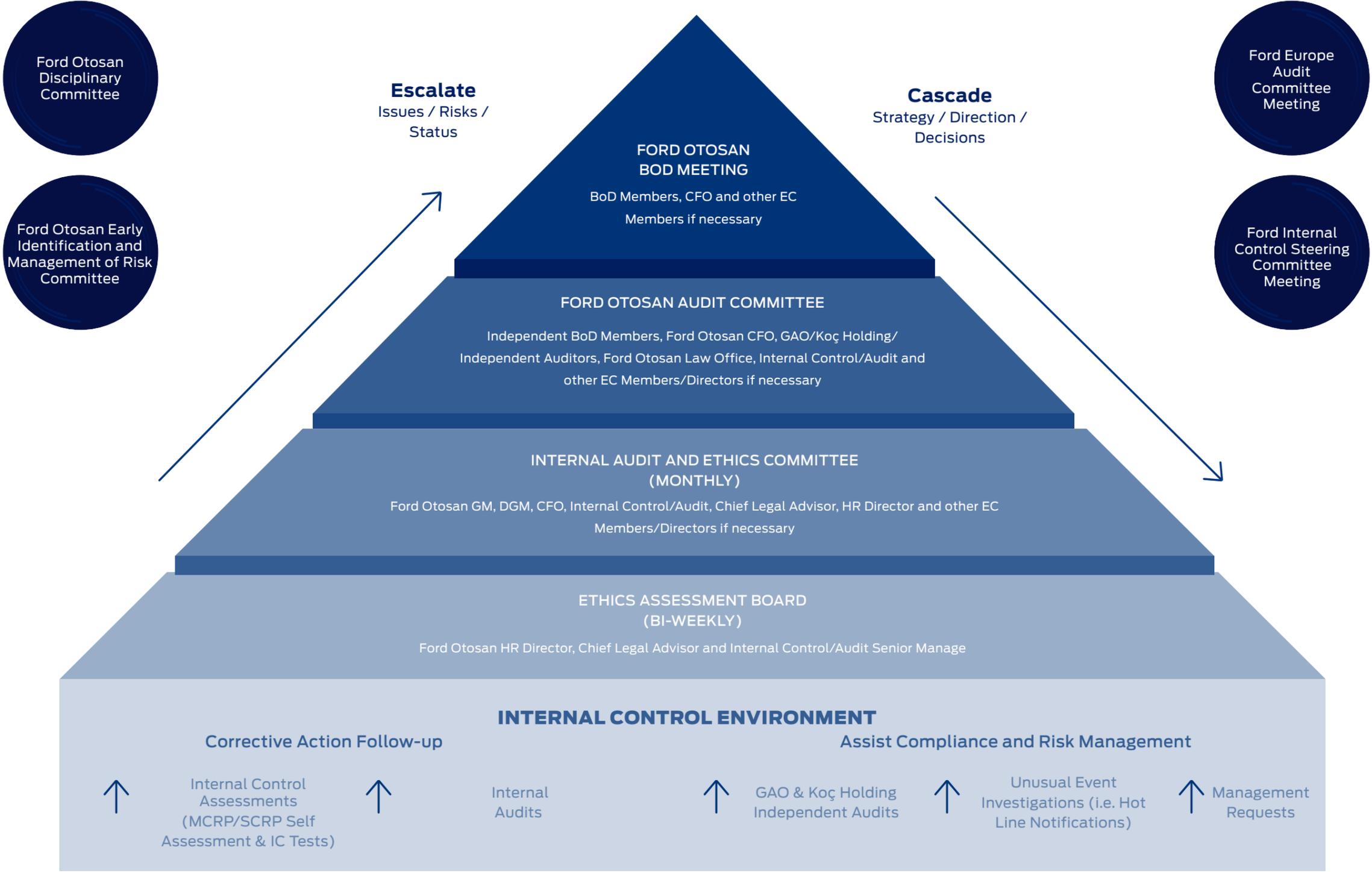
Debit System by the Team Leader in Charge of Dealer Claims and the employee monitoring dealer claims, and a material disclosure was provided for the first time on 22 February 2021 regarding the issue, and public disclosure was provided in the financial reports for the following periods and via material disclosure where required.

[You can access Ford Otosan Anti Bribery and Corruption Policy here.](#)

[You can access Ford Otosan Gifting and Accommodation Policy here.](#)

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# Risk Management

Our primary objective for risk management is to be able to predict, manage, monitor potential risks to have an impact on our Company, and create necessary action plans beforehand in terms of risk and crisis management, in compliance with our corporate strategies and objectives.

Our Company established the Early Detection and Management of Risk Committee to provide recommendations and suggestions to the Executive Board of our Company for the purposes of identifying the risks early, taking necessary precautions and establishing an active risk management system, as part of the provisions in the Capital Market Board Corporate Governance Principles in 2012.

## Duties of Early Detection and Management of Risk Committee:

- » To evaluate Ford Otomotiv San. A.Ş. Risk Management System and risk reporting guidelines.
- » To inspect periodically prepared Risk Reports.
- » To provide feedback on the precautions required to be taken for issues not complying with the limits specified in the Risk Management System.
- » To review Risk Management System and supervise performance of practices in relevant units undertaking the responsibility of managing risks in line with the Committee decisions.
- » To carry out studies in relation to evaluation of information safety practices.

The Committee held six meetings within 2021. Reporting studies and Committee evaluations are periodically submitted for Executive Board's information in line with the defined guidelines.

The activities related to defining, managing, and supervising the strategic, operational, financial, legal and external risks that might have an impact on our Company are carried out by the Corporate

Risk Management, directly under the Finance and Accounting Assistant General Manager, and reported to the Early Detection and Management of Risk Committee.

The Risk Management studies are carried out by the risk managers and risk coordinators in charge for each department under the leadership of Corporate Risk Management in a way that includes the entire Company and is integrated to the business processes. Recently emerging risks are monitored proactively, their long-term impact on the Company is evaluated and information is provided regularly for the Senior Management and the Early Detection and Management of Risk Committee.

68 interactive risk management trainings were provided, and two workshops were organized, practically for Senior Management, all managers and department risk coordinators within 2021 for the purpose of adopting, popularizing and increasing awareness of risk culture in the entire Company. Also, it was made sure that the employees report the elements posing a risk directly to the risk e-mail address through active participation for the purpose of increasing awareness. In addition, our awareness efforts continued throughout the year with the "Risk Bulletin" which is written out together with the departments and evaluates national and international risks including environmental, social and governance related risks via risk e-mail.

At our Company, risks are grouped into six categories: financial, operational, reputation, strategic, legal/compliance and external. Eleven risk groups were created by prioritizing these risk groups. Using the Risk Management system created in line with ISO31000 Risk Management standard, risks are defined, measured via root cause and impact analyses, controls are defined, and actions to alleviate impact and occurrence probability are taken.

We, Corporate Risk Management, monitor national and international risks closely, identify the risks that might



have an impact on our Company beforehand, and pre-plan activities to prevent or minimize their impact. We're aware that 5 out of top 10 risks in the next 10 years according to the Global Risks report published by World Economic Forum (WEF) are Environmental risks. We define climate change risks to have an impact on our activities and invest in renewable energy resources and future transportation technologies for alleviation of impacts of climate change and compliance with the new climate conditions. We evaluate the impacts/risk of our operations for the biodiversity and carry out studies for alleviation of impacts and protection of species.

Our Company carries out these studies to support sustainable development of the society, contribute to the social wealth and prioritize requirements of the future generations, while paying maximum attention to the environmental, social and governance related risks. Existing corporate risk management system is used for managing climate change and other environmental, society and governance related risks.

Accordingly, extensive studies are made in topics areas such as climate change, employee loyalty and development, diversity, gender equality, while simultaneous risk assessments are made, and alleviating actions are taken. It also defines occupational health and safety risks within the scope of the ISO 45001 Occupational Health and Safety certificate via OHS committees and actively manages and reviews them by setting objectives and schedules for these risks. For maximum adoption of the environmental, social and governance related risks, it's been included in performance criteria for the senior management. Environmental, social and governance related risks are reported in detail to the Early Detection and Management of Risk Committee and reviewed.

Both financial and non-financial risks are evaluated and managed by developing scenario analyses and tests such as variability of foreign exchange rate, SCT, parts availability, impact of increased fuel prices on the market and sales, economic changes in Turkey, raw material availability, variability of loan interest rates, including carbon pricing scenario, which is under 2°C scenario within our Corporate Risk Management System.

You can access the primary risks of the company in the annexes section of the report.

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# Risk Management

## Task Force on Climate Related Financial Disclosures (TCFD)

As part of the methods for handling climate related risks, Task Force on Climate-related Financial Disclosures – TCFD initiative was established as a result of the studies carried out by Financial Stability Board (FSB) founded by G-20 countries. With this initiative, it's aimed to define organizations' climate change related risk and opportunity management methods and create a comparable and transparent platform through certain criteria by providing stakeholders with subject related analyses. At Ford Otosan, we carried out TCFD analysis studies in line with our management strategy within 2021. Accordingly, we evaluate the risks and opportunities created by the climate change extensively upon recommendations from TCFD.

TCFD recommendations are designed in four main topics including governance, strategy, risk management and objective and metrics.

## TCFD Future Leadership Areas (Recommendations)

Area of Recommendation	Description	Ford Otosan Gaps
<b>Area of Governance</b>	To declare organization's governance structure regarding climate related risks and opportunities	» Ford Otosan, monitors the TCFD risks among top level and top priority topics and regularly reviews them at the Early Detection and Management of Risk Committee.
<b>Strategy</b>	To declare actual and potential impacts of climate related risks and opportunities on the activities, strategy and financial planning of the organization	» As Ford Otosan, we carried out risk mapping related to climate change as part of our risk management approach. In the reporting period, an impact measurement study of climate-related risks was initiated. Progress on the subject is reported to the Early Detection and Management of Risk Committee.
<b>Risk Management</b>	To declare how climate related risks of the organization is defined, evaluated and managed	» Ford Otosan defines, evaluates and manages its climate related risks within the Corporate Risk Management system.
<b>Objective and Metrics</b>	To declare benchmarks and objectives used for evaluating and managing relevant climate related risks and opportunities	» In the reporting period, low-carbon designed products targeting work was initiated

*All requirements for Governance and Risk Management areas are met. Therefore, no gap was found, and no recommendation was made by the TCFD.*

TCFD divides the potential negative impacts of the climate changes on an organization into two main groups: Transitional Risks and Physical Risks. Transitional risks include policy-related and regulatory risks, technological variabilities, market reactions and reputation related topics. Physical risks include event-based acute risks resulting from increased severity of weather events and chronic risks that might occur in the long term due to rainfall and high temperatures.

### Transitional Risks

- » Policy / Regulation Risks
- » Market Risk
- » Reputation Risk
- » Technology Risk

### Physical Risks

- » Acute Risks
- » Chronic Risks

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# Risk Management

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TCFD Risk Category	Risks	Definition/Features	Ford Otosan Approach	Term
<b>Policy/Regulation Risks</b>	Carbon pricing policies	Regulatory legislation changes generated as incentive for low carbon transition in the activities and supply chains of organizations (For example; Green Deal, Paris Agreement, Greenhouse Gas Emissions limits and carbon taxes, Emission Trade System (ETS), Carbon Border Adjustment Mechanism (CBAM-SKDM) etc.).	A simulation work including forward looking carbon pricing in line with the amount of emissions to take place in 2025, 2030, 2040 and 2050 based on 2017 was carried out. Thus, future oriented greenhouse gas emissions related carbon tax amount was calculated.	MID-LONG
<b>Market Risk</b>	Carbon Pricing Risk of Primary Suppliers	It's the risk of financial status being affected negatively as a result of fluctuations in the market for primary suppliers.	Forward looking predictions were made with regard to the financial risk of our suppliers through use of "EBITDA at Risk" measure by Trucost, and potential impact of companies paying a price for greenhouse gas emission in future on their current earnings was evaluated. This evaluation allows for identifying value chain exposed to carbon pricing risks at 2°C scenario.	MID-LONG
<b>Reputation Risk</b>	Reputation Risk That Might Be Suffered as a Result of Failure of Switching to Law Carbon Economy	Reputation risk is the loss that might result from decreased trust or damaged reputation for companies by investors, insurance companies and credit institutions. It might lead to loss of public prestige, decreased demand for products and services, and negative impact on competitiveness.	Carbon intensity of the industrial group and the Company vs. similar companies in the industry based on Trucost analysis.  Scope 1 & 2 emissions are defined as transitional path.  Climate Strategy Score (S&P Global SAM) was evaluated.	SHORT
<b>Technology Risk</b>	Technological Transition Risk	As part of technology risk, support is provided for alleviating the negative impacts of climate change by disabling current products and technologies.	For our products and services, we support transition to low emission technologies and carry out activities and studies accordingly. As a result of the studies we made in this respect, our Electric Ford Transit product was approved for European Union taxonomy reduction criteria.	MID-LONG

# Sustainability Management

**At Ford Otosan, areas of environmental, social, economic, and corporate sustainability are managed by the Sustainability Committee. Primary duty of the Committee is to implement our sustainability strategy and policy and carry out our studies in a planned and systematized way to improve our sustainability performance.**

General Manager, who is also a committee member, leads the Sustainability Committee. The Committee comprising of Operations Assistant General Manager (AGM), Product Development AGM, Purchase AGM, Finance-Accounting AGM, Human Resources Director, Engineering Development Directors, Corporate Communication Manager, Investor Relations Manager, Occupational Health, Safety and Environment Manager and Foreign Affairs Coordinator is coordinated by the Corporate Communication Unit.

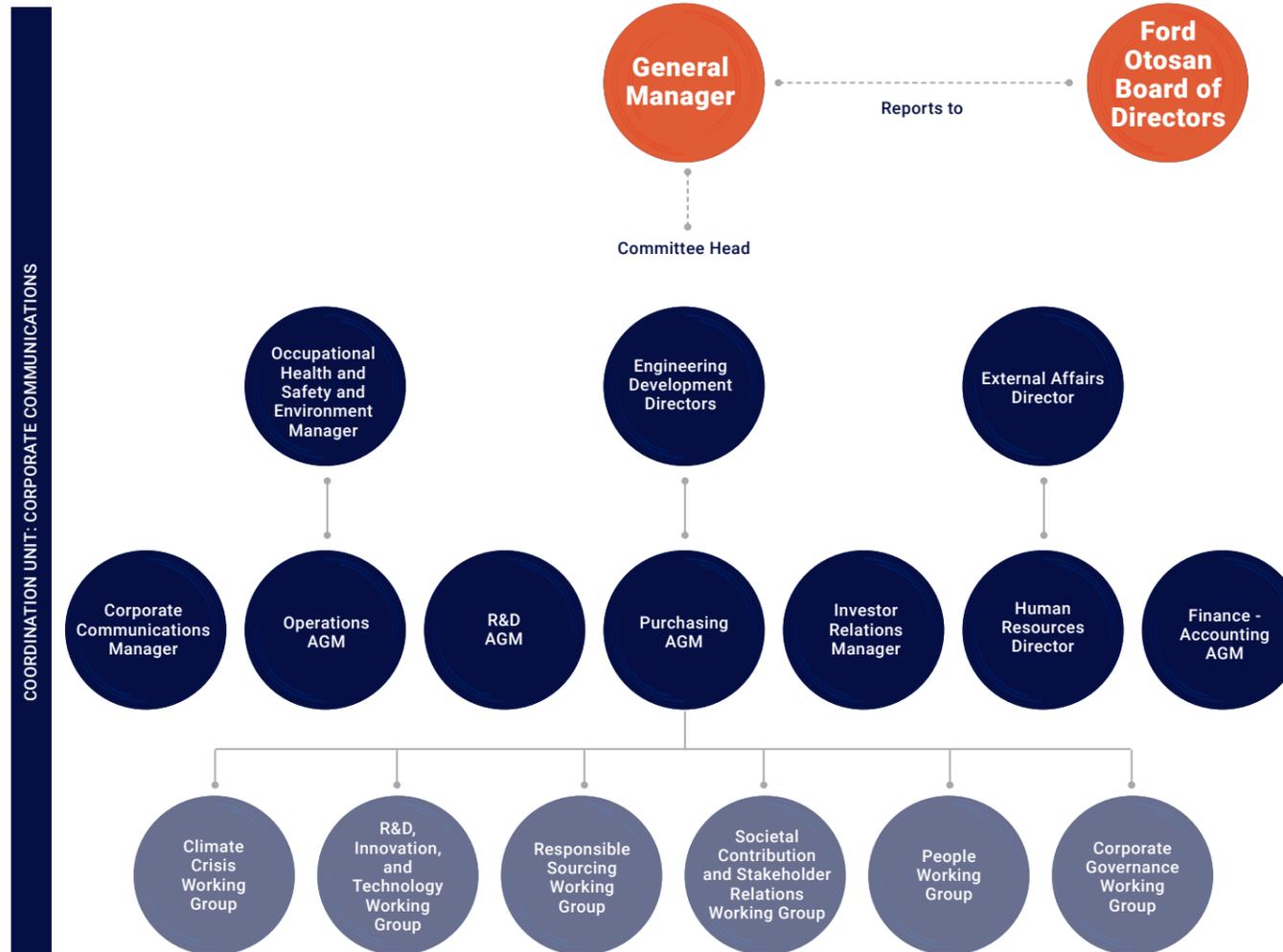
## Duties of Sustainability Committee;

- » To define sustainability strategy, objectives, and actions for our Company.
- » To review sustainability strategy and strategical roadmap and monitor progress towards objectives and actions.
- » To monitor studies regarding management of a risk that might negatively impact our Company's reputation and activities in environmental, social and governance (ESG) related areas.
- » To ensure that necessary strategic guidance, expertise sharing and best practices to achieve our objectives for sustainability are popularized throughout the Company.
- » To follow international developments, public regulations, trends regarding the sustainability issues, and where necessary, make improvement driven recommendations for the study groups.
- » To provide suggestions and approval regarding other issues directed to the committee by the study groups

At Ford Otosan, we have Equality at Work Notice and Human Rights, Diversity, Information Safety, Conflict Minerals, Supply Chain Compliance, Water, Anti-Corruption, Gifting and Accommodation, Donation and Sponsorship, Working Principles and Ethical Boards, Environment and Energy, Ethics, Occupational Health and Safety, Personal Data Protection and Processing, Customer Satisfaction, Quality, Cost, Information, Profit Distribution Policies, within the scope of the Sustainability Policies for which we committed to follow via United Nations Global Compact.

[You can access Ford Otosan Sustainability Policies here.](#)

We're listed in national and international sustainability indices office employees allowing for our studies in the areas of sustainability to be evaluated by our investors and stakeholders. We're being traded at Sustainability Index and FTSE4Good Emerging Markets Index as a result of transparent and consistent reporting related to sustainability efforts that gained momentum in this context. In addition, we actively respond to climate and water programs of the Carbon Disclosure Project - CDP, and DJSI for the past three years. We improved our performance and were included in the Bloomberg Gender Equality Index for the second time in 2022. Also, we make studies for constantly improving our ratings on MSCI ESG, Sustainalytics etc. platforms.



COORDINATION UNIT: CORPORATE COMMUNICATIONS

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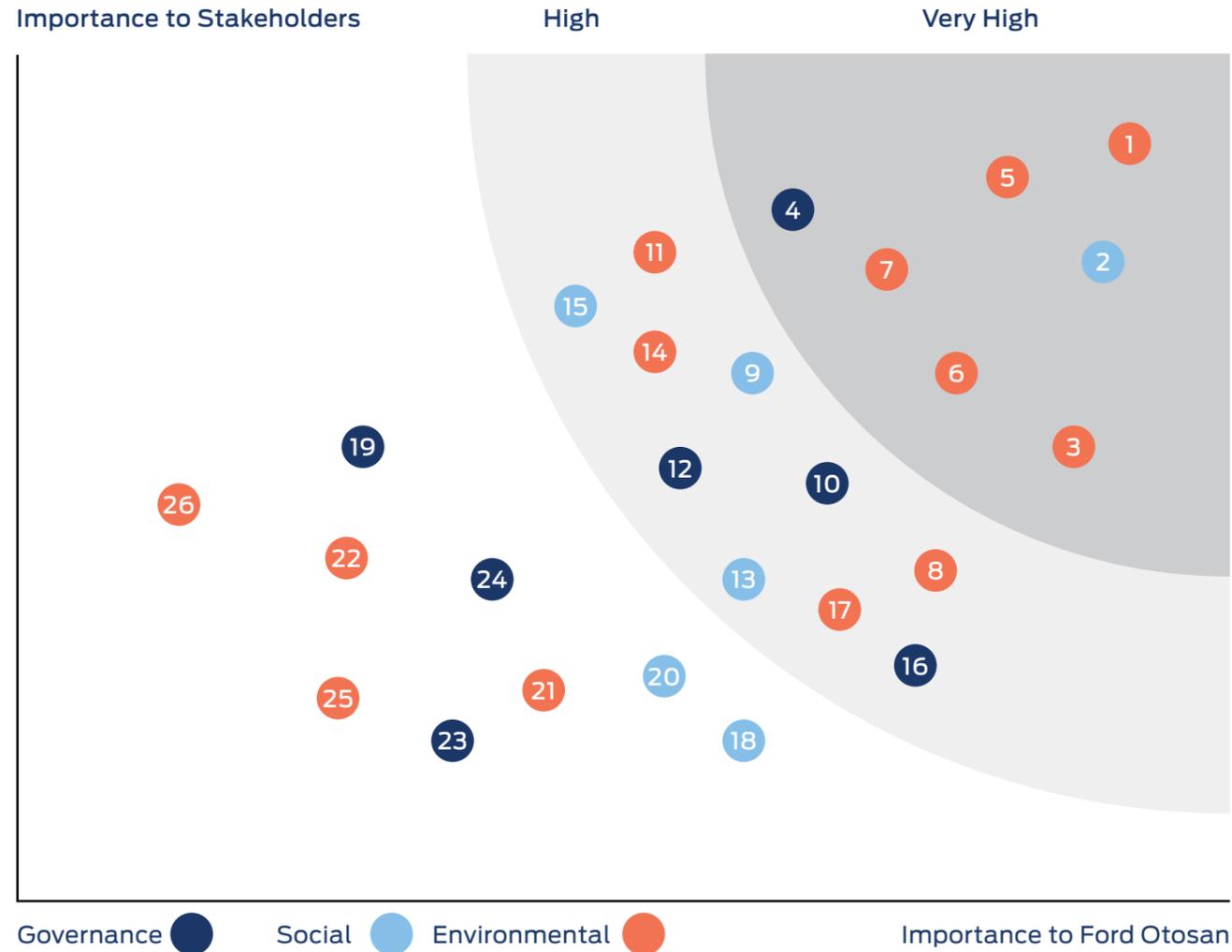
# Sustainability Priorities

**We'll share our long term objectives, identified in accordance with the basic outputs generated as a result of the priority analysis study in 2022, with the public.**

Last year, we carried out a comprehensive priority analysis study to determine the topics to be prioritized in the areas of sustainability. Having included feedbacks and suggestions from our stakeholders at the stage of identifying prioritized focus areas, we conducted our study in compliance with AA1000 Stakeholder Participation Standard. We evaluated business and future strategies of Ford Otosan and Ford Motor Company accordingly.

