SUSTAINABILITY REPORT 2019

Otokar

ABOUT THE REPORT

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

We transparently share our activities with our stakeholders through sustainability reports we publish while continuing to create value for our stakeholders. Once again, in our 7th sustainability report we publish this year, we share our responsible governance approach, business strategies, impacts of our activities and the performance results we obtain.

This report has been prepared in accordance with the GRI Standards: Core option. The framework of the reports consists of Otokar Sustainability Priorities identified based on the principles specified in GRI Standards. The clarifications on material topics are based on clarification sets offered in these Standards. This report also includes improvements on United Nations Global Compact and United Nations Women's Empowerment Principles. Industry-wide performance criteria are used in the performance areas not covered by the GRI Standards.

The scope of the Otokar Sustainability Report involves data on activities of Otokar Otomotiv ve Savunma Sanayi A.Ş. conducted in Turkey between January 1st, 2019 and December 31st, 2019. In the content of this report, the performance of the organizations in which our company is a shareholder is not included, except for financial figures. The commentaries for these companies are intended merely for general information purposes. You can reach the Otokar 2019 Sustainability Report and the reports of previous periods at www.otokar.com.tr You can send your comments and suggestions about the report by e-mailing to kyl@otokar.com.tr or through our website.

MESSAGE FROM THE GENERAL MANAGER

Esteemed Stakeholders,

Covid-19 pandemic started as of the end of 2019 and spread widely went beyond a global health crisis and impacted economic and social development deeply. Covid-19 process proved us the importance of sustainability studies in constructing more equal, inclusive and sustainable economies and societies.

At Otokar, we took necessary precautions from the very beginning of the Covid-19 process to protect the health of our employees, to ensure the continuity of our work, to reduce the impact of the epidemic and to prevent its spread. Specially to ensure regular operation in personnel transportation, public transportation and vehicles that serve for logistics in the service sector and in critical areas such as health, we ceaselessly continued to provide service. We prepared our alternative plans for all possible situations to maintain our sustainable growth.

We believe that the impacts of global crisis will sag with the correct steps that will be taken, and the automotive sector which is our area of operation will prove its strength and durability in this crisis as it did in many crises.

The year 2019 has become a year that we signed precious achievements. We obtained 2.4 billion TL turnover and accomplished a record growth of 45% in 2019 in which we focused on long term targets. 80% of our total turnover consists of exportation revenues.

We continued to strengthen sustainability-oriented corporate governance approach while sustaining economic growth both domestically and internationally. We ranked among companies in the BIST Sustainability Index, for the fifth time. We have advanced our goal of creating long-term value by combining economic, environmental and social factors with corporate governance principles.

In 2019, we saved 150,350 m^3 water and recovered 98% of solid wastes during our activities in terms of reducing environmental impacts and the protecting of the environment. In addition, we saved 1,469 GJ energy and prevented 259 tons of CO_2e greenhouse gas emission thanks to efficiency projects we conducted.

Within the framework of the importance we attach to R&D, I would like to proudly announce that the R&D investments we performed in the last decade reached 1.1 billion TL. While taking steps on alternative fuel vehicles in the field of commercial and military vehicles, we also focused on digitalization projects.

The year 2019 has become a year that we contributed and maintain to development our employees, our most important capital, egalitarian and participant business climate, we gave 43,756 person*hour occupational and personal training in this regard. Also, we conducted 17,416 person*hour training for our employees and suppliers occupational health and safety, which we consider as one of the critical areas of the Covid-19 process.

At Otokar, we continue to progress towards our goals by focusing on sustainability and innovation unwaveringly.

We would like to extend our gratitude to our employees investors and shareholders, suppliers, business partners and all other stakeholders, accompanying us, for their trust and support in this journey.

Serdar Görgüç | General Manager

1963-2019 MILESTONES...

1960's & 1970's

1963
The company was founded in Bahçelievler under the name "Otobüs Karoseri A.Ş.".

1964
First intercity buses of Turkey were manufactured under Magirus license.

1967
The first small buses were manufactured and exported.

1968
The legendary buses of the period, Havalı Apollo were manufactured.

1970
Minibuses suitable for public transportation were designed and manufactured.

1976
The company joined Koç Group.

1980's & 1990's

1980
Turkey's first armored cash-in-transit vehicle was designed and manufactured.

1984
The title of the company was amended as "Otokar Otobüs Karoseri Sanayii A.Ş.".

1987
The production of tactical wheeled vehicles launched under Land Rover Defender licence.

1990
The production and exportation of Turkey's first tactical wheeled armored vehicle were realised.

1995
IPO of Otokar shares were realized.

1997
The factory was relocated to an 86,000 m^2 plant in Sakarya.

1999
Otokar Marketing Inc. has been taken over.

2000's

2002
Istanbul Fruehauf A.Ş. has been taken over.

The design and production of small buses started under the name of Sultan, in the first year, second place in the market has been achieved.

2003
Turkey's first ADR-certified tanker was produced.

2004
The R&D studies of Otokar were consolidated under the R&D Centre.

2005
Semi-trailer under the brand Otokar was designed and manufactured.

Armored homeland security vehicle joined the product range.

2000's

2007
Medium size bus, "Vectio", was designed and included in the production plan. Turkey's first electric bus was manufactured.

2008
The company was named as the prime contractor for the modern tank production with national resources project in order to meet the current requirements of Turkish Armed Forces. The production area was increased to 552,000 m^2 area.

2009
Mine-resistant armored vehicle "Kaya" and 12-meter city bus "Kent" were added to the product range. "Doruk" was entitled to "Design Turkey Design Award" in Turkey and "Busworld Kortrijk Grand Award" in Europe.

1963-2019 MILESTONES...

2010's

2010
The company legal name was amended as “Otokar Otomotiv ve Savunma Sanayi A.Ş.”. “Arma 6x6” the first multi-wheeled armored vehicle platform was added to product range.

2011
City bus “Kent” won Jury’s Special Award at the “European Coach Week.”

Armored combat vehicle “Arma 8x8” was added to the product range. The subsidiary, Otokar Europe, was founded in France.

The real-size model of the national main battle tank Altay was presented to the public.

2012
Otokar Tank Test Centre was opened. The preliminary prototypes of the national main battle tank Altay were presented to the public. Turkey’s first electric bus “Doruk Electra” was introduced. Istanbul Metropolitan Municipality ordered 900 of KENT city buses.

2013
Light commercial truck manufacturing has started. Turkey’s first original tracked armored vehicle “Tulpar” and armored personnel carrier Ural were added to the product range.

2010's

2014
Otokar has been the most sold bus brand in Turkey for the 5th time. ISO 10002 certification for customer satisfaction was received.

Otokar R&D Centre was entitled as the “The Most Successful R&D Centre” in the automotive industry. Otokar Electromagnetic Compatibility Test Centre was accredited.

2015
Tulpar S Tracked armored Combat Vehicle, CBRN Reconnaissance Vehicle Arma 8x8 and Kent articulated buses were added to the product range.

The 2015 Defense Industry First Prize was awarded by the Under Secretariat for Defense Industries.

OHSAS 18001 occupational health and safety certificate was received.

Otokar became the leader in Turkey’s small bus export.

Otokar was listed in the BIST Sustainability Index.

2016
Otokar Land Systems Limited was founded in the United Arab Emirates.

Cobra II armored vehicles entered the TSK inventory; the first export agreement was signed for Cobra II.

2010's

2016
Otokar developed the Smart Bus application in cooperation with İSBAK and KoçSistem as part of the CoMoSeF Project.

The company won the tender for the purchase of 100 articulated buses by ESHOT – a subsidiary of Izmir Metropolitan Municipality and the delivery was completed.

Otokar R&D Test Centre Climatic Chamber named the first and only approved test station in Turkey for ATPtype approval tests of vehicle superstructures.

The company became the leader in Turkey’s bus market in all segments it operates in; and Turkey’s most preferred refrigerated semi-trailer brand.

2017
Al Jasoor, the joint venture company of Otokar Land System Company, signed the contract for 8x8 tactical wheeled armored vehicles.

Sultan series vehicles updated, Sultan LF added to the city bus range.

2010's

2017
Renewed Doruk T was introduced to the European Market under the name Ulyso.

Activities launched to shift in focus toward Industry 4.0, the fourth industrial revolution.

2018
In terms of digital transformation projects, Otokar mobile application for commercial vehicle users was launched.

Otokar signed an agreement with the Municipality of Bucharest, the largest bus export agreement for a single Turkish bus brand with 400 orders and started product delivery.

Cobra II was included in the inventory of Turkish Armed Forces.

34 city buses were ordered from Warsaw Municipality.

The first export of Kent DG buses with natural gas to Spain was realized.

Otokar established Otokar Europe Filiala Bucuresti S.R.L. to manage its export activities in Romania.

Amman Municipality's bus tender was won; a total of 135 bus orders were received.

In Turkish bus market, Otokar became the market leader in the total segments in which it operates.

2019 HIGHLIGHTS

AKREP II WAS ADDED TO ARMORED VEHICLE FAMILY. **TURKEY' FIRST ELECTRIC ARMORED VEHICLE** IS INTRODUCED WITH AKREP.

OTOKAR IS LISTED IN BIST SUSTAINABILITY INDEX **FOR THE FIFTH TIME** IN A ROW.

OTOKAR RECEIVED **GOLDEN MEDAL AWARD AND TECHNOLOGICAL SUCCESS** AWARD IN EXPORTATION ACHIEVEMENTS AWARDS ORGANIZED BY AUTOMOTIVE MANUFACTURERS ASSOCIATION.

OTOKAR DELIVERED **400 KENT BUSES TO** BUCHAREST MUNICIPALITY.

OTOKAR **CENTRAL ASIA COMPANY** WAS FOUNDED IN KAZAKHSTAN.

FULL ELECTRIC, 12-METER BUS e-KENT C WAS EXHIBITED FOR THE FIRST TIME IN THE INTERNATIONAL MASS TRANSPORTATION SUMMIT HELD IN SWEDEN.

OTOKAR HAS BECOME **THE BUS MARKET LEADER** IN THE TOTAL OF SEGMENTS IT OPERATES IN TURKEY.

