

**SUSTAINABILITY
REPORT
2017**



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About The Report

- At Ford Otomotiv Sanayi A.Ş. we are publishing our sustainability report to present our stakeholders a transparent picture of the environmental, social and economic dimensions of our operations, in line with our sustainability vision.

GRI Standards, which are published by Global Reporting Initiative, presents a globally acclaimed framework on sustainability reporting. We have prepared this report in accordance with the GRI Standards: "Core" option. Our report covers the period between January 1st and Dec 31st, 2017.

We have reflected the changes on our sustainability performance with this report by benchmarking current data with our performance through past years, where necessary. The report also incorporates our support for the Sustainable Development Goals (SDGs). We have strengthened some selected issues with video content for a more effective description.

You may send your questions, opinions and suggestions on the report to surdurulebilirlik@ford.com.tr.

— Message From The Chairman

Esteemed Stakeholders,

The automotive sector is one of the most rapidly changing industries due to the effects of global trends. Environmental and social impacts that arise from urbanization, climate change and demographic changes are transforming the sector. We live in a world where technology and digitalization are reshaping business processes, products and services, customer expectations and the way businesses operate.

At Ford Otosan we are also an integral part of this change through our new strategies and business models. We are transforming our business model with our global partner Ford Motor Company to transform into a company that offers mobility solutions. We are working on the development of safe and efficient transportation models with low emissions that will make life easier in the smart cities of the future and for the sustainable production of these technologies. Our partner Ford, who is part of the transformation that is led by autonomous and electric vehicles, continues its progress rapidly in these areas.



As we accomplish these strategic steps, we base our practices on R&D and innovation. In light of the Koç Innovation Program, we have begun restructuring all our processes in line with a perspective that centralizes innovation and digitalization. We are also moving ahead in digital transformation, which is one of our main areas of innovation. Our digital transformation program continues with 17 projects in areas from customer trips to products, from the supply chain to manufacturing, from employees to product development, incorporating the training we provide for our employees. Our goal is to become the leading company in digital transformation and smart mobility. We proceed on this path with our R&D center, our digital innovation platform Fikirhane and our open innovation program through an understanding that enables stakeholder engagement.

The past year has been full of success and record-breaking practices thanks to our efforts. We have completed the 20th year of the Koç-Ford equal partnership with a strong performance. Our shares demonstrated a 108% increase in TRY, in the Borsa Istanbul 100 Index. We became the 14th most valuable company on Borsa Istanbul with a market capitalization of USD 5.6 billion. We are continuing to grow with the goal of exporting four in every five vehicles that we manufacture and have a presence in 50 countries by 2020.

We adopt an approach that is respectful to all stakeholders and the environment, and that generates added value, as we strengthen our financial performance and competitiveness. We work in many areas including digitalization, gender equality, the strengthening of our value chain and operational excellence in line with our mission to contribute to the UN Sustainable Development Goals.

As we thrive and grow, we aim to be a strong brand for employees, we follow an inclusive path that considers our suppliers and dealers and we work for our stakeholders to adopt high standards and innovative applications. We are moving ahead in line with our vision

to become “Turkey’s most valuable and most preferred industrial company”. I would like to offer my sincere gratitude to all my colleagues, our business partners, manufacturers, dealers, loyal customers and stakeholders who have helped us come this far.

With kind regards,

**Yours sincerely,
Ali Y. KOÇ**

Chairman of the Board of Directors

— Message From The General Manager

Esteemed Shareholders and Stakeholders,

In the past year, the total sales in automotive sector in Turkey has stayed constant, while at Ford Otosan, we have reached the highest level of performance in our history in areas such as production, sales, export, dividend payments and employment. We reinforced our leadership position as we increased our market share to 30.3% in commercial vehicle sales in our country. Our export revenues rose to USD 4.9 billion and we maintained Turkey's export leadership. Our figures reached record highs with an 11% increase in the total number of sales, 39% increase in sales revenues and 56% increase in net profit.

We have continued to support our strong financial performance with practices that contribute to the UN Sustainable Development Goals in environmental, social and governance areas. While we preserved our place in Borsa Istanbul's Sustainability Index in 2017 with our performance in sustainability, we were included in the "FTSE4Good Developing Markets Index", which is internationally renowned index in responsible investment.



We believe that one of the key points for continuing to improve our performance is rapidly adapting to the global trends and developing innovative products and services that address customer needs. We contribute to our country's economy with the strength we gain from our well-established R&D organization and through both product and engineering exports, thanks to our local and international collaborations.

We implement innovation processes within a framework formed of 5-year plans and with the participation of all departments. We initiate projects in digital transformation, smart production, customer experience, connected vehicles and autonomous trucks in line with our innovation program to generate added value.

We develop innovative ideas with our stakeholders in areas such as smart mobility, Industry 4.0, connected vehicles and digitalization, in accordance with our open innovation strategy.

With our vision of becoming the most valuable company for our customers, employees and business partners, we are proceeding with our digital transformation program through 17 projects, including the iDEAL platform which will transform the way our dealers do business and the end-to-end customer experience, the integration of wearable technologies, robots that work side by side with humans and incorporating virtual reality into production. As part of this, we have made improvements in areas such as increasing dealer efficiency, contributing to customer satisfaction and reducing the environmental impacts our operations and the vehicles that we manufacture, through an investment of TRY 3.7 million this year while we earned TRY 12.7 million thanks to these investments.

At Ford Otosan, we regard our human resources as the guarantee of all our future success. We carry out practices that prepare our employees for future talents which support employee initiatives and that contributes to diversity and inclusion at the workplace, in line with our objective of becoming Turkey's most preferred industrial company of Turkey. In 2017, when we surpassed our own record in employment in automotive with 11,501 employees, we also

achieved an increase of 26% in the number of our female employees. We are committed to increase the number of our female employees with the objective of ensuring that one in every two candidates that we employ is a woman.

We believe that it is our duty to contribute to the society as one of Turkey's leading industrial companies. We are continuing our investments in society in multiple areas, particularly in gender equality. We are pleased to have reached 9,873 female students as of 2017 within the scope of our "Honey Bees Become Engineers" project, which was launched to encourage female students to become engineers.

With the Koç-Ford equal joint venture completing its 20th year, we took important steps in 2017 to reach our vision of becoming the Turkey's most valuable and most preferred industrial company. Our goal is to extend the area of our positive impact by transparently sharing the practices we perform with our stakeholders through our 2017 Sustainability Report. In the following period, we will continue to create added value with all our stakeholders.

**Yours sincerely,
Haydar YENİGÜN**

General Manager



**WE TAKE FIRM STEPS
TOWARDS OUR VISION
OF BECOMING TURKEY'S
MOST VALUABLE AND
MOST PREFERRED
INDUSTRIAL COMPANY.**





Strategic Approach And Management

- A strong automotive sector contributes to a country's economy, improves other sectors with a multiplier effect and offers products and services that facilitate people's lives.

While sustainability is an instrument through which companies can create a resilient and strong structure, it also provides opportunities for an effective management of performance against current and emerging risks stemming from developing global trends. At Ford Otosan, we shape our business with a sustainability approach that offers us a holistic point of view on different areas from business ethics, to our value chain, from management of environmental impact to innovation.

Sustainability Management

The creation of sustainable value is at the core of our strategic business plan. Through an effective sustainability, we ensure that we increase our economic, environmental and social performance and put in place decision-making processes that will help us shape the tools to create this value. Our management approach is based on Sustainability Policies.

Sustainability is guided by the Sustainability Committee. The Committee, which has been in place since 2015, performs for the implementation of the Sustainability Policies. It also assesses the sustainability risk and opportunities and informs senior executives.

To improve our sustainability performance within the scope of sustainability management and to share our performance with stakeholders, especially our investors, we attach a great importance to work on reporting and to be listed in relevant indices. We are listed in the BIST Sustainability Index and added to FTSE4Good Emerging Markets Index and transparently share our performance with the climate change and water programs of the Carbon Disclosure Project (CDP).

Our Sustainability Policies could be found [here](#).

Responsibilities of the Sustainability Committee

- To prepare the sustainability strategy, monitor and inspect the relevant practices
- To prepare the sustainability road map and take action accordingly
- To ensure that the sustainability strategy and goals are communicated to all stakeholders
- To regularly report on the sustainability performance

The Global Goals, Trends And Sustainability Priorities

Sustaining an effective business model with a high added value requires us to manage our operations and performance determining focus areas. We have undertaken a comprehensive analysis in the past year and shaped our material issues with a long-term perspective responding to global trends that are closely related to our sector.

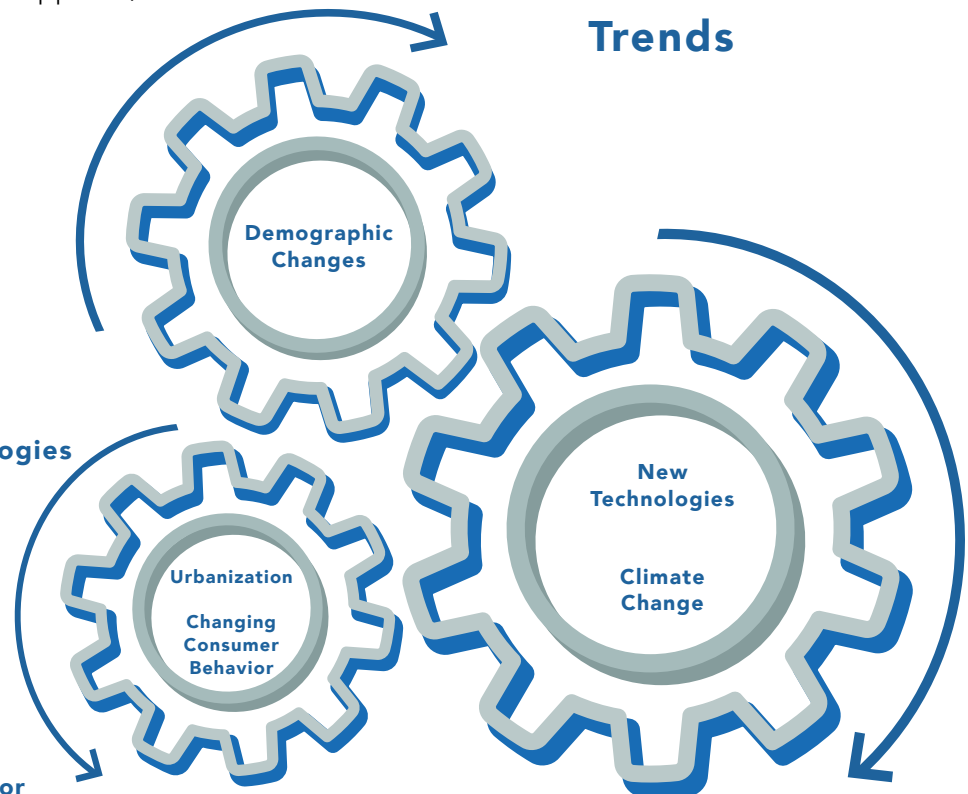
A stakeholder analysis was a part of this practice. In the stakeholder analysis, we assessed the opinions and the future business strategies of senior and mid-level managers of Ford Otosan along with the expectations of the stakeholders including our dealers, suppliers,

shareholders, non-governmental organizations and representatives of local authorities. As a result of this analysis, eight material issues under environmental, social and economic themes were determined. The fact that we have aligned our priorities with the global agenda not only makes our business strategy stronger but also creates important opportunities for contributing to development both in medium and long terms. In the table where we share information on how our material issues are managed, we also summarize how we contribute to the Sustainable Development Goals.



















Some issues and developments highlighted by the trends

- Talent management
- Vehicles adapted to urban life
- Sustainable Urbanization
- Smart cities
- Sharing economy
- Digitalization and robotic technologies
- autonomous vehicles
- Internet of things
- 3D printers
- Electric vehicles
- Sustainable raw material
- Renewable energy

Trends affecting the automotive sector



102-42 102-43 102-44 102-46 102-47 102-49

Material Environmental Issues	How Do We Manage It?	Relevant Report Section
Energy Efficiency and Emissions	We care about energy efficiency to contribute to the combat global climate change, to ensure that resources are used efficiently, and to reduce the environmental footprint of our manufacturing, as well as the products we manufacture. We monitor emissions and set goals to reduce them in order to improve our performance. Our goal is to support life on land and in the water globally and on a more macro level (Goals 14 - 15) and to take immediate action in the fight against climate change and its effects (Goal 13).	Environmental Responsibility   
Vehicle Fuel Consumption and Emission Levels	Consideration of the environmental impact and the preference of vehicles with low fuel consumption have lead us to focus on the development of new engines and systems for fuel efficiency and the reduction of greenhouse gases arising from the fuel consumption of vehicles. Hence, we contribute to both the reduction of the negative impacts of climate change (Goal 13) by ensuring the reduction of greenhouse gases and the assurance of a sustainable consumption and production (Goal 12).	Sustainable Mobility Solutions  
Material Social Issues	How Do We Manage It?	Relevant Report Section
Sustainability Risks	We ensure that any area which could affect our business is managed in a way that would not disrupt our business by expanding our risk perspective with non-financial risks. We ensure that such risks are minimized by mapping our risks in the entire value chain with different collaborations.	Strategic Approach and Management 
Inclusivity	We offer our employees a safe, inclusive and development-focused workplace which is human-centered, based on equal opportunities, protects differences and ethical values, and supports high performance. We support gender equality (Goal 5) and focus on providing a decent workplace for everyone (Goal 8).	Investment in Employees  
Inclusivity Vehicle and Traffic Safety	Our goal is to provide a safe driving experience in superior norms of safety by using advanced technology and innovative designs and materials, which is our top priority in product development, so that our customers can benefit from our products under safe conditions. We contribute to the development of a healthy and safe urban life (Goal 11) by ensuring this.	Sustainable Mobility Solutions 
Material Economic Issues	How Do We Manage It?	Relevant Report Section
Innovation and Digitalization	We adopt innovation in our product, process and business models and invest in digitalization. We contribute to the promotion of an inclusive and sustainable industrialization and foster innovation (Goal 9), as well as making cities and human settlements inclusive, safe, resilient and sustainable (Goal 11) and also ensuring sustainable consumption and production patterns (Goal 12) with this transformation.	Sustainable and Profitable Growth   
Customer Satisfaction	We consider customer satisfaction as our top priority with the objective of being the leading automotive brand for customer satisfaction in sales and after-sale products and services.	Sustainable and Profitable Growth    
Value Chain	Focusing on the value chain in many areas including business continuity, quality, efficiency and customer satisfaction in our sector is essential for an effective management. Our suppliers and dealers have played an important part in our ever-increasing success since our establishment. Hence, we care about the business success of our suppliers and dealers that we consider to be our main business partners. We collaborate with them (Goal 17) and support them in developing decent working conditions and in their economic growth (Goal 8) through audits and by sharing our sustainability approach with them through our communications.	Sustainable and Profitable Growth  

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Ethics and Transparency

We act with an ethical and transparent management approach to conduct business in the future as successfully as we do today.

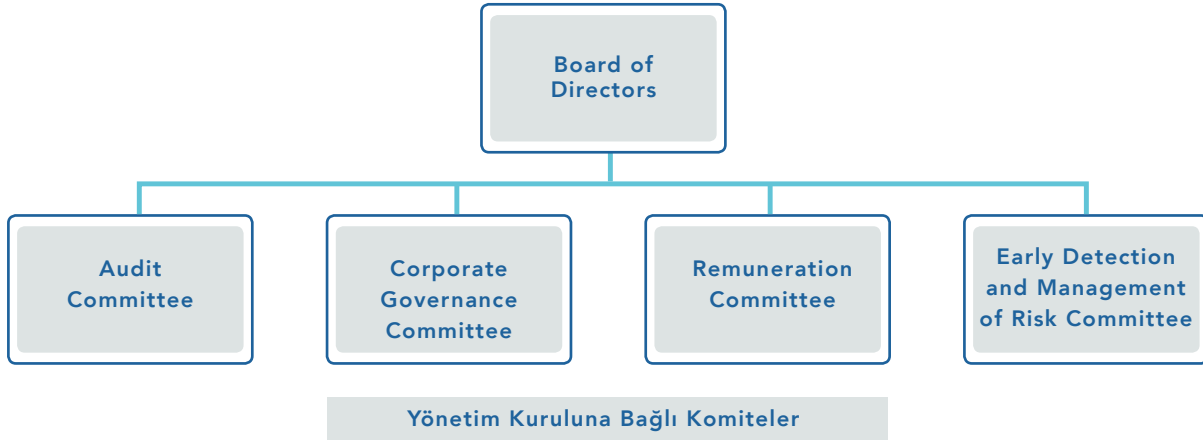
Corporate governance brings Ford Otosan to the point where it can realize its strategic goals through a more transparent, accountable, fair and responsible structure getting prepared for future.

