



Sustainability Report 2020





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About the Report



Temsa Skoda Sabancı Ulaşım Araçları A.Ş. (TEMSA) shares its environmental, social, and governance (ESG) performance and its respective impact in each domain within this 2020 Sustainability Report. This report is the first to contain TEMSA's sustainability efforts.

This report has been prepared in compliance with the GRI Sustainability Reporting Standards (GRI Standards). In this report, we elaborate on our past efforts and future goals in sustainability as well as our sustainability vision, strategic governance approach, our stakeholder relations and best practices. We also describe our contribution to the United Nations Sustainable Development Goals through our sustainability priorities.

The report not only contains our performance for the December 1, 2020 through December 31, 2020 period, but also the impacts of our past best practices surfacing in 2020. We verified the

compliance of selected environmental, social, and economic performance indicators towards long-term goals with the International Standard on Assurance Engagements for 2020 (ISAE 3000 Revised)¹ ([Annex: Assurance Report](#)).

You can reach us at sustainability@temsa.com for all inquiries, comments and suggestions concerning the report.

¹ Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The data verification process progressed in line with the sustainability reporting guidelines of Sabancı Holding, a founding corporate partner.



The Chairman's Message

Esteemed Stakeholders,

The year 2020 has come to an end. During the COVID-19 pandemic, we've seen trends such as digital transformation take the spotlight. The climate crisis and other environmental issues also became more visible as a result of the disasters that struck our country and the world. In light of these developments, it is clear that we are witnessing radical economic and social transformation on a global scale.

Over more than half a century of our existence, we've survived many crises, including global shocks. This experience has made us more resilient against crisis and tapping into this experience, we've worked to ensure the health and safety of all our stakeholders, particularly our employees, while we strove to maintain business operations during the COVID-19 pandemic.

In 2020, we reached a turning point with the acquisition of TEMSA by Sabancı Holding and PPF Group N.V., the main partner of Škoda Transportation and a leading global engineering and industry group. Our goal is to further

strengthen our global position through this new partnership structure.

We aim to utilize investments in new areas, including trolleybuses, trams and trains where Škoda Transportation already demonstrates strength and experience. Our focus is on leading the future of public transportation in Turkey. Strong adaptation skills and agile and dynamic structures are now more critical than ever. At TEMSA, our vision is to become a technology company that thrives on R&D and innovation. As the first company in Turkey to be certified as an R&D center, we allocate approximately 4 percent of our turnover to R&D every year.

We strive to maintain our flagship position in the transportation sector by embracing rapid and radical transformation.

We utilize our experience to develop sustainable and smart transportation technologies to contribute to the future of modern urbanization and smart public transportation. We further contribute to the national economy by boosting the export of our innovative and quality products. Our goal is to ensure one of every two vehicles sold in 2025 is an electric vehicle. As such, we are focusing our production and R&D in this area. We contribute to the resolution of environmental problems, particularly those in cities, including air pollution and increased emissions. With the TEMSA Tech platform established within TEMSA, we are working to develop autonomous vehicles and battery technologies to lead the future of transportation and

become a flagship in sustainable transportation.

We aim to further boost our sustainability efforts with the vision to create a shared value with all our stakeholders.

I am very happy to share with you, our valued stakeholders, our very first sustainability report, which contains our approach, performance and vision on environmental, social and corporate governance.

I would like to take this opportunity to congratulate and appreciate all our stakeholders and colleagues for embracing TEMSA's vision and for striving with dedication and a strong sense of responsibility to help create a more sustainable world.

Kind regards,

Cevdet Alemdar





CEO's Message

Esteemed Stakeholders,

The world has been going through radical changes. These changes are centered around digital and green transformation. These trends, which have rapidly engulfed the entire business world, require companies to act quickly to integrate sustainability in all their business strategies. Highly adaptable companies that have made swift adjustments to their business models to comply with the changes have not just survived the transformation, but gained a substantial competitive advantage or even a lead.

TEMSA has been undergoing substantial and radical transformations in line with these global developments over the past two years. Today, we operate with the vision of going beyond an automotive company to become an automotive-focused technology company. In light of the smart mobility trend shaping the future, we are working to develop next-generation mobility solutions to contribute in the shift towards alternative fuel vehicles for a zero-carbon economy in cities. We provide a wide range of products and services from electric vehicles to autonomous vehicles, as well as the manufacturing of vehicle power distribution and charging units and charging stations. Accordingly, we aim for electric vehicles to constitute over half of our total bus production volume by 2025. We continue to build our expertise in electric vehicles globally through the partnership of

Sabancı Holding and Škoda Transportation. Today, we are proud to export electric vehicles to European cities with high sustainability records and aim to further improve this business while increasing the share of electric vehicles in our total exports to approximately 80 percent. In addition to our achievements in export, we are striving to make electric vehicles the predominant mode of transport in Turkey. As a global Turkish brand, we offer our technology, infrastructure and production power to contribute in Turkey's mobilization for a sustainable future built on electrification. We have already taken steps in several cities with many more to come.

We focus on sustainability both in our vehicles and throughout our business processes and operations. In compliance with developments within Sabancı Holding that are closely related to our business, including the 2050 Net-Zero emissions target and the European Green Deal, we reduce the greenhouse gas emissions stemming from our operations and develop solutions and services to minimize the environmental impact of our clients. We are Zero-Waste Certified for our circular economy and employ a zero-waste approach in our production. Furthermore, as a member of the Business Plastic Initiative from the Business World, our Group has pledged to the cause. We committed to reducing our consumption by 10 percent in the first step and are working to reduce our single-use plastic consumption by 100 percent in certain areas in our offices by 2024.

With our vision set on sustainability, we focus on our people- and community-oriented efforts. Adopting a common value culture, we provide an inclusive, equitable and people-

oriented working environment for our employees. We support the participation of younger generations, women and persons with disabilities into the workforce. We monitor the number of women, persons with disabilities and younger employees in different positions within the company with a view to further grow them. We invest for healthy and safe manufacturing with the goal of zero accidents.

As TEMSA, we are proud to share our very first sustainability report with you, our distinguished stakeholders. I would like to thank all our stakeholders and particularly our colleagues who have contributed immensely to this report. I believe that we will blaze many new trails together.

Kind regards,

**Tolga Kaan
Doğancıoğlu**





RESPECT

We can only achieve our common goals by respecting each other and working in harmony.



SOLUTION-ORIENTATION

We at TEMSA will not let our clients go empty-handed without a solution. We focus on gaps and gray areas. We predict problems and offer proactive and rational solutions.



TRANSPARENCY

At TEMSA, we believe in sharing knowledge at the right time with the right people. We announce the impact of new developments on our business.

We tell the truth with an open heart and believe in effective feedback. We operate our business with transparency and a holistic approach, and we always keep our promises.



PASSIONATE ENGAGEMENT

We run our business with passion and take pride in our achievements. We comply with our code of ethics in business and strive to set a good example for everyone.

We always support our outstanding employees.



About TEMSA

Established in 1968 in Adana, TEMSA is a leading transportation company in Turkey operating on a **510,000**-square-meter facility since 1987. **We boast an over-10,000 bus, midibus and light truck manufacturing capacity per year in a single shift.**

Today, one in every three busses in Turkey's bus market bears the TEMSA brand. We have continuously expanded our export activities since our launch in 2001 and currently operate in **nearly 70 countries around the world**, including leading economic regions such as the U.S., the United Kingdom, France, Germany and Italy.

We are among the leading bus and midibus manufacturers not just in Turkey but across the world. Powered by our over **53** years of experience, we offer cutting-edge mobility solutions to our clients. Our **510,000**-square-meter manufacturing facility in

Adana operates with **1,300** employees and boasts an annual manufacturing capacity of over **10,000** vehicles, namely **4,000** buses and **6,000** light trucks. With a continuously expanding product range, the Adana Manufacturing Facility currently manufactures Maraton and Safir Plus models for inter-city passenger transportation and for use in the tourism sector; the midibuses Prestij and Opalin; Avenue and LDSB models, which have been specially designed for intracity public transportation; the TS45, TS35 and TS30 models for the U.S. market; the Avenue, LD and HD models for Europe; MD9 and MD7 in the Midi Coach segment; and the electric vehicles MD9 Electricity, Avenue Electron and Avenue EV.

In 2020, we reached a turning point when we were integrated into the partnership of Sabancı Holding and PPF Group N.V., the main partner of Škoda Transportation and a leading global engineering and industry giant.

Our goal is to further strengthen our global position through this new partnership structure. We aim to invest in new areas including trolleybuses, trams and trains where Škoda Transportation already demonstrates strength and experience. Our focus is on leading the future of public transportation in Turkey by further directing our activities in these new areas.

OUR MISSION

As TEMSA, our mission is to be a people-oriented technology company that develops smart and sustainable mobility solutions for more enjoyable journeys around the world.

OUR GOALS

To be a leading global mobility company,

To be a leading customer-oriented global business,

To design smart and sustainable solutions for a peaceful and uninterrupted journey, and

To create innovation-based solutions.



We have a presence in 66 countries across the world with nearly 15,000 vehicles, all designed by 100% Turkish engineering.

Through substantial investments in technological transformation, we are redesigning TEMSA from an automotive company into an automotive-focused technology company. As evidence of our investments in R&D and innovation, we established the TEMSA Tech within the company to develop new technologies. This unit allows us to further improve not only in regards to electric vehicles but also autonomous vehicles, power distribution, and vehicle-charging units and charging stations. We design next-generation mobility solutions with a smart mobility vision throughout our wide range of products covering all segments. We will step up our efforts on autonomous buses with a view to introduce autonomous vehicles simultaneously with electric vehicles into the market within three to four years.

We have already accelerated electric bus delivery abroad and in Turkey, and conducted the first electric

bus export as TEMSA to Sweden, followed by the Czech Republic and Romania. In Adana, we have begun designing and manufacturing the batteries and battery packs that integrate into our export electric vehicles. We aim to have electric vehicles constitute over half of our total bus manufacturing volume and approximately **80%** of our export volume by 2025.

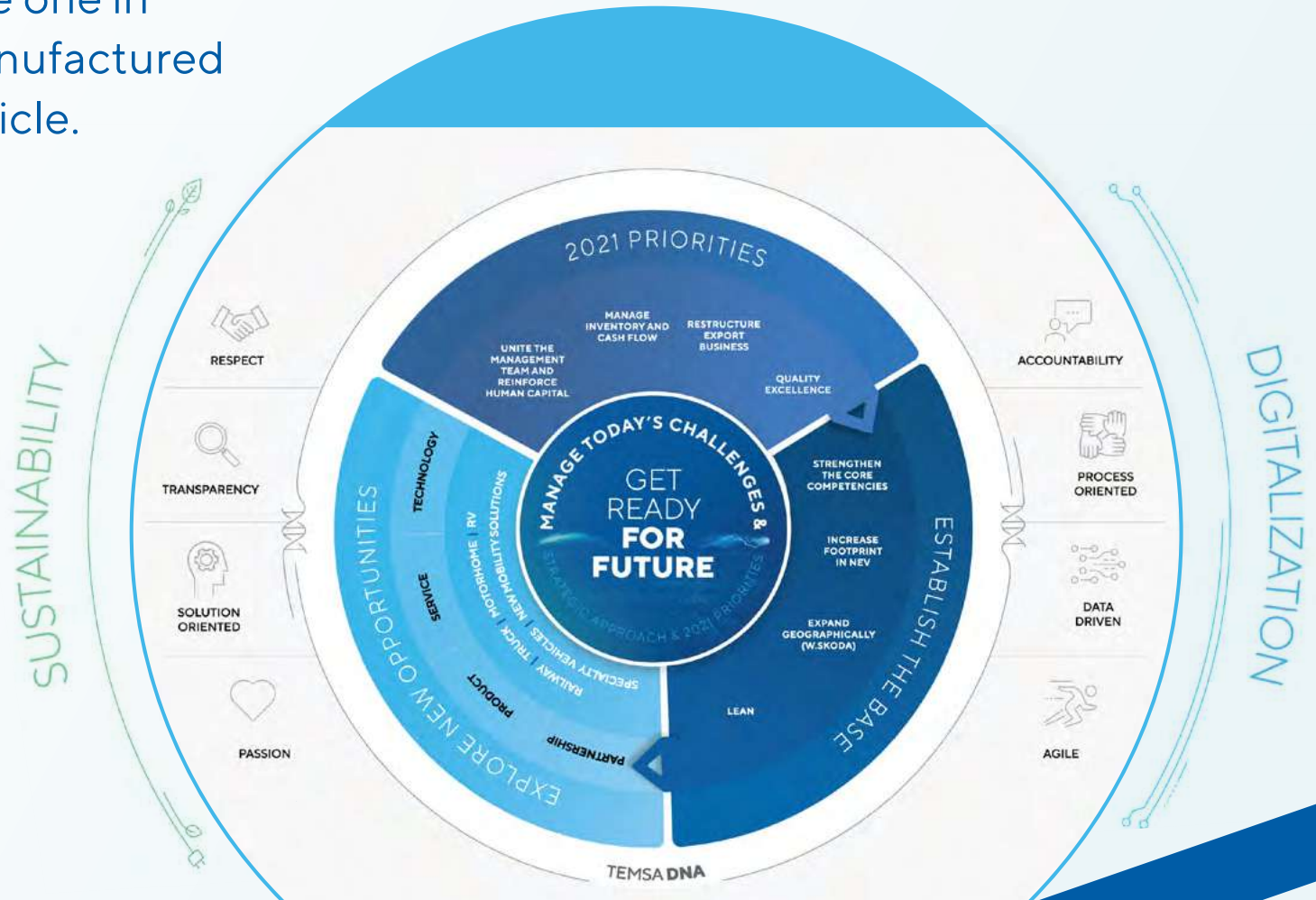
We work continuously to be a leading company in the sector. We utilize our experience in modern urbanization and the future of public transportation to contribute not only to the future and sustainability of transportation but also to the Turkish economy through our value-added export activities.