OTOKAR CLIMBED 38 PLACES UP TO **RANK 49TH** IN ISTANBUL CHAMBER OF INDUSTRY (İSO) TURKEY'S TOP 500 INDUSTRIAL ENTERPRISES LIST

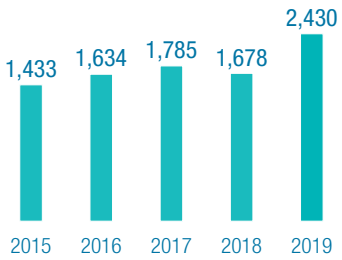
INTERNATIONAL DATA CORPORATION (IDC) AWARDED OTOKAR WITH **"BIG DATA AND ANALYTICS AWARD"** AT THE AI & ANALYTIC AWARDS AND **"MOBILITY IN MANUFACTURING AWARD"** AT THE SMART MANUFACTURING SUMMIT.

OTOKAR IMPLEMENTED **KAIZEN PRACTICES**, TRAINING PROGRAMS, ON-THE-JOB TRAINING AND REWARDING SYSTEMS TO FURTHER ENHANCE PRODUCTION EFFICIENCY.

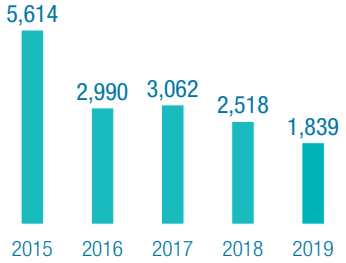
ABOUT OTOKAR

As the leading commercial vehicle and defense industry manufacturer in Turkey, Otokar is manufacturing buses and light trucks in commercial vehicles and tactical wheel and tracked armored vehicles of different types and tower systems for the defense industry. Otokar is a global brand with 100% local capital, offering products whose intellectual property rights it owns, to more than 60 countries on five continents, through approximately 300 sales and service points.

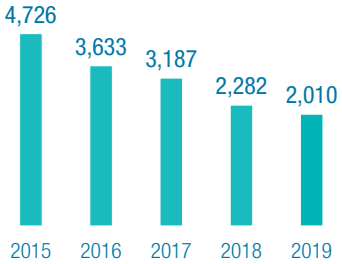
SALES REVENUES (MILLION TL)



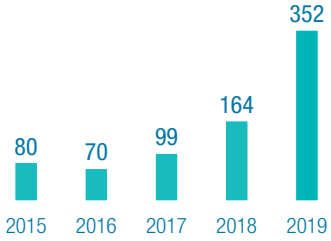
PRODUCTION (UNIT)



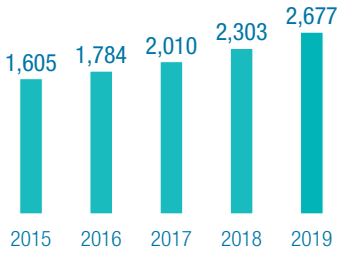
SALES (UNIT)



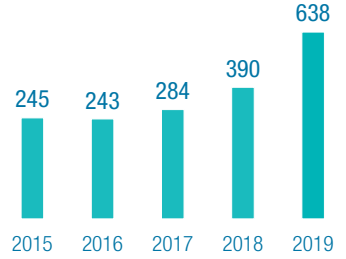
NET PROFIT FOR THE YEAR (MILLION TL)



TOTAL ASSETS (MILLION TL)



EQUITY (MILLION TL)

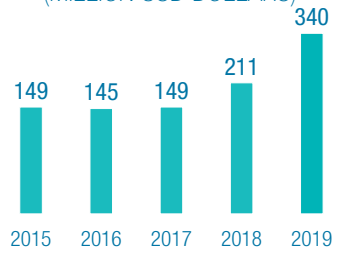


90%
Share of Otokar Designed Vehicle Sales in Turnover

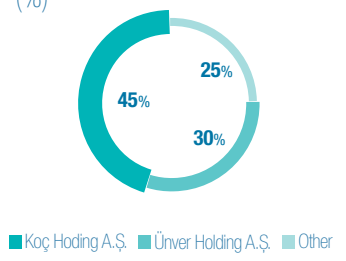
9.40
Corporate Governance Rating

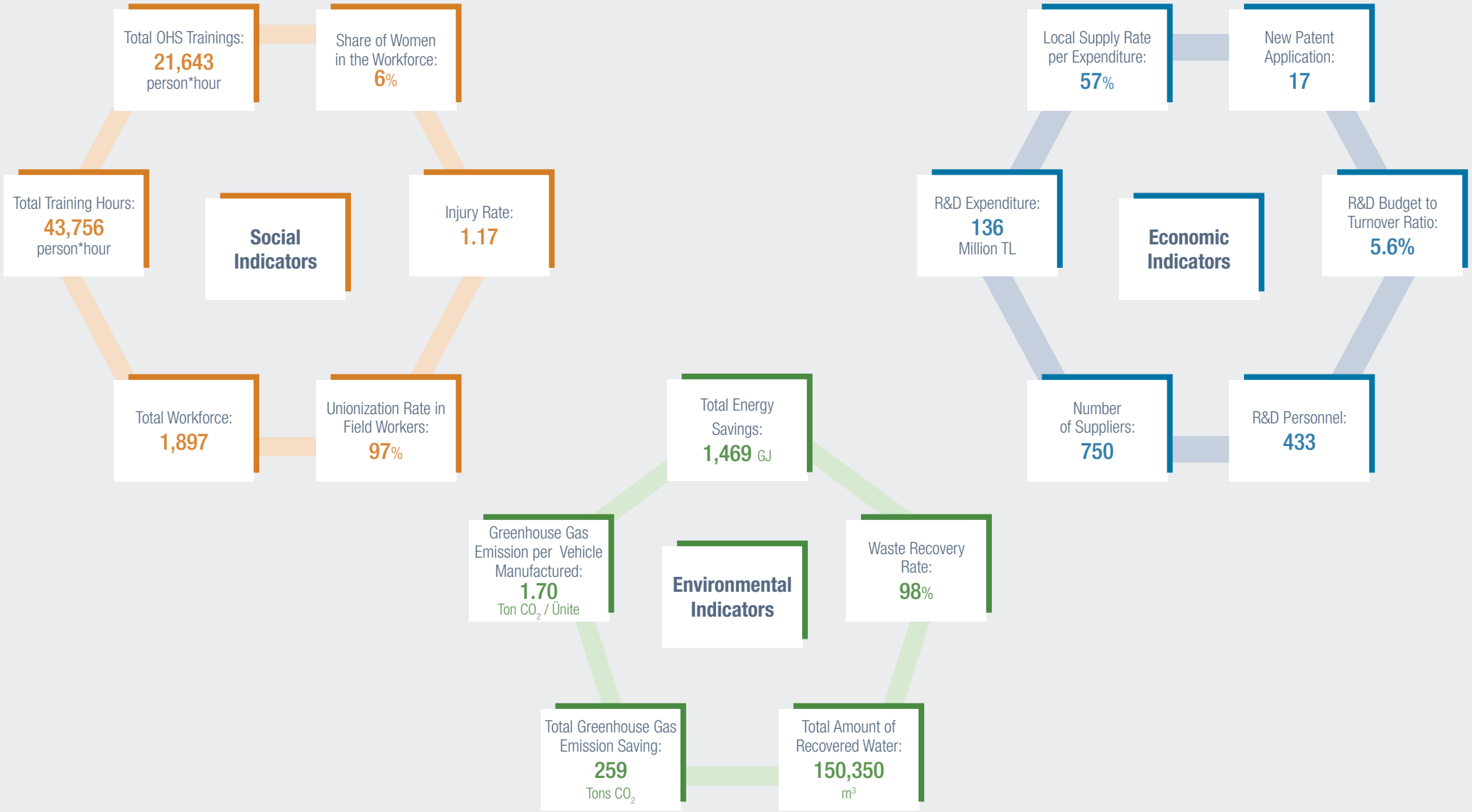
14% Capacity Utilization Rate

EXPERT REVENUES (MILLION USD DOLLARS)



SHAREHOLDER STRUCTURE (%)




Total OHS Trainings: 21,643 person*hour
Share of Women in the Workforce: 6%
Total Training Hours: 43,756 person*hour
Social Indicators
Injury Rate: 1.17
Total Workforce: 1,897
Unionization Rate in Field Workers: 97%
Local Supply Rate per Expenditure: 57%
New Patent Application: 17
R&D Expenditure: 136 Million TL
Economic Indicators
R&D Budget to Turnover Ratio: 5.6%
Number of Suppliers: 750
R&D Personnel: 433
Total Energy Savings: 1,469 GJ
Greenhouse Gas Emission per Vehicle Manufactured: 1.70 Ton CO_2 / Ünite
Environmental Indicators
Waste Recovery Rate: 98%
Total Greenhouse Gas Emission Saving: 259 Tons CO_2
Total Amount of Recovered Water: 150,350 m^3

RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT

Otokar adopts a responsible management approach focused on sustainable development. This approach involves transparency, fairness, inflexible adherence to ethical values and laws and accountability. Otokar's essential corporate governance structure focuses on producing sustainable value for its stakeholders.

CORPORATE GOVERNANCE AND BOARD STRUCTURE

Otokar corporate governance model is in line with Corporate Governance Principles set by Capital Markets Board. Otokar raised its first Corporate Governance Principles Compliance Rating of 8.64 on the Borsa Istanbul Corporate Governance Index to 9.40 in 2019, proving that it complied significantly with corporate governance principles and its endeavours on compliance continue.

At Otokar, the Board of Directors, which is the highest governing body of the Company, consists of 8 members, 3 of whom meet the independence criteria set by the Capital Markets Board (CMB). All of the members of the Board of Directors, except for the General Manager, are nonexecutive members according to the definitions issued by the CMB. The duties of the Board of Directors and General Manager are performed by different individuals.

The Board of Directors is responsible for determining the company's main strategies, monitoring the realization of the activities in line with these strategies, ensuring the management of the risks that may be effective on the company's existence and success, and for monitoring social, environmental and economic impacts. The Corporate Governance Committee established in affiliation to the Board of Directors works to increase the work efficiency of Risk Management Committee and Audit Committee. The Committee is chaired by independent members. In line with the communiqués of the CMB, the Corporate Governance Committee is also charged with performing the duties of Nomination Committee and Remuneration Committee.

The principles of remuneration of the members of the Board of Directors and senior executives are realized through the Otokar Remuneration Policy. While a fixed remuneration is allocated to the members of the Board of Directors, the remuneration system, which takes into account the corporate and individual performance in the remuneration of the General Manager and senior executives, is applied. The financial rights provided to the members of the Board of Directors and senior executives are announced through the activity reports and the financial statements announced on the website.