We shared the results of the analysis study, where we identified prioritized topics in accordance with stakeholder participation with all the stakeholders in 2021. We paid attention to feedback from our strategic external stakeholders (business partners, investors, analysts, shareholders, non-governmental organizations, dealers, suppliers, business partner public organizations, media and consultancy/agency representatives) and internal stakeholders (employees) while identifying our prioritized topics and expectations from our Company were set. Not only our stakeholders' expectations, but also global trends concerning the automotive industry and our company's business strategy were included in our priority analysis study. As a result of the analysis studies, we discovered primary areas of sustainability to be focused on in the next period.

We'll share our long-term objectives, identified in accordance with the basic outputs generated as a result of the priority analysis study in 2022, with the public.



- 1 Climate change
- 2 Occupational Health and Safety
- 3 Vehicle carbon footprint/fuel savings
- 4 Vehicle quality and safety
- 5 Low-carbon production
- 6 Electric vehicles and alternative fuels
- 7 Air Quality
- 8 Developing Mobility Solutions
- 9 Human Rights
- 10 Corporate Governance
- 11 Circular Economy
- 12 Business Ethics And Transparency
- 13 Talent Management
- 14 Supply Chain Management
- 15 Equal Opportunity And Diversity
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VERY HIGH IMPORTANCE	HOW WE MANAGE?	RELEVANT SECTION	SDG's
<b>Climate change</b>	We define climate change risks to have an impact on our activities and invest in renewable energy resources and future transportation technologies for alleviation of impacts of climate change and compliance with the new climate conditions.	<b>Environmental Responsibility</b>	
<b>Occupational health and safety</b>	We maintain physical and mental health of our employees at all business processes and organize trainings for taking necessary precautions and popularizing zero accident culture.	<b>Investing in Talent</b>	
<b>Vehicle carbon footprint / Fuel savings</b>	We make sure the fuel saving is in accordance with the legal requirements for all vehicles and improve fuel consumption by investing in climate stabilization and sustainable materials. We improve performance by reducing exhaust gases of vehicles via the investments in R&D and innovation.	<b>Sustainable Growth</b>	
<b>Vehicle quality and safety</b>	We design and manufacture vehicles meeting (or exceeding) all legal requirements in terms of safety and quality and providing innovative driver assist technologies. We aim to have a pioneering role in vehicle safety and driving assistant research and innovation. We organize information and training programs for popularization of safe driving techniques.	<b>Sustainable Growth</b>	
<b>Low carbon production</b>	We focus on reduction of carbon release during production via energy efficiency, energy management and use of renewable energy sources.	<b>Environmental Responsibility</b>	
<b>Electric vehicles and alternative fuels</b>	We invest in electric vehicles, the future transportation technology, and carry out studies for bringing vehicles with alternative fuels into the industry.	<b>Sustainable Growth</b>	
<b>Air quality</b>	We develop new technologies and improve business processes for disposal of hazardous materials and improvement of air quality during operations.	<b>Environmental Responsibility</b>	

HIGH IMPORTANCE	HOW WE MANAGE?	RELEVANT SECTION	SDG's
<b>Developing mobility solutions</b>	We focus on connected vehicle technology, representing the interaction of vehicles with each other and the city infrastructure as part of a wide transportation ecosystem, and support mobility to cover all parts of the society. We aim to increase awareness to enable a change in mobility behavior. We develop navigation, smart engine with mobile communication channels, fleet management systems for a safer and more efficient driving experience.	<b>Sustainable Growth</b>	
<b>Human rights</b>	We protect human and employee rights throughout the entire value chain of Ford Otosan and carry out studies for avoiding discrimination. Besides, we guarantee that all employees work under fair conditions.	<b>Investing in Talent</b>	
<b>Circular economy</b>	We make sure that production waste is recycled and reused, and that products at the end of their life cycles are gathered and recycled. We aim for switching to a cyclic economic model with zero waste approach.	<b>Environmental Responsibility</b>	
<b>Business ethics and transparency</b>	We comply with local and international regulations in terms of fairness, confidentiality and preventing conflict of interests in line with the business ethics. We care about those relations with all the stakeholders are maintained within the framework of working principles and ethical rules, and that studies are shared transparently. We adopt a zero-tolerance policy in terms of bribery and corruption.	<b>Strategic Management</b>	
<b>Corporate management</b>	We make corporate management of the Company in compliance with benefits of all the stakeholders (shareholders, customers, investors, suppliers, dealers, employees etc.) within the framework of the fairness, transparency, accountability, and responsibility principles.	<b>Corporate Governance</b>	
<b>Supply chain management</b>	We care about monitoring economic, environmental, social, and ethical conditions for all purchase processes and auditing suppliers periodically. We make efforts for minerals in the supply chain are procured from conflict-free areas.	<b>Sustainable Growth</b>	
<b>Talent management</b>	We make sure that new talents are acquired and retained by Ford Otosan. We develop personal development and career planning practices offered to all employees.	<b>Investing in Talent</b>	
<b>Equal opportunity and diversity</b>	We prevent discrimination at workplace by enabling equality and diversity (without any discrimination based on language, religion, race, gender and sexual orientation). We create equal opportunities for disadvantaged groups and women to grow stronger.	<b>Investing in Talent</b>	
<b>Customer satisfaction and communication</b>	We aim to increase customer satisfaction with products and services. In this respect, we increase the number of active customer communication channels, and provide innovative products in line with the changing consumer preferences and demands.	<b>Environmental Responsibility</b>	

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# Stakeholder Relations

**Changing conditions in the world, requires companies to set objectives creating shared value to include society, environment and any other stakeholders involved in their activities.**

At Ford Otosan, we believe that having mutual, transparent and constructive relations with our stakeholders are of critical importance for activities of our Company. We develop relations with our stakeholders based on mutual trust and honesty under the guidance of Ford Otosan Working Principles and Ethics Rules and continue our efforts for responding to their demands and expectations in the best way possible.

We carry out joint studies to add value in social, environmental and industrial areas with various stakeholder groups including our primary stakeholders such as investors, employees, suppliers, dealers, public organizations, non-governmental organizations and international organizations. We also have business partnerships with our stakeholders. In this respect, we include our dealers and suppliers into corporate social responsibility projects carried out in social investment areas



*We identify appropriate communication methods and necessary communication frequencies for each stakeholder group in line with the stakeholder traits. You can access the table summarizing our methods for communication with our stakeholders in the section "Annex-2 Stakeholders and Communication Methods"*

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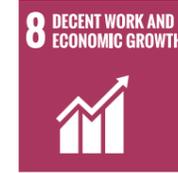
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VERY HIGH AND HIGH PRIORITY TOPICS	Shareholders, Investors and Analysts	Employees	Customers	Dealers, Koç Group Companies, Suppliers and Contractors	Non-Governmental Organizations, Media, Public Organizations, Vocational Schools, Universities and Academy
STAKEHOLDER GROUPS AND PRIORITIES					
Climate change	●			●	
Occupational health and safety	●	●	●	●	●
Vehicle carbon footprint / Fuel savings	●	●	●	●	●
Vehicle quality and safety	●		●	●	●
Low carbon production	●	●		●	●
Electric vehicles and alternative fuels	●	●	●	●	●
Air quality	●	●	●	●	●
To Develop Mobility Solutions	●	●	●	●	●
Human rights	●	●		●	●
Circular economy	●	●	●	●	●
Business ethics and transparency	●	●	●		
Corporate management		●	●		
Supply chain management	●		●		
Talent management		●	●		
Equal opportunity and diversity		●	●		
Customer satisfaction and communication	●	●	●	●	●

# Sustainable Growth

The background of the slide is a vibrant blue gradient. It features several bright, glowing light trails that sweep across the frame from the bottom left towards the top right. These trails are composed of numerous small, bright blue and white particles, creating a sense of motion and energy. The overall effect is a dynamic and futuristic aesthetic.

# Sustainable Growth



At Ford Otosan, we continue our efforts to meet our responsibilities for having an impact on the society we live in and improving social, economic and environmental conditions. Our objective is to generate a shared value model covering all the stakeholders by boosting Ford Otosan's profitability with a sustainable approach.

In 2021, Turkish automotive market recessed by 3% vs. the previous year due to reduced availability of vehicles as a result of issues in semiconductor supply. In the same period, our sales were reduced by 24% to 74,261 pcs and market share was 9.7%.

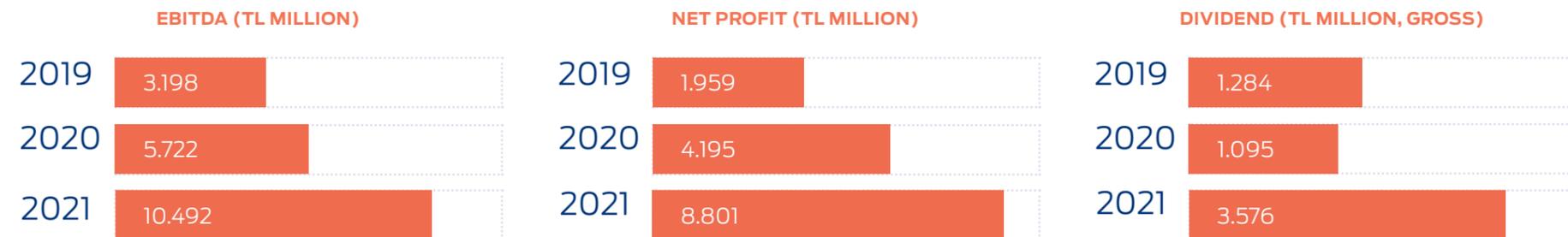
We maintain the leading position with a total market share of 29.8% in commercial vehicles in 2021. We're ranked 2nd in the market for light commercial vehicle and truck segments while we maintain leading position in medium commercial vehicle segment. We continue to carry on our operations focusing on profitable growth in these three segments.

Despite 27% decrease in annual domestic sales volume, our domestic sales income per year increased by 12% to 16,586 million TL due to positive sales mix and pricing discipline. Our export income was 54,515 million TL with 57% increase based on 14% increase in export volume, exchange rate impact, positive sales mix and cost-plus export deals. Total sales income increased by 44% and was 71,101 million TL. The share of export in sales income was 77%.

In 2021, our profitability was quite robust and EBITDA increased to 10,492 million TL with 83% increase. Pre-tax profit was 8,687 million TL with 111% increase. Net profit increased by 110% and was 8,801 million TL, which was above the pre-tax profit due to impact of deferred tax income. Dividends paid in 2021 increased by 227% vs. 2020, and a total gross dividend of 3,576,000,000 TL were paid in two parts throughout the year.



*In 2021, Turkish automotive market recessed by 3% vs. the previous year due to reduced availability of vehicles as a result of issues in semiconductor supply. In the same period, our sales were reduced by 24% to 74,261 pcs and market share was 9.7%.*



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# Lean Production



Where we are due to climate crisis and environmental pollution requires changing of business and production models globally. As you know, these topics were the most important titles on the agenda in the Global Risk Report issued by WEF. Considering the area of impact for the automotive industry, we have great responsibility for transition into low carbon economy and reduction of environmental pollution.

At Ford Otosan, we aim to reduce environmental impact of all our activities while expanding and renewing our scale of products and services. In this respect, we set our sustainability strategy as “Leading Turkish Automotive Industry via our Sustainability, Transparency and Accountability Practices and defined our long-term sustainability objective in line with our strategy.

Our objectives include,

- » Having carbon-free operations by 2050 as part of the fight against Climate Change,
- » Ensuring that waste and natural resource usage are reduced as part of Cyclic Economy; waste is reused as a byproduct or raw material, or secondary recycled materials are used,
- » Reducing the amount of water consumed per product via Operational Eco-Efficiency studies.

Deployed for fully establishing the lean line layout and production system, “Ford Production Systems - FPS” provides us with significant advantages in terms of productivity and competition through the benefits provided by lean production and technology. Our factories were selected as the best factories in the audits performed by Ford Europe FPS office. Having started in 2011, “Global Ford Production Systems” transitional period is intended to gather production systems under a single roof and develop them. We

were registered by Ford Europe as the plant that uses the system in the best way, as we deploy Global Ford Production Systems in the fastest and most efficient way.

With its top-quality standards, our Gölcük Plant stands out among global Ford production facilities and is also granted many rewards within and outside the country due to its environment-friendly production. Being close to the sub-industry production and having its own port provide logistic advantage to Ford Otosan. Our analysis and decision-making processes have become more agile due to real time information management with smart energy management systems and Digital Ford Production system. Thus, we achieved the objective of 10% operational efficiency in 2021. In 2022, we’ll make our solar panel and solar wall investments in line with our sustainability approach. We completed prototype printing via mass production molds thanks to our virtual production apps at our Gear Molding workshop. We achieved over 90%-dimensional accuracy with first parts printed.

Being close to the sub-industry and having a port, our Yeniköy Plant provides us with logistic advantage. Being Ford’s only commercial vehicle in B segment and exported to 37 countries, Courier is manufactured only in Yeniköy Plant since 2014. Being innovative, efficient and life enriching as well as employee oriented, this facility leads top quality metrics among Ford Europe factories since 2016. With a project we carried out in 2021, we used our inactive paint shop at Yeniköy Plant and increased our capacity from 350,000 to 385,000. Construction and installation activities of our project which is to increase vehicle production capacity of our Yeniköy Plant from 110,000 to 405,000 continue at full steam.

Engine and engine systems are manufactured for Ford Trucks (tow truck, road truck and construction series)



as well as heavy and light commercial vehicles at our Eskişehir Plant. Our tow truck F-MAX, awarded with “2019 International Best Truck of the Year”, was added to Ford Trucks product range in 2018. Ford Trucks product range is intended to be exported to 50 countries in 3 continents by 2024. Our Eskişehir Plant is the only plant in Turkey that can manufacture vehicle, diesel engine and powertrain at the same place. Besides, we continue investments in areas such as Ford Otosan Collaborative Robot App, smart warehouse (one of the innovative solutions), second floor sub-assembly stations, machining quality data collection system that supports smart plant infrastructure. Our Eskişehir Plant has been the first automotive to earn the reward by being ranked first in the Industrial Energy Efficiency Project Contest organized for all industries by the Ministry of Energy and Natural Resources in 2020.

Ownership of vehicle production and engine production facilities of Ford in Craiova will be transferred to Ford Otosan with this agreement to allow for Ford Otosan to launch overseas operations. For the new generation Transit Courier whose design and engineering were done by Ford Otosan, van and combi versions will be manufactured in Craiova and released into the market by 2023 while their fully electric versions will do so by 2024. Besides, Ford Otosan will undertake production of Ford Puma, manufactured in Craiova and the top seller sedan vehicle in Europe in 2021, new fully electric version of Ford Puma to be launched by 2024- and 1.0-liter EcoBoost engines.

[You can access detailed information on other innovative applications we launched for our factories and production at Facilities section of Ford Otosan 2021 Activity Report.](#)

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# R&D

## **We integrate our sustainability approach into all our R&D activities and continue our work in this direction.**

Considering the non-stop changes in automotive industry recently, our R&D investments takes an important place for maintaining competitiveness. Making R&D investments considering electrification, autonomy and various powertrain technologies as well as global threats such as climate and environment crisis and economic-social and governance related risks enable dramatically changing industry to be ranked first at R&D expenses.

Ford Otosan aims to integrate its sustainability approach into all R&D unit activities as a global organization and continues its studies accordingly. Our Company provides long term competitive advantage with effective internal sustainability structure and policies in this area, differentiates itself from its competitors via sustainable business practices, and establishes a brand perception that values sustainability among the consumers and employees.

We continue studies for developing new equipment and



practices in line with the future needs as the biggest and oldest R&D organization in Turkish automotive industry. We care about popularization of internal innovation culture as well as increase of know-how and experiences gained for continuity of R&D activities. Accordingly, we ensure that innovative ideas of all employees are directly integrated into our processes via Fikirhane Workshop studies in order to enable corporate memory. Ford Otosan's talents in the area of R&D includes CAD programs for product development, prototyping workshops and software, computer assisted analysis and simulation software, project management and feasibility studies, Design and Finite Elements Analysis, Advanced Product and Prototype Manufacturing, Process Development and Methodology, mechanisms and software for verification test.

Actively managing environmental impacts resulting from our activities is one of our main sustainability priorities. Therefore, we work for controlling and reducing environmental impact at every point of our studies. While environmental impacts generated during our production activities include climate change and greenhouse gases, various air gases, energy management, water consumption, material consumption, waste management and recycling, other environmental impacts are generated during the usage period of the vehicles we produce, particularly fuel consumption and greenhouse gas emissions. .

As R&D, we regularly review and monitor risks and opportunities, and take action to reduce impact and probability. We regularly report risks such as climate change, compliance with new regulations, operational risks, emission reporting of our products to the Early Detection and Management of Risk Committee.

Our R&D unit, where we monitor global trends, placed at the heart of our operations, deployed at Sancaktepe, Eskişehir and Gölcük centers, is registered by the Ministry of Science, Industry and Technology.



We support our highly technological next generation vehicles with innovative investments such as engine and vehicle development teams within the company, design studio, virtual reality (CAVE) and software development (HIL) rooms. We carry out R&D studies in topics such as producing new and clean energy vehicles for the purposes of achieving our objectives and maintain our competitive position in line with our "sustainability and perfection" approach at every step from raw material to product, as well as reducing release at current vehicles and recovering precious minerals, developing artificial intelligence powered autonomous vehicles and release control systems, increasing usage of recycled materials. We apply for patent registration certificates at local and international level for products and services we generated via a responsible and innovative approach we adopt and continue our strategy of navigating the future. At Ford Otosan, we protect our intellectual rights with a total of 126 patents (109 local and 17 foreign), and contribute to technological and academic know-how.

Our R&D approach is far from being bound by the classic borders and contains the mission of inclusion in areas such as fuel optimization, reduction of CO<sub>2</sub> release, development of connected and autonomous vehicles, production of electric vehicles, development of electrification and light vehicle technologies in addition to conventional automotive products and services developed with the technological transformation. Our qualified manpower potential, high level of competency in R&D and production, as well as monitoring national and international R&D funds to increase our investment in the global automotive industry are among the nourishing elements for sustainability initiatives of the R&D team.

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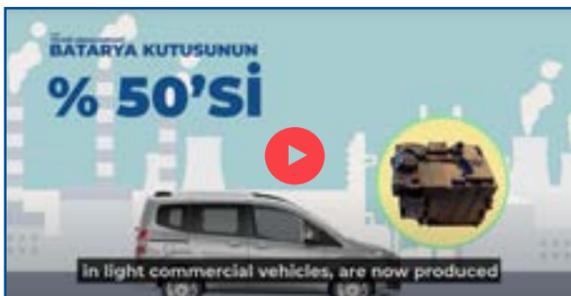
# R&D

## In order to increase the sustainability of our services and operations and reduce our environmental impact, we focused on improving our R&D activities in 2021.



### RECUBE

Hot spot analysis and environmental impact analysis are made by calculating emissions of products during raw material, production, usage and recycling periods, as part of our project. A development is made by touching the process with the most intense environmental impact as a result of the analysis. However, it's made sure that product is designed to act accordingly from design stage to cyclic economic processes. It's made sure that products have long life, are reused, recyclable and that products at the end of their lifetime are included into the production processes from the beginning of the cycle once again after the recycling. The product is design to provide benefit for the environment and the user from early design stage with this structure named after cradle to cradle. This project continues with remaking various parts with low carbon alternatives in 2022. We, At Ford Otosan, we plan to put new products into use for complying with the commitment of using 20% sustainable plastic in 2025.



