

**FORD OTOSAN**  
2019  
Sustainability  
Report





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# About the Report

Ford Otosan Sustainability Report, which includes strategy, performance, goals and progress in the environmental, social, ethical and economic fields of Ford Otomotiv Sanayi A.Ş., covers our activities between January 1 and December 31, 2019.

This report has been prepared in accordance with the GRI Standards ‘Core’ option. In the report, we share our progress in sustainability matters compared to previous years, as well as our strategic management approach, relations with stakeholders and best practices. While preparing the report, we took the UN Global Compact (UNCG) into consideration and included the contribution we made to the ‘Sustainable Development Goals’.

Please kindly e-mail your questions, comments and suggestions related to the report to [surdurulebilirlik@ford.com.tr](mailto:surdurulebilirlik@ford.com.tr)



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You can reach the related link by clicking on the image.

TEXT

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# About Ford Otosan

The journey of Ford Otosan **started in 1928 when Vehbi Koç opened the first Ford agency for the purpose of automotive trade. In 1956** – a milestone for our country – **Ankara dealership won the first place** in the competition organized by Ford among 34 dealerships in the Near East, and Vehbi Koç was invited to the United States. During this event, he presented the assembly plant project, **qualifying for the assembly with the Dealers with the Right of Assembly agreement that had not been implemented in any country until then. With the establishment of Otosan A.Ş. in 1959, the foundations of the first assembly plant were laid.**

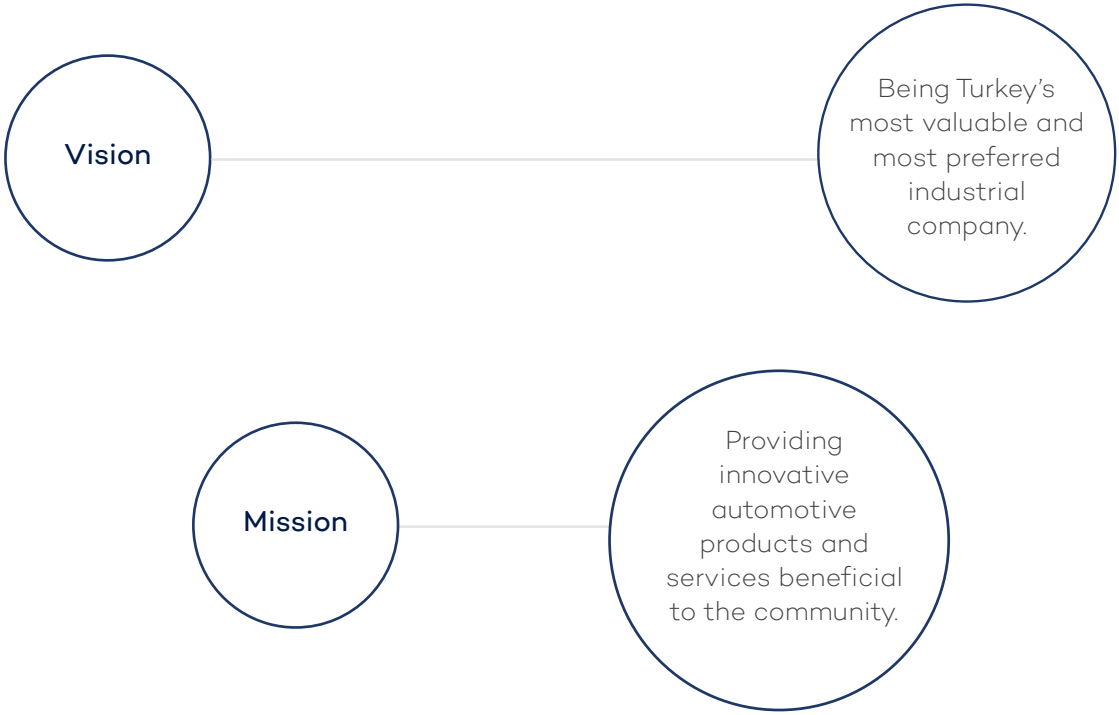
By following the vision of our founder Vehbi Koç since the foundation of our company, we have become one of the well-established companies of the world. Today, with the partnership of Ford Motor Company<sup>1</sup> and Koç Holding with an equal share of 41%, we are a publicly held company at a rate of 18%.<sup>2</sup> Since 2004, we are among the three largest exporter companies of Turkey. For the last 9 years, we are the export leader of the automotive industry and the leader exporter of Turkey for the last five years. **In 2019, our export rate reached to \$5.9 billion across 96 countries on 5 continents. We are the most valuable automotive company in Istanbul Stock Exchange.**

We operate in three main sites including Gölcük and Yeniköy Plants in Kocaeli, Eskişehir Plant in Eskişehir, Sancaktepe R&D Center and Replacement Warehouse in Istanbul. While supporting Turkey’s development with the economic value we create, we also **employ 10,899 people** in our company.

We have the **most competent R&D organization of the Turkish automotive industry** through **1,389 R&D employees** and our technical infrastructure. We’re the only automotive company in Turkey which is able to design an entire car including the interior and exterior visual design. In 2019, we were **rated as the ‘Private Company with the Highest R&D Expenditure’** in ‘R&D 250, Companies with the Highest Rate of R&D Expenditures in Turkey’ survey.

*In 2019, we were rated as the ‘Private Company with the Highest R&D Expenditure’ in ‘R&D 250, Companies with the Highest Rate of R&D Expenditures in Turkey’ survey.*

As of 2019, we are the largest commercial vehicle production center of Ford Europe with a production capacity of 455,000 commercial vehicles, 70,000 engines and 140,000 rear axles. Kocaeli and Eskişehir Plants are considered among ‘The Best Vehicle Production Centers’ of Ford.



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# Ford Otosan with Facts & Figures



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# Chairperson's Letter



**Ali Y. Koç**  
Chairman

*Our qualified and competent employees are among the most important assets that will move Ford Otosan and our country forward.*

Dear Stakeholders,

We have been through tough times.

The impacts of COVID-19 pandemic we have observed so far are conspicuous in various fields of our lives, particularly economic activities. Social and economic results of the pandemic are added to the environmental issues such as social crises resulting from geopolitics, climate crisis, pollution and habitat loss that we have come across in this century. However, this extraordinary condition reminded us once more that a new sense of leadership is necessary to deal with the issues of 21st century. In the era of rapid change, the organizations that are resilient and have high capacity to adapt are affected less by the global crises thanks to the new leadership competencies developed.<sup>3</sup>

We face with the necessity to end social inequalities globally in this challenging period. We have to advocate not only economic equality, but also issues such as equal opportunity in education and gender equality in order to establish sustainability across the world. This year, announcement of the new manifesto as stakeholder capitalism at the 50<sup>th</sup> anniversary meeting of the World Economic Forum is pointing out what needs to change and evolve in the business world.<sup>4</sup> Under transforming world conditions, organizations are now expected to be inclusive for their employees, the community and the environment affected by their activities, in brief their stakeholders, beyond maximizing their profits. Qualified labor force plays a key role for transition to a business model putting all stakeholders in the center. Our qualified and competent employees are among the most important assets that will move Ford Otosan and our country forward. Attracting new generation labor force adopting the mission of creating shared value has become one of the new challenges for the business world. We respond to this global trend with a business model aimed at creating value for all stakeholders. We take on this

mission with nearly 11 thousand employees under the roof of Ford Otosan.

On the other hand, digitalization and technology have become one of the main tools to sustain an economical value in the contemporary world. We cannot consider these important tools while disregarding social and environmental issues. The organizations adapting to new technological developments can achieve efficiency, create value for communities and reduce their environmental impacts by transforming its business skills. Our Kocaeli Plant which is the biggest commercial vehicle production base in Europe and acts on the foregoing point of view, was accepted to the World Economic Forum Global Lighthouse Network with its pioneering Industry 4.0 practices, selected among 1,000 leader producers in the world in 2019. We are honored to be the one and only plant of Ford Motor Company, one of the four automotive plants included in this list globally.

Our current turnover has reached 39 billion TL with an increase of 18% as the biggest commercial vehicle production base. We are the leader of exports in Turkey with a turnover of 5.9 billion US Dollars as at 2019. We have the most competent R&D center of the Turkish Automotive industry through 1,389 employees and strong technical infrastructure. While creating this value for our company and country, we set aside environmental and social aspects of our operations in a transparent manner. We would like to share Ford Otosan's environmental and social performance and corporate governance approach and its progress in these areas with this present report.

I thank our colleagues, dealers, suppliers and all other stakeholders who have been determinate to accompany us in this journey of Ford Otosan.

Respectfully,

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# Message from the CEO



**Haydar Yenigün**  
CEO

*As Ford Otosan, we will  
continue to serve our  
community with all our  
employees.*

**Dear Stakeholders,**

Both Turkey and the world are going through uncertain times. Like other sectors, automotive sector dependent on various factors is also deeply affected by regulations, government policies, global raw material costs and staggering foreign exchange rates. The new corona virus (COVID-19) pandemic has led to many adverse results due to the measures taken to protect the human health. Operational activities in raw material procurement, production and distribution have all been negatively affected and global commerce came to a halt.

In these tough times we are all facing as humanity, production and distribution of medical supplies necessary for COVID-19 treatment has become our main priority. We, as Ford Otosan, took swift action and started supporting the healthcare staff in their fight against the pandemic by ramping up production of face shields and Aerosol Boxes with help our suppliers. As Ford Otosan, we will continue to serve our community with all our employees. Furthermore, we closely monitor the global trends, mainly climate crisis, digitalization, demographic changes and consequently changing needs and expectations of the consumers and manage risks related to our sector. We create a sustainable business model thanks to the investments and practices made accordingly.

With our vision of becoming the most valued and most preferred industrial company of Turkey, we became the company with the most

R&D investments this year in Turkey, providing innovative products and services yielding benefits for the society. Especially with agile and lean transformations we started in 2019, we heavily invested in digitalization and in R&D and innovation under our Common Culture Dynamic Balance. By reaching our profitable growth target set in local business activities thanks to these transformation and processes, our commercial vehicle production made up 77% of the vehicle production in Turkey last year; thus reinforced our leader position in the market. We introduced our renewed Transit model to the market in the second half of this year. Our heavy commercial vehicle brand Ford Trucks continued its growth in the international markets, notably in the West Europe and Russia last year. We opened the first 3S facility in Moscow after completing a new cooperation agreement in Russia.

We continue improving our environmental performance related to production activities. With Solarwall system installed at our Gölcük and Sancaktepe Plants, we achieve a significant energy and financial savings by supplying some of the heating with solar energy. We also installed seven wind turbines with a total capacity of 500 W in Gölcük Plant. We installed waste heat recovery systems in our dyehouse and replaced our electric motors with those of higher efficiency. We focus on LED transformations in lightening and we use direct sunlight lighting in our workshops with Suntracker systems. We made savings in the pressurized air consumption via pressurized air monitoring and control systems. We not only reduce environmental

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effects of our production activities, but also make our products more environmentally responsible. In line with our goal to provide innovative products and services that contribute to our community, we aim at producing transportation technologies and vehicles for the smart cities of the future. We make investments in the use of alternative fuel types in vehicles with a lower emission level (such as natural gas), electric vehicles, hybrid vehicles and related engine and transmission systems and other lighter materials in Ford Otosan plants.

*In line with our Common Culture Dynamic Balance and our vision, step by step we achieve our goals and adapt to the changes with valuable contributions from our painstaking colleagues.*

With pioneering practices and investments made in the sector last year, we attained many successes in international platforms. The Gölcük Plant was included in the World Economic Forum Global Lighthouse Network thanks to its practices focused on Industry 4.0. This award that we are entitled to has been a stamp of approval on our work and investments for Industry 4.0 transformation and elevated us to the level of world’s leading, best-in-class production plants.

New Ford Trucks F-MAX was given the award of the International Truck of the Year 2019, one of the most prestigious awards in the world, at IAA Commercial Vehicles. In another success story, Ford Transit Custom Rechargeable Hybrid vehicle which was launched onto the market in the last quarter and is a first in its segment received the 2020 International Van of the Year (IVORY) award. Under the scope of Ford Motor Company’s traditional President Health and Safety Award (PHSA), Kocaeli Plant ranked first globally under the category of Industrial Hygiene and ranked first in the Europe under the scope of Non-Production Units Workplace Health and Ergonomics Innovation category, and Eskişehir Plant was selected as the production facility with the Best Performance according to the three years’ occupational health and safety statistics.

We carry out our activities with our corporate management and sustainability approach based on justness, transparency and accountability, and we take strength from ethics, equality and diversity. In this context, **we published our Code of Ethics in 2019**. In line with our Common Culture Dynamic Balance and our vision, step by step we achieve our goals and adapt to the changes with valuable contributions from our painstaking colleagues. While getting ready for the future, we support inclusion and diversity, and take leading steps to ensure equality in our sector. We believe that equality transcends gender concepts and therefore it should be in all aspects of life. As the first step in ensuring equality, we published **Ford Otosan Diversity Policy** last year. We are aware that a more equal, inclusive and ideal world will be possible with linguistic and behavioral changes. To create and transform this world, we believe in the importance of making social investments. With the United Nations Womens’

Empowerment Principles (UNWEPs) that we have been signatory of since 2013, we adopt the principle of equality between women and men in all internal activities.

We are the Most Valuable Automotive Company in Borsa Istanbul. We continue being listed in FTSE4Good Emerging Markets Index with our sustainability performance.

I am very happy to share 2019 sustainability performance of Ford Otosan with you through this report. I would like to thank all our stakeholders, especially my colleagues, whom we have achieved this outstanding performance together.

*Respectfully,*



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We carry out joint activities that will create value in social, environmental and industrial areas with various stakeholder groups.

Ford Otosan Ethics Policy and Diversity Policy make us remain firm.

We are listed in the BIST Sustainability Index and the FTSE4Good Emerging Markets Index.

# Strategic Management



*We continued our Digital Transformation, Innovation and Lean Transformation processes in 2019 within the scope of our Common Culture Dynamic Balance, which we started to achieve our vision and strengthen the sustainability management.*

Investors are beginning to include environmental, social and governance (ESG) factors into decision-making processes in line with responsible investment principles. Highlighted topics include the measures taken by companies to tackle the climate crisis, water and waste management, board structure and diversity, working conditions, ethical principles defined, measures against anti-bribery and corruption, dialogue with employees, and having a corporate culture that supports R&D and innovation.<sup>5</sup> Integration of non-financial risks into risk management in a holistic management approach and sharing the targets and performances with ESG policy help

companies stand out. Sustainable Development Goals (SDGs) provide a global guidance in setting ESG policies and targets. Companies contributions to SDGs take an important place in decision-making processes of investors and other stakeholders' perception. The number of international sustainability indices and rating agencies that make more comprehensive evaluations in social and economic areas are increasing. Management of ESG impacts by the companies and acting with a short- and long-term value creation approach play an important role for these evaluations.

By conducting our operations in line with our vision of being Turkey's most valuable and most preferred industrial company, we are growing responsibly. Thanks to our comprehensive value chain, we contribute to socioeconomic development and the development of our industry in our country. We continued our Digital Transformation, Innovation and Lean Transformation processes in 2019 within the scope of our Common Culture Dynamic Balance, which we started to achieve our vision and strengthen the sustainability management.

All of our decisions, actions and behaviors that determine where, how and in which way we are going to go will be based on the Dynamic Balance. It will gather Ford Otosan employees and all stakeholders around a common meaning and purpose, enabling us to work in an environment of trust and helping us move shoulder to shoulder towards a strong

future. With Lean Transformation, our aim is to improve and simplify the business processes in all departments of the company, and to ensure higher quality production with qualified human resources through reorganization and efficient use of time and energy. Lean Transformation also contributes to the adoption of the Company vision by all employees, as well as to Ford Otosan Common Culture Management.

### CORPORATE GOVERNANCE

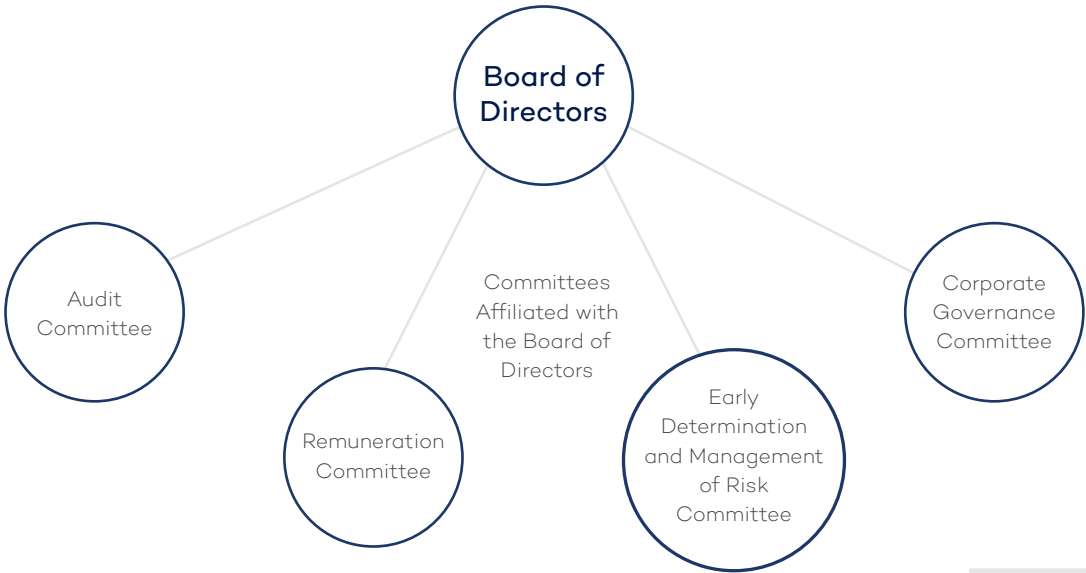
We carry out our activities with our corporate management and integrated sustainability approach based on justice, transparency and accountability, and we take strength from ethics, equality and diversity. In order to ensure a robust corporate governance approach, we look after the interests of our employees, the communities in the regions where we operate and all stakeholders we interact with, as well as our shareholders. In order to achieve our strategic goals, we improve our compliance

with the Corporate Governance Principles, and we publish our progress with the Corporate Governance Principles Compliance Report every year.

The highest management body in Ford Otosan is the Board of Directors. The Board of Directors consists of 14 members, 2 of which are independent members. There are 2 female and 12 male members in the Board. The duties of the Chairman of the Board of Directors and the General Manager are carried out by different individuals. 12 members of the Board are non-executive and their term of office is 12 months.

You can access further details about the Committees Affiliated with the Board of Directors [here](#).

You can access Ford Otomotiv Sanayi A.Ş.'s 2019 Corporate Governance Principles Compliance Report [here](#).



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# Ethics, Transparency, Internal Control and Internal Audit

Ford Otosan adopts compliance to the laws and international conventions to which the Republic of Turkey is a signatory and United Nations Global Compact principles (UNGC), operating in accordance with integrity and honesty, as well as accountability and transparency as principles. We expect all our employees to act in accordance with the Code of Conduct and Ethical Rules in all their actions and operations, and to take continuous development, participation, transparency, impartiality, honesty, company benefit, accountability, trust in statement and predictability as basis while performing their duties.

Our main goal is to conduct all our operations within the framework of all applicable regulations and legislations, to be the best in quality, service and dealer relations, to create sustainable shareholder value and to act in compliance with the highest ethical standards. The reliability and reputation we have in the view of all our stakeholders for 60 years is based on our conduct in compliance with the values including integrity, honesty, transparency, and accountability since our foundation.

We adopt a zero risk approach to anti-corruption, and never tolerate actions and behaviors that violates this approach. We define the Anti-Corruption Policy and the procedures and instructions issued with this policy based on this approach. In 2019, there were no incidents in our company that could be evaluated under bribery and corruption.

*The reliability and reputation we have in the view of all our stakeholders for 60 years is based on our conduct in compliance with the values including integrity, honesty, transparency, and accountability since our foundation.*

Our employees are informed about the anti-corruption methods and processes as well as the legislations that we are subject to within the scope of their anti-corruption training. To date, 3,344 employees have completed the Anti-Bribery and Anti-Corruption Training. It is important for our Company that all individuals and organizations with whom we have a business relationship carry out their operations in compliance with UNGC principles and Code of Ethics. In addition to our employees, we also ensure participation of our suppliers in Ford Otosan Anti-Corruption Training programs. In 2019, we shared our Company's Code of Ethics with our dealers and other suppliers, and in this way, we reminded all of our business



partners the importance of contributing to the sustainability of values and underlined our ethical values.

Ford Otosan's Code of Ethics became effective upon actual approval of the Board of Directors in 2018. The purpose of the Code of Ethics is to record the basic ethical principles and rules of our Company, to protect and expand our ethical culture, and to inform our employees and all persons, institutions and organizations with whom we are related about the subject.

In the Code of Ethics, information regarding the 'Fundamental Principles And Values', 'Notification and Investigation of Breaches of the Code of Conduct and Ethics' steps, ' Ethics Notification Channels' and 'Ethics Governance Structure' are described. The Ethics Board, Internal Audit and Ethics Committee and Ethics Assessment Board have been established within our governance structure, which was redesigned to ensure compliance with the Code of Ethics throughout our company. In addition to this restructured process Ethics Coordinator

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position was established to consolidate and monitor ethics notifications, that reports to Internal Audit Manager.