Detailed information about the structure and duties of the Otokar Corporate Governance and Board of Directors is available on the Otokar 2019 Annual Report and on the corporate **website**.

RISK MANAGEMENT

Risk management at Otokar is performed in line with Risk Management Policy prepared in compliance with Koç Group Management Policy. Otokar Risk Management Committee is responsible for the monitoring and policy compliance of risk management processes. The responsibilities of Risk Management Committee include the early detection of risks that may endanger the existence, development and continuity of the company, taking and implementing the necessary precautions regarding these risks, and conducting studies to manage these risks.

Otokar pays attention to the adoption of risk management approach in the whole company. In this context, under the supervision of the Board of Directors and the leadership of the General Manager, the risk management approach is disseminated via all managers throughout the company. Through this risk management model, Otokar aims to achieve strategic goals, to ensure sustainable development and operational and financial integrity, to prevent potential situations that may adversely affect company's reputation and social license to operate, and to limit the negative impact on the company where there are cases that cannot be prevented. A preventive approach in which tools that enable early detection of risks are used is adopted in Otokar risk management.

BUSINESS ETHICS AND ANTI-CORRUPTION

Otokar puts the compliance with legal regulations and business ethics principles in the centre of all of its activities including both its own operations and supplier operations. Otokar Ethics Principles are set in compliance with Koç Holding Code of Ethics and Code of Practice; and expects all the related stakeholders including its employees, dealers, suppliers, business partners to act in line with these principles. The Board of Directors is responsible for setting company's ethical principles, revising it if necessary, publishing it, and the functioning of the relevant organs, systems and procedures.

Due to the nature of the sector it operates in, the main customer group of Otokar consists mostly of local managements and central public authorities. This takes Otokar to a preliminary position in anti-bribery and anti-corruption. Koç Holding's Code of Ethics and Code of Practice also regulate anti-bribery and anti-corruption principles and policies.

Otokar expects compliance with the UN Global Compact criteria signed by Koç Holding in its activities as stated in the Code of Ethics. Similar behaviour is reported within the framework of the Code of Ethics, which is expected from all relevant stakeholders. The procurement contracts prepared in this direction include references to the principles of the Global Compact and thus the risks that may arise on issues such as human rights, employee rights, environmental awareness, business ethics and anti-corruption, and these risks are minimized in the processes of suppliers, dealers and business partners.

The Otokar Ethical Behaviour Committee is responsible for the conduct of audit activities to prevent bribery and corruption in the company and value chain, and to ensure compliance with ethical rules and to identify violations. Audit studies are done by Otokar internal audit teams, and company operations are subject to audits performed by Koç Holding Audit Teams.

Through the corporate website, you can view Otokar Ethics Principles published in order to provide easy access for dealers, suppliers and other relevant stakeholders as well as the managers and employees of the company. All Otokar employees are obliged to report non-compliance with ethical rules, including cases of bribery and corruption, by following established procedures. Suspicious situations and behaviours related to bribery and corruption, proposals and requests are communicated to the Koç Holding Audit Team managers via direct communication channels.

Employees and other relevant stakeholders may apply to the Ethics Committee to report violations of the code of ethics using the communication channels set out in the framework of the confidentiality principle. The processes defined by the Code of Ethics of Otokar and Koç Group are initiated when a violation application is made. Cases detected based on notifications received or audits made are reviewed by the Ethics Committee. The related disciplinary process begins to encompass legal processes when necessary.

According to the principles of anti-bribery and anti-corruption in the scope of the Otokar Code of Ethics, employees of Otokar cannot accept or give in kind gifts, cash or substitute gifts other than symbolic gifts which have no significant financial value at the minimum allowed by the local culture. In line with the same rules, Otokar does not let any political opinion or ideology, political organizations or parties or candidates to conduct any direct or indirect support to political act or propaganda work.

It does not conduct lobbying activities in order to create exclusive benefits for the Company and does not support individuals or organizations for this purpose.

Otokar develops commercial relations with its local and central public institutions, which constitute a wide place in customer portfolio, in accordance with the free competition conditions. Individuals who represent Otokar in these relationships act in line with the principle of transparency.

Otokar employees are not held responsible for any direct or indirect damages to which the company may be exposed due to their compliance with ethical principles - for example, responding negatively to a bribe request or refusing to be a party to corruption- and no sanctions may be imposed on them.

Employee and relevant stakeholders may report corruption and other misconduct through application forms accessible from the corporate website. All notifications are evaluated seriously by Otokar Ethics Committee. During reporting period, there were no notifications communicated through related channels regarding cases of non-compliance with company code of ethics, human rights violations or corruption cases.

You can reach the Otokar Code of Ethics by clicking this **link**.

INTERNAL AUDIT

Otokar Internal Audit Unit performs risk- and process-based audit studies and ensures company operations to comply with the legislation, corporate policies and principles, and the strategic goals. Otokar Internal Audit Department teams audit all business units are audited once a year in terms of financial and operational processes. Legal compliance and corruption risks are also assessed in these audits.

In addition to Otokar internal audits, the audits conducted by Koç Holding Audit Group every year cover financial, operational, legal compliance, human rights, environment, business ethics and corruption issues. Moreover, Otokar operations are subject to the annual financial audits conducted by independent auditing firms, as well as audits conducted by public institutions.

The audit findings and suggestions for improvement are transferred to the relevant managers. In case of violation of business ethics and anti-corruption rules or suspicious situation in audits, this is reported directly to the senior management of the company, During this process, the related cases are reported to the Board of Directors through the Audit Committee and to Koç Holding senior management of Koç Holding through the Koç Holding Audit Group.

In 2019, all business units were internally audited and no inconformity to ethical rules, human rights violations or corruption cases were found.

SUSTAINABILITY MANAGEMENT

Otokar's sustainability strategy is to maintain the domestic capital structure and profitability with a business model that is committed to environmental, human and social sensitivity, adhere to universal human rights and business ethics, operational excellence and customer satisfaction, and that is focused on developing high-tech, value-added products.

The Board of Directors of Otokar determines the strategic orientations of commercial, operational, social, environmental and economic issues within the framework of Otokar sustainability strategy. The Board of Directors also monitors the sustainability performance of the senior management. Otokar Sustainability Working Group monitors the social, environmental and economic impacts caused by company operations.

In BIST Sustainability Index

Assessed according to Index Selection Criteria set by Borsa Istanbul due to its studies on sustainability, Otokar is entitled to be listed for the fifth time in Borsa Istanbul (BIST) Sustainability Index. Aiming to create long-term value by combining economic, environmental and social factors with corporate governance principles, Otokar is listed among 56 companies in BIST Sustainability Index through the studies it performed.

Sustainability Working Group is also responsible for monitoring stakeholder expectations regarding the sustainability impacts with a risk and opportunity-oriented approach. Otokar Sustainability Priorities are determined by evaluating the findings in the workshops held with the participation of Working Group members, General Manager and Deputy General Managers as well as expert views. The outputs of these studies are evaluated and approved by the senior management. Material topics are evaluated by experts every year, and in case of a change in the conditions constituting the material topics, the work carried out is renewed.

Otokar adopts United Nations Global Compact and UN United Nations Women's Empowerment Principles signed on behalf of all Koç Group companies in its operations in general and actively supports these principles. In addition, Otokar has embraced Otokar United Nations Sustainable Development Goals (SDGs) and takes into account the compliance of its sustainability priorities with these goals.

OTOKAR MATERIAL TOPICS

	SUBJECT HEADINGS	SUPPLY PROCESSES	DESIGN AND MANUFACTURING PROCESSES	DISTRIBUTION PROCESSES	SALES AND MARKETING PROCESSES	AFTER SALES PROCESSES	SDG REFERENCES
SUSTAINABILITY PRIORITIES	Climate Change, Energy, Greenhouse Gasses	•	•	•	•	•	7, 12, 13, 17
	Environmental Impacts of Manufacturing		•				6, 12, 13, 15, 17
	Vehicles with Minimised Environmental Impact				•	•	7, 9, 11, 12, 13, 17
	Product and Service Responsibility		•			•	12, 16, 17
	Human Rights	•	•	•	•	•	5, 10, 17
	Occupational Health and Safety	•	•	•	•	•	3, 17
	Social Development and Employee Volunteering	•	•	•	•	•	1, 2, 3, 4, 5, 10, 17
	Employee Rights	•	•	•	•	•	5, 8, 10
	Talent Management		•	•			1, 5, 8, 17
	Innovation		•	•			9, 11, 17
	Supporting Local Economy					•	1, 2, 17
MANAGEMENT PRINCIPLES	Customer Satisfaction		•		•	•	
	Competitive Strategic Planning		•		•		
	Stakeholder Engagement		•				16, 17
	Risk Management	•	•	•	•	•	16, 17
	Business Ethics and Anti-corruption	•	•	•	•	•	16, 17

STAKEHOLDER PARTICIPATION

Otokar aims to create value for all of its stakeholders while performing its operations. It is of importance to learn and meet the expectations of stakeholders when creating value for them. Continuous communication is maintained with all relevant stakeholder groups, primarily customers, employees, suppliers and shareholders, public institutions and regulatory agencies, NGOs and the media. Otokar adopts a constructive, transparent communication approach based on trust and cooperation in its relationships with stakeholders. Communication methods and frequency are shaped according to the expectations and information needs of stakeholders.

Otokar, whose shares are publicly traded in Borsa Istanbul, executes shareholder relations in accordance with the capital markets regulations. The Investor Relations Unit establishes transparent and regular communication with investors and shareholders. Information about the Company is communicated to the related parties through annual ordinary general assembly meetings, annual reports, sustainability reports, annual and quarterly financial performance reports, periodical analyses and information documents, website, press releases, material disclosure announcements, meetings and interviews. All information requested by shareholders is provided on condition that they do not violate the confidentiality.

Communication activities for all other external stakeholders that may have an impact on the Company's activities are carried out by the Corporate Communication Unit. The content of the communication instruments is shaped by the feedback and requests received from the stakeholders.

The Corporate Communications Unit is also responsible for identifying the company's corporate communication strategies and practices and implementing social development projects. When identifying stakeholder groups to carry out joint activities in project areas such as social responsibility, it is ensured that they adopt ethical principles that is identical to Otokar and a constructive working culture focused on mutual benefit.

Various communication tools are used in the employee communication diversified according to their purpose. Internal management changes, important announcements and press releases are shared on the corporate intranet channel. “This Month in Otokar”, Otokar Line Blog and Otokar News e-bulletin publications are used in communication with customers, authorized dealers and services as well as employees. The training activities that are carried out constitute an important part of the communication activities for employees, authorized dealers and services.