We have a presence in **66** countries across the world with nearly **15,000** vehicles, all designed by **100%** Turkish engineering. We export our vehicles to European countries including France, Germany, the United Kingdom, Italy, Austria, Sweden, Lithuania and the Benelux Union as well as the United States of America and several Turkic republics. We have over **5,000** vehicles in France alone, and we are in the top five within our segment in one of the world's most competitive markets with over **1,000** vehicles on U.S. roads and highways.



By 2025, we aim to ensure one in every two vehicles we manufactured and sold is an electric vehicle.

Operating in line with current trends and prioritizing sustainability at all levels while ensuring our business continuity are the building blocks of our strategy. Sustainability and digitalization are our two focus points in our 2021 strategic road map. Our priorities are strengthening our human capital to offer employees better opportunities for success; diversifying financial sources in response to the changing world; building upon our impact in the domestic and foreign markets; and creating an excellent customer experience. By 2025, we aim to ensure one in every two vehicles we manufactured and sold is an electric vehicle. We improve our operations and skills to this end and continuously work to achieve our strategic goals.





Milestones

**1968**

Foundation

**1984**

Technical support agreement with and licensed product distributor for Mitsubishi

**1987**

First bus manufactured (Maraton)

**1992**

Prestij Midibus and Canter trucks manufactured

**2001**

First export to Europe

**2007**

- TEMSA Germany office
- The first automotive company to be admitted in the Turquality program

**2008**

First export to the United States

**2013**

- The demerger of TEMSA Global (Transportation Vehicles), TEMSA Motor Vehicles and TEMSA Heavy Machinery
- Avenue articulated and CNG² vehicles introduced

**2014**

TS45 sales in the U.S.

**2015**

- MD9 electriciCITY, the first electric vehicle; Maraton, the first vehicle in the SHD³ segment; Avenue IBUS, the first smart bus
- R&D design office established

**2016**

- TEMSA Smart 2020 activities launched within the scope of Industry 4.0
- The first domestically manufactured electric bus Avenue EV
- Makerlab inauguration

**2017**

- Avenue Electron, LD SB Plus and the new MD9 introduced
- Fleetics introduced
- PCF⁴ construction completed
- AOE⁵ certificate obtained
- First TEMSA robot (Camgöz) launched

**2018**

TEMSA North America established

**2019**

- TEMSA admitted into the True Capital Partners LLP
- TEMSA France (TFR SAS) established

**2020**

TEMSA was incorporated into Sabancı Holding and Škoda Transportation

² CNG: Compressed Natural Gas ³SHD: Super High Decker ⁴PCF: Phosphate and Cataphoresis Coating Facility ⁵AOE: Authorized Economic Operator



Our Operations





Our foreign operations are managed from our three offices in the U.S., France and Germany. TEMSA vehicles are now in use in **66** countries with the U.S. and Europe taking the lead. Entering the French market in 1999 and the U.S. market in 2010 represented a significant expansion of our operations. We have become one of the four major bus manufacturers in the U.S. market. In France, there are currently over **5,000** intracity and intercity TEMSA buses.

We offer sales, after-sales, maintenance and spare parts services to our customers abroad. TEMSA Deutschland, founded in 2007, provides sales, after-sales and spare parts services while TEMSA France, founded in 2019, also offers maintenance services.

TEMSA North America, founded in 2018, houses spare parts, sales, service, after-sales, finance and human resources units.

In Turkey, on the other hand, we have nine dealerships in nine different locations for the bus segment. Concerning the light truck segment, we have **22** dealerships, an office in Istanbul, and our manufacturing facility in Adana. **Today, one in every three buses in Turkey bears the TEMSA brand.** We aim to increase both our domestic and foreign market shares through our sustainable and smart mobility solutions.

We offer sales, after-sales, maintenance and spare parts services to our customers abroad.

TEMSA DEUTSCHLAND (TD)

TEMSA Deutschland (TD) was founded in 2009. TD provides sales, after-sales and spare parts services. In 2019, TD beat several major European brands to earn a place in the FiBus approved vehicle supplier list.

In 2019, we reached 120 deliveries in Germany. Our warehouse in Germany has been operating as Europe's central warehouse since 2017. It serves as the European hub for TEMSA dealerships and service network, and it provides essential annual training programs.

TEMSA NORTH AMERICA (TNA)

TEMSA North America (TNA) was founded in 2018. TNA houses spare parts, sales, service, after-sales, finance and human resources units.

We entered the North American market in 2010 with our TS35 model. We currently have over 1,000 vehicles in the U.S. and continue to rapidly increase our market share in this country. We consider the North American market a potential growth area.

We will soon introduce the TS45 electric bus, developed specifically for this market, in various regions of the U.S. with a particular focus on the Silicon Valley.

TEMSA FRANCE (TFR)

TEMSA France (TFR) was founded in 2019. The offices and facilities in Ingwiller and Paris provide sales and after-sales services.

France has the highest number of vehicles in TEMSA's export markets. We have operated in the French market since 1999 and have over 5,000 intercity and intracity TEMSA buses in service on French roads and highway



Highlights of 2020



TEMSA Incorporated into Sabanci Holding and **PPF IndustryCo** (main partner of Škoda Transportation)



Cooperation with ASELSAN to manufacture a vehicle with the highest domestic contribution



Ratio of sustainability-based R&D and innovation investments to total R&D and innovation budget: 14%



First TEMSA electric vehicle export (first electric vehicle export to Sweden)



Receiving **Silver Status** on the EcoVadis Sustainability Platform



Generating income from **sustainable products**



Supporting the electrification of public transportation through sustainable products including battery packs and software, and the manufacturing of electric buses



Striving to have **one in every two manufactured buses an electric vehicle** by 2025



Number of **young people reached** through inclusion programs⁶: 156



Targeting **“Net Zero”** in greenhouse gas emissions by 2050 by increasing circular business model practices;



Investment in **employee health and safety**: 806,000 TL

⁶ Numbers represent data under supervision.



Products and Services

Our main manufacture line is public transportation vehicles. We also continue to support our customers after purchase, and offer them various after-sales services to ensure they have a quality customer experience. We update our product and service portfolio by taking into account changing conditions and global trends.

As the climate crisis and environmental problems worsen, the transportation sector must undergo a rapid transformation because it alone is responsible for approximately 25 percent of fuel-induced greenhouse gas emissions. Governmental efforts on the matter have accelerated following the Paris Agreement. In the EU and the U.S., as well as all around the world, new regulations have been introduced to supervise the greenhouse gas emissions and environmental impacts of the private sector. Companies, on the other hand, must swiftly align their operations and activities in line with the new regulations and legislation.

At TEMSA, we develop sustainable and smart mobility solutions to save our world, leave a habitable planet to future generations, and to ensure our business continuity in line with the new regulations. We encourage a more sustainable life through our activities and reduce the carbon footprint of our electric vehicles and battery technologies to minimize their environmental impact. To this end, we developed a range of electric vehicles in different segments for intercity and intracity transportation purposes.



MD 9 electriCITY

The intracity MD 9 electriCITY bus is a quiet, clean, smoke-free and safe electric bus. The zero-emission vehicle is also energy efficient thanks to its regenerative brake (energy recovery) system. The system allows MD 9 to charge the battery while still on route without the need to brake. Furthermore, it facilitates halfway charging at the last stop, thus increasing the range to up to 60 km on a 150-kW charge within 20 minutes. The low center of gravity and direct drive system provides a safer and more efficient driving experience.



Avenue EV

The Avenue EV electric bus, manufactured through a cooperative effort between TEMSA and ASELSAN, was rolled off in 2020. The normally imported components of the vehicle, including the electric motor, drive transformer, main computer system and dashboard, were designed and manufactured domestically by ASELSAN. Avenue EV boasts the highest domestic production ratio in the Turkish automotive industry and is available to customers across a wide area, particularly in the European market. The fast-charging system gives a full charge within 15 minutes, allowing up to 80 kilometers of travel.

We estimate that Avenue EV will multiply its sales numbers in 2022 thanks to its TEMSA sales efforts and Škoda synergy.



Avenue Electron

The intracity Avenue Electron offers the comfort of a one-pedal drive system. This increases the vehicle's range by up to 15 percent. The entire dashboard consists of a digital screen, allowing each fleet to have unique dashboard customization. Furthermore, the Avenue Electron's air conditioning system contains a compressor heat pump for energy efficiency. Gear optimization programs maximize the energy recovered through regenerative braking, thus recovering 70 percent of the total energy used to significantly increase travel range.

TEMSA Tech and Battery Technologies

Under the new conditions, we require additional software to design new vehicles, purchase new cells or batteries, and to ensure the smooth functioning of the ensuing new system. To provide for this need, we established a new way of business, TEMSA Tech, to design smart and sustainable products equipped with cutting-edge technology. TEMSA Tech's first-ever product, the battery pack, is designed to generate more power despite its smaller size and volume. This light and durable clean energy-generating battery pack holds the ECE R100 v2 and ECE R10 v5 certificates in compliance with the EU standards. TEMSA engineers designed the battery management system in a smart card format to ensure high efficiency and a longer lifespan.



Our competent service locations offer high-quality service to our customers in four after-sales categories: quality management, e-systems, roadside assistance and spare parts. We improve customer satisfaction through user-friendly, efficient, safe and accessible after-sales services.



QUALITY MANAGEMENT

- Fast, efficient feedback;
- Maximum support;
- Low downtime.



E-SYSTEMS

- Simple, user-friendly online services for technical information and spare parts;
- Up-to-date user manuals and maintenance programs for vehicles.



ROADSIDE ASSISTANCE

- A global network of expert after-sales support teams,
- Roadside assistance team available 24/7,
- Expert staff available at all times.



SPARE PARTS

- Secure supply of original spare parts,
- Worldwide spare parts distribution network.

Value Chain

To achieve our mission of becoming a people-oriented technology company that offers smart and sustainable mobility solutions for more enjoyable travels, we must address the supply chain as a whole. Our value chain encompasses several different stages, including raw material production by our suppliers and delivery of our products to our customers. We work to improve our cooperative efforts with our suppliers, and focus on enhancing their environmental, social and ethical performance.

SUSTAINABLE SUPPLY CHAIN

Vehicle manufacturing is a complex and global structure with many different inputs. The COVID-19 pandemic affected supply chains, triggering substantial changes. Disruptions in the global supply chain highlighted localization. The increasing global demand for semiconductor chips could not yield sufficient supply and impacted many sectors from automotive to technology. Consequently, various automotive brands had to reduce or halt



manufacturing. The semiconductor chip crisis is *estimated* to reduce global automotive manufacturing by **3** percent in 2021 with the issue expected to continue in 2022. The semiconductor chip crisis also impacted TEMSA's electric device manufacturing processes. To efficiently manage such risks, we identified the products whose manufacturing might be subject to supply chain disruptions. To counter longer lead times, we devised a more comprehensive estimation system for our suppliers and implemented an early order system to efficiently manage stock. We are designing a stock policy for more efficient supply chain management in the upcoming period.

