

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - DECLARATION OF COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

Otokar Otomotiv ve Savunma Sanayi A.Ş. (Company) acts with utmost diligence to comply with the “Capital Markets Board Corporate Governance Principles” promulgated by the Capital Markets Board (CMB), and carries out its operations in line with all applicable laws and regulations, and corporate governance principles. The company has adopted the equality, transparency, accountability and responsibility principles of corporate governance.

As an indication that the company has significantly adapted to corporate governance principles and that its efforts toward full compliance with corporate governance principles will increase and continue, the company’s corporate governance rating has been increased to 93.51 (9.35 over 10) by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., as announced in our material disclosure on 21 March 2018.

Reviewed using CMB’s new methodology based on “Corporate Governance Principles” introduced in January 2014, in line with CMB’s (Capital Markets Board) Communiqué on “The Principles Regarding Rating Activity in Capital Markets and Rating Agencies”, and within the frame of BIST’s Corporate Governance Index Ground Rules, the results are provided below under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors.

The Corporate Governance Rating Report can be found on the corporate website at www.otokar.com

Main Headings	Weight	Rating
Shareholders	25%	95.41
Public Disclosure and Transparency	25%	93.94
Stakeholders	15%	97.13
Board of Directors	35%	90.31
Total	100%	93.51

While compliance with the mandatory principles of the Corporate Governance Communiqué II-17.1 applicable in 2018 was fully accomplished, compliance with the non-mandatory principles was achieved to a great extent. While full compliance with the non-mandatory principles is not part of the objectives, due to the challenges encountered in the implementation of some principles, on-going discussions in Turkey and internationally regarding compliance with certain principles, and the failure of the current market and corporate structure to comply with such principles in proper fashion, full compliance has not been achieved yet. We are working on the principles not yet implemented and we plan to apply them once the administrative, legal and technical infrastructure for the effective governance of the company has been completed. The following sections detail, for each principle, the comprehensive efforts being made in the company within the framework of corporate governance principles, the principles with which compliance has not yet been achieved and, if any, conflicts of interest that stem from them.

The Corporate Governance related activities in 2018 were executed in compliance with the Capital Markets Law that includes new regulations about CMB’s corporate governance principles and the communiqués promulgated pursuant to this Law. At the 2018 Ordinary General Assembly Meeting, the Board of Directors and its Committees were formed in line with the provisions of the Corporate Governance Communiqué. Ahead of the upcoming general assembly meeting, Independent Board Members were nominated and announced, and the entire process was executed in line with the regulations. The Board Committees have been functioning effectively. The information note that must accompany the disclosure document to be submitted to the General Assembly includes such standard documents as those indicating privileged shares, voting rights and organizational changes, as well as the résumés of Board of Directors membership candidates, the remuneration policy for Board Members and other information that is required to be disclosed, all of which were made available for the investors three weeks prior to the general assembly meeting. Furthermore, the company’s corporate website and annual report were reviewed and revisions required to comply with the principles were made.

The company will continue to work toward full compliance with the principles based on the developments in legislation and general practice.

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Full compliance with the Corporate Governance Principles below among the non-mandatory principles has not been achieved for the reasons explained, and detailed information can be found in relevant sections. The company has not been subjected to any conflicts of interest due to non-compliance with the non-mandatory principles.

- Regarding principle 1.5.2., minority rights for shareholders holding less than one twentieth of the capital have not been defined in the articles of association, and the rights have been defined within the frame of general provisions in the legislation.
- Regarding principle 4.3.9., while there is no policy in place, female member ratio in the Board of Directors is currently 11 percent.
- Regarding principle 4.4.5., the company has in place processes regarding the conduct of the Board meetings that have been consistently observed for many years and a specifically written internal regulation is not available.
- Regarding principle 4.5.5., committee appointments are decided, taking into consideration Board Members' expertise and experience, and in accordance with relevant regulations, some Board Members serve on more than one committee. However, the said members facilitate communication and increase the opportunities for cooperation between committees handling related subjects.
- Regarding principle 4.6.1., a specific board assessment has not been conducted.
- Regarding principle 4.6.5., remunerations provided to the board member and executive with administrative responsibilities are provided in the notes to the financial statements and disclosed to the public as a total figure.

The Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Note (CGIN) of Otokar Otomotiv ve Savunma Sanayi A.Ş., will be drawn up according to the new reporting formats pursuant to CMB resolution no. 2/49 dated 10.01.2019, publicly disclosed on the Public Disclosure Platform in due time.

SECTION II – SHAREHOLDERS

2.1. Investor Relations Department

At Otokar Otomotiv ve Savunma Sanayi A.Ş., relations with the shareholders are handled by the Investor Relations Department, which work in cooperation with relevant departments. The department is responsible for providing information to the shareholders and prospective investors, assuring the no confidential information or trade secrets are disclosed, and without causing any inequality of information while ensuring a two-way dialog between the company's management and the shareholders.

The main activities of the Investor Relations Department include:

- Promoting the company to individual and institutional investors in Turkey and abroad, providing information to potential investors and shareholders, and meeting the information needs of analysts and specialists working in institutions,
- Responding to questions and requests of the shareholders,
- Informing shareholders and potential investors of macro and micro developments through investor meetings,
- Providing the most accurate, swiftest and complete information by regularly updating the website, annual report, investor presentations, investor bulletins and such means of communication,
- Carrying out all kinds of public disclosure activities as required by the regulations, such as financial reporting and disclosing of special situations to the public, and also other functions related to public disclosure within the scope of the company's disclosure policy,
- Ensuring that the Annual General Assembly is held in accordance with applicable regulations, articles of association, and other internal regulations,
- Recording voting results and informing shareholders of the reports that contain voting results through the minutes of the Annual General Assembly Meeting,
- Preparing documents, which may be used by shareholders, and publishing such documentation on the company's website three weeks prior to the Annual General Assembly,
- Ensuring that dividends are paid to the shareholders,
- Providing two-way information flow by playing the role of an interlocutor between shareholders and the company's Board of Directors and Senior Management,
- Monitoring any amendments to the legislation and laws, and ensuring that they are implemented by the company.

In 2018, the Investor Relations Department held 39 one-to-one meetings, 13 of which were abroad, and 83 teleconferences with analysts from stockbrokerage companies, and local and foreign investors. The department attended 4 investors' conferences and

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roadshows, including 2 abroad. Furthermore, 1 plant visit was organized in 2018 for corporate investors and analysts. To ensure that investors can keep track of the latest information, the company's website, investor presentations and investor newsletters are regularly updated. Material disclosures that may be important for the investors are published on the corporate website in Turkish and English after they are announced on the Public Disclosure Platform (KAP). Numerous requests for information were submitted to the Investor Relations Department by analysts and investors regarding the company's financial reports and activities, and these were replied in line with publicly available information in a manner to avoid discrepancies.

The Investor Relations Department submits a report to the Corporate Governance Committee at least once a year regarding its activities to be communicated to the Board of Directors. The said report on the activities of 2018 was evaluated by the Corporate Governance Committee and the Board of Directors on 22 February 2019.

In order to fulfill the duties stipulated in article 11 of the Corporate Governance Communiqué II-17.1, the Board of Directors resolved on 27 June 2014 to appoint İrfan Özcan, Financial Affairs Director, Doğan Seçkinler, Finance, Risk Management and Investor Relations Director, and Hatice Gülşah Mutlu, Investor Relations and Corporate Governance Manager, led by Hüseyin Odabaş, Assistant General Manager – Financial Affairs to serve on the Corporate Governance Committee. Doğan Seçkinler, Finance, Risk Management and Investor Relations Director and Hatice Gülşah Mutlu, Investor Relations and Corporate Governance Manager are holders of Capital Market Activities Advanced Level License and Corporate Governance Rating Specialists License.

Investor Relations Department managers are listed below:

Hüseyin Odabaş (Assistant General Manager - Finance)

İrfan Özcan (Financial Affairs Director)

Doğan Seçkinler (Finance, Risk Management and Investor Relations Director)

Hatice Gülşah Mutlu (Investor Relations and Corporate Governance Manager)

2.2. Exercise of Shareholders' Rights to be Informed

The company does not discriminate among shareholders in terms of accessing and inspecting information, and all information, excluding trade secrets, is shared by the shareholders. The Investor Relations Department replies to all questions, while not disclosing confidential information and trade secrets, by phone or in writing, after consulting with the most informed persons in the company about the matter. As stated in section 3.1 of this report, all kinds of information and explanations, which might affect shareholder rights, are available on the company's website.