Otokar internal communication channels include customer satisfaction research, work life evaluation surveys, management bodies such as OHS Committees organized in production facilities, self-assessment meetings and open-door meetings. These instruments enable Otokar management decision-making processes enriched with employee expectations and suggestions.

Otokar supports the activities of the non-governmental organizations and platforms of which it is a member by taking part in the management bodies. As of 2019, Otokar plays a role as a member in 18 institutions.

CORPORATE MEMBERSHIPS

- Adapazarı Chamber of Commerce and Industry
- Automotive Distributors Association
- Automotive Manufacturers Association
- Automotive Technologies Research and Development
- Automotive Technology Platform
- Commercial Vehicle Exporters Association
- Defense Industry Manufacturers Association
- European Defense, Aviation and Security Organization
- Foreign Economic Relations Board
- Industry Inc.
- Istanbul Chamber of Commerce
- Istanbul Chamber of Industry
- Istanbul Mining and Metals Exporters' Association
- Metal Goods Industrialists Union
- New Investor Relations Association
- Quality Association
- Technology Development Foundation
- Turkey Industrialists and Businessmen's Association
- Uludag Exporters Association
- Union of Chambers and Commodity Exchanges of Turkey

STEADY GROWTH, CONTINUOUS DEVELOPMENT

Otokar is Turkey's most preferred bus brand, pioneer defense industry land systems supplier with 100% domestic capital and own technology, design and applications. Otokar carries out its manufacturing activities in Arifiye, Sakarya, with 1,897 employees. Otokar has nearly 300 authorized sales and service points in more than 60 countries.

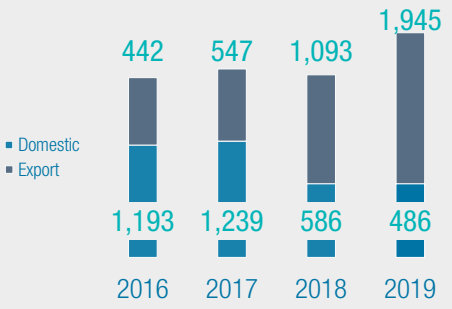
Despite the shrinking in bus market in 2019, Otokar finished the year in the leadership position in the segments it operates, consolidating its market leadership for the 11th time. One of the three buses sold in Turkey carries the brand “Otokar”. Enforcing mass transportation fleets of municipalities with innovative and environmentally-friendly vehicles, Otokar received Kent bus orders from ESHOT, which is affiliated to Izmir Metropolitan Municipality. With this order, the number of Otokar buses offering service in İzmir Metropolitan Municipality which is Turkey’s third greatest city reached 350.

In addition to the strong domestic network, Otokar exported buses to 50 countries, primarily the European countries. The company increased its bus export volume in units by 29 percent in 2019. With the new orders, Otokar’s total vehicle park exceeds 2,200 units in France alone. Again, while sales volume in markets such as Jordan, Italy and Serbia, the number of Otokar brand vehicles on the streets of Malta is now over 240. In the same period, Otokar delivered 400 Kent buses to Bucharest, Romania.

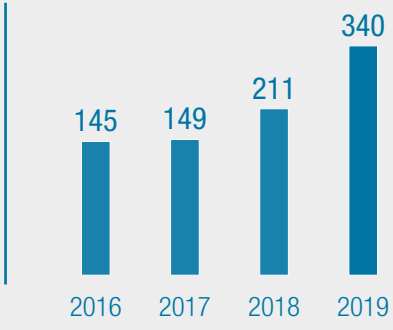
Otokar sustained the success it achieved in defense industry segment in 2019 as well and doubled its defense export compared to 2018.
In the same period, Otokar focused on delivering the orders of military vehicles received both domestically and from abroad.

With a mission to offer the best solution every time based on market conditions, user expectations and needs, Otokar added new vehicles to its product portfolio in 2019. Electric 12-meter city bus Kent Electra, Akrep IIe, Turkey's first electric armored vehicle, and Ural Special Operations Vehicle are new vehicles of Otokar.

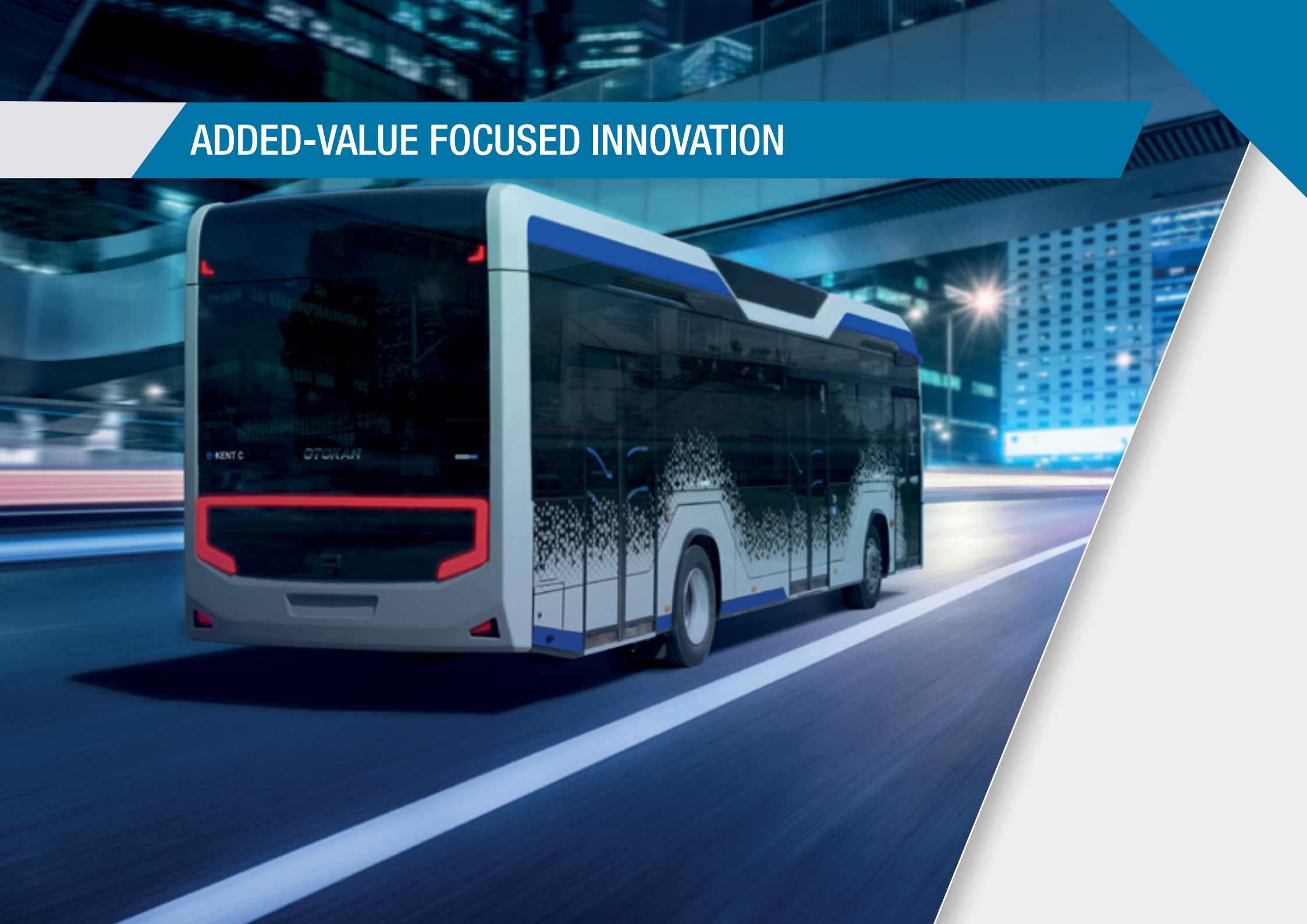
SALES REVENUES (MILLION TL)



EXPORT REVENUES
(MILLION US DOLLARS)



ADDED-VALUE FOCUSED INNOVATION



Otokar operates in domestic and international niche markets with its 100% local capital, focusing on sustainable growth. Developing its own technology, design and applications whose property rights are fully owned brings Otokar a competitive advantage in the sector. Engineering ability and R&D competency enable Otokar to make products that are fully compatible with customer expectations.

Otokar is able to perform the design and manufacture of high technology, complex vehicle groups with its essential R&D past and infrastructure. This makes Otokar more competent in R&D every year. In 2019, Otokar spent 136 Million TL in R&D.

The R&D Centre, one of the most successful examples of automotive sector, is one of the few centres in the world. Otokar R&D Centre serves as an independent accreditation centre to international, domestic and foreign automotive and defense industry companies. Otokar R&D Centre is equipped with simulators, test equipment and computerized systems that create and evaluate information for fast testing and higher level of technology. Seamlessly continuing new product design and development studies, Otokar R&D Centre has 433 employees as of 2019. This centre applied for 17 new patents during this period and continues to expand its product range.

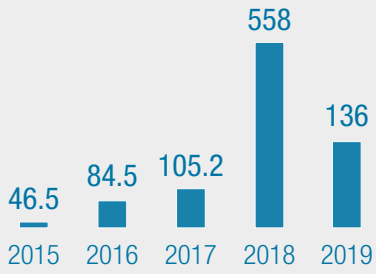
IN THE LAST **DECADE**, OTOKAR'S R&D INVESTMENTS HAVE REACHED **1.1** BILLION TL AND ITS PATENT AND INDUSTRIAL DESIGN APPLICATIONS HAVE REACHED **268**.

Otokar is focusing on digitalization studies as well as R&D operations. Aiming to lead digital transformation practices in the sectors in which it operates, Otokar continued to produce projects that serve to this mission in the reporting period. During this period, seminars and trainings aiming to increase awareness on digital transformation are organized. Seminars with volunteers are organized in the project "I Design Future for my Country" which is initiated in line with Koç Group's goal to construct a meaningful future for the society. Again, 1,149 Otokar employees attended 16 trainings performed during this project. Moreover, children of Otokar employees attended Coding, Robotics and 3-Dimensional Design Workshops throughout the year under the cooperation of Turkish Metal Manufacturers Union. 50 children received trainings for 3 weeks.