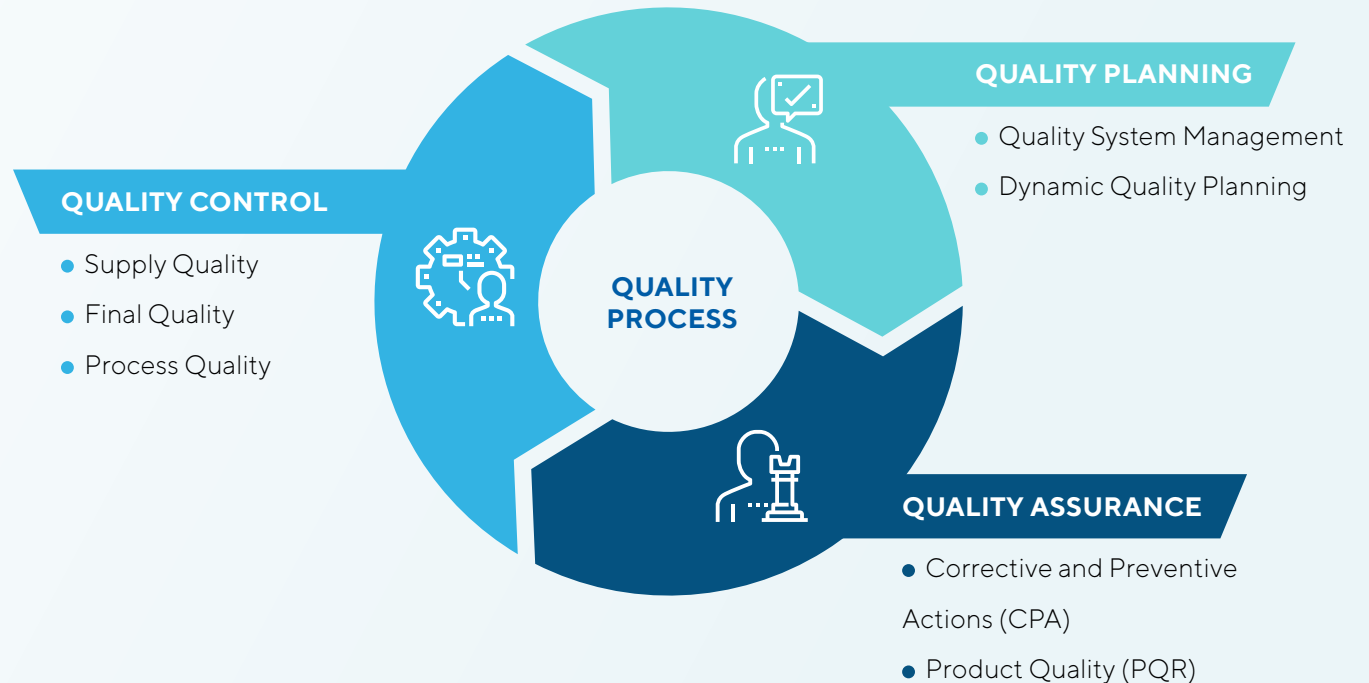
As of 2020, we are working with a total of **1,109** suppliers, of which **84** percent are local. The payments to local suppliers constitute **57** percent of total supplier payments. Sustainability performance is another critical element in efficient supply chain management. *Responsible Procurement Policy* sets forth our fundamental values in supplier relations as well as our expectations from our suppliers on key matters including respect for human rights and environmental awareness. We expect our suppliers to comply with these environmental, social and ethical principles, and conduct reviews through self-appraisal surveys.

QUALITY AND PRODUCT SAFETY

Ensuring quality and product safety are among our fundamental principles. We highly prioritize product quality, safety and longevity. All our processes comply with our **ISO 9001:2015** Quality Management System Standard certificate and due legal regulations. In addition to the products we tailor to customer needs and expectations, we also set quality targets for our sales and after-sales services as well as supporting processes.

- We monitor customer feedback and potential incidents detected within the facility at all levels. During our weekly meetings, we work to resolve these issues.
- We use the Inspect system to convert visual and functional errors into a quantitative database through which to facilitate the collection, analysis and reporting of these data. We apply root cause analysis to avoid repeat errors.
- We also use a visual manufacturing facility platform that provides visual station information for each vehicle, as well as their modification, lacking part and error data.

We optimize the use of resources in business processes to reduce customer delivery times and implement basic manufacturing techniques to prevent waste. Within this scope, we work to eliminate non-value-adding business process actions, the unnecessary movement of materials and workforce, excess stock and long preparation periods. We also strive to prevent errors. Improvements in the work force times yielded a **40-percent increase in efficiency in the midibus line compared to 2017, and a 16-percent increase in efficiency** in the bus line. Stocks of semi-finished products decreased by 18 percent.





CUSTOMER-ORIENTED APPROACH

As an export-oriented company, global customer satisfaction is a key priority for us. We adopt high standards in quality and product safety, and a customer-oriented approach to design tailored solutions for each and every customer. Our after-sales service network consisting of **82** locations in **48** cities in Turkey and **65** locations in **20** countries abroad strive for excellent customer satisfaction. Our Marm Assistance call center receives and resolves customer feedback. We are currently working on consolidating on a single platform the customer feedback from different channels including the call center, social media, website and service locations.

Furthermore, we integrate digitalization into our operations to implement new practices:

- We began offering maintenance packages for our customers abroad.
- To enhance customer service and ensure efficient stock management, we migrated our planning and analysis onto an application that adjusts to changing demand volume and type. With these improvements, we have become **75** percent more time efficient.

- We also launched a marketing platform to manage and report sales processes for all markets through a single application so as to achieve a better customer experience.
- We now monitor all vehicle sales, manufacture and stock data live on a digital platform, where we also manage our Sales and Operation processes.

Ethical Business Approach

We abide by ethical values while running our business. The TEMSA Code of Ethics is binding to all parties involved in our business relations. It contains the responsibilities of TEMSA employees and the principles to abide by in stakeholder relations. These principles also include our approach towards various issues such as the fight against bribery and corruption, human resources, human rights, and protecting the environment. Our Code of Ethics define us as a responsible corporate citizen and they are applied both in our local and foreign operations.

In compliance with the Sabancı Holding procedures, TEMSA employees can report violations by either sending an email to the TEMSA Code of Ethics Consultant etik@temsa.com or contacting the Ethics Board by sending an email to etik@sabanci.com, calling +90 212 385 85 85 or sending a letter to the Sabancı Holding General Headquarters. **We received no reports on violations to the code of ethics in 2020.**





Sustainability at Temsa

*We position sustainability
as an integral part of our
business.*





Trends and Their Impact on Our Business

Critical sustainability trends are currently transforming the business world. It is essential for business continuity for companies to monitor these trends and to effectively manage their adaptation processes. The risks incurred by the trends significantly impact ways of doing business in many different aspects. The companies, therefore, are to be financially and operationally flexible and resilient, and must adjust their infrastructure.



CLIMATE CRISIS

Trend Developments	TEMSA's Response
<p>KThe Global Risks Report: Published by the World Economic Forum, the 2021 Global Risks Report points to climate change as one of the major incidents. While the COVID-19 crisis and the worldwide quarantines did result in global decreases in emissions during the first half of 2020, the impacts of the climate crisis are still exacerbating.</p> <p>European Green Deal: Carbon emissions are one of the major drivers of the climate crisis and impact several aspects, including human life. With a view to reduce and halt these impacts, several countries, many private companies and particularly the EU countries, who collectively account for approximately 70 percent of the global GDP and carbon emissions, have committed to Net Zero Emissions. The European Green Deal announced by the European Commission in December 2019 aims to achieve net zero emissions by 2050 in the EU. The target predicts a reduction in the EU carbon emissions by at least 55 percent compared to 1990 by 2030.</p> <p>CBAM: Furthermore, the European Commission launched the infrastructure adjustments towards the Carbon Border Adjustment Mechanism (CBAM) to ensure that the products imported to the EU will accurately reflect the carbon content cost in their prices.</p> <p>Country Commitments: The U.S. supports the voluntary commitment by the automotive manufacturers that at least 40 percent of new vehicle sales will consist of electric vehicles by 2030 with a view to reduce greenhouse gas emissions to achieve the net zero target. China's commitment to achieve net zero by 2060, on the other hand, foreshadowed their potential future investment areas.</p>	<ul style="list-style-type: none"> ● As part of the Sabancı Group, we focus on contributing to the 2050 Net Zero Emission and Zero Waste goals. Using domestic resources, we successfully manufactured the first 100-percent electric bus. ● We aim to adjust our manufacturing procedures to avoid environmental pollution or without compromising the needs of future generations. We conduct research into the use of environmentally friendly technologies and waste prevention in the use of energy and natural resources. We also work to reduce the amount of volatile organic compounds, create annual targets, and annually report our conclusions to legal authorities. ● As export is a critical component in our operations, we focus on 100-percent renewable energy in our new investments so as to minimize and eliminate potential risks introduced by the carbon tax on borders. We aim to reduce the carbon intensity in our products. ● We manufacture electric bus and battery technologies to facilitate the electrification of public transportation. Furthermore, TEMSA Tech carries out research on autonomous vehicles, power distribution and vehicle-charging units; the use of alternative fuels, such as hydrogen; and charging stations.



TECHNOLOGICAL TRANSFORMATION AND DIGITALIZATION

Trend Developments	TEMSA's Response
<p>Changes in consumer habits prompted by COVID-19; the emergence and diffusion of digital technologies in all operations, particularly in logistics; the migration of business into digital environments and many such developments eventually obligated succumbing to the digital transformation. Digital transformation came with inherent risks concerning cybersecurity and business continuity in information technologies.</p>	<p>We invest in innovation: in innovative ideas, products, services and technologies. We carry out projects in different fields, such as the Internet of things (IoT), robotic workforce, artificial intelligence and cybersecurity, to develop next-generation technological solutions.</p>

TALENT MANAGEMENT

Trend Developments	TEMSA's Response
<p>Adjusting to the rapidly changing trends and developing new and relevant technologies requires improving the human capital. Limited qualified workforce in a company is a disadvantage in leading or adjusting to the change. Conversely, it is advantageous to explore new talents and to retain employees by encouraging improvement through talent management strategies.</p>	<p>In line with the Adapting to the Future of Work project by the Sabancı Group, we adopt a model consisting of seven main titles on all aspects of the future of business, the way of business, working environment and workforce. We also formulated the TEMSA Road, a guideline to support TEMSA employees' career developments.</p>



Sustainability Priority Issues

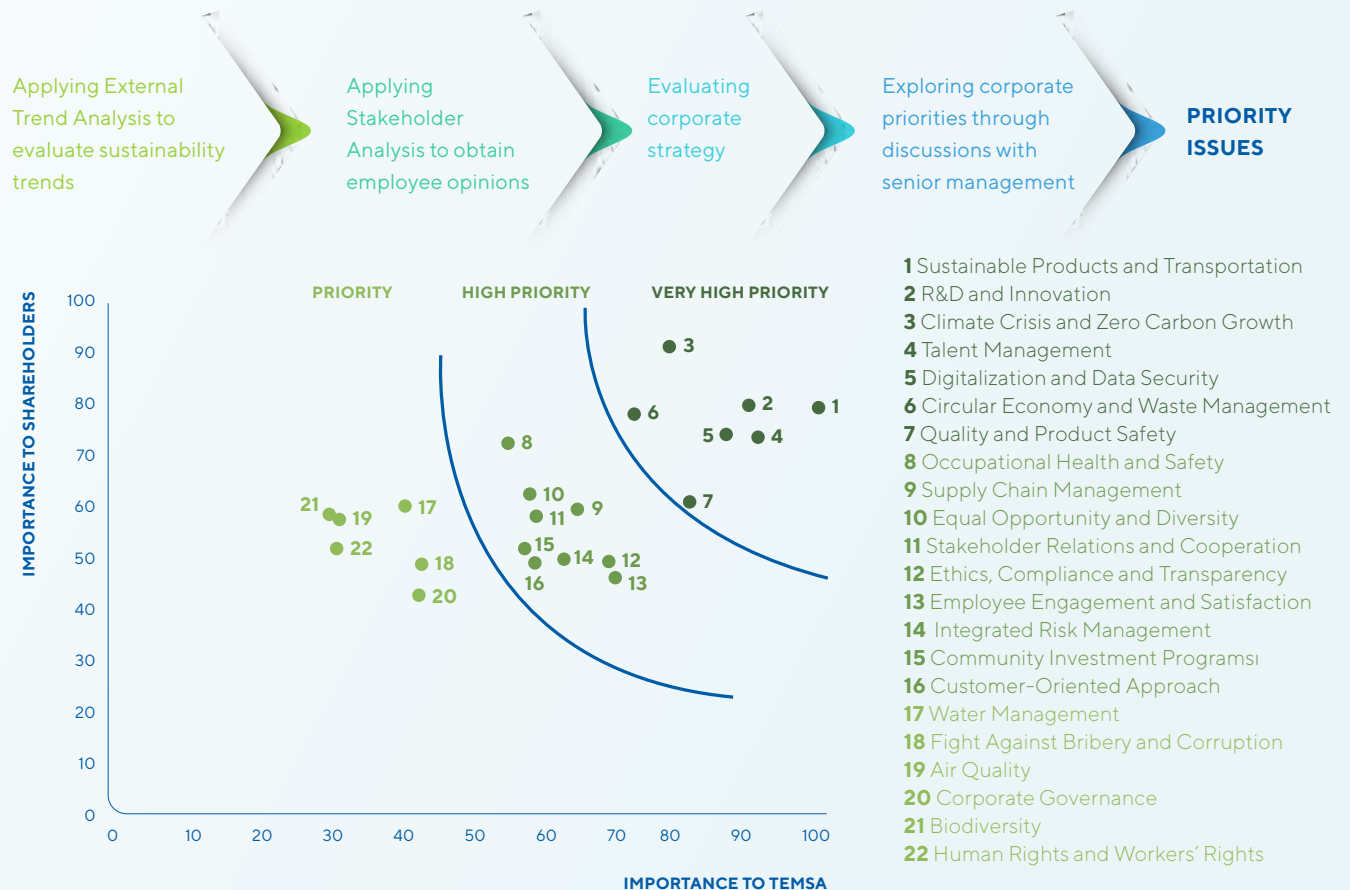
In 2020, we carried out a comprehensive study and **determined for the first time our sustainability priorities** with a view to strategically lead TEMSA's sustainability activities. To the purposes of this study, we evaluated not only the corporate strategy for the future, but also the view of top management on the company's future, the global trends on sustainability, and the stakeholder expectations. We also gathered the opinions of our internal stakeholders, our employees. We **included in this study the employees who participated in the EcoVadis process**, which we believe to be a critical turning point for our company, and trusted the views of these employees concerning TEMSA's potential sustainability priorities. We also requested comments from several suppliers and customers abroad. We also thoroughly benchmarked the sustainability priorities of our competition in the sector.