The Audit Committee working under the Board of Directors, also serves as the Ethics Board, is an independent decision-making committee responsible for high level supervision of the Company activities’ compliance with current legislations, Code of Ethics and Code of Conduct and Ethical Rules. The Ethics Board evaluates the decisions and acts of the Internal Audit and Ethics Committee. The committee also conveys its opinions, requests and suggestions to the Internal Audit and Ethics Committee. The Ethics Board ensures top-level supervision that the notifications within the scope of the Code of Ethics and the complaints received by our Company in this regard are properly examined and concluded. The Ethics Board determines the methods and criteria for handling and concluding the notifications within the scope of the Code of Ethics.

When deemed necessary, committee members may privately discuss matters with higher levels of confidentiality with our Company’s internal audit, request information and assign duties. The Audit Committee informs the Board of Directors when it deems necessary. Audit Committee members are selected from independent Board Members.

The Internal Audit and Ethics Committee, which reports to the Ethics Board, performs supervision of the operability of the ethical governance structure throughout our Company, activities and decisions of the Ethics Assessment Board, reports received by the Company, results of the investigations carried out, and anticipated corrective action plans. In addition to the members of the Ethics Assessment Board,

includes the General Manager of our Company, Deputy General Manager and Chief Financial Officer (CFO). The Internal Audit and Ethics Committee meets monthly.

The Ethics Assessment Board – affiliated to the Internal Audit Department and the Ethics Committee – comprises of the representatives of the Human Resources Directorate, the Legal Office and the Internal Audit Department. The Ethics Assessment Board plans and implements initiatives to ensure compliance with the Code of Ethics, conducts necessary investigations, identifies corrective actions, and ensures coordination with relevant departments. The Committee reports its operations to the Internal Audit and Ethics Committee and implements the decisions made by the Internal Audit and Ethics Committee. The Ethics Assessment Board meets every two weeks.

In all our ethics-related processes, identity of the reporting party and investigations are kept confidential. During the investigation of the

allegations, the rights of the accused person are respected. Hostile attitudes and retaliation against the reporting party are strictly prohibited. When deemed necessary by the Internal Audit and Ethics Committee, the cases can be referred to the Disciplinary Committee.

If there is strong evidence about the existence of a violation against the Code of Ethics, the necessary disciplinary review process about the violation is carried out by the Disciplinary Committee established in accordance with the Procedure of Disciplinary Regulations for the Personnel with Monthly Wage or the Procedure of Disciplinary Regulations for the Personnel with Hourly Wage. Salaried Personnel Disciplinary Committee comprises of the Human Resources Director or a representative at least at the manager level in his/her absence, the Chief Financial Officer (CFO) or a representative at least at the manager level appointed in his/her absence, and an independent Assistant General Manager and/ or Director suggested by the Human Resources Director (except for the Assistant General

Manager/Director affiliated with the Personnel assessed by the Disciplinary Committee). Hourly Personnel Disciplinary Committee consists of a principal and a substitute member appointed by the Human Resources Director, plus a principal and a substitute member appointed by the labor union within employees in the workplace. The Board of Directors is authorized to make disciplinary assessment and take necessary actions about the General Manager, Deputy General Manager and Assistant General Managers. In terms of Directors, the General Manager and Deputy General Manager are authorized to fulfill the duties attributed to the Disciplinary Committee.

The Code of Conduct and Ethical Rules are the guarantee of our culture of ethics and compliance and outline the rules that must be followed at the top level. At lower levels, other policies, procedures and directions of our company describe the details of these rules. For this reason, we attach great importance to the Code of Conduct and Ethical Rules to be known by all our employees and other



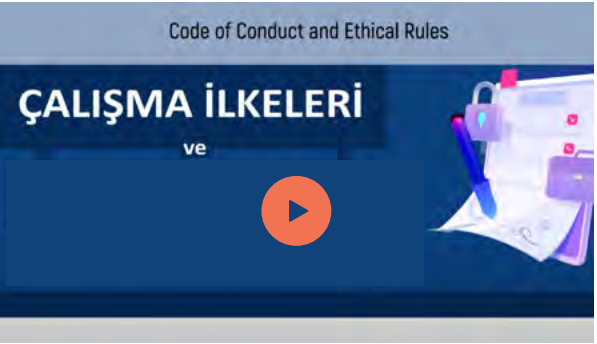
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stakeholders, to make updates in line with the needs, and to prevent possible risks that our company may face by acting accordingly.

In order to ensure compliance with our Code of Conduct and Ethical Rules, our Company regularly informs the Ford Otosan Family consisting of the members of the Board of Directors, employees and representatives acting on behalf of Ford Otosan, distribution network members and suppliers about these principles and rules; meticulously examines the allegations of violations, enforces required sanctions in case of violations, and takes corrective actions. We regularly review the Code of Conduct and Ethical Rules and inform our employees and provide training. In this regard, 2,639 office employees and 8,319 field employees completed this process in 2019.

Being aware of the opportunities provided by equal opportunities and diversity, our Company aims to provide an inclusive business environment, corporate culture and business manner with the principles of diversity and inclusion, based on equal opportunities, respecting diversity and ethical values. Playing an active role to balance the number of employees in disadvantaged groups (women, the disabled, etc.) in the Turkish automotive industry, we strive in supporting inclusiveness, increasing organizational wealth and ensuring an effective diversity management. Within this framework, we launched the Diversity Policy in 2019. Our company also attaches importance to cooperating with ‘institutions that value the principles of egalitarianism and diversity’ in all its relations with its suppliers, dealers and other stakeholders.



You can watch the Code of Conduct and Ethical Rules video by clicking on the icon.



You can watch the Code of Ethics video by clicking on the icon.

In 2019, we became a member of Turkish Ethics and Reputation Society (TEİD) that aims to make business ethics a corner stone in the written culture of all companies operating in Turkey and supports institutions with various publications and trainings. While implementing the Code of Ethics, Code of Conduct and Ethical Rules in all areas of our business life and communications, we continue our operations by taking every guiding and supportive step.

With our ethics and compliance communication plan, in 2019, we carried out 30 different communication activities throughout the year using the content and materials we prepared to inform and raise



awareness of all our employees on matters related to ethics and compliance. Topics that are communicated and announced using the internal company tools (Portal, Aramızda TV and Aramızda Journal) as well as e-mails and letters include the following: ‘Code of Conduct and Ethical Rules 2019 Document’, ‘Ethics Letters Shared with the Dealers and Suppliers’, ‘World Ethics Day Announcement’, ‘Ethics Movie’, ‘Reminder Memo About the Proper Use of Company Assets’, ‘Interview With the Compliance Manager’, ‘Job Interview Guidance Document’, ‘Announcements on Compliance With the Competition Law and Personal Data Protection Legislation’, ‘Code of Conduct and Code of Ethics Orientation Video’, etc. While carrying out our awareness activities, we have worked closely with the Senior Management, and personally received their support in communication with both our employees and all our stakeholders.

In 2020, we aim to continue informing our employees on ethics and compliance and working to raise awareness with the help of different communications channels and

training activities. In this regard, other efforts including informational ethics and compliance reminder announcements, legal compliance trainings, announcements and videos for our field and office employees, e-learning projects enriched in the Code of Conduct and Ethical Rules, interviews on the subject, informative posters prepared for all our employees, etc. are within our 2020 ethics and compliance communication plan.

In addition to the current reporting channels, we launched new notification channels at the end of 2017 in order to notify cases which are not in compliance with the Code of Conduct and Ethical Rules. All our stakeholders can contact the Ford Otosan Internal Audit Department, using their contact information or anonymously, via our email address etik@ford.com.tr, the Ethics Hotline (0850 305 50 10) and the ‘Ethics Notification Form’ on [fordotosan.com.tr](https://www.fordotosan.com.tr). In addition to these communication channels, all reports submitted to the corporate means of communication of our Company are handled sensitively and thoroughly assessed.

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Review results of the notifications received through various channels in the 2018-2019 period are summarized in the table below:

NUMBER OF NOTIFICATIONS RECEIVED BY ETHICS COMMUNICATION CHANNELS



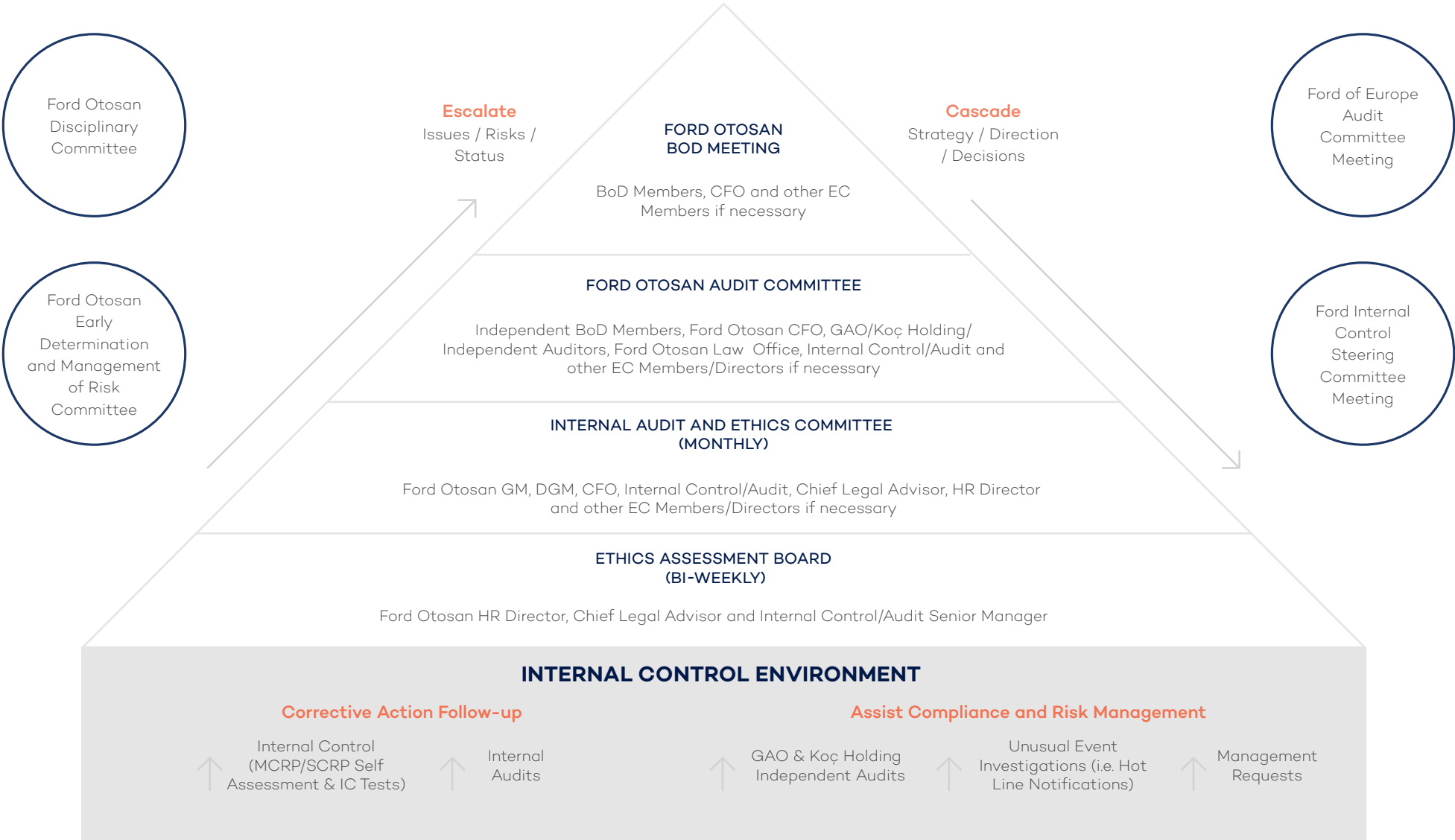
NUMBER OF DISCIPLINARY ACTIONS ON THE REPORTED NOTIFICATIONS



2018 2019

The notifications breakdown in 2019: 31 Inappropriate Employee Behaviours Against Ford Otosan Code of Conduct and Ethical Rules, 21 Violation of the Company Rules and Procedures, 7 Misappropriation of Company Asset and 6 others.

Each year, our Company implements an internal control plan that involves all operations of the company in addition to the policies, procedures and instructions that are an important part of the internal control system and included in the workflows. Using this structure, we test more than two thousand checkpoints annually, and aim to ensure that assurance is provided to the Board of Directors and our stakeholders regarding the accuracy of company operations.



The Audit Committee, a subcommittee of the Board of Directors, periodically monitors all internal control and internal audit activities, and reviews and approves the annual audit plans. The Audit Committee notifies the Board of Directors of the necessary recommendations and presents their opinion on the appropriateness of the financial reports.

The Internal Audit Department conducts annual investigations throughout our company. In addition, our Dealerships and Authorized Service Centers are also audited. Reports and complaints received regarding our company

activities are also reviewed by the Internal Audit Department, and the results of the audits and reviews are reported to the Ethics Assessment Board, Internal Audit and Ethics Committee and Audit Committee. Upon reviewing the findings obtained from all internal control, internal audit and external audit activities, corrective action to improve the internal control system is planned, monitored by the Internal Audit Department, and then brought into action. The reports and results of these activities are regularly reported to the Audit Committee, which consists of the Independent Board Members. Within the scope

of the internal control and audit activities carried out during the reporting period, no significant inconvenience was found in our company operations that violate the legal regulations or company policies.

You can find Ford Otomotiv Sanayi A.Ş.'s Code of Conduct and Ethical Rules [here](#).

You can find Ford Otomotiv Sanayi A.Ş.'s Code of Ethics [here](#).

You can find Ford Otomotiv Sanayi A.Ş.'s Anti-Corruption Policy [here](#).

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RISK MANAGEMENT

Global trends such as increased use of artificial intelligence, automation in production processes, and driverless and electric vehicles pose risks and opportunities to the automotive industry. Today, global events including the participation of the automotive industry in the trade wars among developed countries and COVID-19 break interrupt the continuity of business and production processes. In addition to these, the automotive industry is expected to effectively manage occupational safety and take an active role in mitigating the climate crisis.

As Ford Otosan, we establish risk management and internal control systems and prepare action plans in order to minimize the occurrence and the impact of these risks, to keep the value we created for our stakeholders at the highest level, and to ensure the sustainability of our business. We regularly inform the Board of Directors, Early Determination and Management of Risk Committee, Audit Committee and Senior Management of possible risks and the actions taken.

The Early Determination and Management of Risk Committee is responsible for the early detection of risks, the implementation of the necessary measures related to the identified risks, and the management of the risk, and reports directly to the Board of Directors. The committee meets at least 4 times a year and reports the risks 6 times a year.

Our aim is to expand Risk Management and ensure the participation of all units within the company. Coordinators and managers who are responsible for risk management in departments determine the financial,

operational, strategic and legal risks related to their departments, making them measurable and get the support of senior managers for management and prioritization. In this way, we ensure that senior executives play an active role in risk management within the company. The ‘Corporate Risk Management Working Group’, which meets every two months under the leadership of the Corporate Risk Management Officer, discusses company risks in an interactive environment and generates solution strategies. In 2019, we provided training to team leaders, enabling them to take an active role in detecting the risks and generating solution strategies. We not only increased the awareness of all office employees on Risk Management through our eLearning, but also enabled them to contribute to the creation of the Company’s Risk Profile.

As per the ISO 9001, ISO 14001, ISO 45001, ISO 50001, ISO 10002, ISO 270001 Management Standards we are subject to, we map our risks in every field of operation.

We follow the management of the risks concerning Ford Otosan under four main topics.



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Financial Risks

We standardized performing long-term financial analyses once a year. With these financial analyses, we examine various subjects including long term (five years) profitability, investments, expense levels (production and fixed expenses, etc.), and balance sheet status (liquidity, borrowing etc.). We calculate the impact of these on profitability within the scope of prospective strategies and perform a situation assessment for profitability, cash flow and required financial conditions (net financial debt/EBITDA rate, etc.) using sensitivity analyses and stress tests in various scenarios.

We manage credit, liquidity, interest, currency and capital risks under financial policies.

You can find further details about risks and management in the 2019 Annual Report.

Operational Risks

We monitor business processes including quality, efficiency, human capital, customer satisfaction, information security, and pricing under operational risks through numerous indicators and values and manage them according to the targets set. Using Business Continuity Plan (BCP) - another basic risk management tool for operational processes - we ensure continuity of our operations after events that may cause interruption in various situations, from natural disasters to technical damages. Thanks to BCP, we analyze any scenario that may cause interruption beforehand and ensure business continuity through predefined strategies and procedures. Following the preparation of BCP plans, we provide training to all our office staff to raise awareness and define the tasks and roles they will be assigned in when there is a possible risk. In order to ensure the accuracy of the

plans, we conduct annual tests first within the department by the managers responsible for the Business Continuity, and then at three locations by the Risk Manager.

In 2020, due to COVID-19, we prioritized annual updates and drills. At three different locations, we performed drills according to the scenario of ‘Vehicle production in plants stopped due to coronavirus and the office staff continues to carry out critical processes from home’. Within the scope of the drills, the General Manager activated the BCPs by launching the senior management Search Tree, while the senior management members directed the internal drills by activating the BCPs in their own departments. Rescue Teams at the BCP continued their critical processes according to the predefined plan without interruption. Again, within the scope of the drills, Rescue Teams connected to the systems and tested the speed and capacity of them, while Information Technologies Department completed the necessary measures for uninterrupted business continuity. Upon completion of all preparations, we switched smoothly to the work from home scenario.

Strategic Risks

Every year, we update our strategic plan detailing our company's vision, mision, main strategy, goals and steps towards these goals to cover 5-year activities. In this regard, we review the company vision and mission, global trend and competitor analysis, and our business model, then make updates where necessary. We evaluate in detail our business units and their functions that support us in order to realize our goals and strategies. SWOT analyzes prepared separately for the whole Ford Otosan and individual business units are also an important part of the update plan.

As a result of the SWOT analyses, two important risks we face with include Digitalization and Innovation and Environmental & Climate risks. You can find the actions we take on these subjects in the relevant sections of the report.

Legal Risks

Ford Otosan’s Legal Consulting Department regularly monitors possible changes in the legislation and conducts necessary notifications, trainings and compliance program activities in order to prevent potential legal risks. Significant conflicts and legal developments that our company face with and which require action are reported to the Audit Committee and the Early Detection and Management of Risk Committee, action plans are defined and followed up.

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# Sustainability Management

The Sustainability Committee is responsible for the implementation of the sustainability strategy and policy and planned and systematic execution of activities in order to improve our sustainability performance in social, environmental, economic and governance areas.

The Committee informs the Board of Directors about the measures to ensure the implementation of the sustainability principles, areas that can create opportunities, and the results of the activities. Sustainability Policies include the UNCG and the Declaration of Equality at Work which we are committed to comply with as well as working principles, environment and energy, anti-corruption, ethics, occupational health and safety, and diversity policies.

Thanks to our successful sustainability performance which we share with the public transparently, we are listed in the BIST Sustainability Index and the FTSE4Good Emerging Markets Index including responsible investors. We respond to the Climate Change and Water programs of the Carbon Disclosure Project (CDP). For the first time in 2019, we responded actively to the Dow Jones Sustainability Emerging Markets Index (DJSI), and in 2020 we will again respond actively.

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



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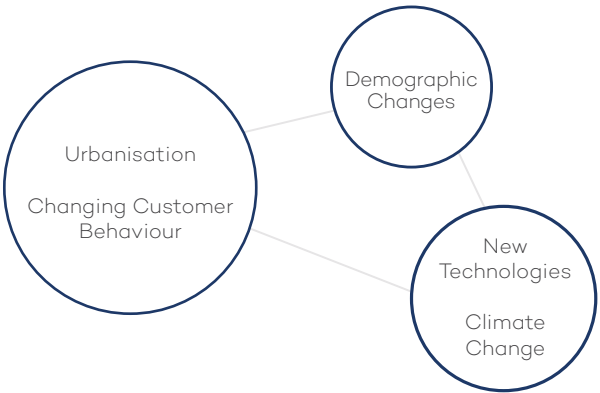
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GLOBAL TRENDS AND MATERIAL ISSUES

We conducted an exhaustive analysis to specify our material issues in terms of sustainability. Through the stakeholder analyses, we collected feedback about the expectations from the dealerships, suppliers, investors, non-governmental organizations and the representatives of local authorities. In addition to this, we also included the global trends related to the automotive industry and the company business strategy into the materiality analysis. As a result of the analysis, eight material issues have been highlighted under the social, environmental and economic groups.

