



Wheels into the Future

1st Annual Sustainability Report 2013





Overview

Letter from the Chairman of the Board	03
Letter from our Vice President	04
Letter from the CEO	05
Principles of Our Founding President	06
Target and progress	07
Our Industry	09
Our Company	11



Strategy

Our Strategy	15
Our Corporate Strategy	17
Our Sustainability Strategy	20
Sustainability Governance	29



Manufacturing

Sourcing and our Material Inputs	32
Manufacturing Wheels	35



Sustainability Performance

Environmental performance	40
Our people	44
Engaging with Communities	47
Delivering Value to our Customer	49
Awards and Recognitions	50



About This Report

About this Report	51
Scope and Boundaries	51
Reporting period and future Reports	51
Global Reporting Initiative	51
GRI Reporting Index	54

Sustainability is an imperative in a World of diminishing resources

Distinguished Stakeholders,

The CMS group is producing one essential product: wheels made from aluminium. Our singular focus has made us to the favored supplier of the world's leading car brands. CMS is a success story! Around 50 million wheels, produced by CMS, are on the roads today.

We look to the future with open eyes and are aware that mobility concepts will change and markets will challenge us in terms of innovation and operational excellence.

We are aware that it is not just possible to produce or to sell goods and services. Customers expect from us "quality products" and "timely deliveries" but beyond this, we are just a wheel in the whole value chain of our products.

With more than 7 billion people on this planet, it is apparent that we live in a world of diminishing natural resources. The UN estimates a world population increase of up to 10,9 billion people by the year 2050. Climate change, water pollution, waste disposal, deforestation, and the rapid growth of megacities are just some of the challenges facing us worldwide, and we already see these effects here in our beautiful country Turkey.

Everybody on earth has the desires for mobility, to travel on land for business or leisure. This happens on our wheels. So how can we catch this opportunity and grow while at the same time reducing our environmental impact? This question is what adds another dimension to our growth strategy.

We are one of the most successful companies in Turkey and in the automotive supply industry in Europe. This did not happen overnight. Our Founding President, the late Mr. Tonguç Ösen, had a vision for his company. He wanted to build a lasting and sustainable organization, built on values as part of a strong corporate culture.

"CMS Group should not only be owned by its shareholders- Ösen Family, but also by the whole country. Every employee should do their best to make this company healthy, profitable and long-lasting"

The *"Principles of Our Founding President"* are valid today and will be in the future.

Berat Ösen
CMS Group
Chairman of the Board



When we started working on the modern management model of Sustainability, we discovered how much already existed at CMS. This encourages us to aim high not only in economic performance but also in environmental, social and the overall business integration of Sustainability into our performance culture. .

We have set up a sustainability committee with representatives from all functions and divisions. This group has the mandate to integrate environmental and social performance with economic business performance. Our sustainability efforts will make us stronger, more agile and innovative.

The stakeholder groups as employees, our customers, and of course our suppliers are invited to give us feedback. We want to listen and define actions to address your concerns directly. No good idea should be get lost.

Kind Regards,
Berat Ösen
Chairman of the Board

Bertuğ Ösen

Vice President

Dear Reader,

This report carries the title 'Wheels into the Future'. With this metaphor we want to signal to our stakeholders that we are prepared for future growth and success.

We started our journey in 1980. We have been moving forward ever since with our capacity increasing to 7,5 million wheels in 2013, and 8,5 million in 2014.

As stakeholder we consider all people and interest groups who are affected through our business activities. Our road to success runs through our employees as one of our main stakeholder groups. Growing companies like CMS face constant challenge in terms of knowledge transfer, efficient integration of new people and processes, as well as interaction between new teams. Our employees – currently 2850 – are continuously adapting to change, and this agility has made us more innovative and responsive to our customer's needs.

With our sustainability approach, we seek to widen our perspective and open up a dialogue with all relevant stakeholders along the value chain of our products. These stakeholders are suppliers of core and by-products, these stakeholders are communities, NGO's, and these stakeholders even include our customers. Some of our clients have implemented sustainability best practice into their business many years ago. We have seen that such an approach has speeded up the innovation cycle towards more responsible resource management and better business.

We will look for every opportunity to increase our resource efficiency, environmental optimization and even the social component of a sustainable business.



Sustainability drives Innovation

The management of CMS has great plans for the future. We want to make our sustainability efforts measurable and transparent to specific stakeholder groups, because only what is measurable and quantifiable can be improved. One of those initiatives is the integration of Life Cycle Assessments, compliant with ISO 14040/44 into our product Research and Development activities. For our customer, we will make product specific environmental profiles available.

We conduct extensive R&D work to manufacture more lightweight products. These research activities aim at producing dramatically lighter wheels, and thus, lighter cars. This is just one way in which we can help automobiles consume less fuel, produce less carbon emissions. CMS Group invested 9,2 million on R&D in 2012 and plans to increase this number to 12,5 million in 2013. We have also increased the number of projects we conduct with universities from 7 in 2012 to 17 in 2013.

When delivering any goods and services, unconditional customer satisfaction is our number one priority.

*Kind Regards,
Vice President
Bertuğ Ösen*

Sustainability creates business value

Esteemed Stakeholders,

We are very proud to publish our first Sustainability Report, with the strength of being family-owned for more than 32 years.

We are Turkey's largest, and Europe's third largest aluminium alloy wheel producer, and we are working with the world's giants in the automotive industry. Due to our business excellence and reputation in the industry we have grown 375% in 10 years and we invested 145 million € in the last three years, which is significant for the industry.

Every industrial production and product has its environmental and social footprint. We want to reduce it as much as we can! Every optimization creates an additional value, and this is why sustainability simply makes business sense for us.

We identified twentytwo environmental and ten social topics on which we want to focus to work on together with our stakeholders in the coming period. Within these 22 topics, five represent core values. For those we already have achieved a lot but aim for more!

The reduction of Flow Form Production enabled us to reduce the weight of our wheels without any loss of performance quality. Lightweight production is what the automotive industry strives for.

With in this scope, 2 kg carbon emissions per ton alloy produced, we have been able to reduce from 2,88 kg in 2011 to 2,40 kg in 2013. This is a reduction of 17 %. We want to top this result and reach a 27 % reduction in 2014 with to the implementation a new energy management program according ISO 50001. Additionally, 77% (370 K tones) of water was treated before being discharged into the public system and a state-of-the-art rain-water recycling system in our Gazimir plant allows us to collect, treat and re-use rain water for production and factory facility use.

We will initiate Life Cycle Assessment activities in 2014, through which we will be able to provide product specific environmental profiles according to the ISO standard 14040/44 for each wheel type, which leaves our plants.

Dr. Ünal Kocaman

CEO



A healthy work environment for our employees is one of our main goals amongst our social sustainability targets. The further minimization of work accidents, career development programs and extensive trainings are just some of our activities, which make CMS a great place to work. Together with the workers union we want to work on these topics collaboratively.

Integrity, trust and transparency constitute the main and indispensable principles of our management. It is with these principles that we set the basis of our sustainability journey.

Everyone in our organization will have the chance to contribute to the sustainability goals and in this sense we want to make a difference in Turkey, Europe and the world.

Enjoy reading this 1st Sustainability Report and please do not hesitate to provide us with feedback!

Kind Regards,
CEO
Dr. Ünal Kocaman

PRINCIPLES OF OUR FOUNDING PRESIDENT

- CMS is a company of trust
- We must show ultimate effort to ensure our employees' trust in each other and in the company management
- Our employees, especially our managers and executives, must approach each other with kindness and tolerance
- We are a group who knows how to share. We know how to share our failures as well as our success
- Be kind and natural in contacts with customers. Keep in mind the fact that face to face communication is the most effective contact, try to have face to face communication with your customers.
- Being a good executive requires being a good observer. Do not forget to follow and check the progress of your business at all times
- No problem remains unsolved as long as you love people
- There is a good side to everybody. Therefore, try to reach the good side of the individuals
- Those who run fast, win
- A good executive is a person who senses and sees what is going on around him
- Forgiving and forgetting the bad deeds people have carried out, is a virtue
- You are cheated, if you think you can win with cheating
- Every person has a right to win, but not unethically

With warm regards,

TONGUÇ ÖSEN
Founding President





Target and Progress

CMS is aiming high for the 2013-2014 cycle. We plan to integrate precise and quantifiable sustainability targets into CMS' overall business strategy.

Sustainability is a management model which integrates environmental performance and social performance into the overall approach of making business. In other words: only environmentally and socially responsible businesses can sustain their success over a long period.

As a modern company in an emerging economy this sustainability report is our first attempt in summarizing our achievements as well as our attempt at developing a metric for future growth.

When we talk about sustainability we first looked at our organization and everything we can directly influence. As the next step we will engage with supplier and sub-supplier and customers to improve not only our operation but also the sustainability performance of our products over the whole value chain. We will try to engage with stakeholders along the value chain and work with our teams and people in our company on performance concepts. The table on the next page summarizes some of the quantifiable achievements and targets for 2014.

**Overall financial and capacity target****2012****2013 target****2014 target**

Market Place in Europe

4

3

3

Output of wheels p.a (Units)

6.06

7.5

8.5

Revenue (EURO)

254.6

304

330

EBITDA (%)

12.22

11.8

12

**Operational Sustainability Targets****2012****2013 target****2014 target**

Innovation (Patent Applies)

1

2

5

Research & Development (R&D) Investments (Mio Euro)

3,4

3,8

4,1

R&D incerase of people
employed with R&D responsibilities (No of people)

73

95

108

Environmental Impacts of Products

Integration of Life Cycle Assessment into R&D activities

Indoor Dust (reduction in all plants and every workplace in mg/sqm)

0,63

0,30

Emergency Plans

3

6

12

Carbon Footprint (Metric.tones)

61,375

59,000

52,000

Emergency Efficiency (Electricity kWh per al.kg)

1,693

1,39

1,28

Emergency Efficiency (Natural kWh per al.kg)

3,53

3,3

3

Water Management (consumption m per al.kg)

0,012

0,011

0,09

Aluminium Recycling (%)

25

25

25

Responsible Sourcing

Supplier engagement and sustainability measures

Waste Management (Re-use) kg.

34,970

64,000

76,000

Waste Management (Re-cycling) kg.

868,148

1,120,000

1,470,000

Waste Management (Re-covery) kg.

1,757,025

2,100,000

2,350,000

**Social Targets****2012****2013 target****2014 target**

Employees

2037

2850

2990

Safe Work Environment (No of accidents)

125

85

68

Trustworthy and Continuity in Leadership

Transparency and engaging employees

Product Safety (Test Frequency)

4

3

9.5

Career Development (Appointments)

4

45

18

Innovation and increasing skills and know how

2

5

9

Training Realization (person hours per year)

23,9

30

36

Collaboration with Universities (Number of Projects)

7

17

24

Social project supported

11

18

26



Our Industry



The four megatrends in the wheel industry today are:

Trend 1: Fuel reduction through lighter weight automobiles and wheels.

Trend 2: Regulatory issues such as End of Life Directives, especially in European countries and Turkey, where we produce. These directives dictate that the automotive industry increase recyclability and the percentage of recycled material used in the production of new vehicles.

Trend 3: Increased expectations and demands of a rising new middle class in their automotive preferences, particularly in emerging markets.

Trend 4: Reduction of Green House Gas emissions in aluminium production.

As a major supplier and original equipment manufacturer (OEM) to the automotive industry, our continued success depends on consumer demand for automobiles. Macro economic factors such as the price of fossil fuels, political and regulatory barriers to trade, and regional economic downturns can hugely effect automotive purchases. Individual transport concepts are changing, with lighter weight automotive platforms and parts, improved engine technology, and the increasing use of alternative fuels are factors that affect wheel manufacturing specifications and inform our production processes. Our clients – the leading auto manufacturers of the world - innovate continuously, challenging us to be always ahead of what is technologically possible.

In addition to client-side demands, CMS continually reviews and addresses weaknesses in its material processing. Our most important raw material is aluminium, and with increasing world wide demand (approximate +5% per annum) coupled with the energy intensive nature of aluminium extraction and production, we are constantly looking for ways to innovate and streamline production.

Compared to steel, aluminium wheels are more sustainable products due to their lighter weight and longer lifespan. By optimizing wheel design, CMS can significantly reduce environmental impacts without any loss of physical properties or safety features. CMS carries out research and R&D projects with prominent academic institutions in Turkey and we are constantly searching for new alloys (multi component metals) to drive material innovation.

One of the biggest challenges CMS faces will be further closing the recycling loop with downstream distribution chains such as car manufacturers and aftersales markets. 95% less energy and as a result 95% less Greenhouse Gas (GHG) Emissions can potentially be saved by recycling aluminium.