To this end, we reviewed various documents that influence the sustainability literature including the United Nations Sustainable Development Goals, the World Economic Forum, the 2021 Global Risks Report,















the 11th Development Plan, the SASB and MSCI sector priorities analysis, responsibilities set forth in the European Green Deal, and the McKinsey Mobility and COVID-19 Report.

Concluding our study, we determined **22** priority issues. Of these, sustainable products and transportation, R&D and innovation, climate crisis and zero carbon growth, talent management, digitalization and data security,











circular economy and waste management, quality and product safety, and occupational health and safety were designated "very high priority." On the other hand, supply chain management, equal opportunity and diversity, stakeholder relations and cooperation, employee engagement and satisfaction, integrated risk management, social investment programs, customer-oriented approach, and ethics, harmonization and transparency were designated "high priority."





Priority Level	Subject	Description	Sustainable Development Goals
VERY HIGH PRIORITY	Sustainable Products and Transportation	This priority issue consists of enhancing our product portfolio by developing new and sustainable products and improving existing products to reduce the environmental impacts while increasing the social impact. To this end, we develop electric bus and battery technologies in an effort to facilitate the electrification of public transportation. Furthermore, we work on fuel efficiency, autonomous vehicles, power distribution and vehicle-charging units, the use of alternative fuels such as hydrogen, and charging stations. We highlight sustainable transportation and focus on popularizing clean-technology low-carbon emission transportation vehicles, which reduce traffic jams, noise and air pollution, and prioritize road, passenger and vehicle safety.	  
	R&D and Innovation	We support R&D research that aligns with the sustainability and sector trends and that provides environmental and social benefits. We employ R&D and innovation to develop innovative products, services and business models. We wield the power of experimentation and innovation to lead the technological advances and to focus on next-generation mobility solutions. We reinforce our cooperation, particularly with universities, on R&D and innovation, and we conduct open innovation activities with our stakeholders.	  
	Climate Crisis and Low Carbon Growth	We identify the risks and impacts of the climate crisis on our business. We focus on reducing our imprints that might exacerbate the climate crisis, and on energy efficiency and renewable energy to contribute to low carbon growth. We track our environmental expenses, whether legally obligated or not. Our goal, as we continue to grow our business, is to contribute in the fight against the climate crisis, the most critical global issue today.	 
	Talent Management	We provide all our employees with the opportunity to use their talents in the best possible manner. It is important to employ talents that will help us achieve our best. We are designing recruitment programs to attract next-generation talents to our company. Furthermore, we encourage our current employees to gain new skills to adjust to the changing job descriptions and requirements created by the digitalization and automation processes.	 
	Digitalization and Data Security	We prioritize digitalization in our production and service processes. Our focus areas in this field include product digitalization, the identification of potential risks in data security and the implementation of appropriate precautions, and compliance with all legal regulations relating to the protection of data security.	
	Circular Economy and Waste Management	We focus on exploring the opportunities introduced by the circular economy. Our goal is to manage our environmental impact through a comprehensive approach that includes minimizing waste as early as the design and supply processes, recycling or reusing waste created in production, and the collection and recycling of products that have completed their life cycle.	
	Quality and Product Safety	Ensuring quality and product safety are among our fundamental principles. Product quality, safety and longevity are critical to us. We comply with international quality and product safety standards and legal obligations throughout our entire processes and adopt a system that promotes continuous development. In addition to our products, which are tailored to customer needs and expectations, we set quality targets for our sales and after-sales services as well as our supporting processes. We are ISO 9001 Quality Management System Standard-certified.	
	Occupational Health and Safety	We focus on creating a healthy and safe working environment for all employees, contractors and business partners throughout the TEMSA value chain. We prioritize the health and safety of all our stakeholders in different positions at our manufacturing facilities, which operate in accordance with a human- and environment-friendly approach. With a view to constantly improve our occupational health and safety performance, we go beyond the fundamental legal requirements and adopt international standards. We run our entire operations in compliance with our ISO 45001 Occupational Health and Safety Management System Certificate.	



Priority Level	Subject	Description	Sustainable Development Goals
HIGH PRIORITY	Supply Chain Management	A vehicle manufacturing supply chain is a complex global structure. Therefore, we focus on the effective management of each input we require for production. We not only assess quality, price and logistics when procuring necessary materials and services, but also the economic, environmental, social and ethical conditions in addition to the periodic auditing of suppliers. We effectively manage the supply chain without disruption.	
	Equal Opportunity and Diversity	Eliminating discrimination to achieve equality and diversity is among our workplace priorities. We work to reinforce gender equality and women's empowerment, and we make investments to improve the work experience of disadvantaged groups and employees with disabilities. We apply the equal pay for equal work principle.	  
	Stakeholder Relations and Cooperation	We encourage efficient and regular communication with all our internal and external stakeholders, particularly our employees, suppliers and customers, and we work to establish new cooperations and partnerships. We create cooperations in all areas that will help us improve our performance and consequently integrate a diverse range of knowledge and experience into our company.	
	Ethics, Compliance and Transparency	In every facet of our operations, communications and relations, we have adopted an ethical awareness and legal compliance, including in the fight against bribery, corruption and unfair competition. In line with our transparency principle, we share company performance to our stakeholders through communication or reporting tools.	
	Employee Engagement and Satisfaction	We focus on enhancing employee satisfaction and engagement by providing a good employee experience. We expand our employee benefits, and strive to improve employee work and life balance.	
	Integrated Risk Management	We work on the integrated management of financial and non-financial environmental, social and corporate governance risks; the detection of financial impacts of ESG risks; and the cultivation of a risk culture within the company.	
	Social Investment Programs	We strive to design strategic and long-term social investment programs and to measure their impact. Our aim is to design programs that will create a high social impact, receive the return on investments in terms of encouraging social development, and that will create common values for TEMSA and the society at large. Our current focus in this scope includes providing young people with educational opportunities, increasing employment options, and improving the quality of our technical training programs.	
	Customer-Oriented Approach	As an export-oriented company, global customer satisfaction is a key priority for us. We adopt high standards in quality and product safety, and a customer-oriented approach to design tailored solutions for each and every customer. The network of staff at our 82-strong service network strive to achieve after-sales customer satisfaction. We integrate digitalization into our operations to implement new practices.	

SUSTAINABILITY MANAGEMENT

To ensure the efficient management of sustainability, we established a Sustainability Committee consisting of different units within the company. The committee works towards a sustainability strategy and convenes at least four times a year.

The focus teams that support the committee include members from departments such as Maintenance and Repair, Administrative Affairs, Environment, Employee Health and Safety, R&D, Production, Legal Consultancy, Human Resources, Quality, and Information Technologies.

The Sustainability Road Map is tracked by the Sustainability Committee.

In addition to the permanent members of the committee, relevant stakeholders are invited to meetings through invitations depending on the agenda.

The committee convenes four times a year.

The committee refers to expert opinion when necessary.

Committee Chair: CEO

Permanent members consist of 10 members, namely: Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Chief Human Resources and Information Technologies Officer (CHRO), Chief Sales and Marketing Officer (CSMO), Chief R&D and Technology Officer (CTO), Director of TEMSA North America (TNA), Director of TEMSA France (TFR), After-Sales Services Deputy General Manager, and Corporate Communication Manager.

Members Participating Upon Invitation: Relevant Managers, Administrators, Representatives or Coordinators responsible for sustainability

Coordination Unit: Sustainability and Process Management

Focus Teams (Agile Formations): Including at least one Sustainability Ambassador from each function



CLIMATE AND ENVIRONMENT



HUMAN



SUSTAINABLE BUSINESS MODEL



VALUE CHAIN





ECOVADIS

TEMSA was awarded the “Silver” award in a systematic evaluation of practices concerning the environment, employee rights and sustainable supply by EcoVadis, which provides universal sustainability ratings to over 55,000 companies operating in over 200 sectors in 160 countries.



Stakeholder Relations

We constantly develop new tools that will ensure continuous interaction with each of our stakeholders within our stakeholder ecosystem. We facilitate mutual communication.

	 SHAREHOLDERS	 EMPLOYEES	 DEALERSHIPS	 CUSTOMERS	 SUPPLIERS	 PUBLIC INSTITUTIONS	 NONGOVERNMENTAL ORGANIZATIONS	 UNIVERSITIES	
Frequency	<p>General Assembly meetings Every three months</p> <p>One-on-one contacts and meetings On a regular basis</p> <p>Financial outcome evaluation meetings Once a month</p>	<p>Suggestion recognition and reward system (TEMSA Star) Daily</p> <p>Corporate portal (Intranet) Daily</p> <p>Text messages (SMS) At least once a month</p> <p>Internal Publications (TemPO) Once a week</p> <p>Newsletters (TEMSA Newsletter, TEMSA Academy, TEMSA Glocal Post) Monthly/Weekly</p>	<p>Training Programs On a regular basis</p> <p>Seminars On a regular basis</p> <p>Road meetings Once a year</p> <p>Working groups and committees At least once a month</p> <p>Social events On a regular basis</p>	<p>Dealership meetings At least once a week</p> <p>Field visits Once a month</p> <p>Training Programs Once a year</p>	<p>Technical support to customers through our 24/7 call center Continuously</p> <p>Complaint and suggestion system Continuously</p>	<p>Online portal On a regular basis</p> <p>One-on-one contact (face-to-face, via email) On a regular basis</p> <p>Visits (Focus suppliers) On a regular basis</p> <p>Audits (Focus suppliers) On a regular basis</p>	<p>Periodic meetings Once a month</p> <p>Sector-specific channels for sector-related information requests On a regular basis</p> <p>Support for projects and initiatives On a regular basis</p>	<p>Association memberships On a regular basis</p> <p>Working groups Once a month</p> <p>Seminars Once a month</p> <p>Panels Once a month</p> <p>Conferences Once a month</p>	<p>Academic conferences and seminars On a regular basis</p> <p>Articles and publications On a regular basis</p> <p>Academic research On a regular basis</p> <p>Educational and technical support On a regular basis</p> <p>Sponsorships On a regular basis</p> <p>Meetings and interviews On a regular basis</p> <p>Joint projects On a regular basis</p> <p>Career days On a regular basis</p>



Sustainable Transportation and Products

*We develop sustainable
transportation technologies
by focusing on R&D and
innovation.*





Sustainable Transportation and Products

The transportation sector accounts for approximately **64** percent of global oil consumption, **27** percent of total energy consumption, and **23** percent of global carbon emissions stemming from energy use. It is, therefore, a critical sector for economic and social [development](#). In the 2017 [report](#) by the International Energy Agency (IEA) on the share of electric vehicles in the global market, it is estimated that **9 to 20 million** vehicles entered the global market in 2020, and **40 to 70 million** will enter it in 2025. In the same report, it is estimated that **120 million** electric vehicles will enter the market by 2030 in line with the Paris Agreement commitments. In light of these developments, electric vehicles are expected to see mass global adoption much faster than previously predicted. Statements by developed countries concerning electric vehicles in public service and

the forthcoming replacement of traditional public transport vehicles with electric buses seem to support this expectation.

European Union committed to achieve net zero growth by 2050 in the [European Green Deal](#). As part of this commitment, the EU is set to reduce net greenhouse gas emissions by **55** percent by 2030, based on 1990 levels. Given the impact of transportation on global emission levels, electrification is essential to achieving emission commitments and shifting to a low-carbon economy.

We respond to global trends in creating solutions to global issues and meeting the needs in foreign markets. We have started developing electric vehicles 10 years ago. As a result of these efforts, we have begun the mass production of electric buses for intracity and intercity use. We now strive to manage the entire process from design to final product with the most innovative approach. Our main areas of activity in electrification include new battery technologies; fuel efficiency; autonomous vehicles; power distribution and vehicle-charging units; the use of alternative fuels, such as hydrogen; and charging stations.

As TEMSA, we defined our understanding of a sustainable product in line with the strategic sustainability approach of the Sabancı Group. Accordingly, we identified the products that contribute to the direct reduction of carbon emissions and the use of environmental resources in the product group for reduction. We evaluated five of our products with this perspective and tracked the income related to these products. In 2020, we generated **16.4 million** Turkish lira income from the sale of these products that we call⁷ sustainable products.

In 2020, we generated 16.4 million Turkish lira income from the sale of these products that we call⁷ sustainable products.



⁷ The figures represent the sum verified upon inspection.



R&D and Innovation

Shaped by global developments to guide our entire operation, our R&D and innovation approach, which lie at the center of all of our operations, contributes in our growth strategy and makes us a critical stakeholder in the resolution of global issues.