The General Assembly is the highest decision-making body for Ford Otosan. There are two independent members in Ford Otosan Board of Directors, which consists of 14 members.

Chairperson and General Manager duties are performed by different people.

Apart from the members with the roles of General Manager and Deputy General Manager, the remaining 12 members are non-executive members. Seven members of the Board are Turkish Republic citizens, while the rest of the members are foreign nationals.

You can access the details of our corporate management performance through the [Corporate Governance Compliance Report](#) and all Board members through our corporate website's [Board of Directors section](#).



The Corporate Governance Committee also performs the duties of a Nomination Committee. While the Committee members are selected amongst the Board members, both members of the Audit Committee are independent members. Ford Otosan General Manager and the Senior Management who are responsible for the execution of the strategic directions and corporate policies determined by the Board of Directors consist of 23 managers specializing in various areas, 21 of whom are locals.

The working principles of the Board of Directors Committees are also featured on our corporate website. You can access detailed information about our corporate management structure through the [Corporate Governance Compliance Reports](#) and [Annual Reports](#).

Board of Directors

The Board consists of 14 members, 2 of whom are independent.

Senior Management

Senior management consists of 23 executives, 21 of whom are local.

We adopt a business relationship approach that is always ethical and transparent under the guidance of the Ford Otosan Code of Conduct. As guidelines with which all executives and employees must comply, these cover the principles of occupational health and safety, environmental protection, product safety and quality, political activity bans, breach of intellectual rights, confidentiality of personal data and prevention of unfair competition, and issues in relation to the prevention of corruption, misconduct, bribery and other unlawful, criminal acts. New employees are also informed of these principles in the orientation program. To ensure that the Code of Conduct are adhered to, Ford Otosan annually informs company employees at all levels about these principles and their awareness levels are tested. Our company principles are also backed up by principles with reliability in the international system. In this sense, the United Nations Global Compact with its 10 principles, is one of the important initiatives that we support.

You may access the Ford Otosan Code of **Conduct here**.

One of the areas of business ethics on which we place high importance is the fight against corruption. We have zero tolerance when it comes to any acts of bribery, corruption and misconduct regardless of its scale or whether it is in favor of or against the company. We carry out practices on corporate policy generation, employee and stakeholder training, process improvement and the establishment of effective complaint management mechanisms, in line with our proactive approach.

Our employees are informed of our methods and processes in combatting corruption through the training they receive. As part of these practices, we provided training on countering bribery and corruption to 1,487 employees this year, which represents a 12% increase compared to 2016. We ensure that all our suppliers who are obliged to comply with the Ford Otosan Code of Conduct, as well as our employees, participate the Ford Otosan anti-corruption training. In line with this, in 2017, we provided 592 person-hours of training during supplier training covering the topics of ethics and the fight against corruption.

You can access the Ford Otomotiv Sanayi A.Ş. Anti-Corruption Policy which prohibits bribery, extortion, influence peddling, solicitation, money laundering, trading blacklisted people, facilitating payments and political donations, and regulates gifts and hospitality **here**.

We believe that it is our responsibility to contribute to our entire value chain so that everyone involved acts in accordance with business ethics. Consisting of the Director of Human Resources, Chief Legal Advisor and the Internal Audit Manager, Exceptional Case Management Committee is responsible for ensuring compliance with the relevant legal regulations and the code of conduct in our value chain.

You may access more information on the methods and processes in place for the notification of cases that are not in line with business ethics **from here**.

The Ford Otosan Anti-Corruption Policy can be **found here**.

All Ford Otosan employees, suppliers, dealers and business partners are obliged to notify cases that are not in line with business ethics as per the Ford Otosan Code of Conduct and the Ford Otomotiv Sanayi A.Ş. Anti-Corruption Policy.

In light of the results we have achieved, we have upgraded the reporting elements regarding the fight against bribery and corruption from process statements to a level where management approach and performance indicators are reported. Therefore, we have also improved our reporting level regarding our anti-bribery and corruption performance. There were no significant case violating the legal regulations or company policies against bribery and corruption risks in our company operations within the scope of internal control and audit performed within the reporting period. In the same way, it was observed that there were no major risk elements regarding bribery and corruption encountered regarding our current dealer and supplier operations.

Risk Management

Identification of the risks, implementation of the risk and crisis management plans and identification of the risk-related opportunities is the responsibility of the Board of Directors. Early Detection and Management of Risk Committee provides support to the Board of Directors to fulfill its duties. The Committee reports its practices on early determination of risks, measures to be taken regarding the detected risks, and management of the risks to the Board of Directors. The Audit Committee contributes to the activities on risk management through outcomes obtained from the internal audit processes.

Practices on the identification, monitoring and management of the risk elements is performed by the Risk Management Team. The Risk Management Team identifies the financial, operational, strategic and legal risks of the company through monthly meetings and monitors them on the risk management map. The Risk Management Division reports on risk assessment and internal inspection to the senior management of the company through the Audit Committee, Early Detection and Management of Risk Committee and the Corporate Governance Committee.

Within the scope of risk management, the risks that could come up throughout the value chain are proactively identified so that they can be managed considering opportunities arising from these risks. For example, environmental issues such as climate change, energy and emissions, water consumption and waste water discharge, material consumption and waste management; economic issues such as customer satisfaction, brand management, supplier and dealer success,

and innovation competencies, as well as social issues such as corruption and bribery, gender equality, occupational health and safety (OHS), and human rights are addressed during this process.

The Internal Audit Unit plans the internal control and audit activities in line with the feedback of the Audit Committee and implements them. Authorized to request any information and record available for any company function, the Internal Audit Unit tests over 3,000 control points every year. Control points cover financial, operational and legal risks, as well as sustainability risks, such as the fight against bribery and corruption, human rights, and the environment.

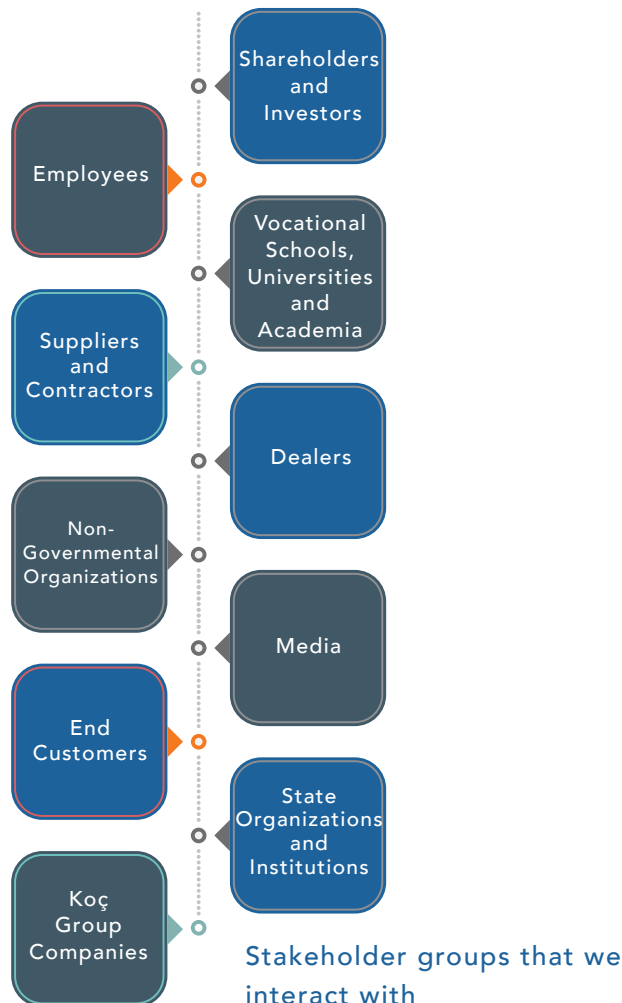
The suppliers related risks are important our risk management approach. As a requirement of the effective management of supplier risks, audits are performed with the participation of other divisions by considering other elements of the value chain as well. In 2017, we prepared action plans for 35 manufacturers. You can find out about our relationship with suppliers in the ["Our Supply Chain"](#) section.

Our operations are audited at varying intervals by Koç Holding, the audit divisions of Ford Motor Company, various ministries, state organizations, and independent audit firms, as well as the internal audit function. The findings from the audits and the measures taken are reported to the Board of Directors through the Committee for the Early Detection and Management of Risks, and the Audit Committee.

You can access information on our risk management and internal inspection practices in the [Ford Otosan 2017 Annual Report](#).

Stakeholder Relations

- We listen to the expectations of our stakeholders and integrate their opinions and suggestions into our improvement processes.



Our stakeholders are our most important business partners who ensure that we improve our business and differentiate ourselves in the sector. We establish long-lasting relationships based on mutual trust with our stakeholders in line with our fundamental principles guided by our business ethics.

We have an ecosystem of stakeholders with whom we regularly communicate through different means and learn so much from through our interactions. Transparency is our most important value which shapes our interactions with this ecosystem. We inform our stakeholders in a clear, accurate and complete manner on any issue ranging from our activities to our performance. You can find the table where we summarize our methods of communication with our stakeholders in the “[Annex-1](#)” section.

We engage in joint projects with a diverse range of stakeholders, primarily our employees, suppliers and non-governmental organizations. We contribute to solving social and sector-related problems through our memberships.

You can access the Ford Otosan Disclosure Policy [from here](#).



**IN 2017, WHICH MARKED
THE 20TH YEAR OF EQUAL
PARTNERSHIP BETWEEN
KOÇ HOLDING AND FORD
MOTOR COMPANY, WE
EXHIBITED THE GREATEST
FINANCIAL PERFORMANCE
OF OUR HISTORY.**





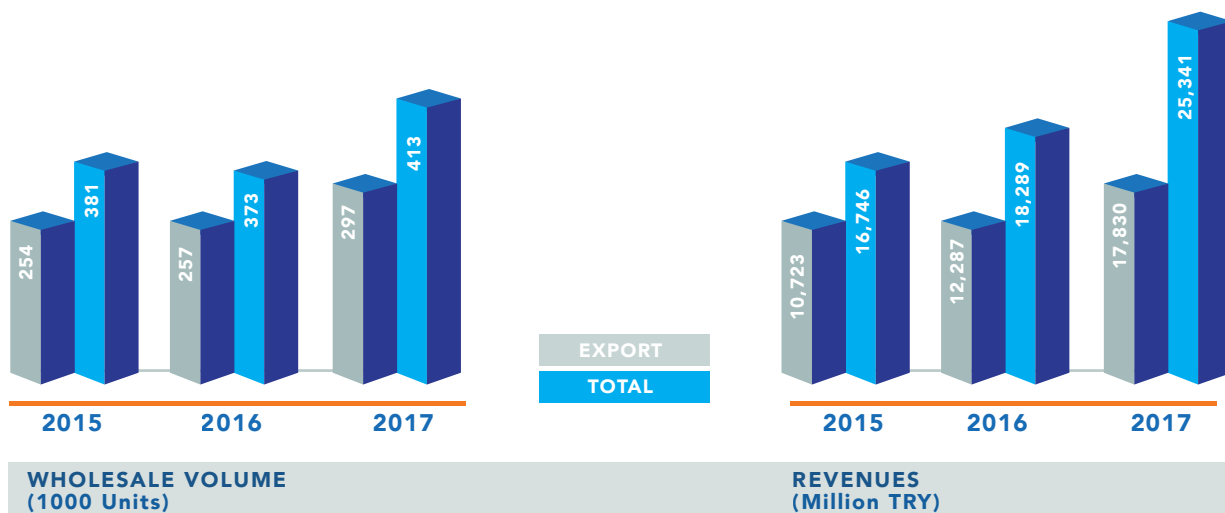
Sustainable And Profitable Growth

- In a rapidly changing world, even the most established companies need to invest in and adapt to change to be able to maintain their success.

At Ford Otosan, we generate solutions focused on meeting customer expectations to the best of our ability by investing in innovative ideas that respond to the requirements of our time and utilizing the opportunities these provide.

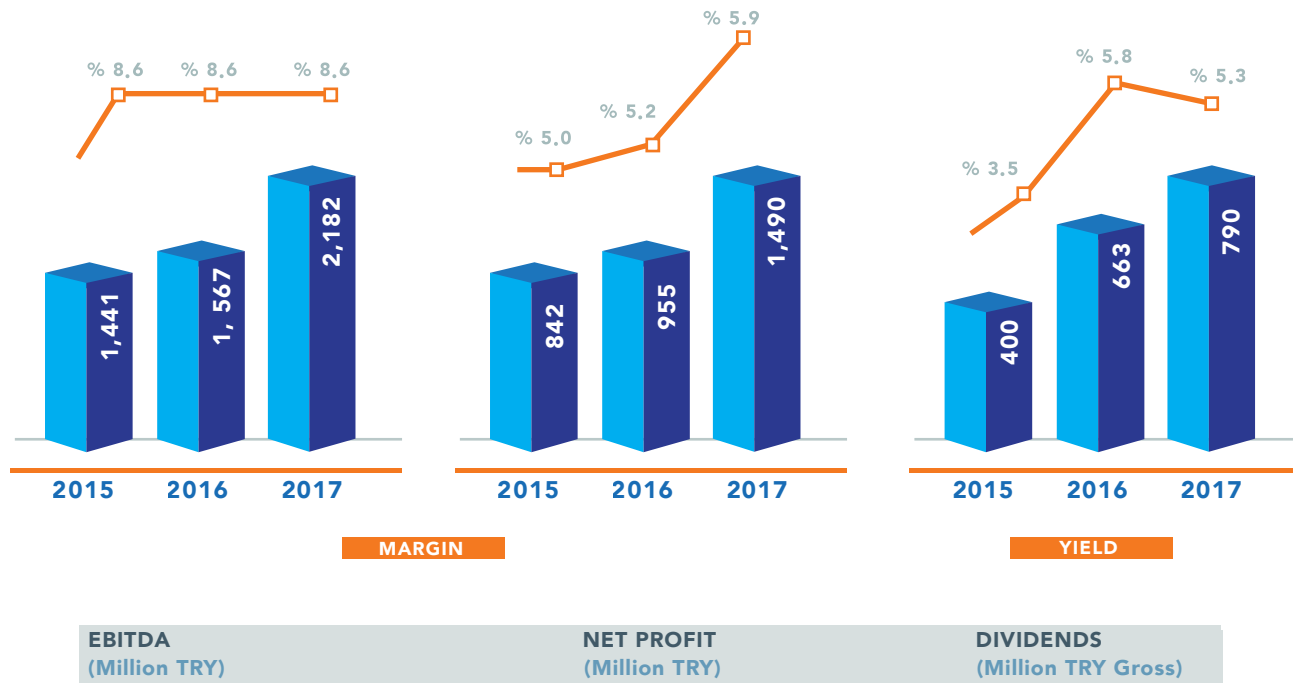
In line with our vision of becoming Turkey's most valuable and most preferred industrial company and our goal of creating added value for all our

stakeholders, we have continued to move forward with firm steps in 2017. On the 20th anniversary of the equal partnership between Koç Holding and Ford Motor Company, we have achieved the best performance in our history by breaking records in total number of sales, sales revenues, EBITDA, net profits and dividends through the strength gained from our production and the advantages of our business model which is based on exports.



While our exports showed an increase of 16% compared to the figures for 2016, our total sales reached 412,858, with an increase of 11%. Our domestic revenues and export revenues increased by 25% and 45%, respectively.

Our total sales revenues reached TRY 25,341 million, with an increase of 39%. The share of exports in the total sales revenues rose to 70% from 67% in 2016.