Colored Recycled Plastic Application for Internal Body Parts: Polypropylene (PP) material is at the top of the list of the most used plastics in the world, and the use/ amount of plastic in the world shows a serious increase day by day. We aim to reduce the need for raw plastic in the world by ensuring that plastics used for rigid plastic plating parts are manufactured via recycled material with the recycled material project we carry out. We intend to decrease the carbon footprint and carbon dioxide release with the launch of this project.

Ford Otosan 2021 Sustainability Report

Ford Transit uses 66,000 tons of plastic for 220,000 vehicles. With this study, we aim to use 6,000 tons of colored recycled materials per year. There isn't any difference between the parts manufactured via recycled plastic raw material and the material used at mass production in terms of appearance quality, particle harmony and quality. We aim to make a great contribution to our world in terms of both cost and sustainability by re-introducing the plastics used for the vehicles into the manufacturing cycle again thanks to the high amount of recycled materials

### Horizon Europe Projects

To date, 26 project applications have been accepted within the scope of Horizon Europe Project Calls.

### PEACOC



We intend to allow for use of more affordable precious minerals by enabling circularity of precious materials with the PEACOC, a project carried out jointly by the companies, leading universities and research organizations in Turkey and Europe. PEACOC is like a follow-up project for PLATIRUS, with which technologies were developed via low-cost recovery of precious minerals included in the catalysts at the end of their lifetime. As part of the project, we intend to develop affordable and environment friendly metallurgic method and carrying out pilot scaled application before commercial scale planning for recovery of the Platinum Group Metals, defined as PGM. We intend to observe usability of the PGM materials to be obtained via developed technologies for production of automotive catalyst again, and then consequential reduction of the environmental impact. Project includes profit margin of the developed technologies compared to the current market and environmental impact analysis calculations as part of its scope.

### AITOC

We work for digital twin of the V710 brake disc line to be established at Eskişehir Plant with the scope of the Artificial Intelligence supported Tool Chain in Manufacturing (AIToC) project. We aim to make improvements to the costs of brake discs by identifying metal processing parameters in real time with a digital twin. We plan to see the impacts to be generated within the framework of the cyclic economy by identifying the scrap rate found as a result of improvement in parts quality to be provide by optimum manufacturing parameters along with the objectives of cost improvement as well as energy consumption during metal processing, and effective use of cutting tools.

### HADRIAN

This project is intended to increase the communication of drivers with highly autonomous vehicle and environment by adopting a holistic approach. At Ford Otosan, we carry out studies for a driver monitoring system and human-machine interface design as part of the project. In 2021, studies related to fatigue, micro-sleep and vision-based distraction as part of the driver monitoring system continue at full steam. First trials via a simulator and a vehicle were made for the algorithm developed as a result of the studies made. In addition, studies are made in relation to providing necessary feedbacks to the driver by ensuring that developed algorithms operate simultaneously. It's aimed that in-vehicle tests for the driver monitoring system is accelerated in 2022 by completing functions such as fatigue, sleep detection, fatigue detection, emotional state. It's aimed that the transition between various levels of autonomy reaches a point that provides top comfort and safety for the user, and acceptability of the autonomous vehicles is increased.



### NEWCONTROL

With this project that we launched in 2019, it's aimed those recurring operations in the mine sites for the Ford heavy commercial vehicle construction series products are performed autonomously. In this respect, a Ford construction series truck can autonomously perform the maneuver of moving from one point to the other and parking on its own. In 2021, some mine site scenarios were implemented in a closed testing area. During one of these tests, a vehicle updates the route it follows by identifying a vehicle parked on the road while traveling autonomously from one point to the other and completed the scenario of avoiding an accident via lane change successfully. In 2022, enhancements are aimed to be validated and checked with the help of a controlled test site with slopes, downhill and exits as well as various turns, representing the road conditions better through new mine site scenarios.

### LONGRUN

We aim to reduce releases by 30% and have 10% energy savings with the LongRun Project, which we started as part of the Horizon2020 via participation of 30 companies from 11 countries. At Ford Otosan, we joined the project with the concept of a diesel-hybrid tow truck and are the leader of the relevant work group. We work with the leading research organizations and engineering companies in the Europe as part of the project. Selected hybrid-electric vehicle concept has many advantages such as allowing for fully electric drive at short distances, providing highly regenerative braking capacity, providing high acceleration and startup performance, and optimizing working points of the diesel engine. In the past year, a vehicle software with an electric axle system was developed for heavy commercial vehicles within Ford Otosan, while its 13-liter Ecotorq Euro-6 engine were subject to emission reduction focused tests via engine dynamometer through use of hydrogenated vegetable oil. We believe that outputs of the LongRun Project are a significant milestone in line with our objectives of reducing carbon releases in 2025 and 2030.

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## ALBATROSS

With the Albatross Project launched as part of the Horizon2020, we design a modular battery package that can be adapted to light commercial and heavy commercial vehicles based on unified smart batteries through low weight designs. Automotive original product manufacturer (OEM) partners are aimed to be supported for decreasing battery packaging costs, improving their competitiveness by increasing the value for secondary life applications, being preferred and meeting global legal requirements by reducing the emissions throughout the entire usage life, with the Albatross Project, which is carried out by 20 partners and have a budget of approximately 12 million Euro. Project aims to increase energy intensity of the prototype battery compared to the current battery package by 50%, reduce the charging time by 25%, decrease the weight by 20%, and extend total battery lifetime.

## 5GMOBIX

With 5GMOBIX project, which started in 2018 and is expected to be completed by mid-2022, research is made regarding provision of CAM – Connected Autonomous Mobility services via 5G at cross border corridors between the countries in Europe, how to engage them where these services are provided, standardization of technical efforts, and investigation of legal rules to be modified.

With this project, we aim to automatize, accelerate and make safer the transitions through the highly controlled customs area as well as level 4 autonomy is provided in protected and enclosed areas with low-cost vehicles. Also, we aim to have safe and low latency vehicle-to-vehicle distance maintenance, low fuel consumption and reduced CO2 emissions release via “5G Based Platooning”.

Here are the innovative parts of our 5GMOBIX project: Having 5G signals in a factor for the first time in Turkey and performing signal tests, vehicle to vehicle and vehicle to cloud communication was established with 5G.

Besides, this project that we lead as Ford Otosan is among the first studies where 5G is used in the Turkish automotive industry and is among the first examples of using 5G technology for many cross-border checkpoints around the world.

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# Digitalization

We know how important digital transformation is to advance our current business, create new opportunities and achieve our vision. Digitalization is needed for integration of new technologies and sustainable transformation of business models. At Ford Otosan, we make our investments by prioritizing improvement of our competencies to protect our leading position in use of digital technologies. We need digitalization to engage more closely with our supply chains and customers and respond to the changing consumer habits. To this end, we started Data Driven Transformation Program. An extensive DACAMA (Data Management Competency and Maturity Analysis) study was carried out, discussing all Company functions for analysis of all the data related components and needs. In this respect, we dived into all areas of development such as data governance, organizational structure, technology and data scenarios.



**Our digital transformation studies fall into five groups to cover our entire value chain including dealer, customer, employee, product design and production.**

## Connected Customer and Dealer

We provide customized products and services to our dealers and customers by continuously analyzing their requests. We want to improve our customer experience and associated strategies by using our dealer systems connected to the CRM through centralization. We dynamically collect complaints and opinions and consider them for our designs. We utilize past data to make more accurate predictions regarding vehicle orders of our dealers. Also, we make sales staff on field capable of selling vehicles via mobile platforms.

## Connected Production

We collect IoT and production data on a huge data platform to facilitate their processing. We aim to prevent potential problems by predicting them in advance. Our production is dynamically and continuously rescheduled by considering all the factors.

## Connected Product

We use our analysis that we created via customer feedbacks while designing new products. We make our vehicles connected and focus on value added services via collected data. We simplify our processes and transfer them into digital environment. We try to make Company information centralized and easily accessible.

## Connected Employee

We provide our employees with necessary infrastructure so that they can do business in digital work environment and via mobile platforms. We aim to increase level of happiness and retention rate via data analytics projects we created with our employee data. We transfer information, knowledge and experiences of the employees into operating systems via machine learning algorithm so that we can increase accuracy of our decision-making mechanisms. We try to automatize routine works with low added value for our employees to contribute creatively, actively and efficiently.

## Connected Supply Chain

Our production is dynamically and continuously rescheduled by considering all the factors. Besides, we connect our supplier to the centralized data and management center to optimize our stock orders. We carry out digitalization projects for our storage and logistic systems.

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# Innovation

Meeting changing customer behaviors and expectations in our business environment that changes rapidly day by day with the impact of globalization and digitalization can only be possible via innovation and disruptive technologies. We consider innovation as a growth tool to carry us into the future. We aim to increase market share, create new markets, gain competitive edge, maximize customer satisfaction and achieve internal efficiencies by providing innovative products, services and processes. We care about being flexible and responding quickly to the technological developments as well as changing customer behaviors in the automotive industry.

At Ford Otosan, we consider innovation, entrepreneurship, change management and open innovation as significant build blocks on our journey for our vision. Accordingly, company will support our strategies. We identified our focus areas for innovation and make innovative efforts since 2016 within the framework of these focus areas.

## Innovation Focus Areas

### Smart Production

Making production, material planning and logistics system smart and efficient to become more competitive and flexible. It combines technologies such as “Internet-of-Things”, “Smart Factories”, “Cyber/Physical Systems” and “Industrial Internet”.

### Automotive Customer Experience

To make customer experience better, changing needs and expectations must be met via innovative and technological approaches.

### Connected Vehicle Technologies

Vehicle to vehicle and vehicle to city infrastructure interaction. It covers a wide range based on interior/ exterior vehicle connection systems such as smart engine systems, fleet management systems, in-vehicle infotainment systems, integrated with mobile



communication channels to make driving experience safer and more efficient.

### Smart Mobility

The objective is to meet changing demands and habits in load and human transportation via sustainable, integrated, user first products and services.

### Electrification

It includes the preparations covering all the processes from the start of production of electric vehicles to end of their lifetime. It's intended that dealers and customer have the best experience with the electric vehicle transformation.

## Innovation Projects

### MODFING:

Having started as an idea for detecting equipment breakdowns in advance in areas of production for the smart production technology innovation campaign, Modifying project was launched. In the first half of 2021, 100 CUBE XL product level was disseminated at Gölcük, Yeniköy and Eskişehir Factories, and user interface designs were tested. In the second half of 2021, we focused on both algorithm developments and designs of CUBE Mini, which is a more compact, capable and commercialization product level. Design, prototype production and mass production of CUBE Mini product level, which is the main product level

of commercialization of the project in 2022 will be a tough year for dissemination the plants. Long term objective of the project is to become an ecosystem that provides quality and value creating products as well as stands on its own feet via byproduct companies, at the intersection of Industry 4.0, Predictive Maintenance and IoT.

### FO AGV – Autonomous Guided Vehicle:

Another innovation project that stands out in the area of technological innovation is Autonomous Guided Vehicle. Autonomous guided vehicle project generated with the motivation of making material mobility autonomous within Ford Otosan provides end to end logistic solutions at Ford Otosan plants. Requirements of the site are analyzed via customer driven approach and needs are revealed. Designed and developed by Ford Otosan engineers in terms of both hardware and software, 13 FO AGV was launched and serves at various locations of Ford Otosan. Product development process is supported by the data collected from the engaged vehicles. This vehicle developed is intended to be used at high amounts for new plant investment of Ford Otosan and create investment efficiency. Also, AGVs provide benefit in terms of OHS by minimizing occupational accidents resulting from human related faults. AGV tender organized by Türk Traktör company was won in 2021 as the first commercialization step of the product. 4 autonomous mobile robots will be deployed at Sakarya Erenler Plant in May. FO AGV grabbed attention of Ford Global in its journey of commercialization. Start up efforts will be started in Americas in May 2022 with orders for 2 AGVs from Ford Northern America. Additionally, we continue our conversations to understand requirements of other industrial companies and generate solutions.

### F-CLOUD:

An innovation project enabling instant tracking of connectivity features of all F-Max vehicles leaving the

production line on the basis of F-Cloud.. Due to its hardware and software, F-Cloud has features such as data collection from the vehicle, remote SW update and remote monitoring of error statuses within the period from production line to sales. This project is primarily intended to collect and evaluate specifically product quality data and increase quality metrics that are priority for us. With this project, modules such as Gearbox, ECM and PCCM are updated without any human factor.

### OTOBAHN:

This is a project launched by Gembox A.Ş. as a versatile and customer-oriented vehicle subscription service for developing innovative smart mobility solutions. At the beginning, an exclusive pilot process with limited quota was designed for Ford Otosan employee who look for a mobility solution for a period of 3-6 months. Many services such as valet, car wash, discounted fuel, daily rental for traveling between cities, replacement vehicle, maintenance and automobile insurance are planned to be included into monthly subscription fee in this innovative business model covering all expenses of owning a vehicle. Studies continue to carry out an extensive external pilot application by expanding the operation in 2022 with the experience gained until now.

We believe that such vehicle subscription model contributes to reduction of vehicles parked for long periods as they are out of use, by increasing the efficiency of vehicles used through contribution to the cyclic economy for the automotive industry with transition into the latest and most efficient technology without any purchase commitment in the long term. We aim to become a part of the sustainable mobility ecosystem by providing benefit in terms of increasing fuel efficiency and reducing exhaust emissions by popularizing use of well-kept and high-tech vehicles when project is scaled.

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# Innovation

## DRIVENTURE-GEMBOX TEKNOLOJİ

### GİRİŞİMLERİ A.Ş.:

We carried out technological discovery activities in the autonomous vehicle technologies, smart mobility, connected vehicles, customer experience, electrification and smart production focus areas during global and local events in 2021. In this respect, we interviewed 330 different initiatives within 2021, and strategic benefit analysis was performed as innovative solutions are introduced to the business units. We started collaboration with 12 initiatives out of 330 initiatives, and the integration of the innovative products and services offered by these initiatives into Ford Otosan's products and services was completed. Beside initiatives collaborated, Driventure Board decided to make investment in two of the initiatives submitted to Driventure Investment Committee as a result of technical, financial and legal evaluations.

Optiyol, a next gen route optimization, operates as a technological platform based on the data that integrates driver preferences, business strategies, demand versatility and traffic to create both efficient and practical route plans; and we expect Optiyol solutions to provide strategic benefit for transportation and end point delivery solutions offered by Ford Otosan to its customers with commercial vehicles.

Bluedot, another significant investment of ours, is a smart mobility solution platform that brings together electric vehicle drivers and charging stations. We expect Bluedot to provide strategic benefit in terms of value-added services to be provided for electric vehicle customers of Ford Otosan.

Accordingly, we host open innovation events with leading initiatives and organizations. We create the opportunity of unlocking innovative ideas for the

entrepreneurs in topics such as smart mobility, Industry 4.0, connected vehicles and digitalization, which we prioritize. We continued to perform our open innovation studies via online methods in 2021.

We set up interviews to evaluate collaboration opportunities with both global and domestic entrepreneurs, incubation centers, techno cities and risk capitals. Thus, we introduced initiatives with innovative ideas in our open innovation focus areas and their solutions to the relevant units across the company. In 2021, we've become a stakeholder of İTÜ Çekirdek, one of the leading incubation centers, to closely follow and support entrepreneurship ecosystem in Turkey, and participated in start-up selection stages. As part of this stakeholdership, we supported CyberSolid, providing 3D metal printer solution, and HydroBorPEM, developing fuel cell and membrane for vehicles with hydrogen fuel, in İTÜ Bigbang final event. We've also become a stakeholder of TRAI NEXT program by TRAI, a leading organization in terms of artificial intelligence in Turkey and were introduced to the initiatives in the area of artificial intelligence. As part of innovation studies, we hosted Demoday event specifically for Industry 4.0 in April 2021 and organized the Innobu Smart Mobility Innovation contents through collaboration with Bosphorus University. Beside these studies, we expanded the start-up pool of Driventure by maintaining contact with many stakeholders in the entrepreneurial ecosystem throughout the year.

Similarly, we aim to reach initiatives falling into our focus areas and having the potential of collaboration by participating in various events and fairs within the scope of the innovation studies in 2022. We have plans for organizing a Demoday with the themes of Sustainability and Smart Mobility. We intend to implement an acceleration program for supporting the

female entrepreneurs in the Entrepreneurial Ecosystem. Beside these, we'll keep having Investment Committee meetings for initiatives deemed appropriate as a result of evaluations. We had two Investment Committee meetings until now in 2022 and carry on our studies for finding initiatives that we can present to the Investment Committee during the rest of the year.

### SMART MOBILITY:

As the Commercial Vehicle Market Leader in Turkey, we consider transportation in two categories: Human Transportation and Cargo Transportation.

**Human transportation:** Based on the increased need for mobility recently, we believe that there is a need for end to end solutions to meet all the mobility needs of residents in cities. We believe that transportation and shipping vehicles must be optimized, integrated and environment friendly at some point by drawing attention to the conflict between the need of more vehicles and the need for more space for city residents in cities.

To that end, we evolved our perspective of human transportation into a more inclusive model to include micro vehicles, 2-3 wheeled vehicles, seamlessly integrated platforms to sort out needs of all the human groups, not limited to cars only.

Besides, we can say that user attitude and behavior changed from direct ownership to shared models by referring to the interest in new business models (car share, scooter rental) as well as market research. Thus, we had a pilot test for long term rental model specifically for Company employees last year. Considering financial model, employees' interest, and user feedbacks, first phase trial of the project was a success in terms of providing a new and alternative ownership model for the vehicle users. Our next plan

is to continue pilot scope with more vehicles and users and make evaluations to engage a new model if the trials succeed.

**Cargo transportation:** Our current product group covers a wide range, from 2-3-wheel vehicles to heavy tonnage tow trucks. Commercial cargo transportation presents considerable opportunities as there is a need for new business models and actual efficiency. If these opportunities and models turn into a disruptive innovation, product or service, we need to minimize the risk even for maintaining our current position. We believe that cargo transportation will also be Smart, connected and integrated. We want to position ourselves as the closest partner of our commercial customer by considering the changing perspective towards commercial vehicle business model. Thus, we expand our commercial vehicle perspective to include new business and supply models in addition to our current business model.

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**RAKUN MOBİLİTE TEKNOLOJİ ÇÖZÜMLERİ A.Ş.:** We aimed to provide an environment-friendly innovative electric motorcycle as a solution for mobility issues of the companies with Rakun, developed as part of Ford Otosan innovation program. Engines of the electric vehicles designed completely by Ford Otosan engineers and manufactured at Ford Otosan Eskişehir plant are also manufactured by Wat Motor, a Koç Group company. At Ford Otosan, we aim to provide services with various business models for all users seeking out innovative and light mobility solutions. We've decided quickly and snappily, and established Rakun Mobilite

Teknoloji ve Ticaret A.Ş., which is a 100% Ford Otosan affiliate, to manage sales, marketing and post sales operations. Rakun Mobilite company, Rakun Pro 2 and Rakun Pro 3 models were introduced during the launch attended by over 20 automotive journalists on 26 November 2021. The launch event had over 8 million interactions in digital media.

Named after its agile, rebellious and cute appearance, Rakun will be introduced to the customers with two different models with two or three wheels. Our light mobility solution grabs attention via its technical specifications: Traveling more than 100 km with

cargo due to its superior battery technology allowing for full capacity charge in 4.5 hours, Pro2 and Pro3 models doesn't require a motorcycle driving license with a maximum speed of 45 km/h. Providing a fun driving experience with only grade B driving license, our light mobility solution has high performance even on steepest roads with over 35% inclination due to its 4,000 Watt engine power. It has a 5" LCD screen where you can manage driving modes and warnings. Providing more than 180 kg of cargo transportation capacity, Pro3 has advanced maneuver capability with two independent rear wheel suspension.

It will be presented to the customers via rental and sales methods through Rakun Pro2 and Pro3 models at first, and for Post sale services, it can both be serviced at select Ford sedan and light commercial vehicle services, and our users can prefer on-site maintenance service via our mobile maintenance service. We steadily continue our efforts with the teams built for making local and overseas sales on our website in the next period.

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# Cyber Security



## **Ford Otosan works to protect our Company's reputation built over 50 years; against internal and external threats to take preventive actions against dangers and to raise awareness.**

Ford Otosan continues its cyber security activities in a wide range. We are trying to minimize security risks by taking high-level measures and training and studies to increase internal awareness on data security, production systems, IoT and end-user security, security of data traffic between connected vehicles and the center, cyber security of vehicles and operational technologies, and KVKK.

Cyber security is directly related to the reputation of the Company and is of high importance in terms of sustainability. Cyber attacks also have the potential to damage companies' reputations. In this respect, if and we should pay attention to the topic want to protect the Company's reputation, we must address cyber security issues we should pay attention.

At Ford Otosan; we continue to work on cyber security starting with the security of the data, the security of the end-user, security of IoT and production systems and also work on the security of data transfer between the connected vehicles and the center. Cyber security of vehicles and operational technologies (OT) is at least as important as physical security today (IoT) where days where almost everything is connected to the internet in a way. As a team, we try to do the best we can about these topics.