Macro-Sustainability-Challenges in our Sector

Regulations which address quality and the use of recycled materials

Light weight automobiles and energy savings

The automotive industry

Green House Gas emission and Climate change

Increasing demand in emerging markets outside Europe or the US



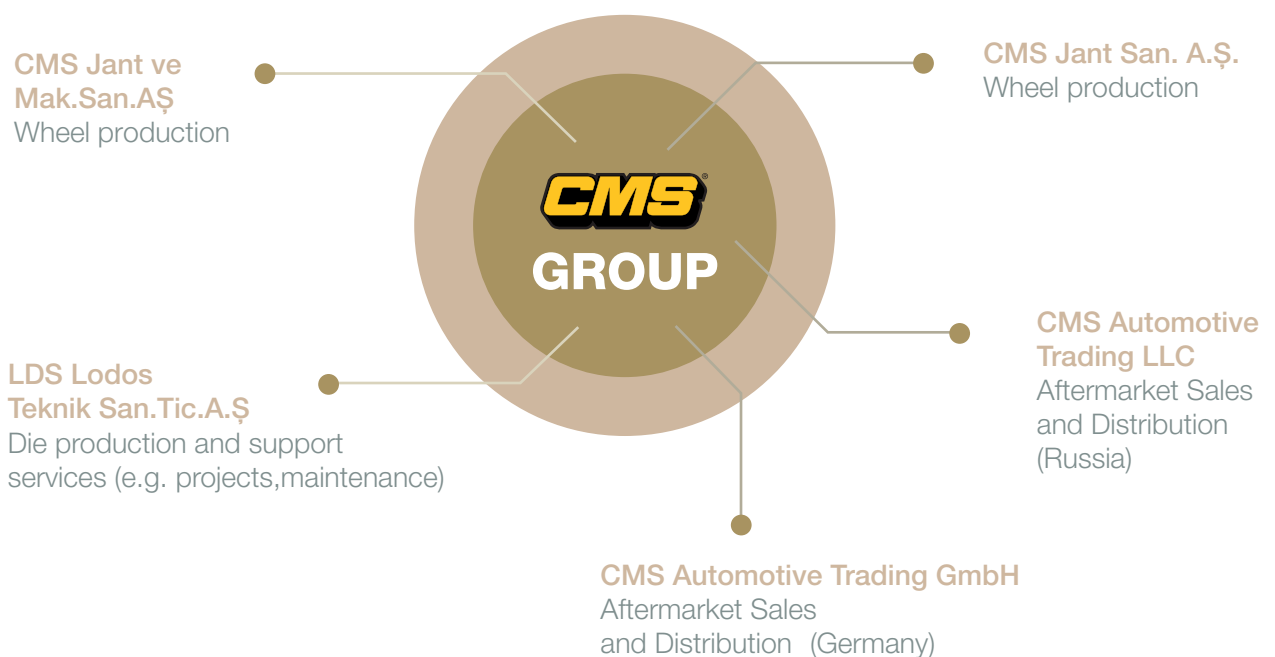
Our Company

Founded in 1980 as a family business, CMS Group is Turkey's biggest aluminium wheel manufacturer and the third largest wheel manufacturer in Europe.

CMS Group is divided into five different companies. The three major operations located in Turkey under the CMS Brand are "CMS Jant ve Makina San. A.Ş.", "CMS Jant San.A.Ş." and "LDS Lodos Teknik San.Tic. A.Ş."

In Europe "CMS Automotive Trading GmbH" and Russia "CMS Automotive Trading LLC" both specialize in aftermarket sales.

CMS Organizational Structure



CMS **manufacturing facilities** operate at three sites totalling **166.700 m²** in area.

Our headquarters, which include our original plant, is located in Pınarbaşı, in the İzmir Province. Other factories are in Çiğli, which is on the north side of the gulf of Izmir and in Gaziemir in the Aegean Industrial Free Zone (ESBAŞ), close to the Izmir Airport.

Our Production

While it is an obvious advantage that our sites are in close proximity to one another, it also provides a distinct advantage from a sustainability perspective. The interaction of people, innovation speed, logistic, and purchasing advantages are only some of these site specific advantages.

Cigli Plant •



Pinarbasi Plant •



Gaziemir Plant •



Size of CMS Sites

SITE	SITE SIZE (m ²)	WORKFORCE	CAPACITY - in mil. wheels (2012)
Pınarbaşı	32.170	754	3,0
Çiğli	30.830	734	2,5
Gaziemir	103.700	549	2,0
TOTAL	166.700	2037	7,5

With the goal of being one of the three largest light alloy wheel manufacturers in Europe, CMS plans to grow its production capacity from today's (2013) output of 7,5 million wheels to **8,5 million wheels per year by 2014**.

Accordingly, CMS will employ up to 2.990 people, with up to 800 people added to our company rosters within the next two years. With this marked increase in manufacturing capacity and additional workforce, CMS will contribute significantly to the local economy of İzmir.

Our Distribution

Worldwide, there are approximate **50 million wheels produced by CMS on the road today**. Our clients represent the leading automotive manufacturers of Europe. We have representative offices servicing OEM customer relations as well as the 'aftermarket' in Germany, France, Italy, Spain, Russia and of course Turkey, where our production is based. We deliver our wheels to 88 delivery points and plan to increase this to 110 delivery points by 2013.

Distribution

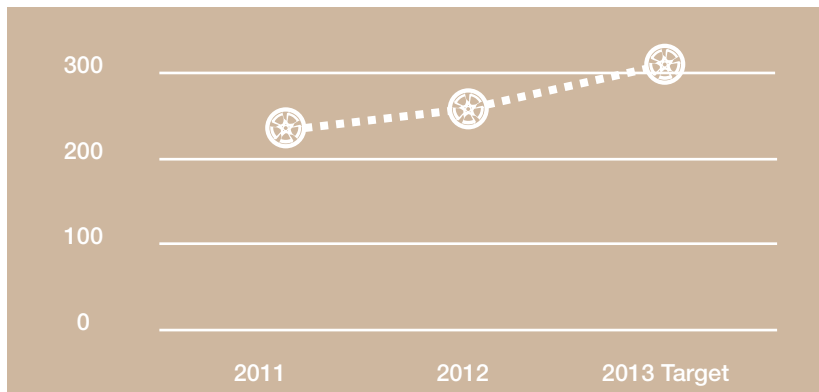
Izmir - **Turkey** - HD
 Frankfurt - **Germany**
 Munich - **Germany**
 Paris - **France**
 Turin - **Italy**
 Barcelona - **Spain**
 Moscow - **Russia**



We are a financially strong company:

With total **revenues of Euro 254,6 million in 2012** we plan to reach an approximate 20% growth, even while the automotive industry in Europe, particularly in some Mediterranean countries, is affected by ongoing financial instability. With an EBITDA of 12,2 % in 2012 we are on track and prepared to meet these revenue goals. Our target revenue for 2014 is 330 million Euro, with an EBITDA of 12 %.

CMS Group Revenue (Million €) - Revenue 2011 - 2013



Target Revenue Growing in two years is nearly 30%



The main reasons for CMS's success.

- 1. Innovation:** CMS is an innovative company, seeking out the very best in class technology and responding quickly to changing customer demands. Innovation and responsiveness are written into the genetic code of our organization.
- 2. Location:** Our headquarters and production are located in Turkey, from where we can easily reach all leading European car production plants within one to two days.
- 3. People:** We recognize that our employees are our greatest asset. As a privately held company our employees are part of our extended family. Our people stay at CMS, and we consider our knowledgeable, skilled employees as our most valuable asset.



Our Strategy

Target 2014 8,5 mill Wheels p.a.

CMS Group is Turkey's biggest aluminium wheel manufacturer and the third largest in Europe, with the goal of becoming one of the two largest light alloy wheel manufacturers in Europe. CMS seeks to grow its capacity from 2012's output of 6,06 million wheels to **8,5 million wheels per year** by the year 2014. This equates to a growth of more than 40% in only three years.

In 2013 we are on track to earn 304 million Euro in revenues and we are targeting 330 million Euro in revenues in 2014.

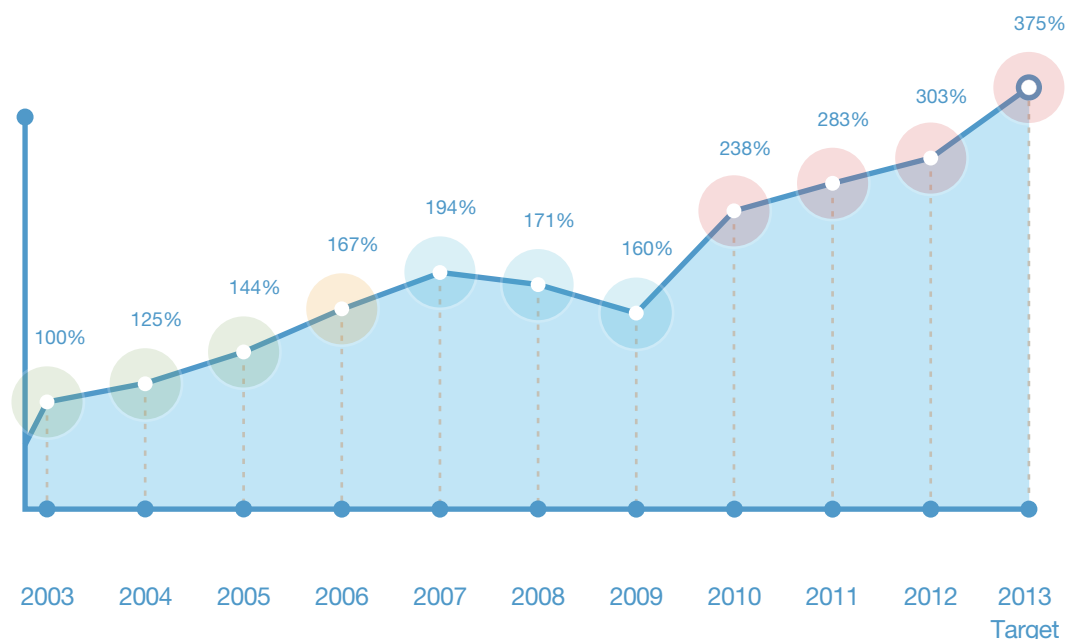
Our strong growth is due to our outstanding relationships with OEMs.

Our main strategies are:

- Becoming 1-2 biggest company in it's field.
- Sustainable growth by creative sustainable EBITDA margin.
- Opportunistic growth
- Becoming fastest product designer in its field
- Delivering social value to society our entire stakeholders.



Growth rate since 2003





• Target 2014

12% EBITDA

increase integration
of sustainability

• Target 2015

Integration of
value chain
based key
performance
Indicator

increase
transparency
to all stakeholder

• Infinity Target

Keeping the
ethical business
principles of
our founder
alive



Growth alone is not enough for us... we aim for more.

In 2013 we decided to create an overarching view of our corporate omit and strategy, goals, and our environmental and social responsibilities in a clear and concise manner. We chose to publish one of the first sustainability reports in this sector and first one in Turkey. This report summarizes and quantifies our management concept of sustainability, which integrates environmental, social and quality management under one umbrella. In this document we define and communicate precisely our goals and ambitions in the business integration of sustainability as one of our main strategic targets in the coming years.

In this section of our first sustainability report we would like to present an overview how we identify, address and improve sustainability challenges which impact the performance of our business in terms of risks and opportunities.

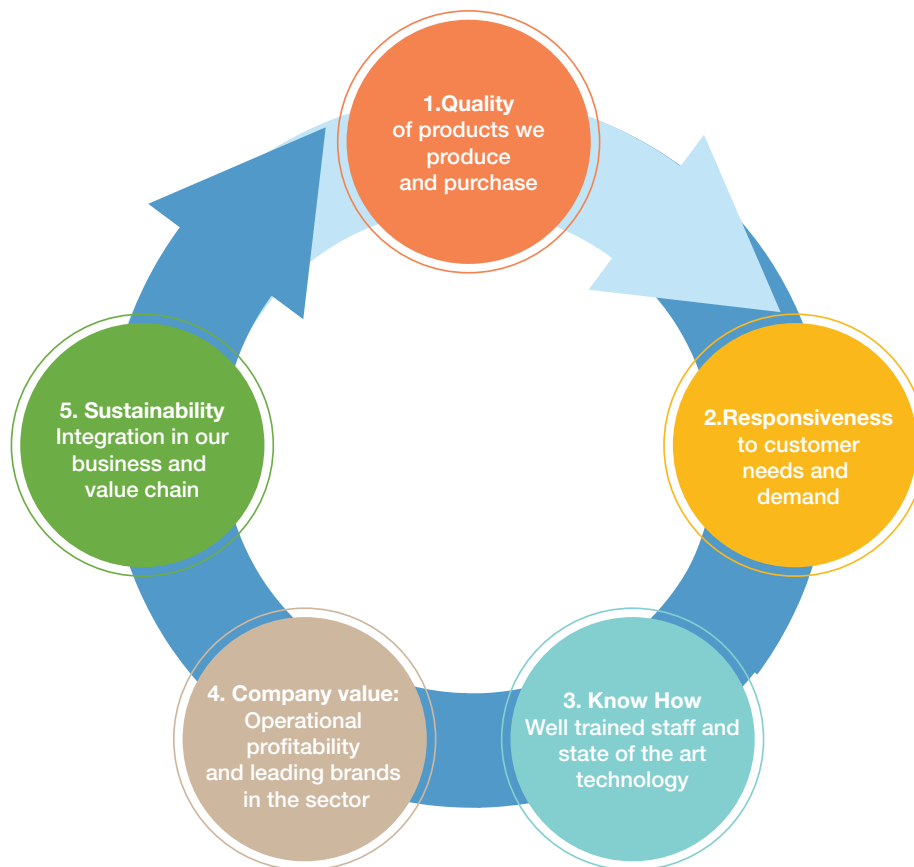
We are working to be transparent and accountable in our performance, actions and achievements. It is our desire to be understood by our stakeholders, whom we strongly encourage to contribute in helping us to make CMS the most sustainable company since its foundation in the year 1980.