EBITDA saw an increase of 39% compared to 2016. Our net profit reached TRY 1,490 million with an increase of 56%, following the tax revenues obtained from investment incentive certificates. We also paid out a gross total of TRY 790 million in dividends on two occasions in 2017. Hence, the dividends we paid out increased by 19%, compared to 2016.

In addition, we continued to provide highest employment in the Turkish automotive industry in 2017. As of the end of 2017, our number of employees increased by 12% on an annual basis and reached 11,501, of whom 2,654 are based in office, while 8,847 are field workers.

Export champion of the automotive industry for the past 7 years and Turkish export champion for 3 years running	USD 4.9 billion worth of exports to 89 countries in 2017	Positioned 4 th in the Turkey automotive market with a share of 11.9%	Market leader in commercial vehicles with share over 30%	72% share in Turkey's total commercial vehicle exports
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Our Increasing Capacity

We have the largest Ford commercial vehicle production center in Europe and we continued to strengthen our position in 2017. While our capacity utilization rate reached 88% in 2017, we decided to enhance the production capacity of our Gölcük Factory with an investment of USD 52 million in response to the increasing demand for export.

Our total vehicle production capacity will increase to 455,000 which we plan to complete in September 2018.

You can find more information on our financial performance during the reporting period in the "Annex-2" section of our report and the Ford Otosan 2017 Annual Report.



Production

- Yeniköy Factory was chosen “Best in Class” among all Ford factories in Europe, based on the indicators monitored in “Zero Accidents” and “Quality” areas.

We have a significant productivity and competitive advantage in production, thanks to the placement of lean production lines and the establishment of the production system which we realized as part of Ford Production Systems (FPS). In line with our priorities of innovation and digital transformation, we have also been making significant investments in our factories to meet the increasing demand with maximum efficiency, adapt to Industry 4.0 and develop the product and production conditions of the future. Our goal is to reach a minimum error level and to produce more efficiently, more safely, with less environmental impact and even at a higher quality by ensuring the transformation to “smart factories”.

We commissioned one of our greatest projects in this area through the Machine Communication Project together with the technical teams of the factory at the body production and paint shop. We plan maintenance, predict failures and perform predictive maintenance by analyzing the data we gather through over a thousand robots and tens of thousands of sensors. We achieve a significant increase in efficiency by actively using the data pool we have created through the project and by dynamic and constant reprogramming.

We achieved an efficiency gain equal to the working hours of 49 engineers by commissioning another project run on robotic processes. Meanwhile, in our processes sped up by 75%, we lowered the rate of errors to zero. Our goal is to implement this project in all other departments by 2018. It is also our goal to monitor the entire production quality through chassis numbers by realizing the QOS (Quality Operating System) project and hence contributing to traceability in production.

An Established R&D Culture

Today at Ford Otosan we have the infrastructure to develop a vehicle from the project phase right up until the creation of a commercial product, including its engine design, with the strength we draw from our deep-rooted past in the Turkish automotive sector. We owe this to 60 years of R&D experience.

As an integrated and leading part of the Ford Global product development network we continue to develop advanced technologies competing in the European and North American markets.

We manage projects on behalf of Ford Motor Company and Ford Otosan with over 1,300 of our R&D engineers in the areas of engines, engine systems and development of the body and interiors. Our R&D organization, which also focuses on areas such as fuel economy and emission optimization, driver support systems, test processes and analytical methods, is a leader in the export of engineering to overseas countries. While our total engineering export has reached USD 585 million since 2010, this figure was USD 90 million in 2017.

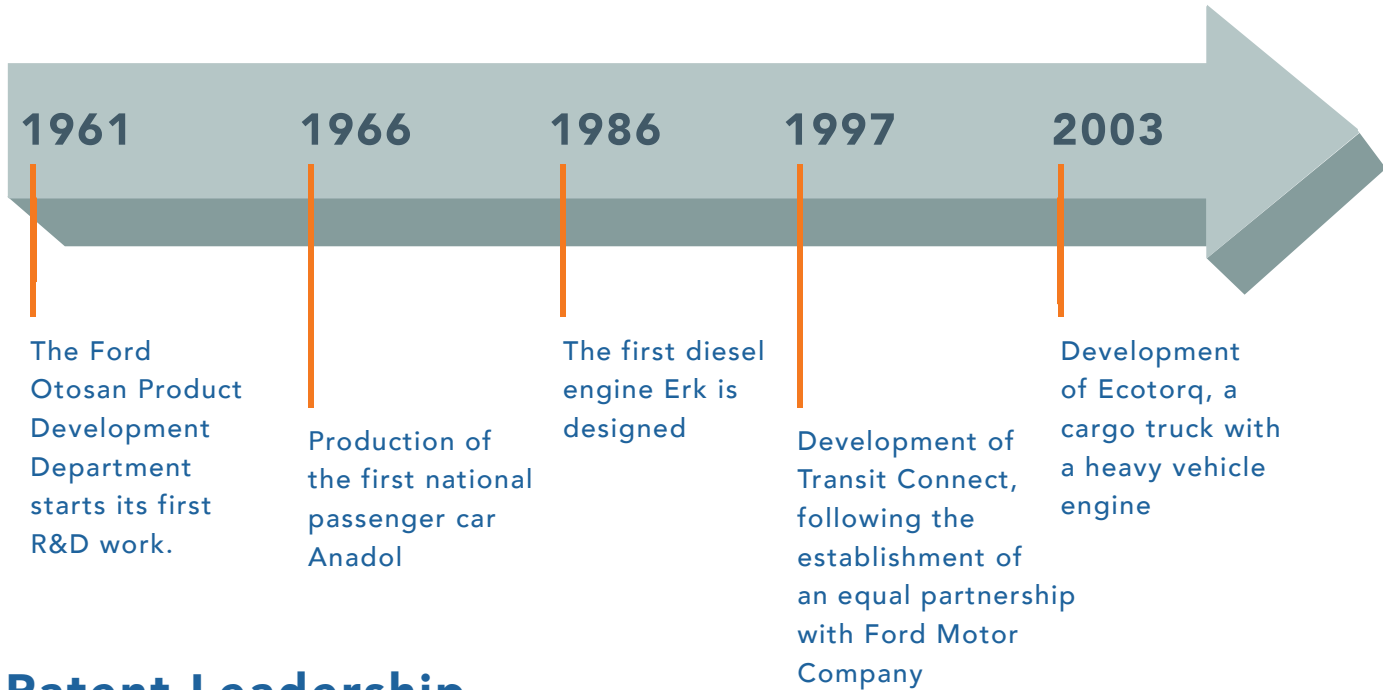
Similarly, we are preparing to transition into smart factory by engaging in areas such as wearable technologies, robots working side by side with humans and virtual reality in production and by improving our expertise in these areas.

You can access information on other innovative practices that we have put into practice in production and detailed information about our facilities through the **Ford Otosan 2017 Annual Report**.

We have been placed first in the category of “Architectural, Engineering, Scientific and Other Technical Services” two years in a row in the Top 500 Service Exporters of Turkey survey issued by the Turkish Exporters Assembly.

We became the first Turkish automotive company to grant a technology license to a foreign country by signing a licensing agreement with JMC in 2013 to produce our trucks with Ecotorq engines, which we developed with 100% local engineering capabilities in China, the largest truck market in the world. Produced by JMC with the license and engineering of Ford Otosan, the JMC trucks were introduced in 2017 and received the “2018 Truck of the Year” award in China.

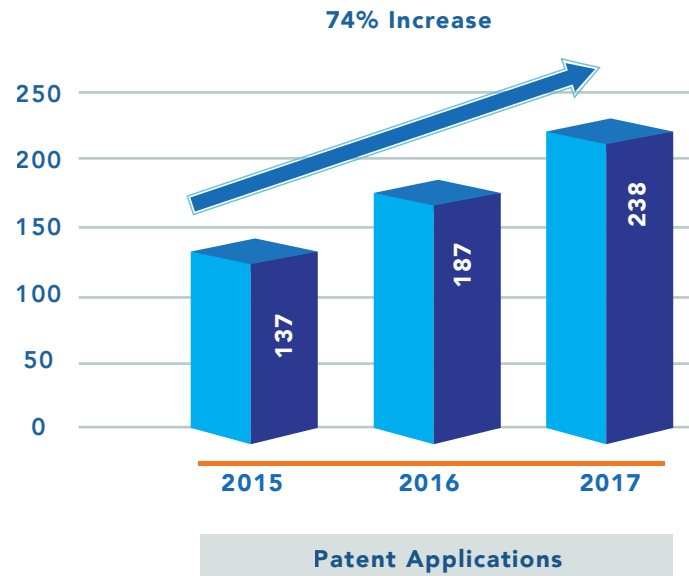
Considering the changing global conditions, we have determined our focus areas in R&D as electrified powertrain engineering, autonomous trucks, connected vehicles, light weighting and carbon emission reduction. Under this scope, we attach great importance to collaborations. As of 2017, we have now been part of eight Horizon 2020 projects. We also work with prestigious institutions such as the Fraunhofer Institute and Sussex University, as well as many universities in our country in terms of R&D collaborations.



Patent Leadership

Developing, disseminating and preserving R&D capabilities and ensuring their continuity has great significance for the automotive sector where technologies lose their importance within short periods of time. In line with this perspective, the practices that we performed on intellectual property at Ford Otosan in 2017 included the following:

- We applied for 238 patents through the Turkish Patent Institute,
- We made five applications to the European Patent Office through Ford Global Technologies LLC, which manages the intellectual rights of Ford Motor Company,
- We registered 65 patents of which the applications we had previously made to the Turkish Patent and Trademark Office and
- We provided protection on an international level for our inventions with 24 applications to the Patent Cooperation Treaty.



You can access detailed information on our R&D practices and facilities in the **Ford Otosan 2017 Annual Report**.

Innovation Management

In line with our strategy of offering innovative products and services by prioritizing creativity in all business processes, we see innovation as an instrument that will enable our transformation from a traditional vehicle producer to a company which also offers services. We invest in the development of capabilities that are aligned with Industry 4.0 and other areas that are becoming increasingly significant, such as data analytics, cyber security, coding and software to maintain our leadership in innovation in the Turkish automotive sector.

At Ford Otosan, we manage innovation within the framework of the Koç Holding Innovation Program and in accordance with Ford's Smart Mobility Plan. We create long-term strategic plans and enable the transformation of engineering accordingly. We also focus on areas of innovation that will contribute to the Sustainable Development Goals.



As part of our practices on innovation, we launched our digital platform called Fikirhane in 2016 and proceeded with training and communication activities that support cultural transformation. We have also defined our innovation priorities which are as follows:

■ **Digital Transformation:** Providing direct support to other areas of innovation, digital transformation is the smart and sustainable use of digital tools and methods for the creation of efficiency and value.

■ **Smart Production:** This is the transformation of the current processes in our factories so that they become more competitive and flexible due to smart and efficient production, materials, planning and logistical systems. It brings together technologies such as the internet of things, smart factories, cyber/physical systems and the industrial internet.

■ **Customer Experience:** The goal of innovation in this area is to design applications such as mobile services, the innovative organization of dealers and technical services, and the sharing of vehicles and trips by considering pre-sale, sale and after-sale services in line with the changing consumer preferences in transportation.

■ **Connectivity / Telematics:** This addresses the connectivity of vehicles with one another and city infrastructure in an extensive transportation ecosystem. It covers a wide range of applications based on in-vehicle/extravehicular connection systems for a safer and more efficient driving experience such as navigation, smart engine systems connected to mobile communication channels, fleet management systems, and in-vehicle information and entertainment systems.

■ **Autonomous Truck:** This includes the development of products based on advanced technologies such as improved detection systems, cyber security systems, automated tests, the achievement of aerodynamic efficiency through close monitoring and precise mapping systems, and the new solutions for the logistics sector that will be enabled by these products.

In 2016, we designated “Innovative Mobility Solutions for a More Livable Mega City” as the first theme of our Innovation Program. This allowed in-house entrepreneurs the opportunity to develop business models that would enable people to get from point A to B in the easiest way possible. For the second program organized in 2017, we selected the theme “Innovative and Smart Logistics Business Models”. In this regard, in-house entrepreneurs worked on new business models for the effective and efficient

planning and implementation of the transfer of any product, service and information flow from a point of origin to a point of destination.

Over the course of the Ford Otosan Innovation Program over 70 in-house entrepreneurs tested 40 different mobility concepts using the “Lean Initiative Methodology”. Four projects with a high level of demand from customers are progressing on the path to commercialization.

Open Innovation

We manage our practices on open innovation with a systematic approach, according to the open innovation strategy that we have created. Hence, we organize open innovation events and provide opportunities for entrepreneurs to reveal their innovative ideas in our prioritized fields such as smart mobility, Industry 4.0, connected vehicles, and digitalization.

As part of this, we have organized an important event in Istanbul to include technological ventures in Turkey within Ford’s global ecosystem of “Connected Vehicles”. The entrepreneurs and their start-ups that will participate in the final contest of the Ford Sync AppLink Paris Hackathon, which will take place in France in October, have been determined by a jury consisting of the leading venture capitalists in Turkey after a screening process held at Ford Otosan’s Sancaktepe R&D Center.

Another open innovation event that we organized in 2017 was the OpenXC Hackathon. Over the course of one and a half days around 100 young software developers participated in the event held at Sancaktepe R&D Center.

During the event, coders developed demo software under the mentorship of our experts by using vehicle data accessed through our OpenXC interface.



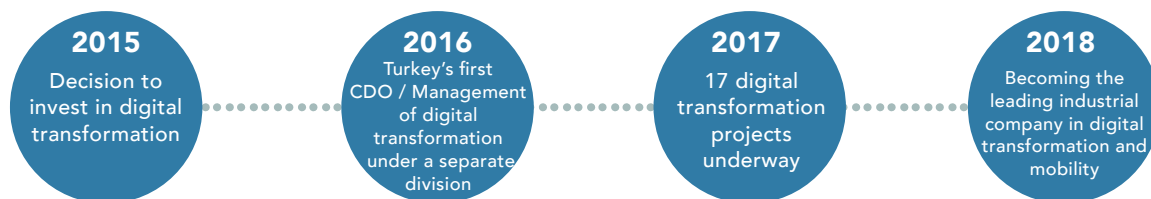
Digital Transformation

The automotive sector has been changing rapidly with the effect of many new trends such as the sharing economy, autonomous vehicles and electric vehicles. Digital transformation is crucial to be able to keep up with the changes and utilize the new opportunities that arise. On the path to our vision of attaining an integrated transportation ecosystem and becoming the most valuable and best loved industrial company in Turkey, we believe that digital transformation is one of the most significant factors allowing us to meet customer requirements, increase

efficiency, access innovative ideas and create new business opportunities.

On this digital transformation journey which we set out on in 2015, we have created a long-term road map by reviewing all our processes and systems. The digital transformation program created with a holistic perspective ensures that our activities covering a wide range of topics, including customer experience, products, supply chain, production, employees and product development, continues.

Connected Customer & Dealer	Connected Production	Connected Product	Connected Employee	Connected Supply Chain
<p>Analysis of customer and dealer requests on a 24/7 basis, customized products and services</p> <p>You can access the relevant applications through the "Customer Experience and Satisfaction" section.</p>	<p>Digitization of production through Industry 4.0</p> <p>You can access the relevant applications through the "Innovation" and "Production" sections.</p>	<p>Innovative design methods</p> <p>You can access the relevant applications through the "Sustainable Mobility Solutions" section.</p>	<p>A digital work environment for employees</p> <p>You can access the relevant applications through the "Investment in Employees" section.</p>	<p>A central data and management center for a minimum level of stock and just-in-time ordering</p> <p>You can access the relevant applications through the "Dealers and Suppliers" section.</p>



Digital Transformation Management

We continued to execute our 17 large-scale projects in 2017 in accordance with our goal of becoming a leading digital organization in the automotive sector. We also appointed digital transformation leaders from each division to all the departments in 2017, as part of the digital transformation program which was overseen by the General Manager and the senior management and monitored through

objective cards. Our goal is to become a leading company with fast-paced, customized products and services that offer high efficiency, value and lower costs through the integration of new technologies and digital tools within our processes.