Trends Affecting Automotive Sector



Some Issues and Developments Highlighted by the Trends:

- Talent management
- Vehicles adapted to urban life
- Sustainable urbanisation
- Smart cities
- Sharing economy
- Digitalisation and robotic technologies
- Autonomous cars
- Internet of Things
- 3D printers
- Electric vehicles
- Sustainable raw material
- Renewable energy

SOCIAL MATERIAL ISSUES	HOW DO WE MANAGE?	RELATED SECTION	
Sustainability Risks	We identify financial and non-financial risks before they occur and prevent them from harming the continuity of our operations. We map risks throughout the value chain, and create areas of opportunity through various collaborations (Goal 17).	Strategic Management	
Inclusion	We provide our employees with equal and fair working conditions based on inclusion, support diversity and we focus on the development of our employees. We support gender equality (Goal 5) and a decent work and economic growth (Goal 8).	Investing in Talents	
Vehicle and Traffic Safety	We aim to provide a world-class driving experience to our customers by using state-of-the-art technology, innovative design and innovative materials. Thus, we contribute to the development of sustainable cities and communities (Goal 11).	Transport Technologies of the Future	
ENVIRONMENTAL MATERIAL ISSUES	HOW DO WE MANAGE?	RELATED SECTION	
Energy Efficiency and Emissions	We reduce greenhouse gas emissions every year in line with our goals by focusing on energy efficiency to contribute to combating global climate crisis. We aim to ensure that climate action (Goal 13) is taken to mitigate climate change for the life below water and on land (Goal 14 & 15).	Environmental Responsibility	
Vehicle Fuel Consumption and Emission Levels	We develop new engine systems in response to the tendency of customers towards energy-efficient vehicles. Reduced fuel consumption ensures both resource efficiency and decreased greenhouse emissions. We support climate change mitigation by reducing our carbon footprint (Goal 13) and ensuring responsible consumption and production (Goal 12).	Transport Technologies of the Future	
ECONOMIC MATERIAL ISSUES	HOW DO WE MANAGE?	RELATED SECTION	
Innovation and Digitalization	We invest in innovation and digitalization that have an important place in our business model. We contribute to supporting inclusive and sustainable industrialization and strengthening industry, innovation and infrastructure (Goal 9), making cities safe and durable by developing sustainable cities and communities (Goal 11), and securing responsible consumption and production patterns (Goal 12).	Sustainable Growth	
Customer Satisfaction	With the aim of becoming the leading automotive brand in customer satisfaction in sales and aftersales products and services, we regard customer satisfaction (Goal 12) as our first priority.	Sustainable Growth	
Value Chain	We focus on the improvement of the value chain in order to manage our operations in an integrated and effective way, and to ensure the continuity of our success. In this regard, we care about the success of our suppliers and dealers who are our main business partners. We cooperate with our business partners (Goal 17), and also contribute to their decent work and economic growth (Goal 8) by spreading our sustainability approach through audits and two-way communication	Sustainable Growth	

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# Stakeholder Relations

*As Ford Otosan, we strive for establishing two way, transparent and constructive relations with our stakeholders.*

Under rapidly changing global trends, organizations are expected to create value by including their employees, the community in the regions where they operate and all other stakeholders, beyond maximizing their profits. The announcement of the new manifesto as stakeholder capitalism at the 50<sup>th</sup> anniversary meeting of the World Economic Forum (WEF) is one of the most important evidence that the stakeholder-oriented transformation has begun in the business world.<sup>6</sup>

As Ford Otosan, we strive for establishing two-way, transparent and constructive relations with our stakeholders. We develop mutual trust and integrity-based stakeholder relationships with the guidance of our Code of Ethics and try to respond to the expectations in the best way possible.

We carry out joint activities that will create value in social, environmental and industrial areas with various stakeholder groups, including employees, suppliers, dealerships, public enterprises, non-governmental



organizations and international organizations. We include our dealerships and suppliers in the corporate social responsibility projects that we implement in social investment areas.

You can find further details in the Social Investments section.

We define suitable communication methods for each stakeholder group and reach them when necessary. You can find the table summarizing the means of communication we use for our stakeholders in Annex-2 Stakeholders and Communication Methods.

During COVID-19 period, we conducted weekly online live broadcasts with all our suppliers, moderated by our Assistant General Manager – Purchasing. We also supported them in process management by sharing our suggestion for more efficient execution of this period from employee psychology to measures to be taken in production processes, and the activities completed in Ford Otosan.

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Digitalization, adaptation to technological developments respond to customer demands, and deepening in innovation and R&D also play an important role in sustainable growth.

Within the scope of open innovation, we have been in contact with more than 250 initiatives, and we have cooperated with 10 of them in purchasing product services and placing products on the market.

The Common Culture Code with Ford Otosan Dealers & The Common Culture Code with Ford Otosan Suppliers.

Sustainable Growth



# Sustainable Growth

Sustainable growth means continuous improvement of financial performance, improving economic, social and environmental impact and long-term profitable growth. By continuously increasing our financial profitability, we use this resource to create value for our entire stakeholder ecosystem we are in contact with, from our suppliers to our customers, and to enable value added production. With our contributions to the national economy and employment in Turkey we aim to create sustainable growth.

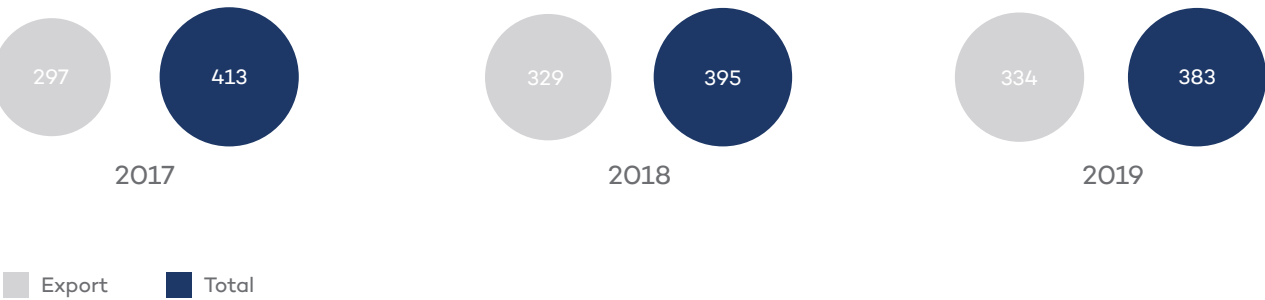
Researches suggest that by 2025, the changing balances between regional markets will affect the growth dynamics of the automotive industry; digitalization and technology solutions will be effective in leading the industry; and investments in innovation will come to the fore.<sup>7</sup> Digitalization, adaptation to technological developments, and deepening in innovation and R&D also play an important role in Ford Otosan’s sustainable growth agenda. In order to realize this agenda and lead the transformation in the automotive industry we are constantly improving our financial performance.

In Turkey, automotive market sales decreased by 23% in 2019 to 487,671 units. With the effect of this contraction in the market, our total sales decreased by 3% to 382,919 units.

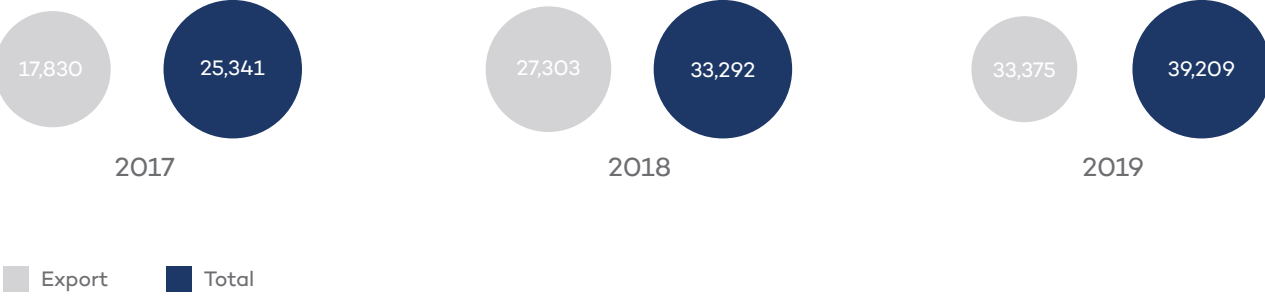
Despite the 26% decrease in domestic sales, we have limited the contraction in domestic revenues to 3% thanks to our sales strategy focused on high-margin products and our pricing discipline. Export volume increased by 2% annually to 334,455 units, and export revenues increased by 22% annually to TL 33,375 million. Thus, our total sales revenues increased by 18% thanks to our strong export performance and reached to TL 39,209 million.

Despite the contraction in the domestic market as well as the increase in the exchange rate and the increasing costs due to inflation, our profitability increased by 12% in 2019 to TL 3,198 million. Profit before tax increased by 11% to TL 1,950 million. Net profit was higher than pre-tax profit with the effect of 16% increase and deferred tax income with TL 1,959 million. The dividend distributed increased by 7% compared to 2018 and a total of TL 1 billion 284 million gross dividend was paid in two times during the year.

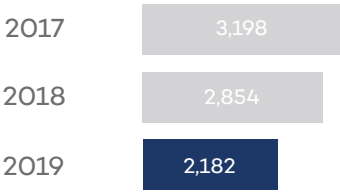
WHOLESALE VOLUME (1,000 UNITS)



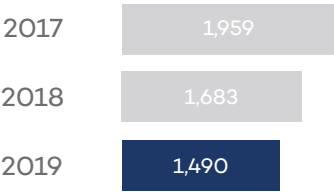
REVENUES (TL MILLION)



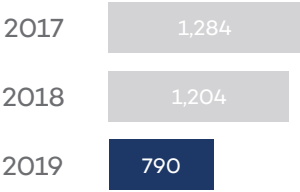
EBITDA (TL MILLION)



NET PROFIT (TL MILLION)



DIVIDEND (TL MILLION, GROSS)



You can find further details regarding the financial performance in 2019 Ford Otosan Annual Report.

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# Lean Production

*We achieve increase in efficiency, productivity and competitive advantage thanks to Ford Production Systems through lean production line layout and fully installed manufacturing system.*

One of the most important factors providing competitive advantage in the sector is resource efficiency. We adopt the lean production approach to enable higher quality production with a qualified workforce using less time, area and energy. To achieve this, we improve our production processes through digitalization, technology and Industry 4.0, and we focus on robotic technologies, virtual reality and wearable technology practices in production. Thus, we always innovate to meet the expectations of our customers by making use of digitalization and technology. Our goal is to enable production with better quality and safety levels, low environmental impact and minimum error through our smart factories.

We achieve increase in efficiency, productivity and competitive advantage thanks to Ford Production Systems (FPS) practices through

lean production line layout and fully installed manufacturing system. We started the transition process to Global Ford Production Systems in 2011 by gathering all production processes under a single roof and developing the systems and in 2012. We provided Global FPS training to all Ford Otosan employees. We deployed the system in 2013 in Gölcük and Eskişehir Plants and in 2014 in the Yeniköy Plant. Ford Otosan Plants was recognized by Ford Europe FPS office as the best plant at the end of the inspections. We have been registered by Ford Europe as the best performing system.

Yeniköy Plant has the best quality metrics among Ford European factories since 2016 and is the most efficient plant within the scope of the energy spent per vehicle. In line with its vision of becoming Ford's leading production hub, Yeniköy Plant ranks at the top among all Ford of Europe in the Industrial Hygiene category of Ford Motor Company's annual President's Health and Safety Awards (PHSA) with its "Flexible Fume Extraction System" project. As a result of the projects implemented, the plant has been achieving the best energy consumption levels per vehicle in the ecosystem of Ford of Europe for the last three years. According to 2019 results, Yenikoy Plant also ranks as Ford of Europe's best manufacturing site with 30 gr/m<sup>2</sup> in VOC (Volatile Organic Compound) values. The plant achieved a reduction in chemical material consumption, and reduced its environmental



impact by causing less CO<sub>2</sub> emissions of 34,000 tons through energy efficiency practices.

Since 2015, we have been carrying out innovative projects to establish the plants of the future with Industry 4.0. Using Industry 4.0, the Gölcük Plant increased its production capacity by 6% without additional investment saved €5.4 million. Through digital capacity management and planning tools, the Tool-and-Die plant decreased the average die production time by 47% and increased the die production capacity by 31%. Thanks to the robot data

analytics system, total robot failures decreased by 9% and this enabled a decrease by 5% in the spare parts consumption. Prevention of failures that may cause severe damages is ensured through the failure estimation system. As a result of independent evaluations made by the World Economic Forum (WEF) with these and similar practices, the Gölcük Plant was entitled a Lighthouse Factory and joined the Global Lighthouse Network.

You can find further details regarding our other innovative applications and plants in in 2019 Ford Otosan Annual Report.

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*Total R&D expenditure  
in 2019 is approximately  
TL 420 million.*

Bringing practices that create competitive edge in the industry is possible only by increasing investments in research and development (R&D). Our company has the largest and well-established R&D organization in Turkey’s automotive industry. With the power of R&D, we have brought many new products to the industry by leading the way for many years. Our R&D know-how and culture, our capabilities and infrastructure make it possible to design and develop a vehicle from the very beginning with all processes including engine, interior and exterior visual design, and offer it to the customer.

While global trends affect the transformation of the automotive industry, there is a need to focus on different topics alongside traditional products and services. We do not set conventional bounds to our R&D approach. In addition to the conventional automotive products and services that develop with technological transformation, we invest in R&D in the fields of fuel optimization, reduction of CO<sub>2</sub> emissions, development of connected and autonomous vehicles, production of electric vehicles, electrification and development of light vehicle technologies. We follow up national and international R&D funds to increase these investments.



Using the know-how of R&D employees, we manage every critical process related to the automotive industry and we carry out numerous projects on developing engine and power transmission systems that make up the vehicle, the interior and exterior body, chassis systems, electrical and electronic systems, and light parts. We consider life cycle (Life Cycle Assessment - LCA) approaches within the scope of recycling and part service life assessment.

We position diversity at the core of R&D and product development processes and we aim to enable people from all ages to use our vehicles

easily and comfortably. While designing our vehicles for various uses such as school service, public transportation, individual use, and commercial use, we take ease of use into consideration for all segments of the society including women, men, youth, seniors, children and individuals with disabilities. We update the design and products according to the characteristics of the targeted user group. For example, in our products to be used as a public transportation vehicle, we offer options such as disabled lift, special vehicle position for wheelchair, seat arrangement, and various knee distances considering the needs of different user profiles.

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Sancaktepe  
R&D Center



Gölcük  
R&D Center

Eskişehir  
R&D Center

## R&D CENTER

We are positioned as the global engineering center of Ford Motor Company for heavy commercial vehicles as well as related diesel engines and engine systems. We also serve as a support center in light commercial vehicle design and engineering. Sancaktepe R&D Center has become the second R&D center of Ford Otosan upon registration by the Turkish Republic Ministry of Science, Industry and Technology in December 2014. The fact that we design and develop competitive products in Europe and North America as well as in Turkey has enabled us to make the Ford Otosan Sancaktepe R&D Center a hub on a global scale.

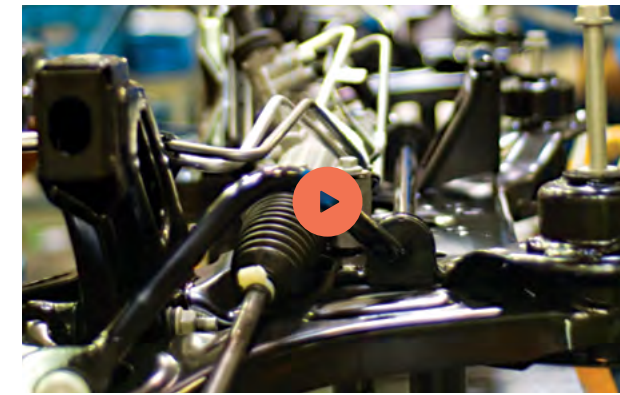
We take part as a project partner in the projects funded by the European Union, especially the Horizon2020. Our R&D programs include software innovations, recovery of precious metals used in the automotive sector, development of emission control systems, development of programmable systems for smart vehicles, modelling of electric vehicles and components, automotive applications of visible light communication, and 5G technologies for assisted, connected and autonomous mobility.

1,058 of 1,389 R&D employees continue their operations in Istanbul Sancaktepe and export engineering. Our total engineering exports have reached \$697 million since 2010. With our R&D investment and know-how, we were awarded the first prize by the Turkish Services Exporters Association (Türkiye Hizmet İhracatçıları Birliği) in the Architecture, Engineering, Scientific & Other Technical Services category.

## Recycled Fan Shroud

We make use of the power of innovation in developing solutions for the global climate crisis - today's one of the most important problems affecting the whole world. In 2019, we developed a part that provides the same performance level by using recycled material instead of the conventional fan hood part made of only raw plastic. We converted the previous product with 70% raw PolyPropylene and 30% glass fiber to 20% raw PolyPropylene, 50% recycled (from office materials) PolyPropylene and 30% glass fiber product. We have cooperated with the manufacturing company to overcome problems such as providing recycled materials using the same quality waste material, and experiencing a difference and decrease in the visual performance of the part. We have successfully performed material tests, vehicle tests and line tests of the product. With this project, we have eliminated the carbon emissions related to imports and achieved 16% cost savings with 2.2 kg carbon footprint reduction per piece.

We reached the finals in Plastic Recyclers Europe Awards - known as the most important competition of Europe in its field - with the Fan Hood from Recycled Materials project in the Automotive, Electric & Electronic product category.



You can reach the Fan Hood from Recycled Materials project video by clicking on the icon.

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This first product was the start of the Re3 Project (Recycle, Reuse, Reduce) at Ford Otosan. In this regard, we paved the way for the production of products that cause less harm to the environment with lower carbon footprint and water consumption, and took necessary steps to make the existing products more environmentally friendly.

WhistleTracker

We attach great importance to improving the know-how of our company through R&D and innovation processes. During the production process, some specialist mold masters can notice whether there is a tearing problem in the parts by listening to the sound formed during sheet part press production lines. Inspired by this expertise and competence, we developed the WhistleTracker Project. Within the scope of the project, we combined industrial sound sensors and data collection device with specially developed software. By passing the data from the sound sensor and data collection device through digital filters, we separate the sound produced during deformation from all ambient noise. Thus, the software learns the sound that will not create tears for each part at audible and inaudible frequencies, enabling to give a warning signal when a change is noticed with the sound. At the end of 2019, we produced the first prototype of the system. We have collected data from thousands of parts, both during the system development phase and the system validation processes. In 2020, we aim to contribute to the understanding of excellence in production processes by increasing the error trapping rate of the system.

Automated Guided Vehicle (AGV) for Material Transportation

We launched the Automated Guided Vehicle (AGV) project in order to increase the



performance by saving time and operator costs in material movements. Making use of the digital transformation and innovation efforts in order to reduce the cost burden associated with AGVs for Ford Otosan, we focused on building our own AGV. In connection with the forklifts providing material movements in line processes, we have developed automatic guided vehicles to reduce high labor, time and operator costs. These vehicles not only reduced these costs but also contributed to increasing profitability and efficiency. It also enabled reduction of CO<sub>2</sub> footprint.

We focused on a new business area by evaluating the potential of the vehicles in the market using 2025 projections. For this

purpose, we organized an innovation camp in Ford Otosan. We completed the feasibility study of two types of AGVs through market research, literature review and comparison. We produced the AGV - the software and development of which is completely owned by Ford Otosan - in cooperation with competent teams in the fields of software, robotics, system design, mechanics, material movements, etc. For the upcoming years, we aim to increase the number of AGV orders from plants as internal customers and make AGV merchantable outside the company.

INTELLECTUAL PROPERTY

For the products and services we offer using

our R&D activities, we apply for patent registrations at local and international levels and protect our patented products within the scope of intellectual property.

- The total number of patent registration certificates received from the Turkish Patent and Trademark Office reached 41.
- We increased the total number of applications to 354 with 5 patent application to the Turkish Patent and Trademark Office. By making 15 Patent Cooperation Treaty applications, we took steps to protect our activities at the international level.<sup>8</sup>

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We group our activities in five main categories to cover our entire value chain including dealers, customers, suppliers, employees, product design and production.

Digitalization plays an important role in transformation of today's global economy. Companies are making use of digitalization for the sustainable transformation of their business models, because the opportunities brought by digitalization have important opportunities in different fields from clean production technologies to brand reputation.<sup>9</sup> Through digitalization, which has a direct impact on sustainability performance, investments in areas such as the use of big data, artificial intelligence, cyber security, the Internet of Things (IoT) and robotics technologies are increasing. Today, with Industry 4.0, as one of the most important areas of digitalization, it is possible to provide efficiency and improvement in various business areas from the supply chain to shaping the economic demand.<sup>10</sup> At Ford Otosan, we invest in developing competencies in line with these increasingly important areas in order to maintain our leadership in the use of digital technologies, especially in R&D and innovation.



We focus on digital transformation to develop existing businesses, create new business opportunities and achieve our growth vision. We group our activities in five main categories to cover our entire value chain including dealers, customers, suppliers, employees, product design and production.

1. Connected Customer & Dealer

We make it possible for our customers and dealers to improve their service quality and standards to enhance the customer experience by benefiting from digitalization. We analyze requests of connected customers and dealers 24/7 and offer them customized products and services. To do this, we centralize the dealer systems. Using the most effective data, we make the most accurate estimates of the dealers' order processes. We collect customers' complaints and opinions about our products and services with digital tools, and we make improvements in product designs based on these views. In addition, we enable field sales

representatives to close sales from online and mobile environments.