Our Code of Business Ethics are based on the principles of our founder President Tonguç Ösen. This code guides us and informs our decisions regarding sustainability. We realized that his thought and beliefs in performance and humanity match the modern management concept of sustainability even today.

Our Corporate Strategy

CMS owes its success and future growth to five guiding principles. Our challenge is to manage our growth and maintain the balance of these principles. Thanks to great continuity in leadership and a high rate of employee retention, we have built a winning team of experts, who supports our strategic principles in their daily work.

Our Five Strategic Performance Principles Goals



1. Quality of products we produce and purchase

The quality of our products starts with raw material purchases. Our buyers source the very best, most advanced materials available on the market such as aluminium and alloys.

Wheels are the foundation of automotive safety and we rigorously source and test all material used in our production to adhere to ISO standards. In 2012 we implemented ISO 10002 (in 2012) Quality management – Customer satisfaction – Complaints handling. In addition CMS implemented Kaizen¹ management practices in some areas of production.

¹ **Kaizen** (改善?), Japanese for "improvement", or "change for the better" refers to philosophy or practices that focus upon **continuous improvement** of processes in manufacturing (Source: <http://en.wikipedia.org/wiki/Kaizen>)

2. Responsiveness to customer needs and demand

Customer specific requirements are extremely important for CMS. We have implemented just-in-time systems for increased productivity and efficient performance.

To improve production quality every year we hold a 'Business Partner Evaluation Meeting' in which we meet directly with our suppliers to refine our best practices and make improvements within our production.

Fiat selected CMS as supplier to implement a World Class Manufacturing (WCM) program to improve costs, product quality, external and internal flexibility including programs to update and improve the skills of our employees and innovation capabilities. (see chapter "manufacturing")



3. Know How: Well trained staff and state of the art technology

Our most valuable resource are our people! Workforce training is integral to the success of our operation. Our target budget for workforce training was 260 TEUR² in 2013 or an equivalent of 30 man-hours per year for each employee. In the coming years we plan to increase this training to 36 man-hours per year.

In alignment with our sustainability initiative, CMS welcomes all new-hires with an orientation program that details our health, safety and environmental rules and regulations. Additionally all CMS' blue and white-collar workers are required to participate in mandatory workforce health, safety and environmental training, and we are continually updating the training format to remain current on workplace safety and environmental stewardship.

CMS also offers professional development and employee workshops to strengthen our employee's skillset, increase job satisfaction and workplace productivity.

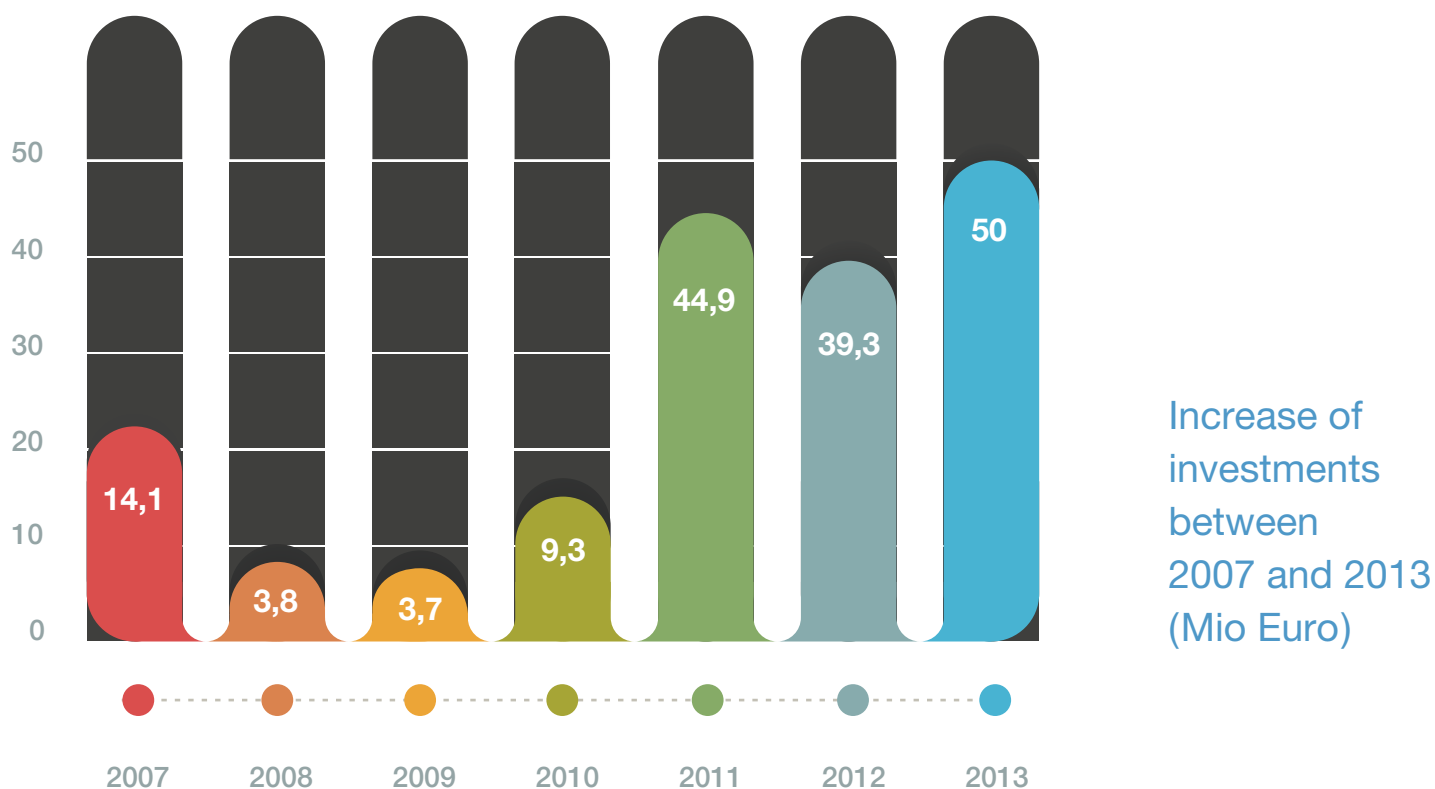
In addition to training, CMS has implemented an employee proposal system, which is periodically reviewed and rewarded for the best proposal received. This program has proven invaluable empowerment of our employees, and improve the daily operation of our business by listening to those who know it best. In 2013 we received an average of 1,68 proposal per person. In 2014 our goal is to receive a minimum of two proposals every year per employee.



² TEUR = Thousand Euro

4. Company value: Operational profitability and leading brands in the sector

CMS is an profitable company, and our goal is to increase earnings before taxes and depreciations (EBIT-DA) up to 12% in 2014. 50 million Euro in new investments dedicated to increasing production capacity in 2013 and an increase from 39.3 million Euro to 50 million Euro in investment capital dedicated to innovation are only a few snapshots which reflect our forward-looking strategy.



5. Sustainability Integration in our business and value chain

For us “sustainability” is not simply a buzzword or trend. Sustainability is our approach integrating environmental, social and financial results into one overarching system. We endeavor to grow our business while minimizing environmental impacts. The reduction of Green House Gas emission, water usage and increasing waste recycling efforts in our melting facilities are only a few of many examples where CMS has taken a lead in environmental stewardship.

We place utmost importance on shareholder’s understanding our efforts to integrate sustainability into our daily business and our goal of increasing the value of the company. We will work intensively in the coming years to develop a solid key performance indicator system to quantify and benchmark the sustainable performance of our organization and our products.

Sustainable business practices will enhance our capability to innovate which is more important than ever in a today’s globalized world, complex value chains speed of innovation is far beyond what previous generations were able to imagine.

Our Sustainability Strategy

CMS technologically superior wheels contribute to the mobility of people and goods worldwide. As mobility concepts change, lighter, more fuel-efficient cars will be developed and alternative drive technologies will revolutionize the way of moving over distances. Our wheels are the foundation of a safe and stable automotive platform, and our business will respond to industry requirements.

CMS production volume is growing at approximately 20% per year. We plan on ramping up our sustainability efforts in step with this growth. We intend to include all stakeholders including employees, customers, vendors, and environmental & social NGO's as partners in these sustainability efforts.

As a result of workshops with selected stakeholder groups and internal workshops with the sustainability committee CMS identified the core material sustainability topics. Those are 22 environmental and 10 social ones.



The Value Chain Approach

When we started integrating our sustainability approach into our existing corporate strategy it was important to address three questions:

Which are the environmental and social issues that impact our business most?

We identified our primary stakeholders as employees, customer, and inhabitants in the cities in which our factories are located, and then identified material issues we deemed as a high priority in our sustainability approach.

What are the most important material and strategic issues in every part of our value chain?

We reviewed our value chain upstream toward the supply side and downstream toward our clients and their clients, collecting information about the issues which are the most crucial and necessary to our focus on creating value and sustainable best practices.

How can we identify quantifiable targets on these issues and achieve results with our employees, vendors, customers and other stakeholders as partners?

Once issues are identified and addressed, we want to solve and continuously improve on them. We strive towards openness and transparency, heeding every indicator and communication channels so that every idea or concern from the grassroots up is heard.

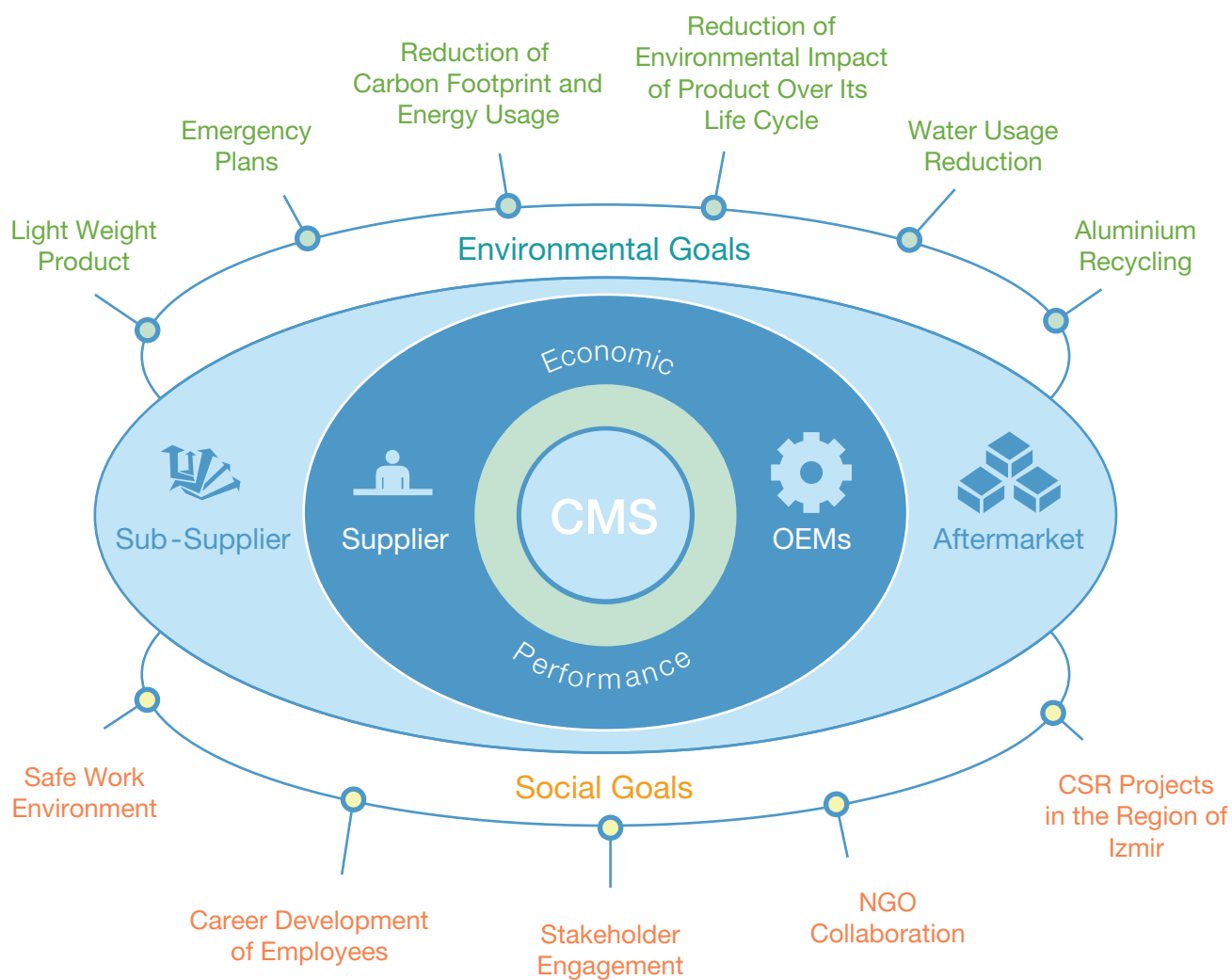
**As a result we have identified the main challenges to sustainability.
Most relevant are:**

- ➔ Improvement and refinement of lightweight aluminium and alloy product
- ➔ Reduction of environmental impacts, particularly the reduction of energy consumption and Green House Gas (GHG) Emissions
- ➔ Improving of water impacts, including reducing consumption and waste water management
- ➔ Waste management and recycling efforts, particularly as relates to aluminium waste and cast-off.
- ➔ Creating a healthier work environment for our employees.
- ➔ Our economic impact on the Izmir region. This directly relates to CMS' tax payments, salary distributions and by partnering with local suppliers and vendors.



