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# TKG GROUP SUSTAINABILITY ACTIVITIES

2022

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# İçindekiler

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Investment in Institutionalization

2

Investing In People And Society

3

Production And Investment In  
Responsible Consumption

4

Investing In Innovations



## 1. INVESTMENT IN CORPORATISATION

### 1.1. About us



TKG Automotive Group, one of the leading companies in the sector with 45 years of experience in the automotive industry and 100% domestic production power, was established in 1977 with the aim of manufacturing die for the automotive industry. In parallel with the production of body components, exterior surface components, aluminium heat/acoustic/magnetic shields, seat components, powertrain components, chassis and suspension components, TKG Automotive Group Companies, which has been manufacturing die and fixtures for the mass production of these products since 1991, has been manufacturing and exporting for Toyota, Renault, Stellantis, Hyundai, Ford, Honda and Nissan factories.

TKG Otomotiv Bursa, TKG Otomotiv Adapazarı and Plus Tooling, which operate under the umbrella of TKG Automotive Group Companies, are carrying out their production activities in accordance with IATF 16949 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 OHS Management Systems in 7 factories with a total closed area of 65.000m<sup>2</sup> in 5 different locations in Bursa and 2 different locations in Sakarya with a team of 1500 employees.

TKG Automotive Group Companies is on its way to becoming a global company that builds trust with its stakeholders, uses the most advanced engineering technologies by making investments in parallel with the ever-developing technology, and provides competitive components and systems with a high-quality level beyond customer expectations.