In 2017, we invested TRY 3.7 million on our practices on digital transformation, and earned TRY 12.7 million, thanks to these investments.

This does not include the earnings gained in the after-sale processes realized through the iDEAL platform.

Transformation in the Value Chain

Customer Satisfaction and Experience

The expectations and needs of our customers are evolving and changing. The satisfaction of our customers is one of the most important criteria for long-term success. Improving customer experience and satisfaction by offering products that are in line with customers' needs and that make their lives easier and monitoring their satisfaction in the after-sale process are among our priorities.

We are working to offer digital, smart vehicles as well as safe vehicles with the highest level of quality and revolutionize the customer experience through innovation and digitalization projects that are focused on the customer experience. Our goal is to become a leading brand in terms of customer satisfaction in products and services in the sale and after-sale processes. We conduct customer management in accordance with the ISO 10002 Customer Satisfaction Management System and monitor customer satisfaction through surveys on the customer experience. We have the experience scores from these surveys measured internally and by independent organizations and define the steps for improvement.

We prepare brochures and documents featuring technical information and instructions for use to inform customers in the best way possible and share all this information through communication channels, such as the call center and our website. Our dealers and services also work hard to offer customers the best services of the

highest quality and to keep them informed. In addition to our call center and dealers, our Customer Relations Department is also in operation to respond to customer requests and resolve complaints.

We conduct customer satisfaction surveys to improve our product and service quality. According to the surveys we conducted in the reporting period, we reached customer satisfaction levels of 92%, 82%, 92% and 88% in the areas of passenger car and commercial sales, passenger car and commercial services, Ford truck sales and Ford truck services, respectively.

iDEAL

In parallel with our vision of becoming the most valuable and best loved industrial company in Turkey, we have launched a digitalization program that will transform the entire customer experience in sale and after-sale processes. We've called this project, which was implemented in phases through pilot projects in 2017 and which is the largest investment we have ever made for our dealers, iDEAL. Through iDEAL we are able to support the development of our dealers in areas such as digitalization, employee improvement, customer satisfaction and institutionalization. Our goal is to fully activate the platform by 2019.

As a result of the mobile app created as part of this project, our dealers have begun offering 26% more fleet proposals. We have obtained an improvement of 60% in the rate of returns for sales campaigns through data analytics. We have also achieved an additional turnover of TRY 100 million in after-sale processes.

Our Supply Chain

The supply chain is highly important for automotive companies due to its size and complexity. A predictable and flexible supply chain is one of the main elements of sustainability for meeting the changing customer demands in the fastest and most efficient way. In this context, enabling efficiency means using resources in the most effective way in every link of the supply chain so that they flow uninterruptedly.

At Ford Otosan, we believe that our supply chain and our stakeholders who form links of the chain play a significant role in our success. In this sense, we are a leading company that introduces and develops many projects for sustainability primarily with our suppliers.

Intermodal Material Transportation System

We increase predictability and reduce our carbon emissions in comparison to traditional road transportation through our intermodal transportation system, which we use to procure the imported parts that we use in production. Our imported materials are consolidated in Germany, carried to Luxembourg by trucks, transferred to Slovenia by daily block trains and sent to Pendik Port by ferry. Hence, the total time of transportation is limited to six days, while the distance travelled by road is limited to 200 km.

Integrated Supplier Park

Located right next to our production facilities in Kocaeli, we created the first and most comprehensive supplier park in Turkey to shorten delivery times and improve stock management

in the supply chain. Twelve of our suppliers who manufacture heavy products with a high level of variety and supply these to vehicle production line is operating in these areas. Hence, the suppliers become better integrated into our ecosystem and as logistics times are shortened, fuel and carbon emission reduction is also enabled. As of 2017, the Supplier Park is responsible for 45% of our material purchasing. Our goal is to enable the most efficient production processes by shaping our own stock and production levels according to supplier stocks.

Integrated Shipment Port

The location of the Kocaeli Factories where we perform a great number of import operations provides significant gains for sustainability. Located inside our factory on the coastline of Gölcük-Yeniköy, the vehicle stock area and our port are only 500m away from the vehicles coming out of production. This eliminates the need for trucks for the transportation of the vehicles to the port. Vehicles are placed directly onto the ships and the shipment time is thus shortened. In addition, lower carbon emissions are obtained.

Paydaş Paylaş (Share with Stakeholder):

We have launched the “Paydaş Paylaş” platform, a suggestion system for our suppliers. Part of the financial savings enabled by the suggestions are transferred to our suppliers.

In accordance with the relationship established with our suppliers based on mutual trust, we work with certain suppliers through processes of “open analysis”, by transparently sharing the cost and profit margins of each component.

— Focus on Local Added Value

We purchase more than half of our production materials from our domestic suppliers. Eighty percent of these purchases are made from suppliers who are within a 100km radius of our facilities. In 2017, we made TRY 10.2 million worth of purchases for vehicle production from 501 suppliers. As for after-sale spare parts, facility investments and services, we made TRY 1.3 billion worth of purchases from 1,980 suppliers in 2017. In short, we have continued to contribute to direct and indirect employment and the Turkish automotive sector by making purchases worth TRY 11.6 billion from 2,481 suppliers in 2017.

We are committed to creating locally added value and making the most of supplier potential in Turkey. We maintain our relationships based on establishing long-lasting and strong business partnerships. Some of our important practices with our suppliers, in line with our vision of creating sustainable value, are as follows:

■ We perform training and development activities and realize joint projects with our suppliers in areas such as quality, supply, efficiency, human rights and the working environment, gender equality and environmental performance. In this respect, we provided a total of 592 hours of training to our suppliers on various topics in 2017. In environmental and social areas, we inspected 274 suppliers.

Our suppliers contribute to our social responsibility project called “Her Eğitim Bir Umut” (Every Education is a Beacon of Hope) through donations in return for the training we provide to them on materials, planning and

logistics processes and systems. As a result, we were able to provide a one-year TEV scholarship to 20 female students in 2017 and were awarded “Social Responsibility Project of the Year” for our project at the Economy and Logistics Summit.

■ One of our primary priorities in contributing to the sustainability of supply is the Ford Q1 (Number 1 in Quality) certification system. Suppliers who are certified with the “Q1 Quality System”, which also includes comprehensive environmental and social criteria, become qualified to work with all of Ford’s factories across the world and other global automotive companies by improving their competitiveness through the high standards they achieve. We provide on-site technical support to our suppliers through our experienced specialists during the Q1 certification system. Under this project, 79.3% of spare part suppliers have been certified through Q1 in Turkey.

■ In addition to Q1 Inspections, we also perform SMART Launch Readiness (readiness for planning of serial production and for production and procurement standards) inspections to assess the conformity of new suppliers with Ford standards. As for models for which a capacity change is planned due to changing customer demands, we assess the capacities and investment requirements of suppliers through field measurements and capacity analyses. We also perform inspections and checks in the field in several areas including the reduction of shipment errors, determination of action plans for suppliers who have production risks, and on-site monitoring of suppliers who are found to pose risks.yapıyoruz.

Risk Management and Supplier Relationships

We screen risks based on criteria identified in areas such as financial status, quality, procurement and capacity risk dimensions and assessments based on data. We take measures according to the results and perform monthly reviews on temporary and permanent precaution plans. We also encourage our suppliers to perform similar follow-ups and assessments in their own value chains.

Supplier commitment is one of the most important sustainability criteria for the maintenance and quality of our production and operations. We carefully monitor the Supplier Commitment Survey conducted annually by the Association of Automotive Industrialists, where the key industrial companies in the automotive sector are assessed by suppliers. The results of the survey are shared with suppliers. We also regularly organize a Supplier Commitment Workshop to create our action plan for feedback.

We assess our suppliers in different dimensions such as quality, delivery, cost and effective communication and award those with the highest performance at the Manufacturer Award Ceremony held annually. Similarly, we enable our local suppliers to participate within Supplier Summit meetings held by Ford Europe and continue our support in the improvement of their business potential. In both events, we provide input to the strategic planning processes of our suppliers by sharing our company's vision, mission, strategies and expectations with them.



Dealers

At Ford Otosan, we are aware how our dealers' success is important for our own success and the critical role it plays for the sustainability of our business model. We are constantly improving our relationship with our 177 domestic dealers, some of whom we have been working with for 50 years, since the very early days of the automotive sector in Turkey, and our 78 international dealers from 59 different countries. We perform regular assessments to keep our established dealership organization strong. Our primary criteria in these assessments consists of dealer performance, customer experience processes, up-to-date management standards and quality certificates, staff competency, the dealer's participation in digital transformation and other similar requirements.

We support the digital transformation of dealers by monitoring the changing trends with the responsibility of being the leader in sale and after-sale performance. We provide guidance to our dealers through training and in areas such as the development of software for the vehicles we produce. iDEAL was launched as one of our digital transformation projects initiated in line with our goal to become the best loved brand in Turkey. You can find detailed information about iDEAL in the ["Customer Satisfaction and Experience"](#) section.

In addition to this, we also created the "Smart Forecasting" project to help our dealers manage their orders and stock more efficiently. Our goal is to forecast the number of orders as close to the actual number of orders as possible by improving the entire process through the data analytics enabled by the project and to enable the smart management of all stock, including final products and spare parts.

We have established a Human Resources system for our dealers and integrated it into our own system to improve our service quality. Hence, we can recruit employees who complete training on issues that are critical for us.

We also include our dealers in social responsibility projects as part of the long-lasting business partnerships that we establish and our strong relationships. All Ford dealers across the world are competing by developing social responsibility projects within the scope of "Salute to Dealers" which is organized for this purpose. In this system where the best projects are awarded, one of our dealers from Turkey has also been awarded. In addition, we also encourage our dealers to participate in our corporate social responsibility project, "Honey Bees Get to Be Engineers", which was initiated to reduce prejudices in choices of occupation arising from gender stereotyping.



We will continue to contribute to our sustainability approach in the future as well by strengthening our long-lasting business partnerships and the relationships with our dealers through the projects we have planned.



**WE DEVELOP PROJECTS
THAT CONTRIBUTE TO
SUSTAINABLE CITIES
AND MOBILITY.**





Solutions for Sustainable Mobility

- Sustainable mobility solutions are not only the most important component of smart cities, they also create a big difference by making people's lives easier.

In today's changing world mobility has become one of the fastest-developing areas. The need for transportation is rising along with increasing populations and urbanization and this need should be met by more efficient and smart solutions reducing the effects on resources and climate change. While smart cities and sustainable mobility solutions have become necessities in line with the Sustainable Development Goals and mega trends, customers also similarly demand comfortable, safe, smarter and environmentally sensitive products.



Sustainable mobility solutions are not only the most important component of smart cities, they also create a big difference by making people's lives easier. To this end, our goal is to contribute to sustainable solutions and take advantage of opportunities by working on vehicles with low emissions and smart technologies. Besides this, we are also working with governmental organizations to make city life more livable and are continuing to develop products and services that will make the lives of both public and individual users easier.

We know the importance of collaborations with public and private organizations for developing sustainable mobility solutions and smart technologies and to this end, we focus on entrepreneurship and innovation. We develop projects that can contribute to sustainable cities and transportation in both internal and open innovation programs.

- Our prior issues in innovation have been determined as digital transformation, customer experience, connected vehicles and autonomous trucks which also drive sustainable mobility solutions.
- We have implemented internal entrepreneurship and innovation themes such as "Innovative Mobility Solutions for a More Livable Megacity" and "Innovative Smart Logistics Business Models".
- Ford Sync Hackathon events have been organized to develop vehicle applications as part of open innovation.

You can find the details of our related entrepreneurship and innovation projects under the "Innovation Management" section.



City OF Tomorrow

It is our vision to develop mobility solutions in the smart cities of the future with the concept "City of Tomorrow". We are transporting Ford Otosan into the future through internal entrepreneurship projects that support smart mobility solutions and products, including the trip sharing application İşegül (Get to Work) and Easy Route, which is an app for traffic forecasting and navigation. Our goal is to enable the mobility ecosystem to become more efficient, cleaner and safer through the technologies and smart vehicles we develop and to make life easier and improve it using smart city infrastructure.

Easy Route

The Easy Route Project is one of our apps developed to provide the smart mobility solutions of tomorrow. The foundation of the project was based on the idea campaign of the internal entrepreneurship project "Innovative Mobility Solutions for a More Livable Megacity". During this process in which we gathered the suggestions of our employees that would also contribute to the Goal of Creating Sustainable Cities and Communities, which is one of the Sustainable Development Goals, we decided to support "Easy Route" out of the eight business ideas that we received. Easy Route is a mobile app providing up-to-date traffic news, traffic forecasts and navigation, which was approved by the Ford Otosan Innovation Committee and received the necessary funding for its transformation into a product. The app can provide a traffic forecast with a high level of accuracy up to 24 hours ahead thanks to its smart algorithm for future traffic forecast which considers the status of the traffic,

as well as several parameters that affect traffic density such as past traffic data, weather forecast, official holidays and social activities. The total cost of trips, time spent in traffic and emission values can be viewed on a daily, monthly and annual basis through the Trip Statistics feature. As the world's first ever navigation app created by an automotive company, Easy Route has so far been downloaded by 233,000 users and the total number of active users has exceeded 80,000. Our goal is to reach 475,000 users by the end of 2019. We continue to work to improve the app's features and plan to integrate the application into SyncApplink, which is Ford's smart multimedia system. Meanwhile, we are also working on adding the option of a premium membership to Easy Route, using it as a medium for advertising, and transforming it into a commercial product that generates revenues as a large data provider.

— Low Emission Vehicles

Our goal is to enable more people to access and use our vehicles and technologies that are designed to make people's lives easier. We are also working to fight against climate change, which is one of the greatest challenges in our sector.

We work towards fuel efficiency and reduction of emissions based on the fuel consumption of vehicles and realize many projects for developing new engines, transmission boxes, and mechanical and electronic systems. We reduce the environmental footprint of our products by enhancing the fuel consumption and emission values of our vehicles.

Electric Hybrid (PHEV) Ford Custom

The areas that we prioritize with our partner Ford include smart mobility, and electric and autonomous vehicles. At Ford Otosan, we contribute to Ford's goal of developing 40 hybrid and electric vehicles by 2022 and plan to introduce the electric hybrid (PHEV) version of the Ford Transit Custom produced in Turkey by 2018.

optiTruck

This project aimed at reducing the greenhouse gas emissions of heavy commercial vehicles is being conducted jointly by 11 organizations and companies from 7 countries in Europe, including Ford Otosan. The objective of the project which began in 2016 and will last for three years is to ensure that heavy commercial vehicles consume

fuel and other energy sources at a minimum level by developing the most advanced smart control system and calibration methods for the transmission parts. The prototype, which will be produced as part of the project being financed by the European Union's Horizon 2020, is planned to be over 20% more efficient than the energy consumption of a Euro 6 standard heavy commercial vehicle.

EcoBlue Engine

The 2.0L EcoBlue engine, which will replace the 2.2L Duratorq engine, provides a higher torque value and more power at lower speeds with its advanced technology despite its low volume, and consumes less fuel.

Designed by the R&D engineers of Ford Otosan among others, the 2.0L EcoBlue engine will be produced in Turkey and will provide a fuel saving of 13% compared to the 2.2L engine with its design that reduces friction, lowers NOx and greenhouse gas emissions, and its new engine structure that also meets Euro 6 and Euro 7 standard.



— Smart Technologies

In a rapidly digitalizing world, smart mobility and city technologies are also developing at speed. More environmental-friendly and safer vehicles that make life easier and shorten the time spent in traffic are gaining prominence. While vehicles become smarter, they are also becoming capable of instantly processing information on safe driving, digital maps, signalization and emergencies by communicating with one another, as well as the infrastructure. As travelling and driving experience is enhanced, transportation will become more efficient and safer.

Ford SYNC

The in-vehicle multimedia system Ford SYNC provides a safe driving experience without the need for the driver to take their hands off the steering wheel with its voice command feature for controlling multimedia functions. The SYNC3 version has been made compatible with Yapı Kredi's app through work completed this year with the collaboration of Yapı Kredi Bank and a feature for accessing banking services through voice commands has been added to the system.