- » OT Security (Scada, production systems, etc.)
- » Vehicle cybersecurity
- » Awareness trainings
- » The Protection and Processing of Personal Data
- » ISO 27001

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# Supply Chain

The solid collaboration with our suppliers is one of the most important reasons for quality production and our success in the automotive industry. As there is supply process containing thousands of parts on the background for the vehicles we manufacture, we support the development of our suppliers to be able to maintain Ford Otosan standards with our products. In line with the vision of featuring among the most valuable supply chain organizations in the world, we work in collaboration with suppliers to manage every step of the multi-stage and complex value chain in a controlled and systematized manner from raw material supply to vehicle production, to delivery of the vehicle to the customer, to the post sales

## Supplier Sustainability Evaluation and Development Program

We designed the Supplier Sustainability Evaluation and Development Program to serve our vision. We aim to have suppliers identified as part of the program fill out Sustainability self-evaluation survey, complete self-evaluation process and increase their awareness. For the suppliers that we define as critical suppliers, we identify their risk level through data verification and on-site audits via independent audit organizations. We prepared "Supply Chain Compliance Policy" and "Conflict Minerals Policy" and published them on our website so that we can convey our Sustainability Policy to the suppliers.

## Conflict Minerals Management

At Ford Otosan, we have a sustainable and transparent policy for our supply chain. Accordingly, we support supply of these minerals from conflict-free areas. To avoid any type of action contributing to financing of conflict, we expect our suppliers to act in compliance with the same considerations, the standards in "OECD Due Diligence Guidance for Responsible Supply Chains

of Minerals from Conflict-Affected and High-Risk Areas" and applicable United Nations sanction decisions or local regulations executing these decisions. In this respect, we published "Conflict Minerals Policy".

We expect our suppliers and business partners to watch for following considerations as part of our effort for managing the risks related to conflict minerals:

- » Identifying products with high 3TG usage probability, defining and evaluating supply sources,
- » Collaborating where required with their own suppliers to verify 3TG usage and potential sources of these minerals,
- » Making efforts for adopting a policy related to the conflict minerals that is consistent with Ford Otosan policies,
- » Collaborating with national or international official authorities, organizations, non-governmental organizations and where needed, with affected third parties when a situation is discovered or a risk is expected in relation to conflict minerals throughout the supply chain; referring to necessary notification channels, working in coordination with Ford Otosan for removal of the risk, and where required, stopping collaboration with risky suppliers

## Supplier Sustainability Trainings

With supplier sustainability trainings, we aim to increase awareness of our suppliers in terms of sustainability and grow together on this journey. Supplier trainings were planned to share information and the best practices within environmental, social, economic framework and on carbon transition program. This training is planned to be provided for all the suppliers in the next period. Key topics in the training contents include; sustainability within the scope of environmental, social, economic and carbon



related management, sustainable development and its dimensions, sustainable development objectives and their alignment with business models, creation of a sustainability strategy for organizations, environmental sustainability, environmental management.

## Carbon Transition Program

In line with our objectives of carbon transition, we'll start creating carbon roadmaps with our suppliers as part of the Supplier Sustainability Evaluation and Development process.

Suppliers will be categorized on the basis of products (Metals, Polymers, Adhesives-Paints, Glass-Organic materials, Electronics, Liquids, Oils, Fuels), and raw material specific carbon emissions will be calculated.

As a priority, we aim to work with metal and plastic suppliers as they're the processes with highest carbon footprint.

# Customer Experience

## At Ford Otosan, we care about our relationships with our customers

Together with our employees, dealers and suppliers, we work for our customers to have the best services and products. We make many efforts and create action plans so that we can identify appropriate communication methods for all stakeholders in Ford Otosan value chain. In this respect, we care about creating a shared collaboration culture prioritizing our customers, especially with our dealers, who have one-to-one contact with our customers.



We carried out extensive research, starting from interviews and workshops and leading to organization and individuals, within the framework of Shared Culture Management. At Ford Otosan, we took steps towards not only our objective of following our industry's and today's trends but also the objective of becoming a Company including opinions and feedbacks from all employees into processes.

Our strengths were defined as follows with the Ford Otosan and Dealer Current Relationship Culture study carried out during our workshops.

- » Responsibility and Accountability
- » Respect for Ethical Values and Honesty
- » Valuing Each Other and Love
- » Mutual Respect and Courtesy
- » Diversity/Respect for Differences
- » Brand Loyalty and Work Passion

### Shared Culture Management

We carried out studies for increasing awareness and popularizing practices for "Shared Culture" values and principles that we defined for providing our customers with accurate communication methods, optimum services and the products serving their needs at best and creating the optimal ecosystem for our customers. We met our dealers and Ford Otosan employees at many interviews and workshops where they can create value together as we create the Share Culture Management Act.

**We met 890 participants in a total of 4 seminars as part of Shared Culture Management efforts.**

Customer Experience Index - Sales	2019	2020	2021
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Sedan	98	94,9	95,4
Commercial	98	95,8	95,4
Ford Trucks	98,3	97,1	97,6

Customer Experience Index - Service	2019	2020	2021
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Sedan	95	93,7	91,4
Commercial	94	93,9	90,7
Ford Trucks	96,9	95,9	96,2

2021 Share Culture Management Efforts - Number of Participants by Dealer Type	Participation by Dealer Managers	Participation by Dealer Employees
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Corporate	14	12
Owner	32	29
Ford Trucks	9	7
In İstanbul	17	8
Out of İstanbul	39	33
Single	32	27
Multiple	14	14

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# Customer Experience

## Shared Culture Management Actions

We carry out many different studies to upgrade the customer experience by implementing the decisions and actions we defined in 2021 as part of the Shared Culture Management, which we started in 2019 and accelerated in 2020 despite the inefficiencies caused by the pandemic conditions.

### *Our Principle of Shared Culture with Ford Otosan Dealers: “We’re All Good If You’re Good”.*

We work for creating a shared culture, values and principles between Ford Otosan and its dealers. We aim to create a culture that supports our vision and strategies as well as unlocks our employees’ loyalty. To that end, we defined our new cultural principles and values with participation of our dealers. In line with these values and principles, we built teams comprising volunteers to work on required action plans by focusing on main development areas in our business partner relationships.

We launched e-learning series explaining our values and principles to dealers with practical examples, as part of the efforts made by the project teams. We made sure that anyone at our dealers are informed with 90% completion rate. Our content was positioned as a part of the newly recruited dealer employee orientation process.

We checked the results of the Dealer Relationship Culture Survey, which we carried out for the first time in 2020 and repeated in 2021 to be able to progress its progress and put the findings on the agenda for teams on field and at office then created and monitored the action lists. Improvement processes were defined and implemented for our shared communication platforms with dealers upon these actions. Besides, we started working on a pilot application which we named as Common-Sense Platform.

We completed preparations for the “Culture Ambassador” program to support development of the

shared culture between Ford Otosan and its dealers in 2021. Culture Ambassadors, comprising 70 select employees, will monitor business processes and employee behaviors as the primary people in charge of the cultural transformation process, and continue to transform their business units in line with our values and principles.

## CX Maturity Assessment

A CX Maturity Assessment was carried out across the entire Company in 2021 by the Customer Experience office established in 2020. Our Company’s level of competence regarding customer experience were defined as a result of the in-depth interviews and the survey distributed across the Company. For supporting inclusion of customer experience related awareness and approach into practices, a road map was created to be implemented in 2022 specifically for 6 main competencies, and an intensive and consistent action process was started.

With all the partners in Ford Otosan value chain, we aim to create a customer experience beyond the expectations. With this project, we detailed Ford Otosan’s current processes and the ways of doing business in the context of 6 customer experience competencies, including customer experience strategy, VoC (Voice of Customers) and measurement, experience design, management and corporate gain, customer first culture and digital transformation. This project allowed us to

- » Understand where we are in terms of customer experience within the organization,
- » Identify areas of improvement,
- » Prioritize the most critical areas required to be focused on,
- » Define the status of customer experience required to be present for Ford Otosan.

## Voice of Customer Platform

We started making efforts for Voice of Customer Platform with the objectives of listening to the

feedback in the surveys via customers after transaction, understanding the underlying reason for satisfaction and taking necessary development actions before dissatisfaction become a more serious issue. Now, we have the capability of collecting, combining, and acting on the feedbacks in retail, commercial, fleet, truck, public and used vehicle segments due to 24/7 full automation and integration at any stage where a customer is at dealers, service centers, contact center, web, and mobile app with a single centralized platform.

We’ll always be able to measure and report customer experience KPIs (Key Performance Indicators) such as NPS and CSAT within the organization as well as complete the feedback cycle by informing appropriate units within the organization about critical situations, assigning development tasks and following them to their completion. Machine learning based analytical models on our platform will help us understand the matters, opinions, emotions, and intents during our open-ended customer interviews. We’ll be able to predict and simulate impacts of our actions through changes in satisfaction with key business KPIs due to our satisfaction building analysis that will provide us with a priceless insight into what we should prioritize for creating maximum impact.

### **Our Principle of Shared Culture with Ford Otosan Dealers: “We’re All Good If You’re Good”.**

Since 2018, we work for creating a shared culture, values and principles between Ford Otosan and its dealers. We aim to create a culture that supports our vision and strategies as well as unlocks our employees’ loyalty. To that end, we defined our new cultural principles and values by including our dealers into 2020 process. In line with these values and principles, we identified main areas of improvement for our business partner relationships and built teams comprising volunteers to work on required actions.

We completed preparations for the “Culture Ambassador” program to support development of the shared culture between Ford Otosan and its dealers in 2021. Culture Ambassadors, a team comprising 70 select employees, will oversee this transformation

process. They will monitor business processes and employee behaviors and transform their business units in line with our values and principles.

## Dealer Training Programs

» 139 local and international dealers, including 71 sedan vehicle and commercial vehicle dealers and 24 Ford Trucks dealers.

» Providing training for 515 people via 180-day classroom training activities

» Providing training for 5048 people via 413 virtual classroom training activities

### **We focus on competencies and loyalty of dealer employees more than ever!**

» We create location-based competency maps for all sales and post sales locations. New recruitment and promotion processes were launched, including testing, and evaluating candidates/employees for critical positions (interviewing and role playing) and providing feedback where needed.

» Also, HR system infrastructure was integrated with all the new processes including position and employee-based training and development. Besides, we aim to continuously develop and provide feedback via hybrid training solutions according to the competency level of employees at our dealers. Also, we categorize competencies of the Managers at Dealers for creating a harmonized training model for critical areas of development in each category (focus groups with similar areas of development).

» We started measuring Loyalty of Dealer Employees in 2018. Also, we designed a consultancy program to support management of employee loyalty via sample group studies including coaching and mentoring for Dealer Managers in the 3rd quarter of 2021. We plan to provide support for minimum 6 dealers every year.

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# Customer Experience

## EV (Electric Vehicle) Training Event

- » An EV transformation team was created for the purpose of analyzing customer needs and developing solutions for these needs as part of EV preparation.
- » To prepare for this new period, we made necessary investments including charging structure, special tools and equipment for dealers to provide customers with service in both sales and post sales stages.
- » For training, 77 employees from 41 dealers were assigned as Electric Vehicle Technician, allowing them to join post sales EV Technician training.
- » With this training program, technicians will learn how to disconnect an HV (hybrid) vehicle's power and how to safely replace HV components of a vehicle. In the technical training program to be implemented, they will how open HV battery and replace the modules if required.
- » Besides, 69 employees from 43 dealers were assigned as Electric Vehicle Sales Expert, allowing them to join EV Sales training on the sales part.
- » In this training, sales personnel will be taught EV and Hybrid vehicle structure and their differences compared to ICE (internal combustion engines) both technically and in terms of processes.
- » 21 dealers in post-sales and 22 dealers in sales completed their training and are ready to serve EV vehicles. Dealer training plans and personnel registration procedure were completed for those who didn't complete necessary EV trainings.

## Ford Digital Studio

Ford Digital Studio allows for customers to have all the information needed about Ford models without visiting the showrooms at dealer locations. Customers can book an appointment on [www.ford.com.tr](http://www.ford.com.tr) and have a realistic sales point experience with personal narratives responding to their questions in a digital studio. Our special brand advisors, who work between 12.00 and 22.00, introduces the models at Ford Digital

Studio per interests of the customers, and direct the customers to the closest Ford dealer so that they can complete sales procedures or have a test drive. Many Ford customers already started their journey at Digital Studio since it was launched in 2020. During the period of June-September 2022, Digital Studio visitors will have a chance of going through an expanded digital experience under "Ford Digital Studio Metaverse"

## Ford Instant

The future of car purchases is at customers' fingertips with Ford Instant! Ford Instant is a digital vehicle purchase experience combined with Ford Digital Studio for customers who started their sales journey on Ford Turkey website. Customer friendly service allows for customers to have the Ford model of their dream in four basic steps. First step is vehicle introduction at Ford Digital Studio, where they can select their preferred dealers, have a test drive, and make an online loan application. Besides, we bring the brand-new Ford at our customer's location via "Door to Door Delivery" service. Fully customer and environment friendly process not only supports sustainability, but also draws new generation and more digital focused customers.

## Ford Live Support

As part of cutting-edge customer services, Ford customers can contact live support easily for not only vehicle related needs but also general questions and requests as of May 2020. User friendly widget can be accessed on [ford.com.tr](http://ford.com.tr) 7 days a week. Customer contact center employees provide live remote support and consultancy, and also can direct customers to the dealers preferred by customer for continuing the conversation face to face. Environment friendly infrastructure underlies the sustainable customer experience, and also contributes to initiatives for reduction of carbon footprint.

## Smart FKasko

Informing customers on how safe they drive their vehicles, Axago Smart FKasko encourages safe driving for Ford users. Ford users who drive safely are rewarded with additional discounts for authorized services and FKasko policies.

Customers have the chance of taking out an insurance policy at a discounted price based on their driving styles without any surprise. With the AXAGO Smart F Insurance app to be downloaded to their phones, Ford owners who believe that they're driving their vehicles safely and don't want to pay the same insurance fee as those thinking otherwise, can monitor their driving data and benefit from special prices at policy renewals if they drive safely.

## Online Service Appointment

By this digital application, our customers are able to see the available vehicle acceptance hours of the service center they want to visit and book an online service appointment. Thus, both the service center and our customers avail a more rapid and effective appointment service. Now, our customers are able to request door-to-door delivery service over the same system. In the future, in-place service and quick service will also be included in this application. Additionally, our short-term plans include developing a system which enable our customers, whether booked an appointment or not, to track themselves on the screens placed at the waiting and vehicle acceptance areas.

About biometric signature: We launched this application, which both respects the environment by reducing paper use and provides an advantage in terms of speed and archiving, for our most used repair shop forms. In 2022, we will almost entirely end the use of paper after sales by extending this application to workshop body painting and work order copies. Similarly, the efforts for importing the PDI forms to the digital environment continue on the sales side.

## My Ford

"My Ford" is a platform which enable our individual vehicle owner customers to access information about their vehicles by adding their vehicles to the system after signing up to our mobile responsive website.

By this platform, our customers can select their favorite dealers, and easily book service, digital studio and test drive appointments. In addition to the live support

service available on My Ford, our customers can submit their requests and wishes quickly. Moreover, they are able to access their vehicle service history with a single click.



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# Environmental Responsibility



# Climate Crisis and Energy Management

Today, climate change is an inevitable agenda for societies and companies. According to the 2021 Global Risk Report by WEF, the top-ranking environmental risks including extreme weather conditions with increased frequency and effect, failure to combat climate change and environmental degradation caused by human activities show the severity of this condition.

At Ford Otosan, we consider those risks, particularly the combating the climate change, faced by our industry and activities. We create our strategies and actions based on sustainability, and we conduct projects and take steps to reduce our environmental impact.

In line with our focused sustainability approach, we are also listed in important indices used by the investors intended to make responsible investments such as BIST Sustainability, FTSE4Good Emerging Markets and Bloomberg Gender Equality (since 2021) indices. We also share our performance to the public by participating in the climate and water programs of the Carbon Disclosure Project (CDP).

## Climate Crisis and Energy Management

We consider the climate change and switching to low-carbon economy as key areas for both our industry and our corporate activities. In this regard, we conduct comprehensive studies to determine our climate-induced risks and measure their financial impact on our activities.

Our very highly prioritized environmental focus areas include combating climate change, vehicle carbon footprint / fuel savings, low-carbon production, electric vehicles and alternative fuels, air quality.

Adopting a responsible production approach in combating global climate change, we set emission reduction goals not only for our operations and products but also for our logistic processes and supply



chain, and we promote emission reduction processes throughout our value chain.

We invest in efficient and smart production projects by making digitalization and innovation an important part of our business processes.

We track the environmental risks and opportunities, which might impact corporate activities in the short, mid and long term, through indicator values.

## European Green Deal

The "Carbon Border Adjustment" (CBA), which was created based on the vision of becoming carbon-neutral by 2050 pursuant to European Green Deal and accordingly for preventing industrial carbon leakage, shows that the automotive industry must assume an active role in switching to a low-carbon economy by accelerating its transformation. We also continue our in-house carbon pricing studies which is another important requirement of adapting to that process.



At Ford Otosan, we undersigned the Joint Statement by the European Automobile Manufacturers' Association (ACEA) on Heavy Vehicle Road Map, and committed to zero out the emissions resulting from commercial heavy vehicle fleets by 2040.

In addition to our targets adopted based on the European Green Deal, we set new targets for Ford Otosan within the scope of the Science Based Targets initiative (SBTi) and in line with the approach of limiting to global warming to 1,5° C as defined by the Paris Agreement.

Ford Motor Company commits to reduce its absolute Scope 1 and 2 emissions by 76% until 2035 compared to the reference year 2017, and to reduce its Scope 3 emissions by 50% until 2035 compared to 2019.

In 2021, we started for the first time independently from Ford Motor Company to calculate our greenhouse gas emission reduction targets for the carbon emissions resulting from our products and services based on the requirements of the European Green Deal and the Science Based Targets initiative (SBTi). This year, the targets that were announced jointly with Ford Motor Company in previous years will be published as being specific to Ford Otosan for the first time.

Our targets for Scope 1 and 2 emissions in our operations within the scope of the European Green Deal are as follows:

- » Reducing the carbon emission per vehicle by 18% until 2023 compared to the reference year 2017
- » Reducing it by 50-55% until 2030 compared to the reference year 2017
- » Becoming a carbon-neutral plant until 2050

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# Climate Crisis and Energy Management

## Carbon Transition Program

Established within the scope of the Carbon Transition Program launched to combat climate crisis in 2021 under the leadership of Koç Group, Ford Otosan Carbon Transition Working Group continues its efforts for switching to a low-carbon economy based on the road map focusing on 3 key areas. Our areas of focus are as follows:

- 1) Analyzing our risks and opportunities related to climate and creating the respective action plans,
- 2) Completing our plans for reaching Zero Emission in line with our SBTi goals,
- 3) Following the climate-centered policies and applications, especially the European Green Deal as well as complying with them and developing collaborations.

We conduct a comprehensive operational to achieve Carbon transition in Ford Otosan. We address this subject from four key aspects in order to integrate the carbon transition perspective into all our activities. We aim to implement our carbon transition strategy based on these key areas including our products at the center of our operations, production phase of those products, logistic activities and supply chain.

## Managing Climate Risks

We adopt a proactive approach enabling us to track the factors, which might be influential in the short, mid and long term, based on many indicators when assessing the possible risks and opportunities to affect our products and activities.

We bring the opportunities discovered by relevant departments and teams into the budget plans by the decision of the Board of Directors.

## Energy Efficiency and Renewable Energy

We make efforts to reach the energy and greenhouse gas reduction goals by realizing different energy efficiency and renewable energy projects in our factories.

We realize projects for reducing the energy consumption resulting from our operations and supplying renewable electric energy. In 2021, we financially saved 11,923,443 TL in total with 22 projects realized in our facilities within the scope of energy efficiency activities. Some of our projects include SolarWall, LED lightening transformation, digital pressurized air management, pump line driver transformation and economizer application.

We directly supply renewable energy to achieve our goals for reducing the greenhouse gas emission. In 2021, we prevented a greenhouse gas emission amounting to 113,847.26 tons of CO<sub>2</sub> by purchasing renewable electric energy of 946,317.59 GJ. We obtained internationally recognized certificates demonstrating that we supply the energy utilized at our Gölcük, Yeniköy, Eskişehir and Sancaktepe Premises 100% from renewable resources.

We also focus on direct production at all our premises with the wind energy, SolarWall and solar energy plants. The resulting reduction in emissions we achieved at our factories with those applications is as follows.

- » In our Eskişehir Plant, we saved on natural gas by 1,616,000 kWh and prevented the emission of 326.68 tons of CO<sub>2</sub> within a year with our SolarWall Process Air Heating project.
- » In our Gölcük Plant, we saved on natural gas by 3,655,000 kWh and prevented the emission of 738.88

tons of CO<sub>2</sub> within a year with our SolarWall Welding Workshop Ambient Air Heating project.

» In our Yeniköy Plant, we saved on natural gas by 1,271,111 kWh and prevented the emission of 256.96 tons of CO<sub>2</sub> within a year with our SolarWall Dyeing Shop Process Air Heating project.

» In our Kocaeli Factories, we monitor our efficiency projects based on the dynamic goals and keep them under control along with the energy consumptions through our Energy Management System established with our own equities.

Digital management of pressurized air is not a frequent application in the industry. With our project launched in 2021, we made it possible to control the pressurized air lines based on production hours and accordingly, saved on electric by 400,000 kWh and prevented the emission of 173,24 tons of CO<sub>2</sub>.