In 2019, Otokar conducted many new projects during these digital transformation studies. Customer Integrated Quality System from the Design, Otopedia, Publication Process Optimization, SPOT-Smart Spare Parts Optimization Vehicle, AUTOperation, Traceable and Digital RFQ Process and Sub-Vehicle Image Processing projects are tried and successfully accomplished. On the other hand, Otokar Employee mobile application, which helps Otokar employees follow the recent developments in the company and to easily monitor administrative processes, is initiated.

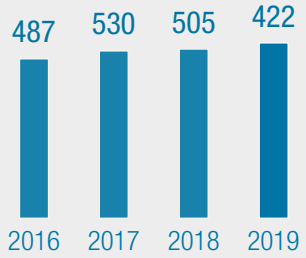
One of the greatest risks expected for digital future is the cyber-attacks. In 2019, Otokar took a new step to ensure the safety of Industrial Robot Quality Control System project it developed during digital transformation. The system of this project aims to maximize security and cyber safety; and Otokar joined the international VALU3S (verification and validation of Automated Systems' Safety and Security) project as a business partner in order to develop a shared software. In 2019, Otokar experienced a crucial development in this regard and is entitled to take support from the European Union

R&D EXPENDITURE (MILLION TL)



NUMBER OF R&D EMPLOYEES

PATENT AND INDUSTRIAL DESIGN APPLICATIONS



DEVELOPING TOGETHER WITH VALUE CHAIN

Otokar Supplier Selection Criteria

- Comply with the general policies and strategies of Koç Holding and Otokar
- Comply with the United Nations Global Compact
- Do not to allow child labour, forced labour or discrimination.
- Comply with confidentiality of information
- Do not prevent collective agreement and unionization
- Comply with occupational health and safety rules
- Comply with the laws and employee standards brought by the sector.
- Comply with legal working hours
- Comply with ethical rules together with company employees
- Do not resort to psychological or physical pressure and abuse as disciplinary practices
- Provide competitive advantage
- Invest in technology development and human resources
- Provide quality products on time and in competitive conditions
- Give importance to research and development to specialize in their field
- Produce in accordance with national and international standards on environmental and occupational safety

EFFECTIVE COMMUNICATION AND COOPERATION WITH SUPPLIERS

Believing that the right communication plays an important role in the development of supply chain, Otokar takes continuous communication as a principle. To enable continuous communication, diversity in communication channels is crucial. While procurement policies and current developments are shared through vSRM portal, supplier processes are again monitored through this channel. VMI (Vendor Managed Inventory), BTO (Build to Order), KANBAN and JIT (Just in Time) are channels created to increase the efficiency of procurement operations.

Communication with suppliers is carried out with face-to-face interviews in addition to these channels. Supplier meetings not only strengthen the communication between supplier engineers and Otokar but also create a basement for product development activities.

SUPPLIER PERFORMANCE ASSESSMENT PRACTICES

Systematic audit processes are taken into account when evaluating the performance of suppliers. Evaluation aspects include quality, logistics, cost, environment, working norms and principles, human rights and work safety. Otokar is committed to expanding compliance with the principles of the UN Global Compact throughout the supply chain. Therefore, compliance with the 10 principles of the charter is followed within the scope of audit activities.

Supplier audit processes are carried out with a risk-oriented approach. Suppliers with ISO 14001, OHSAS 18001, ISO 9001 system standards and UN Global Compact signatories are considered as low risk groups.

The priority of the audit is given to suppliers at low risk group. As a result of the audits, the business relationship is terminated with the suppliers who do not meet the expected minimum working criteria. Suppliers that fully meet the expected performance and risk criteria are supported by development plans and training activities. In 2019, 113 suppliers were evaluated in terms of social and environmental criteria. As a result of the audit, there are no supplier companies with which business partnership is terminated.

Otokar uses the Business Ethics Self-Audit survey to help local suppliers perform self-audits in business ethics. No nonconformity was observed in responding suppliers.

Otokar Supplier Evaluation Methodology

Score	Category	Action	Improvement Activities
‹40	D	Cooperation with the supplier is terminated	
40-65	C	Suppliers whose improvements are followed	Joint activities are carried out to ensure that the suppliers in category B and C move to the superior category (shipment and order arrangement, packaging improvements, quality improvements, etc.)
65-85	B	Suppliers whose improvements are followed	
›85	A	Primarily preferred suppliers	

WIDESPREAD DEALER AND SERVICE NETWORK

Good management of its widespread dealer and service network directly affects Otokar's business success. Otokar expect its dealers to adopt the social, environmental and ethical working norms identical to the company and carry out their activities in compliance with internal or general service standards. At the same time, Otokar supports the development of the business processes and service qualities of dealers.

As of 2019, Otokar has met its products with its customers in nearly **300** sales and service points.

IMPROVING CUSTOMER SATISFACTION

Customer satisfaction is among the priority aspects of Otokar. Within the framework of Otokar Customer Satisfaction Policy, the customer satisfaction is managed by the units working under the umbrella of Assistant General Manager of Marketing and Sales. Otokar aims to establish long-term relations based on trust and ensure unconditional customer satisfaction in terms of customer relations. Expectations and needs of customers are considered as an input in all processes. At Otokar, ISO 10002 Customer Satisfaction Management System Standard and ISO 10001 Quality Management-Customer Satisfaction certification are used as quality assurance in customer satisfaction. In addition, after-sales service satisfaction is ensured by TS 12681 and TS 12047 Authorized Service Qualification Certificates.

Customers can obtain ceaseless service through Otokar Customer Services unit. Customer Services work to produce permanent solution to the demands, expectations and notifications of customers.

Customer satisfaction level is monitored through Otokar's Welcome Survey, Customer Satisfaction Survey, CRM Customer Satisfaction Survey, Roadside Assistance Satisfaction Survey, TGW Survey, Solution Path Customer Satisfaction Analysis, Service Satisfaction Survey, New Vehicles Customer Surveys. In 2019, customer satisfaction was measured at 77% level.

Otokar Mobile Application is another tool that serves to customer satisfaction. Thanks to Otokar Mobile Application, following developments have been provided:

- Providing instant communication with existing and potential customers,
- Providing customer trainings related to the product through this platform,
- Instant access to vehicle information history of customers,
- Collection and use of customer data in accordance with legal regulations,
- Providing customers with accurate information on a single platform,
- Instant execution of marketing and sales activities,
- Providing instant communication with customers to solve problems without turning into complaints,
- Survey studies and measurement of customer perception index.

PRODUCT AND SERVICE RESPONSIBILITY

Otokar's understanding of product and service responsibility is based on three main pillars, that are, providing reliable products and services in superior quality norms, continuous improvement of products and services, and providing after-sales services with customer-oriented approaches. Otokar products are manufactured in accordance with all relevant legal regulations of the markets in which they will be used, and the compliance of the products is maintained by constantly following the legal regulations. In the reporting period, there were no incidents of non-compliance with the product and safety norms specified in the legislation of the markets where the products were used.

Otokar improves the safety conditions of its products, ensures that customers are constantly informed about products and conditions of use, and takes into account the social, environmental and economic impacts of products and services. Product and service quality is secured through production processes that are conducted according to ISO 9001 Quality Management System Standard, AQAP 2110 Military Quality Assurance System, ISO 3834-2 Welding Qualification Certificate and 6 Sigma DMAIC certifications.

Informing customers accurately about products and services is one of the key aspects of product and service responsibility. Official website, product information forms, user manuals, vehicle modification guidelines are the main channels where customers can get information. Customers can find information on these channels on product components, product usage characteristics, environmental impact and safe usage conditions. Customers can also communicate their opinions and suggestions via Otokar Customer Service Line, website, authorized dealers and services.

The correct determination of the expectations and needs of customers plays an important role in ensuring customer satisfaction. In this respect, Otokar actively uses the channels to learn about customer expectations.

Again, one of the fundamental components of customer satisfaction is to obtain the trust of customers. Thus, ensuring the security of customer information is of critical importance. The processes of collecting and using information are carried out in accordance with ISO 27001 Information Security Management Standard and AQAP 2110 NATO Quality Assurance Requirements for Design, Development and Production within the framework of Otokar Information Security Policy.

As Otokar operates in the defense industry, this carries the matter of its responsibility for products and services to a critical position. Otokar is a qualifed NATO and United Nations supplier. Due to their qualifications, product sales in the defense industry are made only to the Turkish Armed Forces and the security forces in accordance with the relevant laws. Exports of defense products are carried out in the framework of the Turkish Ministry of National Defense's knowledge and permission. These sales, that are carried out within the frame of laws that regulate exports, are made only to governments and government agencies and the company is subject to export licenses from the relevant governments.

You may check Otokar Protection of Personal Data Policy from the corporate **website**.

Otokar Quality Policy

- Identifying the needs and expectations of the customers through customer cooperation, offering and implementing solutions
- Supporting the continuity of customer satisfaction through after-sales activities
- Pursuing and implementing new technologies and quality techniques for continuous improvement of product quality
- Spreading the total quality philosophy throughout the company and establishing the infrastructure, carrying out training activities
- Organizing the studies that will minimize the number of errors and costs, ensuring the continuity of the studies

PEOPLE ORIENTED WORKPLACE

Otokar aims to ensure constant development of its employees and to maintain their motivation and loyalty with its people-oriented workplace approach. Under the philosophy of “Correct Person at the Correct Job” Otokar offers a work environment based on mutual trust and respect to its employees, encouraging employee development and entrepreneurship, and supporting human rights and equality.

Human resources processes at Otokar are carried out within the framework of Otokar Human Resources Policy and Personnel Regulation. The UN Global Compact to which Koç Holding is a party is also binding on Otokar's operations and value chain. The protection of human rights is among Otokar’s priority aspects; and Otokar does not discriminate on the basis of race, gender, political tendency, philosophical opinion, religion and sect in human resources processes and does not display any behaviour that may be considered discriminatory. There is no distinction between remunerations for men and women; differences in remuneration occur only due to differences in premiums based on seniority and performance.

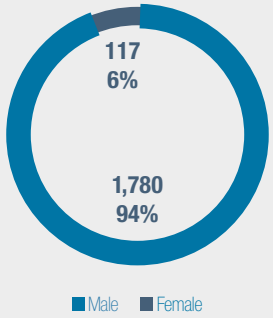
Gender Equality is one of the leading aspects Otokar meticulously monitors. Otokar, that support women participation to employment, conducts applications based on equality throughout the company. Otokar supports different initiatives realised to eliminate gender inequality. In this context, Otokar is one of the signatories of the Declaration on Equality at Work and the Women's Empowerment Principles (WEPs), a joint initiative of the United UN Women and the UN Global Compact. Otokar expands the principles of Equality at Work and WEPs to which it is a signatory through talent management programs. In this regard, Otokar focuses on enhancing the personal development means of female employees and improving working conditions. In 2019, 6% of female employees were promoted.