Predictive Vehicle Control System with Network Connection

Predictive vehicle systems with network connections provide significant benefits in facilitating the lives of drivers by improving fuel consumption. We are developing a smart electronic control unit for heavy vehicles which

includes GSM, wireless and GPS connection features, and an improved driver support system. Areas that have been worked on in the project include the control of power transmission systems through predictive cruise control, support functions for assessing driver behavior, and functions related to network connection such as remote software updates, data gathering, and error diagnostics.

Through this project we are making a significant contribution to national knowhow and technological progress as it is the first R&D project in Turkey being carried out for the purpose of serial production and also the first project aimed at developing an autonomous vehicle.

The Assume Project

The objective of the ASSUME Project is the development of software for smart and safe vehicles that is low-cost and compatible with the standards. Planned to be completed in 2018, the project is being implemented by an international consortium consisting of many companies and universities and is being realized under the European Union's EUREKA cluster program ITEA 3, which provides funding to innovative solutions in software systems.

In this project, we are working to develop driver support systems such as automatic emergency braking, lane detection and departure warning systems, as well as software for vehicle dynamics systems, such as suspension control.



Safe Transportation

Safe transportation is one of our main priorities when developing smart and innovative mobility solutions. We offer our products in compliance with all the legal regulations, the Ford Vehicle Safety Design Guidelines and general safety standards. Our vehicles are among the safest of their kind as they successfully pass the inspections of the Ford test centers as well as many independent tests, such as the Euro NCAP, US NCAP and AU NCAP which assess the vehicle and traffic safety norms in the markets to which they apply. We use the most advanced active and passive driving safety technologies by going beyond the legal regulations and work to eliminate accidents and their effects through smart technologies.

Accessibility

We work to ensure that our vehicles allow easy access for people with disabilities. We offer vehicles that are appropriate for the use of hospitals, care centers and private schools for the disabled and make these vehicles available for the use of such organizations, while we also design vehicles that are appropriate for disabled people in public transportation. We also completed school buses and vehicles with accessibility and offer these to our customers.



**WE ARE AWARE THAT
SUSTAINABLE GROWTH
CAN ONLY BE ACHIEVED
IF ENVIRONMENTAL
IMPACTS ARE
MINIMIZED.**





Environmental Responsibility

Environmental and Energy Management

Climate change and the increasing pressure of scarce resources are having a significant impact on the automotive sector. For the environmental sustainability of the sector, environmental management and energy management need to be performed effectively through an assessment of these impacts and risks.

We are aware that sustainable growth can only be accomplished by reducing environmental impacts. In addition to lowering vehicle emissions we also adopt an approach of responsible production in our operations and encourage our suppliers to do the same. We integrate digitalization and innovation into our business processes and lower our environmental impact in both our operations and the vehicles we produce by investing in projects such as Industry 4.0 in line with our R&D practices, which will enable efficient and smart production processes.



The objectives set through the Climate Change Action Plan, which we updated this year, include projects such as the reduction of greenhouse gas emissions and reduction of the energy consumption per vehicle in all our production activities. We are sharing our climate strategy and performance transparently with our stakeholders through the reporting of the Carbon Disclosure Project (CDP).

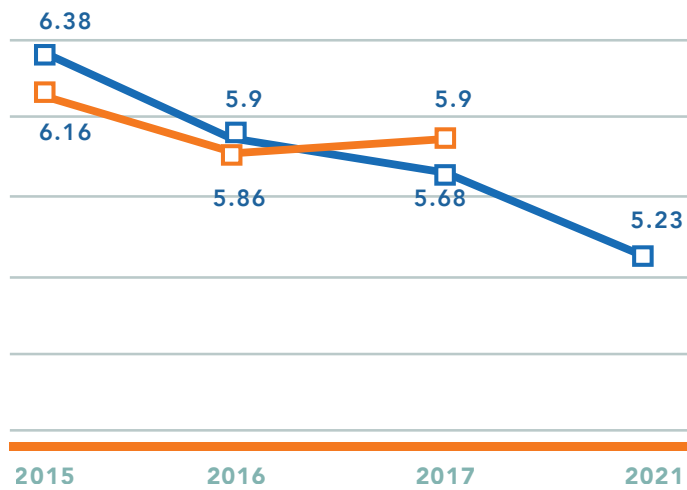
We operate in a sector where there is an intense use of raw materials. For this reason, reducing the use of resources and enabling efficiency constitutes an important part of our approach in the management of natural resources.

At Ford Otosan, we perform our production and service operations in accordance with the ISO 14001 Environmental Management System into which we integrated the ISO 50001 Energy Management System. We also consider obtaining an ISO 140001 certification as a preliminary condition for suppliers and manufacturers that wish to work with us.

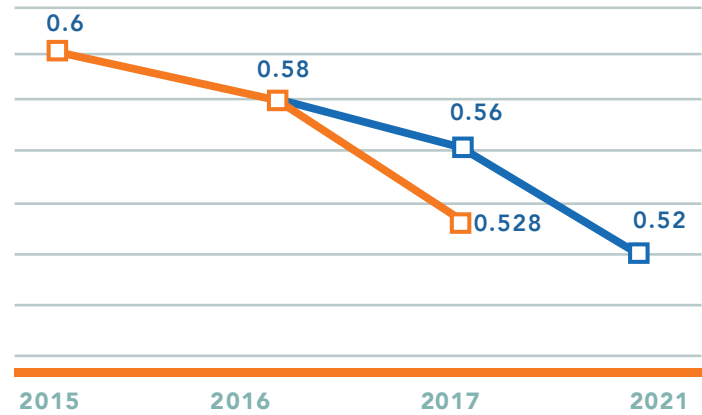
Projects for the reduction of energy use are overseen by the Energy Committee. The audits for the ISO 50001 Energy Management System, which is in place across all our factories, are supported by cross audits as well. We lower energy and resource consumption in our factories through environmental and innovative practices that are leading the way in the sector, while also lowering costs. Our goal is to reduce energy consumption per vehicle by 2% until 2021.

Number of Environmental Audits			
Koç Holding	ISO 14001	EOS	Institutional Audits (Spot and Scheduled, 2017)
Biannually	Annually	Annually	Inönü factory: 7 Kocaeli factory: 7

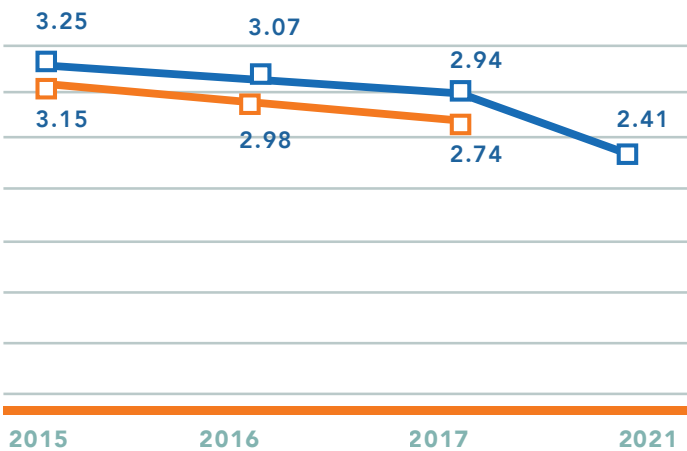
	2017 Performance	2021 Objective	Required Reduction for 2017-2021 (%)
Greenhouse Gas Emissions*	0.528 tons of CO ₂ /vehicle	0.52 tons of CO ₂ /vehicle	1.51
Energy Consumption per Vehicle	5.9 GJ/vehicle	5.23 GJ/vehicle	11.36
Water Consumption per Vehicle	2.74m ³ /vehicle	2.41m ³ /vehicle	12.04



Energy consumption per vehicle produced (GJ/vehicle)



Greenhouse gas emissions per vehicle produced (tons of CO₂/vehicle)



Water consumption per vehicle produced (m³/vehicle)

□ Goal □ Achieved

Target	2017 Performance
Wastewater per Vehicle	343,374.60 m ³
Total Waste Generated per Vehicle	253.89 kg / vehicle
Waste Disposed per Vehicle	0.75 kg / vehicle
Waste Recovered per Vehicle	253.14 kg / vehicle
Hazardous Waste per Vehicle	20.03 kg / vehicle

We consider renewable energy as a significant instrument in combating climate change and integrate wind and solar energy systems with the current ones we have. We increase the use of renewable energy sources by installing a solar energy system on the roof of our facilities. Energy is generated thanks to the installation of a wind turbine to the flue outlet of our paint shop. We also have projects related to wind and solar energy which we have implemented at our Yeniköy Factory. In the reporting period, we have used a total of 90 GJ of renewable energy in our operations.

We prioritize marine and railroad shipments to contribute to the reduction of logistics related emissions. At the Ford Otosan Port, we also have an ISPS Certificate that documents our safety conditions and a Port Quality Management System, along with a Green Port Certificate from the Turkish Standards Institution, which certifies that we reduce the impact on environment and human health.

■ At the Sancaktepe Warehouse Center, we made 10% electricity reduction, compared to the previous year, through improvements in the automation system.

■ We achieved 72,000 GJ energy saving through projects including the renewal of equipment and commissioning of efficient replacements throughout our factories, while preventing 5,000 tons of CO2 emissions.

We use water-based paints at Gölcük Factory to prevent the formation of volatile organic compounds (VOCs) that cause air pollution. We also work to attain our goals for 2021, including 2% reduction of volatile organic compound emissions in g/m2 and 2% reduction of CO2 emissions per vehicle.

Our employees have shared their opinions on our projects that contribute to our environmental sustainability:



Green Office

We participated in the Green Office Program with the collaboration of WWF-Turkey (World Wildlife Fund) in the second half of 2016 through the Sancaktepe R&D Center and our Marketing, Sales and After-Sales Departments. Our goal was to create an awareness on energy saving, efficient use of natural resources and sustainable lifestyles through this program.

As part of our collaboration with WWF-Turkey (World Wildlife Fund), 1,711 employees from our Sancaktepe R&D Center and Marketing, Sales and After-Sales Departments participated in the Green Office Program. We founded the "Very Green Office Team" with 25 volunteer employees as part of the program.

As a result of the improvements made in a ten-month period we achieved a 10% saving in paper consumption through the e-signature method, a 12% saving in paper cup consumption, a 9% saving in water consumption and a 10% saving in electricity consumption.

As the first automotive company participating in WWF-Turkey's Green Office Program, our goal is to spread our work on the Green Office to our other locations, dealers and suppliers with new goals.

Our employees shared their experiences on the path towards becoming a Green Office:



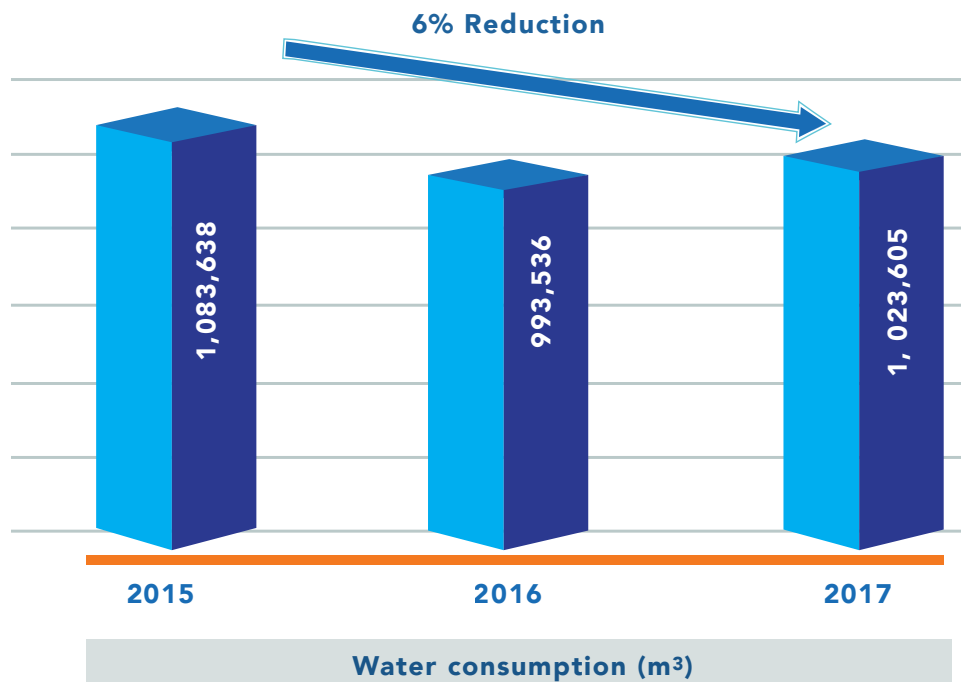
Natural Resource and Waste Management

As we operate in a raw material-intensive manufacturing sector, the sustainable management of natural resources is critical for the continuity of our business processes. Our natural management approach is based on the reduction of the use of resources through the recycling of raw materials.

Water management is an integral part of an effective management of resources. Accordingly, we discharge waste water to the environment using an online measurement method without causing any environmental pollution, even though it is not a mandatory practice. We treat domestic and industrial waste water in the waste water treatment facility within our plant and analyze the water we have treated at both the plant's lab and the labs of accredited organizations.

We also enable the recovery of waste water through water management. To this end, we have performed feasibility work for the recovery of the waste water at waste water treatment facility in Gölcük Factory.

We achieved 9% water reduction at the Sancaktepe Distribution Center through practices such as reducing reservoir volumes of the toilets, lowering the rate of flow in the taps, and placing awareness tags. We also achieved a water recovery of over 400,000 m³ in 2017, with a 10% increase compared to 2016. Our goal is to reduce water consumption per vehicle produced by 6% by 2021.



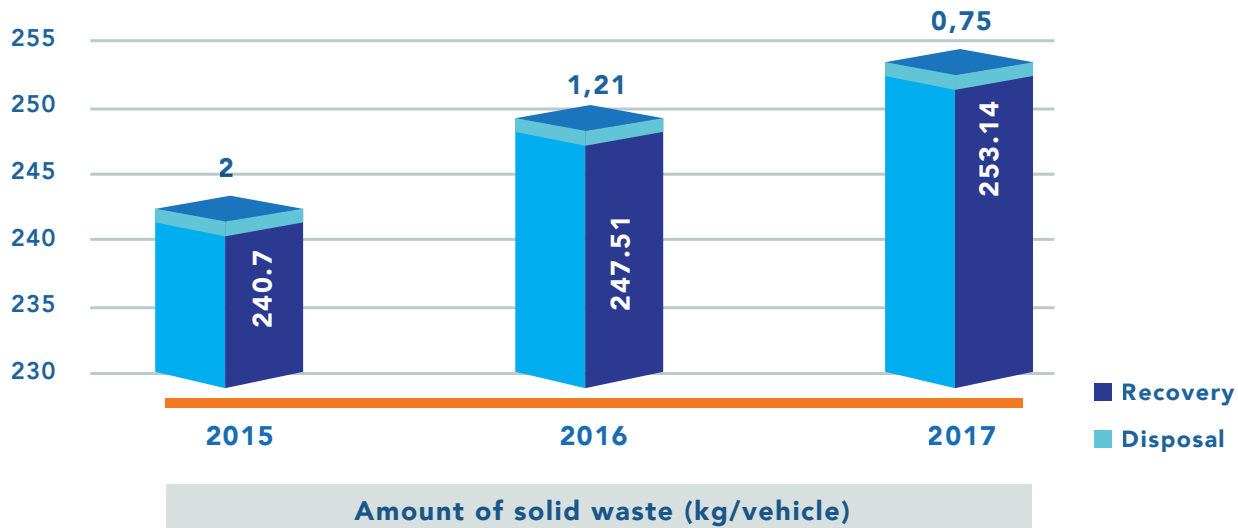
We reduce waste at the source and increase its rate of recovery according to our waste management approach. This year, which we raised the recovery rates of the hazardous waste that poses risks particularly for the environment, we managed to reduce our unhazardous waste. We work to reach our goal of reducing the amount of waste that arrives in the warehousing area by 7% by 2021.