## 1.2. Goals, Vision, Mission and Values

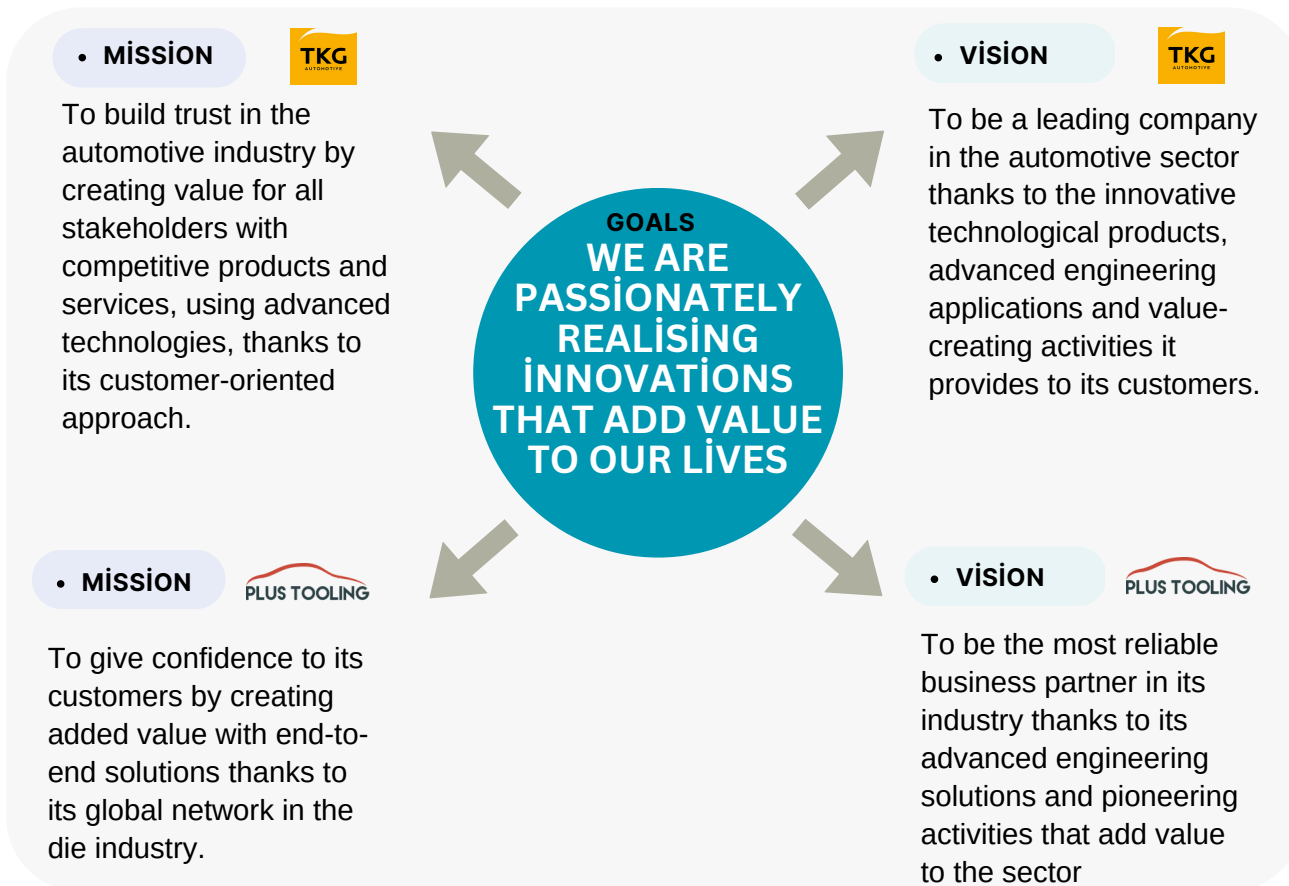


Figure 1: TKG Automotive Group's Goals, Vision, and Mission

## 1.2. Corporate Management

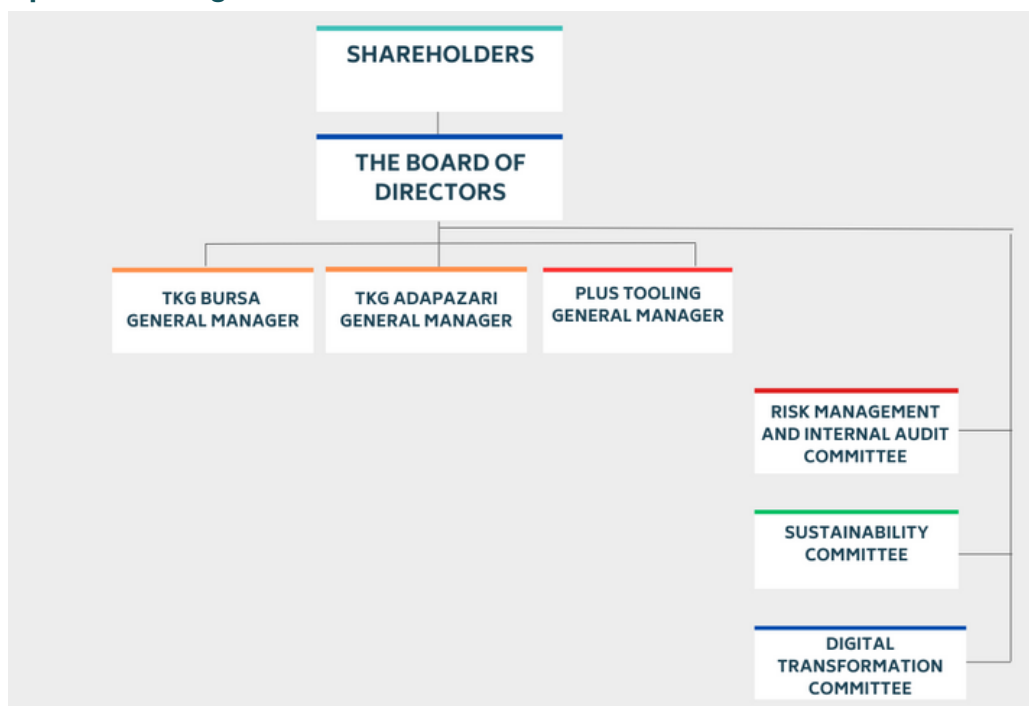


Figure 2: Committees Reporting to the Board of Directors of TKG Otomotiv

As TKG Group, founded in 1977 and today being managed by the second generation, we believe in the power of professional and corporate management. The principles and tools of corporate management that we have adopted as a family company, the family constitution, management and the existence of executive functions in companies are among the main factors in our corporatisation as a family company and our adoption of the corporate management approach. We believe that Corporate Management mechanisms should be systematised and this system should be passed on from one generation to another. Our main body of management that constitutes the sustainability of TKG Group Companies is the Board of Directors of TKG Group.

In order to ensure the professional functioning of the Board of Directors, the boards and committees reporting to the Board of Directors consist of the Executive Function, Risk Management and Internal Audit Committee, Sustainability Committee, and Digital Transformation Committee.

### 1.3. Sustainable Corporate Management

TKG Group Corporate Sustainability Approach includes all Environmental, Social, and Management sustainability issues by addressing business and future strategies. Our perspective on sustainability addresses these issues with a holistic approach.