- Using the Connected Customer and Dealer approach, we have perpetuated our approach of fast, accurate and innovative service and increased both dealer and customer satisfaction. With our smart service catalog project launched at the service points, we ensured that the 3D data of all parts are displayed in our services. In this way, we increased customer satisfaction and service efficiency by ensuring that the right part is installed in the right vehicle. We introduced 32 new features in the IDEAL project that we carried out at the dealers' side. You can find details about the IDEAL project in the Customer Relations section.

2. Connected Manufacturing

We take advantage of the possibilities offered by digital transformation in production, and we design more productive, dynamic and predictive production processes with Industry 4.0. We collect and process all IoT and production data on a single big data platform. We strive to notice failures beforehand and carry out necessary maintenance activities. We aim to act by anticipating possible quality problems before they occur.

ModFing

We undertake projects aiming at preventing many machine failures including pumps, vehicle lifts and fans working in production sites and eliminating downtime in production. In line

with this, we used the data collected with the wireless vibration sensor, which we named as CUBE (KÜP), in vibration based predictive maintenance activities within the scope of the ModFing project. We aim to provide numerous benefits including prevention of downtimes in the production line as well as reduction of the energy consumed during downtimes, energy and labor used during the compensation process of production and spare parts stock kept to intervene in sudden failures. With the prototypes we completed in 2019, we built the software that will enable the CUBES to be used functionally at the plants. In the coming years, we will start to follow the indicators such as energy consumption, savings and prevention of job loss.

- By putting our Digital Plant concept into practice, we take advantage of the opportunities that enable us to manage our impact in different areas of digitalization. We reduced the use of paper per line by presenting the information about the vehicle used by the operator at the plants on wearable digital screens. In this way, we saved approximately TL 1 million in paper expenditures. We also started digitizing energy management systems. Using the energy monitoring and warning system, we ensured the reduction of line downtimes and increased efficiency. Thanks to our investments in Robotic Process Automation (RPA) system, we fully automated 21 processes and started using artificial intelligence in line planning.

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### 3. Connected Product

Through digitalization, we design smarter products with higher added value. In order to do this in the most effective way, we develop tools that enable us to collect the most comprehensive information about the product. We make our vehicles connected and focus on value added services by using the data collected. Using digitalization, we make product-related processes leaner and take advantage of the opportunities offered by digitalization in design methods.

### 4. Connected Employee

Digitalization of employee experience is one of the key conditions that ensure employee productivity and happiness. We work on the infrastructure that will enable employees to work flexibly and remotely from mobile environments, and provide them with a digital work environment. With the automation of routine tasks and jobs with lower added value, we enable every employee to work creatively, effectively and efficiently.

We carry out data analytics projects by analyzing the data collected from employees to increase their happiness and enable them to work at the company for many years. We establish more accurate decision-making mechanisms by transferring years of employee know-how and experience to learning systems.

#### ● FOCEP

*Using new digital processes, we developed the FOCEP app, which enables employees to perform their routine corporate processes via the mobile platform. We make the lives of our employees' easier by migrating numerous new processes, from passing through turnstiles to travel requests, to digital platform. With the new employee communication portal, we increased internal communication and made all applications accessible from one screen.*

### 5. Connected Supply Chain

Suppliers play a major role in sustainability in production. By connecting suppliers to the central data and management center with the Connected Supply Chain approach, we develop and manage stock and on-time order processes perfectly. We carry out digitization projects for improvements in storage and logistics systems.

- *We have stepped into the single large plant concept with the smart stock, parts order and estimation project by connecting the systems in the suppliers' plants with our own systems.*

#### LaserSonix

The production of non-defective parts is critical for companies' sustainable resource management. We implement acoustic resonance management to detect defective parts to manage time, materials and costs due to faulty production. In this way, we hit the part with a hammer and monitor the vibration emitted with the sensor. Using the recorded signals, we get a two-dimensional graphic that shows the vibration characteristic of the part. In this way, we detect component defects and ensure that hundreds of thousands of parts produced have the same features and are flawless.

At Ford Otosan Gölcük Plant, we use the system that measures the response without laser contact with the parts using a laser vibration meter in press lines. We aim to use the LaserSonix Q system, which will become a commercial product in 2020, at the Ford Otosan Eskişehir Plant, in the supplier industries, and Ford plants, respectively.



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# Innovation

*By founding the Department of Innovation and New Initiatives in 2019, we were able to institutionalize corporate innovation and the company culture.*

We adopt proactivity and creativity in our product, process and business model. Our aim is to be known as not only a conventional vehicle producer but also a company that leads the industry with services produced, shapes the transportation facilities beyond what’s imagined and stands out with creativity. We see innovation as the most important tool to achieve this. Accordingly, we position innovation, entrepreneurship, change management and open innovation as the foundations for our success and leadership in the industry. By founding the Department of Innovation and New Initiatives in 2019, we were able to institutionalize corporate innovation and the company culture. We supported the deepening of this culture with training and seminars focused on innovation and digitalization.

We evaluate the opportunity areas in trends that have an impact on our industry. In this

regard, we consider smart mobility as an area that will significantly contribute to our leadership in the industry, and we focus our efforts on innovation. In order to take part in the innovation center of the world, the Silicon Valley, and to benefit from related activities, we have assigned one of our employees in the project carried out by the World Economic Forum (WEF) on Autonomous Vehicle Technology and Regulations at Ford’s facilities in Palo Alto. With our presence in Silicon Valley, we take part in the activities that guide the future of the industry and technologies in the center established by WEF for Industry 4.0. In this way, we had the opportunity to establish collaboration with autonomous freight transport initiatives that create advanced technology, Fortune 500 companies, different investment funds, and acceleration and incubation centers.

**Ford Otosan Innovation Platform**  
Ford Otosan Innovation Program is an innovation process that enables employees to put their ideas into practice. With this process, we aim to position those who have ideas as internal entrepreneurs. For each prioritized project, we set up Idea Maturation Teams (Fikir Olgunlaştırma Takımları - FOT) including these persons with ideas. We provide comprehensive corporate entrepreneurship trainings to our teams, which are offered by experts in corporate entrepreneurship.

DIGITAL TRANSFORMATION	We use digital tools and methods to create efficiency and value. Digital transformation is directly related to other innovation areas and supports these areas.
SMART PRODUCTION	We focus on transforming existing processes at the plants into more competitive and flexible processes thanks to smart and efficient production, materials, planning and logistics systems. We bring together different technologies such as the Internet of Things, smart factories, cyber/physical systems and industrial internet.
CUSTOMER EXPERIENCE	We design applications such as mobile services, innovative dealership and service structures, vehicle and trip sharing by taking the pre-sales, sales and aftersales processes in line with the changing transportation needs of the consumers and increasing online communication channel use.
CONNECTIVITY	We focus on connected vehicle technologies that represent the interaction of vehicles with each other and with the city infrastructure as part of a wider transport ecosystem. We produce internal/external connectivity systems, including navigation for a safer and more efficient driving experience, smart engine with mobile communication channels, fleet management systems, and in-vehicle infotainment systems.
AUTONOMOUS TRUCK	We evaluate the development of products based on advanced technologies such as advanced detection systems, cyber-security systems, automated tests, ensuring aerodynamic gains with close tracking, precision mapping systems, and new solutions to be brought to the logistics industry thanks to these products.

We focus on innovation in the fields of Digital Transformation, Smart Production, Customer Experience, Connectivity and Autonomous Truck as determined by the Ford Otosan Innovation Committee.

**Fikirhane (Ford Otosan Innovation Portal)**  
Fikirhane is a portal where employees share their ideas, can follow the status of shared ideas, ideas can be liked and interpreted by users and which provides communication between the idea owners and system administrators. With the platform, we enable management of innovative ideas.



You can find further details about Fikirhane in the Investing in Talents Section.

**Gembox Teknoloji Girişimleri A.Ş. - Driventure**  
With the venture capital called Gembox Teknoloji Girişimleri A.Ş.



and founded in 2019, we aim to evaluate the emerging ideas within internal entrepreneurship. Our goal is to establish dynamic links with the start-ups in the Silicon Valley, Turkey, Europe and Middle East ecosystems and create joint projects to improve the strategic value of the investments.



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## OPEN INNOVATION

In today's world, open innovation is seen as one of the most important tools for transformation in the business world. In addition to producing information with the company's internal resources, open innovation, which expresses the use of current research and innovation and collaborations, creates opportunities, in particular by reducing research costs and enabling the innovation to be used more quickly.<sup>11</sup> As Ford Otosan, we attach importance to incorporating innovative ideas that will transform the industry into our own processes. We manage open innovation using a systematic approach according to the open innovation strategy we have created. Within this scope, we organize open innovation activities and we create an opportunity for entrepreneurs to present their innovative ideas on our prioritized topics such as smart mobility, Industry 4.0, connected vehicles and digitalization.

Within the scope of open innovation, we kept our contact with more than 250 national and international initiatives throughout the year in 2019, and we have cooperated with 10 of them in purchasing products and services and placing products on the market.

Projects developed under Horizon2020<sup>12</sup> program - in which we are placed on top as the most successful industrial organization of Turkey according to the data released by TUBITAK - serve as a facilitator that enables open innovation and co-development culture inside and outside of the company. In this way, we conduct local and international R&D collaborations in the field of Co-Development Culture for new technologies and applications.



### Demo Day' 19

We organize Demo Day events where products and services will be offered in the open area so that employees can follow the creative ideas of technologies and initiatives and create collaboration opportunities.

In December 2019, we organized the Ford Otosan Demo Day'19 event in collaboration with ITU Core (İTÜ Çekirdek), the early stage incubation center of İTÜ Arı Teknokent, at the Sancaktepe R&D Center. We included the initiatives that offer valued proposals on relevant business areas like connected vehicles, electrification, smart mobility, image processing and material development technologies in the event. 13 initiatives detailing the project and value suggestions for our employees and stakeholders of Koç Innovation Program were evaluated by

Ford Otosan executives and the jury consisting of independent Venture Capital. Iltema initiative, which develops next-generation innovative material technologies, was selected first at the end of Demo Day.

We held another Demo Day event with Industry 4.0 theme at Vehbi Koç Foundation. 10 initiatives that offer solutions on wearable technology, predictive maintenance, image processing, autonomous industrial tools, artificial intelligence, and IoT platforms have presented their value proposals to Ford Otosan employees, in collaboration with Workinlot, a digital collaboration and experience platform created to support start-ups.

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*We continue evolving together with our business partners, suppliers and dealers in the value chain to respond to changing consumer preferences and constantly increase customer satisfaction.*

Demands and expectations of consumers in the transportation sector are shaped by global trends such as technological developments, climate crisis and demographic change. As Ford Otosan, we continue evolving together with our business partners, suppliers and dealers in the value chain to respond to changing consumer preferences and constantly increase customer satisfaction. We aim to offer our customers an experience beyond their expectations by

integrating technological developments into our processes. We offer our customers a wide range of products, from electric and hybrid vehicles to low-emission petrol and diesel engine vehicles. We design online and mobile services by taking presales, sales and aftersales processes into consideration. In 2019, we had approximately 3.6 million customers registered in our Customer Relationship Management System (CRM) system.

We manage customer relations within the framework of ISO 10002 Customer Satisfaction Management System. We constantly monitor the level of customer satisfaction through customer experience research. As of 2019, we analyze the comments received from customer satisfaction surveys and customer feedback transmitted to the Call Center on an artificial intelligencetext analytics platform, and we categorize all notifications as positive, negative and neutral. This study allows us to perform periodic comparison of the categories. We take into account Customers’ opinions for product and service designs.

CUSTOMER EXPERIENCE INDEX - SALES	2019 TARGET	2019 PERFORMANCE	2020 TARGET
Passenger vehicles	94	98	98
Commercial vehicles	95	98	98
Ford Trucks	95	98.3	99

CUSTOMER EXPERIENCE INDEX - SERVICE	2019 TARGET	2019 PERFORMANCE	2020 TARGET
Passenger vehicles	90	95	96
Commercial vehicles	94	94	96
Ford Trucks	94	96.6	97

We aim to increase customer satisfaction with the customer value management study we launched in 2019. In this regard, we will be able to measure customer satisfaction with the value of experience and the recommendation of our brand, customer expenditure with the business value and the cost of the customer. We aim to analyze our performance in line with the results and create action plans that will increase our value.

Dealers

Ford Otosan dealers play a key role in our communication with customers. Being in direct contact with the customer at the points of sale and aftersales directly affects the customer experience and satisfaction.

In order to maintain the sustainability of our dealers and strengthen our competitive position, we restructured our organization in 2019 and reduced the number of our dealers. Today, we serve our customers with 147 dealers across Turkey as well as 62 dealers in 54 different countries. We regularly audit and evaluate dealers based on criteria such as dealer performance, customer experience processes, dealer standard and quality certificates, employee competence, participation in digitalization, to always improve the customer experience to a better level. In 2019, our 107 dealers were audited in terms of facility and process management.

In addition, with the Customer Experience Movement, we bring volunteer dealers and

professional coaches together and support the development of the dealers in the field of customer experience. So far, 35 dealers have attended the ongoing program since 2015 and we continue the program with 13 dealers in 2020. **The Common Culture Code with Ford Otosan Dealers**, which is still in the preparation phase, will contribute significantly to the increase of the standards of the dealers and the adoption of the corporate culture.

IDEAL

In recent years, we have been working on process innovations, including customer experience. In this direction, the digitalization project IDEAL, which we have launched to increase customer experience and satisfaction at dealers, continued in 2019. Within the scope of the project, we have connected the CRM and the central CRM system.

IDEAL offers various opportunities to dealers such as increased speed and efficiency, attracting new customers and offering customized campaigns. This year, we added 32 new features to the IDEAL platform, which offers functions such as 360-degree view of customer and vehicle data, sales force automation, customer candidate and opportunity management, new work order listing, and the Video Information System for the first time in the industry in Turkish. We started to use image transfer in service processes with the Video Information System. We submit our findings about the vehicle brought to the authorized service by the

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customers via mobile phone or e-mail, and we carry out the operations approved by the customer. We received positive feedback on this process change, which creates both a sense of convenience and trust for customers, and we started using it in all services across the country. In the first 6 months of 2019, we have reached 27,000 uses and a turnover of TL 6.2 million.

Until the end of 2020, we will launch another feature. We are working on the introduction of biometric signature technology in service processes. We aim to be the first company to use this technology widely in the automotive industry. In terms of biometric signature and service processes, we will migrate many forms that customers sign to use substitution vehicles when they receive and leave their vehicles, and we will implement an application that customers will sign on tablet. Thus, we will not only be faster in the related delivery processes, we will also reduce our environmental impact by reducing paper and cartridge usage.

Digital Studio

While the consumer behavior is changing rapidly, the tendency to shop online is increasing in the automotive industry. With the Digital Studio project, we provide our customers with all the information they need about the Ford Otosan model without going to the showroom. After the customers make an appointment via [www.ford.com.tr](http://www.ford.com.tr), they can have a realistic sales point experience in digital environment with personalized brief according to their questions.

Employee Satisfaction and Progress at Dealers

Happy employees bring along high-quality customer experience. We care to increase the

satisfaction and competence of the dealer employees, who are the faces of our company.

It is becoming more difficult to recruit competent employees in sales and service channels and the turnover rate increases every year. In order to attract new talent to the dealerships and support the development of the existing employees, we provide various trainings on individual awareness, personal development, and industry-specific sales and service processes to all employees in sales and service through Ford Development Academy. We support the development of all dealer employees with online and virtual classroom trainings. In addition, in order to increase the competence of new graduates who start working in technical departments such as mechanics and bodywork, we provide various trainings starting from the basic level at Ford Development Academy.

At the same time, digitalized human resources system of dealers now allows to track and evaluate employees based on their experience and competence. We started to provide private pension support by expanding the benefit scope of dealers’ employees. Premiums are determined based on performance.

Dealership Common Culture Code

Since 2018, we have been striving to determine

a common culture, values and principles between Ford Otosan and its dealers. First of all, we established task teams consisting of volunteers. In order to represent all dealers, we determined sample groups from every position at the level of general manager, manager, consultant and technician, and we received the opinions of the dealers with participation of 106 people. We carried out similar studies with sample groups of 40 people from departments working closely with the dealers. We organized joint workshops with people selected from both sample groups and created the Values and Cultural Principles of Ford Otosan and the Dealers. Within the scope of this project, Customer Experience Promise of Value was also written.

We met with Ford Otosan Senior Management to determine the content and action plans of the Common Culture Code. In 2020, we will prepare department based action plans and then we will distribute the plans to the dealers.

Restructuring Dealerships

In order to become the leader in customer experience, we strive to reflect the transformation process in our products and services and communication channels to the dealer structure. Considering the changing market dynamics, increasing competition and developing technology, we decided to change

the dealer structure in order to meet the demands, maximize the service quality and reach the sales and service targets. The first step of the structural change was to optimize the number of dealers to provide the dealer network with an efficient business model and increase the service quality. The second step is the facility transformation process that started in 2019 at all points in the market representation plan and will be put into practice in accordance with the new sales and after sales standards, which are expected to be completed by the end of 2021. We aim to provide the highest level of service to customers in the facilities that will be updated with new investments according to high-level sales and service standards.

Dealer Council

For nearly 30 years, we have established a participatory, open and reciprocal relationship with dealers through the Dealer Council. Consisting of representatives selected by dealers, the council meets periodically with management representatives and offers suggestions on management, sales and post-marketing activities. In 2019, two European Council and one Middle East Council meetings were held and a total of 30 senior executives from dealerships attended the meetings.



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# Supply Chain

*We work with 2,090 suppliers from 40 different countries.*

Cooperation-based close relationships with all our suppliers play an important role in our success in the automotive industry. As the process of procuring thousands of parts lays in the background of the vehicles we produce, we support the development of our suppliers in order to maintain Ford Otosan standards in our products. In line with the vision of being among the most valuable supply chain organizations in the world, we cooperate with suppliers to manage every step of the multi-stage and complex value chain in a controlled and systematic way, from raw material supply to vehicle production and delivering the vehicle to the customer to the aftersales process.

In an ecosystem, where there are 2,090 suppliers from 40 different countries on a global scale, we ensure that the right parts from suppliers flow to four different production facilities at the right time, with the right methods, and the vehicles produced at these facilities are delivered to customers. In order to make sure that the standards are maintained throughout the supply chain, we carry out audits and offer training opportunities to our suppliers.

First of all, we monitor the compliance of our suppliers with the quality and operational standards through comprehensive audits. We contribute to the development of our suppliers with five different audits and field visits. In 2019, Manufacturing Site Assessment (MSA) audits were performed on 110 of our vehicle parts suppliers.

- **Q1 audits:** We carry out our main audits through the Q1 - Number One in Quality certification system.
- **Capacity audits:** We carry out audits within the scope of Ford Motor Company global capacity audits.
- **Production issues:** We conduct field visits to resolve any problems and challenges suppliers face during production.
- **Performance development:** We work on auditing and performance development based on certain criteria by identifying suppliers that are open to improvement through Ford Motor Company global system.
- **Risk management:** We take actions to prevent possible risks in areas such as natural disasters, fire and union-related risks by visiting suppliers. In addition to the supplier risk management application, we also conduct a separate supplier risk assessment, where the criteria of shipment, quality performance, capacity adequacy and financial status are taken into account.

In order to support the development of suppliers, we provide various trainings in environmental, social, economic and ethical fields. This year, we provided a total of 4,952 person\*hour training to suppliers.

We offer supplier trainings through Ford Otosan Supplier Network (FOSN) - a classroom and online conference channel. We organize class trainings every month, where we give priority to suppliers who are open to development. Together with our suppliers, we donate to non-governmental organizations in return for their training to create social benefits. With all these efforts in 2019, we provided TL 120,000 of education support to the Turkish Education



Foundation (TEV) and Darüşşafaka Society.

In 2019, we supported the improvement of the shipment performance of suppliers by launching eight different online training modules via FOSN. In addition, Ford Otosan Supplier Development team completed the content of the MMOG LE V5 Supplier Trainings for the development of MMOG/ LE (Material Management Operations Guideline Logistics Evaluation) - an international logistics standard - and we plan to start training in 2020. Again, in 2020, we will make the online training sessions offered to suppliers accessible for the use of employees.

We have launched the Material Capacity Confirmation Letter (MCCL) with online supplier trainings at FOSN. The suppliers prospectively follow the material programs updated weekly and provide information about their status. In addition, in 2020, we will migrate the Union Risk Management Process, which is carried out with suppliers using manual methods, to FOSN.



You can reach the video about FOSN by clicking on the icon.

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Through the inclusion of empty cash cycle between foreign locations and us within the scope of temporary imports in 2019 we earned \$6.6 million.

Digital Supply Chain

We aim to work with a quality and cost oriented approach while meeting the expectations of our customers with our customer-oriented, efficient and effective solutions in all our activities. We aim to have a digital supply chain supported by data analytics, which includes autonomous processes and efficient spare parts management from integrated planning processes to supplier processes. Within this scope, we strive;

- To improve our visibility level in the entire supply chain from customer to supplier,
- To improve the automation level in physical and systematical flow,

- To simultaneously integrate the processes and systems that communicate in succession with each other,
- To ensure that all planning cycles reach short cycles and instant planning cycles as much as possible.