We focus on recycling in our production processes and integrate this into our approach towards the management of natural resources. The useful life of the product and environmental impacts following this underlies our design projects.

To this end, we use automobile bodies made from recycled steel. We also enable the collection and recycling of end-of-life tires,

accumulators, packaging waste and other waste through authorized organizations. We inform the Ford services and dealerships and ensure the use of licensed end-of-life vehicles at the recycling facility.

Through the inclusion of waste in the production processes, we bring an innovative and productive perspective to waste management. As part of this project, we produced an internal alternative body part from tea waste through one of our projects. Hence, we reduced the consumption of resources and the formation of waste, while ensuring that the new part we produced causes a lower level of fuel consumption and greenhouse gas emissions due to its relative lightness. We are also working on another project regarding the utilization of coffee waste in production.



Biodiversity

The increasing impacts of climate change and environmental pollution cause biodiversity loss in terrestrial and marine ecosystems. The fact that the ecosystem on which we depend for the continuity of life is being adversely affected by these factors. It requires the business world to act quite rapidly. As pointed out by the Sustainable Development Goals, the reduction of the effects of climate change and the protection of biodiversity, as well as life on land and in water are essential. At Ford Otosan, we are developing a responsible business approach for the benefit of nature by overseeing the impact of our operations on biodiversity. To this end, we perform Environmental Impact Assessments (ÇED) during the planning and construction stages of our production facilities, which also include the impacts of such operations on biodiversity. In addition, we make collaborations for the protection of the species that inhabit in our impact areas.

In 2016, we started a project for the protection of specific bird species at the natural water reserve that formed naturally within the boundaries of Kocaeli Factory. As the only location that hosts migratory birds in the East Marmara Region where there is an intense level of industrial activity, this area has been an exemplary project for the protection of the value of biodiversity. We have created a protection plan through our collaboration with the Nature Conservation Center by monitoring bird biodiversity. As part of this work, the existence of 130 different bird species within the area inside the factory site was detected for the first time. It was determined that eight of these species were considered to be 'vulnerable' (VU) or 'near threatened' globally according to the IUCN (International Union for Conservation of Nature) classification.



- Yelkouan shearwater (*Puffinus yelkouan*), VU
- Common pochard (*Aythya ferina*), VU
- Ferruginous pochard (*Aythya nyroca*), VU
- Oystercatcher (*Haematopus ostralegus*), NT
- Curlew sandpiper (*Calidris ferruginea*), NT
- Turtle dove (*Streptopelia turtur*), VU
- Meadow pipit (*Anthus pratensis*), NT
- Redwing (*Turdus iliacus*), NT

Apart from bird species, the presence of a total of 241 natural plant species and 36 cultigens within the factory site was revealed for the first time through this project. We will continue our work on monitoring and protection of biodiversity within the borders of the Kocaeli Factory through the guidance of SDG 14 Life Below Water and SDG 15 Life on Land.





**WE TRANSFORM
THE FUTURE WITH
SUSTAINABLE AND
INNOVATIVE
IDEAS.**





Investment in Employees

While the global and domestic demand for our products keeps rising constantly, our need for the talents and skills of our employees, who are the backbones of our entire strength, also increases. For this reason, we support our employees in every area and continuously invest in them.

At Ford Otosan, 23% of a total of our 11,501 employees consist of office employees, while 77% are field employees. Our goal is to primarily attract the right people for the right jobs to our company through a healthy and robust management of talent and then to help these people to achieve their potential through effective training and improvement opportunities. While doing this, we provide our employees with a work environment that has high OHS standards. We also continue to support our talent with the principles of diversity and inclusion, which are parts of our corporate culture and the way we do business. Our purpose is to empower our employees and stakeholders by implementing practices that promote diversity and inclusion in line with the following Sustainable Development Goals of the United Nations: Goal 5 Gender Equality, Goal 3 Good Health and Well-Being and Goal 10 Reduced Inequalities.



Our Vision

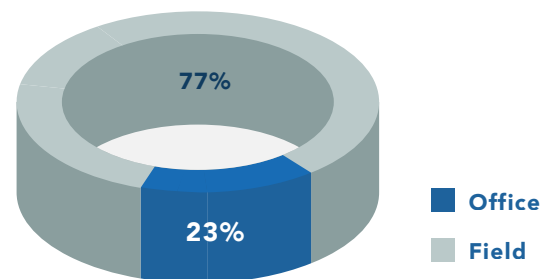
To make Ford Otosan the employer of choice and maintaining a culture of high engagement amongst employees with innovative Human Resources applications.

Our Mission

To develop and implement Human Resources systems based on offering equal opportunities, being respectful to diversity and ethical values, focusing on development, and encouraging high performance in line with Ford Otosan strategy.

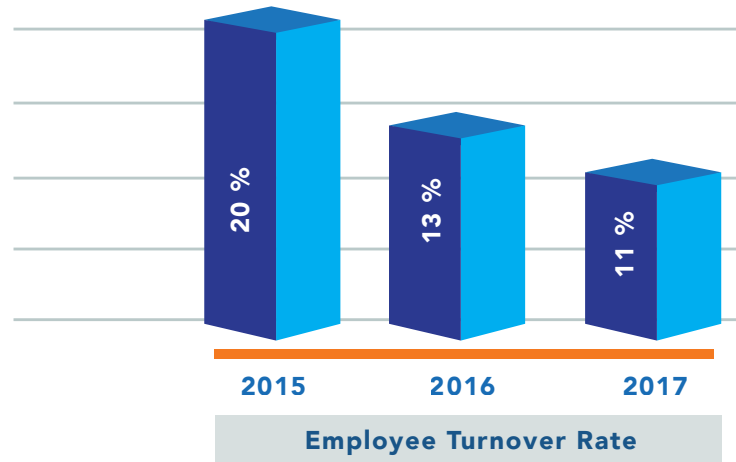
Our Strategy

- To be in the Top 10 Companies to Work For
- To become a leading brand in human resources through sustainable and innovative practices
- To be in the Employee Loyalty Survey's Top 10 Turkish Employers
- To be respectful of differences and ethical values by caring about equal opportunities in all HR practices
- To design and initiate integrated human resources approach through the effective use of technology and to ensure their continuity



Employee Distribution by Category

We believe that the longer our employees work for us, the better the continuity of our success. We create a work environment that will enable them to contribute to our business processes for many years to come through the career and development opportunities we offer.

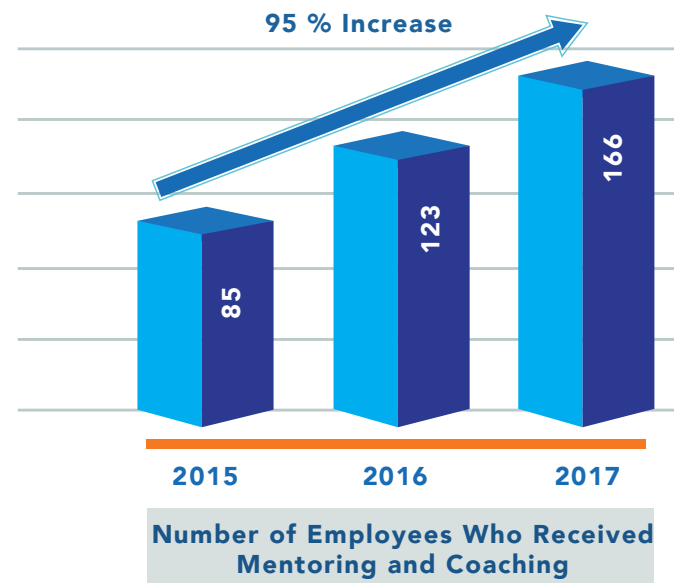


Career Development and Continuous Learning Opportunities

Providing career development and continuous learning opportunities for our employees is the key to our strategic priorities on the path to having an effective workforce. To this end, our goal is to create a “school” where our employees act with the passion for learning and contributing to the change and improvement of the company. We offer a better life to our employees through our effective and comprehensive Talent Management System and create a development-focused work environment that supports high performance.

We create Individual Development Plans each year for our employees by considering their strengths and the areas where they have space for improvement and organize an annual training and development calendar for them according to their requests and needs.

The average annual training hours per person on technical topics related to vocational and OHS, as well as environmental, social, and leadership training, etc. was 26 for office employees and 82.4 for field employees in 2017. In addition to these training sessions, we identify the talent pools and discuss the career plans of our employees at human resources planning meetings. In this regard, we have provided mentoring to 160 employees, coaching to six employees and a total of 9,273 person-hours of leadership training for training the future managers of Ford Otosan.





We speed up and facilitate the process of adaptation to the workplace through the orientation coaches we provide to each new employee. We then evaluate this process through a bonding survey and prepare the necessary action plans.

We manage employee goals set at the beginning of each year objectively through the Performance Management System. Where necessary we take improvement measures through assessments made every six months and maintain our high performance. We raise employee motivation by rewarding successful work that creates a difference through the Success Reward System at the end of the performance evaluation process. As part of this, we present the following rewards to our employees: En Başarılı Koçlular (The Most Successful People of Koç), Anlık Ödül (The Person of the Moment), Ford Otosan'ın Yıldızları (Stars of Ford Otosan) and rewards for the Suggestion and Improvement System. We also reward our field employees who have high year-end performance evaluation scores with a vacation.

We provide our employees with the opportunity to take part in international projects and improve their managerial skills through

these projects via ISE (International Service Employee) Management. Overseas assignments provide significant contributions to the career development of our employees by offering the opportunity to experience a different culture and work environment. We continue to monitor the performance management, career planning, salary and benefits, and settlement and leaving processes of our employees who work in 13 different countries.

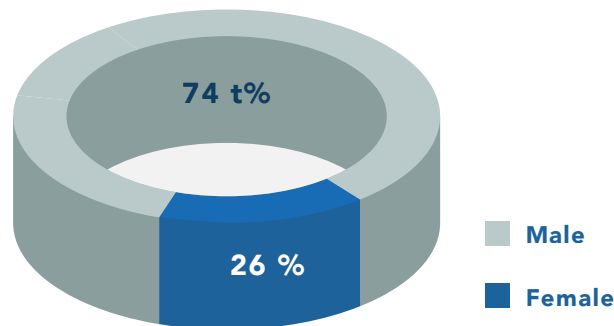
Recently, we started providing training to our employees through the online training platform Udacity as part of the Koç Holding Digital Transformation Program and this year, a total of 13 employees received training on topics such as business and data analysis, while five received training on the use of autonomous cars. We continue to support the participation of our employees in the Boğaziçi University's Postgraduate Program in Automotives and the Tech MBA, Modular MBA and Executive MBA programs that have been developed with Koç University to encourage our employees' development in innovation, new technologies and creative thinking.

Diversity and Inclusion

At Ford Otosan, our purpose is to offer an inclusive work environment to our employees that is based on equal opportunity and is respectful to differences and ethical values. The different backgrounds, ideas, experiences and perspectives of our employees make us stronger and enable us to develop a work environment that is cooperative in the real sense of the word.

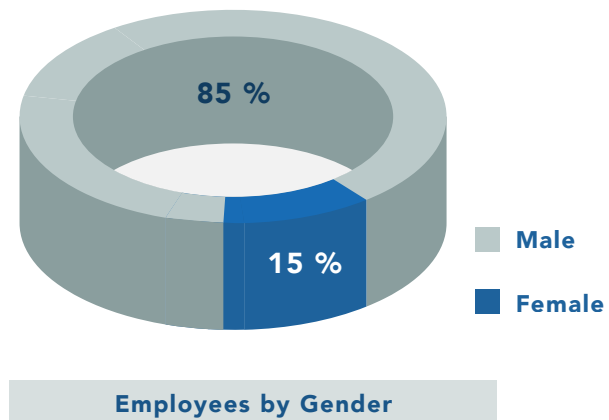
We act with the vision of having a work environment where talented and motivated individuals can obtain successful results through innovative solutions by working together, while we place the right candidate in the right position at the right time by not allowing any kind of discrimination and offering equal opportunities

in our recruitment processes. One of the biggest problems facing the business world regarding discrimination is experienced in the employment of women. Our goal is to employ one woman in every two candidates for recruitment in our selection and placement process. While our Gölcük Factory is one of the factories where a great number of women are working, 25% of those who work in our production workshops are women. We continue to raise our number of female employees, which is currently 1,743, with a 30% increase compared to 2015, in both categories office and field employee categories, every year.

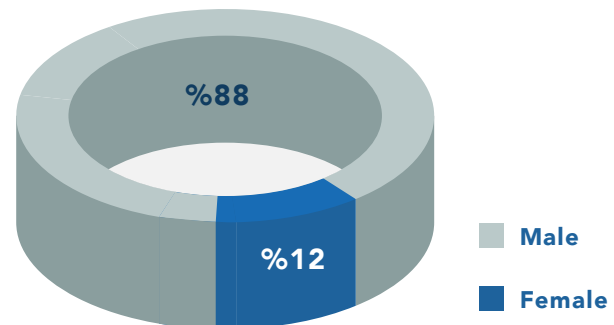


Office Employees by Gender

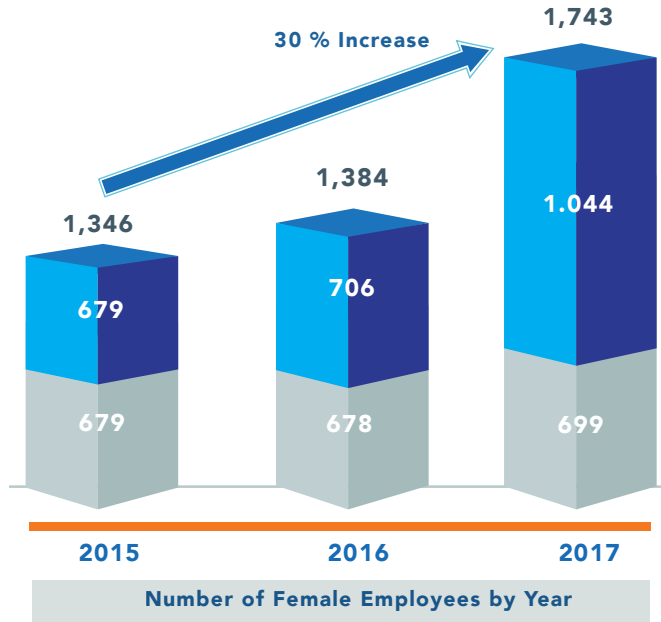
We support our female employees in having a say in senior management, as well as female employment at all levels. At Ford Otosan, 14% of the Board of Directors and 12% of the directors consist of women.



Employees by Gender



Field Employees based on Gender



Mothers-To-Be Produce, Work and Develop

We enable our pregnant employees to enjoy the best working experience during their pregnancy from a social, physical and spiritual point of view through our project, Mothers-To-Be Produce, Work and Develop, which supports the participation of female employees in the business world. We have demonstrated great care and sensitivity by working passionately to identify work steps and working areas appropriate for this group of employees who are particularly under risk. We assign pregnant employees to intermediate stations with zero accident risk that are specially designed so that they can experience a healthy pregnancy without decreasing their productivity. Through this project, we ensure the sustainable efficiency of future mothers whose numbers are increasing in parallel with the number of female employees.

The goal of our project initiated with the belief that changing things for just one person can change the world is to ensure children are raised by healthy, educated and productive mothers to

At Ford Otosan, we believe that any individual, regardless of their level of disability, can participate in production when the right conditions are provided, and we aim to raise the awareness of society, as well as the employment levels among people with disabilities by breaking down prejudices. We have provided employment to 339 individuals with disabilities at our Kocaeli Factories as of the end of 2017 by going beyond the legal requirements. In this regard, we make use of any platform to explain that a workforce with differences is possible.

add value to society in the long-run. We've raised the ratio of female employees who return to work after maternity leave from 84% to 100% this year through our practices that encourage female employment.