By analysing the Environmental and Social Mega Trends that affect social and business life on a global scale, TKG Group has created a Roadmap for Sustainability. Furthermore, in order to link Sustainability Management with Business Strategies, business trends and location-based characteristics are also taken into account in our Roadmap. The realisation and continuous monitoring of sustainability practices and roadmap activities are carried out within the body of TKG Group Sustainability Corporate Structure. In this structure, while the Working Group coordinates the activities carried out in the companies and implements the annual work plans, the Sustainability Committee evaluates these activities twice a year and shares them with the Board of Directors.

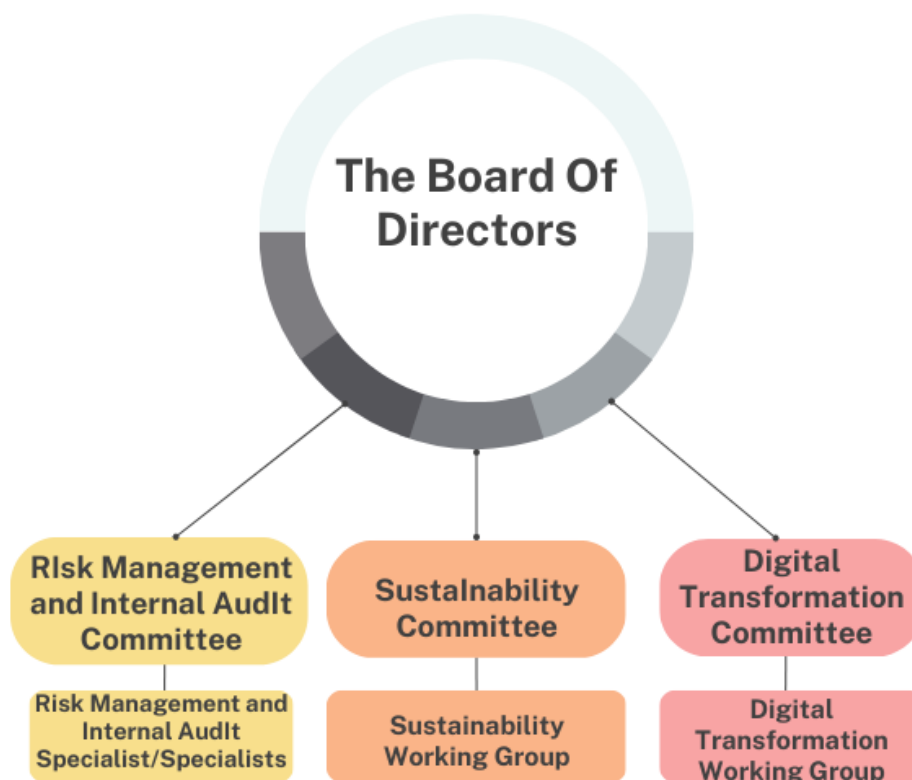


Figure 3: TKG Group Committee Structure

The strength of our approach is to dynamically assess current realities and needs and adjust our strategies accordingly. The European Green Deal and the United Nations Sustainable Development Goals serve as our main guidelines for shaping our sustainability practices and long-term goals, while regional-specific requirements are also crucial to make our approach feasible.

#### 1.4. Risk Management and Internal Audits

We are aware that Internal Auditing helps the organisation achieve its objectives by bringing a systematic and disciplined approach to assess and improve the effectiveness of the organisation's risk management, control and management processes.



For this reason, we have an Internal Audit Department that focuses on basic internal audits within the framework of International Standards for the Professional Practice of Internal Auditing within the scope of a risk-based approach for TKG Otomotiv. We established this department with the aim of determining the level of internal audits, identifying gaps, and improving the audit environment by making use of good practice examples, and with the aim of realising the following objectives:

- To establish a core internal audit department within the framework of International Standards for the Professional Practice of Internal Auditing; to establish the structure and functioning of the audit committee and the necessary internal audit governance and methodology,
- To assess the adequacy of the internal audits built by reviewing the processes within the scope of the audit and to submit suggestions for improvement for areas requiring improvement,
- To identify issues contrary to the principle of separation of duties of employees in the departments where processes are audited,

➤ To increase the awareness of the employees of the organisation in the areas of process management, risk management, and internal audit.

The internal audit department contributes to the achievement of strategic goals and sustainability in companies. The audits contribute to the goals of "to establish effective, accountable and transparent institutions" and "to significantly reduce corruption and bribery in all its forms" mentioned in the section titled "Peace, Justice and Strong Institutions" of the Sustainable Development Goals.