At the same time, in order to adapt digital technologies to our supply chain, we have identified a strategy consisting of five main topics, covering digitization and the use of big data in the supply chain. These main topics include various projects such as inventory and shipment management through Radio-Frequency Identification (RF-ID), supplier integration using Cloud technology, material movement analyses using data analytics, smart production planning module that offers instant access to production and shipment details as well as dynamic production planning and zero-stock project that focuses proper material flow from suppliers to production.



We are also working on blockchain, which is one of the important issues in terms of supply chain integration and security. As the founding member of Blockchain Turkey Platform - founded as an initiative of Turkish Informatics Foundation - we actively take part in the Production and Logistics Working Group and work to develop blockchain applications and raise awareness on the subject across the country.

Ford Otosan Purchasing Platform

We designed Ford Otosan Purchasing Platform, which migrates all purchasing processes to a digital environment, to advance the process with real-time data entry and approval of internal (purchasing, engineering, material planning/replenishment, financial affairs) and external (supplier) stakeholders. In all processes running one after another or in parallel:

- Accessibility of all information (corporate memory)
- Transparency and traceability at every stage
- Mobile and electronic verification
- Using e-signature instead of original signature
- We aim to ensure the systematic standard and discipline along with measuring and reporting each process.

We have launched the first step of the redesigned process with a user-friendly, traceable, guiding and total benefit process vision.

Common Culture Code with the Suppliers

In 2019, we started to work on the creation of the Common Culture Code that will direct the business partnership between Ford Otosan and its suppliers. Within the scope of this

practice, which aims to create a common culture with suppliers, we organized workshops and one-on-one meetings with suppliers and company employees. We aim to increase our competitiveness in supply chain management and develop innovative supply chain solutions that will make a difference for customers. In line with this, through the Common Culture Code, we will gather Ford Otosan and its suppliers under the same roof of values.

We plan to complete our work in 2020 and subsequently publish the Common Culture Code. Besides, we started to implement some practices that will strengthen our relations with suppliers in 2019. For the first time, we opened Ford Otosan production locations for supplier visits and conducted extensive factory tours. Suppliers had the opportunity to closely get to know the technology and innovative processes we used. In addition, we have created a chatbot infrastructure for the use of all teams in communication with suppliers to quickly respond to questions from suppliers, and we plan to commission it in 2020.

Design for Logistics

Design for Logistics project was commissioned by Packaging Engineering in order to minimize the packaging investment required at the beginning of new projects and the ongoing logistics costs throughout the project. As a result of our efforts together with the Design and Vehicle Engineering teams, we have made a design change on certain parts in the design of the new vehicle, thus generating € 4.5 million in future transportation. With the ongoing works in 2020, we foresee an additional gain of € 3.8 million.

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# Transport Technologies of the Future

*Through our goal to provide innovative automotive products and services that contribute to society, we focus on producing transportation technologies and vehicles for the smart cities of the future.*

Technological developments deeply affect the development of the automotive industry like all sectors. The automotive industry should be able to respond and adapt to the consumers requiring more transparency from the companies in terms of environmental performance, as well as the technology, and the national and international regulations that support the low-carbon economy.

Although vehicles operating with oil, gas and diesel fuels are still dominant in the automotive industry, demand for vehicles powered by alternative energy is increasing. In 2018, electric and hybrid vehicles accounted for 5% of global automotive sales among 94.6 million vehicles, with 4.4 million units in total.<sup>13</sup>

We know that automotive companies can respond not only today but also the trends of the future locally and globally by acting with agility. Through our goal to provide innovative automotive products and services that contribute to society, we focus on producing transportation technologies and vehicles for the smart cities of the future. We carry out a wide range of collaborations within the public and private sectors and we lead the way in Turkey and the world with a working environment that nurtures entrepreneurship and innovation.

## LOW-EMISSION SOLUTIONS

Research of Intergovernmental Climate Change Panel (IPCC) published in 2014 shows that 14.1% of global greenhouse gas emissions originated from the transportation sector.<sup>14</sup> The European Parliament, on the other hand, reveals that 30% of greenhouse gas emissions in the European Union countries in 2016 were due to transportation and 72% of this came from road transport.<sup>15</sup> In order to survive and compete under these conditions, automotive companies must comply with the legal regulations in the industry and meet consumer demands in this direction in order to reduce greenhouse gas emissions.

As Ford Otosan, we invest in projects that will ensure efficient and smart production processes by integrating digitalization and innovation into our business processes. We consider

contributing to the fight against the climate crisis among our responsibilities and while effectively managing the risks in this area, we evaluate the opportunities for our business area. We make investments in the use of alternative fuel vehicles with a lower emission level (such as natural gas), electric vehicles, hybrid vehicles and related engine and transmission systems and other lighter materials in Ford Otosan plants.

In 2019, we re-introduced the Transit model to the market. We started mass production of Ford Transit Custom Rechargeable Hybrid and EcoBlue Hybrid models - for the first time in its segment - produced in the Gölcük Plant and with all manufacturing engineering performed by Ford Otosan. Our Ford Transit Custom Rechargeable Hybrid vehicle received the 2020 International Van of the Year (IVOTY) award.

## Reducing Environmental Impact of Ecotorq Engines

We develop our products to both reduce the environmental impact of the engines and to adapt to changing regulations. The emission levels of engines and vehicles were regulated with the EU6d, which was put into practice as of 2019. We recalibrated the engine and exhaust systems control strategy to ensure that vehicles and engines meet new requirements. Along with the EU6d emission level, we have extended the scope of Portable Emissions Measuring System (PEMS) emission tests under real road conditions. In the entire engine range, we have achieved an environmentally friendly

and competitive calibration that complies with the new generation emission regulations. We also ensured a reduction in NOx emission level up to 10%.

With the technology license agreement we signed with Chinese Jiangling Motor Corporation (JMC) in 2013, Ecotorq engines, where 100% of the intellectual property rights are owned, were allowed to be produced for use in JMC branded vehicles in China, the world's largest truck market. We continue our efforts in China.

## Synthetic Gas Bench (SGB):

Minimizing the emission system costs is possible by choosing the most suitable catalyst for the engine. In 2015, Synthetic Gas Bench (SGB) was established in cooperation with Ford Otosan and Koç University. We have worked in many areas such as determining release catalysts for Ecotorq programs, selecting catalyst suppliers, modeling catalysts and sizing by engine type. We performed the calibration studies of the emission system with the help of kinetic models by using the data obtained in SGB. By reducing the use of dynamometers by 1.5 months, we saved over €100,000 in operational costs.

So far, SGB activities have been supported by TUBITAK under two different TEYDEB projects. Our cooperation with Koç University will continue in the coming years.



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Duratorq Engine Family

Engineered by us, Duratorq Motor Family is used in many vehicles of Ford such as Transit, Transit Custom, Ranger, Everest, and Territory. The 5-cylinder Duratorq, the first engine developed by Ford Otosan for global Ford, is offered on the new Ford Ranger and Transit vehicles manufactured for the United States.

Ecoblue Engine

Basic design and development process of the new 2.0L EcoBlue diesel engine which started to be manufactured in the Eskişehir Plant in 2018, replaces the 2.2L Duratork TDCi engine used in Transit and Custom models, and stands out with higher torque value and more power at lower speeds as well as its silent operation was carried out in Ford England, Ford Europe’s engine engineering center, with the contribution of Ford Otosan teams.

While the EcoBlue engine currently meets the requirements of the Euro 6 emission standard, it also has a suitable architecture for the Euro 7 emission standard limits, which are foreseen to be commissioned in the near future.

It can be used for many years in the diesel models of C / CD type passenger cars (Focus) and some other vehicles (Ranger / Everest), which are common in Ford Europe, Ford America and Asia Pacific, as well as Transit.

OptiTruck

In 2019, we completed the OptiTruck project, which we launched in 2016 within the scope of the European Union Ufuk2020, that we have realized for the use of software technologies to reduce CO<sub>2</sub> emissions in heavy vehicles. At OptiTruck, which is a multi-stakeholder project for the use of software technologies in the field of vehicle control and smart transportation,

we took part in a consortium with 11 partners consisting of research centers, universities, automotive R&D and service sectors from different countries and we led the vehicle control systems in the project.

As a result of the project that we aimed to reduce fuel consumption and CO<sub>2</sub> emission only by means of software changes, without any hardware changes on the F-Max model heavy vehicle:

- We have added many new software features to 3 different electronic control modules that communicate with Controller Area Network (CAN) serial communication protocol.
- We designed the mobile user interface and implemented this interface on an external tablet on the vehicle.
- We have developed various software components in the server layer that use cloud technologies and map/traffic web services, optimizing vehicle speed and route.
- We designed and implemented a communication layer that provides real-time communication between the server and vehicle functions via the GSM protocol.
- We tested all these software functions and interfaces under real road conditions on a prototype vehicle.
- In some routes and regions where map and traffic web services provide healthy data, we have observed the potential to improve fuel consumption up to 10% through simulation.

In the coming years, we aim to implement the software functions developed in the OptiTruck project in mass produced vehicles.



Eco-Mode and Fleet-Mode

Although improvements have been made in fuel economy in heavy commercial vehicles with the development of engine and vehicle technologies in recent years, fuel economy is still an important factor in terms of driver behaviors.

We analyzed aggressive and normal driving behavior on F-MAX trucks using connected vehicles and measured up to 10% fuel economy difference. We have optimized the behavior of the aggressive driver with software methods and developed the Eco-Mode and Fleet-Mode software solutions that reduce this behavior to the normal driver level.

By using the Eco-Mode function, the driver can save fuel by switching to economy driving

mode with a button, without sacrificing maximum engine torque and limiting power so as to keep driving performance optimal. At the same time, auxiliary acceleration and other speed limiting functions support keeping the fuel economy at the optimum point.

The Fleet-Mode function, on the other hand, gives the fleet manager the ability to remotely activate and deactivate the function in the fleet via mobile devices.

With the use of Eco-Mode and Fleet-Mode on the same route, we achieved 1% fuel improvement in fuel economy. This corresponds to a saving of 300 liters of fuel per year. We plan to reduce the carbon footprint by reducing the fuel consumption of F-MAX vehicles.

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### Electric Garbage Truck

We continued our efforts on the electric waste truck prototype named E-Truck, which we developed in the heavy commercial vehicle segment in order to reduce the emissions. By conducting city tests, we identified the energy consumption effect of a vehicle. We achieved 1.65 tonCO<sub>2</sub>/day emission reduction for one vehicle in two shifts operation and 165-ton CO<sub>2</sub>/day for 100 units.

While the studies carried out prepared our engineering teams for the new generation technologies more, we also revealed the great opportunities of electric vehicles in the heavy vehicles class.

While continuing to develop on the E-Truck, we will also speed up the production of new

electric vehicles for long-term customer testing.

### Natural Gas Engine Development

Emission targets for diesel engines in the European Union countries and the globally increasing diesel fuel prices have led companies that produce heavy commercial engines to work with alternative and renewable fuels. At Ford Otosan, we started gas engine development activities including natural gas, biogas and LPG.

A concept engine ready to run on natural gas fuel was developed and manufactured with engine development, advanced powertrain systems, calibration and design verification teams. In addition, we established a gas fuel system infrastructure in Eskişehir R&D Test Center. We achieved the targeted power in

performance trials conducted after the first engine ignition practices. At the same time, with the demand from Ford North America for use in generator sets, the design and production feasibility studies of the 250-320 kWh full combustion, dual fuel (natural gas or LPG) 12.7L engine have been completed. If the product is accepted, we aim to start mass production and export in 2022 upon development and verification activities.

In addition, in 2019, we were accepted to the TEYDEB incentive program for the Natural Gas/Biogas Fuel Generator and Cogeneration Unit Development Project that can work in Low Calorific Value Fuels in cooperation with generator and cogeneration systems manufacturer Teksan. As part of the two-year project that started in November 2019, we aim to develop a complete and poor combustion engine for use in generators and cogeneration systems with the highest power density in the global market and suitable for low calorific fuels from renewable sources.

### Lightweight

The number of regulations to decrease the effects of the automotive sector on the climate crisis is increasing day by day. Based on the regulations for reducing CO<sub>2</sub> emissions and the goals of reducing emissions per vehicle, the industry heads towards R&D activities to reduce vehicle weight. Reducing vehicle weight also creates potential for improving the range of electric vehicles that are expected to become widespread in the industry.

Weight reducing efforts have the advantages of domestic production. In other words, it is possible to reduce the dependence on the foreign market by promoting the domestic production of new materials and parts made

using these materials. Thanks to the advanced sub-industry in Turkey, the use of domestic production capabilities and advantages offers important opportunities.

*At Ford Otosan, we set up different working groups to reduce the total vehicle weight in new generation commercial vehicles and to develop national engineering competencies in order to seize the opportunities related to the reduction of vehicle weight.*

In this context, we examined light material applications in many areas from high-strength steels to aluminum, composite applications and new products in plastic technology in 2019.

*In the Worldwide Harmonized Light Vehicle Test Procedure (WLTP) cycle, we aim to achieve 150 kg less CO<sub>2</sub> per 100 km and a 50 kg reduction on the vehicle to save 0.057 liters of fuel.*



Within the scope of these efforts, we aim to achieve a reduction of 635 kg for heavy commercial vehicle chassis systems. In this context, by activating 39 kg lightening agent, we have completed the feasibility study of 103 kg lightening activity and started the process for commissioning in 2020. For Aluminum Suspension Bracket TEYDEB studies planned to achieve 28 kg reduction per vehicle, we started the prototype production phase. While the useful load rate can be increased with 635 kg of light weight to be provided in heavy commercial vehicles, we also anticipate fuel savings of over 15,000 liters and emission reduction of 60g CO<sub>2</sub>/km during the vehicle life.

### Composite Leaf Spring

As part of vehicle lightening efforts, we launched the Composite Leaf Spring project

under the consultancy of Kocaeli University and Sabancı University in partnership with Ford Otosan and Kordsa under an R&D project supported by TUBITAK. The currently used steel springs had a negative impact on vehicle properties, vehicle manufacturing and service processes due to its heavy weight. With the newly developed Polymer Matrix Composite material, we have developed a composite leaf spring product, which is 83% lighter and provides high mechanical strength expected from steel.

Steel leaf springs, which were 120 kg with the new design, is reduced to 20 kg piece weight with PMK material. Thus, we provided 200 kg of lightening per vehicle with two springs in the vehicle. At the same time, part life has increased more than 5 times.



To launch in series, we first started to meet with manufacturers to create the appropriate ecosystem. After the manufacturers are determined, we will start the product commissioning process.

### SMART AND SAFE TRANSPORTATION TECHNOLOGIES

Digitalization and connectivity are among the most important future trends in the automotive industry.<sup>16</sup> At Ford Otosan, we reduce environmental impacts by contributing to the time and fuel savings of consumers with the smart applications we offer in various fields, especially in fleet management, and offer a safer travel option by minimizing human errors. We also lead the technological transformation of the industry with the smart solutions we have developed.

#### ● ConnecTruck

*Using the ConnecTruck application we offered in F-MAX in 2018 - the first connected heavy-duty commercial vehicle in Turkey - our customers can keep track of the information about their vehicles on their screens. With ConnecTruck, we also offer services such as map-supported speed control, remote diagnostics and software updates.*

*We aim to provide customers with new services not only during sales and after sales, but throughout the life of the vehicle in accordance with digital developments. To do this, we launched the My Ford Trucks mobile application for F-MAX owners. In 2019, the app was downloaded by more than 1,000 users. Thus, as Turkey's largest fleet management software integration company, we were able to generate income.*

*In addition, ConnecTruck and My Ford Trucks applications started to meet with users this year in 12 countries in Europe. In 2020, we plan to offer the applications in the Middle East and Africa regions.*

### Navlungo

Companies encounter with many logistical problems in their export activities. Along with companies that offer goods and services, buyers also experience time and financial losses. In this regard, we obtained statistical results on what problems they face by interviewing about 40 companies.

With the contribution of Ford Otosan in-house entrepreneurship program, we established a team consisting of different departments and disciplines. The Navlungo project emerged as a result of the efforts made to solve the problem in the entrepreneurship center. The Navlungo team developed the project to allow the use by more than 1,400 companies from around the world by offering a SaaS (Software as a service) solution to the problem. The team won the TUBITAK 1,512 Techno-Venture Capital Support Program with the solutions they brought to the logistics sector and was awarded a grant.

Navlungo has created a list of products using the latest software technologies and algorithms:

- Automatic stacking, pricing and estimation can be done.
- Exporting companies can see instant prices and service types.
- Processes are shortened for companies using e-export for sales activities.
- Companies that offer logistics services can provide worldwide services with automatic pricing.
- Thanks to the algorithm that continuously estimates variable freight costs, exporters and logistics companies can access a data library that provides decision support data to use for accurate pricing and feasibility.

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- Exporters and logistics companies are provided with a technology where export logistics processes take place digitally.
- A secure ecosystem is being built where companies can evaluate service quality.

### Platooning

In 2018, we launched an R&D cooperation - a one-of-a-kind in the field in Turkey - with Austria-based AVL company in order to improve the autonomous platooning technology to be used in F-MAX trucks. This year, we performed tests on the Platooning project and we brought the system to a certain level of maturity.

The platooning function allows two or more trucks to follow each other safely from

the very close distance on the highway by using connected vehicles and autonomous driving technologies, and helps cut down fuel consumption and greenhouse gas emissions by reducing the wind resistance of the convoy. As a result of computer-aided analyzes and tests, we observed that up to 10% fuel-saving was achieved in long-distance transportation with Platooning technology. At the same time, we think that the efficiency of the highway and the vehicle carrying capacity will increase thanks to the vehicles that follow each other in the form of convoys. The project does not require active driver intervention, but it also does not completely disable the driver. As during the driving task of the vehicle, the system positions the driver as a backup driver who can request intervention when necessary, we expect that

the accidents arising from human errors will be significantly reduced.

As the second phase of the project, we will launch the SAE Level-4 / Fully Autonomous Highway Pilot project in 2020. With this project, we will go one step further by ensuring that the vehicles follow the vehicle ahead with the driver in a fully autonomous and driverless way. Thus, in addition to the fuel-saving in the vehicle convoys, we aim to cut down the vehicle operation costs by 30% by reducing the number of drivers per convoy. With the Platooning project, we have participated in the global autonomous vehicle development competition.



You can reach the video about Platooning by clicking on the icon.



[illegible]

For the last three years, we have the most efficient production line of Ford Europe in energy consumption per vehicle.



*At Ford Otosan, we consider the issue of climate change as one of the key elements of sustainability management.*

We feel the impacts of the climate crisis at an increasing pace. In addition to extreme weather events and natural disasters with increasing frequency and impact levels, precipitation imbalance and rising sea levels reveal that we need to act much faster in tackling the crisis. According to the World Economic Forum 2020 Global Risk Report, the fact that the first five risks are related to the environment and climate crisis<sup>17</sup> shows the severity of the situation.

All stakeholders, especially the public and private sectors, need to act quickly and effectively in order to achieve the goal of keeping global warming below 2 degrees as set out with the Paris Agreement.<sup>18</sup>

Carbon emissions from vehicles are one of the important impact areas of the industry. The vision of becoming carbon-neutral by 2050 in line with the European Union’s Green Deal<sup>19</sup> points out that the automotive industry should play a role in the transition to a low-carbon

economy by accelerating the transformation. We created Ford Otosan Impact Analyses within the scope of the Green Deal. In line with this target, including other action plans set out by the Green Deal Commission, we aim to reduce our carbon emissions per vehicle by 50–55% in 2030 compared to 2009 and to specify our actions within the vision of becoming carbon-neutral by 2050.<sup>20</sup>

At Ford Otosan, we consider the issue of climate change as one of the key elements of sustainability management and we evaluate climate change in a comprehensive and holistic way in both environmental and risk management.

To tackle the global climate crisis:

- The Energy Management Team identifies possible financial impacts and measures by evaluating the risks and opportunities.
- We continue to develop more efficient, hybrid and electric vehicles, and to offer smart and environmentally friendly mobility solutions. We strive to make the vehicles we develop economically more accessible and more preferred.
- We reduce greenhouse gas emissions every year in line with our targets by focusing on energy efficiency.
- We produce in innovative and efficient plants in line with Industry 4.0. With the Gölcük Plant, we are the only Ford

Motor Company factory and one of the 4 automotive plants in the world to be included in the World Economic Forum Global Lighthouse Network.

- Sourcing our energy from renewable sources is our priority.
- We monitor the fuel consumption and greenhouse gas emissions per vehicle we produce in line with our targets. For the last three years, we have the most efficient production line of Ford Europe in energy consumption per vehicle.
- We are transitioning to a new generation of efficient and smart systems according to the Green IT target. We have transformed our four data centers into ecologic data centers.
- We share our performance with the public by participating in CDP Climate and Water Programs. Our score for 2019 CDP Climate & Water Program was B.
- We participate in the Green Office Program of the World Wildlife Fund (WWF-Turkey) with the R&D center located in Sancaktepe as well as the marketing, sales and aftersales offices and the Yeniköy plant. In addition, the Green Office certifications were prepared upon the completion of audits at Eskişehir and Kocaeli campuses.<sup>21</sup>
- We strive to raise awareness of our suppliers and all our business partners and build collaborations in tackling the climate crisis.