The appointment of a special auditor has not yet been stipulated as an individual right in the Articles of Association; however, pursuant to Article 438 of the Turkish Commercial Code, each shareholder may demand at the Annual General Assembly Meeting that certain events be clarified by conducting a special audit, even if it is not on the agenda, whenever it is required to exercise shareholder rights and if the right to be informed and inspect has been exercised previously. To date, no such demand has been received from the shareholders. Additionally, the company's activities are periodically audited by an Independent Auditor, approved by the General Assembly, and the Internal Audit Department within the organization.

The company takes utmost care to ensure compliance with legislation in satisfying investors' demands. No complaints, or administrative or legal pursuit of exercising shareholders' rights in the company have been received to the best of our knowledge. In this period, no applications or questions were submitted to the department on this matter.

2.3. General Assembly Meetings

In 2018, one Ordinary General Assembly was held on 15 March 2018 with 76% attendance at Divan Istanbul Hotel, Asker Ocağı Cad. No:1 Elmadağ, Şişli – Istanbul. The General Assembly Meeting, aiming to encourage wider participation of the shareholders, was held at a location where the shareholders are numerically in majority, in a manner not to allow any inequalities among the shareholders and to ensure attendance with minimum costs, as stipulated in the company's Articles of Association.

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The Annual General Assembly Meeting is organized in a manner to enable broad participation and allow shareholders to be well informed within the scope of the principles set out in the procedure of Koç Group Companies' Annual General Assemblies, which was prepared by taking the Turkish Commercial Code, the Capital Markets Legislation and Principles of Corporate Governance into account. In addition to physical attendance, participation in electronic medium was also enabled. Moreover, the opportunity to participate in the Annual General Assembly Meeting was offered to representatives of print and visual media, officers of several brokerage firms, and individuals wishing to attend as observers.

The Board of Directors issues invitations to the Annual General Assembly Meeting in line with the provisions of the Turkish Commercial Code (TCC), the Capital Market Law and the company's Articles of Association. Once the Board of Directors reaches the decision to convene the Annual General Assembly, the public is informed with necessary announcements via the Public Disclosure Platform (KAP), the e-management and e-company portal of the Central Securities Depository of Turkey (MKK), the Electronic General Assembly System (EGKS) and the company's corporate website.

Additionally, the location and the agenda of the Annual General Assembly Meeting, any draft amendments to the Articles of Association, and the proxy form are published in the Turkish Trade Registry Gazette at least 21 days prior to the Annual General Assembly Meeting. This announcement information on where the financial statements for the respective period as audited by the independent auditor are available for inspection.

The company publicly announces any required documents related to agenda items prior to the Annual General Assembly Meeting, and adheres to legal processes and legislation in all announcements. Within the scope of the Annual General Assembly Meeting agenda, the annual report, financial statements, corporate governance compliance report, dividend distribution proposal, independent auditor's report, and the new and old versions of the amended Articles of Association, in case of any amendments, are made available for shareholders at the company's Headquarters and on the website three weeks prior to the General Assembly Meeting. Furthermore, detailed explanation is included in the information document about each and every agenda item. Investors are also provided with further information regarding the General Assembly meetings, as set out by the Principles.

Shareholders are informed of the voting procedure to be applied at the General Assembly Meeting through the corporate website and newspaper announcements. At the Annual General Assembly meetings, votes on the agenda items are taken by a show of hands, and open voting method is used.

For shareholders who will be represented by proxy at the Annual General Assembly Meeting, the required schedule for procedures as well as a sample proxy form are made available on the corporate website and through newspaper announcements.

Asking questions and expressing opinions on the issues at the Annual General Assembly Meetings, which are held under the supervision of a representative from the Ministry of Customs and Trade, are the most natural of shareholders. Accordingly, the Chairman presiding over the meeting ensures, in accordance with the procedures, that the company's shareholders exercise their right to ask questions, to table suggestions regarding agenda items, and to discuss their suggestions at the Annual General Assembly Meeting. The shareholders have not proposed any addendum to the agenda of the said meeting. All the questions directed by the shareholders at the General Assembly were answered by the Chairman of the Board of Directors and Senior Management of the company. There were no questions left unanswered.