Accordingly, the audits conducted during 2022 covered purchasing processes, compliance with internal audit activity plans, inventory management, sales activities, human resources, and corporate communication. In this context, action plans were created and implemented for the non-compliances identified during the reporting period.

## 2. 1.INVESTING IN PEOPLE AND SOCIETY

*People are the centre of our understanding of business...*

We prioritise contribution to employment, gender equality and empowerment of women, occupational health and safety, talent and loyalty management, and support for education and development, which we initiated with the motto "People are the centre of our understanding of business...".

### 2.1. Support for Education



We are aware that education means the future. With this in mind, in order to contribute to our country reaching the level of modern civilisation, we pay education support payments once a year to the children of all our employees, and we provide scholarships for the children of some of our employees through MESS (Turkish Employers' Association of Metal Industries). Additionally, within the framework of our university collaborations, we provide training on CV Preparation and Interview Techniques to young people preparing for business life, and share our sectoral experiences with them.

By welcoming university students to our factories in line with the requests of Bursa Uludağ University and Sakarya University Student Clubs, we discuss business life with them and offer them the opportunity to see the production activities on site. Furthermore, within the scope of the Applied Engineering Experience Training (UMDE) Programme, which is a new model implemented by Sakarya University Department of Industrial Engineering to train more qualified engineers, we offer students the opportunity to work as "Candidate Engineers" in our TKG Adapazarı Factory for one semester.

In addition, thanks to the protocol we signed with the Ministry of National Education, we are implementing a practice that offers vocational high school diplomas to our employees, who have not graduated from vocational high schools. In this way, our colleagues are supervised by the trainers assigned within the scope of the programme while they continue their professional careers. And, at the end of the programme, they take an exam and are granted Vocational High School Diplomas that are valid all over Europe.

## 2.2. Contribution to Employment



As TKG Group Companies, we care about contributing to the employment of young people. We come together with young people at employment fairs in order to encourage their participation in the labour force, increase their employability, and contribute to the business world. We are proud to be ranked 50th among the top 100 companies with the highest employment rate in Organised Industrial Zones throughout 2020.



## 2.3. Gender Equality in the Society



Equality in society is among our fundamental values. In order to set an example for both the sector and society in this regard, we carry out various activities. We are carrying out various projects with our group companies to ensure that women take part in business life. Thanks to these projects, we are proud to be ranked 49th among the top 100 companies employing the most women in Organised Industrial Zones throughout 2020. Furthermore, we undertake various awareness-raising communications to support global solidarity movements that address gender equality. For example, on the 25th of November 2019, within the scope of the "International Day for the Elimination of Violence against Women", we shot a video clip for the song "Kalıplarını Kır Şiddet Kafandadır" [Break the Patterns, Violence is in Your Head], written and composed by our colleague, with the idea that violence against women cannot be handled and solved independently from violence in other areas of life. By publishing this video clip on our social media platforms, we raised awareness on the International Day for the Elimination of Violence against Women.

On 8 March 2022, within the scope of Women's Day, as TKG Automotive Group, we donated to the Mor Çatı Kadın Sığınağı Vakfı [Mor Çatı Women's Shelter Foundation] for all our female employees. In this way, we both realised a corporate social responsibility project and raised awareness by sharing the PDF file telling the origin story of Women's Day with all our employees.

## 2.4. Occupational Health and Safety

Thanks to our proactive approach to occupational health and safety, we aim to create an occupational safety culture with a safe working environment and zero work accident manifesto. We always aim to protect all our stakeholders within the boundaries of the company from accidents and occupational diseases. ISO 14001:2015 and ISO 45001:2018 Standards Certification Audits were successfully completed at TKG Bursa and TKG Adapazarı Factories. With the implementation of the ISO 45001 Standard, we continuously monitor the management of occupational health and safety, management of opportunities and risks, management of occupational health and safety risks of contractors, management of expectations, participation and consultation of employees and related parties, management of changes due to Occupational Health and Safety Risks of contractors, and we adopt these goals with all our employees.



All routine and non-routine works and areas are evaluated within the risk analysis process. In addition, in order to ensure EN standard requirements for all our machinery and equipment, machine safety risk analyses are carried out. With this analysis, risks are identified and, if necessary, urgent temporary measures are taken immediately. Starting from the most effective methods, permanent measures are researched, defined as actions, and monitored. Risk analyses and other processes are reviewed within the scope of annual evaluations and feedback is collected in order to improve the system.