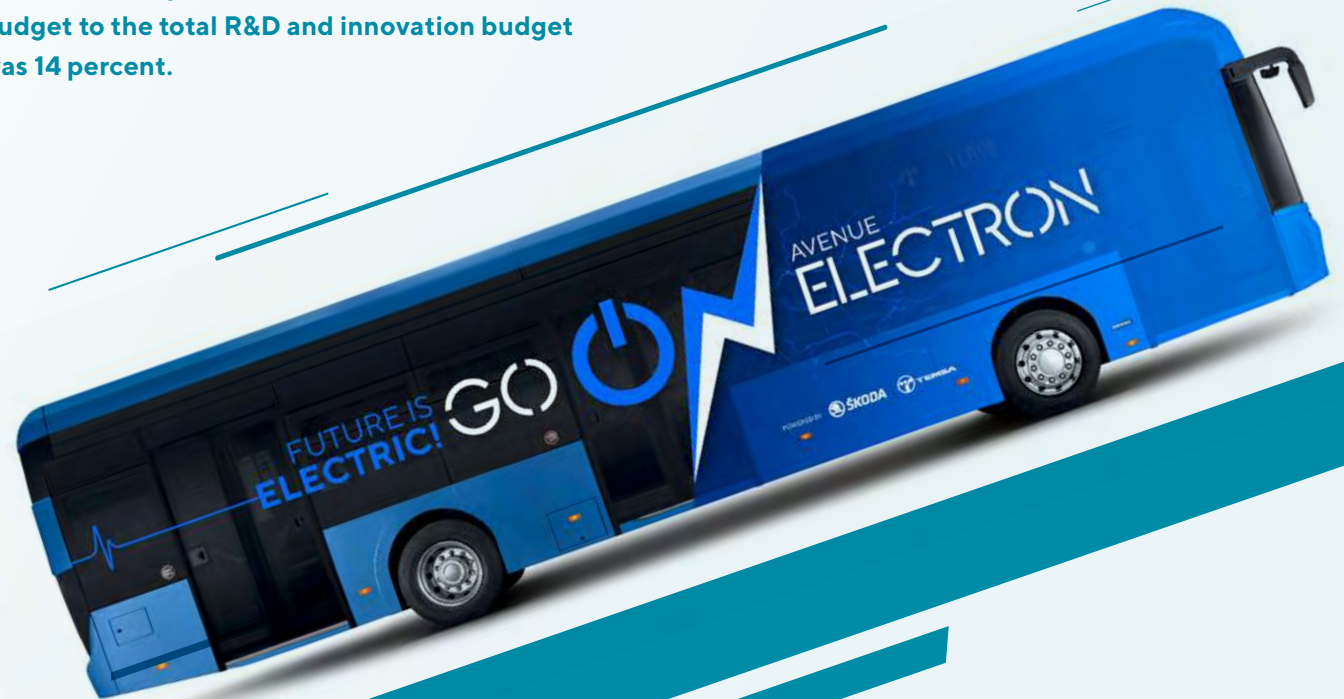
R&D CENTER

Temsa is the first company in Turkey to obtain an R&D certificate. Our **9,500**-square-meter R&D center in Adana employs **149** people. Our merging with Škoda following the Sabancı-PPF Group partnership and the ensuing knowledge exchange helped us boost our R&D and innovation processes. We designed the E-bus and Trolleybus vehicles in cooperation with Škoda, and we intend to cooperate once again in 2022 for the design of Fuelcell and the 18-meter Trolleybus projects. We will combine our forces with the electric

motor and power electronic equipment of Škoda Group, and the internal & external body parts and mechanical components of TEMSA vehicles.

In 2020, we began tracking our sustainability-oriented R&D and innovation budget. **The ratio of sustainability-oriented R&D and innovation budget to the total R&D and innovation budget was 14 percent.**

Temsa is the first company in Turkey to obtain an R&D certificate.⁸



⁸ In compliance with Law No 5746.



ELECTRIC VEHICLES AND SMART VEHICLE TECHNOLOGIES

The domestic and foreign demand for electric vehicles has seen substantial growth as the fight against the climate crisis grows more urgent. Road vehicles and road transportation systems, on the other hand, require safe driving systems and expertise for cost-efficient, high-comfort and low-accident risk travel. Self-driving cars, the pinnacle of smart vehicle technologies, are beginning to shine in the markets of developed countries. We join the rapidly expanding global market with our cutting-edge technology latest-generation electric buses, high-capacity electric storage units, electric accelerators, advanced driver support systems with next-generation design, and our autonomous vehicle technologies.

There has been a recent surge in global demand, particularly in the U.S., France, the Netherlands and Norway, for electric shuttle buses that can be used in student and personnel transportation, and multi-purpose electric trucks. We predict a substantial sales potential in Turkey as electric vehicles become more widely used. We respond to this demand with our innovative products, parts and design approach. Bolstered by the university-industry cooperation, we build on our vast R&D culture to design projects that will stand out in the global market.

Autonomous Driving Electric Vehicle Design Project

Autonomy technology gained importance for vehicle manufacturers and passenger transporters as the use and technology of electric vehicles advanced. Turkey's foreign dependency in the manufacturing of autonomous vehicles increases design costs and eliminates design flexibility. Our Autonomous Driving Electric Vehicle Design Project, conducted in cooperation with Infotech and Galatasaray University, aims to foster mass production, independence in vehicle design, and the designing of a competitive and innovative autonomous vehicle. The software, which will be created entirely locally within the project, will facilitate more flexible vehicle designs that will respond to all needs.

Developing an Electric Bus for the US Market

Adopting an export- and foreign market-oriented approach, we develop electric vehicle projects for different markets, particularly for the United States. The Electric Bus Development Project, conducted in cooperation with Çukurova University, will focus on designing of a fully electric vehicle for intrastate travels in the U.S. market. It will be the first of its kind in Turkey.

Aerodynamic Body Design and Prototype Production of the Intercity Electric Bus for the US Market

We strive to create innovative solutions at all stages from design to production. The aerodynamic losses stemming from driving buses on freeways cause an increase in fuel consumption as the vehicle attempts to override the air resistance. The project undertaken in cooperation with Anadolu University aims to create mass production by late 2022, targets fuel efficiency as well as the reduction of wind noise and dirt stains that appear in the back of the vehicle, through the application of various improvements.

BATTERY TECHNOLOGIES

The global switch to electrification increases the demand for long-lasting and fast-charging batteries. However, challenges in battery design and development might hinder the supply for the increasing demand for electric vehicles. The investments and cooperation in R&D and innovation are substantial accelerators in the development of new battery technologies. As TEMSA, we strive to respond to this need that has been created by the electrification trend.



LIGHTENING VEHICLES

Efforts to lighten vehicles contribute substantially in the reduction of emissions. We participate in these critical efforts with our innovative digitalization-based solutions that contribute to the emission reduction commitments highlighted by the European Green Deal and the Paris Agreement.

Project to Lighten Vehicles Using Alternative Materials

Furthermore, in line with our goal to design vehicles in accordance with foreign market regulations, we work to lighten the body, frame, seating group, carcass group and exterior composite coating parts. In addition to the parts developed, we aim to contribute to weight reduction efforts by using thinned glass and low-density mastic. Our joint project with Çukurova University achieved a significant outcome, producing and testing on a vehicle an exterior, carbon fiber-based composite coating for the first time in Turkey. We set up the first quantitative analysis infrastructure by applying different composite material and lamination parameters in the bus sector. Subsequently, we became the first to manufacture a **13**-meter vehicle with a capacity of **57** people in compliance with the weight regulations of the UK market.

Project to Increase the Range of Intracity Electric Buses

Proje kapsamında, şehir içi ulaşım problemini ve Under the project, we developed a zero-emission, quiet, non-vibrating and smart electric vehicle with enhanced range to minimize the environmental pollution and the transportation problem in the city. We designed smart algorithms to counter the short-range issue, the main drawback of electric vehicles. We lightened the vehicle by changing the ceiling and body design and by switching to alternative materials. We are cooperating with Çukurova University on the project.



Digitalization and Data Security

Digital technologies transform the economies while offering companies key efficiency-enhancement opportunities and new product functionality. The current COVID-19 pandemic highlighted the need for digital technology in various business and sectors from health to retail, production to [education](#). Secure data storage became more important than ever as digitalization took over. While increased connectivity and digitalization ease the lives of IoT device users, they also carry certain security risks.

At TEMSA, we realize the importance of digitalization in our operations. We are developing different digital technology projects to boost our efficiency and improve our operations. We comply with international standards in data security management; we are ISO/IEC 27001:2013 Data Security Management-certified. In 2020, we monitored the impact of digital transformation projects on our earnings before interest, taxes, depreciation, and amortization.

In 2020, we developed an application for our sales teams to manage their sales activities as well as digitalization projects that provide workforce management solutions in sales processes. We also launched the Digital Supervision Data Analytic practice. We are now working on digitalizing project management processes, reporting activities, domestic and foreign sales activities, archives and contracts for a standardized and centralized management. Accompanied by an independent institution, we

audited the infrastructure, system and applications used by our all of affiliates to better manage the cybersecurity risks in our operations.

As TEMSA, we have several planned digitalization projects that will be implemented in the coming periods. We will name our digital transformation journey the Driving Transformation and consolidate all our transformation activities within this project.



EBA
Document & Workflow Management



Stock Coverage
International Automatic Payments
Systems Applications and Products in
data processing
Increasing in using of the Inward
Processing Authorization Certificates



Robotic Automation
Process



Salesforce
Activity and pipeline
management of sales teams

driving
transformation



Cats
Alga & Otosoft
Automotive ERP software



Power BI
Standardized management
reports



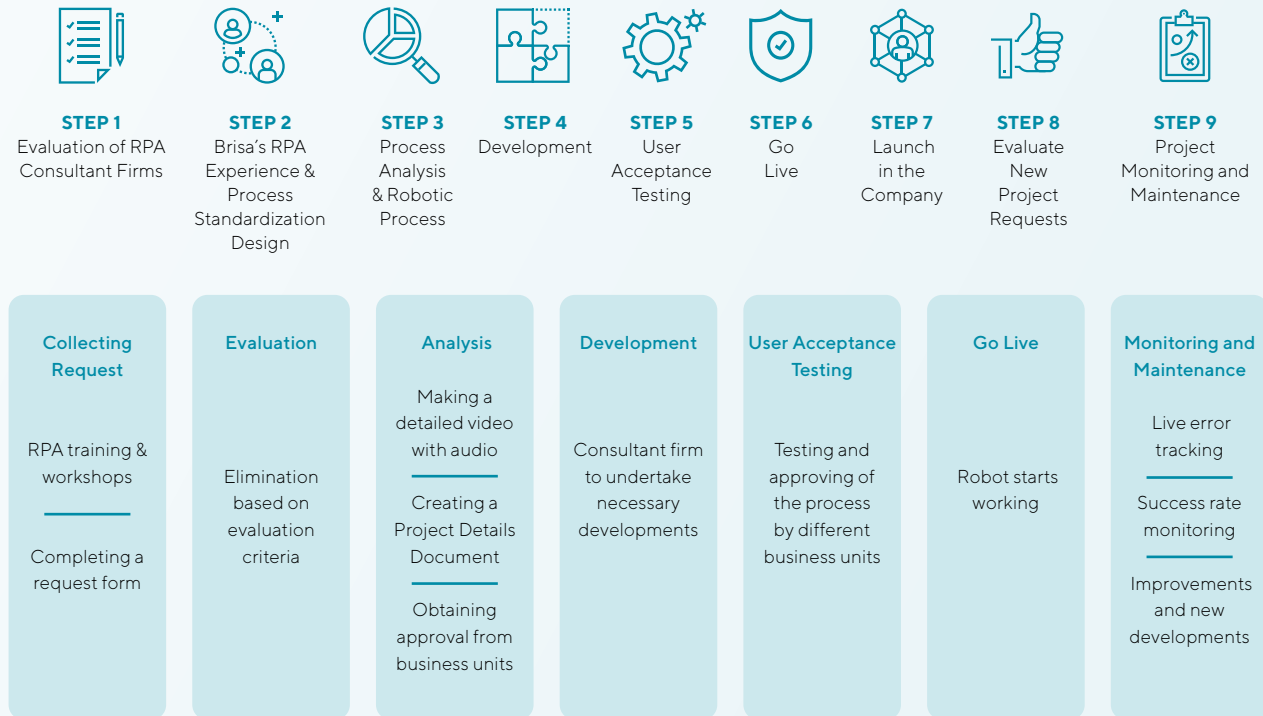
G Suite
Gmail accounts and the suite
of office products

With a view to monitor new technological trends on a global scale to adjust suitable solutions to our company on a short-, medium- or long-term basis, we intend to apply the Smart Industry Readiness Index (SIRI) created by the Singapore Economic Development Board (EDB). Our goals for 2021 include:

- We will implement a digitalization project, which consists of using software robots to automate the financial analysis currently undertaken by the Audit and Risk department. We expect the project to not only provide 104 employee x day efficiency per year, but to also minimize losses caused by human error, standardize processes, and lighten the operational load.
- We aim to make our entire structure, which contains our infrastructure, system and applications, backed-up, accessible and secure to enforce cyber security.
- We also aim to implement a centralized data backup project to enhance accessibility should the systems undergo external shocks such as disasters.
- Furthermore, we develop competency improvement programs to enhance digital transformation literacy at all levels.
- We aim to establish an end-to-end supply chain management process with relevant departments including foreign trade and logistics, procurement, and warehouse/stock management.

TEMSA TECH LOGI (RPA)

The Robotic Process Automation (RPA) called the Temsa Tech Logi is our primary digital transformation project. The RPA projects carried out with Logi employ the use of software robots to automate heavily repetitious routine works. As remote work gains popularity, we have mass adopted digitalization across the company organization and assign basic works to digital employees to better allocate the human workforce for greater project efficiency.