All minutes of Annual General Assembly Meetings and attendance lists for past years may be obtained from the company's Headquarters. The minutes of Annual General Assembly Meetings held in the last five years are also available on the corporate website in Turkish and English. The minutes are also available at the company's Headquarters for shareholders, and provided upon request.

At the Annual General Assembly Meeting in 2018, shareholders were informed of the donations and aid made in 2017 on a separate agenda item. The limit for donations in 2018 was set at 0.2% of the previous year's total revenues. The company does not have a policy in place for donations and aids. However, maximum annual donation amount allowed is determined by the shareholders at the General Assembly Meeting in accordance with CMB regulations.

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Some shareholders with management control, members of the Board of Directors, executives with administrative responsibilities, their spouses and blood relatives to the second degree and in laws carry out administrative duties as members of Board of Directors in some other Koç Group companies including the ones that operate in similar field. In 2018, there has been no transaction that may lead to conflict of interest between the said persons and listed company or its affiliates to Article 1.3.6 of the Corporate Governance Communiqué.

2.4. Voting Rights and Minority Rights

There are no privileges regarding the exercise of voting rights set out in the company's Articles of Association.

Voting rights are exercised at the Annual General Assembly meetings in accordance with the regulations concerning representation and voting method. The company adheres to the CMB regulations on voting by proxy. The opportunity for equal, easy and proper voting is ensured for all shareholders.

There are no provisions in the Articles of Association regarding the representation of minority shareholders in the management or cumulative voting process. The minority rights are not entitled by the Articles of Association to those with a share smaller than one twentieth of the capital, and the minority shareholders are provided with rights according to the general provisions of the regulation.

2.5. Dividend Rights

The company distributes profit in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law, the Tax Law and other applicable legislation as well as the relevant articles of the company's Articles of Association.

In terms of profit distribution, the company follows a balanced and consistent policy between the shareholders and the company's interests in accordance with Corporate Governance Principles, and takes into account the long-term strategies, investments and financing policies, profitability and cash position to determine the dividend amount.

In principle, and to the extent allowed by regulations and financial means, minimum 50% of the "distributable profit for the period", which is calculated in accordance with the Capital Market Legislation/Legal Records and other applicable laws and regulations, is distributed in cash and/or bonus shares.

Payment of dividends is generally intended to be made within one month at most, following the General Assembly meeting while the date is determined by the General Assembly. If authorized, the General Assembly or the Board of Directors may decide to distribute profit in instalments in line with Capital Market Regulations.

According to the company's Articles of Association, the Board of Directors may distribute profit advances provided that it is authorized by the General Assembly and complies with Capital Market Regulations. The authority granted to the Board of Directors by the General Assembly to distribute profit advances is limited with the year the authority is granted.

Profit distribution is carried out in accordance with the provision of the company's Articles of Association.

The company's dividend distributions based on issued capital in recent years are provided in the table below:

Years	Capital (TL)	% of Dividend by Issued Capital	Amount of Distributed Dividend (TL)
From 2013 Profit	24.000.000	416.67%	100,000,000
From 2014 Profit	24.000.000	333.33%	80,000,000
From 2015 Profit	24.000.000	300.00%	72,000,000
From 2016 Profit	24.000.000	250.00%	60,000,000
From 2017 Profit	24.000.000	291.67%	70,000,000

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2.6. Transfer of Shares

The company's Articles of Association do not include any provisions or practices that restrict free transfer of shares.

Only the records, which are maintained by the Central Securities Depository of Turkey are taken into consideration in relations with the company, and the individuals whose accounts are found in the share ledger are accepted as holders of the dividend right on the share or as a shareholder.

Capital Markets Board's regulations are applied for the transfer of registered shares that are traded on the stock market.

SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and its Content

The company's website, where current and historic information can be accessed is www.otokar.com. The website includes comprehensive information that may be requested about the company. The content is also available in English. The website is updated as developments occur, and features an "Investor Relations" section that contains topics related to Corporate Governance Principles. The Investor Relations section features content pertaining to the last five years. The principles regarding the management of the corporate website are set out in the company's Information Policy. The website address is printed in the company's letterhead.