Otokar respects the union rights of its employees and provides the environment for their free use of their rights. 97% of its on-site employees work under collective agreements. Moreover, 23 employees work in the labour union to which they are affiliated and 1 employee in the employer union.

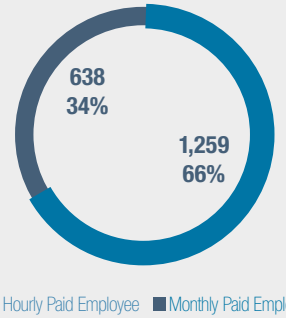
Otokar is committed to voluntarily abide by the following principles for the elimination of gender discrimination and pioneer the dissemination of these principles throughout the country.

1. We respect human rights. We treat all our employees with the basic principle of equality
2. We ensure the health, safety and welfare of our female and male employees regardless of gender.
3. We specifically support women's participation in the labour force.
4. We define the criteria of equality of opportunity between women and men in all our Human Resources policies.
5. We act with an equal pay policy for equal work and become a follower.
6. We establish the necessary mechanisms to ensure equality for career opportunities.
7. We formulate and monitor educational policies and pay special attention to the participation of women.
8. We create working environments and practices that maintain work-family life balance.
9. We announce the developments regarding our equal opportunity plans and gains through internal and external communication.
10. We ensure that the Declaration of Equality at Work is extended to all our impact areas (such as business partners, suppliers)
11. 11. We establish a leadership team in our institution to follow up the issues in the declaration.

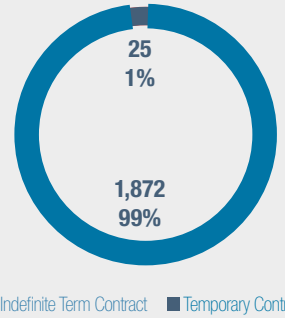
TOTAL NUMBER OF EMPLOYEES



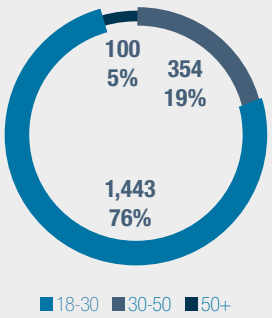
NUMBER OF EMPLOYEES BY CATEGORY



NUMBER OF EMPLOYEES BY CONTRACT TYPE



NUMBER OF EMPLOYEES BY AGE GROUP



PERFORMANCE AND TALENT MANAGEMENT

The fundamental goal of Otokar's performance and talent management system is to ensure the development of qualified human resource it has. Believing that employee development plays an important role in increasing loyalty and motivation, Otokar gives support to the development of talents and skills of its employees through various means, and individually monitors the performance development of all of its employees.

A performance-oriented work culture dominates Otokar. Employee performance is monitored through systematic measurement and evaluation methods and all employees are given feedback. Employees come together with their managers at the performance evaluation meetings at the end of the year.

An objective and systematic remuneration system based on performance and objective methods that do not let any discrimination is used in the remuneration of employees. The remuneration policy of Otokar includes the remuneration system and practices of the members of the Board of Directors and senior executives with administrative responsibilities within the scope of CMB regulations.

Detailed information on this subject can be found at corporate **website**.

EMPLOYEE DEVELOPMENT

Otokar supports the personal development of its employees through training activities. These training programs serve to the goal of strengthening occupational and personal competencies of employees. These trainings are designed following the evaluation of the outputs of performance evaluation interviews and development plans. In the reporting period, internal training demands and evaluations are carried onto the digital platform. The year 2019 was completed in 27 groups, 14 different behavioural, 9 different technical training with training development catalogue. 75% of Otokar employees attended behavioural trainings.

Under the “Become the Leader of Development!” principle, 98 team leaders who started training in 2018 were graduated in 2019. Moreover, 21 employees that are team leaders are included to Development Centre application, their strengths and development areas are identified. 68 experts that started work during the period completed “Development Journey” trainings and 49 employees that recently become managers completed “Summit Journey” trainings. 64 manager-level employees received “the Advantages of Coaching at the World of Business” trainings. During “Team Leaders Development Program” 5S and Kaizen trainings were performed with 12 team leaders.

Otokar encourages its employees to attend trainings performed under the umbrella of Koç Holding and Koç University, external trainings and trainings organized in online platforms in addition to internal trainings.

In this regard, 170 Otokar employees attended MESS Spot trainings organized by MESS Education Foundation in 2019. 49 managers participated in Koç Holding trainings, 113 in Koç University trainings, 46 in Harvard Business School e-trainings, 19 in Lead Digital, 19 in Udacity, and 4 in Koç University’s MBA program.

Throughout the year in cooperation with the Automotive Manufacturers Association Working Group. The company also took the first step toward building an in-house trainers system with the slogan “Be Our north Star!” and initiated Proficiency Certification work for 120 field employees.

Otokar believes that it is an important gain to reflect what we have learnt from the opinions and suggestions of employees into management processes. In this context, in 2019, 1,045 of 1,957 suggestions received from employees were initiated.

Social Activities

Various events were organized for Otokar employees and their families throughout the year to encourage internal communication and increase motivation. With the addition of new clubs, the number of employee clubs reached 16 while 660 employees took part in 36 activities organized by these groups. The Otokar employees that participated in the 30th Koç Sports Festivals won frst place in the bicycling and third place in the junior football categories. With the sub-brand “Otokar for Children,” Otokar employees’ children also began to participate in certain activities.

In 2019, Otokar employees received
43,756 person*hour training.

OCCUPATIONAL HEALTH AND SAFETY

Otokar attaches great importance to maintain health and safety of its employees as well as it does to their development. In this context, Otokar establishes safe working environment and safe working fields for all employees.

The Occupational Health and Safety Unit, which consists of occupational safety experts, workplace physicians and assistant health personnel, is responsible for the management of occupational health and safety issues at Otokar. The OHS Unit reports to the Human Resources Directorate reporting directly to the General Manager. Occupational health and safety issues are conducted within the framework of OHSAS 18001 Standard and Otokar OHS Policy. OHS Policy is shared with employees and other stakeholders through various means of communication.

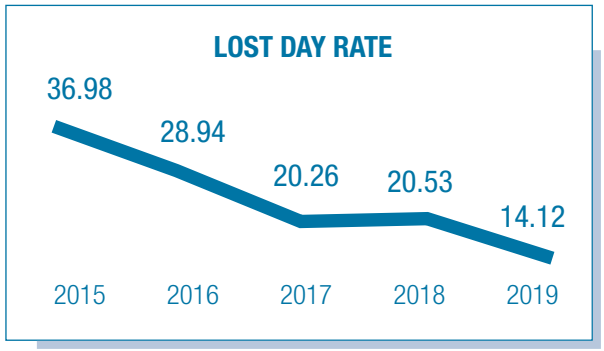
Occupational health and safety targets and annual work programs are established throughout the company on an employee and unit basis. The performance is reported to related units every month, and discussed during the Management Review meetings held annually.

3 OHS Committees operate at Otokar and 9 employee representatives and 30 employees work as members in these committees. The goal of these OHS Committees is to enable participation to occupational health and safety processes, minimize risks and improve performance. The committees carry out their activities in accordance with the requirements of the relevant laws. Accident indicators are evaluated at the OHS committee meetings, accident root cause analysis and measures taken are shared. In the reporting period, 18 OHS boards have been realised, 12 of which were OHS boards and 6 were contractor occupational safety boards.

In the reporting period, 522 preventive and corrective activities based on fields and machines are carried out in the factory. As a result of Otokar's preventive and corrective approach to occupational health and safety, no fatal cases have occurred since 2012. There is 31% improvement in lost day rate compared to last year.

Otokar believes in the importance of increasing knowledge and awareness of employees in improving OHS performance. Thus, Otokar focuses on OHS trainings for its employees and contractor employees. In 2019, we organized OHS trainings for 17,416 person*hour to 1,473 Otokar and contractor employees.

In 2019, the practice of OHS stewardship was introduced in Otokar to raise awareness about occupational health and safety, and 276 employees were assigned as OHS stewards to support OHS-related issues within the factory. As part of the activities to raise OHS awareness, 10 Golden Rules accompanied by the slogan “how to Work with Safety” were shared with Otokar employees. Furthermore, experiential activities were carried out with experts on Otokar OHS Day.



OTOKAR OHS POLICY

Otokar sees its employees as the most important value in its efforts to ensure its competitive advantage in line with its main task and to achieve its strategic goals. Otokar has adopted the principle of taking the necessary measures to create a healthy and safe working environment for its employees and anyone who is in the factory site for work, internship or visiting purposes. To create a healthy and safe work environment, Otokar;

- Monitors the developments related to Occupational Health and Safety, complies with the provisions of the current legislation and fulfils the obligations arising from the contracts.
- Identifies, analyses, and takes measures to reduce occupational health and safety risks of its activities in order to prevent injuries and health deteriorations associated with its activities.
- Conducts the necessary training and information activities in order to ensure the awareness of the individual and corporate responsibilities of the employees and everyone in the factory site for work, internship and visit purposes.
- Conducts its activities in accordance with the Occupational Health and Safety Management System requirements. Sets goals and creates management programmes, to continuously improve the Occupational Health and Safety System and Occupational Health and Safety performance, monitors the results and activates the necessary preventive actions in case of deviation from the targets.

ENVIRONMENTALLY FRIENDLY PRODUCTION

In the framework of its environmental management approach, Otokar aims to protect environmental awareness and create minimum impact while realising its activities in all of its operational activities. Environmental management is conducted in line with legal requirements, inspired by international exemplary practices and benefiting from the opinions of stakeholders.

At Otokar, environmental issues are managed according to Otokar Environmental Policy. This Policy underlines the commitment to protect the environment, to use natural resources efficiently, to comply with legal regulations, to implement improvement activities to reduce environmental impacts, and to establish systems and processes for environmental auditing. National and international standards are taken as references in environmental management. ISO 14001 Environmental Management System Certificate of the company is renewed following the audits done in 2019.

In 2019, Otokar spent **231,000** TL to environmental management and investment.