Climate Crisis and Low Carbon Growth

*We place low-carbon growth
at the center of our business
models and play a **role in the
solution of the climate crisis.***



Climate Crisis and Low Carbon Growth

[*The Global Risks Report*](#) by the World Economic Forum has placed risks related to the environment and climate crisis in the top ranks since 2017. The climate crisis exacerbates the frequency and intensity of extreme weather events such as floods and hurricanes, triggering economic and environmental problems. Furthermore, the changing precipitation regimes and worsening droughts negatively impact water sources and will necessitate climate-related migrations. Reducing greenhouse gas emissions and reducing carbon in energy use are vital for preventing further global warming. It is therefore critical to invest in low-carbon energy sources and renewable energy to reduce the environmental impact of operations. In addition, innovative technologies should be promoted to boost efficiency and reduce energy intensity. We plan to share our performance with the public through the CDP Climate Programs.

The automotive industry presents both threats and opportunities in regards to the climate crisis. We focus on directly reducing carbon emissions to contribute in the fight against the climate crisis and to develop technologies to support a sustainable future. We develop products and services to popularize these technologies. As a Sabancı Group company, we prioritize contributing to the Holding commitment towards Net Zero Emissions in all operations by 2050.

You can read further on our product-oriented approach to the climate crisis in the [*Sustainable Transport and Products*](#) chapter.

We comply with the ISO 14001:2015 Environmental Management Standard in all our operations. We are also ISO 50001:2018 Energy Management Standard-certified. Throughout the year, we invested approximately **63,000** Turkish lira to improve our environmental performance.⁹ Our projects included adjustments to the production lines and environmental lightning systems, reducing heat losses, and replacing low-efficiency engines.

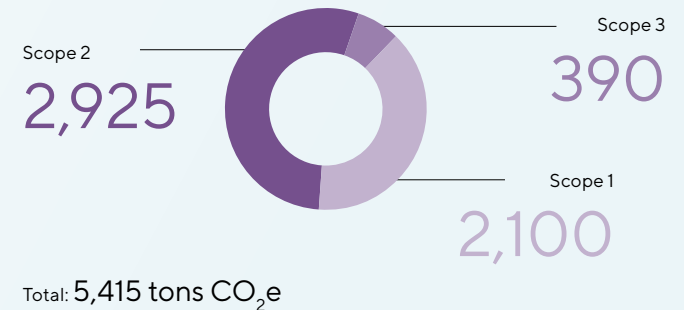
Our energy consumption in 2020 reached **12,823** MWh while our total greenhouse gas emission measured **5,415** metric tons CO₂e. Accordingly, our energy intensity, which is calculated by dividing the energy consumption to the turnover, equals **16.62**

MWh/million Turkish lira and our greenhouse gas emission intensity equals **7.02** metric tons CO₂e/million Turkish lira.¹⁰

As TEMSA, we carried out the below activities as part of our combat against the climate crisis:

- We conduct projects to prevent energy losses and to switch to new and energy-efficient technologies.
- We carry out feasibility studies on renewable energy generation, and maintain our planning for green energy supply.
- We invest in hybrid or electric vehicles to reduce emissions stemming from our corporate vehicle fleet.

2020 Greenhouse Gas Emissions by Scope (metric ton CO₂e)



⁹ Legally obligated expenses are detailed. ¹⁰ In 2020, Sabancı Holding and Group companies were granted an independent limited assurance report for the reporting process.



Circular Economy and Waste Management



The current amount of waste pollution, particularly plastic, is a serious threat to the environment and human health. The rapidly increasing population and the consumption habits augmenting and changing with a “take-make-use-discard” mindset are exacerbating the environmental pollution and resulting in the inefficient use of resources. The circular economy models are introduced as the best solution against pollution and inefficiency. In addition to their environmental benefits, they are *expected* to provide approximately **€600 billion** in annual cost savings, and **€1.8 trillion** in other economic benefits, including innovation and new employment opportunities. However, before we switch to a circular model, we must first take precautions to reduce waste at the source. This reduction will rapidly relieve the pressure on unprocessed raw materials and will play a critical role in reducing emissions by decreasing energy consumption in production.

We support a circular business model where waste materials are reused for the more efficient and effective use of reduced resources. To control the waste amount and content, we first determine the amount of waste sold or discarded. We pay attention to our raw, auxiliary and operating material selections as well as our process method and energy type so as to reduce waste at the source. At the final stage, we identify the cause of waste and explore whether to reduce it or to reuse, recycle or recover it in the economy. The model promotes the reduction of environmental pollution and reduces the purchase of resources, thus ensuring financial savings.



We divide our waste as recyclable and non-recyclable, and as hazardous and non-hazardous, before recycling or disposing of it in compliance with legal legislation. As a Sabancı Group company, we operate in compliance with the company commitment to the **2045 Zero Waste vision**. In addition:

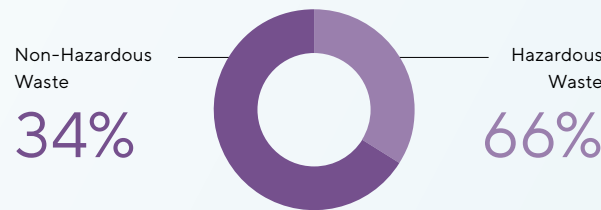
- We practice the Zero Waste principle by the Ministry of Environment and Urbanization and sort our waste at the source to deliver them at Ministry-licensed facilities for recycling. We are still pursuing the process to obtain the “Zero Waste Basic Level Certificate” issued by the Ministry. Furthermore, we are raising employee awareness on the Zero Waste principle.
- We aim to reduce and recycle all single-use plastics in the production areas and offices. In addition, we intend to introduce sustainable alternatives to products such as recycled paper cups and to replace plastic bags with biodegradable bags.
- We organize employee training programs and implement projects and applications to further instill

the circular concept. We provide training to our employees and suppliers on the use of hazardous chemicals.

- Furthermore, Sabancı Group is a member of the Plastic Initiative from the Business World launched by the Sustainable Development Association, and our Group has pledged to reduce plastic use. The recorded plastic consumption of TEMSA in 2020 was measured as 12,354 metric tons. We will reduce our consumption by 10 percent in the first stage to 11,119 metric tons. In the next stage, we aim to completely cease our single-use plastic consumption in certain areas in our offices by 2024.

We aim to completely cease our single-use plastic consumption in certain areas in our offices by 2024.

2020 Wastes by Type (%)





Water Management

Corresponding to the climate crisis, global water stress is on the rise. Increasing droughts and extreme weather events as well as the changing precipitation regimes directly impact water sources. The rapid *increase in water consumption over the last 50 years* due to rising population and increased human activities points to water security and supply as a critical issue that must be immediately addressed. To enforce the efficient use of water resources, we must encourage responsible use, innovation in processes, and new efficient technologies that will boost water recovery.

Our area of operations does not permit us to make a major impact on water resources. We procure a large amount of the water we use from underground waters. We are therefore aware of the physical and financial risks presented by potential water outage in

our operation regions. With a view to achieve efficient water management and business continuity, we work on improved efficiency, recovery and saving. In line with the activities of Sabancı Group, we focus on water consumption throughout our value chain in addition to our water footprint.

We strive to achieve an efficient water management system and to reduce the environmental impacts of wastewater. To this end, as TEMSA, we carry out the below activities:

- In our treatment plant, which has a **100 m³/day** capacity for industrial wastewater and a **330 m³/day** capacity for domestic wastewater, we carry our physical, chemical and biological treatments and discharge the wastewater in compliance with the limit values of legal pollutant parameters.
- Periodic analyses are conducted by accredited laboratories to verify wastewater quality.
- We are now designing projects to repurpose the water discharged from the treatment plant in garden irrigation or in other suitable processes.
- We are pursuing the ISO 14046:2014 Water Footprint Report requirements to comply with international standards in our water management processes.





People-Oriented Organization

*We offer a work environment
that focuses on people and
inspire the development of
employees.*



People-Oriented Organization

As a technology company that delivers smart and sustainable mobility solutions worldwide, we believe that the key to achieving our strategic goals is to adopt a people-oriented organizational structure.

If we want our work to perfectly capture the advances in technology and digitalization, we must first achieve a transformation at the individual level. To this end, we invest in talent management to encourage our employees to further improve their competencies and to develop new skills to adjust to the requirements of the new era. We prioritize providing a working environment that offers continuous learning opportunities and equal, just, healthy and safe conditions that will nurture engagement and satisfaction.





Equal Opportunity and Diversity

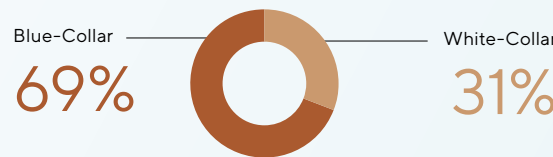
Inclusion and diversity in the working environment directly contribute to the socioeconomic development of the region of operation and to company performance. *Research* indicates that when women are represented equally in upper management, company profitability might increase by up to **50** percent. Inclusion and diversity in the working environment were also shown to have a positive influence on employee engagement. Such companies boast a talent retention rate that is five times higher than their competition and a level of employee pride that is over six times higher.

TEMSA offers all employees equal rights and opportunities and we do not condone any discrimination against language, race, color, gender, political view, belief, religion, communion, age or physical disability. The TEMSA Human Rights Policy, a supplementary document to the *Sabancı Group*

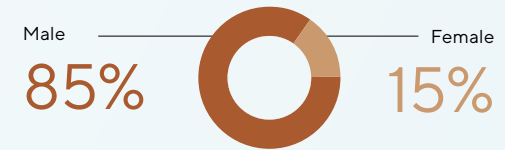
Code of Business Ethics, aims to create a working environment in which human rights are respected. We commit to always respect our employees' fundamental rights in compliance with our Policy formulated based on the Universal Declaration of Human Rights, the International Labour Organization conventions, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

Our company supports equal participation in the work life of women, young people and individuals with disabilities. Women constitute **5** percent of all employees and **15** percent of white-collar employees at TEMSA. The ratio of women managers is **14** percent. The gender distribution by departments is another subject that we monitor. The ratio of women in STEM¹¹ positions is **9** percent, while the figure reaches **22** percent in income-generating¹² positions.

Employees by Category (%)



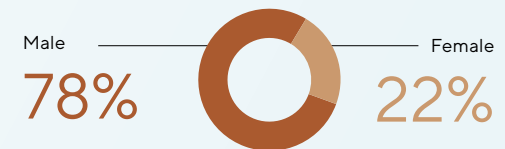
White-Collar Employees by Gender (%)



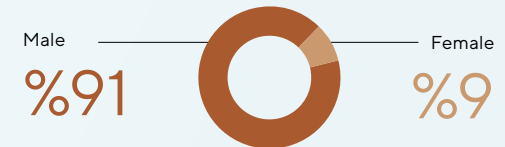
Managers by Gender (%)



Employees in Income-Generating Positions by Gender (%)



STEM Employees by Gender (%)



¹¹ STEM stands for science, technology, engineering and mathematics. When calculating the gender distribution in STEM positions in our company, we included the technical units such as the R&D Industrial Design, R&D Projects, R&D Technology Development, R&D Product Verification, Information Technologies, Process Management, Quality and Production. ¹² Income-generating units, on the other hand, consist of units that directly contribute to the company income such as Finance and Cost, Product, Spare Parts, and Sales Directorates.



The work and life balance of women employees is our priority and we provide them with working conditions that will encourage them to return to work after maternity leave. In 2020, all women employees who took maternity leave returned to work. We also offer a birth package containing useful items for our employees on maternity leave.

Attracting younger employees is important to us as we strengthen our company by recruiting new talents. In 2020, **55** percent of new recruits were below the age of 30 while **45** percent were between ages 30–50.

Our company currently employs **45** individuals with disabilities and we surpass the legally obligated number of individuals by **29** percent.

WE REMOVED PROFESSIONAL BARRIERS

We have been supporting individuals with disabilities to participate in work life on equal conditions through our project Removing Barriers since 2014. Our target is to overcome companies' prejudice against employing individuals with disabilities and to raise awareness on the matter. So far, we have guided Accessible Career Platforms in several universities and organized the first Accessible Career Event. We are also providing career consultancy to students with disabilities at Çukurova University. We provided individuals with disabilities training programs to help them succeed at job interviews. We also provided training for our human resources employees to ensure they could effectively communicate with people with disabilities when providing training programs and the Dialogue in the Dark Workshop. Furthermore, we provided sign language education in addition to awareness training on health and safety for employees with disabilities. We organized a friendly game between TEMSA employees and the Çukurova University Adana Wheelchair Basketball Team. This program was awarded the Best Employer Awareness Award (October 2014), Turkey Accessibility Award (December 2015), and Company Trusted by Individuals with Disabilities Award (2017).





