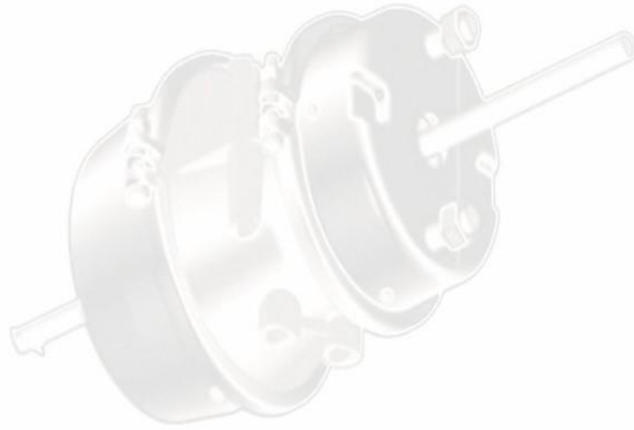




ARFESAN ARKAN FREN ELEMANLARI SANAYİ VE TİCARET A.Ş.

SUSTAINABILITY POLICY



14.10.2019
REVISION: 1

| Quality | Sales | Human Resources |
|----------------|---------------|------------------------|
| Devrim TEZCAN | Emre TANAYDIN | Fatma Tuba UÇAR |

| Supply Chain | Engineering & R&D | Finance |
|---------------------|----------------------------------|----------------|
| Cem DURUM | Varlık KILIÇ | Hüseyin ONRAT |

| Production |
|-------------------|
| Mustafa Güven |

| Managing Director |
|--------------------------|
| Murat ULUTAŞ |

| Rev. No | Revizyon Date | Revision Detail | Revision by |
|----------------|----------------------|------------------------|--------------------|
| 1 | 07.10.2019 | Released. | Taner SİPAHİOĞLU |



Arfesan A.Ş. Company Profile

| | |
|----------------------|---|
| Founded | Unlimited Company - 1969 Incorporated company - 1984 |
| Plant | Closed Area 15.000 m ² / Total Area 18.000 m ² |
| Managing Director | Mr. Murat ULUTAŞ |
| Quality Manager | Mrs. Devrim TEZCAN |
| Supply Chain Manager | Mr. Cem DURUM |
| Working Hours | 45 hours/ week |
| Major Customers | Truck, Trailer and Bus OE's |
| Products | Service Brake Chambers Double Diaphragm Brake Chambers Piston Brake Chambers Valves, Other automotive components or equipment |
| Production Area | Press Shop, Welding Shop, Powder Coating Line, Mold Shop, Assembly |
| Management Systems | |

| Management System | Date | Company |
|-------------------|------|----------------|
| ISO 9001 | 1996 | Dansk Standard |
| ISO 14001 | 2003 | DNV |
| ISO/TS 16949 | 2003 | DNV |
| ISO 14001 | 2006 | DNV |
| ISO/TS 16949 | 2006 | TÜV-NORD |
| ISO 14001 | 2009 | LRQA |
| ISO/TS 16949 | 2009 | LRQA |
| ISO 14001 | 2012 | TÜV-SÜD |
| ISO/TS 16949 | 2012 | TÜV-SÜD |
| ISO 14001 | 2015 | TÜV-SÜD |
| ISO/TS 16949 | 2015 | TÜV-SÜD |
| ISO 9001 | 2015 | TÜV-SÜD |
| IATF 16949 | 2018 | TÜV-SÜD |
| ISO 9001 | 2018 | TÜV-SÜD |
| ISO 14001 | 2018 | TÜV-SÜD |

Other Certification

TÜV Cert. 2015 / TSE 9746 ve TSE 9747

**Scope:**

ARFESAN A.S. is leader in Turkey and takes place among the leader organizations, which operate internationally, in manufacture of the brake chamber for heavy commercial vehicles. Since 1969, it manufactures any products in a high technology and services the domestic and international automotive industry.

Since its establishment, "ARFESAN A.S." has carried out and continues to carry out its activities in accordance with the principles of being a pioneer, leader and example.

The reputation and quality standards that we gain and submit with ARFESAN trademark arouse in our applications built on our principles. The "ARFESAN SUPPLIER SUSTAINABILTY POLICY" contains the determinative methods and basic principles and our framework of values defined by us "Five Ds ARFESAN" during execution of the activities of ARFESAN A.S.

ARFESAN'S BASIC PRINCIPLES:

To be a pioneer, leader and example.

ARFESAN's FIVE Ds:

(DOĞRU) Be Right! This is the tenth village.