3.2. Annual Report

The annual report, prepared under the supervision of the Board of Directors, covers all information required by Corporate Governance Principles, and is drafted in detail to provide complete and accurate information to the public about the company's activities.

SECTION IV – STAKEHOLDERS

4.1. Informing Stakeholders

If and when necessary, the company's stakeholders are either invited to meetings on matters that concern them or informed by means of telecommunication devices. Public announcements are communicated through the media, and employees are informed at various events organized by the company.

Furthermore, the company aims to inform not only its shareholders but all stakeholders by holding General Assembly meetings openly, providing information on the corporate website, annual reports, press statements and other practices within the scope of the company's disclosure policy. Important announcements, changes in management and press releases are published on the intranet, which the employees can access within the company. Moreover, the Corporate Communications Department publishes a magazine titled "Otokar Hattı", which is followed by the employees, dealers and customers. The newsletter titled "Otokar'da Bu Ay" is published within the company to share important news concerning Otokar with employees. Relations with dealers are maintained at the highest level through meetings and visits by general or regional dealers.

Stakeholders may access the Audit Committee through the contact information provided on the corporate website and/or intranet concerning any practices, which they think violate the law or are ethically inappropriate.

Even though the company currently does not have a written compensation policy for employees, the compensation rights allowed by relevant legislation are provided for the employees.

4.2. Participation of Stakeholders in the Management

Stakeholders may participate in the management's improvement efforts, actively express their opinions and share comments in accordance with the procedures implemented within the organization. Such practices include the EFQM model, self-assessment meetings attended by all office and field employees, and open-door meetings, all of which are developed on the basis of a total quality philosophy and aim to increase productivity. The company also holds regular meetings where employees, suppliers and customers can communicate their expectations from the company. In addition, a number of training programs and various surveys, such as the "work life evaluation survey", are carried out as part of the HR policies.

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From dealer network meetings to factory visits by shareholders, the company strives to reach out to stakeholders and have a greater impact on the community. Furthermore, the company implements a system through which customer requests received by the sales and the dealer network can be monitored, helping to take necessary measures and encouraging feedback.

4.3. Human Resources Policy

The company's human resources policy ensures that the principles of all the systems and processes are set out in written form.

The vision and mission statements of Otokar Human Resources have been defined and published on the corporate website.

Topics such as recruitment policies, career planning, and development and training policies for employees covered by the Personnel Regulations with the goal of ensuring continuous improvement and motivation of the workforce, and encouraging loyalty to the Otokar family. The recruitment and placement policy is based on "the right person for the right job" philosophy, and aims to attract qualified workforce, which is creative, open to innovations and in alignment with company objectives. In all recruitments, Otokar only considers the criterion of matching the job description, and ensures equal opportunity without discrimination.

In addition to the various committees established to manage relations with employees, there are also Human Resources Representatives, representing each division. Activities are carried out in line with the Human Resources policies introduced by the Koç Group, and the rights and working conditions of both office and field employees are secured to ensure that no employee is subjected to discrimination or ill treatment. No complaints were received in this regard during the reporting period.

Employees' job descriptions are defined in writing and shared with the employees. Practices related to employee development and performance reviews are carried out on the electronic platform Koç@insan. This platform is open to all employees, and serves to inform the employees about the company's goals as well as to measure their performance in terms of achieving their targets. The employees can view their progress toward their targets on the system, and the overall performance of the employee is assessed, and communicated verbally during the yearend performance feedback meetings with the employee's supervisor. These face-to-face meetings between the employee and their supervisor help to clarify the employee's training needs and development areas. The ensuing development planning process is also carried out on the Koç@insan electronic platform.

Otokar has a variety of reward systems in place to recognize the work-related achievements of the employees. The criteria set for these reward systems are shared with all employees at the beginning of the relevant reward evaluation process by email. Furthermore, throughout the evaluation process, relevant criteria are also posted on the internal communication screens. At the end of the evaluation process, employees to be rewarded are determined by the evaluation committee composed of the senior management of the company.

All the Human Resources activities are designed according to the principle of developing the human resource and maintaining their loyalty to the company, while aiming to ensure that Otokar continues to grow by updating itself and protecting its competitive advantage.