You may reach to more information on the practices that we have implemented to create our employees with autism or Down syndrome a suitable work environment from the videos below:



This year, we assessed the adaptation of individuals with autism or Down syndrome to business life through our project for the employment of these people in dangerous jobs, which we conducted as a Turkey and world first. Within this process which we began by getting detailed information from the families and teachers of our disabled employees, we determined the most appropriate areas of work for them by working together with our workplace doctor, workplace psychologist, production engineers and OHS specialists. We determined that the Assembly Final Line was appropriate for Anil Demir, our employee with Down syndrome, as it could support his sociability and would be appropriate for team work, whereas the Assembly Line Radiator Collection Area, which is sheltered from noise and offers a routine job that does not require employees to take the initiative was determined as appropriate for Taha Berk Yilmaz, our employee with autism.

At the end of a four-year period, we observed an increase of 63% in the development of our employee with Down syndrome, while after a two-year period we observed a 35% increase in the development of our employee with autism.

As a result of the opportunities we have provided, Anil Demir has become a more confident individual who needs less support for his personal needs and who can control his behavior according to the people, the environment and the time. Meanwhile, Taha Berk Yilmaz has started to use more gestures and mimics, initiate communication himself and communicate for longer periods, in addition to becoming more flexible in sharing his belongings. Improving themselves significantly on the use of money and saving, thanks to this entire process our disabled employees have become individuals who can make plans.

Our next goal is to get the opportunity to work with visually impaired individuals.

Demir family has shared their opinions and feelings on Anil Demir's employment at Ford Otosan:



We receive many questions, especially from families who have children with autism about the employment of Taha Berk at Ford Otosan. If it wasn't for the management and employees of Ford Otosan approaching the issue professionally and learning to understand autism, Taha Berk would not have been able to achieve such a level of success. In preparation, the Ford Otosan management, workplace physician and psychologist created the necessary infrastructure and took on-site measures. They raised the awareness of employees by educating them about autism and kept them constantly informed of how they should behave. These efforts have strengthened Taha Berk's confidence, communication skills and even his eating habits, as well as his motivation at the workplace.

We hope that this success seen at Ford Otosan will set an example for other businesses and factories so that they will employ more individuals with autism at their workplaces.

Taha Berk Demir's family

Occupational Health and Safety

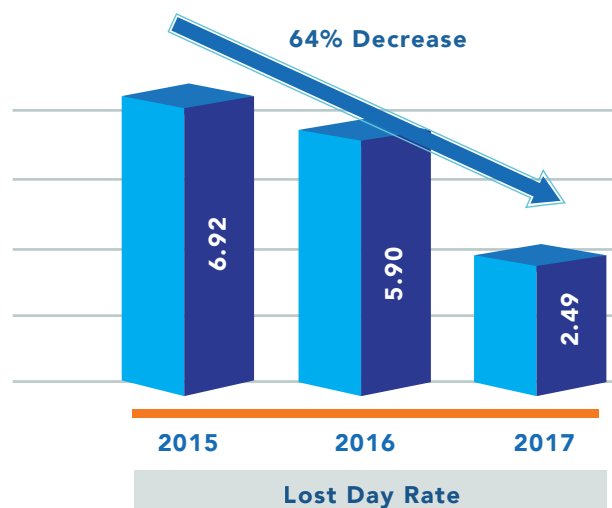
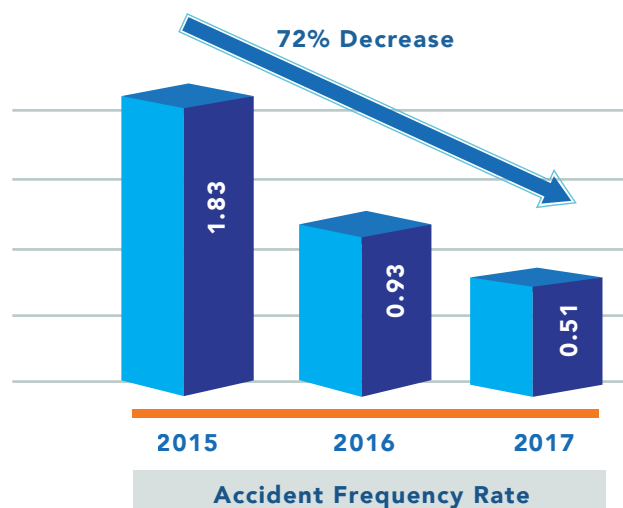
We provide a safe and reliable working environment for our valuable employees who are the main source of our strength by meeting all the legal and corporate working conditions in relation to OHS. In this respect, we are implementing the Ford Otosan Occupational Health and Safety Policy, which includes the fundamental principles that guide our practices for creating a safer and healthier work environment at all our places of operation.

You can access the entire text of the Ford Otosan Occupational Health and Safety Policy on our corporate website.

We continuously perform improvement practices to eliminate all dangers such as diseases, injuries and fire that threaten safety of life and property and act in unity with our employees in this process. We are aware that accidents and losses can only be prevented through the direct and joint responsibility of the management and employees. In this sense, while the production and support departments operate in accordance with the policy in the design, operation and maintenance of all facilities and equipment,

our employees demonstrate maximum care and diligence to comply with the current occupational safety rules and processes. Our goal is to minimize the risks by emphasizing the importance of a healthy and safe work environment and teaching our employees the necessary measures through the OHS training we provide to them.

Ten percent of all the training we provide to our employees consists of OHS training. We identify the physical, chemical, ergonomic and hygienic risks that might occur during the performance of work through risk analyses carried out on the production lines, operations and processes, and then take appropriate measures. We review the risk analyses regularly once a year or in case of any change that could pose a risk. There have been no fatal incidents or occupational diseases been experienced at Ford Otosan, and we reduced the number of employee injuries by 67% compared to 2015, thanks to the improvements we have achieved. In parallel, we have achieved a reduction of 72% in the frequency rate of accidents and a reduction of 64% in the lost day rate compared to 2015.





- With its exemplary OHS practices, work environment and perspective that regards excellence as corporate culture, Yeniköy Factory became the champion in Turkey in the 2017 Industrial Excellence Award contest. //

"A clear definition of sub-division strategies, such as production, product development, risk management and human resources across the supply chain, and their perfect compatibility with the company strategy are what make Ford Otosan successful. The facility has a high level of employee participation from staff who benefit from strategies, offer many suggestions and demonstrate development."

The Industrial Excellence Award Committee

OHS statistics showed that the work accident rates among our new employees are higher. We have achieved an improvement of 58% in the rate of accidents requiring medical dressings compared to the rate in 2015 through the New Employee Orientation Program, which was developed to prevent these accidents.

We identify risks that could lead to injuries through our Risk Hunting Projects realized to eliminate all work accidents, especially those causing head injuries, and we take the necessary measures and create awareness about these risks. We have identified 800 dangers and risks in the processes that could lead to head injuries through forms distributed to members of different working groups. Measures were taken to mitigate these risks that were identified effectively and quickly with the participation of all our employees.

Our goal with the Head-Up Display Pilot Project which we developed as part of adapting to Industry 4.0 was to minimize the risk of accidents that could occur during the conveyance of materials to the edge of the line. With this project, we monitor the performance of vehicles and operators in the digital environment, while also preventing accidents by restricting the driving of vehicles by unauthorized persons. We provide limit control through the necessary applications by monitoring the basic indicators of vehicles. In addition to these, we raise awareness about OHS through audio and visual OHS warnings that support operators' safe driving through equipment integrated in the vehicle and by reminding them of the necessary checks that need to be performed at the beginning of the shift.

Health Center

Each of our employees is very valuable to us and our Health Centers are an important part of the investments we make to increase their quality of life in every way. The Health Centers which we have established to prevent occupational diseases and ergonomic and hygienic problems are at the service of our employees any day at any time. We get support from our Centers in many areas, ranging from periodic health checks and emergency response, to consultation for disabled employees and health training for employees. We have become the first company with a full-time psychologist offering psychological counselling. We achieved an improvement of 60% in foot health, which is one of our services. We ensure that our employees get help from the specialists who work at our company for diabetes, hypertension, smoking addiction and other similar problems. We organize campaigns to raise awareness about obesity and healthy eating and keep a dietician at our Center so that we can offer treatment opportunities where necessary. This year, the Center's Psycho-Social Unit made significant contributions to employees' careers by initiating Workshops for Women and the Communication in Exceptional Cases Project. We observed an annual absolute satisfaction rate of 97% as a result of the health satisfaction survey conducted with our employees.

We continue to provide voluntary support to search and rescue operations in cases of natural disasters through the Ford Otosan Search and Rescue Team (FOKE), which was created through voluntary participation within the company and we provide regular training so that we can be more active in these operations.

"Getting Happy Kids to Grow up Safe": OHS Safety Workshop

In the first stage of the project called "Getting Happy Kids to Grow up Safe", which we initiated to instill the OHS culture in everyone from a young age, we provided training to 2,000 first graders in primary schools with the support of the Kocaeli-Gölcük District Directorate of National Education and we are continuing to inform other students as well through these trainings.

This year, we have also started the second phase of the project which is the OHS Workshop. We supported the workshop prepared in one of the primary school's classrooms with the support of the Gölcük District Directorate of National Education by providing a simulation for the use of stairs and visual warning texts, applications that display the dangers and warnings at constructions sites, warnings for fire safety, puzzles, visual objects, toys and other simulations. Our goal was to allow all the children to benefit from the project by opening the OHS Workshop up to all primary schools throughout the district with the cooperation of the Gölcük District Directorate of National Education and the support of the District Governor.

Human Rights at the Workplace

We offer our employees a working environment that is bound up with ethical values, respectful of differences and supportive of equal opportunities with our approach to human rights which have been shaped in line with the Ford Otosan Code of Conduct and HR Policy. We identify short-term, medium-term and long-term goals for the development of practices to protect basic rights that apply in the working environment and present their outcomes periodically to the senior management.

[You can access the entire text of the Ford Otosan Code of Conduct and HR Policy on our corporate website.](#)

We consistently and fairly ensure an internal balance for our employees in the long-run through the Wage Management Process created in line with the principle of “equal pay for equal work” and thus increase our competitiveness in the market. We determine the premiums of all our team leaders and office employees through the long-term variable income application BEST, in compliance with the company’s performance.

We allow our employees to manage their benefit budgets by making annual choices in accordance with the identified rules through our system called Flextra.

We diligently monitor the protection of the union rights of our field employees and hence constantly keep in touch with their unions. While managing the Collective Bargaining process, we also monitor the provision and distribution of the rights granted to field employees.

We will continue our practices soon in accordance with our vision of ‘becoming the most valuable and most preferred industrial company in Turkey, which will generate sustainable value for our shareholders.

Dialogue with Employees

We continue to offer an environment where our employees can get information about up-to-date developments related to Ford Otosan through various communication channels, allowing them to communicate with upper management directly and share their opinions. We use channels such as Open-Door Meetings, Leadership Meetings, Intranet Portal Communication, the General Manager message bulletin, company events, Aramızda (Between Us) Magazine, Aramızda TV, SMS and mass e-mail communication for this purpose. An average of 21 suggestions per employee are received through these channels, in addition to those received from Fikirhane, and for ideas put into practice, those who come up with the idea are rewarded with a percentage of the savings achieved. Under this scheme, we have shared a total of TRY 3.1 million of the savings achieved through projects conducted in 2017 with 3,209 of our employees.

We are improving our efficiency through the digital application connected employee platform FOCep by reducing employee dependency on the office. We are constantly improving this practice initiated in 2016 by adding new features to it.

We organize events that will allow the employees to socialize with their colleagues and managers outside of work to strengthen their communication with them. Sports clubs with a corporate structure, which are established through voluntary initiatives, contribute to the improvement of our employees' personal development, social lives and their communication with their teammates. Operating under the sponsorship of senior managers, these clubs play an important role in the raising the motivation and protecting the health of employees by turning sports into a lifestyle habit.



We broke a record by winning 29 trophies in 13 different branches of sport in 2017 during the Koç Group Sports Festivity, which is held annually. We also came back with two trophies from overseas competitions.

Support for Entrepreneurship

At Ford Otosan, we position innovation as one of our strategic priorities. In this regard, our goal is to offer innovative products and services by focusing on innovation in all our business processes. We continue our work with the Innovation Committee which we established in 2016 to create in-house entrepreneurs and support the creation of new initiatives.

Fikirhane

We develop new products through our innovation platform Fikirhane (Idea Hub) launched in 2016, which allows us in-house entrepreneurs, Fikirbazlar (Idea Magicians), to put their ideas for designing the future into practice. Having introduced the project to our employees under the theme of smart mobility, it is now continuing with the theme of smart logistics. Following our creation of Fikirhane, which is a leading platform at Ford Otosan, Ford Global also launched a similar application.

Under the project, any ideas regarding current products, services, processes or business models are forwarded to the Fikirhane Suggestion System and our employees whose suggestions are put into practice are rewarded by the relevant departments. After 426 ideas shared over Fikirhane underwent the process of a preliminary assessment at the first preparatory event of our entrepreneurship camp “Fikirbazlar Buluşuyor” (Idea Magicians Are Meeting), held in 2016, we shortlisted eight ideas. The project teams’ work on these eight projects is continuing.





**WE OWE OUR ECONOMIC
POWER AND LONG-TERM
SUCCESS TO THE SOCIETY
THAT WE DEVELOP
ALONG WITH.**





Social Responsibility

As one of the leading industrial companies of Turkey, we owe our economic power and our long-term success to the society with which we develop together. We consider adding value to society on a continuous basis as one of our responsibilities. We focus on different areas, such as gender equality, education, health, culture& arts and sports to contribute to social development and enable social progress. Sustainable Development Goals inspire our social responsibility activities. We spread over 27 million TL for the projects, donations and sponsorships activities focused on social development.



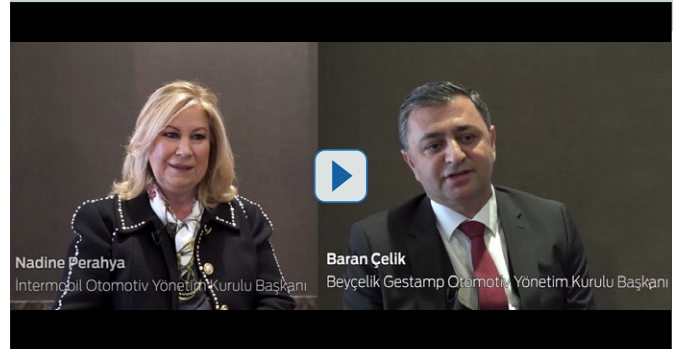
Gender Equality

I Support Gender Equality for My Country

Gender equality was determined as the 2015-2017 theme of the For My Country project, which has been in place since 2006 at Koç Holding and its Group companies to create solutions to social problems. In line with this theme we have taken actions to fulfill our responsibility for an equal and fair society and world with our employees and dealers.

We created a team of volunteers who would actively support the realization of Gender Equality Awareness Projects within the company. 11,544 of our employees participated in gender equality seminars between October 2015 and January 2018. We included our suppliers and dealers in this process. Volunteer coaches consisting of our employees conducted seminars on gender equality to Ford Otosan suppliers and we have spread these seminars across Turkey through our dealers. In addition, we have organized training with the cooperation of AÇEV (Mother Child Education Foundation) so that we can get volunteer coaches from among of suppliers. We will have reached a total of 30,000 people once our suppliers complete their own internal training.

Our suppliers Inter Mobil and Beyçelik Gestamp who has joined our gender equality seminars, have shared their experiences with us:



UN Women's Empowerment Principles and Equality at Work

As part of the Group which provides the greatest amount of female employment in Turkey, we support the [Principles of Work Equality Declaration](#), which aimed at eliminating gender-based discrimination. Our company policy requires that one out of every two people recruited for the offices and one out of every four people recruited for the sites are to be women. Statistics in Turkey are below the world average and we are trying to accomplish the challenging goal of increasing the female workforce in our sector which is dominated by men.

We consider the economic and social empowerment of women as key to gender equality and work to create a working life where men and women are represented equally. This year, we signed the UN Women's Empowerment Principles under the leadership of Koç Holding, which provides specific performance indicators for private sector. We also requested that our suppliers act in this matter and sign the document by communicating our request through a message from our General Manager.