(DÜRÜST) Be honest! Then you cannot fool yourself.

(DÜZENLİ) Be Regular! Then you will not make mistakes.

(DENGELİ) Be Balanced! Respect and love are earned in this way.

(DİNAMİK) Be Dynamic! Life is short and there are more works to do.

Our principles have a binding nature on all employees, Shareholders, Members of Board of Directors, suppliers, and briefly all our stakeholders. Arfesan respects and accepts the following UN Global Compact – 10 Principles;

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

**Arfesan sustainability policy covers 5 major sustainability requirements for all parties;**

- 1- Labor
- 2- Health and safety
- 3- Environmental
- 4- Ethics
- 5- Management systems

Purpose:

Arfesan sets out the standards and the ethic behaviors to improve conditions for workers and to promote a cleaner environment for a better world.

Arfesan sets all the requested actions with all parties to comply with this Sustainability Policy.

1- LABOR

Arfesan is committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker.

The labor standards are:

1.1-Freely Chosen Employment

Forced, bonded (including debt bondage) or indentured labor, involuntary or exploitative prison labor, slavery or trafficking of persons (human trafficking) shall not be used. This includes transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities. As part of the hiring process, workers must be provided with a written employment agreement in their native language that contains a description of terms and conditions of employment prior to the worker departing from his or her country of origin and there shall be no substitution or change(s) allowed in the employment agreement upon arrival in the receiving country unless these changes are made to meet local law and provide equal or better terms. All work must be voluntary and workers shall be free to leave work at any time or terminate their employment. Employers and agents may not hold or otherwise destroy, conceal, confiscate or deny access by employees to their identity or immigration documents, such as government issued identification, passports or work permits, unless such holdings are required by law. Workers shall not be required to pay employers' or agents' recruitment fees or other related fees for their employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

1.2-Young Workers

Child labor is not to be used in any stage of manufacturing. The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. The use of legitimate workplace learning programs, which comply with all laws and regulations, is supported. Workers under the age of 18 (Young Workers) shall not perform work that is likely to jeopardize their health or safety, including night shifts and overtime. Arfesan ensures proper management of student workers through proper maintenance of student records, rigorous due diligence of educational partners, and protection of students' rights in accordance with applicable law and regulations.



Arfesan provides appropriate support and training to all student workers. In the absence of local law, the wage rate for student workers, interns and apprentices shall be at least the same wage rate as other entry-level workers performing equal or similar tasks.

1.3- Working Hours

Working hours are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off every seven days.

1.4- Wages and Benefits

Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. For each pay period, workers shall be provided with a timely and understandable wage statement that includes sufficient information to verify accurate compensation for work performed. All use of temporary, dispatch and outsourced labor will be within the limits of the local law.

1.5- Humane Treatment;

There is to be no harsh and inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor is there to be the threat of any such treatment. Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers.

1.6- Non-Discrimination

Arfesan is committed to a workforce free of harassment and unlawful discrimination. Arfesan does not engage in discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training. Arfesan provides reasonable accommodation for religious practices. In addition, Arfesan does not apply to workers or potential workers to medical tests or physical exams that can may use in a discriminatory way.

1.7- Freedom of Association

In conformance with local law, Arfesan respects the right of all workers to form and join trade unions of their own choosing, to bargain collectively and to engage in peaceful assembly as well as respect the right of workers to refrain from such activities. Workers and/or their representatives shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation or harassment.

2- HEALTH AND SAFETY

Arfesan recognizes that in addition to minimizing the incidence of work-related injury and illness, a safe and healthy work environment enhances the quality of products and services, consistency of production and worker retention and morale. Arfesan also recognizes that ongoing worker input and education is essential to identifying and solving health and safety issues in the workplace. Recognized management systems such as OHSAS 18001 and ILO Guidelines on Occupational Safety and Health were used as references in preparing the policy and may be a useful source of additional information.



The health and safety standards are:

2.1- Occupational Safety

Arfesan identifies and assesses and controls worker potential for exposure to safety hazards (e.g., chemical, electrical and other energy sources, fire, vehicles, and fall hazards) through proper design, engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tagout), and ongoing safety training. Where hazards could not adequately controlled by these means, workers are provided with appropriate, well-maintained, personal protective equipment and educational materials about risks to them associated with these hazards. Reasonable steps is also being taken to remove pregnant women/nursing mothers from working condition with high hazards, remove or reduce any workplace health and safety risks to pregnant women and nursing mothers including those associated with their work assignments, as well as include reasonable accommodations for nursing mothers.