Talent Management

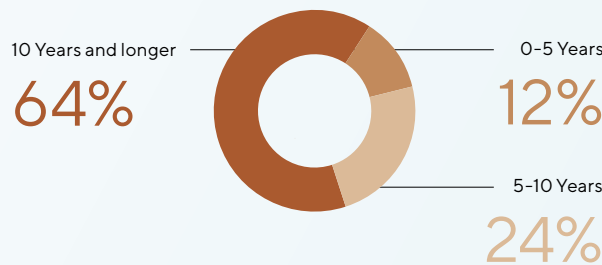
Responding to changing customer demands and needs is a priority goal at TEMSA. To achieve this goal, we focus on talent management and successfully develop innovative solutions to customers in nearly **70** countries. We encourage our current employees to develop new skills to adjust to the changing job descriptions and requirements created by the digitalization and automation processes, and we always recruit new talents to our team. Within this scope, we monitor employee improvement through a performance management system and encourage them to further improve their competencies in our training programs. All human resources practices within our company are easily accessible to all employees through our digital human resources guide.



We formulated the TEMSA Road, a guideline to support TEMSA employees' career developments. The Reward category includes our recognition and reward scheme TEMSA STAR while the Objective category is the Perfx Performance Management System. The appraisal category follows the ROAD career interviews and Organizational Success Plan (OSP) to support employee career development. The development category, on the other hand, consists of the TemPO Education and Development, which represents the human resources process that lasts throughout the year.

We encourage our employees to aim for a long career journey at TEMSA. Of TEMSA employees, **64** percent have been on our team for at least 10 years, **24** percent for 5-10 years, and **12** percent for less than five years. The employee turnover rate was **5** percent for 2020.

Employees by Employment Duration (%)



REWARD – TEMSA STAR



We value happy and motivated employees at the workplace, and we encourage them to share their thoughts and work. To this end, we united our recognition and reward systems under the TEMSA STAR.

Golden Collar Rewards: These rewards encourage the exploration of the best projects, practices and/or business models within the Sabancı Group. The Golden Collar Rewards encourage companies to set an example to each other by recognizing and rewarding companies and practices. As TEMSA, we participate in these rewards.

Outstanding Awards: These rewards encourage the exploration of the best projects, practices and/or business models within TEMSA. We aim to encourage employees to set an example for each other by recognizing and rewarding them.

Dedication Awards: We present the Dedication Awards to honor long-time TEMSA employees for their invaluable services.

TEMSA Dreamers: This new value-creation platform encourages employees to freely express their ideas. The ideas will be swiftly implemented and have the potential to be reward depending on the project outcome.

Maternity Package: A package for our new mothers containing items that newborns might need.

Retirement Award: These rewards are granted to employees retiring from TEMSA.

Thanxie: The next-generation online Recognition and Reward Platform that enables instant recognition and gratitude.

PERFX



We aim for our employees to adopt the strategic goals of our company. We also aim to create a high performance culture by nurturing the individual performances of our employees. To this end, we implement the Perfx Performance Management System that objectively evaluates employee performance. The system consists of three steps, namely: target-setting, continuous performance and end-of-year evaluation. The first step includes our white-collar workers logging their goals into the system at the beginning of each year. The dynamic structure of the system facilitates the updating of goals or the adding of new goals throughout the year, or the sending of meeting requests. Finally, the first manager evaluates the outcomes at the end of the year and the second manager verifies the conclusions. With a view to encourage employees who demonstrate a high performance through

effective use of the system, we offer them various opportunities within our company to support their career advancement. Based on the results of the performance evaluation, we carry out appropriate career development plans to encourage employees to reach their full potential and we provide support through training programs. In 2020, we subjected **94** percent of white-collar workers to periodic performance evaluation.

Performance Management Process



TARGET-SETTING



CONTINUOUS PERFORMANCE



END-OF-YEAR EVALUATION

The findings of the performance management system also provide input to the compensation systems. The main purpose of the compensation system is to adopt a fair approach to the entire company, and to preserve company compensation balance in line with the market, by keeping an eye on market fluctuations. The rank system is the basis for each position in the compensation system. Payment range within a rank, on the other hand, is represented by Position in Range (PIR). With a view to monitor all market fluctuations and to fairly manage organization changes in the



company, we review all components of compensation (wage, rank, PIR) in a performance year (in January). In April and October, we carry out a work appraisal study to determine employee ranks and rearrange ranking and payment adjustments effective as of these months. We consider the salary equivalents in the market, the inflation and the performance criteria when making payment raise determinations. We also offer various employee benefits based on employee rank, including private health insurance, life insurance and individual pension plan, and corporate vehicles.

TEMPO EDUCATION AND DEVELOPMENT PROCESS

We designed the TemPO Education and Development Process alongside our employee development and corporate strategic targets. We built the development plans in corporate development and leadership, business perfection, competency, and technical and personal development areas based on current and future organizational needs. In 2020, we provided a total of **1,335** person x hour of training to employees.

Development Programs: The Development Programs provide our white-collar employees with any online training courses they might need. We also offer business excellence training to improve the current performance and knowledge of our employees. We organize competency development trainings that will

fill the gap between the expected competency level and the current leadership types and competencies based on the ILS, OCS and KF 360 results.

Online Training: With a view to support employee development during the pandemic period, we provided access to MESS Online Trainings as well as thousands of externally sourced online courses including from the Harvard, Yale and Princeton universities.

Mastery Trainings: We cooperated with the Çukurova Vocational Education Center to support the vocational development of our employees. The cooperation aims to encourage employees to master more than one vocation with the motto “One Employee, Two Vocations.” Since 2016, a total of **566** TEMSA employees completed a three-year training program and merited a mastery certificate in a secondary vocation. Thirty-five of these employees earned their certificates in 2020. We created new mastery classes in four different vocations and **59** employees are still continuing their training.

On-the-Job Training: The blue-collar employee candidates participate in the Turkish Employment Agency’s On-the-Job Training Program. We then provide the candidates with a **10**-day theoretical and applied training course. The duration of the On-the-Job Training Program varies from three to six months. The candidate recruitment process is completed

based on either the results of theoretical examinations or the evaluations of the assembly supervisor or team leader.





AGILE TRANSFORMATION AND SCRUM TRAININGS

At TEMSA, we are preparing for the agile transformation, which eliminates the hierarchical structures and ensures a more efficient and effective manner of business process management. We aim to launch the transformation by 2021 and, within this scope, will form focus teams to lead the Agile and Scrum training programs. These training programs will explore the multifaceted agility philosophy and scrum framework.

TEMSA TALENT STATION

We founded the TEMSA Talent Station career program to draw young talents into TEMSA. Students enrolled in the third or fourth year of undergraduate programs or continuing graduate students can apply to the program. Once admitted into the program, the students will work at TEMSA for three months. Our purpose is to involve participants in projects to provide them with a closer look at TEMSA. Participants then meet with chief officers at designated intervals to exchange experiences and knowledge.

TALENTS OF THE FUTURE

We invest in the talents of the future today to strengthen our human resources. As part of our Talents of the Future project, we organize internship programs to enable young talents to find out more about our company and our sector, and to expand our talent pool. TEMSA offers short- and long-term internship programs for undergraduates. We also provide a two-month internship to cover the compulsory internships included in university curricula for juniors and seniors. Seniors with whom we have signed a protocol can participate in our long-term internship programs. During their internship, students learn about the operations of their assigned department and receive the opportunity to closely observe bus manufacturing processes.

Furthermore, vocational high school students can work as interns in our company for three workdays to be determined by their schools throughout the year.

SABANCI AGILE COLLABORATION SYSTEM: X-TEAMS

Sabancı Holding launched the Sabancı Agile Collaboration Process X-Teams to implement with agile work models the projects that will support the X+5 strategic plan. We participated in the Agility Workshop in this process. The X-Teams received training on Agile Working Principles and coaching on applying these principles when implementing the projects. In 2020, one TEMSA employee participated in X-Teams.

INDUSTRY LEADERS (IN-LEAD)

Each year, we participate in the Industry Leaders program developed in collaboration with Sabancı University Leadership Development Unit (EDU). The purpose of the program is to encourage the vocational and leadership development of technical managers and engineers with high potential in the Industry, Construction Materials and Energy Group companies within the Sabancı Group, and to nurture the knowledge and experience exchange between these employees. In 2020, two TEMSA employees presented the findings of their project on real-life problems.

Employee Engagement, Satisfaction and Volunteering

When designing our human resources processes, we prioritize practices that will foster a sense of belonging and security in the work environment. To this end, we create a working environment where employees can easily communicate their ideas, socialize outside of work, and directly contribute in corporate social responsibility projects.



COMMUNICATION PLATFORMS

We organize dynamic generation activities to encourage a platform where members of the TEMSA family working in different departments can interact.



TEMSA CLUBS

Members of the TEMSA family gather at TEMSA clubs to enjoy their shared interests and hobbies. TEMSA employees can find any clubs they wish and event budgets up to a limit are covered by TEMSA.

TEMSA Clubs: Running, Water Sports, Cycling, Table Tennis, Soccer





BENEFITS FOR EMPLOYEES

We grant our employees various rights and offer them benefits to increase employee satisfaction. We endeavor to standardize the benefits we offer in Turkey in our foreign affiliates.

BIRTHDAY LEAVE

All TEMSA employees are granted a one day leave during their birthday month.

FIRST DAY OF SCHOOL LEAVE

All TEMSA employees are granted leave on their child's first day at kindergarten or primary school, or on the report card day.

WELCOME KITS

We prepare a "Welcome Kit" for each new colleague to provide them on their first day of employment.

A TEMSA STAR application, TEMSA Dreamers allows employees to freely express their innovative ideas. Once the idea is approved by the Coordination Office and the Value Management Committee, agile teams are established to actualize the idea in a project, which will then be implemented. When the project is completed, **5** percent of the annual income generated is distributed equally to the agile team members who are still a part of the company.

Employees can form clubs based on their interests on a voluntary basis. These clubs can participate on a non-profit basis in science, culture, art or sports activities.

Since 2014, we have strived to provide disadvantaged children with equal opportunities in education through the **Dream PartnersProject**, financed by the voluntary fund of TEMSA employees. So far, we carried out **40** different activities with the participation of **1,200** TEMSA volunteers. Our activities include

improving the physical conditions at village schools, establishing libraries and gyms, procuring science equipment, and providing for children who are being treated at the pediatrics units of hospitals within our operation area.

In 2016, we further expanded our reach by cooperating with the Needs Map Platform, founded to unite those in need with those who can provide.





SOCIAL INVESTMENT APPROACH: COOPERATION WITH EDUCATIONAL INSTITUTIONS



Inclusion programs primarily focus on young people and their education opportunities.

In 2020, we reached out to 156 young people.



Lifelong Learning Projects: We cooperate with the Lifelong Learning General Directorate of the Republic of Turkey Ministry of National Education, the EU Delegation to Turkey, vocational and technical schools, and businesses to support lifelong learning projects. We strive to encourage automotive electromechanic and automotive mechanic vocations. We also contribute to the improvement of learning, measurement and assessment as well as the class materials and syllabus of the Employee Health and Safety and Environment subjects.



Çukurova University Training Workshop: In 2010, we cooperated with the Automotive Engineering Department of Çukurova University to establish a training workshop. In the last 11 years, we formulated syllabuses and taught courses with the participation of TEMSA managers.



Çukurova University Vocational School (ÇÜMYO) Laboratory: In March 2006, we established two laboratories at the Automotive Department of Adana Vocational School following the Sector-Based Educational Cooperation Protocol signed between TEMSA and ÇÜMYO. In addition to courses taught by TEMSA trainers, students can complete their internship at our company as part of their applied training.



1.5 Adana Electromobile Team: We provide engineering support to the 1.5 Adana Electromobile Team founded by the Çukurova University Departments of Mechanical Engineering and Electrical and Electronic Engineering.



Automotive Painter Apprentice Project: Since 2014, we have conducted the Automotive Painter Apprentice Project through our cooperation with the Adana Çukurova Vocational Education Center. The project encourages the training of competent automotive painters, some of which are later employed at our company. So far, 47 people participated in the training programs as part of this project and five began working at our company.



Collaboration with Adana Engine Vocational High School: In 2008, we established the TEMSA Educational Laboratory at Adana Engine Vocational High School. We provide education to 25 students each year. Furthermore, in 2010, we founded the Automotive Painting Workshop, which offers training and internship opportunities to 16 students per year. Conversely, the Auto Body Workshop, founded in 2012, provides training to 18 students and internships to four students each year.



Tarsus University Laboratory: In 2008, we established an educational laboratory at the Automotive Engineering Department of Tarsus University Faculty of Technology.



Employee Health and Safety

It is a prime responsibility to us to provide our employees, suppliers and business partners a safe and healthy working environment. We prioritize the health and safety of all our stakeholders in different positions at our manufacturing facilities, which operate in accordance with a human- and environment-friendly approach. With a view to constantly improve our employee health and safety (EHS) performance, we exceed the fundamental legal requirements and adopt international standards. **We run our entire operations in compliance with our ISO 45001 Occupational Health and Safety Management System Certificate.**

In 2020, we invested approximately 806,000 Turkish lira in EHS. Additionally, we organize employee training programs to raise awareness on EHS and to prevent occupational accidents. In 2020, we offered a total of **1,594** person*hour EHS training to our employees. As of late 2020, we recorded zero

occupational accidents resulting in lost workdays for **534** consecutive days.

The highest authority on EHS in our company is the Chief Operating Officer and reports directly to the CEO. Furthermore, the EHS Committee within the company represents all our employees. The Committee consists of representatives from concerned directorates, including trade union representatives, employees, team leaders, human resources as well as the head of administrative affairs.