*We will source approximately 864,000 GJ of energy - our annual electricity consumption at our plants - from internationally certified renewable energy sources.*

We strive to achieve energy and greenhouse gas reduction targets by implementing different energy efficiency and renewable energy projects in our plants. With the Solarwall system in our Gölcük and Sancaktepe plants, sheet metal panels covering the exterior of the building make use of solar rays for heating, cooling and ventilation. Thus, we achieve a significant energy and financial saving by meeting some of the heating needs with solar energy. With the project, we received an award from the Republic of Turkey Ministry of Energy and Natural Resources in the category of Increasing Energy Efficiency in Industry. We also installed seven wind turbines with a capacity of 500 W in Gölcük.

<sup>17</sup> [http://www3.weforum.org/docs/WEF\\_Global\\_Risk\\_Report\\_2020.pdf](http://www3.weforum.org/docs/WEF_Global_Risk_Report_2020.pdf)  
<sup>18</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>  
<sup>19</sup> [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)  
<sup>20</sup> The base year of Ford Otosan within the scope of ISO 14064-1:2006 is 2009. In line with ISO 14064, only Scope 1 and Scope 2 emissions are verified. While in 2021, the new version of ISO 14064-1:2018 will be used for the verification of 2020 greenhouse gas emissions, the scope will be extended to include the base year assessment.  
<sup>21</sup> These certificates were issued in February 2020. Certification ceremony held on 5 June 2020.

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The various projects we implemented include using daylighting system, increasing the efficiency of cooling towers, improvement of building heat leaks, energy efficiency project monitoring system, detection of failures and efficiency increase, compressed air control and monitoring project, and many more. We ensure waste heat recovery by using high-efficiency cooling systems in the paint shop. We also use an active dynamometer in our R&D test centers in Gölçük and Eskişehir.

*Amount of greenhouse emission reduction:*  
*2,813.80 ton CO<sub>2</sub>*

*Amount of energy saving:*  
*64,799.05 GJ*

TRACKING RANGE	2019 PERFORMANCE*	2021 TARGET**
Greenhouse gas emission per vehicle produced (ton CO <sub>2</sub> e/vehicle)	0.56	0.52
Energy consumption per vehicle produced (GJ/vehicle)	5.42	5.23

\* 2019 data are not assured by an independent third party.  
\*\* Activities on reaching the targets continue during the reporting period. Third party assurance will be carried out within the scope of the new version of 14O64-1: 2018 next year, and the scope will be redefined and expanded. Therefore, base year evaluation will be made and targets will be calculated according to the new version.  
You can find more information about the targets and progress from the current CDP Climate Change and CDP Water statements of Ford Otomotiv Sanayi A.Ş. here., available from 26 August 2020.

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# Natural Resource and Waste Management

With rapid population growth and increasing industrialization, the demand for natural resources and the amount of waste generated are increasing at a fast pace. While resource scarcity poses a significant risk for manufacturing companies, it is necessary to reduce waste that damage the ecosystems and to develop alternative materials with low environmental impact. In this regard, the circular economy and zero waste play an important role.

We work on creating projects to eliminate the waste at its source, to produce less waste in processes where elimination at the source is not possible, to support reuse of waste or enable use of waste as an input in a different

sector, to reduce the amount of waste sent to landfill and incineration plants except energy recovery and reduce the raw material, material and chemical consumption of the wastes.

As part of the circular economy, calcite waste from the Dry Scrubber unit - the environmental and energy-friendly production process at the Yeniköy Plant Paint Shop Production Directorate - is sent to the contracted firm as hazardous waste. The contracted firm uses the calcite waste as an alternative raw material with the approval of the Republic of Turkey Ministry of Environment and Urbanization. Declaration procedures are carried out with the R-AHM code and this example is one of the steps taken in industrial symbiosis.

## ZERO WASTE

We use resources more efficiently to reach the zero waste target. We also reduce waste generation through different projects we implement and minimize the amount of waste sent to landfill by increasing the recycling rate. We send all wastes collected separately at the source to certified plants for recycling. We take steps to prevent the generation of waste such as paper and plastic with green office practices. With these practices, we aim to provide approximately 2 million paper reduction annually. We organize trainings and communicate with our employees in line with our zero waste target.



*As a result of the audits carried out according to the Zero Waste Regulation, Eskişehir Plant obtained the Zero Waste Basic Level Certificate. With this certification, our plant has succeeded to be the first among private sector companies operating in Eskişehir, Koç Holding companies and Automotive Industry Association members.*

In Gölcük Paint Shop, we aim to generate 37% less hazardous waste per vehicle in 2020 with our hazardous waste reduction projects.

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Plastic Waste

Plastic pollution continues to impact oceans and ecosystems at a fast pace. It is estimated that one third of the plastic waste end up in nature, freshwater resources and oceans due to the lack of proper waste management.<sup>22</sup>

We adopt the zero waste approach in tackling plastic pollution and we implement projects to reduce plastic waste at its source. We support Koç Holding’s commitment to end consumption of disposable plastics by the end of 2020 and continue our efforts accordingly. We eliminated the use of disposable plastics in dining halls and offices, reducing plastic consumption in these areas by 50%.

We are carrying out an awareness campaign in order to eliminate the use of plastic bags for the parts delivered as wrapped in nylon covers in Yeniköy and Gölcük plants. We examined the packaging of 454 different parts under the My Plant My Environment (Benim Fabrikam Benim Çevrem) project and identified the opportunity to improve the number of pieces per case for 177 parts, improve the number of pieces for 266 parts and reduce the use of plastic bags

With the improvements we make, we are on the track to reducing 426 tons of waste annually in total.

And in terms of logistics costs, we save 764,000 TL annually. We also started the process for Eskişehir Plant in 2020.

Compost Project

In line with the goal of reducing domestic waste at the Eskişehir Plant, we designed a composting machine to produce compost and built it with the metal waste materials obtained from the plant. Thanks to this machine, food waste from the cafeteria and the tea wastes from the tea houses are used to produce compost. We aim to use this compost as a plant nutrient in the green areas located at our plant site and to give them to employees who demand it. Experimental studies and outputs of the Project are still examined as an undergraduate thesis at Eskişehir Technical University, Environmental Engineering Department.

Oil Retaining Bacteria (Bioamp Bacteria Application)

We started to use bacteria instead of an oil trap to prevent the oils generated during the washing process from flowing into the wastewater. The bacteria prevented fat accumulation and solidification. Thanks to this project, we reduced waste generation and saved from monthly cleaning time and labor. We also minimized occupational health and safety risks.

PERFORMANCE INDICATORS	2019 PERFORMANCE
Wastewater per vehicle (m³/vehicle)	1.02
Total waste per vehicle (kg/vehicle)	264.34
Waste disposed per vehicle (kg/vehicle)	1.21
Waste recycled per vehicle (kg/vehicle)	263.13
Hazardous waste per vehicle (kg/vehicle)	27.44

Explanation: As a result of the revisions carried out to reduce heat loss, increase energy efficiency, increase optimization and efficiency in processes and prevent water and soil pollution, the amount of waste has increased compared to 2018.

WATER MANAGEMENT

The increase in population and urbanization causes an increase in the water need in all sectors, especially agriculture and industry. It is important to protect water resources by efficiently managing water. At Ford Otosan, we consider water risks as one of the key elements of sustainability management and we evaluate climate change in a comprehensive and holistic way in both the environmental and risk management approaches.

We monitor our water consumption in line with our targets. In 2019, by installing an aerator on all taps in our plant, we saved 25% of the water consumed in each tap.

PERFORMANCE INDICATOR	2019 PERFORMANCE*	2021 TARGET**
Water consumption per vehicle produced (m³/vehicle)	3.01	2.41

\* 2019 data are not assured by an independent third party.  
\*\* Activities on reaching the targets continue during the reporting period.  
You can find more information about the targets and progress from the current CDP Climate Change and CDP Water statements of Ford Otomotiv Sanayi A.Ş. here, available from 26 August 2020.

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# Biodiversity

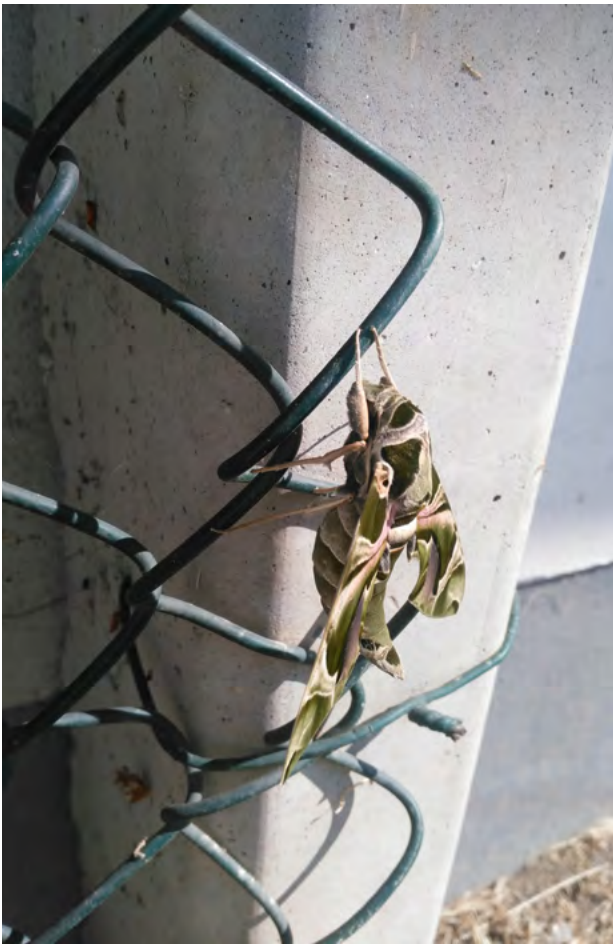
*By evaluating the impacts of our operations on biodiversity, we adopt the approach to minimize our impacts and protect biodiversity.*

With the project completed in Kocaeli Plants in 2017, we created an inventory for the purpose of conservation and increase of biodiversity. Through the project we carried out in collaboration with the Nature Conservation Center, observations made in the wetlands, riverbanks, seashore and other areas within the factory territory helped identify all plant species and bird species in the factory area., The study revealed that eight of the bird species are facing extinction as they are globally vulnerable (VU) and near threatened (NT), and 7 of them were identified as ‘rare’ species.

In 2018, we assessed the current situation of macro creatures in the Marine area of Kocaeli Plants. Underwater photo and video shoots were carried out to identify aquatic species.

As a part of the study to identify the macrobenthic invertebrate species conducted in collaboration with the Nature Conservation

Center under the management of Dokuz Eylul University Institute of Marine Sciences and Technology (DEU-DBTE), 33 species from 7 systematic groups (Cnidaria, Polychaeta, Crustacea, Mollusca, Bryozoa, Echinodermata and Tunicata) were identified by marine ecologists and underwater imaging specialists. Although with the short-term observations and sampling 18 fish species were identified, when the probability that the number of Gobiidae and Mugilidae species can be at least



*Daphnis nerii (oleander hawk moth)*



*Callionymus lyra (Dragonet)*

2-3 species more is taken into account, it is possible to estimate 21-23 species. In addition, 5 sea bird species were observed during the field research. Ford Otosan Marine Macro Species Rapid Current Due Diligence Project Final Report was completed in the first quarter of 2019.

In 2019, we conducted a research and feasibility study on the affected species due to climate change. Rare-endemic species were selected from various species groups to study how the distribution of these species would be affected by the climate change. The study also focused on the preparation of action plans for these species. In 2019, a very rare butterfly species known as *Daphnis nerii* (oleander hawk moth) was identified in the Kocaeli Plant.

● In the fall semester of 2019 ÇEV475 Environmental Legislation course was given by our environmental engineers at Eskişehir Technical University Environmental Engineering Department. The course, in which students had the opportunity to learn the national environmental legislation together with the information about the automotive sector with applications, will continue in the spring semester of 2020, and our company and Eskişehir Technical University will collaborate for the Environmental Legislation II course.





We published the Diversity Policy in 2019.

We held 10 Open Door meetings, bringing together senior management and employees, and reached a total of 10,700 employees.

In 2019, 2,500 suggestions were submitted to the Fikirhane Idea Management System and we implemented 25 of these ideas.

Investing in Talents

# Investing in Talents

*The principles of diversity and inclusion, which are part of our corporate culture and way of doing business, also form the fundamentals of our human resources management.*

We continue to add value to our customers by making a difference in the industry with the strength we get from our employees. We focus on capturing the best talents of the industry in our country and aim to increase employee engagement through our Common Culture Dynamic Balance and our effective talent management. We support employees with training and development opportunities and provide a safe and healthy working environment. The principles of diversity and inclusion, which are part of our corporate culture and way of doing business, also form the fundamentals of our human resources management.

In aim of maintaining our competitive advantage in the industry at a time when technology is developing rapidly and the way of doing business are going digital, we started an agile transformation journey in

2019. We created an Agile Transformation Team consisting of 11 senior managers at general manager, assistant general manager and director level to assume the role of facilitator in this transformation and lead its implementation. We also prepared the Agile@FO Playbook handbook that will guide us in our transformation journey while ensuring the sustainability of our new way of doing business and shared it with our employees. This handbook, which acts as a compass, contains information about the agile way of working, principles and things to do during our agile transformation journey.

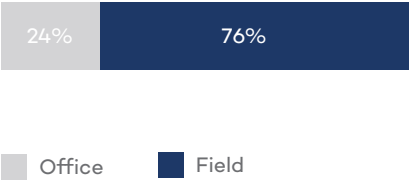
2019 is a year when we also digitized our recruitment processes. We launched the Peoplize online platform that gathers all recruitment processes under a single roof and offers ease of use for both the candidate and the recruitment specialist. The Peoplize platform, to which we migrated in 2019, enables users to design a unique stream for each position. The sequence and content of these processes can be organized by the recruitment specialist according to the requirements of the position. The platform also simplifies our recruitment processes with its rapid response rates and instant supports.

In 2020, we will implement trainings and methods that will be required for the development of employees to improve employee experience with data analytics, artificial intelligence and innovative



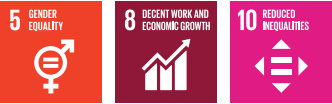
software. We will also focus on projects that concentrates on optimizing our recruitment processes.

### EMPLOYEES PER CATEGORY



At Ford Otosan, we have 10,899 employees in total. 24% of these employees work at office and while 76% are field employees.

Through our investments in the talents, we contribute to our Sustainable Development Goals including Gender Equality, Decent Work and Economic Growth and Reduced Inequalities.



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## POWER TEAM

Through the Power Team program that we launched in order to make the best young talents join the Ford Otosan family, we meet with 3<sup>rd</sup> and 4<sup>th</sup> grade students from the engineering departments of the prestigious universities in Turkey. We invite 25 candidate engineers selected from the program applications to Ford Otosan offices and plants for a two-day program. Through the sessions, conversations, case studies and activities, we introduce the participants to the global profile of the company in the areas of technology, innovation, career, recruitment processes and development areas, and at the same time, we have the opportunity to get to know 25 people with a potential well. At the end of the two-day program, we include students who want to work at Ford Otosan in our selection and placement process, and the candidates who successfully complete the process start working within our body. All 25 students who joined our program in 2019 stated that they wanted to work at Ford Otosan, and as a result of our job recruitment processes, five of them are joined our organization. With the power team, we both strengthen our employer brand and achieve a more effective way of communication with new talents in the industry. In the coming years, we aim to make a higher rate of recruitment thanks to this program.



## BİR BİLENE SOR

In line with our vision to become the most valuable and most preferred industrial company of Turkey, we implement a mentoring program for the 4<sup>th</sup> grade students from the engineering departments of Turkey's prestigious universities and support the students during their preparation for business life thanks to the Bir Bilene Sor project. Within the scope of the project, we enable mentors to share their knowledge, skills and experiences gained in career and business life with their mentees. While preparing young university students who are at the transition stage to business life, we support them to access information, experiences and resources required for their personal and professional development and we aim to help them become self-managed individuals through getting to themselves, increasing their self-confidence and career awareness. In this way, we both increase Ford Otosan's employer brand by getting to know the talents closely for future and enable our employees to develop their leadership skills by contributing to their personal development as mentors.

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# Diversity and Inclusion

*Our recruitment policy directs that one out of every four people for field employees and one out of every two office employees hired is a woman.*

*We are the first automotive company to support the Society of Women Engineers Istanbul, employ the highest number of female employees and obtain the Equal Opportunity Model from KAGİDER.*

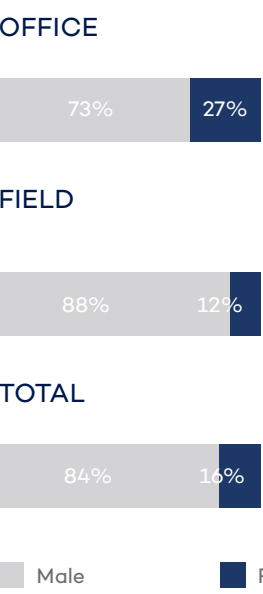
Researches suggest<sup>23</sup> that meeting the talent needs in the automotive industry can be ensured with diversity. Positive financial performance outputs are observed in companies that support and implement diversity.<sup>24</sup> They show that the diversity of

thinking in leadership increases innovation by 20% and reduces the occurrence of risks by 30%.<sup>25</sup> As Ford Otosan, we believe that diversity will provide a significant competitive edge. Our human resources strategy created to attract new talent and keep our existing talents sustainable, focuses on diversity and inclusion. Within this framework, we published the Diversity Policy in 2019. We provide our employees with an inclusive work environment based on equal opportunities and respect for differences and ethical values. We know that different ideas, experiences, and perspectives make us stronger and enable us to develop a truly collaborative business environment. In line with this, we place the right candidate in the right position at the right time, with equal opportunity, without allowing any discrimination during the recruitment processes. In this regard, we aim to increase the number of disabled and female employees. We increase the employment diversity and a shared value through our projects.

We believe that each member of the society can add value from different aspects under proper and supportive conditions. In line with this belief, we raise awareness to overcome prejudices and develop projects based on this idea. We analyze our business processes to cover differences, and we include disadvantaged groups for positions deemed appropriate as a result of the analysis. In this regard, we continue our program aimed at the employment of individuals with Autism and

Down syndrome in dangerous works industry for the first in Turkey and the world.

In order the remove the barriers between us while working, more than 20 employees from the assembly team at the Yeniköy Plant participated in the sign language training approved and certified by the Turkish Republic Ministry of Education. We make our plants and offices disabled-friendly. In line with the targets specified within this context, we work in coordination with the disabled association. We are working for the recruitment process of two wheelchair users (1 woman and 1 man) in Eskişehir Plant in 2020. The number of employees with disabilities at the end of 2019 is 330.



<sup>23</sup> <https://www2.deloitte.com/us/en/insights/industry/automotive/women-in-automotive-sector-gender-diversity.html>  
<sup>24</sup> <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>  
<sup>25</sup> Juliet Bourke and Bernadette Dillon, "The diversity and inclusion revolution: Eight powerful truths," Deloitte Review 22, January 2018. View in article

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### Transforming the Future with Women Meeting

As Ford Otosan, we had the opportunity to introduce ourselves and get to know the students during the one-day-event with the participation of 25 candidate women engineers from leading universities of Turkey. During the event, we held various activities including panel discussions with the managers, interview with engineers, plant visits and case studies. We shared Ford Otosan's principles of equality, importance attached to women and their employment and our social responsibility projects in this direction with the event participants. At the end of the event, we conducted a survey in which students stated their positive impressions of Ford Otosan and the event. The participants told us that the event added vision to them, and they would be pleased with the longer duration.

of families to help female students choose vocational education and related departments,

- Organize professional courses that apply not only to Ford Otosan but also to the entire automotive industry,
- Inform students and their families about the place of women, conditions and employment power at Ford Otosan during the Professional Career Days,
- Make improvements in changing rooms and processes in vocational high schools,
- Provide support and inform new female employees during their trial period through communication activities by assigning a guide and implement adaptation programs on returning to work after giving birth.



### Vocational High School

As Ford Otosan, we want to provide equal opportunities to men and women and increase the employment of female field employees with professional competencies. However, we have difficulties in finding women with suitable professional competence in our industry. In this regard, based on the results of the researches and insights related to the preference of female candidates of the related professions in the automotive industry, we prepared a work plan and we started working on projects to include the National Education Directorate and senior students of six Industrial Vocational High Schools in order to:

- Carry out job placement exams and interviews with all students,
- Conduct awareness and information sessions held with the participation

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# Employee Rights

*We believe that the long-term commitment of our employees to our company plays a key role in the continuity of our success.*

At Ford Otosan, we provide our employees a working environment that respects differences and supports their potential with equal, highest ethical standards. We set short, middle and long-term goals for the development of practices aimed at protecting the fundamental rights of our employees in the business environment, we follow these goals periodically and present the results to the senior management.

You can access the full text of Ford Otosan Code of Conduct and Ethical Rules on our corporate web site.