Greenhouse Gas Emissions (CO <sub>2</sub> e in tons)	2018	2019	2020	2021
Scope 1	74,492.12	78,360.02	80,098	88,051
Scope 2	124,578.20	123,359.29	32,386	1,792
<b>Total (Scope 1 and 2)</b>	<b>199,070.32</b>	<b>201,719.31</b>	<b>112,484</b>	<b>89,843</b>

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# Climate Crisis and Energy Management

## Clean Technology and Sustainable Products

Developing sustainable products with clean production technologies that are beneficial to the society and respectful for the planet is among our key priorities.

In Ford Otosan, we continue to develop more efficient hybrid and electric vehicles and offer smart transportation solutions with low environmental impact through our projects providing efficient and smart production processes by integrating digitalization and innovation into business processes. You can find more information about clean technologies and sustainable products in the section "Clean Technologies and Sustainable Products" of 2021 Activity Report on page 103

In our factories, we make investments in alternative fuel vehicles with lower emissions, electric vehicles and hybrid vehicles as well as relevant engine and transmission systems and the use of more lightweight materials. Our fully electric E-Transit model, which we plan to launch in the second quarter of 2022, is expected to assume a critical role in meeting the electric vehicle demand of Europe within the scope of Ford's global electrification strategy.

Energy Consumption (GJ)	2018	2019	2020	2021
<b>Direct Renewable Energy Consumption</b>	2,368	38,934	6,488	6,267.47
<b>Direct Non-Renewable Energy Consumption</b>	1,071,156	1,096,369	1,115,445	1,359,024.72
<b>Indirect (Purchased) Renewable Energy Consumption</b>	0	0	651,171.59	946,317.59
<b>Indirect (Purchased) Non-Renewable Energy Consumption</b>	953,431	965,071	1,144,925	14,894.78
<b>Total</b>	<b>2,026,955</b>	<b>2,100,374</b>	<b>2,918,022</b>	<b>2,326,504.56</b>

We track the energy consumption and greenhouse gas emission performance for each vehicle produced, and we make improvements by setting goals in this area.

Tracking Area	2018	2019	2020	2021
<b>Greenhouse gas emission per vehicle produced (CO<sub>2</sub>e/vehicle in tons)</b>	0,53	0,56	0,34	0,258
<b>Energy consumption per vehicle produced (GJ/vehicle)</b>	5,42	5,42	4,81	3,95

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# Natural Resource and Waste Management



Today, the linear economy-based production and consumption models existing in the industrialized countries create an increasing pressure on all natural resources and the ecosystem. This led us to create the policies and strategies supporting the trend of transition from waste management to resource management in addition to improving the waste management policies.

At Ford Otosan, we develop projects and applications aimed at preventing waste formation, reducing waste at source, using resources more efficiently, reusing the wastes within the scope of circular economy or exploring their use as alternative raw materials, and reducing the wastes sent to the sanitary landfill.

We also continue our projects for implementing environment-friendly and less waste-intensive technologies and processes.

The use of single-use plastics poses a significant threat against our world. To combat this issue, we launched the Green Packaging project in 2020 with the aim of reducing the packaging materials of the products and raw materials received from our suppliers as well as reducing the single-use plastics by assessing the alternatives for switching to environment-friendly

Waste Amount (in tons)	2018	2019	2020	2021
Recovered Hazardous Waste	7,366	9,699.08	6,966.3	8,786.188
Recovered Nonhazardous Waste	87,998	87,154.98	77,733.3	87,756.070
Disposed Hazardous Waste	26	179.17	49.3	32.480
Disposed Nonhazardous Waste	188	266.50	127.2	0
Hazardous Waste Sent for Interim Storage	649	247.12	136.4	84.273
Nonhazardous Waste Sent for Interim Storage	0.04	0.068	0.0670	0
<b>Total</b>	<b>96,228</b>	<b>97,546.92</b>	<b>85,012.56</b>	<b>96,659.011</b>

products. In the first three months of 2021, we started process improvement efforts with six different suppliers. Owing to this project, we will both prevent every packaging material from being wasted and contribute to reducing Scope 3 emissions resulting from circular economy and plastics production together with our suppliers.

We support “Zero Waste” application started by the Ministry of Environment and Urban Planning. We make efforts to raise our employees’ awareness about waste sorting at our premises. In this regard, we enjoy the proud of having all our facilities granted with the Zero Waste Certificate.

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# Natural Resource and Waste Management



**We share our performance with the public by participating in CDP Climate Program. In 2021, we maintained our CDP Water Program score of B. Additionally, we are classified in group A-within the scope of supplier assessment.**

## Water Management

At Ford Otosan, we consider the water risks as one of the prioritized elements of the sustainability management. We assess the climate change in a comprehensive and holistic manner in environmental management and risk management approaches.

In Ford Otosan Water Policy we issued in 2021, we commit to reduce the water consumption per product resulting from the operational processes, prioritize innovative and sustainable water management systems in the new investments and projects, and focus on the water management with priority at the premises observed to have water stress.

To protect the water resources, we realize projects intended to reduce the water consumption resulting from our operations. In 2021, we reduced our water consumption by 3,53% compared to 2019 with the water efficiency projects.



Water Draft (m3)	2018	2019	2020	2021
Ground Water	1,159,612	1,097,981	991,667	1,063,294
City Water	12,545	11,053	6,917	6,595
<b>Total</b>	<b>1,172,157</b>	<b>1,109,034</b>	<b>998,584</b>	<b>1,069,889</b>

We recover water in cooling towers at Gölçük and Yeniköy Plants as by reverse osmosis at Yeniköy Plant, and we reuse the water by means of closed-loop cooling towers in Eskişehir Plant.

Factory. The study by TruCost shows that the water risk is among our physical risks and we are in the high risk category in terms of Water Management. We make preventive efforts in this regard.

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# Biodiversity

**We focus on assessing the impact of our operations on biodiversity, as well as reducing our impact and protecting species.**



## Biodiversity

Urbanization, population increase and the changes to the land use pose a significant threat against biodiversity. For the continuity of ecosystem services, the business world should assume responsibility in the efforts to protect biodiversity, too.

We assess the impacts resulting from our operations from a comprehensive perspective, and we aim to minimize any possible damages to all living beings that might be affected by our activities.

At Ford Otosan, we focus on assessing the impacts of our operations on the biodiversity, reducing those

impacts and protecting the species. Within this scope, we cooperate with NGOs and universities.

## Our Environmental Achievements and Certificates

We focus on assessing the impact of our operations on biodiversity, as well as reducing our impact and protecting species.

At Ford Otosan, we Kocaeli Factories, were granted with the Environmental Award in Large Scale Business category (the Grand Award) at 27th Şahabettin Bilgisu Environmental Awards Ceremony held by Kocaeli Chamber of Commerce.

We have ISO certificates which enable the companies to globally measure and publish their impacts to the society and environment. We have the following certificates and audits in this area:

- » ISO 14001, ISO 50001 management systems
- » ISO 14064 greenhouse gas validation
- » ISO 14001 audit
- » ISO 50001 audit
- » ISO 14064 audit
- » ISO 14064:2018 (within the scope of 2018 version

of the certificate, this year, we started to validate our indirect emissions in addition to our direct emissions (Scope 1 and 2) for the first time)

Within the scope of EOS Environmental Management, we undergo annual audits and aim to improve our environmental management system. And we have neither determined to have a non-compliance nor imposed a fine as a result of biannual environmental audits by Koç Holding.

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# Investing in Talent



# Diversity and Inclusion

**We are qualified as the first and only automotive company from Turkey to enter the Bloomberg Gender Equality Index.**

We shape our management based on our diversity and inclusion principles, and we build our corporate culture and business manners on those principles. In addition to our employees, we pay an equal amount of importance to our customers, suppliers and stakeholders in our diversity and value creation process. The research shows that the current talent gap in the automotive industry can be bridged through diversity. The companies supporting and implementing diversity are observed to reach positive financial performance outputs. Furthermore, considering the automotive industry, failing to care for the gender equality and qualifications results in the talent gap.

We continue on our investments with the principle of retaining our existing talents and also acquiring new talents, and we base ourselves on paying attention to their rights, the equal opportunity principle and the importance of the diversity in order to support their career paths and to nurture them in the best way to please them. Accordingly, our human resources strategy that we created to attract new talents and sustain our existing talents focuses on diversity and inclusion. In this regard, we prepared and published our Diversity Policy in 2019.

As set out in our Diversity Policy, we base all our relations on honesty, justice, and courtesy, and never allow any unjust limitation to the personal freedoms of

our employees or any damage to their honor and dignity. Gender, sexual orientation, ethnic origin, age, marital status, beliefs and thoughts, lifestyles and expression styles constitute the basic matters that we should address equally, and everybody is expected to show the same self-devotion towards all our employees. We do not accept using a sexist, homophobic, racist, speciesist, discriminating or stereotyping language, and in case of a such use, we take the necessary actions. We do not tolerate any violence, bullying or harassment too. Providing our employees with business and stakeholder relations free of violence, bullying, oppression, and harassment is one of our most important duties. We also take our diversity principle as basis when creating positions and teams. Accordingly, we observe the equal opportunity principle in our recruitment processes without allowing any discrimination, and we assign the right candidate to the right position at the right time.

**In line with our Company policy, we recruit 1 out of every 4 field workers and 1 out of every 2 office employees among women.**

Adopting the gender equality principle, we take our actions based on United Nations Women Empowerment Principles (WEPs) which we undersigned in 2013 and the Declaration of Equality at Work to combat inequality. In order to support female employment and maintain our female employee balance within the company, we consider our principles during new recruitment processes, and we are proud of being the first automotive company to support Society of Women Engineers Istanbul and to obtain the certificate of Equal Opportunity Model from KAGİDER. In our recruitment processes, we aim to keep the rate of females 1/4 for field employees and 1/2 for office employees, and we provide our employees being in the gender adaptation process with psychosocial



support about the difficulties they might face at the workplace and sociocultural environment. We provide our employees with any kind of support when starting their families, and we are sensitive to their parental leave right. We provide our pregnant employees with the opportunity to do lightweight works half a day and participate in sports and social activities the other half of the day. Thereafter, we offer psychological counseling and family therapy services from which our employees can benefit for their children. During the reporting period of 2021, our 109 female and 579

male employees took parental leave, and of them, 97 females and 579 males returned to their jobs after the parental leave. We have 583 female employees and 1 male employee availing the kindergarten service and monetary support right.

[You can access Ford Otosan Diversity Policy here.](#)



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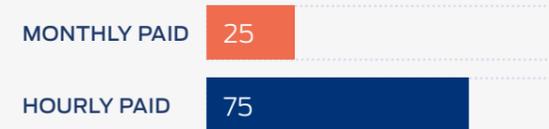
# Diversity and Inclusion

Amongst the new employees recruited in 2021, the rate of females is 34% for the office and 22% for the site. 15% of our senior managers are females and our promotion rate is 33% for females.

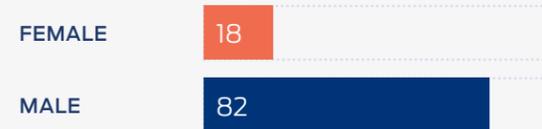
We believe that everyone in the society can add value from different aspects under suitable and supporting conditions. In line with this belief, we raise awareness and develop projects about this matter to break down the prejudices. We analyze our business processes in a manner which covers differences, and recruit from disadvantaged groups for the positions deemed suitable as a result of the analysis. In this regard, we continue our programs created for the employment and personal development of the people with Autism or Down Syndrome in dangerous jobs category which were brought to life first time in Turkey and in the world. Accordingly, we also aim to increase the number of our disabled employees. In this regard, we continue our programs created for the employment and personal development of the people with Autism or Down Syndrome in dangerous jobs category, which were brought to life first time in Turkey and in the world. We make our factories and offices disabled-friendly. By 2021, we have 52 disabled female and 331 disabled male employees.



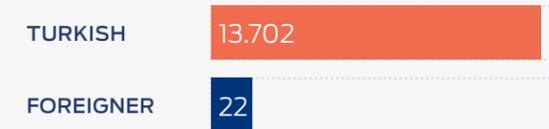
## EMPLOYEE BREAKDOWN BY WORK TYPE (%)



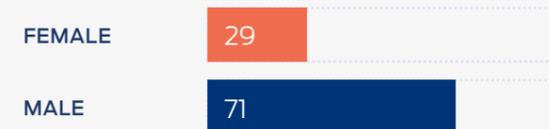
## EMPLOYEE BREAKDOWN BY GENDER (%)



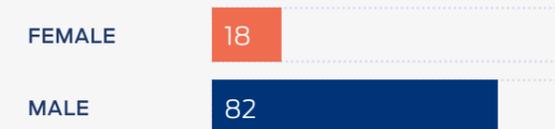
## EMPLOYEE BREAKDOWN BY NATIONALITY



## (IN OFFICE) EMPLOYEE BREAKDOWN BY GENDER (%)



## (ON SITE) EMPLOYEE BREAKDOWN BY GENDER (%)



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# Talent Management

**We believe that our most important capital is talent to ensure the sustainability of our work and to continue to provide the highest quality service.**

At Ford Otosan, we regularly follow-up the development and performance of our employees. As a part of our working culture, we design talent management processes enabling all our employees to make the most of Ford Otosan. We support strengths and monitor needs of our employees via our Talent Management System and Individual Development Plans by guiding them through their career development. In this context, we support personal development journeys of employees participating in Career Guidance Program and DDI (Development Dimensions International) Leadership Potential Identification Inventory (Early Identifier) application and support them for making their objectives come true.

Today's changing needs and quick technological developments have made it necessary to promptly change the business manners and organizational cultures. At Ford Otosan, we have continued our agile transformation strategy since 2019 in order to increase our competitiveness and adapt to world's changing requirements. As with all our transformation efforts, we struggle to achieve an excellent employee experience and a high participation at the points of contact to our employees.

## Agile Transformation

Dominated by social and economic uncertainties, today, we see the adaptation to changes as the most important power of the organizations to fight against uncertainties. We are aware that we need quick transformations and the ability to manage the future for keeping up with the changes. In this regard, we realized the importance of our employees' assuming more active roles in organization management and decision-making processes and having more participatory roles according to their qualifications. Agile transformation allows our employees to use their team building, result driven work, analytical thinking and decision-making competencies at maximum level while we intend to have an innovative working culture created by individuals proving highest efficiency by managing their own efforts.

When addressing agility, we designed our system considering the needs and requirements specific to Ford Otosan's working order and structure in accordance with the dynamics of our industry. We built our agile management approach on core values such as organizational change, culture and leadership transformation, employee experience and working practices.

## Agility at Ford Otosan

We grouped our goals aimed to be achieved with Ford Otosan Agile Transformation process under 5 main topics.

- » Reaching sustainability growth and efficiency
- » Being able to create high employee loyalty and happiness

» Having our suppliers/customers/dealers feel the effect we create with agile transformation

» Being a leader in acquiring/retaining and developing talents

» Increasing our maturity of implementing agility

## What We Achieved with Agile Transformation in 2021

In Ford Otosan, we focus on our customers and customer satisfaction in all our processes. Increasing customer satisfaction with all our products and services as well as supporting quick and agile solutions are our top priorities with our agile transformation process. In this regard, the data on certain results obtained from our agile transformation efforts in 2021 are as follows.

» We doubled our speed to market with our CRM (Customer Experience Management) solutions.

» For Ford Trucks, we improved the KPIs by 50% and accelerated the technical support processes by %30.

» With agile working approach, we were able to readdress the problems in the supply chain and make quick regional improvements. We became able to realize the actions within the same week by replacing monthly plans with daily plans.

» Additionally, agility enabled us to receive more feedbacks from customers and create more human-focused designs. Thus, we were able to increase the inclusion of our employees in processes and provide the services with a wider perspective thanks to the individuals taking initiatives.



## For Agile Transformation, we deployed the following processes in 2021:

- » Performance management in agile teams,
- » Staging and rotation,
- » Title structure and agile roles,
- » Talent management tools,

Loyalty plans and governance extending the deployed processes to the entire organization.

# Talent Management

## Trainings

In Ford Otosan, we address in-house trainings with a multi-staged, inclusive process. The journeys which were started for the individuals to recognize themselves and discover their strengths continue by discovering the tools and methods for supporting and improving those strengths. While conducting self-discovery processes for the individuals, we meet experts and design training programs according to the roles and qualifications of the individuals.

In addition to providing sustainability and OHS trainings within the scope of technical development, we also create versatile programs where we meet spokespersons in the field of new generation leadership and agile working areas to support our innovation development.



in assignment/promotion processes. To bring female leaders in the production activities, we share knowledge by bringing our on-site female Working Group Leaders and Team Leaders together with our female engineering team leaders. Additionally, we design the personal and occupational development journeys of our on-site female leaders together with them and make it easier for them to access the resources they need.

## Coaching System and Reverse Mentorship

We conduct a coaching system in order for the newly hired employees to be able to quickly adapt to the agile working structure and to our Company's working environment. Thus, we design a "leadership development cycle" where the leaders support each other, namely the existing leaders are responsible for the development of the new leaders.

Additionally, we conduct a Reverse Mentorship System by which we aim to achieve a synergy between generations by combining the innovative and dynamic perspective of the new generation with the experience and knowledge of the older generations. In this way,

we support a quicker fusion between the existing employees and the new employees, and an agile and innovative business experience breaking down the hierarchies.

In 2021, our 90 employees participated in this program including 53 mentors and 37 mentees.

## Our Talent Programs

### "Field Leaders" Development Program

Especially in such fields like automotive industry where the representation of women is inadequate, we make efforts to encourage female site worker employment, make contributions to the development of our employees and ensure women are represented equally



### 2021 Training Hours (hour/person)

General	56
Field	56
Office	57

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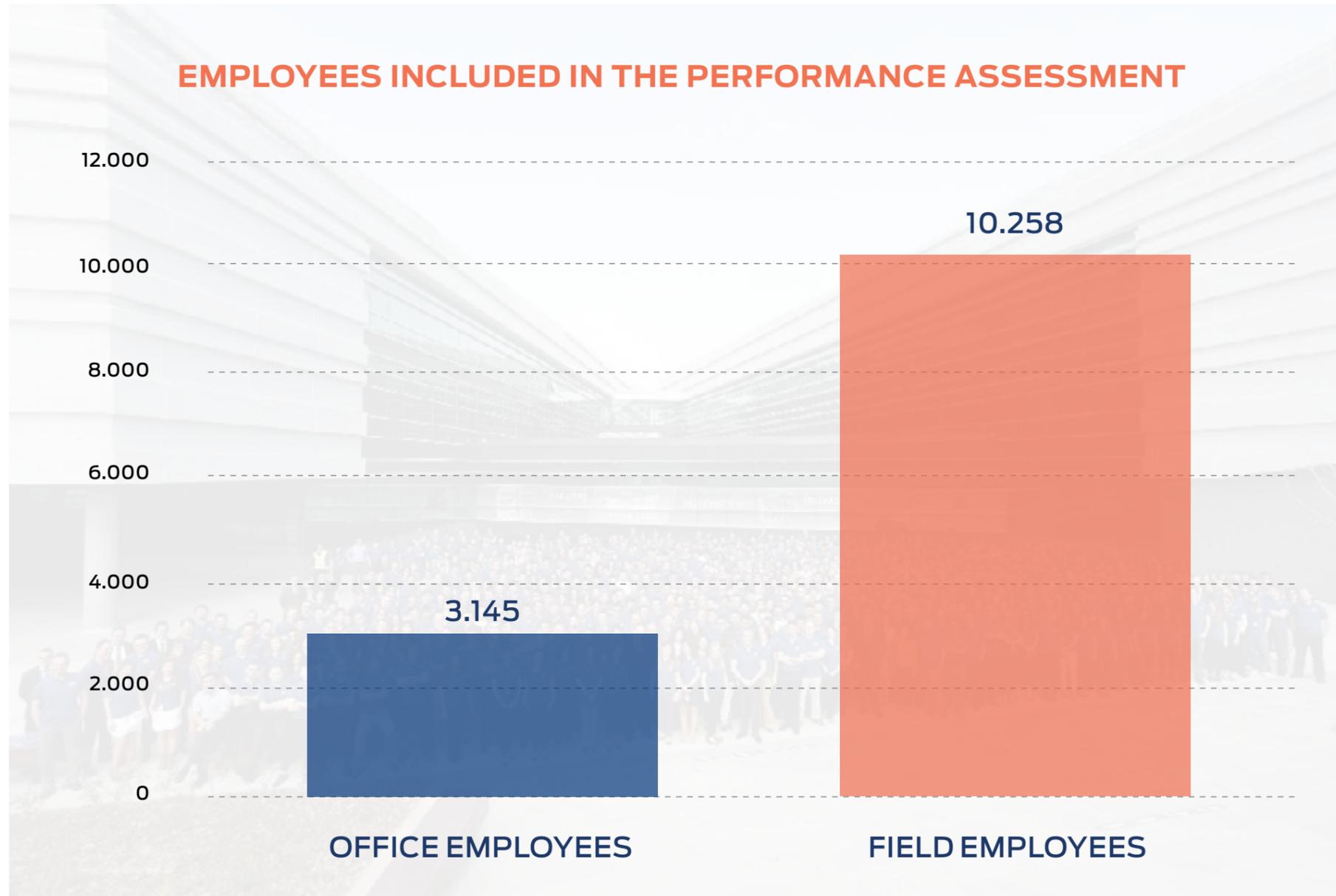
# Performance Management

**Thanks to our performance system, our colleagues can adjust their targets throughout the year, connect their goals with the Company's goals, and reveal their own potential.**

We support both technical and personal development of all individuals employed by Ford Otosan. In order for our support to be more personal and effective, we enable our employees to determine their own journeys with the OKR (Objectives and Key Results) Performance system we launched in 2020.