4.4. Ethics Code and Social Responsibility

Otokar adopts it as a mission to display appropriate attitude and behavior in all of its domestic and international activities and relations with business partners, and toward the wider society, customers, suppliers, shareholders and employees, and strives to spread and promote such behavior both in its industry and also across a larger platform. The company announces how it plans to achieve this mission under Otokar Ethics Code on the corporate website.

As part of the social endeavors carried out in the region where the plant is located and also aimed at the general public, Otokar organizes a variety of activities to contribute to and create value for the community based on the corporate social responsibility and social impact criteria. Detailed information concerning these efforts are included in the Annual Report. The company did not receive any negative notices during the period on account of damage caused to the environment. The company keeps records, primarily in the form of environmental impact reports, related to its activities.

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Otokar aims to create long-term value by combining economic, environmental and social factors with corporate governance principles, and the company's work in this field is presented in detail in the Otokar Sustainability Report, available at www.otokar.com.

SECTION V - BOARD OF DIRECTORS

5.1. The Structure and Formation of the Board of Directors

The table below provides an overview of the current Board Members, all non-executive except for General Manager Ahmet Serdar Görgüç as defined in the CMB Corporate Governance Principles. Members of the Board of Directors have been elected at the General Assembly on 18 March 2018 to serve until the next General Assembly Meeting to review the 2018 activities.

Name & Lastname	Title	Independence Status	Assignments in BoD & Committees	Duties Outside Company
Yıldırım Ali KOÇ	Chairman	Not Independent		Koç Holding A.Ş.-Vice Chairman; Board Member in Koç Group Companies
Levent ÇAKIROĞLU	Vice Chairman	Not Independent	Corporate Governance Committee Member	Koç Holding A.Ş. CEO; Board Member in Koç Group Companies
Selin Ayla ÜNVER	Member	Not Independent		Ünver Holding A.Ş.- Chairwoman
Osman Turgay DURAK	Member	Not Independent		Board Memberships
Kudret ÖNEN	Member	Not Independent	Member of the Risk Management Committee	MESS Chairman; TISK Chairman, Board Memberships
Ahmet Serdar GÖRGÜÇ	Member- General Manager	Not Independent		
Ahmet Nezir OLCA	Member	Independent	Audit Committee Chairman Corporate Governance Committee Chairman	
Ali İhsan KAMANLI	Member	Independent	Audit Committee Member	
Kenan GÜVEN	Member	Independent	Risk Management Committee Chairman	Turkish Heart Foundation - Chairman

The Board of Directors appointed Board Member Levent Çakıroğlu to serve as Vice Chairman in place of former Vice Chairman Halil İbrahim Ünver, who was elected to the Board of Directors by the General Assembly on 15 March 2018 and passed away on 6 September 2018, and Selin Ayla Ünver as Board Member to serve until the next General Assembly Meeting.

The detailed résumés of the Members of the Board of Directors are provided in the annual report.

The duties of the Chairman of the Board and the General Manager are performed by separate individuals. Board Members are encouraged to spare the required time to fulfil their obligations toward the company while there are no rules restricting them from assuming other duties outside the company. Considering that independent members, in particular, may contribute significantly to the Board with their business experience and industry knowledge, no such restrictions have been deemed necessary. The résumé of each Board Member and their other duties outside the company are shared with the shareholders prior to the Annual General Assembly Meeting.

Duties of the Nomination Committee and the Remuneration Committee in the company are carried out by the Corporate Governance Committee.

Three candidates were nominated for independent membership in 2018, and the declarations of independence and résumés of these individuals were evaluated by the Corporate Governance Committee and the Board of Directors on 8 February 2018,

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determining them to be independent member candidates. All independent board members submitted their declarations of independence to the Corporate Governance Committee, and in the 2018 reporting period, no situation that would contravene their independence occurred.

The company agrees that achieving diversity in the Board of Directors in terms of knowledge, experience and perspectives contributes positively to its operations and enhances the effective functioning of the Board of Directors. While there is no policy in place, female member ratio in the Board of Directors is currently 11 percent.