2.2- Emergency Preparedness

Potential emergencies and events are being identified and assessed, and their impact minimized by implementing emergency plans and response procedures including emergency reporting, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and suppression equipment, clear and unobstructed egress adequate exit facilities and recovery plans. Such plans and procedures focus on minimizing harm to life, the environment and property.

2.3- Occupational Injury and Illness

Procedures and systems are in place to prevent, manage, track and report occupational injury and illness including provisions to: encourage worker reporting; classify and record injury and illness cases; provide necessary medical treatment; investigate cases and implement corrective actions to eliminate their causes; and facilitate return of workers to work.

2.4- Industrial Hygiene

Arfesan identified, evaluated, and controlled worker exposure to chemical, biological and physical agents according to the hierarchy of controls. Potential hazards are eliminated or controlled through proper design, engineering and administrative controls. Arfesan provides with and use appropriate, well-maintained, personal protective equipment when hazards cannot adequately controlled by such means, the workers. Protective programs includes educational materials about the risks associated with these hazards.

2.5- Physically Demanding Work

Arfesan identifies, evaluates and controls worker exposure to the hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing and highly repetitive or forceful assembly tasks.

2.6- Machine Safeguarding

Arfesan evaluates safety hazards in Production and other machinery. Arfesan provides Physical guards, interlocks and barriers and properly maintains where machinery presents an injury hazard to workers.



2.7- Sanitation, Food, and Housing

Arfesan provides with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Arfesan provide and maintains Worker dormitories provided by the Supplier or a labor agent to be clean and safe, and provides with appropriate emergency egress, hot water for bathing and showering, adequate lighting heat and ventilation, individually secured accommodations for storing personal and valuable items, and reasonable personal space along with reasonable entry and exit privileges.

2.8- Health and Safety Communication

Arfesan provides workers with appropriate workplace health and safety information and training in the language of the worker or in a language the worker can understand for all identified workplace hazards that workers are exposed to, including but not limited to mechanical, electrical, chemical, fire, and physical hazards. Health and safety related information shall be clearly posted in the facility or placed in a location identifiable and accessible by workers. Training is provided to all workers prior to the beginning of work and regularly thereafter. Workers shall be encouraged to raise safety concerns.

3. ENVIRONMENTAL

Arfesan recognizes that environmental responsibility is integral to producing world-class products. In manufacturing operations, adverse effects on the community, environment and natural resources are to be minimized while safeguarding the health and safety of the public. Recognized management systems such as ISO 14001 and the Eco Management and Audit System (EMAS) were used as references in preparing the policy and may be a useful source of additional information.

The environmental standards are:

3.1- Environmental Permits and Reporting

Arfesan obtains, maintains and keeps current all required environmental permits (e.g. discharge monitoring) approvals, registrations, and Arfesan follows their operational and reporting requirements.

3.2- Pollution Prevention and Resource Reduction

Arfesan minimizes or eliminates emissions and discharges of pollutants and generation of waste at the source or by practices such as adding pollution control equipment; modifying production, maintenance and facility processes; or by other means. The use of natural resources, including water, fossil fuels, minerals and virgin forest products, is to be conserved or by practices such as modifying production, maintenance and facility processes, materials substitution, re-use, conservation, recycling or other means.

3.3- Hazardous Substances

Arfesan identifies, labels, and manages chemicals and other materials posing a hazard to humans or Arfesan ensures their safe handling, movement, storage, use, recycling or reuse and disposal.

3.4- Solid Waste

Arfesan implements a systematic approach to identify, manage, reduce, and responsibly dispose of or recycle solid waste (non-hazardous).

**3.5- Air Emissions**

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, routinely monitored, controlled and treated as required prior to discharge. Arfesan conducts routine monitoring of the performance of its air emission control systems.

3.6- Materials Restrictions

Arfesan adheres to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances in products and manufacturing, including labeling for recycling and disposal.

3.7- Water Management

Arfesan implements a water management program that documents, characterizes, and monitors water sources, use and discharge; seeks opportunities to conserve water; and controls channels of contamination. Arfesan characterizes, monitors, controls, and treat as required prior to discharge or disposal. Arfesan conducts routine monitoring of the performance of its wastewater treatment and containment systems to ensure optimal performance and regulatory compliance.