With the New Performance System called Koç Dialog to which we switched by the end of 2020, we aim to provide our employees with a stronger voice for their future. For Koç Dialog, we meet the representatives of the companies affiliated to Koç Group, analyzed the performance management trends and international performance management methods, and organized site visits. Thus, we aim to create dialog areas allowing employees to give better feedbacks, and to enable employees to unlock their highest potential by discovering the correlations between their own goals and the company goals.

With the OKR (Objectives and Key Results) Performance System, we offer our colleagues the opportunity to set their own goals. With this system, employees can receive healthy feedback on their development, make adjustments to their targets throughout the year, establish a link between their own goals and Company goals and reveal their own potential. In addition, the system is supported by instant calls.



Within the framework of our dynamic talent management system, we carry out the promotion, assignment and rotation processes as transparently as possible, and we support each of our colleagues to gain competence for a higher position. We aim to have our Company seen by young talents as an effective organization that attracts talent, equips them with skills and develops them. With our Women's Working Group Leader and Team Leaders Mentoring practice, we aim to bring strong and willing female leaders to take part in the production processes.

With the Power Team Program, which we started with the aim of bringing young and best talents to Ford Otosan, it comes together with students studying in the 3<sup>rd</sup> and 4<sup>th</sup> grades of engineering departments of Turkey's elite universities; we invite engineer candidates to Ford Otosan offices and factories for two days. Under the Young Engineers Ready for Business Life Program, we inform students about automotive industry and other sector applications for their professional development.

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# Employee Rights

» We as Ford Otosan, adopt the Universal Declaration of Human Rights as our global guide with the principle of providing and sustaining a professional and healthy working environment for all our employees, and we protect the rights of our employees from all aspects including recruitment, promotion, career development, wages, side benefits and diversity. We respect their rights to establish and participate in NGOs at their discretion, and we never tolerate forced labor, child labor and any discrimination or harassment.

In this respect, we published Ford Otomotiv Sanayi A.Ş. Human Rights Policy in 2020. Ford Otosan considers the following international standards and principles regarding human rights with priority:

- » United Nations Guiding Principles on Business and Human Rights (2011)
- » United Nations Global Compact (2000)
- » ILO Declaration on Fundamental Principles and Rights at Work (1998)
- » OECD Guidelines for Multinational Enterprises (2011)
- » Women's Empowerment Principles (2011)

[You can access Ford Otosan Human Rights Policy here.](#)

As stated in United Nations Guiding Principles on Business and Human Rights, we pay attention to the specific conditions of certain groups including indigenous people, women, national or ethnic, religious and linguistic minorities, children, disabled people, migrant employees and their families, etc. as specified in more detail in United Nations documents and implement additional special standards for relevant cases when necessary.

At Ford Otosan and all our Business Partners we implement a zero-tolerance policy against slavery and human trafficking pursuant to International Labor Organization's agreements and recommendations as well as the Universal Declaration of Human Rights and the Global Compact. We strongly object to child labor and additionally, we object to any form of forced labor which is defined as working involuntarily under threat. We allow our employees to become a member of a union and make collective bargaining agreement without the fear of any retaliation. During the reporting period, our 90 employees in total served in worker unions. The health and safety of our employees are equally important for us. We implement safety measures at all working areas based on the relevant laws and regulations and ensure that such measures are implemented in a manner that respects the sensitivities, privacy and dignity of each individual. If unsafe conditions or behaviors are detected, we immediately take the measures required for ensuring the health, security and safety of the customers and

employees. It is our biggest responsibility to provide a working environment free from violence, harassment and other unsafe or disturbing conditions, and we never tolerate any form of physical or verbal, sexual or psychological harassment, bullying, abuse or threat. We implement high-level data privacy standards and arrange those data privacy standards in compliance with relevant legislations. We make arrangements to increase the motivation of our employees in their active working orders and give importance to strike an efficient work/life balance with regular breaks and rights to leave. Wages are determined competitively according to the relevant industries, local labor market and, if any, collective bargaining provisions, and all wages including social benefits are paid according to the applicable laws and regulations.

For the sake of supporting our employees' freedom of thought and their right to participate in our company's management, we organize live Zoom discussions where our Chief Executive Officer and senior managers meet with our employees, receive everyone's opinion about developments and answer the questions asked by them. All our employees can ask their questions on Yammer platform, and those questions are regularly responded by the senior management.

Additionally, in order to determine our Company's standing within the scope of human rights, we make

surveys with our employees and receive their opinions about human rights during 1:1 interview. By making those efforts, we detect the risks related to human rights in our Company, take necessary actions to mitigate such risks, and conduct that process regularly.

In order to support the personal and career development of our employees, we provide our employees with micro learning activities such as webinars, articles, videos and podcasts, etc. in the form of weekly e-bulletin series in this era of changing qualifications and skills. In addition, the total training hours per person were determined to be 57 for office, 56 for site and 56 for general during the reporting period.

## Employee Engagement

We believe in the fact that our colleagues prefer to move forward with us for many years plays a key role in the continuity of our success. We grow with our colleagues and make a difference in the sector. We support them with career and development opportunities and consider the work-private life balance, offering a business environment that will enable them to add value to our company and our industry for many years to come.

Employee Engagement Rate (%)	2018	2019	2020	2021
<b>Total</b>	72	77	79	72
<b>Office Employees</b>	56	64	68	69
<b>Field Employees</b>	77	81	82	73

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# Occupational Health and Safety

Being aware of the fact that the automotive industry is included in the high danger class in terms of employee health and safety due to its activities, At Ford Otosan, we regard creating a safe and healthy working environment for all our employees and all our business partners involved in our activities as our top responsibility. Accordingly, we meet all legal requirements related to occupational health and safety (OSH) in our offices and factories.

Through our OHS committees, we identify the occupational health and safety risks resulting from our activities, which are covered by ISO 45001 Occupational Health and Safety certificate, define them and create goals and programs related to such risks. With our efforts made within this scope, all our premises were granted with ISO 45001 Occupational Health and Safety Certificate last year.

Our OHS unit deals with three areas including health, occupational safety and firefighting. They take preventive measures by performing health examinations to reduce work-related risks, and they track examination metrics. The teams that are actively present at the plants ensure safety against fire, etc. and perform preventive activities during drills. In case of a fire, they detect the fire-starting points by making site tours and take it under control.

Among our 21 OHS specialists assigned currently, while some of them actively conduct on-site risk assessments and site tours, other specialists follow up regulatory procedures under the name managerial OHS on the office side as well as enable reporting the metrics by collecting them from the plants and planning the actions to be taken in the plant according to such metrics.

We believe that accidents and losses can be prevented by joint responsibility of the Company and the employees in order to create a safe working environment. We provide our employees with OHS trainings in order for them to adopt the OHS culture and manage the relevant risks. In 2021, we provided 76,159 hours of OHS training. Beyond our own employees, we provided the employees of our suppliers with 9,462 hours of OHS training in total.

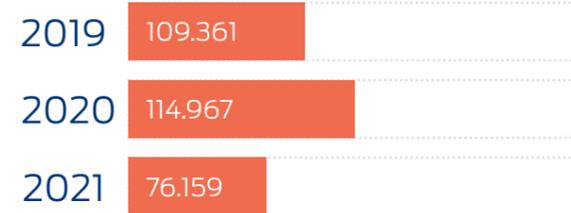


We make continuous improvement efforts in order to eliminate the damages such as diseases, injuries, fires, etc. threatening the safety of life and property, and we act jointly with our employees in this process. All departments involved in our business operations conduct their activities related to facility and equipment design, business administration and maintenance within the framework of the Occupational Health and Safety Policy, and our employees care for observing the current occupational safety rules and processes.

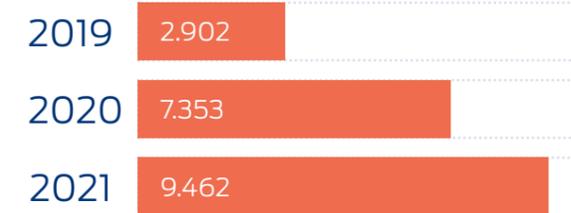
At all our locations, we carry out internal audits that we plan annually in cooperation with the audit representatives and our Quality Team. Throughout the pandemic, we continued to carry out those audits actively. In 2021, an audit was performed within the scope of the OHS "compliance standard" audits planned to be carried out biannually by Koç Holding. Additionally, we submit progress reports to Ford Motor Company twice a year, concerning the OHS strategy and actions. Furthermore, in-plant activities are reviewed at certain intervals by external inspector visits, and we have fire inspections performed annually by an independent firm.

[You can access Ford Otosan Occupational Health and Safety Policy here.](#)

## OHS Trainings for Employees (employees x hours)



## OHS Trainings for Subcontractor Employees (employees x hours)



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# Occupational Health and Safety

**We were awarded with 2 awards in the categories of global “Industrial Hygiene” and European region “Security Innovation” by the President’s Health and Safety Award (PHSA), the organization of traditional occupational health and safety awards of Ford Motor Company.**

## Our Achievements in OHS Field

We were granted with 2 awards in the categories of global “Industrial Hygiene” and European region “Security Innovation” by the President’s Health and Safety Award (PHSA), the organization of traditional occupational health and safety awards of Ford Motor Company.

Owing to our practices made for creating a safer and healthier working environment where all employees feel themselves better both mentally and physically, we were assessed in the category of Adding Value to Life with Holistic Health Approach in 2021 during the Stars of Occupational Safety organization by MESS honoring the occupational safety practices, and granted with the “Recommended Practice” award under “Practices of Holistic Health Approach”.

OHS Performance (Employee)	2019	2020	2021
----------------------------	------	------	------

Occupational Disease Rate	0,59	0,09	0,24
Accident Frequency Rate	7,67	5,81	4,75

OHS Performance (Sub-Employers)	2019	2020	2021
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Injury Rate	0	5,69	3,4
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Our Kocaeli Plant Body Production Area Management became the Global Winner of the Industrial Hygiene category with its “Transit Line Front Door and Roof Positioning Sheet Cutting Project”.

Sancaktepe Spare Parts Warehouse became the Europe winner of the Safety Innovation category with its “Safe Shipment Project”.

We were granted with 3 major awards in the best practices contest “Strong Communication, Strong Workplace” held annually by the Ministry of Labor and Social Security within the scope of the Occupational Health and Safety Week’s Events.



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# Social Investments



# Social Investments

**We, as Ford Otosan, believe that companies develop together with the societies surrounding them and prioritize creating social benefit in all our activities.**

In Ford Otosan, we put sustainability in the center of our activities. Within this scope, we measure our impact on our stakeholders and the environment in all our processes and actions and aim to create and incremental value for our stakeholders and the environment and make a big contribution to social development.

In line with our creating social benefit goal, we adopt the UN Sustainable Development Goals as a guide and when addressing social and environment topics, we prioritize the areas identified by the participation of all our stakeholders.



## When making our social investments, we consider the following conditions.

The investment to be made should have a clear connection with Ford Otosan's activities and business strategy	✓
The investment should comply with the social and environmental goals specified in UN Sustainable Development Goals	✓
The investment should be among Ford Otosan's sustainability priorities	✓
The targets and results of the investment should be measurable	✓
The social investment should be parallel to the needs and priorities of the regions where Ford Otosan conducts its commercial activities	✓
The investment should be scalable and have the potential for being spread to different organizations and regions	✓
It should enable collaborations with institutions or individuals including NGOs, international organizations and universities for applicable solutions	✓

### Employee Volunteering

At Ford Otosan, we care about participating in the activities, which we take part in, together with our employees and creating an inclusive corporate culture. We encourage and support our employees to make contributions to the social and environmental impact that we create as a part of that culture, as well. We conduct all volunteering processes of our employees over Ford Otosan's Volunteering Platform "My Heart is With You".

In line with our employee volunteerism goals, we aim for 35% of our employees to actively support social investments by 2030 as monitored from the volunteering platform.

### Prioritized Social Investment Areas

As mentioned above, for our social investments, we prioritize the areas identified together with our stakeholders. The topics prioritized by us for 2021 are as follows: Climate Crisis, Equal Opportunity and Diversity, Mobility Solutions, and Vehicle Quality and Safety.

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## Climate Crisis

At Ford Otosan, we develop innovative products and services creating social benefits with low environmental impact in line with the goal of becoming carbon-neutral by 2050 set within the scope of European Green Deal. Throughout the life cycle of our products, we make efforts to minimize our environmental impact at all phases from the energy used in production to the efficient use of natural resources and the carbon emissions of discarded products.

To combat climate crisis, we conduct studies focused on water footprint, carbon footprint, air quality, biodiversity, and circular economy.

## Our Actions on Combating Climate Crisis

- » Organizing trainings to increase our stakeholders' sense of responsibility and awareness about environment and energy.
- » Engaging with our stakeholders for raising their awareness about using water consciously as well as for protecting and renewing water resources.
- » Making collaborations and supporting long-term projects about water management in order to protect water resources and support efficient use of water.



## Equal Opportunity and Diversity

We are proud of having an equalitarian and inclusive corporate culture which is respectful for differences and ethical values. We aim to raise the awareness of our employees, suppliers, and society in those areas in order to enable the continuity and continuous development of our working environment consisting of such individuals who create value together without any discrimination based on language, religion, race, gender and sexual orientation.

In Gender Equality area, we conduct country-wide works to increase women's participation in the business life and support equality within the framework of UN Women's Empowerment Principles and the Declaration of Equality at Work. We are proud of participating in and being certified by many organizations and working groups including Bloomberg Gender Equality Index, EBRD "Corporate Gender Equality Award", KAGİDER Certificate of Equal Opportunity Model and Women's Empowerment Principles.

## Our Actions on Equal Opportunity and Diversity

- » Supporting women to assume more active roles in the business life
- » Increasing the number of women in Ford Otosan Executive Board and Top Management
- » Increasing the employment rate of the disabled people in Ford Otosan
- » Supporting women in technology and innovation fields
- » Increasing and strengthening incentive mechanisms for increasing female employment in automotive industry



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## Gender Equality Efforts and Goals

In line with our equal opportunity and diversity principles, we prioritize gender equality. We provide social benefit in this field by conducting many projects. In order to be a successful Company and have a corner globally, we conduct ourselves being aware of the fact that we should reach everyone equally in the society without any discrimination. We secure our commitments for gender equality in our policies such as Declaration of Equality at Work, Diversity Policy, and Human Rights Policy.

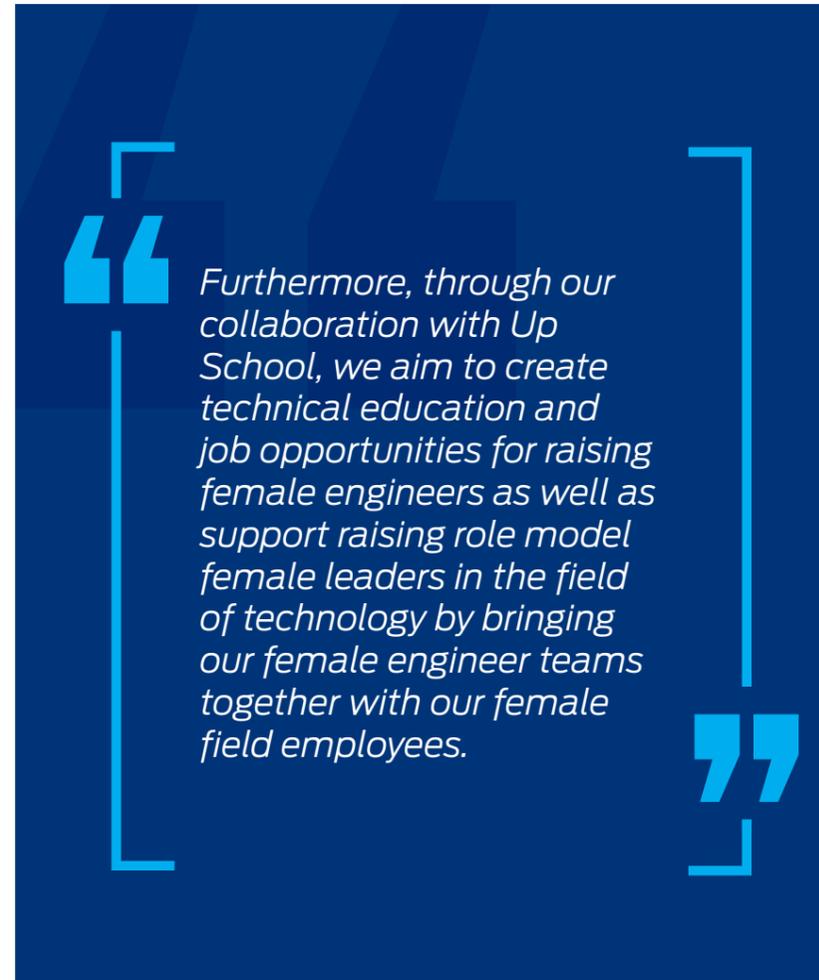
Undersigned in 2016, we continue to work in accordance with the Women's Empowerment Principles throughout 2021, as well. Additionally, we qualified to be included in "Bloomberg Gender Equality Index", the most comprehensive gender research of the world, in 2022.

We continue the projects and studies, which we conduct with all our stakeholders to eliminate the reasons for gender inequality, based on the social examinations and research. We consider the needs and requests of our beneficiaries in order to be able to develop projects from which the society can benefit to the maximum extent. In this context, we conduct gender equality studies intended for the education and employment of the women in the field of STEM (Science, Technology, Engineering, Mathematics) fields.

Therefore, in 2021, At Ford Otosan, we identified our top priority as "Gender Equality in Technology and Innovation" for the next 5 years in line with the Sustainable Development

Goal of Gender Equality, and we published our commitments. We identified 4 main goals for the support mechanism for the women who are to be employed, already employed, or assigned for employment.

- » Increasing the ratio of women employed by Ford Otosan around technology and innovation up to 30% by 2026.
- » Doubling the number of the women employed in STEM fields in our dealers by 2026.
- » Increasing the ratio of women at all management positions to 50% by 2030.
- » Reaching to 100,000 women through our education, awareness and financial support projects intended for the society.



In collaboration with Women's Communication and Research Association and Ministry of National Education of Turkey as well as together with Ford Otosan's voluntary engineers, we completed our project "Honeybees Become Engineers", with which we aim to break down the prejudices of girls about engineering and support raising female engineers, by visiting 81 cities. Furthermore, through

our collaboration with Up School, we aim to create technical education and job opportunities for raising female engineers as well as support raising role model female leaders in the field of technology by bringing our female engineer teams together with our female field employees.

### Women in Technology and Innovation

During the period of 2021-2022 when we focused on the theme of supporting women in technology and innovation, we participated in many collaborations and projects. You can look into the most prominent ones among those projects below.

#### » Collaboration with W-Tech Women in Technology

**Association:** In collaboration with W-Tech Women in Technology Association, we enabled 100 women employed by Ford Otosan suppliers to receive technology-focused vision trainings and participate in the technological transformation movement observed globally. Within the scope of the project, 100 female field employees received digital literacy trainings about effective device use, writing techniques at work, searching accurately on the Internet, career management on social networks, online cyber security, digital cyber security etc., and 40 female field employees completed the robotic process automation trainings.

**» Women Developing Each Other Project:** In collaboration with Young Guru Academy (YGA), we designed a 6-week online training program with the "Women Developing Each Other Project" for 1000 female students studying at the engineering departments of the universities. We aim for the participants, who access introductory courses for different technology fields from Up School including Data Science, FrontEnd, IOS, Android, etc., to benefit from YGA Double Wing Social Impact Training, Live Broadcasts and Question and Answer Sessions with YGA Dream Partners, and Awareness Publications on Gender Equality, as well. Thus, we enable women to develop themselves in the field of technology.

# Social Investments

## Ford Otosan for Children's Development: Our Project "Dreams Need Information"

With the project realized in partnership with Young Guru Academy (YGA) and Twin Science, we aim to develop the skills of the children aged 7-14. In 2021, we were able to reach over 58,000 disadvantaged children across Turkey by completing the first 2 modules of our project consisting of 3 modules in total. Moreover, Twin's Autonomous Vehicle Kit, which we developed with our project partners won the Smart Toy AI Award, organized by the World Economic Forum (WEF), in "Empowerment" category. Our project has the following modules:

1. Developing Twin's Autonomous Vehicle Kit	<b>Completed</b>
2. YGA's sending 1,500 Autonomous Vehicle Kits purchased by Ford Otosan to 150 disadvantaged schools in Turkey, conducting teacher training and planning science festivals	<b>Completed</b>
3. Developing entertaining and interactive digital contents which explain autonomous vehicle technologies, the scientific facts behind them and their impacts to the environment as well as bringing those contents to the children on Twin's mobile app	<b>In Progress</b>

Our efforts for the 3rd module of our project are in progress. We aim to help children aged 7-12 attain personal gains in fields such as



- » Sustainable Development Goals
- » Courses parallel to school curriculum
- » 21<sup>st</sup> century and social-emotional learning skills

by offering them reliable, interactive, instructive, skill-focused trainings through the mobile app developed by Twin.