All Occupational Health and Safety processes can be monitored by Worksafe Occupational Safety Information Management System. Worksafe is a system integrated with SAP and Outlook that is available to all employees 24/7.

During our journey to zero accidents, we integrate artificial intelligence solutions into our factories and carry out field inspections continuously. Audit Outputs are analysed by risk assessment teams and necessary actions are determined from a proactive perspective. In order to ensure employee participation and popularise OHS (Occupational Health and Safety) culture, OHS Week celebrations are held every year. This year, OHS Theatre was launched at TKG Adapazarı Factory while VR Virtual Reality Applications were launched at TKG Bursa Factory.

Within the scope of two projects implemented in our TKG Bursa Factories, we won awards in two categories (Behaviour-Centred and OHS Ambassadors) in the MESS (Turkish Employers' Association of Metal Industries) Occupational Safety Stars Competition. Our TKG Adapazarı Factory was also awarded a Certificate of Appreciation from Toyota Factory due to its performance in the field of OHS. Furthermore, in the annual award programme organised by Toyota Motor Europe (TME), TKG Adapazarı Otomotiv was awarded the Certificate of Recognition in the "Occupational Safety" category in 2022.

By evaluating the risks and suggestions of the employees in our factories, "OHS Employees of the Month" are chosen in TKG Bursa Company, while "The Employees Who Submitted the Best Suggestion of the Year" are chosen in TKG Adapazarı; and, our employees are rewarded accordingly.

In order to protect employee health and prevent occupational diseases, beyond the legal regulations, health checks are carried out by the on-site physician, especially by taking necessary technical measures.

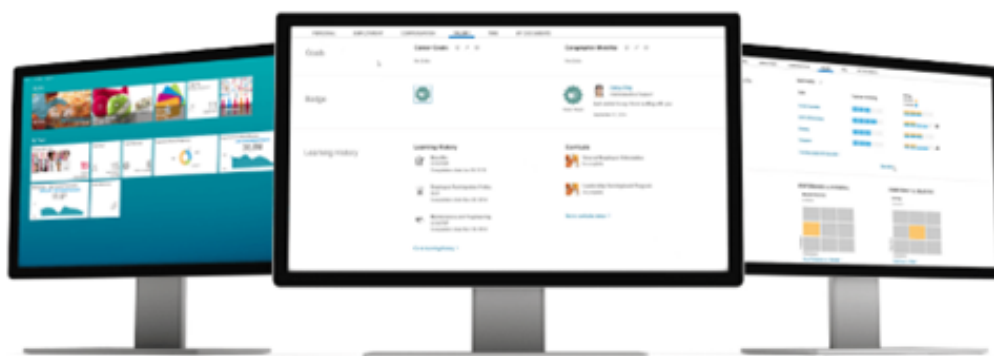
In order to ensure that employees work in suitable environments and conditions, an ergonomics team is established, Reba Ergonomic Risk analyses are carried out in the area and/or related machines, and process improvements are made.

In all areas, job-specific OHS training and legally mandatory occupational health and safety training are provided.

It is also ensured that employees have the necessary Professional Qualification Certificates as required by the job description and legal regulations.

In order to ensure emergency awareness, Emergency Drills are carried out in day and night conditions covering all shifts of our factories. In order to monitor OHS performance and legal compliance, monthly OHS Board Meetings and annual YGG Meetings (Management Review Meetings) are held and the necessary reporting is made to the senior management and the progress is monitored.

## 2.5. Talent and Loyalty Management



The main tools we use to manage the talent and loyalty of our employees are the 360-Degree Evaluation Process and Performance Management through SAP Success Factors. At the same time, being aware of the parallelism between the personal development of our employees and the development of our company, we ensure and encourage our employees to participate in internal and external training in line with their needs in their career plans. In light of all these, we determine the technical competencies of our employees and create career maps for them.

In order for our employees to discover and develop their social and sportive aspects, we pay attention to their requests. The Nature Photography Training we organised in 2022 and the establishment of the TKG Basketball Team are some of them.

Through the picnics and concerts we organize under the title of "Family Days Events", which are attended by our colleagues and their families, we ensure that our personnel meet and socialize with each other and increase their sense of belonging and loyalty to our organization. By organizing playgrounds and various workshops for children, games, competitions and workshops for adults, we are supporting their social development.

We value the suggestions and requests of our employees and enable them to submit their requests, suggestions and thoughts to our management through our digital suggestion portal.