As a family owned company CMS has preserved the unique culture which our founder, **Tonguç Ösen** had established. We are a people company; we value relationships with our clients, vendors and other stakeholder directly affected by our business. Most importantly among these relationships are our employees and their families. They are the source of our success and are the ones who benefit most directly from our vision and strategy of sustainability at CMS. We value our stakeholder's direct participation in our sustainability efforts, and from 2014, we will conduct regular workshops with stakeholder groups to refine our sustainability goals.



Sustainability approach along the value chain of our business



Our sustainability topics CMS works and will work on

				
THEMES	Sourcing	Manufacturing	Customer	Consumer / Social
Enviromental Issues				
Light Weight Products		✓	✓	
Reduce environmental impact over the Life Cycle of our products	✓	✓	✓	✓
Indoor Dust	✓	✓		
Emergency Plans	✓	✓		
Compliance Footprint	✓	✓	✓	
Carbon Footprint	✓	✓	✓	✓
Energy Efficiency	✓	✓	✓	✓
Water Management	✓	✓		
Other Emissions	✓	✓		
Aluminium Recycling		✓	✓	✓
Responsible Sourcing	✓	✓		
Waste Management	✓	✓		
Social issues				
Safe work Environment	✓	✓		
Trust and Continuity in Leadership		✓		
Product Safety		✓	✓	✓
Career Deveopment		✓		
Company Culture		✓		
Compliance with Laws	✓	✓	✓	
Innovation, Increasing Skills and Know How		✓	✓	
Collaboration with Universities		✓		
Corporate Governance		✓		
CSR Projects	✓	✓		✓

Environmental Strategic Sustainability Goals

Light Weight Products

- **800 tonne aluminium saved through Flow-Form-Technology**

As the market demands increasingly energy efficient vehicles, the production of light weight automobiles is an issue of paramount importance within the automotive industry. With the introduction of 'Flow Form technology' CMS has been able to reduce total weight on average of 5% per wheel. This has had an impact of nearly 800 tonnes less aluminium in our production, which resulted in higher fuel efficiency and less carbon impacts for vehicles using our product.

Reduction of Environmental Impacts Over Life Cycle of our Products

- **Target 2014**

Introducing Life Cycle Assessment (LCA)

CMS will implement Life-Cycle-Assessments according to industry standard ISO 14040/44, which will provide our clients with product specific environmental impact information from "cradle to grave"³. Our goal is to earn recognised environmental certifications for our products that establish our brand as a market leader in sustainability and Life-Cycle Assessment.

Emergency Plans

- **Target 2014**

Totally 12 emergency plans from 6 in 2013

In even the safest work environments the unforeseeable can happen. For this reason CMS has developed clear emergency plans for each of our production sites. We are prepared for flood, chemical leakages, fire and many other possible disasters. Every year CMS implements rigorous First Aid training and emergency preparedness drills. Thanks to these preventative measures no serious incidents have occurred during in the last ten years. CMS plans double the number of these emergency trainings and drills from 6 in 2013 to 12 in 2014.

- **Ring transportation system between the sites: 48.000 km of individual car travel have been saved in 2012**

Carbon Footprint and Energy Efficiency

CMS plans to reduce the impact of Green House Gas emissions by reducing the number of automobiles used by employees to commute to work and between our plants through the following measures:

The Ring Traffic System- implemented by CMS in 2012 has reduced individual automotive commuter kilometers by 45.000 km. We decreased this traffic volume by another 15% in 2013. The system includes employee shuttle busses between our plants in Izmir. Meetings are scheduled according to these Ring traffic schedules.

CMS will measure its emissions from volatile organic compounds (VOCs), NOx, SO₂ emissions, fugitives and particulate matter (PM) emissions in the coming years and develop reduction targets.

³ Cradle.to.Grave = Term used in the context of Life-Cycle-Assessment (ISO14040/44). It evaluates the environmental and social impacts from the sourcing of raw material until the end of life and recycling of end products.

Rainwater Recycling system in helped saving 7.000 metric tonnes of water



Introduction of video conferencing -To reduce additional car traffic between the three factories, video and audio rooms for every plant have been installed. CMS saved 26.000 km in employee commuting kilometers 2012 after implementing this system.

Water Management

Water consumption at our three Izmir plants totalled 785.530 m³ in 2012. This breaks down to 0,012 m³ water consumed for every kilogram of aluminium produced. Our target for 2013 was to reduce this amount by 5 % to an average of 0,011m³ per kilogram of aluminium. In each of our plants we have installed waste water treatment facilities that can treat up to 1.120 m³ water per day.

In 2012 CMS commissioned a Rain Water Recycling System our Gazimir plant that allows us to collect, treat and re-use rain water for production and factory facility use. Our facility capacity allows us up to 500 m³ storage and 36 m³/h treatment. Using this sytem we have collected 22.000 m² surface rainwater and have saved nearly 7.000 metric tons of water.

Aluminium Recycling

All aluminium considered as waste by-product through our production is recycled in three a state of the art chip melting facilities in each of our factories. Each of these has an annual capacity of 15.000 tonnes.

CMS has reached the optimum allowable threshold of 25% recycled aluminium content per wheel produced, thus fulfilling the European legislation regarding Vehicle End of Life Directive⁴.

Responsible Sourcing

In the future we will ask our supplier to adopt other standards as well. With regards to health and safety conditions, we ask suppliers to supply us with, to insure compliance with the British Standard for Occupational Health and Safety Advisory Services OHSAS 18001.

Social Strategic Sustainability Goals

Safe Work Environment

Protecting our people is the most important part of our sustainability strategy. Every accident is one accident too many and we here at CMS continuously work on improving our workplace safety with our OHSAS management system.

We have reduced on-site incidents from 138 in 2011 to 125 in 2012. We project a further reduction of 85 incidents for 2013 and 68 in 2014.

Career Development of our Employees

In a fast growing organization like CMS, employees have the opportunity to develop their skills and career. Our human resource department offers professional development seminars and classes designed to maximize our employee's potential. Our employee suggestion scheme and employee training programs (in 2014 we have a goal of 36 hours training per employee) are just a few of the examples in which CMS has taken the lead on empowering our employees and encouraging their professional development.



CMS in Middle East Technical University Career Days.

Engaging Stakeholder in our Sustainability Efforts

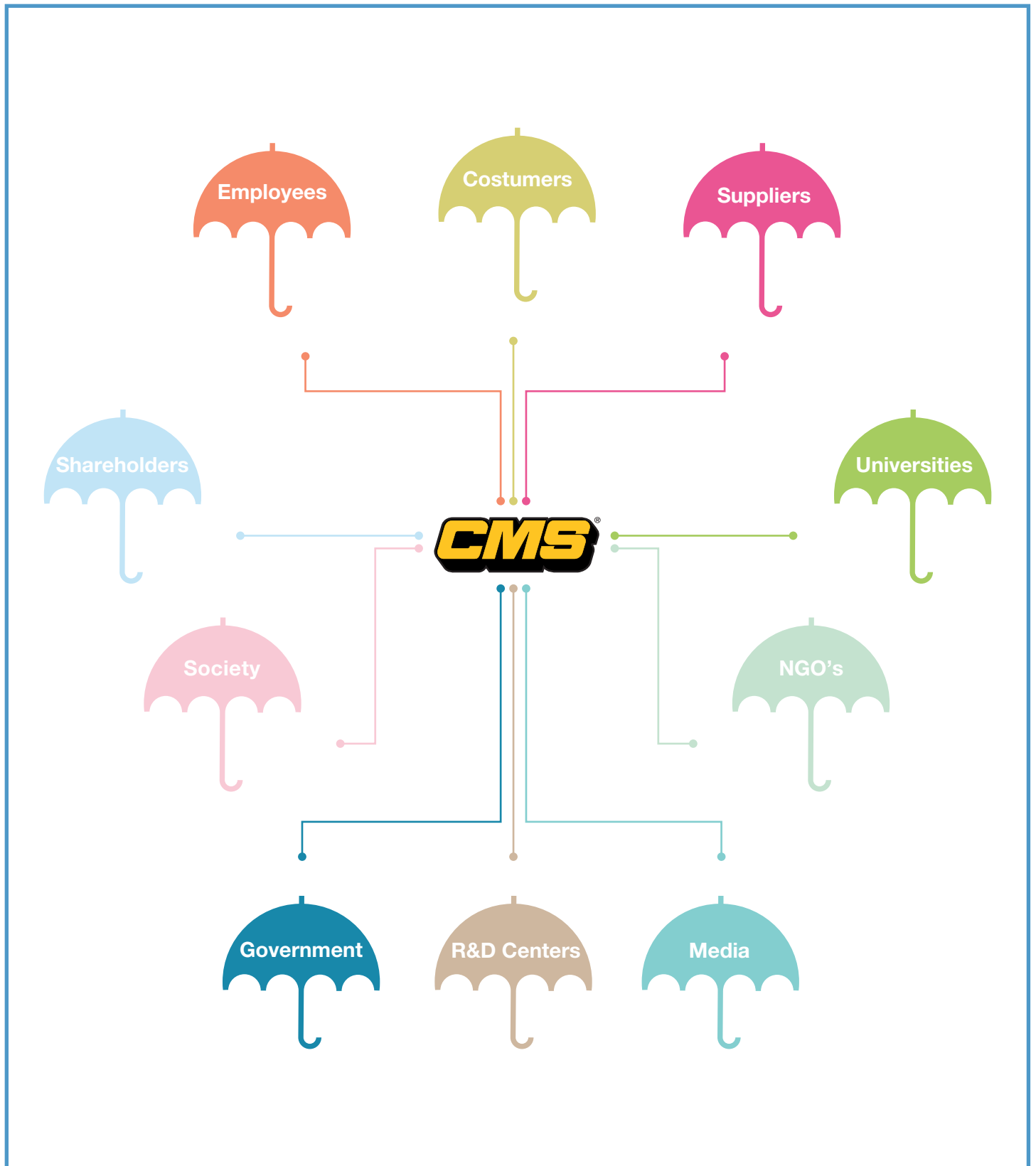
CMS seeks to improve dialogue with our stakeholders in the coming years. Today CMS has agreed on targets and programs with some selected suppliers, which are in line with our sustainability strategy. CMS plans to conduct additionally workshops, round table meetings and outreach through surveys and digital platforms such as e-mailings, blogs, and our website.

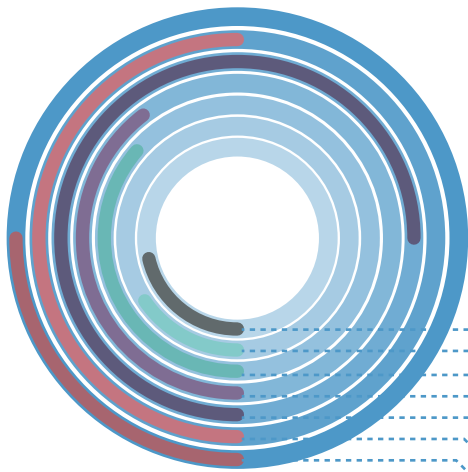
Sustainability and our Collaboration with NGOs and Associations

CMS is an active member of the following associations and NGOs. We support these organizations and believe that by partnering with business and trade associations we can create dialogue that keeps us current on relevant issues, trends, legislative developments and best practices pertaining to sustainability.