### Vehbi Koç Foundation

In 2021, we continued to support the projects carried out by the Vehbi Koç Foundation, which was established by Vehbi Koç in 1969 and with which we have been collaborating to create social benefit since its establishment, in the fields of education, health and culture. Through the Vehbi Koç Foundation, we have supported educational institutions, health services and cultural institutions to adapt to the new order made compulsory by the epidemic, and to implement applications such as distance education, video health services, online guided museum visits, etc.

In addition, we contributed to the implementation of various scholarship projects, sharing and cooperation network projects aimed at empowering teachers, and different projects to support schools in disadvantaged regions in 2021.

For more information: <http://www.vkv.org.tr>

# Social Investments



## Mobility

In line with our vision to become the leading smart mobility ecosystem provider of Turkey, we aim to identify the future mobility needs and design products and services to address such needs. We aim to attain the same leading position as we already have in commercial vehicle production and sales also as a Company producing smart mobility solutions by rapidly realizing connectivity, autonomous electric vehicle and sharing technologies. Accordingly, we focus on creating inclusive and innovative mobility solutions by bringing different stakeholders together.

### Our Actions for Mobility

- » Developing mobility solutions with low environmental effect which cover all transportation types, infrastructures and mobility habits
- » Making mobility solutions safer, smarter and more accessible



## Vehicle Quality and Safety

Providing the highest quality not only in our vehicles but also for pedestrian and passenger safety is among our top priorities. We produce fully equipped vehicles with high quality and security technologies by using advanced technologies and innovative materials at our vehicle design and production processes. We have maximum compliance with legal regulations and various safety standards.

### Our Actions for Mobility

- » Leading the field of vehicle safety and drive assistant research and initiatives
- » Designing training programs to make safe driving techniques widespread



## Impact Measurement and Communication

We as Ford Otosan, make many social investments and aim to increase our impact day by day with our sustainability applications. We believe that the impact we are creating on the society and environment in the social investment fields that we determine according to this goal should be measured.

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*Annex 2. Performance Indicators*

*Annex 3. Stakeholders and Communication Methods*

*Annex 4. Corporate Memberships*

*Annex 5. GRI Content Index*



# Annex 1. Risk Tables

## Risks Monitored Primarily by Ford Otosan

RISK CATEGORY	RISK DESCRIPTION	RISK MANAGEMENT AND OPPORTUNITIES CREATED	IMPACT		
<b>Financial Risks</b>	<b>Credit Risk</b> Direct Debit System, applied to the dealer claims resulting from domestic vehicle and spare parts sales, is an effective method for guaranteeing claims	» A significant part of overseas sales is made to Ford Motor Company and its subsidiaries, and average term for these export operations is 14 days.  » Collection of the overseas sales other than those made to Ford Motor Company are guaranteed via letter of credit, guarantee letter, export credit insurance, bank limit or advance payment methods.	<b>Financial Impact</b>	High	
			<b>Probability</b>	Low	
			<b>Term</b>	Short	
	<b>Liquidity Risk</b>	» Have a cash, loan commitment and factoring capacity available for covering minimum 21 days of cash outflow to manage liquidity risk.  » In this respect, our Company has a loan commitment deal of 100 million Euros and a factoring deal equal to 120 million Euros, to be used at any time needed, as per its agreement with the banks		<b>Financial Impact</b>	High
				<b>Probability</b>	Low
				<b>Term</b>	Short-Mid
	<b>Interest Rate Risk</b>	» It's essential that interest rate sensitive assets and liabilities are managed via natural measures resulting from balancing their remaining days with repricing. Interest bearing assets are used at short term investment tools.  » As per policy, fixed/variable interest rate is expected to be 50%/50% for long term loans.		<b>Financial Impact</b>	Low
				<b>Probability</b>	Low
				<b>Term</b>	Short-Mid
	<b>Exchange Risk</b>	» It's adopted as a policy to have net foreign exchange positions limited to 10% band in the balance sheet.  » The exchange risk to result from certain long term loans in Euro that are used by our Company to finance investments are covered by the export deals made with the Ford Motor Company.  » Investment loans are attributed to tangible asset purchases, and a part of the exchange and interest amount related these loans is considered as a part of the active cost.		<b>Financial Impact</b>	Low
				<b>Probability</b>	High
				<b>Term</b>	Short-Mid
	<b>Capital Risk</b>	For capital management, our objective is to provide maximum benefit for our partners, create the optimum capital structure to reduce capital costs, and accordingly, ensure continuity of activities of our Company.	» Our Company monitors its capital structure by using "Net Total Profit Before Financial Liability/Interest and Depreciation" and aims to keep this ratio below 3.5.	<b>Financial Impact</b>	Mid
				<b>Probability</b>	Low
				<b>Term</b>	Short-Mid

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Operational Risks, External Risks	<p><b>Climate Change Risks</b></p> <p>At Ford Otosan, we create action plans by evaluating the impacts of the risk of prominent climate change and biodiversity loss in the world on our Company in the long term, and preventing and reducing environmental footprint of our products and activities for the purpose of alleviating the impacts of these risks within the scope of the Paris Agreement and European Union Green Deal</p>	<p>» Climate change risks are defined within the scope of ISO14001 Environmental Management System standard and under the categories of policy/regulations, market, reputation, technology of TCFD recommendations.</p> <p>» For full compliance with the Green Deal, projects to support “carbon-free” objective by 2050 are prioritized, energy efficiency projects are implemented for reduction of greenhouse gas emissions resulting from our activities and products, and we design and carry out activities to increase use of renewable material and energy resources.</p> <p>» Climate change risks and action plans are continuously reviewed and regularly reported to the senior management and Early Detection and Management of Risk Committee.</p>	Financial Impact	High
			Probability	Low
			Term	Short-Mid
	<p><b>Supply Chain Risks</b></p> <p>Our Company takes various measures and actions to alleviate the impacts of risk by prioritizing sustainability of the supply chain, particularly the traceability of supply network, operational competency and crisis management.</p> <p><b>Semi Conductor Materials Supply Risk, Raw Material Price Increase Risk</b></p> <p>Due to increased demand for the microchips by many industries with the Covid-19 pandemics, there are problems regarding the supply of in-car electronic components that started to be used widely in the past years especially in the automotive industry.</p> <p>Supply period for many main inputs such as sheet metal, aluminum, chemical materials, rubber etc. used for vehicle product in the global markets were extended and their prices increased considerably</p>	<p>» We closely monitor by making supplier visits where required in areas such as natural disaster, fire, union risks and perform actions to prevent imminent risks.</p> <p>» In addition to the supplier risk management, an independent supplier risk evaluation, considering the criteria of shipment, quality performance, sufficiency of capacity and financial status is also made, and necessary actions are taken.</p> <p>» Our Company manages this risk by closely following in continuous contact through collaboration with Ford Motor Company and suppliers and making changes to minimize production losses in vehicle programs.</p> <p>» The impact of raw material price increases is alleviated by expanding the supplier portfolio.</p>	Financial Impact	High
			Probability	High
			Term	Short-Mid

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Operational Risks, External Risks	<b>Supplier Technological Adaptation Risks</b>	<ul style="list-style-type: none"> <li>» We continue Industry 4.0 efforts with our manufacturers. Audits were completed by the end of 2021 via SIRI audit method through collaboration of Ford Otosan-MEXT for 21 suppliers.</li> <li>» The development process will be monitored by defining roadmaps for vertical, horizontal integration and product lifecycle at process level, automation, connection, artificial intelligence at technology level, and evaluations at organizational level throughout 2022.</li> </ul>	Financial Impact	High
			Probability	Low
			Term	Short-Mid
	<b>Business Continuity Risk</b>	<ul style="list-style-type: none"> <li>» Business Continuity Plans (BCP) and process are managed by the Corporate Risk Management.</li> <li>» Office Employees are provided with awareness training and Business Continuity teams are informed about their duties and roles in the plan, after Business Continuity Plans are prepared by all the departments based on the defined procedures and forms.</li> <li>» Accuracy of the plans are tested every year primarily via independent drills performed within the departments by the managers in charge of Business Continuity and subsequently at three different locations by the Risk Management.</li> <li>» Our Company guarantees the potential losses to be suffered in case of an earthquake, fire, flood etc. within the coverage limits of the insurance policies taken out</li> </ul> <p>OPPORTUNITY:</p> <ul style="list-style-type: none"> <li>» BCPs were used actively at the outbreak of pandemics and the Company switched to work from home model without any issues due to drills beforehand.</li> </ul>	Financial Impact	High
	We ensure that products and operations continue without interruption by responding to disaster scenarios via pre-defined strategies and procedures in case of risks that might lead to business interruption, from natural disaster to machinery damage.		Probability	Low
			Term	Short-Mid

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Strategic Risks	<p><b>Risk of Failing to Keep Up with the Speed of Changes in Innovation and Technology - Electric Vehicle, Connected Vehicle, Autonomous Vehicle Technologies, Smart Mobility, Digitalization</b></p> <p>Meeting changing customer behaviors and expectations in a business environment that changes rapidly day by day with the impact of globalization and digitalization can only be possible via innovation and innovative technology and business models. At Ford Otosan, we consider failing to keep up with the speed of innovation as one of the key risks, and intend to convert this risk into an opportunity and make it into a sustainable growth tool by designing projects within and outside the organization, by closely monitoring the worldwide developments in areas such as electric, connected and autonomous vehicles, smart mobility, industry 4.0 to reduce the impact and probability of the risk, adapting to the transformation in the industry, and maintain our competitiveness in such a way that complies with our business strategies on the path to our vision.</p> <p>» <b>Smart production</b>, makes our production, material planning and logistics system smart and efficient so that we become more competitive and flexible. We combine technologies such as “Internet-of-Things”, “Smart Factories”, “Cyber/Physical Systems” and “Industrial Internet”.</p> <p>» <b>For a better Customer Experience in Automotive</b> changing needs and expectations must be met via innovative and technological approaches.</p> <p>» <b>Connected Vehicle Technologies</b> is the interaction between vehicles and the city infrastructure. It covers a wide range based on interior/exterior vehicle connection systems such as smart engine systems, fleet management systems, in-vehicle infotainment systems, integrated with mobile communication channels to make driving experience safer and more efficient</p>	<p>» We intend to increase market share, create new markets, gain competitive edge, maximize customer satisfaction and achieve internal efficiencies while responding to the customer expectations by providing innovative products, services and processes. We continue advanced R&amp;D studies on connected vehicles, autonomous vehicles, electric vehicles, electrification, smart production methods, customer experience improvement, digital transformation and smart mobility solutions to be able to respond to changing customer behaviors in the automotive industry as well as the technological transformation in the industry.</p> <p>» We integrate employees' innovative ideas into our processes via Fikirhane Workshop studies for popularization of internal innovation culture, accumulating know-how and transferring experience gained.</p> <p>» Among the projects launched or completed in 2021, <b>RECUBE</b> calculates and improves all the releases during the lifecycle of our products, <b>PEACOC</b> enables use of more affordable precious metals by achieving circularity of precious metals, <b>AITOC</b> improves production costs by identifying optimum metal processing parameters in real time via digital twins of the production lines, <b>HADRIAN</b> increases customers' communication with high level autonomous vehicle and environment by adopting a holistic approach, <b>NEWCONTROL</b> allows for performance of recurring operations in the mine sites autonomously for construction series products among Ford heavy commercial vehicles, <b>ADACORSA</b> makes mine site autonomy systems safer with more vision by providing dynamic information on various obstacles and locations of objects via a drone system to operate integratedly with NewControl project, and <b>BEYOND5</b> creates a communication system that can co-operate with the NewControl project.</p> <p>» We produce fully equipped vehicles with high quality and security technologies by using advanced technologies and innovative materials at our vehicle design and production processes. We have maximum compliance with legal regulations and various safety standards.</p> <p>» Projects were launched for reducing carbon and greenhouse gases at lightweight vehicle technologies, fuel economy, alternative fuels and products and operations to be able to respond to the regulatory requirements and changes in customer and investor expectations, and research is ongoing for new projects.</p> <p>» We develop connected vehicle technologies including navigation for safer and more efficient driving experience, smart engine with mobile communication channels, interaction of fleet management systems and vehicles with each other and the city infrastructure.</p>	Financial Impact	Mid
			Probability	Mid
			Term	Mid

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<b>Strategic Risks</b>	<p>» <b>For Smart Mobility</b> the objective is to meet changing demands and habits in load and human transportation via sustainable, integrated, user first products and services.</p> <p>» <b>Electrification</b> It includes the preparations covering all the processes from the start of production of electric vehicles to end of their lifetime. It's intended that dealers and customers have the best experience with the electric vehicle transformation.</p> <p>» <b>Digitalization</b> Digitalization is required for integrating new technologies and ensuring sustainable transformation of business models to improve current business, create new opportunities and achieve our vision. We consider digitalization as a significant tool for closely communicating with our supply chain and customers, and for responding to changing consumer habits.</p>	<p>» For developing mobility solutions with low environmental impact, covering all transportation types, infrastructures and moving habits, we developed fully electric Rakun Motocycles as a micro mobility solution as part of Smart mobility. With this project, we provide an environment friendly solution to serve end point delivery for customer expectations.</p> <p>» Our entire value chain falls into five groups including dealer, customer, supplier, employee, product design and production during our digital transformation efforts, and specific efforts are made in this regard.</p> <p>» We create added value via the data collected from our connected vehicles, utilize past data to make more accurate predictions regarding vehicle orders of our dealers, aim prevention by estimating the potential problems in advance by storing IoT and production data, try to automatize routine operations with low added value for our employees to contribute creatively, actively and efficiently, and connect our suppliers to the central data and management center to optimize our stock orders.</p> <p><b>OPPORTUNITY:</b></p> <p>» Driventure, our corporate risk capital Company, ensures that investments are made for initiatives to provide strategic benefit in our focus areas and partnerships are established with entrepreneurial ecosystem to expand knowledge and seize the opportunities early.</p>	<b>Financial Impact</b>	Mid
			<b>Probability</b>	Mid
			<b>Term</b>	Mid

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<b>Legal/Compliance Risk, Reputation Risk</b>	<p><b>Law and Compliance Risks</b></p> <p>» Changes in the regulations are regularly monitored within the Directorate of Law and Compliance, and regular payment, identification and reaction activities are carried out with regard to management of law and compliance management.</p> <p><b>Personal Data Protection, Competition, Anti Corruption, Human Rights Risks</b></p> <p><b>Conflict Minerals Management Risks</b></p>	<p>» We carry out compliance activities in areas such as personal data protection, competition regulations, anti corruption, sanctions and export controls, and human rights.</p> <p>» In 2021, new compliance program went live as Compliance Policy was accepted by the Ford Otosan Executive Board, and the Compliance Office was established under the Directorate of Law and Compliance.</p> <p>» We ensure top level management of law and compliance risks as our Directorate of Law and Compliance regularly informs “Independent Executive Board Members”, “Committee in Charge of Audit”, “Early Identification of Risks Identification and Management Committee” in areas such as significant disputes, compliance risks faced by our Company.</p> <p>» As part of the Compliance Program, Ford Otosan Anti-Corruption Policy was revised, resulting in two separate policies: Anti Bribery and Corruption Policy and Gifting and Accommodation Policy. The “Anti Bribery and Corruption Training” has been completed by 4,268 office employees by the end of 2021. It’s made sure that our employees as well as our suppliers participate in Ford Otosan Anti Bribery and Corruption Training.</p> <p>» We make efforts for prevention of discrimination and potential human rights violations throughout the value chain and ensure that our employees work under fair conditions.</p> <p>» “Conflict Minerals Policy” was published for avoiding any type of action contributing to financing of conflict and ensuring that our supplier follow the same considerations.</p>	<b>Financial Impact</b>	Mid
			<b>Probability</b>	Low
			<b>Term</b>	Short-Mid
<b>Strategic Risks</b>	<p><b>Employee Rights Risks</b></p> <p>We believe that our employees are our most important capital to be able to ensure sustainable of our business and provide top quality service, and we manage our risks in this regard under the following titles.</p> <p><b>Inequality Risks</b></p>	<p>» We provide our employees an inclusive work environment, which is based on equal opportunity and is respectful for differences and ethical values.</p> <p>» Compiled and published in 2019, our Diversity Policy supports our current and future talents in their career path as well as focuses on looking after their rights without any discrimination based on language, religion, race, gender and sexual orientation, and in compliance with the policies for equal opportunity, diversity and inclusion.</p> <p>» We aim to increase employment of women in production, contribute to development of our employees, and ensure that female candidates are represented equally during appointment/promotion processes with the “Site Leaders” Development Program, including the women employed on field at our company.</p> <p>» We aim to increase the ratio of women employed by Ford Otosan in the area of technology and innovation up to 30% by 2026.</p> <p>» We have practices for creating the working conditions that makes our employees feel better mentally and physically, by sticking to occupational health and safety practices without any compromise at all our operations.</p>	<b>Financial Impact</b>	Mid
			<b>Probability</b>	Mid
			<b>Term</b>	Short-Mid

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<b>Strategic Risks</b>	<b>Occupational Health and Safety Risks</b>  <b>Unable to meet talent requirements for the future</b>  <b>Talent Acquisition and Management Risks</b>	<ul style="list-style-type: none"> <li>» We continue providing OHS trainings for not only our employees but also our business partners to internalize the OHS culture, manage the risks and work in compliance with requirements for a safe area.</li> <li>» We continued studies on trainings and methods to be needed for development of employees, and on improvements for employee experience, via data analytics, artificial intelligence and innovative software in 2021.</li> <li>» A transformational program including digitalization, maintenance expertise, behavioral and cultural principles were launched for site employees.</li> <li>» Reverse Mentorship Program is aimed to reinforce dual learning and development by increasing the information sharing and synergy between young generation and previous generation of managers.</li> <li>» Up-School Data Analyst Program was designed as an educational technology initiative established to nurture role model female leaders in technology.</li> <li>» Also, studies are made on innovative internship programs and future needs ready certification programs.</li> <li>» We support strengths and monitor needs of our employees via our Talent Management system and Individual Development Plans. In this context, we accompany personal development journeys of employees participating in Career Guidance Program and DDI (Development Dimensions International) Leadership Potential Identification Inventory (Early Identifier) application and support them for making their objectives come true.</li> <li>» Agile transformation allows our employees to use their team building, result driven work, analytical thinking and decision-making competencies at maximum level while we intend to have an innovative working culture created by individuals proving highest efficiency by managing their own efforts.</li> </ul>	<b>Financial Impact</b>	Mid
			<b>Probability</b>	Low
			<b>Term</b>	Short-Mid

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<b>External Risks</b>	<p><b>Pandemic Risk</b></p> <p>Started as a risk threatening the national and international health systems, Covid-19 outbreak has become one of the most distinctive factors shaping the global economy and maintained its impacts last year.</p> <p>Disruptions in the production and service processes, pandemic related interruptions in the supply chain, risks related to our employees' and business partners' well-being and health are considered as primary risk posed by the pandemics.</p> <p>At Ford Otosan, we follow the developments related to the national and international COVID-19 outbreak by adopting zero risk policy for our employees' and business partners' health, and take necessary precautions for alleviating impact and probability of risk.</p>	<p>» At Ford Otosan, we adopt zero risk policy for our employees' and business partners' health. We follow national and international developments related to the COVID-19 pandemic and take necessary precautions for alleviating impact and probability of risk.</p> <p>» Our health center continued case follow-ups, contact tracing and quarantine applications and closely monitored vaccination details.</p> <p>» Various actions such as health survey and safe spot app, QR code scanning, 50% office work were taken for reducing the risk at offices in the Company and at factories.</p> <p>» It was made sure that high level hygiene practices are implemented at production facilities and offices.</p> <p>» We made plans to work on a pandemic result declaration including establishment of an early warning system against a potential Pandemic risk in future and precautions required to be taken to be prepared for future pandemics.</p> <p>» For dealers, a guide required to be followed against the potential risks at the starting period of a pandemic was created and published. In accordance with this guide, hygiene inspections are made by an independent audit company and risk preventive actions required to be taken by the dealers are followed.</p> <p><b>OPPORTUNITY:</b></p> <p>» We're the first Automotive Company to be entitled with Safe Production Certificate from the Turkish Standards Institute.</p>	<b>Financial Impact</b>	Mid
			<b>Probability</b>	Mid
			<b>Term</b>	Short-Mid