We determine and manage employee salaries through Remuneration Management based on the principle of consistent and fairly equal payment. In this way, we ensure the long-term internal balance and increase our competitive power in the market. With the long-term variable salary method BEST, we determine the bonus of all team leaders and office employees in accordance with the company performance. With the Flextra system - another

income application - we enable our employees to manage their fringe benefit rights and budgets by making annual selections within the framework of specified rules.

We determine the Executive Level fixed salary in accordance with international standards and legal obligations, taking into account macroeconomic data in the market, remuneration policies prevailing in the market, size of the company and long-term goals and the positions of individuals. The Senior Manager salary consist of two components, fixed and performance based. We calculate the Senior Manager bonus according to bonus base, company performance and individual performance.

You can find the Remuneration Policy for the Board of Directors and Senior Executives here.

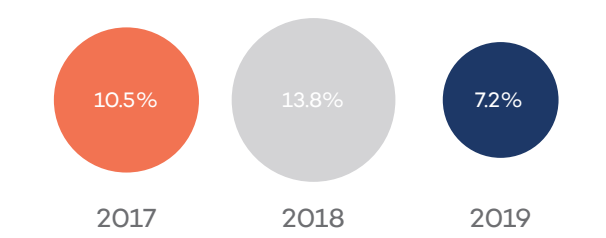
Through Connected Employee - an important of the lean transformation in our company - we digitize our working environments in line with our next generation way of doing business. In this regard, we aim to enable all employees to work from mobile environments by harmonizing our infrastructures with digitalization.

We aim to increase the level of happiness and increase the retention rate of talents in our company by analyzing employee data, thanks to projects where we make use of digitalization and data analytics. By transferring the knowledge and experience of employees

through the various systems and platforms, we support information sharing within the company, thereby establishing more accurate decision-making mechanisms.

We believe that the long-term commitment of our employees to our company plays a key role in the continuity of our success. Together with our employees, we grow and make a difference in the industry. By supporting our employees with career and development opportunities, and providing a private-business life balance, we offer a business environment that will add value to our company and our industry for many years. Thanks to our practices, our employee turnover rate decreased by 7% in 2019. In the Koç Group employee engagement survey, our employee engagement rate was 77% in 2019. We aim to increase our employee engagement and employee satisfaction in the coming years.

### EMPLOYEE TURNOVER RATE



We aim to increase the welfare of our employees by supporting private and business life balance. We offer side benefits such as nursery assistance and child support opportunities and we organize free artistic and

social activities (such as picnics, concerts) for our employees and their families. We provide pregnant employees with the opportunity to do half-day light work and half-day sports and social activities, and we organize seminars for child health, women's health, and employees. We provide all employees with the opportunity to use the gym free. With our Flexible Working system, we offer our employees the opportunity to schedule their working hours, in condition of working between the core hours 9.30 and 16.30 and fulfilling 45 hours in a week. We offer psychological and family counseling services to our employees with our health center within our company.

In 2019, we received the Best Employers award of Aon Hewitt, the world's leading human resources consulting company, with our activities aimed at employees.

### Dialogue with Employees

In order to communicate effectively and actively with our employees, we inform them of the developments in Ford Otosan through different platforms and channels within the company. For this purpose, we organize Open Door Meetings, Leadership Meetings and internal events. We share the news from our company with the employees digitally through our Intranet Portal. In addition, we use channels such as Manager's message bulletin, Aramızda Journal, Aramızda TV, SMS and mass e-mail communication.

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We achieved positive results from the very first year with the new rotation system which we launched in January 2019 in order to keep our employees informed of the positions within the company. Through internal postings, transitions between different functions reached 10% and the rate of transition from different directorates was 35%. We organize events that will enable employees to socialize outside of work in order to strengthen communication among them and encourage participation. The first of these is our sports clubs established through voluntary initiatives. These clubs represent our company by participating in the league of companies in different branches organized nationally, thus contributing to the improvement of our employees' personal development and communication with their teammates. Operating under the sponsorship of senior executives, sports clubs play an important role in keeping employees motivated and protecting their health by turning sports into a life culture.

### My Heart is With You (Gönlüm Senle)

While working with all our strength to shape the automotive industry and its future, we find the problems within the society and look for solutions - not only within the area we operate - and aim to create benefits in every area of the society. For this purpose, we launched the My Heart is With You platform to enable our employees to carry out voluntary social responsibility activities. Through this platform, our employees can plan and follow the volunteer activities they want to participate online. While our employees can volunteer in a project initiated by other employees or in a non-governmental organization, they can project their own ideas and make an application. They can start a new



project on the platform by choosing which Sustainable Development Goals their ideas contribute to when applying for a project.

### YOUNG SDG INNOVATORS

6 different Koç Group company employees were included in the program as 2 teams representing Koç Holding. İpek Duman, Innovation Expert at the Innovation and Smart Technologies Department joined the team to represent Ford Otosan.

Within the scope of the program, Young SDG Innovators from Ford Otosan, Koç Digital and Arçelik focused on artificial intelligence and energy estimation in plants. Ford Otosan Kocaeli Factories were chosen as the pilot application area. High accuracy estimation capability was developed for the model, which was created by including historical energy consumption data, production planning and weather data.

Our General Manager, Haydar Yenigün, joined online meetings with employees every day during the COVID-19 period, gave information about current developments and answered questions from the employees.



### OPEN DOOR



With the Open Door Meetings organized by our Internal Communication team affiliated with the Corporate Communication Department, we aim to gather our 11,000 colleagues under a common roof. For this purpose, we bring together senior management and all our colleagues with Open Door meetings in line with the Open Communication and Transparency value of our Common Culture Dynamic Balance, and we ensure mutual exchange of information. We held a total of 10 meetings in Kocaeli, Eskişehir and Sancaktepe campuses, including 5 Open Door Meetings in the first half of 2019, and 5 Open Door Meetings at the end of 2019. We reached 10,700 colleagues through these meetings. In order to reach all of our 11,000 colleagues, we aim to move our internal communication meetings to the digital platform and increase their frequency in 2020.

### JUST WITH A CALL, FORD OTOSAN IS HERE FOR ALL



We started a volunteering project in order to help our seniors retired from Ford Otosan to meet their needs without leaving the house and to prevent them from feeling lonely because they could not socialize during the days when it's dangerous for elderly people (over 60 years old) to go out due to COVID-19.

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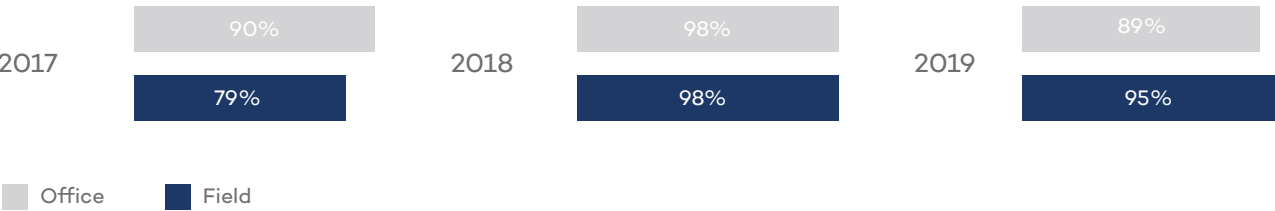
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# Performance Review and Talent Development

With our development-oriented and high-performance Talent Management system, we pave the way for the career development of employees and create continuous learning opportunities. In this regard, with the Individual Development Plans we create with our employees every year, we identify the strengths and areas of improvement of employees and understand their demands and needs. Within the framework of these needs and demands, we always contribute to the development of our talents by offering our employees various opportunities and resources from different platforms. For this purpose, with the recently launched Career Guidance program, we support the personal development journey upon the request of the employees who are included in the DDI Leadership Potential Inventory (Early Identifier) application, and we provide opportunities by guiding them to make their dreams come true. At the beginning of 2019, we revised our performance system under the leadership of Koç Holding. With the recent system called KoçDiyalog, we aim to perform a more active performance assessment that measures the future, and supports instant conversations, instead of a mathematical and 1-1 interviews. We are planning to launch this system in the four pilot departments in 2020 and across the entire company in 2021.

Within the scope of digital transformation in our company, we encourage our employees to participate in nano-diploma programs in the fields of data analysis, introduction to driverless

PERCENTAGE OF EMPLOYEES PERFORMANCE REVIEW



vehicles, machine learning, introduction to programming, and digital marketing, in cooperation with Koç Holding and Udacity, which support the increase of their digital literacy competencies in order to become Connected Employees.

As Ford Otosan, we became a finalist in the Onboarding Program of the Year category at the Learning & Performance Institute - Learning 2019 Awards, a global platform created by the world’s leading education professionals, with the ‘New Hire Onboarding Program - New Recruitment Orientation Program’.

In 2019, we provided an average of 52 hours of training for office employees and 54 hours of training for field employees. In line with the culture of learning from each other, 132 employees participated in the mentoring activities where our experienced managers guide the development of young talents. In addition, our five employees received internal coaching service.

Our innovation and internal entrepreneurship activities in line with our Dynamic Balance Culture and agile transformation vision offers tools and opportunities that will enable us to make a distinction in the industry and

## FOR MY COUNTRY: I DESIGN THE FUTURE (ÜLKEM İÇİN GELECEĞİ TASARLIYORUM)

We aim to build a meaningful future for the world, society and people with the For My Country: I Design the Future project, which started in 2019 under the leadership of Koç Holding. We are taking steps today for a fairer, equal, and inclusive future that will serve us all. Within the scope of the project, we organize seminars on the importance of technology and digitalization with the participation of all our employees. In this regard, we aim to raise awareness on how to solve the current problems by using technology.

achieve our strategic priorities while providing competitive edge. We aim to offer innovative products and services to our customers with a creative, innovative, and entrepreneurial perspective in all our business processes. In this sense, we continue our corporate entrepreneurship efforts and support the formation of new initiatives.

## Fikirhane (Ford Otosan Innovation Portal)



Using our in-house innovation portal Fikirhane, which we established to create a competitive edge in the industry and to support our innovative company culture, our employees share the ideas and suggestions that they think will contribute to the company and the company’s strategies on existing products, services, processes or business models. These ideas are evaluated by the relevant subject experts and are put into operation if deemed appropriate. If the annual income of the suggestions applied is over €10,000, we reward the suggestion holder and the suggestion partners, if any, with the board decision at the rate of 4% of the suggestion gain (not exceeding the five gross minimum wage). In 2019, 2,500 suggestions were submitted to the Fikirhane Idea Management System and we implemented 25 of these ideas.

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# Occupational Health and Safety

*In 2019, we provided a total of 109,361 hours of training to our 35,462 employees.*

Due to the nature of our industry, it is classified as dangerous in terms of employee health and safety. Considering this, we see it as our primary responsibility to create a safe and healthy working environment for our employees. We meet all legal working conditions related to occupational health and safety (OHS) in our offices and plants.

We are committed to determining and effectively managing the occupational health and safety risks specified within the scope of OHSAS 18001 Occupational Safety and Health certificate, through our OHS committees, and to establish and review targets and programs related to these risks. In 2019, four of our plants had OHSAS 18001 certificate.<sup>26</sup>

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

We believe that accidents and losses can only be prevented through the joint responsibility of management and employees. In this direction, while all departments operate within the policy framework in the design, operation and

maintenance of all facilities and equipment, our employees also take care to comply with the existing occupational safety rules and processes. In order to eliminate all risks such as illness, injury, fire, etc. that threaten the safety of life and property, we carry out continuous improvement activities and we act in cooperation with our employees in this process. Within this scope, we provide OHS trainings for employees to enable them to adopt the OHS culture, manage risks and work in accordance with the requirements of a safe workplace. In 2019, we provided a total of 109,361 hours of training to our 35,462 employees. In addition to our employees, we also provided a total of 2,902 hours of OHS training to 1,451 supplier employees we work with. OHS trainings account for 19% of the training provided to employees.

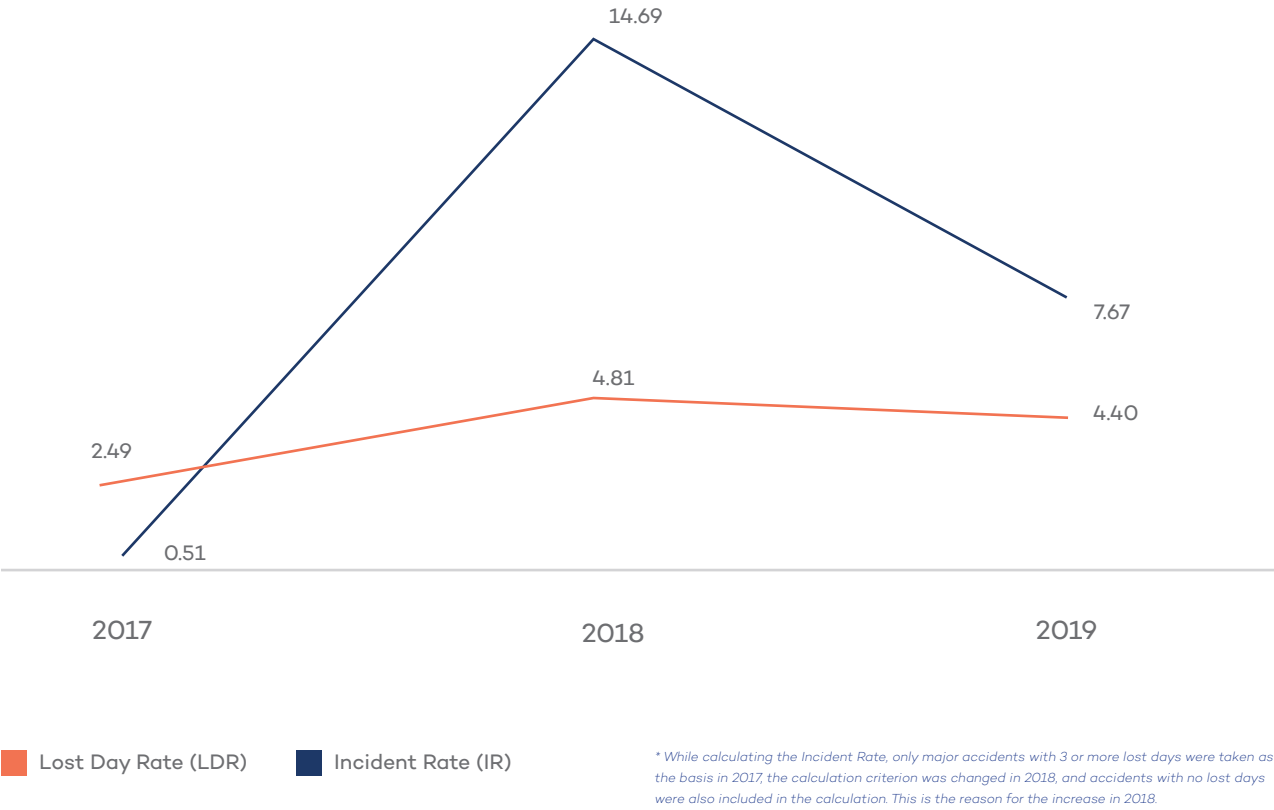
### Gümbür Gümbür OHS Theater

During OHS week, the Bodywork Production Area Department at the Kocaeli Plant held a theater event where the field employees and the occupational safety team wrote and performed the scenario together and chose the set and music themes. The theater play performed by 10 employees in total was staged 23 times in Eskişehir, Gölcük and Sancaktepe, at the OSD organization and the leaders meeting to 5,000 audiences including both employees and their families.

The common cultural theater was staged to 150 spectators in one performance. The play,

which aims to raise awareness of the causes of increased accidents and issues that lead to accident risk, is shown in legal occupational safety trainings in all facilities.

### OHS PERFORMANCE



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*We contribute to the Sustainable Development Goals with our activities in many areas, particularly gender equality, education, health, culture-arts and sports.*

Today, societies are demanding more contributions from companies in supporting economic, social and environmentally sustainable development. In order to respond to changing expectations, companies need to develop social investment strategies and integrate them into the business model in order to maximize the positive impact on the communities in which they operate and to minimize their impact on the environment.

As Ford Otosan, we implement investment programs in the social field in line with the concept of corporate citizenship, while contributing to the enhancement of Turkey's economic development and competitiveness on an international scale. We contribute to the Sustainable Development Goals with our activities in many areas, especially gender equality, education, health, culture-arts and sports.

In 2019, we transferred over TL 37,368,000 to social development-oriented projects, donations and sponsorship activities.

### Equality at Work

Within the scope of the United Nations Women Empowerment Principles (WEPs) Declaration on Equality at Work which we signed in 2013, we combat gender inequality and approach all our employees with the basic principle of equality. The declaration emphasizes the importance of equality between men and women in all internal activities, including recruitment processes. We adopt the principle of equality between women and men in all internal activities within the scope of the Declaration on Equality at Work.

You can find further details about the Declaration on Equality at Work here.

### For My Country: I Support Gender Equality



For My Country (Ülkem İçin) project that aims to reveal the individual entrepreneurship of Koç Group employees and dealers in the field of social responsibility builds a bridge among individuals, companies and the society in terms of responsibility. Since 2006, solutions for various problem areas have been developed under the ownership of the Koç Group companies.

As Ford Otosan, we create sustainable solutions for social problems that we identify with our employees and other stakeholders in line with the vision of a sustainable society, while also realizing projects against various social problems with employees and dealers under the roof of My Country project. In this context, we have been conducting Gender Equality activities for three years with suppliers. Thanks to our efforts, the number of women working in our suppliers increased.

### March 8, International Women's Day

We believe in the power of equal representation. We play an active role in balancing the number of female employees in Turkish automotive industry.

March 8, International Women's Day: Glass Ceiling



You can reach our International Women's Day video by clicking on the icon.

### Dreams Need Knowledge

In order to serve our strength in R&D and innovation to the future generations while taking the equal opportunity to our focus, we initiated the Dreams Need Knowledge project



You can reach our Dreams Need Knowledge video by clicking on the icon.

in cooperation with Young Guru Academy and Twin.

We reflect the activities we carry out in our field of operation to social responsibility projects in order to make Turkey a country that produces advanced technologies and expands them to the world. With Dreams Need Knowledge project, we spread open innovation approach to young people and children, and we lead social innovation. One of the most distinctive features of this project, the pioneer of the Social Responsibility 4.0 model, is the activation of Ford Otosan's technological strengths with a vision that will add value to the society. In the first phase of the project, which we aim to provide children who do not have access to new technologies, using technology such as sensors, coding and artificial intelligence, we will send the programmable tool sets with basic sensor technology and autonomous driving to schools. We aim to make children aware of what





they can do with technology by solving the experiments presented in the tool sets or by creating their own experiments.

In the second phase of the project, we plan to introduce children to our Artificial Intelligence Assisted Autonomous Vehicle approach. We aim to give children a perspective on basic image recognition algorithms, block coding and artificial intelligence model experiments, training and installation of new artificial intelligence models, and artificial intelligence use scenarios. Within the scope of the project, we aim to deliver autonomous vehicle sets to 500 schools in 3 years.

Improving Vocational Education

We donate all the vehicles used in the testing stages of the projects to the vocational high schools in order to develop the motor and technical departments of the vocational high schools. In 2019, we sent about 80 vehicles to vocational high schools in more than 50 cities. Our vehicle and parts donations continue in 2020, as well.

● We contribute to Turkish automotive industry and donate our test vehicles to students who will carry us into the future.



Recycling Heroes

With the Recycling Heroes project we have been carrying out since 2017, we aim to raise awareness about the environment and recycling. So far, we have met with 1<sup>st</sup> grade students in 19 primary schools. We share the videos we prepare on environment and recycling with them and support them in their practice.

Stem Cell Donation Campaign

We launched the “Become a Donor, Save a Life” campaign to correct the false perception about stem cell donation, which has an important place in the treatment of cancer-type diseases, and to support patients whose chances of living depend only on the availability of a suitable donor. In cooperation with the Red Crescent in Turkey, we have provided trainings to 3,750 employees at all our locations about being a donor. 1,148 employees registered in the Ministry of Health database as a volunteer donor. To date, there have been stem cell matched with nine patients among employees.

● “We are very happy with the point of our stem cell project, which was developed with the desire to find solutions to the problems of the patient, whose health status is not good and that only depends on the availability of a suitable donor, has reached and with the matching news.”

Birol Mutlu  
Ford Otosan Kocaeli Plant employee

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## September

For the last 6 years, we have been attending September events to support and improve the quality of life of children struggling with Cerebral Palsy. In 2019, thanks to the donations we collected throughout the campaign, we stood out as the company that creates the highest level of social benefit in Turkey. 401 volunteers collected donations and supported the project.

## Social Impact Center

Founded in 2018, Ford Otosan's Social Impact Center is a platform that provides solutions to social and environmental issues. This year, in cooperation with Gıda Koruma Derneği (Food Saving Association) and Gebze Chamber of Commerce, we've developed the food banking project to prevent food waste. In the first six months of 2019, we saved 368 tons of food and delivered the consumable products saved to 500 families in need (more than 2 thousand people) in the store area we established in Dilovası.