- Turkish Metal Industrialists Union (MESS)
- Turk Metal Syndicate
- Aegean Young Businessmen Association (EGIAD)
- Association of the Aegean Industrialists and Businessmen (ESIAD)
- Aegean Region Chamber of Industry (EBSO)
- Turkish Association for Quality (KALDER)
- Turkish Industry and Business Association (TUSIAD)
- Association of Automotive Parts and Components Manufacturers (TAYSAD)
- The Turkish Foundry Association (TÜDOK SAD)
- TAISAD
- Family Business Association (TAİDER)
- European Wheel Association (EUWA)
- ETRTO

Our Stakeholder of CMS





Meeting of the
sustainability
working group,
workshop pictures





Sustainability Governance

Continuity in leadership is another core factor of success at CMS. As a privately held company the owners are represented both in the executive and non-executive boards of the companies.

Structure of the Management Boards of the three CMS Companies



CMS Jant ve Makine San. A.Ş.

Executive Members: 3

Non Executive Member: 2



CMS Jant San .A.Ş.

Executive Members: 6

Non Executive Member: 1

Independent Member: 1



LDS Lodos Teknik San.Tic.

Executive Members: 5

Non Executive Member: 1

Sustainability is one of our most important leadership initiatives, with our sustainability team reporting directly to the CEO. The sustainability committee members of all of the company's departments are represented as well as one member of the executive board.

Sustainability Governance at CMS



CMS's Code of Business Ethics

The board of directors, the management and all employees are committed to the ethical principles of our founder Tonguç Ösen. The core elements of our business ethics are mutual trust, confidence in the company, and respect for all.

When we established our Sustainability Committee these core principles formed the basis of our governance structure and we sought to integrate the stakeholder's bottom-up concept of sustainability. We recognize that our stakeholders, especially our employees, customers and vendors contribute to addressing these sustainability challenges most effectively.

We seek to be transparent in all of our practices and we openly share our actions and projects to solve all relevant issues. Representatives of our Sustainability Committee will meet every six months to listen and evaluate all suggestions. In urgent cases stakeholder concerns will be prioritized and if possible solved immediately.



Sustainability Management at CMS

The Sustainability Committee consists of participants from various functions and departments including Vice President and Board Member **Mr. Bertuğ ÖSEN**.

Coordinator of the committee is Asil Artürk, Quality Director of CMS.

CMS' sustainability coordinator and primary stakeholder contact is **Mr. Asil ARTÜRK**

Mail: aarturk@cms.com.tr



Integrating sustainability in our business practice is an obligation for our children and following generations. It is the responsibility we have in a world of rare resources, pollution and it's most of the time irreversible effects on the nature and human health. Just doing a little better is less worse but not enough! We must set high targets and maybe even for the impossible. I encourage all friends, colleagues and stakeholder to invest creativity and effort to make us even better than where we stand today.

Asil Artürk, Sustainability Coordinator at CMS

Sourcing and our Material Inputs

Aluminium our Major Raw Material

Aluminium is a lightweight metal that has material attributes which will help save energy during transportation and its end-use. Lightweight cars are only one example. A comparative Life Cycle Assessment conducted by references PE INTERNATIONAL's⁵ on truck wheels showed a dramatic savings in carbon emissions as compared to conventional steel wheels.

Irregardless, we cannot close our eyes to the “Elephant in the room”: Significant environmental impacts occur in and during the production of aluminium from the initial processing of mineral bauxite through to electrolysis.

To fully understand the environmental impacts of aluminium over its whole life cycle many cradle-to-grave studies have been conducted. In a study carried out by the European Aluminium Association (EAA) the result shows that high Fluorocarbon (PFCs) emissions are produced during aluminium production. These PFCs are very potent Green House Gasses (GHG) with a 100-year weighting factor (GWPs) between 7,390 to 17,700 CO₂ and atmospheric lifetimes in the range of 740 to 50,000 years.

Recycling aluminium saves natural raw materials, reduces greenhouse gas emissions, as well as reduces the net embodied energy required to process by up to 95%. Worldwide there is currently about 700 million tonnes of aluminium still in use in various forms as recycled content. That is more



than 70% of all aluminium ever produced. Thanks to its long use-phase (10 to 20 years as a material used in the transportation industry, and up to 80 years as a building construction material. And since aluminium can be recycled infinitely without loss of quality, aluminium has impressive recycling rates of over 90% used in transport and building construction applications, more than 55% in packaging, and up to 90% used in some countries for beverage cans.

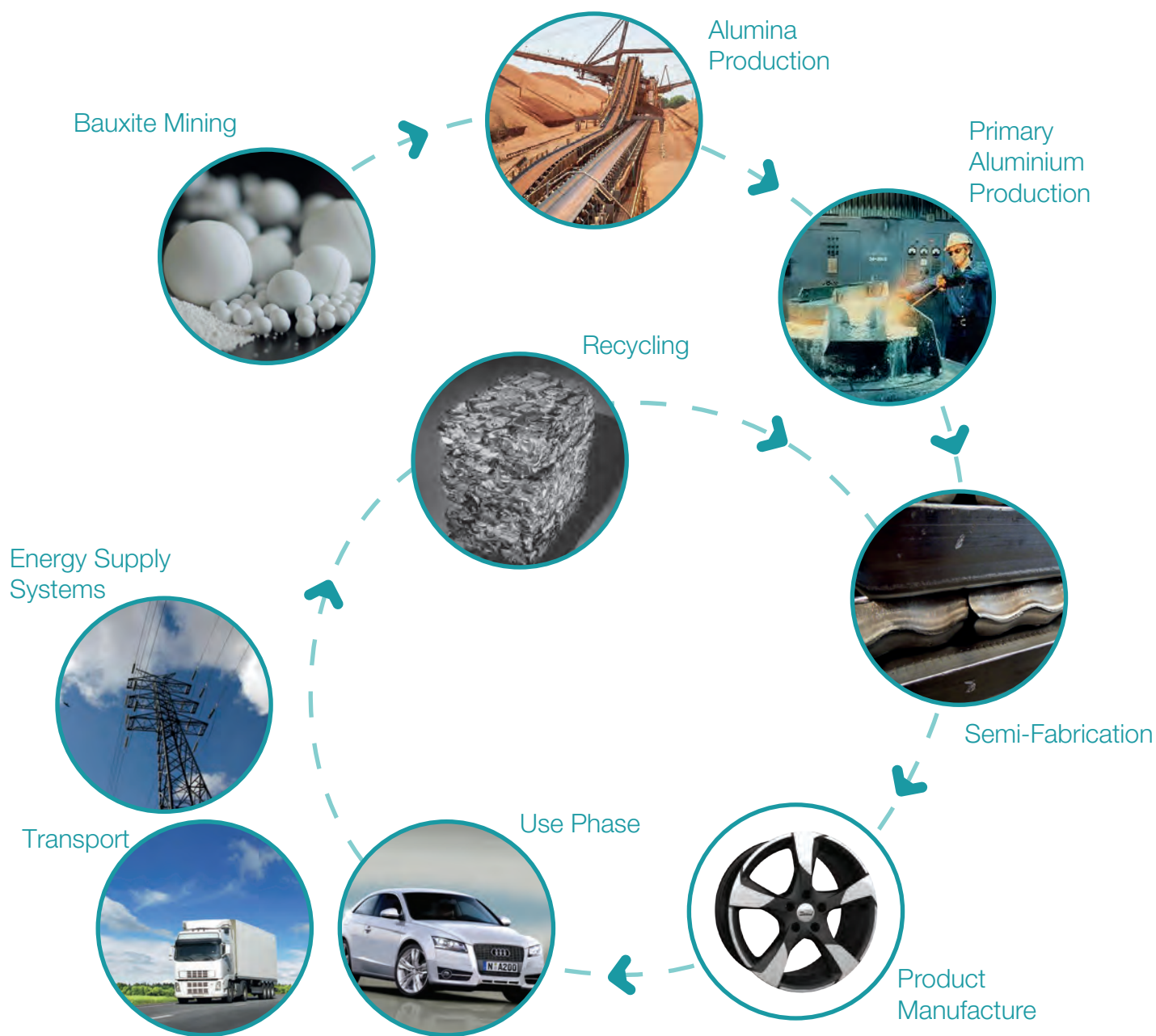
With this kind of data supporting our efforts, CMS strongly encourages our suppliers and customers to reuse and recycle in order to close the collection and production cycle. Our promotion of reuse and recycling efforts is not only limited to the automotive sector.

CMS encourages and lobbies for recycling of aluminium coming from ancillary construction, electronics and packaging relating to our other sources. In an emerging economy like Turkey where material reuse and recycling is not widely practiced, CMS provides an example of corporate environmental and sustainable responsibility.

We as CMS are collecting all chips from production or defected wheels for in-house recycling. In our re-melting furnace facilities, located in each of our plants, we use 25% of scrap and 75% original aluminium. According to the current technology this is the maximum amount recommendable.

⁵ <http://www.pe-international.com/international/resources/-studies/detail/study-comparative-life-cycle-assessment-of-aluminum-and-steel-truck-wheels/>

Life Cycle of Aluminium



Understanding the Supply Chain:

To understand environmental impacts of our supply chain better and to create a indicator model, it is CMS' goal in the coming years to increase the use of software-based tools for exercising Life Cycle Assessment for our product. These data and results will be shared with OEMs and major car brands in order to start a constructive dialogue on environmental design.

Working Conditions and Social Compliance of our Suppliers

We care about the conditions under which the employees of our suppliers work!

CMS has carried out supplier programs and audits to guarantee social compliance with standards of the International Labour Organization ILO. The main principles of this standard are:

- Freedom of association and the right to collective bargaining
- The elimination of forced and compulsory labour
- The abolition of child labour
- The elimination of discrimination in the workplace

In the future we will ask our supplier to adopt other standards as well. With regards to health and safety conditions, we ask our supplier to provide us with information verified from the Occupational Health and Safety Advisory Services (OHSAS 18001).



CMS Production Site in Gazimirmir





Manufacturing Wheels

CMS's Role in the Automotive Production Value Chain

With a production of 7,5 million wheels per year for 2013 and a target of 8,5 million by 2014 CMS aims to become one of the two largest wheel producers in Europe. Today we are number one in Turkey and the third largest in Europe.

This output data was equal to 2013 data and an approximate aluminium purchases in 2012 of 62,9 million kg per year, mainly from suppliers in Dubai, Bahrain, Qatar, and Russia.

Using original light alloy (kg)

Purchasing of original light alloy (aluminium)

2010	47.547.217
2011	53.941.143
2012	62.908.072
2013	78.854.412

The automotive industry in Europe and Turkey is one of the largest worldwide. CMS has earned an increasingly large share in the automotive sector supplying wheels for this market. Our clients are primarily (96%) original equipment manufacturers (OEMs). 4 % of our wheels go to the aftermarket and through this channel directly to the end-user.

Parallel to the growing demand in this sector, both the vehicle market and high quality parts and components continue to proliferate. Correspondingly, light weight aluminium wheels form one of the most important safety components of automobiles.

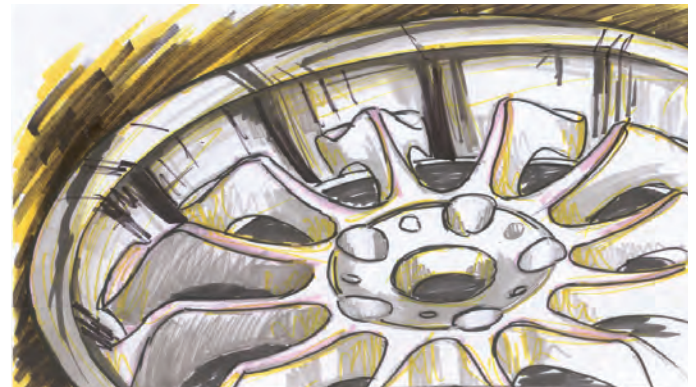
Production at CMS

CMS transforms the raw aluminium through a series of processes which produce wheels of the absolute highest quality through careful raw material choices. Our production demands innovative solutions in efficiency, quality assurance, rapid product delivery, and cost-optimization. Our attention to detail and delivery of superior product has earned us the "2012 Supplier Award for Achievement in Quality" for the third time by TOYOTA.



CMS capabilities include the following technologies:

- Low pressure die casting
- Flow Forming technology
- Producibility up to 21" in size
- KSL and ABD applications
- Wheel and accessory design using Computer Aided Design Software (CAID/ CAD)
- Use of CAE for verification of product and process design phases
- Test facilities certified by OEM customers for design validation
- Implemented Product Data Management system (PDM)
- Production of Aluminium or Epoxy mock-ups
- Multicolor wheels
- Laser printed applications on design surface



CMS' lighter weight wheels have resulted in the use of less material resources and improved energy consumption.

To improve weight, CMS reviewed the manufacturing process, introducing new technologies like such as flow forming, forge, liquid forging, strain hardening etc.

In 2012 CMS invested in "flow forming" technology at the Gaziemir Plant, which was implemented into serial production in 2013.