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<b>Reputation Risk, Strategic Risk</b>	<p><b>Customer Satisfaction Risk</b></p> <p>Ford Otosan considers being a brand meeting customer needs and expectations, the most preferred brand in every segment, and the leading automotive brand in terms of customer satisfaction during sales, post sales product and services, as a strategic objective</p>	<ul style="list-style-type: none"> <li>» We make efforts to maximize the customer experience with our shared culture that puts the customer at the heart of all operations and the motto "We're All Good If You're Good".</li> <li>» We follow our industry's and today's trends by including opinions and feedbacks from our employees into our processes via interviews and workshops carried out with participation of our dealers and Otosan employees, who are our stakeholders that have closest contact with our customers.</li> <li>» Dealers are trained by the Training Team built as part of the Shared Culture efforts, customer experience-oriented call center and dealer feedbacks are evaluated by Customer Value Team, and cultural reflections are checked via surveys by Mirror Team</li> </ul>	Financial Impact	Mid
			Probability	Low
			Term	Short-Mid
<b>Operational, Strategic, Legal/ Compliance Risk</b>	<p><b>The Use of Natural Resources</b></p> <p>Waste disposed without recycling and recovery leads to loss of raw material and energy resources, environmental damage and financial losses. Efficient management of resources, which is an inevitable requirement today for a healthy and sustainable lifecycle, is a topic that we prioritize both as an individual and as an organization.</p>	<ul style="list-style-type: none"> <li>» At Ford Otosan, we develop projects and applications for reducing waste at its source, more efficient use of resources, collection and recycling of waste as part of circularity. As part of the Green Packaging project we launched, we consider the alternatives in terms of reducing the packaging for products and raw materials from our suppliers as well as switching to the environment-friendly products and aim to reduce use of disposable plastics.</li> <li>» We also support "Zero Waste" application started by the Ministry of Environment and Urban Planning. Kocaeli and Eskişehir Factories received "Zero Waste Basic Level Certificate" within the scope of active zero waste management as a result of the audits carried out as per Zero Waste Regulation.</li> <li>» Along with the operational improvements, the RECUBE project, ensuring that we have reusable, recyclable products with long life, and PEACOC project, intended for developing affordable and environment friendly metallurgic method for recovery of Platinum Group Materials and making PGM materials to be obtained via developed technologies available for re-use at automotive catalyst production, which are on the agenda for us in 2021, are other important sustainability projects.</li> <li>» We carry out recycling activities on the basis of zero waste principles with the completion of lifecycle of battery we used at electric vehicles.</li> </ul>	Financial Impact	Low
			Probability	Short
			Term	Short-Mid

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<p><b>Reputation Risk, Operational Risk, Financial Risk, Legal/ Compliance Risks</b></p>	<p><b>Connected and Autonomous Vehicles, Cyber Security, Information Safety and Data Sharing Regulative Risks</b></p> <p>At Ford Otosan, we take measures and conduct studies, regular information and training activities regarding information technologies and all business processes in order not to lose brand reputation due to information security and cyber security risks.</p> <p>At Ford Otosan, we safe, efficient and environment friendly transportation offered by connected and autonomous vehicles enabled acceleration of studies in this area.</p> <p>As the vehicles become connected and digital products, new regulation is needed to be created for this area of vehicles. To this end, there are regulatory studies on many topics such as cyber security, data sharing, popularization of data use for the benefit of customers and society by the European Commission and United Nations. European Commission drafted the Real Time Traffic Information regulation in this regard, and is intended to allow for drivers and users to define transportation choices according to instant traffic data as vehicles provide data transfer into this system.</p> <p>European Commission also aims to create a "Data Economy" by paving the way for data sharing with the Data Act regulation, containing these terms: users must have a right for the data created by the products including the vehicles, and a right to use this data as desired or optionally share it with 3rd parties.</p> <p>Absence of a suitable infrastructure at vehicles which will meet the needs of customers to be data owners in this area poses risks in terms of both the regulation and customer requests.</p>	<p>» Digital Products and Services department operates in a way that will monitor compliance with any legal regulations and Ford Otosan, Ford Motor Company and Koç Holding policies, and maximize the information safety and cyber security levels for the products and services offered, within the scope of Ford Otosan Information Safety Policy and associated procedures and instructions. It's aimed that information technologies infrastructure, product, data and services used at business operations of the Company are protected from all internal and external threats, and services to support continuity of business operations are created, developed and maintained.</p> <p>» Precautions required at the top level are taken with regard to the security of the end user, security of the data traffic between connected vehicles and the Center, cyber security of vehicle and operational technologies and PDPL.</p> <p>» Internal trainings are provided for increasing the level of awareness for cyber security.</p> <p>» ISO 27001 Information Safety Management System certificate requirement and information technologies related process risks are managed via the specified risk management approach.</p> <p>» Cyber security risks are presented to the Early Detection and Management of Risk Committee in detail.</p> <p>» Security of the operational technologies (OT) and Internet-of-Things (IOT) infrastructures, deployed as part of the digitalization efforts and supporting manufacturing processes of the Company, and necessary actions are monitored by an independent committee.</p> <p>» These efforts of our Company are audited by Ford Motor Company General Auditor's Office, Koç Holding Audit team and independent audit organizations.</p> <p>» Regulatory studies and drafts in this area are closely monitored via ACEA, UNECE, FoE channels.</p> <p>» Our vehicles provide the technology and infrastructure to cover connected&amp;autonomous vehicle requirements, cyber security and data management regulations, and meet customers' expectations and requests in relation to this area to create a sustainable business model, maintain our position in the market and increase our effectiveness.</p>	Financial Impact	High
			Probability	Low
			Term	Short-Mid

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RISK CATEGORY	RISK DESCRIPTION	RISK MANAGEMENT AND OPPORTUNITIES CREATED	IMPACT	
<b>Reputation Risk, Operational Risk, Financial Risk, Legal/ Compliance Risks</b>	<p><b>Regulatory Compliance Risk</b></p> <p>Risks related to the regulation limiting and prohibiting use of hazardous chemicals</p> <p>(REACH as EU regulation), KKDİK as Turkish regulation</p> <p>At Ford Otosan, we are aware of the need to support our dealers by sharing any type of information to be requested by them for meeting the “obligations of registering the chemicals use”.</p> <p>Obligation resulting from the regulation reports the chemicals contained by vehicles and spare parts available in the EU market for our customers in the EU. Name of a chemical must be reported without any charge if it’s requested by a customer.</p> <p>We provide our customers with the information they request for avoiding any penalty, loss of reputation before the customer and market, damaging brand image..</p>	<p>» Turning the regulatory requirement into an opportunity, our Company built the “All Green Scrum Team”, representing various departments, to carry out specific studies on this matter at our Company. This team carries out studies on the articles that directly impose an obligation on our Company.</p> <p>» Our Company's contribution into the global transformation will be considerable as the chemicals become the focal point in the world. In addition, studies are made for creating the organizational infrastructure at our Company for KKDİK, which is a REACH-like regulation to be required in our country by 31.01.2023.</p> <p>» There are ongoing studies for adding and designing use of alternatives with low greenhouse impact at our vehicles into our strategic plan.</p>	Financial Impact	Low
	<p><b>F-Gas, Fluorinated Greenhouse gas use restriction regulation (EU 517/2014) EU market risk</b></p> <p>The regulation requires fluorinated greenhouse gases with high GWP- Global Warming Potential value to be replaced by gases with lower GWP value.</p> <p>In addition, registration to the system and reservation of a quota is required if gas amount thresholds (100t and 500t CO<sub>2</sub> eq) provided for EU market per year are exceeded.</p> <p>With quota limitation, the amount of gas allowed to enter into the EU market is aimed to be reduced by 69% until 2024, and 79% until 2030 (Reference year: 2015).</p> <p>This topic has the following risks.</p> <p>The threshold value is exceeded even with the low sales volumes if current gas (R134A) continues to be used.</p>		Probability	High
			Term	Short

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# Annex 1. Risk Tables

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RISK CATEGORY	RISK DESCRIPTION	RISK MANAGEMENT AND OPPORTUNITIES CREATED	IMPACT	
<b>Reputation Risk, Operational Risk, Financial Risk</b>	<b>Alternative Fuel Infrastructure Regulation (Electrical charging, Hydrogen refill infrastructure)s</b>  Failure of providing an appropriate infrastructure for the vehicles with alternative fuels in Turkey poses operational and Company related sustainability risks at international transportation.	» Improving position and providing incentive during industrial workshops as part of Collaboration for Green Growth and Sustainable Recovery Consultation and Capacity Increase in Turkey	Financial Impact	High
			Probability	High
			Term	Mid

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# Annex 2. Performance Indicators

## Economic Performance Indicators

Economic And Operational Indicators (TL Million)	2019	2020	2021
Sales revenues	39.209	49.451	71.101
EBITDA	3.198	5.722	10.492
Net profit	1.959	4.195	8.801
Operating costs	36.635	45.085	62.692
Employee salaries and benefits	1.498	1.758	2425
Dividends	1.284	1.095	3.576
Taxes and liabilities paid to the government directly as taxpayer	21	39	77
Social contribution	37.4	77.1	123.5
Total R&D budget	552	661	2.037
Total supplier spending	40.041	42.505	38.768
Local suppliers spending	19.933	19.627	9.250

## Environmental Performance Indicators

Greenhouse Gas Emissions (ton CO <sub>2</sub> e)	2019	2020	2021
Scope 1	78,360.02	80,097.61	88,051
Scope 2	123,359.29	32,385.54	1,792
Total (Scopes 1 and 2)	201,719.31	112,483.15	89,843

Energy Consumption (GJ)	2019	2020	2021
Direct renewable energy consumption	38,934	6,488	6,267.47
Direct non-renewable energy consumption	1,096,369	1,115,445	1,359,024.72
Indirect renewable energy consumption	0	651,171.59	946,317.59
Indirect non-renewable energy consumption	965,071	1,144,925	14,894.78
Total	2,100,374	2,918,022	2,326,504.56

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## Annex 2. Performance Indicators

Environmental Training	2019	2020	2021
Number of Participants (Employees)	4.547	5.575	10.882
Number of Participants (Subcontractors)	1.902	1.834	6.996
Training Hours (PERSON*HOURS) (Employees)	11.186	12.259	38.100
Training Hours (PERSON*HOURS) (Subcontractors)	855	934	3.353

Waste Quantity (Ton)	2019	2020	2021
Recovered hazardous waste	9,699.08	6,966.3	8,786.188
Recovered non-hazardous waste	87,154.98	77,733.3	87,756.079
Hazardous waste – disposed	179.17	49.3	32.480
Non-hazardous waste – disposed	266.50	127.2	0
Hazardous waste – sent to interim storage	247.12	136.4	84.273
Non-hazardous waste – sent to interim storage	0.068	0.0670	0
<b>Total</b>	<b>97,546.92</b>	<b>85,012.56</b>	<b>96,659.011</b>

Water Withdrawal (m <sup>3</sup> )	2019	2020	2021
Underground water	1,097,981	991,667	1,063,294
Municipal water	11,053	6,917	6,595
<b>Total</b>	<b>1,109,034</b>	<b>998,584</b>	<b>1,069,889</b>

Recovered Water And Wastewater Quantities (m <sup>3</sup> )	2019	2020	2021
Recovered water	184,152	113,399	85,395
<b>Total water discharge except rainwater and domestic waste</b>	<b>374,989</b>	<b>307,017</b>	<b>329,728</b>

Environmental Expenditure And Fines (TL Million)	2019	2020	2021
Environmental investments and expenditure	15,3	14,2	37,7
Environmental fines	0	0	0

# Annex 2. Performance Indicators

## Social Performance Indicators

Ohs Performance (Employees)	2019	2020	2021
Occupational disease rate	0,59	0,09	0,24
Number of fatal accidents	0	0	0
Lost day rate	4,40	3,62	5,27
Incident rate	7,67	5,76	4,75
Total number of members in active OHS committees	145	104	121
Number of representatives in active OHS committees	16	19	17
Average OHS training time per employee	10,06	9,33	6,45
Total OHS training time	109.361	114.967	76.159

Ohs Performance (Subcontractors)	2019	2020	2021
Occupational disease rate	0	0,05	0,26
Injury rate	0	5,69	3,4
Lost day rate	2,59	5,59	5,99
Number of fatal accidents	0	0	0
Incident rate	8,23	4,79	3,39
Total OHS training time	2.902	7.353	9.462

Employee Demographics	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of employees	1.622	8.955	2.197	10.174	2.585	11.139
Total employees	10.899		12.517		13.724	
Number of subcontractor employees	415	421	326	834	513	1.350
Total subcontractor employees	1.405		1.160		1.863	

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## Annex 2. Performance Indicators

Employees By Category	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Field Employees	948	7.138	1.475	8.315	1595	8666
Office Employees	674	1.817	722	1.859	990	2473
<b>Total</b>	10.899		12.517		13.724	

Employees By Agreement Type	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Indefinite employment contract	1.600	8.872	1.742	8.892	2.368	10.372
Fixed-term employment contract	22	83	499	1.384	217	767
<b>Employees covered by Collective Labor Agreement</b>	6.590		9.913		12.957	

Employees By Age Groups	2019	2020	2021
30 and younger	3.531	4.617	4.792
30-50 years old	7.203	7.758	8.723
50 and over	165	142	209

Employees By Employment Type	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Full-time employees	1.622	8.955	2.240	10.276	2.584	11.134
Part-time employees	0	0	1	0	1	5

Equal Opportunity	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Board Members	3	10	2	12	2	12
Senior Executives	3	22	4	22	4	23
Mid-level Managers	34	190	39	200	43	211

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## Annex 2. Performance Indicators

Maternity Leaves	2019	2020	2021
Female employees on maternity leave	106	79	109
Female employees returning to work after maternity leave	102	73	97

Employee Turnover	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Number of new employees	128	421	587	263	628	1.747
Number of employees leaving	247	1.215	124	536	283	886
Number of employees promoted	154	444	18	46	37	81
Employee turnover	9		6,7		9,3	

Employees Subject To Performance Management	2019	2020	2021
Office employees	2.297	2.592	3.145
Field employees	7.861	9.976	10.258

Training Programs	2019		2020		2021	
	Female	Male	Female	Male	Female	Male
Total training time	114,361	468,173	165,615	379,483	164.540	520.599
Total training including OHS	691,895		668,457		194.366	659.400
Average training time per employee	63.7		53.4		62	
Office employee training	36,932	95,949	34,198	78,268	68.856	156.493
Average training per office employee	52.8	51.2	46.2	42.0	69,55	63,28
Average training time per office employee	52		43.2		65	
Field employee training	77,429	372,224	154,884	401,106	125.510	502.907
Average training per field employee	75.6	51.2	103.2	47.7	78,69	58,03
Average training time per field employee	54.2		56.1		61	
Leadership training	8,836	59,759	2,683	8,971	2.461	7.895

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# Annex 3. Stakeholder Groups Communication Methods

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<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>» Corporate Website</li> <li>» Investor and analyst presentations</li> <li>» Material event disclosures</li> <li>» Financial results briefings</li> <li>» One-on-one interviews and meetings</li> <li>» General Assembly Meetings</li> <li>» Plant visits</li> <li>» Annual Report and Sustainability Report</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>» Ford Otosan Working Principles</li> <li>» Company Internal portal</li> <li>» Internal television broadcasts</li> <li>» Suggestion, recognition, and reward system</li> <li>» Working groups and committees</li> <li>» Internal communications through magazines, General Manager's newsletter, announcements and notifications</li> <li>» Social events</li> <li>» Performance Management System</li> <li>» Annual Report and Sustainability Report</li> <li>» Employee loyalty surveys and questionnaires</li> <li>» Open Door and Leadership meetings</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>» Annual Report and Sustainability Report</li> <li>» Interviews and talks</li> <li>» Meetings and events</li> <li>» Press releases</li> </ul>
<b>Material event disclosures</b> <b>Vocational Schools, Universities, and Academy</b>	<ul style="list-style-type: none"> <li>» Annual Report and Sustainability Report</li> <li>» Academic conferences and seminars</li> <li>» Articles, publications, and academic research</li> <li>» Joint projects</li> <li>» Education and technical support</li> <li>» Sponsorships</li> <li>» Meetings and interviews</li> </ul>
<b>Dealers</b>	<ul style="list-style-type: none"> <li>» Annual Report and Sustainability Report</li> <li>» Dealer meetings, Dealer Council, and one-on-one meetings</li> <li>» Dealer and customer satisfaction surveys</li> <li>» Internal publications</li> <li>» Training programs for the dealers</li> </ul>
<b>Koç Group Companies</b>	<ul style="list-style-type: none"> <li>» Annual Report and Sustainability Report</li> <li>» Working groups</li> <li>» Project partnerships</li> </ul>

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# Annex 3. Stakeholder Groups Communication Methods

Stakeholder Groups	Communication Methods
Public Institutions	<ul style="list-style-type: none"> <li>» Annual Report and Sustainability Report</li> <li>» Inspections</li> <li>» Meetings and interviews</li> <li>» Training programs</li> </ul>
Suppliers and Subcontractors	<ul style="list-style-type: none"> <li>» Annual Report and Sustainability Report</li> <li>» Ford Otosan Working Principles</li> <li>» Training programs</li> <li>» Awards ceremony</li> <li>» One-on-one meetings</li> <li>» OHS Committees</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>» Annual Report and Sustainability Report</li> <li>» Working groups, Committee and Board Memberships</li> <li>» Memberships</li> <li>» Joint projects and initiatives</li> <li>» Meetings and interviews</li> </ul>

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# Annex 4. Corporate Memberships

ORGANIZATION	RESPONSIBILITY
Heavy-Duty Manufacturers Association	Membership
Lead Battery Manufacturers and Recyclers Association	Membership
American Business Forum (ABFT-AmCham)	Membership
European Automobile Manufacturers' Association	Membership
Deniz Temiz Association	Membership
Foreign Economic Relations Board of Turkey	Membership
WWF Turkey	Membership
World Economic Forum	Membership
Eskişehir Chamber of Industry	Membership
Etik ve İtibar Derneği	Membership
Ethics and Reputation Society	Membership
Intellectual Property Rights Association	Membership
Smart Mobility Systems and Services – Europa	Membership
Interactive Advertising Association	Membership
Istanbul Ferrous and Non-ferrous Metals Exporters Association	Membership
Istanbul Mineral and Metals Exporters Association	Membership
Istanbul Chamber of Commerce	Membership
Kocaeli Chamber of Commerce Board	Board Membership
Corporate Communications Association	Membership
International Chamber of Commerce Turkey National Committee	Board Membership
Central Anatolian Exporters' Association	Membership
Automotive Distributors Association Technical Committee	Membership
Automotive Manufacturers Association Board	Membership
Advertisers Association Membership	Membership
Portable Battery Manufacturers and Importers Association	Membership
Turkish Industry & Business Association (TÜSIAD)	Membership
Türkiye Dış Ticaret Derneği	Membership
Foreign Trade Association of Turkey	Membership
Turkey – U.S. Business Council Board	Membership
TTurkey – U.S. Business Council Board	Membership
Portable Battery Manufacturers and Importers Association	Membership
Turkish Informatics Foundation	Membership
Turkish Training and Development Platform	Membership
Turkish Electrical and Electronics Exporters Association Committee	Vice Chair
People Management Association of Turkey Advisory Board	Membership

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## Annex 4. Corporate Memberships

ORGANIZATION	RESPONSIBILITY
Turkish Electrical and Electronics Exporters Association Committee	Vice Chair
People Management Association of Turkey Advisory Board	Membership
Turkish Quality Association	Membership
Corporate Governance Association of Turkey	Membership
Port Operators Association of Turkey	Membership
Turkish Employers' Association of Metal Industries HR Committee	Membership
Union of Chambers and Commodity Exchanges of Turkey Turkish Automotive Industry	Membership
Technology Development Foundation of Turkey Founders' Board	Membership
Turkish Investor Relations Society	Board Chair
Uludağ Exporters Association	Vice Chair of the Board
Tool Manufacturers' Association of Turkey	Membership
International Investors Association Board	Membership
Turkish Investor Relations Society	Board Chair

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### Independent Limited Assurance Report

#### To the Board of Directors of Ford Otomotiv Sanayi A.Ş.

We were engaged by Ford Otomotiv Sanayi A.Ş. (hereinafter "Company" or "Ford") to provide limited assurance on whether the "Selected Information" as defined in the Annexes of this Sustainability Report (hereinafter "the Report") has been prepared by Ford for the year ended 31 December 2021.

The scope of our assurance is limited to the Selected Information listed for Ford below:

- Water consumption
- Recovered water
- Electricity consumption
- Hazardous waste/non-hazardous waste, recyclable waste
- Total number of employees
- Average OHS training time per employee
- Incident rate
- Total OHS training time

#### **Management's responsibilities**

Management's responsibilities Management is responsible for the preparation and presentation of the Report for the Selected Information in accordance with the Ford Otosan's Reporting Guidance as described in Annex A.1 of the Report, and the information and assertions contained within it; for determining the Ford Otosan objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.



Management is responsible for preventing and detecting fraud and for identifying and ensuring that Ford Otosan complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Selected Information are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

#### ***Our responsibilities***

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

The firm International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

#### ***Procedures performed***

A limited assurance engagement on a Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Selected Information.
- Comparing the information presented in the Selected Information to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Selected Information.
- Reading the information presented in the Selected Information to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Ford Otosan.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.



### ***Inherent limitations***

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

### ***Conclusion***

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Information as defined in the Annexes of the Report of Ford Otosan for the year ended 31 December 2021 is not presented, in all material respects, in accordance with Ford Otosan's internally developed reporting criteria as explained in Annex A.1 of the Report.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for Ford Otosan in connect with reporting to Ford Otosan and for no other purpose or in any other context.

### ***Restriction of use of our report***

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Ford Otosan, for any purpose or in any other context. Any party other than Ford Otosan who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Ford Otosan for our work, for this independent limited assurance report, or for the conclusions we have reached.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Şirin Soysal,

Partner

İstanbul, 18 July 2022

**REPORTING**

**Deloitte Türkiye**

[https://www2.deloitte.com/us/en.html?icid=site\\_selector\\_us](https://www2.deloitte.com/us/en.html?icid=site_selector_us)

**DESIGN**

**Poy Production**

[www.poyproduction.com.tr](http://www.poyproduction.com.tr)

**FORD OTOSAN**

2021

**SUSTAINABILITY  
REPORT**