Since September 2017, we have been creating accounts for all our operation employees through this system we developed on SharePoint, and we enable our employees to submit their suggestions at any time through any platform (Phone-PC-Tablet). While creating social intranet and in-house communication solutions through our SharePoint portal, we are also preparing to digitize many documents used by our employees, especially expense, leave, embezzlement, and advance payment forms, through the Juno program, the infrastructure for which we began to develop. We aim to digitize our Human Resources processes through this application and provide our employees with easier access to Human Resources applications.

We are also transforming some of the applications we implement under the roof of our HR operations into social responsibility projects. For example, at Plus Tooling, we are cooperating with the KAÇUV (The Hope Foundation for Children with Cancer) Foundation during the onboarding process related to our office staff, and thus we contribute to the Foundation by purchasing onboarding packages for our employees from this Foundation.



At the same time, as TKG Group, we are a member of the MESS (Turkish Employers' Association of Metal Industries). In our facilities, we enter into collective bargaining contracts with the Turkish Employers' Association of Metal Industries for all our employees working in the field, and through these contracts, we provide certain benefits such as private health insurance, food allowance, shoe vouchers, detergent allowance, and various training opportunities for their professional development to our employees working both in the office and in the field.

### 3. PRODUCTION AND INVESTMENT IN RESPONSIBLE CONSUMPTION

In all our manufacturing processes, we adopt the understanding of responsible consumption, which is one of the basic principles of the concept of sustainability, and adapt it to our activities. In particular, we create proactive approaches and optimum solutions on issues such as the reduction of emissions from production, energy efficiency, and waste management.

According to our strategy plan, we aim to reduce our carbon emissions by 30% by the end of 2024. In this context, we attach great importance to renewable energy and other emission-reduction activities.

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Since carbon emission reduction is one of the most important global mega-trends all over the world, especially after the Paris Global Climate Agreement, it is a key element in our strategy. At TKG, we set targets to significantly reduce our carbon emissions arising from our production activities in full compliance with the requirements of the European Green Deal and take necessary actions, such as the installation of solar energy, among other initiatives.

### **3.1. Efficient Use of Resources**

We are investing in a Solar Electricity Generation System with a total capacity of 4.5 MWp to be installed on the roofs of the facilities of TKG Bursa and TKG Adapazarı. Thanks to this investment, we plan to generate 5,000,000 kWh of electricity from solar energy. In this way, we are going to realize a 30% emission reduction in TKG Bursa and a 40% emission reduction in TKG Adapazarı. At Plus Tooling, we are constantly searching for and evaluating opportunities for renewable energy sources.

In addition, we carry out many improvement activities for the efficient use of energy and water in all three companies. These are mainly:

- Elimination Of Compressed Air Leaks,
- Transformation To LED In Lighting Systems,
- Lighting Automation,
- Centralized Management And Automation Of The Heating System,
- Compressor Waste Heat Recovery
- Inverter Applications

In this way, unit product energy costs improved by 15% in 2021 in TKG Adapazarı. The same improvement rates were achieved in our other companies too.

### **3.2. Environment-Friendly Production, Waste Management, and Circular Economy**

We adopt an approach to ensure that all of our wastes generated during our manufacturing activities can be transformed into something useful, and we take the necessary steps and actions to this end. The Zero Waste Certificate and ISO 14001-2015 Certificate we hold are the most important indicators of this. Moreover, we participate in the afforestation campaigns of ÇEVKO, the Environmental Protection and Packaging Waste Recovery Foundation.

We start waste management by sorting at the source. In order to contribute to the circular economy, we share our wastes, which we sort in both our production facilities and offices, with licensed waste companies and follow them end-to-end for recycling. When it comes to our metal wastes, we act in the same way in terms of recycling and reuse. In this context, on the occasion of World Environment Day on June 5, we donated our electronic waste to the project titled "Don't Waste, Donate" run by TEGV in order to contribute to environmental sustainability and quality education for our children.



We are also very careful and responsible about water consumption. Through our closed cycle systems, by using water repeatedly, we prevent unnecessary consumption.

Apart from all these activities, we also carry out consciousness-raising and awareness-raising activities. Activities such as the drawing contest and the object contest with recyclable waste organized for our children on World Environment Day aim to raise awareness on both environmental protection and responsible consumption.

### 3.4. Sustainability in the Supply Chain

In the supply chain, one of the most important elements of our value chain, we are also implementing our practices in a way to convey our sustainability approach to the very end. In this context, we take into account (assess) the environmental performance of all our suppliers. We also share the results of these assessments with them and monitor their progress in areas open to improvement. At the same time, we are constantly sharing ideas in order to create common platforms and establish collaborations in terms of sustainability.