## Wings for Life World Run

As Ford Team, under the 'My Hand Is Your Hand' ('Benim Elim Senin Elin') slogan, we joined the Izmir event of Wings for Life World Run 2019 - a run that encompasses 6 continents and 12 countries across the world - with the most crowded running team of the world including our 2,274 members in order to support people struggling with paraplegia. In addition, 170 Ford Otosan employees, musician Ozan Doğulu, actress Şebnem Bozoklu and actor Enis Arıkan also joined to Ford Team to support the awareness that we want to create together with all our supporters.

## Ford Driving Skill for Life

As Ford Otosan, we provided safe driving training to 278 students in 2019 through the Ford Driving Academy program. The event, which was organized for the fourth time in Turkey, raising more than one million young people all around the world since 2003, took place in Ayazağa campus of Istanbul Technical University for free on November 14-15. Young drivers had the opportunity to get training from Serdar Bostancı, the Director of the European Champion Castrol Ford Team Turkey Team and Murat Bostancı, the European Rally Champion in 2017.

## Fighting Against COVID-19

In 2020, due to the COVID-19 outbreak all around the world, our daily life routines have changed completely. As Ford Otosan, we've continued to support the healthcare sector while developing facilitating services for our customers. In addition, we regularly shared written and visual content through FordBlog to raise awareness of the importance of social isolation among employees and to provide psychological support to employees during the quarantine period.

As a member of the WEF Global Lighthouse network, we attended daily COVID-19 task team meetings.

## FACE SHIELD



We distributed the face shields and intubation boxes designed and produced by us to hospitals across Turkey.



You can reach the related video by clicking on the image.

## Ford Digital Studio

In order to provide uninterrupted and high-quality service, we launched Ford Digital Studio to enable customers to connect with Ford from anywhere.



## AEROSOL BOX



On March 20, International Day of Happiness, we discussed about the effects of the pandemic on social psychology accompanied by an expert psychologist.



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# Annex 1: Economic Performance Indicators

ECONOMIC AND OPERATIONAL INDICATORS (TL MILLION)	2017	2018	2019
Revenues	25,341	33,292	39,209
EBITDA	2,182	2,854	3,198
Net Profit	1,490	1,683	1,959
Economic Value Created	25,341	33,292	39,209
Operating Costs	22,338	22,219	36,088
Employee Wages and Related Rights	1,005	1,238	1,498
Dividend Payment	790	1,204	1,284
Taxes and Liabilities Paid to the Government Directly and As Liable	11	15	21
Social Investments	27	42	37,4
Total R&D Budget*	512	578	552
Total Supplier Spending	10,770	15,933	40,041
Payments to Local Suppliers	10,619	14,235	19,933

*\*The R&D spending on various product development projects that we have worked on in 2019 amounted to TL 552 million before capitalization, and TL 420 million after capitalization.*

# Annex 2: Stakeholders and Communication Methods

STAKEHOLDER GROUP	COMMUNICATION METHOD	
Shareholders & Investors	<ul style="list-style-type: none"><li>• Corporate web site and Investor Relations Mobile Application</li><li>• Investor and analyst presentations</li><li>• Special circumstances disclosures</li><li>• Meetings to assess financial results</li></ul>	
Employees	<ul style="list-style-type: none"><li>• Ford Otosan Working Principles</li><li>• Internal portal</li><li>• Internal television broadcast</li><li>• Suggestion, appreciation and reward system</li><li>• Working groups and committees</li><li>• Internal publications such as Journal and General Manager's Message Bulletin, announcements and notices</li></ul>	
Media	<ul style="list-style-type: none"><li>• Annual Report and Sustainability Report</li><li>• Interviews and conversations</li><li>• Meetings</li><li>• Press releases</li><li>• Special circumstances disclosures</li></ul>	
Vocational Schools, Universities and Academy	<ul style="list-style-type: none"><li>• Annual Report and Sustainability Report</li><li>• Academic congresses and seminars</li><li>• Articles and publications, academic researches</li><li>• Joint projects</li></ul>	
Dealerships	<ul style="list-style-type: none"><li>• Annual Report and Sustainability Report</li><li>• Dealer meetings, Dealer Council and one-on-one meetings</li><li>• Dealer and customer satisfaction surveys</li><li>• Internal publications</li><li>• Trainings for dealers</li></ul>	
Koç Community Companies	<ul style="list-style-type: none"><li>• Annual Report and Sustainability Report</li><li>• Working groups</li><li>• Project partnerships</li></ul>	
Public Organizations	<ul style="list-style-type: none"><li>• Annual Report and Sustainability Report</li><li>• Audits</li><li>• Meetings</li><li>• Trainings</li></ul>	
Suppliers and Subcontractors	<ul style="list-style-type: none"><li>• Annual Report and Sustainability Report</li><li>• Ford Otosan Working Principles</li><li>• Trainings</li><li>• Award ceremony</li><li>• One-to-one interviews</li><li>• OHS Committees</li></ul>	
Non-Governmental Organizations	<ul style="list-style-type: none"><li>• Annual Report and Sustainability Report</li><li>• Working groups, Committee and the Board of Directors Memberships</li><li>• Memberships</li><li>• Joint projects and initiatives</li><li>• Meetings</li></ul>	

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# Annex 3: Ford Otosan 2019 Corporate Memberships

NAME OF THE INSTITUTION	RESPONSIBILITY
Heavy-Duty Commercial Vehicles Association	Membership
American Business Forum (ABFT-AmCham)	Membership
Foreign Economic Relations Board	Membership
Eskişehir Chamber of Industry	Membership
Eskişehir Red Crescent	Membership
Istanbul Chamber of Industry	Professional Committee Membership
Kocaeli Chamber of Industry	Board Membership
Chamber of Mechanical Engineers	Membership
Automotive Distributors Association	Technical Committee Membership
Automotive Manufacturers Association	Board Membership (Chairman)
Automotive Technology Platform	Executive Board Membership
Foreign Trade Association of Turkey	Membership
Turkey – US Business Council	Board Membership
People Management Association of Turkey	Advisory Board Membership
Turkish Quality Association	Membership
Port Operators Association of Turkey	Membership
Metal Industrialists Union of Turkey	HR Committee Membership
Union of Chambers and Commodity Exchanges of Turkey	Turkish Automotive Industry Council Membership
Technology Development Foundation of Turkey	Founders' Committee Membership
Turkish Investor Relations Society	Board Chairman
International Organization of Motor Vehicle Manufacturers	Membership
International Investors Association	Board Membership

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# Annex 4: Environmental Performance Indicators

## ENVIRONMENTAL MANAGEMENT

In environmental management, we take international management systems as a reference and comply with all regulations. We have ISO 14001 environmental management system and ISO 50001 energy management system in 100% of our plants. Our most significant guide in the management of the environmental impacts as well as Environmental and Energy Management Systems by defining the goals and objectives is the Environmental and Energy Policy.

You can access the Environmental and Energy Policy [here](#).

We have wastewater treatment facilities at our Gölcük, Yeniköy and Eskişehir plants. The treated wastewater from the Wastewater Treatment Facilities of the Gölcük and Yeniköy Plants is discharged into the sewage system, while the treated wastewater from the Wastewater Treatment Facility of the Eskişehir Plant is discharged into the receiving environment. Wastewater discharge is performed in compliance with the limit values defined in the Water Pollution Control Regulation and the Discharge of the Wastewater into Sewage System Regulation. Compliance with the limit values is assessed with periodic tests.

We have ISO 14064-1:2016 certification at all locations of Ford Otosan. Within the

scope of ISO 14064, our Scope 1 and Scope 2 emissions are verified. We include our Scope 3 calculations in CDP Climate Change reports. While in 2021, the new version of ISO 14064-1:2018 will be used for the verification of 2020 greenhouse gas emissions, the scope will be extended to include the base year assessment. In addition, Ford Otosan is included in the scope as per the ‘Regulation of Tracking of Greenhouse Gas Emissions’, thus each year we create our monitoring plans and submit our Greenhouse Gas Emission Reports to the Ministry of Environment and Urbanization.

You can access all certifications of Ford Otosan [here](#).

The Environmental Committee consists of the Environmental and Energy Management Representative, the Chairperson of the Environmental Committee and environmental officers who are appointed from each department to represent their department. The Energy Management Team consists of manager representative, energy manager and energy officers who are appointed from each department to represent their department.

## AIR EMISSIONS

In line with the Air Pollution Control Regulation, regular air emission values are measured at all plants. In the measurements performed in 2019, all emissions were measured below the limit values.

The new technologies that reduce environmental impacts play an important role in keeping these emissions low. The Paint Shop of the Gölcük Plant is the first in Turkish automotive industry to use water-based paint. In Yeniköy Plant’s Paint Shop, eco and energy friendly production processes including 3 Wet Paint Processes and Dry Scrubber are used. In addition, all paint ovens have a solvent incinerator system. Thus, volatile organic compound emissions are well below the limit values.

GREENHOUSE GAS EMISSIONS (TON CO <sub>2</sub> e)	2017	2018	2019*
Scope 1	70,880.37	74,492.12	78,823.02
Scope 2	121,889.90	124,578.20	126,944.42
Total	192,770.27	199,070.32	205,767.44

\* 2019 data are not assured by an independent third party.  
You can find the assured data from the current CDP Climate Change and CDP Water statements of Ford Otomotiv Sanayi A.Ş. [here](#), available from 26 August 2020.

ENERGY CONSUMPTION (GJ)	2017	2018	2019
Direct Renewable Energy Consumption	89	2.368	38.934
Direct Non-Renewable Energy Consumption	1,117,841	1,071,156	1,096,369
Indirect Renewable Energy Consumption	9.883	0	0
Indirect Non-Renewable Energy Consumption	1,084,301	953,431	965,071
Total	2,212,114	2,026,955	2,100,374

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AMOUNT OF WASTE (TON)	2017	2018	2019
Hazardous Waste Recycled	7,218	7,366	9,699.08
Non-Hazardous Waste Recycled	87,206	87,998	87,154.98
Hazardous Waste Disposed	255	26	179.17
Non-Hazardous Waste Disposed	26	188	266.50
Hazardous Waste Sent to Interim Storage	0	649	247.12
Non-Hazardous Waste Sent to Interim Storage	0	0.04	0.068
<b>Total</b>	<b>94,704</b>	<b>96,228</b>	<b>97,546.92</b>

WATER WITHDRAWAL (m³)	2017	2018	2019
Underground Water	1,008,431	1,159,612	1,097,981
Municipal Water	15,174	12,545	11,053
<b>Total</b>	<b>1,023,605</b>	<b>1,172,157</b>	<b>1,109,034</b>

AMOUNT OF REUSED WATER AND WASTEWATER (m³)	2017	2018	2019
Amount of Water Recycled	414,235	297,284	184,152
Total Amount of Water Discharge, Excluding Rainwater and Domestic Waste	343,375	364,228	374,989

ENVIRONMENTAL TRAININGS (PERSON*HOUR)	2017	2018	2019
Trainings Provided to Employees	3,262	14,450	11,186
Trainings Provided to Subcontractors	1,052	908	855
Trainings Provided Within the Scope of Social Responsibility	2,258	455	26

ENVIRONMENTAL EXPENDITURES AND FINES (MILLION TL)	2017	2018	2019
Environmental Investments and Expenditures	8.3	9.1	15.3
Environmental Fines	0	0	0

# Annex 5: Environmental Awards

Ford Otosan Kocaeli Plants was awarded with the Second Place by the General Directorate of Efficiency of the Republic of Turkey Ministry Industry and Technology.

- o Application Projects;
- Waste Heat Recovery
- Wind Turbine Application
- Daylighting System
- Energy Saving is Teamwork Project
- Boiler - Compressor Automation
- Paint Shop Cabins Energy Project

Ford Otosan Kocaeli Plants (Gölcük Plant) was awarded with the Second Place by the Republic of Turkey Ministry of Energy and Natural Resources.

- o Application Project;
- Gölcük Paint Shop Solarwall Project - Central Maintenance

At the Şahabettin Bilgisu Environmental Awards Ceremony, organized for the 25<sup>th</sup> time by Kocaeli Chamber of Industry, Ford Otomotiv Sanayi A.Ş. won the 25<sup>th</sup> Anniversary Continuity Award with Kocaeli Plants.

- o The company received the highest number of awards with a total of 4, namely the Automotive and Sub-Industry Sector in the Large-Scale Business Category Environment Award and the Industry Awards.

- o Application Projects;
- Gölcük Paint Shop Solarwall Project - Central Maintenance
- Biodiversity Monitoring Study - Central Maintenance
- Marine Macro Species Current Due Diligence Project
- Gölcük Plant Paint Shop Cancellation of Recip Robot in Metallic Paints

At the elections of ‘Global Lighthouse’ that aims to define and expand the pioneering and industry-leading applications in Industry 4.0 by the World Economic Forum (WEF), Ford Otosan Gölcük Plant won this prestigious certification and became the first and only automotive plant of Turkey and the Ford world.

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# Annex 6: Social Performance Indicators

OHS PERFORMANCE (EMPLOYEE)	2017	2018	2019
Occupational Disease Rate	0.03	0	0.59
Number of Fatal Accidents	0	0	0
Lost Day Rate	2.49	4.81	4.40
Incident Rate	0.51	14.69*	7.67
Total Number of Members in Active OHS Committees	162	162	145
Number of Representatives Working in Active OHS Committees	13	13	16
Average OHS Training Hours Per Employee	6.7	7.0	10.06
Total OHS Training Hours	76,985	73,687	109,361

*\*While calculating the Incident Rate, only major accidents with 3 or more lost days were taken as the basis in 2017, the calculation criterion was changed in 2018, and accidents with no lost days were also included in the calculation. This is the reason for the increase in 2018.*

OHS PERFORMANCE (SUB-EMPLOYERS)	2017	2018	2019
Occupational Disease Rate	0	0	0
Injury Rate	0	0	0
Lost Day Rate	0	0	2.59
Number of Fatal Accidents	0	0	0
Incident Rate	10.29	43.15	8.23
Total OHS Training Hours	2,875.5	3,242	2,902

EMPLOYEE DEMOGRAPHICS	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Number of Employees	1,743	9,758	1,622	8,955	1,726	9,173
Total Number of Employees	11,501		10,577		10,899	
Number of Subcontractor Employees	405	1485	415	421	325	1,080
Total Number of Subcontractors	1,890		836		1,405	

EMPLOYEES PER CATEGORY	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Field Employee	1,044	7,803	948	7,138	1,024	7,266
Office Employee	699	1,955	674	1,817	702	1,907
Total	11,501		10,577		10,899	

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EMPLOYEES PER AGREEMENT TYPE	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Indefinite Term Employment Contract	1,546	9,058	1,600	8,872	1,645	8,835
Fixed Term Employment Contract	197	700	22	83	81	338
Employees Covered by Collective Bargaining	8,817		8,072		8,265	

EMPLOYEES PER AGE GROUP	2017	2018	2019
30 years of age and below	4,595	3,556	3,531
30-50 years of age	6,791	6,908	7,203
50 years of age and above	115	113	165

NUMBER OF EMPLOYEES PER LENGTH OF SERVICE	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Number of Full-Time Employees	1,743	9,758	1,622	8,955	1,726	9,172
Number of Part-Time Employees	0	0	0	0	0	1

EQUAL OPPORTUNITY	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Board Members	2	12	3	10	2	12
Senior Managers	3	17	3	22	3	21
Mid-Level Managers	23	184	34	190	36	200

MATERNITY LEAVE	2017	2018	2019
Female Employees on Maternity Leave	82	88	106
Female Employees Returning from Maternity Leave	84	66	102

EMPLOYEE TURNOVER	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Number of Employees Recruited	534	1,913	128	421	256	827
Number of Employees Leaving	175	1,033	247	1,215	155	628
Promotion	17	66	154	444	26	81
Employee Turnover	10.5		13.8		7.2	

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EMPLOYEES SUBJECT TO PERFORMANCE REVIEW	2017	2018	2019
Office Employee	2,380	2,444	2,297
Field Employee	6,966	7,945	7,861

EMPLOYEES SUBJECT TO PERFORMANCE REVIEW (%)	2017	2018	2019
Office Employee	90%	98%	89%
Field Employee	79%	98%	95%

TRAININGS	2017		2018		2019	
	Female	Male	Female	Male	Female	Male
Total Training Hours	176,176.5	579,141	87,226.5	363,201.3	114,361	468,172.7
Total Trainings Including OHS	832302.5		524,114.75		691,894.75	
Average Trainings Per All Employees	72.4		49.6		63.7	
Office Employee Trainings	19,192.5	43,840	29,604	69,470.75	36,932	95,948.5
Average Trainings Per Office Employee	27.5	22.4	43.9	38.2	52.8	51.2
Average Trainings Per Office Employee	23.8		39.8		52	
Field Employee Trainings	156,984	535,301	57,622.5	293,730.5	77,429	372,224.25
Trainings Per Field Employee	150.4	68.6	60.8	41.2	75.6	51.2
Average Trainings Per Field Employee	78.3		43.5		54.2	
Leadership Trainings	5,290.5	9,215	2,613.5	13,648.5	8,836	59,759

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# Annex 7: Trainings Provided to Employees

TRAINING PROGRAM	DETAILED INFORMATION ABOUT THE TRAINING PROGRAM
For My Country: I Design the Future (Ülkem İçin Geleceği Tasarlıyorum) Training	In the last 3 months of 2019, we provided trainings to 6,254 people within the scope of the I Design the Future for My Country program. In the field of Technical Expertise, we organized 23 expertise Evaluation Committees in 2019 and awarded those who qualified the title of technical leader.
Integration of Robotic Technologies to Vocational Education	By taking into account the needs of the Kocaeli Plant today, tomorrow and in the future, we have implemented the Industrial Robot Programmer and Service Man Level 5 National Professional Standard and Competency Project with the participation of experts from the plant and faculty members from Kocaeli University, in order to establish occupational standards and professional qualifications for the professions of the future. As a result of this project, we provided three Robots to the Vocational School and three new courses (Industrial Robots) were added to the curriculum. In addition, an internal trainer from our plant started teaching at the Vocational School. Our field employees in our plant can also benefit from this training program within the scope of talent transformation.
Engineer Specialization Program	67 trainers completed these trainings, which were prepared to form a common language (Module 1) on the technologies in our production systems within the scope of talent transformation for all our experts working in production. In addition to this, for our Production Technology experts, 42 people completed the trainings that were prepared to improve their technical competence in our technologies (Module 2) when the job requires.
Maintainer Specialization Program	22 maintainers completed their 17-day training at the level of Electric L1 (guru), the highest level of this program, a career path for our field employees. They became entitled to be L1 level maintainer upon submission of their automation and energy efficiency projects to the evaluation committee after the training.
LiderSEN Program	In the first quarter of 2019, we launched the LiderSEN Program, which was created in order to unleash the leadership potential of our newly appointed team leaders on the basis of Empowering Leadership and to help them develop their leadership skills. The program, designed to include the current team leader competency set, future leadership competencies, lean transformation approach, Dynamic Balance Culture values and principles and VUCA* age leadership perspective, lasts about a year. With the three modules of classroom training, the application trainings planned after each module, e-learnings, book summaries, articles and Ted videos that will turn theoretical knowledge into practice, improvement areas of the employees are blended from different perspectives and also digitally supported. New team leaders hold 10 to 12 mentoring meetings throughout the program, review their development with their managers, and keep close contact with the training and development team throughout the process. In 2019, 38 new team leaders from 2 groups successfully completed the program.
Field Employee Personal Development Seminars	In total, 2,640 field employees participated in personal development seminars consisting of 4 topics and 16 sessions, the first of which was held in 2019, in order to support the competencies and awareness of our field employees within the scope of Industry 4.0.
Development Center Practices	By using the Development Center Practices that we aim to establish and strengthen the future leadership structure of the company with the early determination and potential development process, we support our employees, whose leadership potential we have determined early, with the most accurate development activities such as rotation, coaching, mentoring or leadership training before their assignment to a higher role by increasing their awareness of their personality structures, competencies and skills.

\*VUCA: Volatile, uncertain, complex and ambiguous

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	102-1	<a href="https://www.fordotosan.com.tr/en/corporate/about-ford-otosan/about-ford-otosan">https://www.fordotosan.com.tr/en/corporate/about-ford-otosan/about-ford-otosan</a>	-
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	102-5	<a href="https://www.fordotosan.com.tr/en/corporate/about-ford-otosan/shareholder-structure">https://www.fordotosan.com.tr/en/corporate/about-ford-otosan/shareholder-structure</a>	-
	102-6	<a href="https://www.fordotosan.com.tr/en/corporate/about-ford-otosan/about-ford-otosan">https://www.fordotosan.com.tr/en/corporate/about-ford-otosan/about-ford-otosan</a>	-
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	102-46	3	-
	102-47	18	-
	102-48	No significant change observed.	-
	102-49	There is no change in the scope and aspect boundaries for non-financial information.	-
	102-50	1 January - 31 December 2019	-
	102-51	1 January - 31 December 2019 <a href="https://www.fordotosan.com.tr/E-BOOK/FORD_SRDE_2018/">https://www.fordotosan.com.tr/E-BOOK/FORD_SRDE_2018/</a>	-
	102-52	Annually.	-
	102-53	3	-
	102-54	3	-
	102-55	69 - 72	-
	102-56	No external assurance sought for the report.	-

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