OTOKAR ENVIRONMENT POLICY

Otokar commits to be sustainable by raising the environmental awareness of the individuals, institutions and organizations with which it interacts directly and indirectly, from product creation, product presentation and to the end of product life cycle. At the same time, it commits to fulfil its environmental responsibilities towards its local and regional neighbours by protecting biodiversity and making improvements that will continuously reduce the impacts on climate change through environmental-friendly processes and products.

Otokar establishes and maintains systems focus on protection of the environment throughout all business processes and efficient use of natural resources. In line with this policy, Otokar;

- Complies with current laws and regulations by following environmental publications.
- Keeps environmental pollution under control by minimizing it with Environmental Management System.
- Supports all employees and their sub-industries to be sensitive to the environment.
- Keeps the environmental goals and targets open to all public, subsidiary industries and related institutions.
- Directs environmental activities to support other policy elements.
- Is committed to continuously improve its environmental performance.

The Board of Directors is responsible for monitoring Otokar's operations on environment and identifying environmental strategies. General Manager is responsible for carrying out the strategies identified and decisions taken in accordance with corporate policies and legal regulations. Environmental management practices are carried out by Environmental Management Unit organized under the leadership of Production and Supply Group Director, Facility Maintenance and Investment Manager.

Otokar senior management periodically monitors and ensures the compliance, adequacy and effectiveness of environmental management systems. For continuous improvement of environmental performance, company operations are the main are subjected to periodic internal audits and annual audits conducted by Koç Holding Audit Group. Moreover, the independent periodic external audits also monitor and verify the compliance of Otokar operations. Otokar operations are also subject to the audits of the Turkish Ministry of Environment and Urbanisation. In 2019, there were no complaints from stakeholders or environmental fines received due to the environmental impacts of Otokar's operations.

The main areas of activity of Otokar Environmental Management are the efficient use of natural resources and other materials such as water and energy; combating the climate change, waste water, solid waste and greenhouse gas emission management, biodiversity, compliance with legal regulations, environmental training and communication and cooperation with non-governmental organizations and other relevant stakeholders. At Otokar, environmental impacts are considered as part of the corporate risk management system and are recorded in the Environmental Impact Log. Analysis are made for the identified significant risks. As a result of changes occurred in environmental impacts, the Environmental Impact Log is revised.

Energy intensive production processes of Otokar require a responsible attitude towards climate change. Otokar acts with a risk and opportunity-oriented approach at energy and emission management and studies are conducted to reduce the impacts of products and production processes.

The efforts to combat climate change are managed within the framework of Otokar Environmental Policy, R&D Strategy, Koç Group Climate Change Strategy. The strategic orientations to combat climate change are determined by the Otokar Board of Directors. Otokar General Manager, who is also a Member of the Board of Directors, ensures that the activities to be implemented as a result of these orientations are determined and carried out in compliance with corporate policies and legal regulations. It is the responsibility of the Company's senior management to calculate report and ensure the compliance of the greenhouse gas and other emissions generated in the operational processes. Energy consumption and emission reduction activities are monitored by the units involved in the operational processes. Performance results obtained from studies conducted when combating climate change are evaluated by the senior management through periodical meetings. Performance results are taken into account in the individual performance evaluation and remuneration of the relevant managers.

Otokar adopts an approach open to cooperation in combating climate change. In this regard, it establishes various partnerships and supports initiatives. It carries out product development activities considering the low carbon economy and the expectations of stakeholders, primarily of consumers.

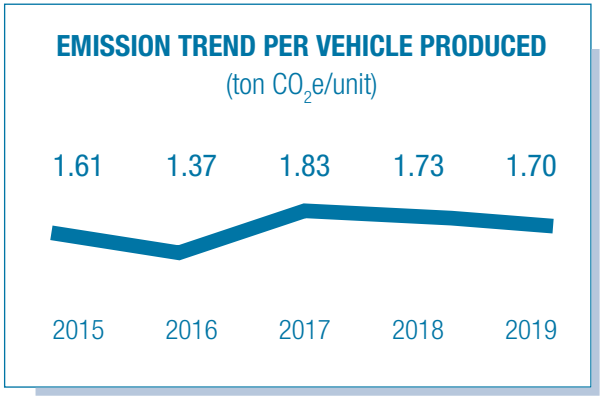
In regards to combating climate change, energy consumed during production processes and greenhouse gas emissions that are generated are monitored. It is aimed to reduce energy consumption and emissions through efficiency projects. Studies are conducted to reduce greenhouse gas emissions due to the use of products during R&D studies. Projects on developing electric and fuel-efficient vehicles with alternative fuels are examples to these studies.

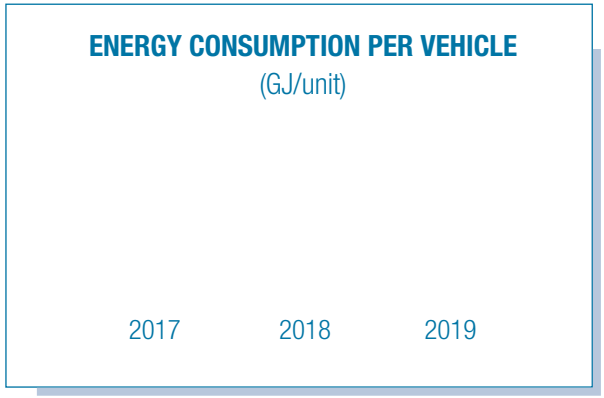
Koç Group Climate Change Strategy and is available on the **website**.

ENERGY AND EMISSIONS

Otokar aims to reduce the amount of energy used in production processes, and thus to limit emission generation. Therefore, energy efficiency studies are also for reducing emissions that are generated. As a result of efficiency studies, Otokar saved 1,469 GJ energy in annual energy consumption and 259 tons CO_2e in greenhouse gas emissions.

Otokar greenhouse gas emission performance is calculated based on direct and indirect energy consumption values by ISO 14064-1: 2006 Standard, GHG Protocol, IPCC 2006 Tier 1 methods and the results are reported annually. In 2019, 159,620 GJ energy is consumed during Otokar operations; 102,379 GJ of which were direct while 57,241 GJ were indirect. Emission amount per vehicle produced is reduced from 1.73 CO_2e/unit to 1.70 tons CO_2e/unit. The trend of reduction in energy consumption per vehicle produced continued during the period. The amount of energy per vehicle which was 19.6 GJ/unit in 2018 has become 7.62 GJ/unit in 2019.





SUSTAINABLE TRANSPORTATION SOLUTIONS

The impacts of increasing transportation operations due to the concentration of the population on climate change is increasing in parallel. Therefore, producing low-emission, energy efficient, comfortable and low-cost vehicles is becoming a priority need. In response to this need, Otokar has been working on alternative fuels for long time. It designs vehicles with intellectual property rights with the expected qualities within the scope of R&D studies.

Within these R&D studies, it focuses on low-emission vehicles and alternative fuel vehicle technologies in public transportation vehicles. On the other hand, engine systems of the current vehicle portfolio are rearranged to have lower emission levels.

Focusing on alternative fuel vehicle technologies in 2019 within the scope of green transportation solutions, Otokar added 2 new electric vehicles - one is military, the other is commercial - to its product family.

Akrep IIe: Akrep II armored vehicle product family of Otokar was launched in May 2019. Akrep IIe, appearing in this family, is the first electric armored vehicle of Turkey. The vehicle has an infrastructure that can enable the use of alternative power groups such as electric, diesel and hybrid. Akrep IIe also offers an infrastructure that will speed up the transition to autonomous vehicles.

e-Kent C: Otokar has developed e-Kent C, its new electric bus, in 2019. This vehicle is designed to achieve a cleaner environment, more silent traffic, lower operational costs and higher level of efficiency. 12-Meter long, electric bus was launched for the first time in an international public transportation summit in Sweden.

Otokar is conducting corporate social responsibility studies with an aim to create added value for the society it operates in and to contribute to the welfare of the society. Being a signatory to United Nations Global Compact, Otokar pays regard to social benefits in all of its studies on the grounds of the "I Exist If My Country Exists" principle of Vehbi Koç, the founder of Koç Holding. It encourages the active participation of its employees to social projects.

In 2019, Otokar has become the sponsor to a modern art museum, Arter, which opened its doors in Istanbul Dolapdere. Otokar's Sultan LF (Navigo C) series bus, which is suitable for the access of the disabled passengers, facilitates transportation to Arter.

SUPPORTING GENDER EQUALITY FOR MY COUNTRY

Otokar supports the "For My Country" Project, which aims to promote the social responsibility of Koç Group, to develop a more participatory attitude towards social problems and to support local development and to implement projects that will increase the standard of living. It maintains its studies within the frame of "I Support Gender Equality for My Country" which is the main theme of 2015-2017 period of For My Country Project.

Within the scope of the studies to support gender equality, Otokar has been the signatory to Women United Nations Women Empowerment Principles (WEPs) since 2017.

DESIGNING FUTURE FOR MY COUNTRY

Considering digital transformation as an opportunity as significant and critical as entering into new production segments, Otokar follows the requirements of the era closely and conducts a proactive approach to protect its constantly developing structure. The company maintained its studies on digital transformation projects initiation with a goal to lead sectors it operates in regards to digital transformation. Moreover, it continued to organize seminars and trainings within the framework of corporate social responsibility studies throughout 2019 with an aim to increase awareness on digital transformation. Seminars with volunteers are organized in the project "I Design Future for my Country" which is initiated in line with Koç Group's goal to construct a meaningful future for the society. Following 16 trainings that were planned, 1,149 Otokar employees attended the trainings.

EMPLOYEE VOLUNTEERING

Otokar believes that it is possible to solve social problems through an inclusive approach. Therefore, it benefits from the knowledge and labours of employees in social responsibility studies. In 2019, Otokar employees built a library full of books for Aşağı Kirazca Primary School under the leadership of Social Responsibility Club. Social Responsibility Club members made a meaningful touch on life by coming together with Music Club members to visit nursing homes.