Our SQA team, which we have established to carry out supplier activities, consists of our colleagues from the departments of procurement, quality and project. On a regular basis, at the end of each year, our team organizes supplier development activities for the following year, and conducts checks by delivering our "Supplier Risk Analysis" Question List, which includes sustainability-related questions, to all our suppliers with whom we intend to work for the first time. In this check, we aim to determine the risks before working with the supplier and to decide whether to work with this supplier or not. We also apply this check to our suppliers with whom we work on a regular basis and whose performance is considered risky. We have a Supplier Performance Evaluation System for our regular suppliers, and the outputs of this system are prioritized in the actions to be taken by our SQA Team.

When determining SQA operations, we prioritize our suppliers with low scores in Supplier Performance Outputs, and at the same time, even if the results are not low, we organize activities according to the development issues we have identified specifically for that supplier. When it comes to supplier performance monitoring, the aim is to foresee the performance

of the supplier in regular periods according to the parameters we set and to monitor their actions.

Additionally, if the mass production process for a product is to start with a supplier for the first time, we conduct an audit on the "Mass Production Checklist" for that supplier in order to determine whether our supplier is ready for mass production conditions.

Another type of check is the "Supplier Audit". In this type of check, we organize Process and System Audits for our suppliers in order to check the conformity of their processes in line with the IATF (International Automotive Task Force) Quality Management System.

As an output of all these activities, we ensure improvements in the performance results of our suppliers and aim to ensure that our business is sustainable.

### 3.5. Our R&D (Research And Development) Studies



As TKG Automotive R&D Centre, we can mention three sub-elements that we take as the basis for ensuring sustainability in line with our company's vision, mission, and quality goals.

- Economic Sustainability
- Sustainable Production
- Sustainable Practice

#### 3.5.1. Economic Sustainability

Ensuring economic sustainability is only possible by following current technologies, developing new R&D projects by using these technologies and gaining the ability to implement them. Therefore, we shaped our R&D strategies in the short, medium, and long term. Our Strategies;

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**A. A.Short-Term Strategies (1-3 Years)**

**A-1.** Gaining Competence In The Design And Analysis Of Battery Components In Electric Vehicles,

**A-2.** . Gaining Competence In The Design And Analysis Of Crash Dynamics Components Used In The Automotive Industry,

**A-3.** Recruitment Of Qualified Personnel With A Master's Degree,

**A-4.** Increasing University-Industry Collaborations,

**A-5.** Development Of Production And Control Processes That Enable Cost Reduction Based On Efficiency And Material And Energy Savings,

**A-6.** Innovative Design In Mechanical Joining (Riveting, Clamping, Etc.) Systems and Initiation Of Projects Aimed At Improving System Components And Production Processes And Speeds,

**A-7.** Development Of Vehicle Lightweighting Projects (Use Of Composite Materials For Heat Shields),

**A-8.** Development Of National Projects With Public Support,

**A-9.** Increasing Studies On Intellectual And Industrial Property Rights,

**B. A.Medium-Term Strategies (3-7 Years)**

**B-1.** Being Able To Provide Services To Global Customers With Alternative Design, Material And Process Suggestions Through Different Production Processes,

**B-2.** Increasing The Level Of Competence In Industry 4.0 Applications,

**B-3.** Discovering Projects For The Development Of Special Production Cells With Robot-Robot And Robot-Human Interaction,

**B-4.** Improving Process Speeds With Hardware And Software Developments In Robotic Applications For The Production Of Automotive Components,

**B-5.** Developing International Projects With Public Support And Participating In Consortia,

**B-6.** Establishment Of Permanent Collaborations With Foreign Universities,

**B-7.** Carrying Out R&D Studies Aimed At Developing Battery Boxes For Electric Vehicles And Presenting A Paper On This Subject At A National/International Symposium Or Congress.

**C. Long-Term Strategies (7-10 YEARS)**

**C-1.** Establishment Of Strategic R&D And Innovation Collaborations With Companies Operating On A Global Scale,

**C-2.** Serving Potential Customers As A Co-Designer In Collaboration With Global Companies



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**C-3.** Ensuring Quality Production And Efficiency By Using Virtual Reality Technologies In Production Systems,

**C-4.** Carrying Out More Comprehensive R&D Projects By Increasing The Number Of Personnel By Adding A New Location To The R&D Centre,

Based on this scope and strategy, 32 R&D projects have been completed in our R&D Centre since 2017 and 7 R&D projects are still in progress. During this period, 13 applications were made for intellectual and industrial property rights. 2 utility models and 2 patents were registered, and the process of 7 applications is still in progress.