Advantages of flow forming are:

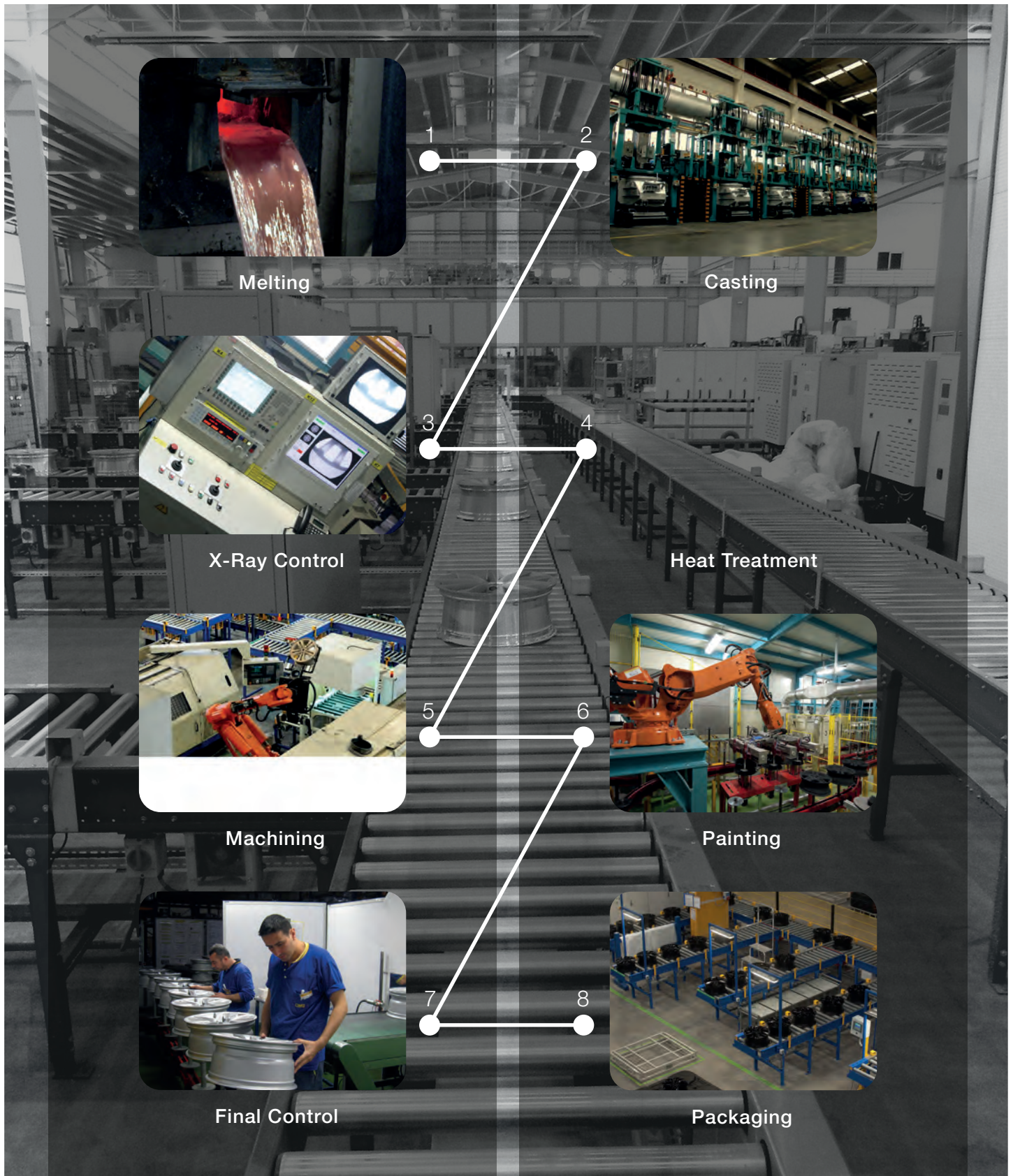
Improved chipless, seamless and cold manufacturing.

Improved material properties such as higher yield strength, fatigue life, etc. Elimination of secondary production operations such as turning, grinding, etc.

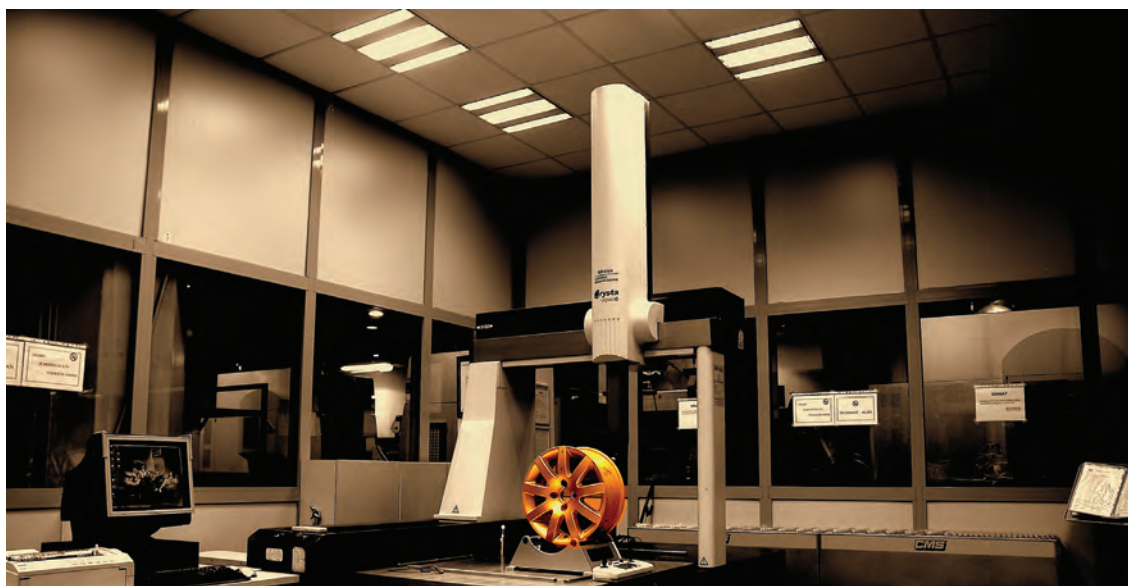
Faster, more economical production Aluminium savings total around 800 ton per year Energy saving of approximately 0,2%.



Production of Light Alloy Wheels



108 people will work in our Innovation, Research and Development department in 2014



Innovation Management and Research & Development (R&D)

Research & Development and Know-How is and always will be a cornerstone of CMS' business success. In 2013 CMS employed 84 people in our R&D department, and we will increase the number of design and innovation experts to 108 in 2014. Research for new materials and production technologies is carried out in partnership with research institutions such as TÜBITAK, the engineering departments of some of Turkey's leading universities, and the Ministry of Science. This constant drive for innovation allows CMS to not only exceed customer expectations, but also optimizes production in terms of costs, environmental sustainability, and maintaining safe and healthy work conditions on our production lines.

R&D investments and headcount

R&D Investments (Mio Euro)

2010	2011	2012	2013
1,81	2,7	3,4	3,8

R&D Center Employee

2010	2011	2012	2013
68	69	73	95

Most Recent Studies and Awards

CMS has conducted 7 research projects with universities in 2012, 17 in 2013 and 24 research projects are planned in 2014.

IZMIR INSTITUTE OF TECHNOLOGY (IYTE)

A project titled "Detection of transformation properties at high speed of Material has been initiated with the IYTE Facility of Mechanical Engineering. According to the project scope, all tests and analysis have been completed, and the next study will include 130 impact test with analysis according to ISO 7141.

DOKUZ EYLUL UNIVERSITY

Researching material properties of forged light alloy wheels by ultrasonic technologies. This project is on-going. Scope of test includes collecting data of dynamic road loads by telemetry system and comparing these with Finite Element Analysis.

SAKARYA UNIVER- SITY

CMS has provided carbon fiber composite wheels for Sakarya University's Saitem Car, a solar energy powered vehicle. Tests will be performed to determine resistance to fatigue and impact. Project includes plating aluminium and steel surfaces by method of plasma spraying. Project is on-going. See <http://www.saitem.org/tr/e-tiket/solar-car>

TUBITAK MAM

1. TEYDEB Project applied for a "Nanomaterial Alloys Project" with Marmara Research Centre Material Institute. The proposed project scope is to produce more resistant materials by graining refinements in casting.
2. In planning phase: "UV Resistant paint material", "Paint material that cleans itself" with Chemical Institute and a "hydrophobic paint" project.

In 2009 CMS was reviewed and certified by the Turkish Government's R&D Center.

Environmental Performance

CMS, one of the leading light alloy wheel manufacturers world-wide, is working continuously to improve its products and processes in accordance with international regulatory standards and best practices.

CMS implemented quality management system ISO TS 16949 in 2000, environmental management systems ISO 14001 followed in the year 2004, and the energy management system ISO 50001 will be implemented in 2014.

Since formally implementing these systems, CMS's environmental performance has greatly improved. In this sustainability report we highlight comparison of the years 2010 to 2013. In the coming year we plan to include more environmental performance indicators on the product and process level. We hope that this disclosure will open a constructive dialogue with our suppliers and customers in improving the environmental performance over the whole life cycle of our products.

Core figures and goals

Overview of environmental indicator:

Measure	Unit	2011	2012	2013	Goal until 2014
Electricity	MJ	296,60	383,44	373,68	367,2
Electricity/ metric t. alloy	KWh / metric t.	0,918	0,983	0,910	0,895
Natural gas	MJ	653,0	799,34	829,8	820,8
Natural gas/ metric t. alloy	m ³	1,965	2,050	2,125	2,114
CO ₂ Emissions (Scope 2)	kg mio	76,20	61,37	59,00	52,00
CO ₂ Emissions/ metric t. alloy	kg	2,88	2,78	2,40	2,10
Water	metric t alloy	406,64	785,53	812,00	774,00
Water in-tensively m3/ metric ton per unit or ton produced	metric t	0,005	0,012	0,011	0,09
Hazardous solid waste (re-use) kg / kg alloy	kg alloy	0,0190	0,0114	0,0010	0,001
Non-hazardous solid waste (re-use) kg / kg alloy	kg alloy	0,0455	0,0495	0,0400	0,035
Metall solid waste (re-use) kg / kg alloy	kg alloy	0,1103	0,1113	0,0800	0,0680

CO₂ and Other Emissions:

Turkey ratified the Kyoto Protocol in 2009. Until today Turkey has had no commitment announced in reducing CO₂ emissions before 2019 (2023). CMS calculates every year its carbon emissions and environmental impacts voluntarily. Our efforts stimulate the employees and suppliers and we want to create a spirit of change towards the improvement of our environmental impacts. We try hard and we can do even better.

The total Carbon Emission of all CMS's sites were 61.375 metric tonnes of CO in 2012. ISO 14064 standard was being used to report the carbon emission. For the coming year we are planning to implement external audits.

CMS has measured its emissions from volatile organic compounds (VOCs), NO_x and SO₂ emissions in 2011 (NO_x emissions 21.105 kg, SO_x emissions 1.370 kg, VOC emissions 75.320 kg, stack and fugitives 23.234 kg, particulate matter emissions (PM) 8,009 kg). In the coming year 2014 such measurements will be done as well. Our aim is to set reduction targets on these emissions as well.

Water Resource Management:

The total water discharged by CMS was 475 thousand tonnes in 2012. 77% of this, (370 K tones) was treated before being discharged into the public system.

	Water Treatment Capacity	Used Running Water
Pınarbaşı Plant	120 m ³ / day	185 m ³ / day
Çiğli Plant	600 m ³ /day	615 m ³ / day
Gaziemir Plant	400 m ³ / day	340 m ³ / day
Total	1.120 m ³ / day	1.140 m ³ / day

Each of our production facilities feature waste water treatment facilities that surpass mandated capacities. They are all equipped with the state of the art waste scrubbing and filtering technologies. Following are some figures about our treatments facilities. These facilities treat domestic and industrial waste water.

- Pınarbaşı Plant: 60 m³/day treated water is re-used in paint process.
- Çiğli Plant: All industrial, post production waste water treated @ 600 m³/day,
- Fresh water for employee consumption treated @ 12 m³/day
- Gaziemir Plant: All water necessary for casting process is supplied by treatment facility, all industrial, post production waste water treated @ 400 m³/day.
- Treated domestic waste water is used for cooling pools @ 60 m³/day of 75 m³
- Rainwater Recycling System installed at Gaziemir plant

In 2012 CMS commissioned a Rain Water Recycling System in our Gaziemir plant that allows us to collect, treat and re-use rain water for production and factory facility use. Our facility capacity allows us up to 500 m³ storage and 36 m³/h treatment. Using this system we have collected 22.000 m² surface rainwater and have saved nearly 7.000 metric tons of water.

Dust Management

During processing, flow-forming, welding, transport or the melting of aluminium, dust particles can be emitted. CMS has implemented a dust monitoring system in accordance with TS 2361 and Method 0500⁶

According to studies conducted by Alu Europe⁷ there is no evidence for chemical-specific fibrogenic effect due to aluminium metal powder.



When not appropriately controlled, several airborne substances in pot-rooms may contribute to an irritation effect in lungs. Current evidence points to a role for fluoride-containing substances or sulphur dioxide as a possible precursor and cause of fibrogenic effect on human lungs. The available evidence suggests that aluminium oxide and aluminium hydroxide behave as “nuisance dusts” under current controlled occupational exposure conditions.