5.2. Operating Principles of the Board of Directors

Issues or agenda items requiring the resolution of the Board of Directors are addresses periodically or when the need arises. Therefore, the number of Board meetings may vary according to such need. In accordance with the Turkish Commercial Code and the relevant articles of the company's Articles of Association, the Board of Directors convenes physically when the company business calls for it, and when necessary, resolutions can be reached by passing around the resolutions pursuant to article 390, paragraph 4 of the Turkish Commercial Code Article. The Board of Directors drew up 19 resolutions in 2018. Minimum two of the independent members have been made sure to attend the meetings. The Board convenes for meetings when company business so requires. Although there is no dedicated secretariat established to facilitate communication, the Investor Relations and Corporate Governance Department under the Finance, Risk Management and Investor Relations Directorate prepares the meeting agenda, records the resolutions, and monitors the outcome of resolutions.

Should any issues that require the Board's resolution as dictated by the company's Articles of Association arise, the senior management of the company notifies the Board Members of the situation, and the meeting agenda is set accordingly. Otherwise, a meeting agenda may also be drawn up when a Board Member notifies the upper management of a specific matter that requires the Board's resolution.

Issues that need to be discussed by the Board of Directors are gathered and consolidated by the Finance, Risk Management and Investor Relations Directorate and the meeting agenda is drawn up accordingly.

The Finance, Risk Management and Investor Relations Director at Otokar A.Ş. is in charge of setting the agenda of the Otokar A.Ş. Board meetings, preparing the Board's resolutions, and informing and communicating with the Board Members.

Different views expressed during the Board meetings as well as the reasons for casting opposing votes are recorded in the minutes of the resolutions. However, since no such opposing or discordant views were recently expressed, no disclosures were made to the public in this regard.

Board Members and senior executives of the company are covered by an "Executive Responsibility Insurance" policy.

While overseeing the company's activities, the Board of Directors assesses the potential for any conflicts of interests, and if such potential exists the board evaluates its repercussions for the company, and reaches necessary resolutions to act in the best interest of the company. In addition to ensuring that provisions are complied with in related party transactions, Board of Directors also assesses potential risks for misconduct and diligently addresses the transactions of related parties.

5.3. The Number, Structure and Independence of the Committees formed by the Board of Directors

The company's Board of Directors has formed several committees in order to effectively fulfil its duties and responsibilities, and these committees carry out their activities in accordance with specified procedures. The Committees reach certain decisions after independently conducting a number of studies before presenting these in the form of proposals for the Board's consideration, with the Board then reaching the final decision.

The Committees' operating principles and fields of activity are determined by the Board of Directors, and disclosed to the public.

The heads of the committees are appointed from among the Independent Board Members, while all the members of the Audit Committee consist of Independent Board Members.

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The Committees document all of their activities and keep records. The Committees hold meetings as frequently as deemed necessary for working effectively and as defined by their operating principles, and they report the information and results of their work to the Board of Directors.

Members who serve on multiple one committees facilitate communication and increase opportunities for cooperation between committees handling related subjects. The Board of Directors believes that it has obtained the expected benefit from the committee's work.

Operating principles of the committees are available on the corporate website.

Audit Committee

The Audit Committee, established pursuant to the Board of Directors' resolution dated 29 April 2003, fulfils the duties of audit committees set out in the Capital Market Legislation.

The Board of Directors resolved on 12 April 2018 that the Audit Committee would be composed of 2 independent members, with Ahmet Nezhil Olcay appointed as Chairman, and Ali İhsan Kamanlı as Member of the Committee.

In 2018, the Audit Committee submitted to the Board of Directors a written report of its views on the choice of independent auditor, its assessments of annual and interim financial statements to be disclosed to the public in terms of their truth, accuracy, and compliance with the accounting principles adopted by the company as well as the decisions made during Committee meetings held within the year. The Audit Committee convened 5 times in 2018.

Corporate Governance Committee

The Corporate Governance Committee was established following the Board of Directors resolution on 25 May 2012 to monitor the company's compliance with the Corporate Governance Principles, to examine the reasons for non-compliance with the Principles, which are not yet implemented, and propose improvement actions, to evaluate corporate governance practices and the Corporate Governance Compliance Report, and to oversee the work of the investor relations department. The Committee's operating principles have been announced on the corporate website. The Board of Directors resolved on 12 April 2018 that the Corporate Governance Committee be composed of three members and that Ahmet Nezhil Olcay, who is an Independent Member, be appointed as the Chairman, and Levent Çakıroğlu ve Hüseyin Odabaş as Members of the Committee, and to also serve as the Nomination Committee and the Remuneration Committee in accordance with the Communiqué.

