

FORD OTOMOTİV SANAYİ A.Ş. TAX STRATEGY

Ford Otomotiv Sanayi Anonim Şirketi (“Ford Otosan” or “the Company”) undertake all commercial and industrial activities in respect of production, sales and marketing, customer services, after sales, exportation, and importation of vehicles, spare parts, and equipment. Tax Strategy of Ford Otosan sets out our approach to the management of the Company's tax affairs in the context of the Company's wider strategy and presents corporate principles which to secure the future with the consciousness of Corporate Responsibility. Ford Otosan main principles are accountability, responsibility, fairness, and transparency. Our principles underlie our approach to taxation which provides guidance to all officers and employees within the Company to comply with all applicable laws, rules, and regulations and to act in a socially responsible manner by complying with the highest ethical standards.

1. General Provisions

Ford Otosan actively monitor new tax legislations and any changes in existing rules to ensure compliance with tax regulations in accordance with our main Corporate Governance principles. Ford Otosan is committed to complete accurate tax filings on a timely manner in accordance with the legal requirements in the jurisdictions that we operate. In structuring our business operations, we consider the tax requirements with a perspective to generate sustainable value to our Company and stakeholders. As responsible taxpayers, we are obliged to pay taxes locally where our actual economic and business activities take place and in accordance with the way we operate business. Tax organizations with adequate personnel resources, training and systems and creating tax awareness across' business units are developed and improved by the Company constantly.

2. Relationship with Tax Authorities

The Company establishes and maintains transparent and collaborative relationships with tax authorities in compliance with Company's Policies especially Anti-bribery and Corruption Policy. All interactions with Tax Authorities and Government Institutions are conducted in an open, collaborative, and professional manner. In communication with the tax authorities, The Company aims;

- Developing and fostering good working relationships with tax authorities, government bodies and other related third parties, based upon mutual trust and respect that will ensure constructive dialogue
- Playing an active role in discussing future tax legislation to better understand and minimize any negative impacts of such legislation on the Company
- Proactively managing interactions with tax authorities to minimize the risk of challenges, disputes, or damages
- Responding within designated timeframe to all requests received from tax authorities and communicating with related parties for any uncertainty arising from the interpretation of tax legislation

We accept that taxes that we pay and collect for governments are a fundamental element of our corporate social responsibility. All business units of the Company must act in line with standards and to take business decisions compliant with all applicable rules and regulations.

3. Transparency and Uncertain Tax Positions

The Company interprets the relevant laws in a reasonable way and ensures transactions are structured consistently. Main principle in communication with our stakeholders is to be open and transparent about decision-making and governance of tax matters. Transparency principle of the Company also includes developing and maintaining an open and honest relationship with tax authorities. Disclosing major changes in tax applications that will have a material effect on financials is our priority. Ford Otosan seeks to avoid uncertainty and unexpected results in our tax position. If there is uncertainty in tax rules and practices at country, Ford Otosan actively engages with government authorities to clarify the applicable tax treatment and requests a regulatory guidance. Whenever we have a strong business rationale and trust our transaction is in line with applicable regulations, we take all actions available to defend ourselves. We prefer to resolve disputes without recourse to courts if possible.

4. Tax Avoidance

The Company aims to align its tax position with the objectives of business units and with overall business strategy to provide sustainable outcomes. For this purpose, our Company does not engage in any operations or implement structures with the intent to inappropriately reduce taxes, such as contrived or abnormal tax structures. The Company does not have operations in low-tax rate jurisdictions, and so called "tax-havens" will not be used for tax reduction purposes.

5. Tax Planning

Ford Otosan does not engage in tax planning other than that which is permitted by law and which supports genuine commercial aims. The Company has clearly defined lines of responsibility for its tax affairs. The Company's tax planning aims to support the commercial needs of the business by ensuring that its affairs are carried out in the most tax efficient manner while remaining compliant with all relevant laws. The tax function is therefore involved in commercial decision-making processes and provides appropriate input into business proposals to ensure a clear understanding of the tax consequences of any decisions made.

6. Tax Governance and Risk Management

Consistency and transparency of applications across the Company are essential. All tax function members should act proactively to ensure and continually improve our tax risk decision making process. Managing the Company's tax affairs is a complex process across many functional areas of the business and as such there will inevitably be risks of error or omission within those processes which may result in the incorrect application of tax rules or calculation of tax returns. Ford Otosan minimizes its exposure to tax risk by being compliant with all tax rules and regulations. Where risks are identified, the Company consults to external advisors related to the interpretation of tax laws, rules, or regulations. This tax strategy has been reviewed and approved by the Company Management.

7. Tax Incentives (R&D and Investment Incentives)

Ford Otosan aims to utilize available incentives, reliefs and exemptions aligned with commercial and economic activities. The Company makes investments in assets or engages in transactions which cover tax incentives, or other tax benefits are authorized by laws/regulations of a jurisdiction. Especially the Company engages in R&D activities and investment incentives. Because of the advantage of investment incentives, we can observe its positive effect as a low effective tax-rate on our financials and tax exemption on R&D related expenses has positive effect on personnel costs.

8. Transfer Pricing

Ford Otosan monitors all rules and regulations applied in the countries where its entities operate, prepares and submits all the necessary filings in accordance with the OECD Guidelines and BEPS actions plans initiated by OECD. Our transfer pricing policy conforms with international practices which is in accordance with the arm's-length principle and is supported by economic analysis and documentation according to the nature of the transactions. Necessary benchmark analysis is included in local transfer pricing documentations in accordance with related country's regulation to determine the range of prices and profit level. The company aims to pay an appropriate tax based on economic and value contribution, according to where value is created based functions, assets and risks are taken. Ford Otosan and its subsidiaries do not transfer any generated value to low tax jurisdiction. In intercompany transactions, the prices properly reflect where value is created.