Results from workplace studies do not demonstrate allergic reactions or sensitization from exposure to aluminium compounds. The weight of evidence, supported by negative results from animal dermal sensitization studies suggests a very limited sensitization potential for aluminium metal, aluminium oxide, and aluminium hydroxide dusts on exposure by inhalation.

Waste Management:

Reduction of waste is one of our top sustainability priorities. We collect and separate production and factory waste into four categories;

Type of Waste (kg)	2011	2012	2013	2014 (Target)
Hazardous & non-recyclable	220.156	298.654	385.451	350 K
Hazardous & Recyclable	276.503	374.190	596.791	560 K
Non-Hazardous & non-recyclable	701.665	704.988	864.915	820 K
Non-Hazardous & Recyclable	499.993	514.415	553.077	520 K

In each of our plants we have waste warehouses which are isolated, closed and controlled. Incoming and outgoing material is recorded, and we manage the safe disposal of non-recoverable waste and residues. CMS only works with vendors that are accredited and authorized to conduct waste management efforts.

⁶ Tech. Manual Section 2 Chapter 1 Personal Sampling For air Contaminants.
According to ILO MAK values must be <5 mg./m³). Our all values are under this criteria.

⁷ http://www.alueurope.eu/wp-content/uploads/2011/11/Al-Fact-Sheet_-20110728-final.pdf

Emergency plans: Better safe than sorry!

We recognize that in even the safest environment accidents can be caused by natural disasters, technical or human failure. We are prepared!

Each of our plants have Emergency Teams, which are multifunctional and cover all working shifts. Nearly 300 people serve on these teams in our three production plants. Responsibilities in these teams are separate and delegated according to discipline or specialty. We have trained fire engine, technical support, security, first aid, search and rescue personnel. These teams undergo rigorous training and yearly drills.

CMS has implemented Seveso Directive emergency plan to address accidents involving chemical substances. In 2013 CMS implemented REACH (European Community Regulation on chemicals and their safe use). Along with customers such as HONDA we have signed REACH declarations as a binding commitment and assure that we will be proactive in the safe handling of chemicals in the workplace.



CMS further is working on the following issues

- Encouragement and the training of employees and subcontractors to establish consciousness regarding issues of sustainability and our environment.
- Maintain seamless communication with its employees, customers, suppliers, neighbours and any related organizations.
- Provision of all possible technical and financial opportunities for recycling or reducing the resource usage and/or proper disposal of materials during the production process
- Strives to reduce waste and lower emissions to avoid pollution.



Our people

We are a people company!

CMS is not publicly listed on the stock market and has remained a family-owned enterprise. CMS has maintained its corporate culture as a family business. Our shared values are based on business ethics; values such as trust, respect, accountability, performance and humanity.

Our success would not been possible without our employees, many of whom have belonged to the CMS family for many years. We have grown steadily through the years, and for our growth strategy to succeed we require rapid integration of new people joining our organization. Developing and managing trainings, standards and systems require constant effort and attention, and we are committed to providing a safe, healthy work environment, as well as provide opportunities for personal and professional development.

In 2011 CMS implemented the Health and Safety Standard OHSAS 18001. The system has improved over the years. In all three factories, CMS has three different health and safety committees.

The leaders of these committees are factory managers, and at every meeting two different worker representatives join the dialogue to address current issues.

In 2012, CMS received “The Contribution in Employee Education Award” from the Turkish Work Foundation. This prize was given to CMS because of its numerous on the job training programs organized during working hours.

With social activities such as sailing, bowling tournaments, nature outdoor trips as well as foreign language trainings we strive to build lasting bonds between our employees.



Measure	2011	2012	2013	Goal 2014
Work accidents total	138	125	85	65
Pınarbaşı Plant	36	31	20	15
Çiğli Plant	102	62	40	30
Gaziemir Plant	-	32	25	20
Career development appointments	6	4	45	18
Trainings (Person hours/ year)	19,2	23,9	30	36

Work Incidents/ Accidents

Due to CMS' accident prevention training and the implementation of OHSAS standards, our accident rate has decreased 9,4 % in 2012. This is progress, but we realize that this is not enough and are working hard to bring this rate down.

Social Security - Retirement Plans

Social insurance retiring plan implemented since our foundation, all CMS group employees are eligible to benefit from our social insurance retirement plan.

Employees with as little as one year on the job may optional join into an individual retirement plan. With a 2% contribution from their net salary, CMS group will match employee contributions with 3% to add up to 5% of the employee's net salary.

Working Conditions

CMS follows the principles of the International Labour Organization (ILO) of the UN. We expect a similar level of dedication to social responsibility from our business partners and supplier, and require them to provide proof of compliance. Our sustainability initiatives and responsibility for downstream value chains require that we implement and enforce compliance from our vendors and business partners.



Children Of CMS

Business Ethics: Anti-Corruption

CMS expects the highest standards of integrity in all business interactions. Any and all forms of corruption, bribery, extortion and embezzlement are strictly prohibited.

CMS will never tolerate any exchange of money or gift to affect or influence the behaviour of a person, organization, politician, public servant or office with the aim of providing commercial and personal benefit. Additionally, CMS will never permit bribery or graft even in countries where it is tolerated.

Non-discrimination:

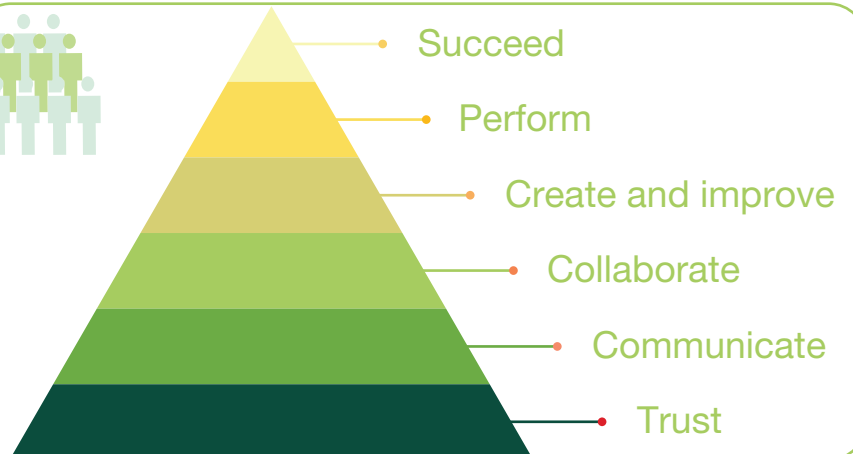
Harassment or discrimination against employees in any form is not acceptable. This includes but is not limited to gender, race, color, caste, disability, union membership, political beliefs, origin, religion, age, pregnancy, or sexual orientation.



Good relations with unions:

72,3 % of our employees are covered under collective bargaining agreements through the Turk Metal Industries' Union MESS. It is CMS intention to integrate MESS into the sustainability management approach.

One goal:
Building an environment
of success and performance
together with MESS



Engaging with Communities

Our headquarters, located in Pınarbaşı in Izmir province, and our factories in Çiğli, on the north side of the gulf of Izmir, and in Gaziemir in the Aegean Industrial Free Zone (ESBAŞ), are all intrinsically tied to the local and regional economies.

As one of the leading companies in the region, CMS' direct and indirect contribution to the development of the region is high. As a taxpayer CMS pays substantial taxes which fund the local and state economy, and income that we distribute to our employees is spent mainly in the region

Also significant estimated aggregate financial value on accruals basis for financial assistance from Export Credit Agencies is 96.281 Euro. In 2012 tax payment to the Turkish Government was 1,95 Mio Euro.

Number of Social Projects

Measure	2011	2012	2013	Goal until 2014
Collaboration with universities (projects)	-	7	17	24
Collaboration with universities in research projects	-	7	17	24
Social projects	-	11	18	28



Employees 2013

Site	Site Size (m ²)	Workforce	Gender (Female)	Income Distributed (Mio.TL) (salaries)
Pınarbaşı	32.170	744	3,7 %	40,40
Çiğli	30.830	726	1,8 %	30.09
Gaziemir	103.700	542	6,3 %	22.74
TOTAL	166.700	2012	3,8 %	93.22



CMS has an interest in engaging with our local communities. Overall we invested a total of 463.000 Turkish Lira (180.000 Euro) between 2011 and 2013 in social responsibility projects in local communities, 18 projects of these have been completed, and we are planning to increase this number to 25 in 2014.

In 2010 CMS decided to focus on health-related issues and lent its support to the Izmir Behçet Uz Children's Hospital. Its contribution for the hospital's surgical division report was significant.

Our secondary focus is education. CMS has awarded scholarships to many students selected from local communities. This program will continue.

And during the fasting period Ramadan, CMS organizes public free of charge Iftar dinners for more than one thousand needy local people every year.

Our Future



Delivering Value to our Customer

Our business strategy is highly customer driven, and leading car manufacturers have placed their trust in CMS to deliver product of premium quality, innovative design and light weight that adhere their exacting demands and specifications. CMS' sustainability initiative seeks to deliver additional value not only to our OEM clients, but to the after market distribution channels as well.

CMS is fortunate to have partnered with car manufacturers such as Volkswagen, Daimler Benz and BMW who have been working on sustainability integration for many years. CMS intends to open an active dialogue with these organizations to share knowledge and best practices.

100% customer satisfaction is considered one of our most important 'sustainability' indicators, and complaints management is an integral part of this process. Since 2011 CMS has been recertified in ISO 10002 for customer complaint handling (design development and manufacturing of aluminium alloy cast rims).



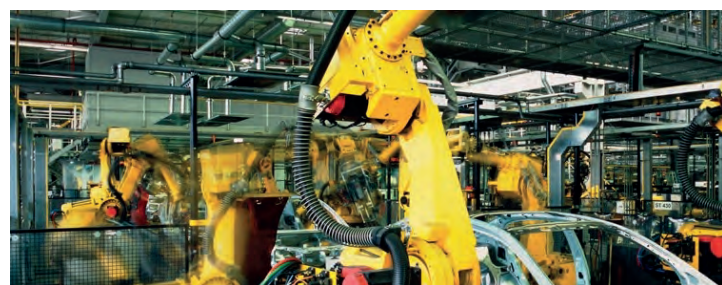
We are planning to provide product specific environmental indicators by implementing a product Life Cycle Assessment.

Closing recycling loops:

In partnership with our clients we would like to open a dialogue in which ways recycling loops can be closed though enhanced business models. Today our products are sold to 110 different delivery points. As an OEM supplier, how we can influence our down stream value chains in order to get wheels we have produced returned for recycling specifications.

CMS' sustainability initiative seeks to deliver additional value not only to our OEM clients, but to the after market distribution channels as well.

Our Customers



Meeting customer needs through innovation:

In the section (Manufacturing Wheels) of this report we explained our focus on innovation, research and development (R&D) in designing safer, lighter, better-designed wheels. We boosted our R&D investment in 2012 to 3,4 million Euro and increased investments again to 3,8 million Euro in 2013.

These investments will partially be spend on integrating sustainability measures into our organizations and products.



Awards and Recognitions

CMS Awards Received in 2012

CMS Jant ve Makina Sanayi A.Ş. received a series of awards for its products in 2012 such as:



Quality Award from Toyota...

- In 2012, 2012 Supplier Award for Achievement in “Quality” was given to CMS by TOYOTA. One of the world’s leading automotive manufacturer based its assessment on the supplier industry. Continuous improvement activities and collaboration with Toyota on a global level, especially in the areas of quality, quick delivery, and cost optimization, secured CMS this prestigious award for the third time. The award was presented to CMS Group Production Vice President of Production Tark Uslu at a ceremony held on 19 March, in Toyota 2013 Annual Supplier Business Meeting & Awards Ceremony, in Brussels, Belgium.

- CMS Group was given two certificates from Toyota. “Certificate of Recognition in the Area of Delivery” and “Certificate of Recognition in the Area of Cost” based on a set of criteria including efficiency, profitability and professionalism. Thus, Toyota valued CMS one more time in the reporting period.

Export Awards..

- In June, Izmir Chamber of Commerce selected CMS as one of “The Highest Foreign Exchange Earning Business” and “The Highest Frequency Trader Business”.

- Aegean Exporters' Association awarded “The Highest Export Prize” to CMS due to the operations held in the year of 2012, in Aegean Region.

Minister of Economy Zafer Çağlayan presented the award to CMS Group CEO Ünal Kocaman at a ceremony held on 27 February, in İzmir.

- Turkish Aluminium Industrialist' Association ranked CMS third in the category of “The Highest Export Award”. The evaluation was made among the companies serving for the aluminium sector.



Awards Received in the Field of Human Resources...

- In 2012, CMS also received “The Contribution in Employee Education Award” from the Turkish Work Foundation. This prize was given to CMS because of its numerous on-the-job training programs organized during working hours.
- Turkish Metal Industrialists Union gave a CMS thank you plaque because of the importance given to employee education.

And other Awards...