The Corporate Governance Committee notified the Board of Directors in writing the assessment of the Corporate Governance Compliance Report as part of the annual report, their opinions on the assessment of the Investor Relations Department's Report as well as the decisions reached at its meetings throughout the year. The Corporate Governance Committee convened 8 times in 2018.

Risk Management Committee

The Board of Directors resolved on 11 July 2012 to establish the Risk Management Committee, which would work on early detection of risks that could pose a threat to the company's presence, development and continuity, and on applying necessary measures to mitigate these risks in order to ensure compliance with article 378 of Law 6102 of the Turkish Commercial Code, which entered force in July 2012. The Board of Directors resolved on 12 April 2018 that the Committee would be composed of two members, with Kenan Güven, who is an Independent Member, as the Chairman, and Kudret Önen as a Member of the Committee. The committee convenes at least six times a year.

In 2018, the Risk Management Committee notified the Board of Directors in writing regarding its assessment of the Risk Report to be included in the annual report, its opinions on the risk factors, and the decisions reached at its meetings throughout the year. The Risk Management Committee convened 7 times in 2018.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

5.4. Risk Management and the Internal Control Mechanism

A risk management and internal control mechanism is in place to address the company's financial and administrative activities. The Finance, Risk Management and Investor Relations Directorate and Internal Audit department are in charge of ensuring that the company operates effectively and in accordance with capital markets legislation and regulations.

Our company's financial statements are examined by the Audit Committee, which is formed by the Board.

The company's financial statements are reviewed by the Audit Committee formed by the member of the Board of Directors. The main risks that the company is exposed to are monitored under four main headings; financial risks, strategic risks, operational risks and legal risks. The Risk Management Committee and Board of Directors are periodically informed of these risks. Detailed information concerning risk management is included in the related part of annual report.

5.5. The Company's Strategic Goals

Otokar preserves the local and national identity characteristics in its products by developing its own technology and aims to ensure the continuous satisfaction of its customers, employees, and shareholders by embracing a philosophy of total excellence.

The Board of Directors manages and represents the company through its strategic decisions, taking into consideration particularly long-term interests in light of keeping the company's risk-growth-profits balance at the most appropriate level through a rational and cautious risk management approach.

The Board of Directors sets the company's strategic goals, identifies the human and financial resources needed to achieve them, and oversees the performance of management.

Strategic Goals:

The Board of Directors defines the strategic objectives, identifies the resources needed, and controls the management performance in this context. The work of the relevant units in the formulation and implementation of strategic objectives is presented to the Board of Directors by the Senior Management. Financial performance values and strategic issues that are followed comparatively by budget are assessed by the Board of Directors in strategic evaluation meetings held 3 times a year and suggestions are developed.

5.6. Remuneration

Payments and benefits offered to the Board of Directors and senior executives, as well as the criteria for determining such remuneration, are detailed in the company's "Remuneration Policy regarding Board Members and Senior Managers", which was presented to the shareholders on the company's website as part of the "Information Document" three weeks prior to our Annual General Assembly held on 26 March 2015. This was then approved at the Annual General Assembly and entered into effect. This policy, which was included in the agenda of the ordinary General Assembly meeting to review the 2017 activities and also disclosed to the public on the corporate website as well as with the annual report, will again be included in the agenda of the ordinary General Assembly Meeting on 18 March 2019 and presented to shareholders for discussion. Total remuneration paid to the Board Members and Senior Managers is evaluated annually by the Corporate Governance Committee and the Board of Directors.

Remunerations provided to the Board of Directors and the Senior Management, as stated in the notes to the financial statements are not disclosed on the basis of the persons but as the total of remunerations provided to Board Members and Senior Management consisting of the General Manager and Assistant General Managers.

The company does not get involved in transactions that might lead to conflicts of interest such as extending loans to Members of the Board of Directors or Executives, or providing collateral on their behalf.