The EHS unit recreates and assesses risks in the simulation center to determine the potential of on-site EHS risks. To determine potential risks, the unit obtains data from daily field controls, unannounced field visits once every two weeks, daily field controls by specially assigned employees called the danger hunters, and the individual field supervisions by each unit. Detected risks are reported and monitored by the EHS unit, who then take the appropriate precautions.

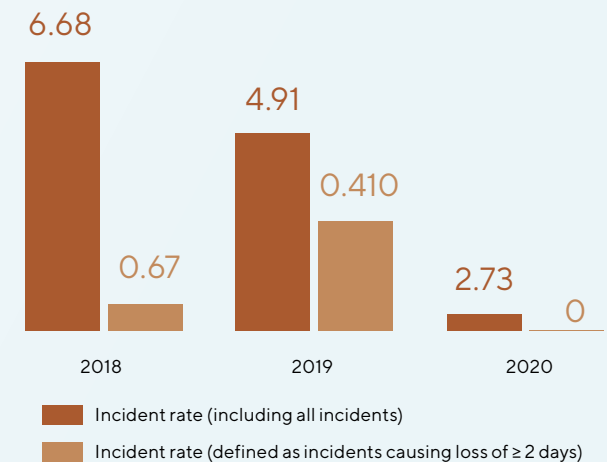
As of late 2020, we recorded zero occupational accidents resulting in lost workdays for 534 consecutive days.

These issues are submitted in the monthly EHS Committee meetings. We also provide on-the-job training, awareness training on unsafe conduct, informative training sessions following occupational accidents and near misses, and training on the safe use of personal protective equipment.

The Improvement Suggestion System equips employees to quickly report on EHS risks they face on the field through the web and mobile systems, thus allowing us to rapidly take action towards necessary improvements.

The Health Commission, on the other hand, evaluates the results of periodic health examinations. In the event that the commissioners indicate findings of occupational impacts, we take necessary measures to protect the health of our employees and guide them accordingly.

Incident rate



PANDEMIC PRACTICES

We established a **Corona Team** in March 2020, when we first launched the fight against the COVID-19 pandemic. The team gathered weekly to discuss and implement necessary precautions against the pandemic. We also benchmarked our practices in our manufacturing plants in Turkey and abroad. Following our efforts, we successfully passed the audits and merited the Healthy Workplace Environment Certificate.

We also implemented the **TemSAĞLIK** project to support our employees' mental and physical health during the pandemic. We shared healthy diet tips to raise awareness on a healthy lifestyle and we provided pandemic-specific information. We also maintained our online psychologist service.

With a view to identify employees who had potentially been exposed to COVID-19, we launched the **Location TEMSA application**. Our employees log in to the Location TEMSA application, then scan the QR Codes on the seats in shuttles or the tables in the cafeteria to share their locations. We can therefore analyze where each person sat on morning shuttles or during lunch at the cafeteria.

Our **Health Center** conducts examinations when arriving at and leaving work in addition to other periodic checks. We also offer additional health checks for employees under risk and provide vaccination services. We also have emergency and polyclinic services within the company, and we organize seminars.

We organized a webinar titled **"Health First"** with the participation of our on-site physicians. The webinar contained information on the new set of rules to follow within the working environment and in social contexts during the pandemic.

We also prepared a **Post-COVID-19 Back to Work Guideline for our employees**. The guideline listed in categories the rules and precautions for the working environment.

- General rules
- Precautions
- Personnel shuttles, corporate vehicles and private vehicles
- Manufacturing plant entrance and exit doors and waiting rooms
- Changing rooms, showers and toilets
- Hygienic and healthy work at manufacturing areas, equipment and machinery

- Office use
- Lunchroom and cafeteria service areas
- Indoor and outdoor break and recreation areas
- Meeting rooms, training rooms and conference rooms
- Workplace health unit work
- Emergency action plan





Annexes





Corporate Memberships

TURKISH EMPLOYERS' ASSOCIATION OF METAL INDUSTRIES (MESS)

AUTOMOTIVE MANUFACTURERS ASSOCIATION (OSD)

ADANA CHAMBER OF INDUSTRY

ADANA CHAMBER OF COMMERCE

ISTANBUL CHAMBER OF COMMERCE

PORTABLE BATTERY MANUFACTURERS ASSOCIATION (TAP)

MEDITERRANEAN EXPORTER ASSOCIATIONS (AKİB) - MEDITERRANEAN FERROUS AND NON-FERROUS METALS EXPORTERS' ASSOCIATION

ULUDAĞ EXPORTERS' ASSOCIATION (UIB) - AUTOMOTIVE PARTS AND COMPONENTS

ADANA INDUSTRY AND BUSINESS ASSOCIATION (ADSIAD)

ÇUKUROVA YOUNG BUSINESSMEN'S ASSOCIATION

THE INSTITUTE OF INTERNAL AUDITING - TURKEY

INTERNATIONAL PASSENGER ROAD TRANSPORT UNION (IPRU)

THE INTERNATIONAL ASSOCIATION OF PUBLIC TRANSPORT (UITP)

TURKISH EMPLOYMENT AGENCY - INNOVATIVE HUMAN RESOURCES ASSOCIATION



Environmental Performance Indicators

Energy Consumption by Fuel Type (MWh)	2018	2019	2020
Natural Gas	9,244	7,579	4,491
Diesel (generators, company vehicles, forklifts, heating purposes)	7,631	6,692	2,199
Electricity	10,346	9,048	6,132
Total	27,220	23,320	12,823
Energy Intensity (MWh/million TL)	18.72	40	16.62
Greenhouse Gas Emissions (ton CO₂e)¹⁵			
Scope 1 Emissions	4,658.9	3,571	2,100
Scope 2 Emissions	5,241.4	4,648.6	2,925
Scope 3 Emissions	1,222.9	908,6	390
Total	11,123.2	9,128.1	5,415
Greenhouse Gas Intensity (metric ton CO₂e/million TL)	7.65	15.66	7.02

¹⁵ Scope 1, Scope 2 and Scope 3 emissions are calculated by the operational control principle within the framework of "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard" in compliance with ISO 14064-1. For the purposes of calculation, CO₂, CH₄, N₂O and HFC (SF₆ and cooling gas) gases were converted to CO₂ equivalents. Further details on the emission factors applied are detailed in the table below. Global Warming Potential (GWP) coefficients are calculated by multiplying compound metric tons of CO₂-e value with proper coefficients while applying the 5th Evaluation Report of the Intergovernmental Panel on Climate Change (IPCC) and the Greenhouse Gas Protocol (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>) as well as the United Kingdom DEFRA 2020 Emission Factors.



Wastes (metric ton)	2018	2019	2020
Hazardous Waste	562.6	464.53	185
Non-Hazardous Waste	1,082.1	896	362
Total	1,644.7	1,361	547
Percentage of waste reused and recycled	100%	100%	100%

Water Consumption (m³)	2018	2019	2020
Total	188,952	138,701	85,534
Mains Water	12,469	10,583	5,748
Surface Water	0	0	0
Groundwater	176,483	128,118	79,786
Rainwater	0	0	0
Amount of Discharged Water	47,471	60,314	20,038

Air Emissions (kg)¹⁶	2018	2019	2020
NOx	-	6.2	-
SOx	-	0.0075	-
Volatile Organic Compounds (VOCs)	-	20.9	-
Particulate Matter (PM)	-	3.6	-

¹⁶ As air emissions are calculated once every two years, the table only contains data from 2019.



Social Performance Indicators

Number of Employees by Gender and Category	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
White-collar	72	416	62	344	62	339
Blue-collar	3	962	2	873	2	871
Employees Covered by Collective Bargaining Agreement	3	962	2	873	2	871
Total	1,453		1,281		1,274	
Number of Contractors by Gender						
Contractors	4	65	5	49	3	43
Total	69		54		46	
Number of Employees by Employment Duration						
0-5 years	45	264	36	196	33	120
5-10 years	13	333	12	265	13	288
10 years and longer	17	781	16	756	18	802
Number of Employees by Age						
Below 30	26	202	22	121	19	97
Ages 31-49	48	1,147	42	1,077	45	1,090
Over 50	1	29	0	19	0	23
Number of Recent Recruitments						
Below 30	9	33	7	14	7	25
Ages 31-49	4	18	6	10	9	17
Over 50	0	3	0	2	0	0
Total Number of Employees Recruited Within the Past Year	13	54	13	26	16	42
Number of Employees Leaving the Company						
Below 30	4	73	9	36	10	13
Ages 31-49	9	182	15	145	6	34
Over 50	0	20	1	11	0	4
Total number of employees leaving work within the past year	13	275	25	192	16	51



	2018		2019		2020	
	Female	Male	Female	Male	Female	Male
Performance Evaluation						
Number of Employees Subject to Performance Evaluation	72	392	0	0	62	315
Number of Managers by Gender and Age						
Below 30	1	2	0	1	0	3
Ages 31-49	15	76	11	65	12	62
Over 50	0	7	0	8	0	10
Number of First Line Managers by Gender and Age						
Below 30	0	1	0	1	0	3
Ages 31-49	11	43	7	41	6	38
Over 50	0	5	0	3	0	5
Number of Middle Managers by Gender and Age						
Below 30	1	1	0	0	0	0
Ages 31-49	4	25	4	20	6	18
Over 50	0	1	0	1	0	3
Number of Top-Level Managers by Gender and Age						
Below 30	0	0	0	0	0	0
Ages 31-49	0	8	0	4	0	6
Over 50	0	1	0	4	0	2
Number of Employees in STEM by Gender and Age						
Below 30	9	33	9	31	5	36
Ages 31-49	6	100	7	83	8	85
Over 50	0	6	0	3	0	3
Number of Employees in Income-Generating Positions by Gender and Age						
Below 30	5	11	5	8	3	8
Ages 31-49	11	38	10	34	10	35
Over 50	0	3	0	4	0	4
Maternity Leave						
Number of Employees on Maternity Leave	1	1	0	3	3	70
Number of Employees Returning from Maternity Leave	1	1	0	3	3	70
Number of Employees Returning from Maternity Leave and Working for 12 Months	0	0	0	0	3	70
Employees with Disabilities						
Number of Employees with Disabilities	4	40	4	40	3	42



Training Programs	2018	2019	2020
Total Training Hours	14,084	8,148	1,335
Training Hours Per Employee	9.7	6.4	1.05
Training Programs – Contractors			
Total Training Hours	460	116	0
Training Hours Per Employee	7	2	0
Occupational Health and Safety			
Number of Accidents	20	12	4
Number of Fatal Incidents	0	0	0
Number of Occupational Disease Cases	0	0	0
Incident Rate (All accidents included) ¹⁷	6.68	4.91	2.73
Incident Rate(According to the number of accidents with ≥ 2 days of loss) ¹⁸	0.67	0.41	0
Severity Rate (All accidents included) ¹⁹	0.002	0.001	0
Severity Rate (Based on the number of casualties ≥ 2 days)	0.002	0.001	0
Total OHS Training Hours	20,097	9,273	1,594
OHS Training Hours Per Employee	13.8	7.2	1.3
Occupational Health and Safety – Contractors			
Number of Accidents	2	0	0
Number of Fatal Incidents	0	0	0
Number of Occupational Disease Cases	0	0	0
Total OHS Training Hours	346	178	66
OHS Training Hours Per Contractor	5	3	1.43

¹⁷ The Incident rate (IR) is calculated by multiplying the ratio of the total number of accidents to the total working time in the relevant year, based on the total data, by 1,000,000.

¹⁸ The Incident rate (IR) is calculated by multiplying the ratio of the number of lost day accidents to the total working time in the relevant year by 1,000,000, based on the data for the resting accidents of two full days or more.

¹⁹ The severity rate is calculated by multiplying the ratio of the number of lost days to the total working hours in the relevant year by 1000.



Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information given the characteristics of the subject matter and the methods used for detecting such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

In particular, the conversion of different energy measures to megawatt-hour (MWh) and energy used to carbon emissions is based upon, inter alia, information and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third-party information.

Our Independence and Quality Control

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

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

Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance. We concluded our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 and ISAE 3410. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are inherently more limited relative to a reasonable assurance engagement.



The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of the persons responsible for the Selected Information;
- understood the process for collecting and reporting the Selected Information. This included assessing the key processes and controls for managing and reporting the Selected Information;
- evaluated the source data used to prepare the Selected Information and re-performed selected examples of calculation;
- performed limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by the Company; and
- performed analytical procedures over the reported data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Company's Selected Information for the year ended 31 December 2020, is not properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Directors of the Company as a body, to assist the Directors in reporting Temsa Skoda Sahane Ulagan A.Ş.'s performance and activities related to the Selected Information. We permit the disclosure of this report within the Sustainability Data Table for the year ended 31 December 2020, so verable the Directors to demonstrate they have discharged their governance responsibility by commissioning a limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Temsa Skoda Sahane Ulagan A.Ş. as a body and Temsa Skoda Sahane Ulagan A.Ş. for our work on this report save where terms are expressly agreed and with our prior consent in writing.

PwC Bağışlar Denetim ve Serbest Muaseveci Mali Müşavirlik A.Ş.

Çelik İslu, SMMM Partner

İstanbul, 12 July 2021



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Legal Warning

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