- CMS also received Development Corporation Award from Tofaş, on 20 December. The award was presented to CMS Group Sales Coordinator Cengiz Muhaddisoğlu.





About this Report

Scope and Boundaries

This report is a Sustainability Report of the CMS Group including the five companies and affiliates in which CMS has a majority share in.

There are three major divisions operating under the CMS Brand in Turkey:

CMS Jant ve Makina San. A.Ş.

CMS Jant San.A.Ş.

LDS Lodos Teknik San.Tic. A.Ş.

In Europe CMS operates as CMS Automotive Trading GmbH.

And in Russia as CMS Automotive Trading LLC for after-market sales.

This report was prepared at the end of 2013 and covers years 2011 through 2012. When this report was prepared some of the year-end figures for 2013 were estimates, based on values generated up through 8/2013. Our sustainability targets are set for the year 2014.

This report was prepared in accordance with the principles of materiality (sustainability issues with the most relevant business impacts according to stakeholder concerns) as well as completeness, balance, comparability, accuracy, reliability, timeliness and clarity. We applied quality principles for data collection and reporting processes but will also work on enhanced data accuracy in the coming year.

The report is developed according to the Global Reporting Initiative (GRI/ G3) reporting principles in compiling this data. The report focuses on our most material impacts and opportunities; those that are of most importance to our company and our stakeholders. These issues either currently affect, or will affect, our business activities, and CMS has indirect or direct influence over them for discussion of how we identified our material issues.

Reporting Period and Future Reports



This Sustainability Report is the 1st one published in the history of CMS. It is our goal to publish the report annually. The next report will be published in 2015.

Over the year 2014 we will share and publish our performance data online and invite stakeholder to send us feedback, concerns and expectations.

Global Reporting Initiative

We have aligned this report to conform to the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines and the GRI Mining and Metals sector supplement at a GRI-checked "C" Application Level. An abbreviated GRI Content Index can be found on pages 53 and 54. Supplemental data and other information on our performance against the GRI's criteria can be found in the complete GRI Content Index on our website at <http://www.cms.com.tr/sustainability>

GRI Content Index

We aligned this report to both the Global Reporting Initiative (GRI)G3.1 Sustainability Reporting Guidelines and the GRI Mining and Metals sector supplement. We are reporting at a GRI-checked C Application Level (see www.globalreporting.org for more information). We included a brief GRI G3.1 index below to help readers easily locate information on indicators spelled out in the GRI guidelines.

A more comprehensive index, which includes additional information on indicators that were deemed less material, can be found online at www.cms.com.tr or by requesting a hard copy.

Assurance

We did not seek third-party assurance of this report; however, we systematically gathered our data with future assurance in mind. Some of the data we disclose has undergone various forms of internal and third-party verification. For example, some financial data was derived from financial statements included in the Annual Report and some environmental data was reported to regulatory authorities.

Status Key:

We have fully reported the information required by the GRI indicator.

Partially Reported: We have provided some of the information required and, in some instances, are working towards fully reporting this information in the future.

Not Disclosed: This information is either not collected or is confidential for competitive or other reasons.

Not Applicable: This indicator does not apply to our operations or our reporting.

Statement GRI Application Level Check

GRI hereby states that **CMS Group** has presented its report WHEELS INTO THE FUTURE, 2013 to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 27 December 2013


























Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check 17 December 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

 Fully Reported
  Partially Reported
  Not Disclosed
  Not Applicable

Indicator	Level	References
STRATEGY AND ANALYSIS		
1.1		Executive Letters (Pgs 03-06)
ORGANIZATIONAL PROFILE		
2.1		Target and Progress (Pg 07)
		Our Industry (Pgs 09-10)
		Our Strategy (Pgs 15-16)
		Our Corporate Strategy (Pgs 17-19)
		Our Sustainability Strategy (Pgs 20-28)
		Sustainability Governance (Pgs 29-31)
2.2		Our Company (Pgs 11)
		Our Strategy (Pg 15-16)
		Corporate Website : About us
2.3		Our Company (Pgs 11-14)
		About This Report (Pg 52)
		Corporate Website : About us
2.4		Our Company (Pgs 11-14)
		Corporate Website : About us
2.5		Our Company (Pgs 11-14)
2.6		Our Company (Pgs 11-14)
		Sustainability Governance (Pgs 29-31)
		Corporate Website : About us
2.7		Our Company (Pg 13)
		Our Strategy (Pgs 15-16)
		Delivering Value to Our Customer (Pg 49)
		Corporate Website:Product Groups-OEM & AFM
2.8		Target and Progress (Pg 08)
		Our Company (Pgs 13-14)
		Our Strategy (Pg 15)
2.9		
2.10		Awards and Recognitions (Pgs 50-51)
REPORT PARAMETERS		
3.1		About This Report (Pg 52)
3.2		
3.3		About This Report (Pg 52)
3.4		Sustainability Governance (Pg 31)
3.5		Our Sustainability Strategy (Pgs 20, 26)
3.6		About This Report (Pg 52)
3.7		
3.8		About This Report (Pg 52)

Indicator	Level	References
3.10	<div></div>	
3.11	<div></div>	
3.12	<div></div>	FULL GRI CONTENT INDEX
GOVERNANCE, COMMITMENTS and ENGAGEMENTS		
4.1	<div></div>	Our Company (Pg 11)
		Sustainability Governance (Pgs 29-31)
		Corporate Website:Abouts Us-Companies-Management
4.2	<div></div>	Sustainability Governance (Pgs 29-31)
		Corporate Website:Abouts Us-Companies-Management
4.3	<div></div>	
4.4	<div></div>	Our Sustainability Strategy (Pgs 26-27)
4.14	<div></div>	Our Sustainability Strategy (Pgs 26-27)
4.15	<div></div>	Our Sustainability Strategy (Pg 20)
ECONOMIC		
EC1	<div></div>	Target and Progress (Pg 08)
		Engaging with Communities (Pg 47)
EC2	<div></div>	Executive Letters (Pgs 03- 06)
		Our Corporate Strategy (Pg 19)
		Our Sustainability Strategy (Pgs 20-28)
		Sourcing and our Material Inputs (Pgs 32- 34)
		Manufacturing Wheels (Pgs 35- 39)
		Environmental Performance (Pgs 40- 43)
		Delivering Value to Our Customer (Pg 49)
EC3	<div></div>	
EC4	<div></div>	
EC5	<div></div>	
EC6	<div></div>	Our Sustainability Strategy (Pg 21)
EC7	<div></div>	
EC8	<div></div>	Our Corporate Strategy (Pg 18)
		Engaging with Communities (Pg 47)
EC9	<div></div>	Our Company (Pgs 13-14)
		Engaging with Communities (Pgs 47-48)
PERFORMANCE : ENVIRONMENTAL		
EN1	<div></div>	Our Sustainability Strategy (Pg 25)
		Sourcing and our Material Inputs (Pgs 32- 34)
		Manufacturing Wheels (Pgs 35- 39)
EN2	<div></div>	Our Sustainability Strategy (Pg 25)
		Sourcing and our Material Inputs (Pgs 32- 34)
		Manufacturing Wheels (Pg 36)

Fully Reported
 Partially Reported
 Not Disclosed
 Not Applicable

Indicator	Level	References
EN3		Environmental Performance (Pg 40)
EN4		Environmental Performance (Pg 40)
EN5		Sourcing and our Material Inputs (Pgs 32- 34)
		Manufacturing Wheels (Pg 36)
EN6		Manufacturing Wheels (Pg 38)
		Environmental Performance (Pgs 40- 43)
		Appendix-Standards Implemented at CMS
EN7		Manufacturing Wheels (Pg 38)
		Environmental Performance (Pgs 40- 43)
		Appendix-Standards Implemented at CMS
EN8		Environmental Performance (Pgs 41- 42)
EN9		
EN10		Environmental Performance (Pg 41)
EN11		
EN12		
MM1		
EN13		
EN14		
MM2		
EN15		
EN16		Sourcing and our Material Inputs (Pgs 32- 34)
		Environmental Performance (Pg 41)
EN17		Sourcing and our Material Inputs (Pgs 32- 34)
		Environmental Performance (Pg 41)
EN18		Our Sustainability Strategy (Pgs 24- 25)
		Environmental Performance (Pg 41)
EN19		Sourcing and our Material Inputs (Pgs 32- 34)
EN20		
EN21		Environmental Performance (Pgs 41- 42)
EN22		Environmental Performance (Pgs 41- 42)
MM3		
EN23		
EN24		
EN25		
EN26		Our Sustainability Strategy (Pgs 24- 25)
		Manufacturing Wheels (Pg 38)
		Environmental Performance (Pg 41)
		Appendix-Standards Implemented at CMS

Indicator	Level	References
EN27		Manufacturing Wheels (Pgs 35- 39)
		Environmental Performance (Pg 40)
EN28		
EN29		
EN30		
PERFORMANCE:LABOR PRACTICES AND DECENT WORK		
LA1		Engaging with Communities (Pg 47)
LA2		
LA3		
LA15		
LA4		Our Sustainability Strategy (Pgs 26-28)
		Our People (Pgs 45-46)
LA5		
MM4		
LA6		Our Sustainability Strategy (Pg 26)
		Environmental Performance (Pg 43)
		Our People (Pgs 44-46)
LA7		Environmental Performance (Pg 43)
		Our People (Pgs 44-46)
LA8		Our Corporate Strategy (Pg 18)
		Our Sustainability Strategy (Pg 26)
		Environmental Performance (Pg 43)
		Our People (Pgs 44-46)
LA9		Our Sustainability Strategy (Pg 26)
		Environmental Performance (Pg 43)
		Our People (Pgs 44-46)
		Appendix-Standards Implemented at CMS
LA10		Our Corporate Strategy (Pg 18)
		Our People (Pgs 44-46)
		Awards and Recognitions (Pg 50)
LA11		Our Corporate Strategy (Pg 18)
		Our Sustainability Strategy (Pg 26)
		Our People (Pgs 44-46)
		Awards and Recognitions (Pg 50)
LA12		Our Corporate Strategy (Pg 18)
		Our Sustainability Strategy (Pg 26)
		Our People (Pgs 44-46)
		Awards and Recognitions (Pg 50)
LA13		
LA14		

☒ Fully Reported
 ☐ Partially Reported
 ☐ Not Disclosed
 ☐ Not Applicable

Indicator	Level	References
PERFORMANCE : HUMAN RIGHTS		
HR1	<input type="checkbox"/>	
HR2	<input type="checkbox"/>	
HR3	<input type="checkbox"/>	
HR4	<input type="checkbox"/>	
HR5	<input type="checkbox"/>	
HR6	<input type="checkbox"/>	
HR7	<input type="checkbox"/>	
HR8	<input type="checkbox"/>	
MM5	<input type="checkbox"/>	
HR9	<input type="checkbox"/>	
HR10	<input type="checkbox"/>	
HR11	<input type="checkbox"/>	
PERFORMANCE : SOCIETY		
SO1	<input type="checkbox"/>	
SO1 (G31)	<input type="checkbox"/>	
MM6	<input type="checkbox"/>	
MM7	<input type="checkbox"/>	
MM8	<input type="checkbox"/>	
MM9	<input type="checkbox"/>	
MM10	<input type="checkbox"/>	
SO9	<input type="checkbox"/>	
SO10	<input type="checkbox"/>	
SO2	<input type="checkbox"/>	
SO3	<input type="checkbox"/>	
SO4	<input type="checkbox"/>	
SO5	<input type="checkbox"/>	
SO6	<input type="checkbox"/>	
SO7	<input type="checkbox"/>	
SO8	<input type="checkbox"/>	
PERFORMANCE : PRODUCT RESPONSIBILITY		
MM11	<input type="checkbox"/>	
PR1	<input type="checkbox"/>	
PR2	<input type="checkbox"/>	

Indicator	Level	References
PR3	<input checked="" type="checkbox"/>	Our Corporate Strategy (Pg 18)
		Our Sustainability Strategy (Pgs 20-28)
		Sourcing and our Material Inputs (Pgs 33- 34)
		Manufacturing Wheels (Pgs 35- 39)
		Environmental Performance (Pg 40)
		Environmental Performance (Pg 43)
		Delivering Value to Our Customer (Pg 49)
		Appendix-Standards Implemented at CMS
PR4	<input type="checkbox"/>	
PR5	<input type="checkbox"/>	Our Corporate Strategy (Pg 17)
		Delivering Value to Our Customer (Pg 49)
		Appendix-Standards Implemented at CMS- ISO 10002
PR6	<input type="checkbox"/>	
PR7	<input type="checkbox"/>	
PR8	<input type="checkbox"/>	
PR9	<input type="checkbox"/>	

Consulting, partners
REIMERS+PARTNERS
Exclusive representative of PE INTERNATIONAL A.G in Turkey
www.pe-international.com

Sürdürülebilirlik Akademisi
www.surdurulebilirlikakademisi.com

I'm Creative www.imcreative.tv	Graphic Design Us Brainworks www.usbw.us
---	---