[Please refer to the Investment in Employees section for our perspective on gender equality and our approach on the management of our human resources.](#)

Honey Bees Become Engineers

Social gender roles in Turkey are effective in women's choice of occupation and the occupational groups in which they work. In our country where the rate of women working in non-traditional jobs is very low, we created the project Honey Bees Become Engineers to attract attention to the gender discrimination seen in choices of occupation. As one of the occupations that is not seen to be fit for girls due to the traditional approach in Turkey which is instilled in girls at a young age as part of social gender patterns, our goal with this project is to introduce them to the occupation of engineering, to inform girls about the conditions of the job, and to encourage them to choose engineering as an occupation.

As of the end of 2017, we have reached a total of 16,370 students in 81 cities, 9,873 of whom are female, through our project initiated with the goal of meeting 8,100 male and female high school students at 81 schools in 81 cities with the collaboration of "Flying Broom" (Uçan Süpürge) Women's Communication and Research Association and the Turkish National Ministry of Education. We continue our work with Koç University's Social Impact Forum to design the next phase of our project.



Social Responsibility Projects

Ford Transit have transformed into a cafe (Hope Cafe) to provide job opportunities for families with cancer patient children.



Recycling Heroes have provided awareness trainings about the importance of recycling to 2,042 students.



The Children of the Winter project which was led by the Ford Otosan volunteers have provided new coats and winter boots to 1,408 students.

Joint Projects

We endeavor to conduct our social responsibility projects together with our suppliers and dealers. Accordingly, we refurbished Bayburt Oruçbeyli Primary School together with our 14 suppliers and one dealer. We created areas inside the school building and yard that will support the development of children.

We carried out the infrastructural work that was required at the school and sent materials such as a TV, computer and smart board. Along with Trabzon Ford dealer Tunalı, our suppliers Aka, Kanca, Şahinkul, Norm Civata, Farplas, Ersan Kauçuk, Kipsan, Pelzer, Plascam, Formfleks, İnci Maxion, Inter Mobil, Benteler and Rözmaş joined this project.



Occupational Health and Safety Workshop - Let Smiling Faces Grow up Safe

We created our social responsibility project Let Smiling Faces Grow up Safe to support the adoption of the culture of occupational health and safety in Turkish society from a young age. We established an Occupational Health and Safety Workshop at a primary school level through the cooperation of Kocaeli Ford Otosan and Gölcük District Directorate of National Education. In the first stage of the project our goal was to provide training to the first graders at primary schools across the entire district through the support of the Kocaeli Gölcük District Directorate of National Education.

We provided training to 2,000 students within the 2016-2017 academic year. Our goal is to continue the project until the 2019 academic year.

Ford Otosan - Nuri Otaş Memorial Forest

We started planting a total of 23,260 saplings across an area of 116 decares as part of the Ford Otosan-Nuri Otaş Memorial Forest Project, which the Gönüm Senle Platformu (My Heart is with You Platform) created in memory of our former General Manager Nuri Otaş with the collaboration of the Ministry of Forestry and Water Affairs and the TEMA foundation under the slogan one sapling, one thousand lives.

Sports and Social Activities Clubs

Established within our company through the voluntary initiatives of our employees, the Social Activity Clubs continued their learning and development activities in 14 different hobby clubs this year. You can access detailed information about our Ford Otosan Sports Clubs in the “[Investment in Employees](#)” section.



“Driving Skills for Life” (Ford DSFL) Ford Driving Academy Event

We provided safe driving lessons to 300 students from 13 universities under the leadership of the Director of the Castrol Ford Team Turkey, Serdar Bostancı and 2017 European Rally Champion, Murat Bostancı.

Vehbi Koç Foundation Ford Otosan Gölcük Culture and Social Life Center

[Here](#) you may find detailed information about our center which has contributed to the social and cultural development of the regional community since the day it began serving.

Blood Drives

Our employees donate blood to Turkish Red Crescent every year on a regular basis. This year, over 1,000 of our employees donated blood.

Annex 1: Stakeholders and Communications Methods

Stakeholder Group	Communication Methods
Shareholders and Investors	<ul style="list-style-type: none"> • Corporate website • Investor and analyst presentations • Special Circumstances Disclosure • One-to-one meetings and interviews • Financial performance assessment meetings • General Assembly meetings • Factory visits • Annual and Sustainability Reports
Employees	<ul style="list-style-type: none"> • Ford Otosan Code of Conduct • Intranet • Internal TV Broadcasts • Suggestion, appreciation and rewarding system • Working groups and committees • Internal publications like magazines, General Manager Message bulletins, announcements • Social events • Performance Management System • Annual and Sustainability Reports • Research on Employee Loyalty and Surveys • Open Door and leadership meetings
Media	<ul style="list-style-type: none"> • Annual and Sustainability Reports • Interviews and chats • Meetings and discussions • Press Releases • Special Circumstances Disclosure

Vocational Schools, Universities and Academia	<ul style="list-style-type: none"> • Annual and Sustainability Report • Academic congresses and seminars • Articles and publications, academic research • Joint projects • Training and technical support • Sponsorships • Meetings and discussions
Dealers	<ul style="list-style-type: none"> • Annual and Sustainability Reports • Dealer meetings, Dealer Council and personal Meetings • Dealer and customer satisfaction surveys • Internal publications • Dealer training
Koç Group Companies	<ul style="list-style-type: none"> • Annual and Sustainability Reports • Working groups • Project partnerships
Public Institutions	<ul style="list-style-type: none"> • Annual and Sustainability Reports • Audits • Meetings and discussions • Training
Suppliers and Contractors	<ul style="list-style-type: none"> • Annual Report and Sustainability Report • Ford Otosan Code of Conduct • Training • Awards ceremonies • One-to-one Meetings • OHS Committees
Non-Governmental Organizations	<ul style="list-style-type: none"> • Annual and Sustainability Report • Working Group, Committee and Board of Directors Memberships • Memberships • Joint Projects and initiatives • Meetings and discussions

Annex 2: Performance Tables

Economic Performance			
Economical and Operational Indicators (million TRY)	2015	2016	2017
Sales revenue	16,746	18,289	25,341
EBITDA	1,441	1,567	2,182
Net profits	842	955	1,490
Economic value generated	16,746	18,289	25,341
Operating costs	14,583	15,933	22,338
Employee wages and benefits	789	872	1,005
Dividend payments	400	663	789.548
Taxes and other obligations	9	20	11
Community investments	18	22	27
Economic value distributed	15,799	17,510	24,171
Economic value retained	947	779	1,170
Total R&D expenditures	388	465	512
Total supply chain expenditures	7,051	7,638	10,770
Supply chain expenditures on local suppliers	7,051	7,033	10,619

Social Performance			
OHS training	2015	2016	2017
Number of participants	8,647	5,442	6,520
Number of contractor employee participants	1,681	2,372	1,893
Total hours spent on OHS training - employees	97,729	63,200	76,985
Total hours spent on OHS training - contractor employees	3,223	3,473	2,876
OHS performance	2015	2016	2017
Injury rate - employees	0.31	0.29	0.10
Occupational diseases rate - employees	0.04	0.05	0.03
Absenteeism rate – employees	8712.01	8469.71	7456.89
Fatalities - employees	0	0	0
Fatalities - contractor employees	0	0	0
Total number of members involved in OHS committees	132	146	162
Total number of employee representatives involved in OHS Committees	12	14	13

Employee Demographics			
	2015	2016	2017
Total Number of Employees	10,676	10,255	11,501
Female	1,346	1,384	1,743
Male	9,330	8,871	9,758
Total Number of Contractor Employees	1,642	1,819	1,890
Female	351	359	405
Male	1,291	1,460	1,485
Total	12,318	12,074	13,391
Employees by Category			
	2015	2016	2017
Field	7,944	7,561	8,847
Female	679	706	1,044
Male	7,265	6,855	7,803
Office	2,732	2,694	2,654
Female	667	678	699
Male	2,065	2,016	1,955
Employees by Contract Type			
	2015	2016	2017
Indefinite Contract	10.407	10.178	10.604
Female	1.321	1.361	1.546
Male	9.086	8.817	9.058
Fixed-Term Contract	269	77	897
Female	25	23	197
Male	244	54	700
Employees by Employment Type			
	2015	2016	2017
Full-time	10.675	10.255	11.501
Female	1.345	1.384	1.743
Male	9.330	8.871	9.758
Part-time	1	0	0
Female	0	0	0
Male	1	0	0

Employee Demographics			
Board Structure	2015	2016	2017
Female	2	2	2
Male	23	12	12
Executive Management by Gender	2015	2016	2017
Female	0	4	3
Male	12	19	17
Mid-level Management by Gender	2015	2016	2017
Female	26	26	23
Male	217	237	184
Employees by Age Group	2015	2016	2017
18 - 30	4,202	3,718	4,595
30 - 50	6,377	6,438	6,791
50 +	97	99	115
	2015	2016	2017
Employees Covered by Collective Bargaining Agreement	10,676	7,556	8,817
New hires	2015	2016	2017
Female	548	199	134
Male	2,467	787	1,913
Employees Left	2015	2016	2017
Female	213	149	175
Male	1,926	1,193	1,033

Environmental Performance			
Energy Consumption and Efficiency (GJ)	2015	2016	2017
Direct renewable energy consumption	0	0	89
Direct non-renewable energy consumption	1,150,347	1,071,807	1,117,841
Indirect renewable energy consumption	6,643	6,647	9,883
Indirect non-renewable energy consumption	910,954	876,077	1,084,301
Energy savings through efficiency projects	83,627	83,094	71,588
Greenhouse Gas Emissions (ton CO ₂ e)	2015	2016	2017
Scope 1	70,336	56,783	76,286
Scope 2	120,308	115,735	120,673
Total	190,644	172,517	196,959
GHG emissions reduction through efficiency projects	4,723	6,781	4,821
Water Consumption and Wastewater (m ³)	2015	2016	2017
Total water consumption	1,083,638	993,536	1,023,605
Ground water	1,060,787	975,638	1,008,431
Municipal water	22,851	17,898	15,174
Water recovered / reused	437,158	373,100	414,235
Total water discharge	331,385	357,912	343,375
Amount of Waste (ton)	2015	2016	2017
Recovered hazardous waste	5,916	6,665	7,218
Disposed hazardous waste	66	52	255
Hazardous waste sent to temporary storage	26	0	0
Recovered non-hazardous waste	68,392	75,944	87,206
Disposed non-hazardous waste	583	352	26
Hazardous waste sent to temporary storage	0	0	0
Environmental Training (hours)	2015	2016	2017
Training for employees	10,632	1,851	3,262
Training for contractor employees	415	639	1,052
Training within the framework of social responsibility	2,018	6,266	2,258
Environmental expenditures and fines (million TRY)	2015	2016	2017
Environmental investments and expenditures	6.9	6.9	8.3
Environmental fines	0	0	0

Annex 3: Corporate Memberships

Name of Organization	Responsibility
U.S.-Turkey Business Council	Membership
Heavy Commercial Vehicle Association	Membership
The American Business Forum (ABFT-AmCham)	Membership
Foreign Economic Relations Board	Membership
Eskişehir Chamber of Industry	Membership
Eskişehir Turkish Red Crescent	Membership
İstanbul Chamber of Commerce	Professional Committee Membership
Kocaeli Chamber of Industry	Board of Directors Membership
Chamber of Mechanical Engineers	Membership
Automotive Distributors Association	Technical Committee Membership
Automotive Manufacturers Association	Board of Directors Membership
Automotive Technology Platform	Executive Board Membership
Foreign Trade Association of Turkey	Membership
Turkish Human Management Association	Advisory Board Membership
Turkey Quality Association	Membership
Port Operators Association of Turkey	Membership
Turkish Employers' Association of Metal Industries	Human Resources Committee Membership
The Union of Chambers and Commodity Exchanges of Turkey	Turkey Automotive Industry Council Membership
Technology Development Foundation of Turkey	Founders' Committee Membership
Turkey Investor Relations Society	Membership
The International Organization of Motor Vehicle Manufacturers	Membership
International Investors Association	Board of Directors Membership

GRI Content Index



GRI Standard	Disclosure	Page Number(s) and/or URL(s)
GGRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
GRI 102: General Disclosures 2016	Organizational Profile	
	102-1	2
	102-2	https://www.fordotosan.com.tr/en
	102-3	https://www.fordotosan.com.tr/en/contact/contact-informations
	102-4	https://www.fordotosan.com.tr/en/contact/contact-informations
	102-5	https://www.fordotosan.com.tr/en/corporate/about-ford-otosan/shareholder-structure
	102-6	19-20, https://www.fordotosan.com.tr/en/corporate/about-ford-otosan/about-ford-otosan
	102-7	19-20, 71
	102-8	20, 53, 73-74
	102-9	28-29
	102-10	No significant change compared to the previous reporting period
	102-11	9-11, 15, 41, 59
	102-12	9-11, 15, 41, 59
	102-13	76
	Strategy	
	102-14	3-6
	102-15	9-11,15
	Ethics and Integrity	
	102-16	12-14
	102-17	12-14
	Governance	
	102-18	12-13
	102-19	9-12,15
	Stakeholder Engagement	
	102-40	16, 69-70
	102-41	77%

102-41

GRI Standard	Disclosure	Page Number(s) and/or URL(s)
	Organizational Profile	
GRI 102: General Disclosures 2016	102-42	10, 16, 69-70
	102-43	10, 16, 69-70
	102-44	10-11, 27
	Reporting Practice	
	102-45	2
	102-46	2, 10-11
	102-47	10-11
	102-48	No significant change observed.
	102-49	9-11
	102-50	2
	102-51	2
	102-52	Conducted annually.
	102-53	2
	102-54	2
	102-55	77-80
	102-56	No external assurance sought for the report.

GRI Standard	Disclosure	Page Number(s) and/or URL(s)	Omission
Material Topics			
Innovation and Digitalization			
GRI 103: Management Approach 2016	103-1	9-11, 24-26, 34, 37, 61	-
	103-2	24-26, 34, 37, 61	-
	103-3	24-26, 34, 37, 61	-
GRI 203: Indirect Economic Impacts 2016	203-1	24-26, 34, 37, 61	-
	203-2	24-26, 34, 37, 61	-
Energy Efficiency and Emissions			
GRI 103: Management Approach 2016	103-1	9-11, 41-43, 75	-
	103-2	41-43, 75	-
	103-3	41-43, 75	-
GRI 302: Energy 2016	302-1	75	-
	302-3	42-43, 75	-
	302-4	42-43, 75	-
GRI 305: Emissions 2016	305-1	75	-
	305-2	75	-
	305-4	42-43, 75	-
	305-5	42-43, 75	-
Vehicle Fuel Consumption and Emission Levels			
GRI 103: Management Approach 2016	103-1	9-11, 36-37, 41-43-75	-
	103-2	36-37, 41-43, 75	-
	103-3	36-37, 41-43, 75	-
GRI 305: Energy 2016	302-5	42	-
Inclusivity			
GRI 103: Management Approach 2016	103-1	9-11, 50-55	-
	103-2	50-55	-
	103-3	50-55	-
GRI 401: Employment 2016	401-1	51, 74	-
GRI 403: Occupational Health and Safety 2016	403-1	56, 72	-
	403-2	56-58, 72	-
	403-3	56-58	-
GRI 405: Diversity and Equal Opportunity 2016	405-1	53-54, 73-74	-

GRI Standard	Disclosure	Page Number(s) and/or URL(s)	Omission
Material Topics			
Value Chain			
GRI 103: Management Approach 2016	103-1	9-11, 15, 27-30	-
	103-2	15, 27-30	-
	103-3	15, 27-30	-
GRI 308: Supplier Environmental Assessment 2016	308-1	14-15, 27-30	-
	308-2	14-15, 27-30	-
GRI 414: Supplier Social Assessment 2016	414-1	13-15, 27-30, 41	-
	414-2	13-15, 27-30, 41	-
Sustainability Risks			
GRI 103: Management Approach 2016	103-1	9-11, 15	-
	103-2	9-11,15	-
	103-3	9-11,15	-
Customer Satisfaction			
GRI 103: Management Approach 2016	103-1	9-11,27	-
	103-2	27	-
	103-3	27	-
Vehicle and Traffic Safety			
GRI 103: Management Approach 2016	103-1	9-11, 37-38	-
	103-2	37-38	-
	103-3	37-38	-