3.8- Energy Consumption and Greenhouse Gas Emissions

Arfesan tracks and documents energy consumption and all relevant Scopes 1 and 2 greenhouse gas emissions, at the facility and/or corporate level. Arfesan looks for cost - effective methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

4. ETHICS

To meet social responsibilities and to achieve success in the marketplace, Arfesan upholds the highest standards of ethics including:

4.1- Business Integrity

Arfesan upholds the highest standards of integrity in all business interactions. Arfesan has a zero tolerance policy to prohibit all forms of bribery, corruption, extortion and embezzlement. Principal responsibility of the Arfesan is preventing the benefits of our business relation from conflicting with any direct and/or indirect personal benefits

4.2- No Improper Advantage

Bribes or other means of obtaining undue or improper advantage are not to be promised, offered, authorized, given or accepted. This prohibition covers promising, offering, authorizing, giving or accepting anything of value, either directly or indirectly through a third party, in order to obtain or retain business, direct business to any person, or otherwise gain an improper advantage. Monitoring and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws.

4.3- Disclosure of Information

All business dealings transparently performed and accurately reflected on Arfesan's business books and records. Information regarding Arfesan labor, health and safety, environmental practices, business activities, structure, financial situation and performance discloses in accordance with applicable regulations and prevailing industry practices. Falsification of records or misrepresentation of conditions or practices are unacceptable.



4.4- Intellectual Property

Arfesan respects intellectual property rights; transferring of technology and know-how in a manner that protects intellectual property rights; and, customer and supplier information is to be safeguarded.

4.5- Fair Business, Advertising and Competition

Arfesan respects standards of fair business, advertising and competition. Arfesan upholds the local laws on anti-trust business structure or counterfeit parts.

4.6- Protection of Identity and Non-Retaliation

Arfesan upholds programs that ensure the confidentiality, anonymity and protection of all parties' whistleblowers, unless prohibited by law. Arfesan has a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

4.7- Responsible Sourcing of Minerals

Arfesan has a policy to assure that the tantalum, tin, tungsten and gold in the products they manufacture does not directly, indirectly finance, or benefit armed groups that are perpetrators of serious human rights abuses in the Democratic Republic of the Congo or an adjoining country. Arfesan exercises due diligence on the source and chain of custody of these minerals and make their due diligence measures available to customers upon customer request.

4.8- Privacy

Arfesan commits to protecting the reasonable privacy expectations of personal information of everyone they do business with, including suppliers, customers, consumers and employees. Arfesan complies with privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted, and shared.

5. MANAGEMENT SYSTEMS

Arfesan adopts or establishes a management system whose scope related to the content of this policy. The management system designed ensuring: (a) compliance with applicable laws, regulations and customer requirements related to the Arfesan's operations and products; (b) conformance with this policy; and (c) identification and mitigation of operational risks related to this policy. It facilitates continual improvement.

The management system contains the following elements:

5.1- Company Commitment

Corporate social and environmental responsibility policy statements exist affirming Arfesan's commitment to compliance and continual improvement, endorsed by executive management and posted in the facility in the local language.

5.2- Management Accountability and Responsibility

Arfesan clearly identifies senior executive and company representative[s] responsible for ensuring implementation of the management systems and associated programs. Senior management reviews the status of the management system on a regular basis.

**5.3 - Legal and Customer Requirements**

Arfesan follows up processes to identify, monitor and understand applicable laws, regulations and customer requirements, including the requirements of this policy.

5.4- Risk Assessment and Risk Management

Arfesan follows up a process to identify the legal compliance, environmental, health and safety and labor practice and ethics risks associated with own operations. Arfesan follows up determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to control the identified risks and ensure regulatory compliance.

5.5- Improvement Objectives

Written performance objectives, targets and implementation plans to improve the Arfesan's social and environmental performance, including a periodic assessment of Arfesan's performance in achieving those objectives.

5.6- Training

Arfesan has programs for training managers and workers to implement Arfesan's policies, procedures and improvement objectives and to meet applicable legal and regulatory requirements.

5.7- Communication

Arfesan has a process for communicating clear and accurate information about Arfesan's policies, practices, expectations and performance to workers, suppliers and customers.

5.8- Worker Feedback, Participation and Grievance

Ongoing processes, including an effective grievance mechanism, to assess employees' understanding of and obtain feedback on or violations against practices and conditions covered by this policy and to foster continuous improvement.

5.9- Audits and Assessments

Arfesan plans periodic self -evaluations to ensure conformity to legal and regulatory requirements, the content of the policy and customer contractual requirements related to social and environmental responsibility.

5.10- Corrective Action Process

A process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews.

5.11-Documentation and Records

Arfesan manages creation and maintenance of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy including export controls and economic sanctions and financial responsibilities.

5.12 Supplier Responsibility

Arfesan has a "Supplier Sustainability Policy" to communicate the policy requirements to suppliers and to monitor supplier compliance to the policy.