We have a rewarding procedure aimed at increasing the number of R&D project proposals and invention proposals, and R&D personnel are encouraged under the umbrella of this procedure.

Also, postgraduate education is encouraged as a basis for increasing R&D project qualifications. In this context, personnel who continue their postgraduate education are rewarded. This also creates opportunities for cooperation with universities.

### **3.5.2. Sustainable Production**

As TKG, in line with our environmental approach, we carry out activities in the R&D Centre in accordance with 14001: Environmental Management System. The products we manufacture do not pose any harm to the environment, and we transfer any waste generated during the manufacturing process to a specially designated waste control area.

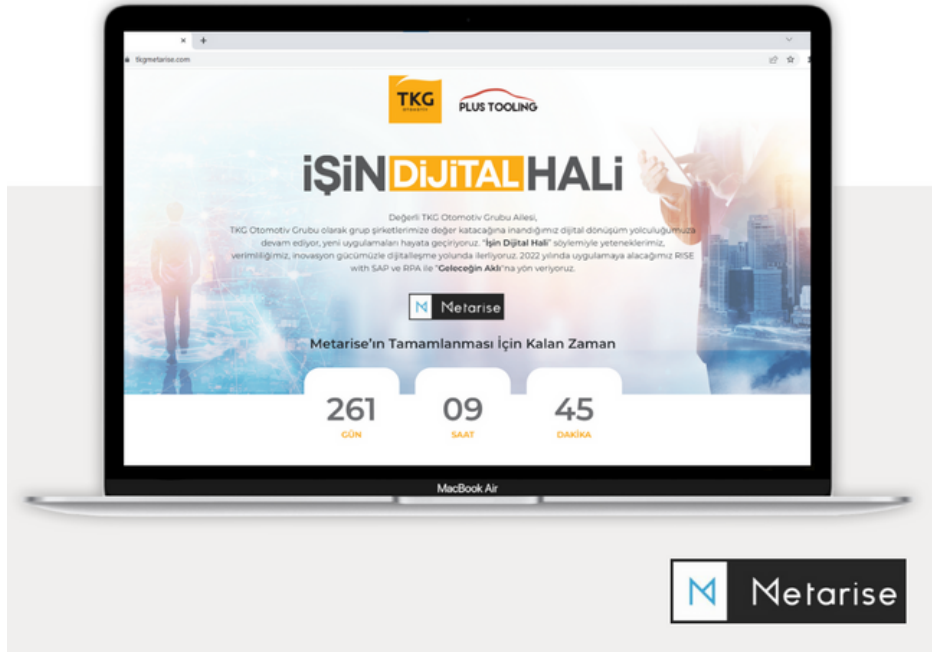
### **3.5.3. Sustainable Practice**

We carry out all our R&D studies by putting customer satisfaction and quality at the forefront. In addition, the outputs obtained at the end of the studies are recorded and thus they contribute to our corporate memory.

## **4. INVESTING IN INNOVATIONS**

As part of our digital transformation strategy, we identified our prioritized needs within the group and created our action plans. While preparing our action plans, we took into account current technology trends in order to replicate good examples and transfer experiences.

First, we took measures for data security, integrity, and confidentiality by implementing activities aiming to strengthen the security infrastructure. We ensured the preparation of logging reports in our companies. Then, at the beginning of 2021, we organized S/4HANA workshops to move from ERP systems to cloud systems by following the strategic roadmap we created. Thus, in line with our analysis on the needs, we initiated the SAP S/4HANA migration process in order to ensure sustainable management and secure access to portals. In the project, which is targeted to be completed by the end of 2022, all business processes were digitalized by taking into account the synergy of group companies.



On the other hand, a Landing Page is created at [www.tkgmetarise.com](http://www.tkgmetarise.com) to increase communication between our group companies, the SAP S/4HANA team, and employees. Information was actively provided about the project and trending topics related to S/4HANA and technology. Through interviews with project module spokespersons, current developments and relevant information were conveyed to employees.

In addition, the robots we commissioned to prevent the waste of time and resources while performing the operations required by today's RPA became our new colleagues. Thanks to RPA, financial invoicing transactions and self-service password reset transactions started to be performed through automation. In addition, RPA-related articles, informative e-mails and information about all improvements made in the field of Information Technology were shared through e-mail groups.