PERFORMANCE INDICATORS

Environmental Performance Indicators	2015	2016	2017	2018	2019
Total Energy Consumption (GJ)	189,565	180,249	171,069	137,033	158,992
Total Direct Energy Consumption by Source (GJ)	119,415	114,852	113,142	55,044	101,751
Renewable energy	225	225	241	240	240
Non-Renewable energy	119,190	114,627	112,901	54,804	101,511
Total Indirect Energy Consumption by Source (GJ)	70,150	65,397	57,927	54,804	57,241
Renewable energy	0	0	0	0	0
Non-Renewable energy	70,150	65,397	57,927	54,804	57,241
Energy Consumption Per Unit (GJ/unit)	17.00	17.00	24.00	19.60	7.62
Energy Saving (GJ)	5,550	932	856	559	1,469
Total Greenhouse Gas Emission Amount (Ton CO_2e)	17,883	14,291	13,570	11,968	12,790
Direct(Scope 1)	8,528	5,570	5,845	4,660	5,157
Indirect(Scope 2)	9,355	8,721	7,725	7,308	7,633
Greenhouse Gas Emission Reduction (Ton CO_2e)	492	124	138	44	259
Greenhouse Gas Emissions per Unit (Ton CO_2e/unit)	1.61	1.37	1.83	1.73	1.70
Total Water Withdrawal (m^3)	275,123	213,367	162,823	155,496	152,058
Underground Water	181,960	113,647	77,324	85,505	77,484
Municipal Water	89,303	97,820	83,849	68,431	73,154
Rain Water	3,860	1,900	1,640	1,560	1,420
Fresh Water Consumption Per Unit (m^3/unit)	24	23	21.7	23	20.25
Recovered or Reused Water (m^3)	149,735	151,175	149,317	150,417	150,350
Waste Water Discharge (m^3)	166,200	153,984	164,400	148,400	119,000
Waste Water Receiving Channel	90,180	88,620	91,800	84,300	71,200
Natural Receiving Environment	76,020	65,364	72,600	64,100	47,800
Total Hazardous Waste by Disposal Method (Ton)	489	514	475	374.8	387.1
Total Recovery	489	514	474	375	387
Disposal	0	0	0.11	0.10	0.1
Total Non-Hazardous Waste Amount by Disposal Method (Ton)	3,049	2,754	2,741	2,181	2,398
Total Recovery	3,049	2,754	2,664	2,132	2,355
Disposal	-	0	76	49	43
Employee Environmental Trainings - Participation (number of people)	495	1,040	964	920	270
Direct Employment	214	355	514	320	150
Contractor Employee	136	35	300	300	20
Social Responsibility	145	650	150	300	100
Employee Environmental Trainings - Total Hours (person*hour)	332	789	1,280	1,040	390
Direct Employment	229	320	490	340	300
Contractor Employee	104	35	490	400	40
Social Responsibility	145	434	300	300	50

Social Performance Indicators	2015	2016	2017	2018	2019
Employee Trainings - Number of Participants (person)	2,498	2,739	1,952	1,768	1,944
Field Worker	1,984	2,031	1,284	1,180	1,292
Office Worker	514	708	668	588	652
Female	93	114	124	100	122
Male	2,405	2,625	1,828	1,668	1,822
Employee Trainings - Total Hours (person*hour)	63,088	70,525	73,466	49,408	43,756
Field Worker	51,303	48,166	46,876	18,724	16,858
Office Worker	11,785	22,359	26,590	30,684	26,898
Female	2,042	3,307	4,035	5,935	5,319
Male	61,046	67,219	69,431	43,473	38,437
Contractor Employee Trainings - Number of Participants (person)	301	219	207	194	168
Field Worker	301	213	201	185	162
Office Worker	0	6	6	9	6
Female	12	50	29	21	30
Male	289	169	178	173	138
Contractor Employee Trainings - Total Hours (person*hour)	302	1,448	2,484	776	3,586
Field Worker	302	1,402	2,412	740	3,214
Office Worker	0	46	72	36	372
Female	16	320	346	84	883
Male	286	1,128	2,138	692	2,703
OHS Trainings - Number of Participants	1,774	2,294	1,804	1,748	1,473
Direct Employment	1,647	2,075	1,597	1,589	1,343
Contractor Employee	127	219	207	159	130
OHS Trainings - Total Hours (person*hour)	19,867	25,165	18,288	19,712	17,416
Direct Employment	19,674	24,630	15,804	19,068	16,116
Contractor Employee	193	526	2,484	644	1,300
Injury Rate	2	2	2	1.7	1.17
Female	0	0	0	0	0
Male	1.97	2.34	1.87	1.8	1.25
Occupational Disease Rate	0.11	0.078	0.17	0	0
Female	0	0	0	0	0
Male	0.11	0.082	0.19	0	0
Lost Day Rate	36.98	28.94	20.26	20.53	14.12
Female	0	0	0	0	0
Male	37	30	22	23.4	15.08
Number of Work Related Deaths	0	0	0	0	0
Number of OHS Committees	1	7	7	4	3
Total Number of OHS Committee Members	14	60	60	39	30
Number of Employee Representatives on OHS Committees	3	16	16	10	9

Employee Demographics	2015	2016	2017	2018	2019
Otokar Employees	2,105	2,273	2,122	1,939	1,897
Female	102	107	105	108	117
Male	2,003	2,166	2,017	1,831	1,780
Contractor Employee	214	221	225	205	226
Female	49	50	31	31	32
Male	165	171	194	174	194
Total Number of Employees by Contract Type					
Indefinite Term Contract	2,081	2,263	2,117	1,903	1,872
Female	101	107	105	107	117
Male	1,980	2,156	2,012	1,796	1,755
Temporary Contract	24	10	5	36	25
Female	1	0	0	1	0
Male	23	10	5	35	25
Total Employees by Category					
Hourly Paid Employee	1,484	1,599	1,473	1,332	1,259
Female	16	18	20	18	18
Male	1,468	1,581	1,453	1,314	1,241
Monthly Paid Employee	621	674	649	607	638
Female	86	89	85	90	99
Male	535	585	564	517	539
Total Number of Employees by Employment Type					
Full Time	2,105	2,273	2,122	1,939	1,897
Female	102	107	105	108	117
Male	2,003	2,166	2,017	1,831	1,780
Part Time	0	0	0	0	0
Total Number of Employees by Age Group					
18-30	538	694	559	425	354
31-50	1,502	1,510	1,494	1,437	1,443
50+	65	69	69	77	100
Number of Employees with Disabilities					57
Female	5	5	4	4	3
Male	60	62	60	53	54
Senior Management Structure (Number)					5
Female	0	0	0	1	1
Male	6	6	6	6	4
Mid-Level Management Structure (Number)					112
Female	3	3	3	2	8
Male	62	71	91	96	104
Labor Force Under Collective Agreement (Number)	1,484	1,601	1,473	1,332	1,259
Newly hired employees (Number)	1,003	1,042	113	109	295
Female	10	17	19	10	19
Male	993	1,025	94	99	276
Leaving Employees (Number)	952	874	264	292	305
Female	9	12	21	7	10
Male	943	862	243	285	295
Number of Female Employees on Maternity Leave	7	7	4	5	8
Number of Female Employees Returning from Maternity Leave	10	8	3	7	1

GRI CONTENT INDEX

Disclosures	Descriptions and Page Numbers	Omissions
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Corporate Profile		
102-1	Contacts (p.45)	-
102-2	https://www.otokar.com.tr/products/commercial-vehicles	-
102-3	Contacts (p.45)	-
102-4	About the Report (p.2)	-
102-5	About Otokar (p.8)	-
102-6	Steady Growth and Continuous Development (p.17)	-
102-7	About Otokar (p.8-9); People Oriented Workplace (p.27)	-
102-8	Performance Indicators (p.41-42)	-
102-9	Developing Together With the Value Chain (p.21-22)	-
102-10	No significant change has been occured neither in company's operational or financial structure nor supply chain.	-
102-11	Risk Management (p.11); Business Ethics and Anti-Corruption (p.12-13); Sustainability Management (p.13-14); Developing the Supply Chain (p.22); Occupational Health and Safety (p.29)	-
102-12	About The Report (p.2); Sustainability Management (p.14); Human Oriented Workplace (p.26)	-
102-13	Memberships (p.15)	-
Strategy		
102-14	Message From the General Manager (p.3)	-
102-15	Message From the General Manager (p.3)	-
Ethics and Integrity		
102-16	Business Ethics and Anti-Corruption (p.12-13)	-
102-17	Business Ethics and Anti-Corruption (p.12-13)	-

Disclosures	Descriptions and Page Numbers	Omissions
Governance		
102-18	Corporate Governance and Board Structure (p.11)	-
Stakeholder Engagement		
102-40	Stakeholder Engagement (p.15)	-
102-41	Performance Indicators (p.41)	-
102-42	Stakeholder Engagement (p.15)	-
102-43	Stakeholder Engagement (p.15)	-
102-44	Stakeholder Engagement (p.15)	-
Reporting Practices		
102-45	About the Report (p.2)	-
102-46	About the Report (p.2)	-
102-47	Sustainability Management (p.14)	-
102-48	No significant restatements made in information given in previous report.	-
102-49	Responsible Management Focused on Sustainable Development (p.14)	-
102-50	About the Report (p.2)	-
102-51	About the Report (p.2)	-
102-52	About the Report (p.2)	-
102-53	Contacts (p.45)	-
102-54	About the Report (p.2)	-
102-55	GRI Content Index (p.42)	-
102-56	Legal Disclaimer (p.45)	

"For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report."

Material Topics			
Standard	Disclosures	Descriptions and Page Numbers	Omissions
Climate Change, Energy and Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Environmentally Friendly Production (p.31-32); Climate Change (p.35); Energy and Emissions (p.36)	-
	103-2 The Management Approach and its Components	Environmentally Friendly Production (p.31-32); Climate Change (p.35); Energy and Emissions (p.36)	-
	103-3 Evaluation of the Management Approach	Environmentally Friendly Production (p.31-32); Climate Change (p.35); Energy and Emissions (p.36)	-
GRI 302: Energy 2016	302-1 Energy Consumption within the Organization	Performance Indicators (p.39)	-
	302-3 Energy Intensity	Performance Indicators (p.39)	-
	302-4 Reduction of Energy Consumption	Performance Indicators (p.39)	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG Emissions	Performance Indicators (p.39)	-
	305-2 Indirect (Scope 2) GHG Emissions	Performance Indicators (p.39)	-
	305-4 GHG Emissions Intensity	Performance Indicators (p.39)	-
	305-5 Reduction of GHG Emissions	Performance Indicators (p.39)	-
Vehicles with Minimised Environmental Impact			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Green Transportation Solutions (p.36)	-
	103-2 The Management Approach and its Components	Green Transportation Solutions (p.36)	-
	103-3 Evaluation of the Management Approach	Green Transportation Solutions (p.36)	-
GRI 302: Energy 2016	302-5 Reductions in Energy Requirements of Products and Services	Green Transportation Solutions (p.36)	
Environmental Impact of Manufacturing			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Environmentally Friendly Production (p.31-33)	-
	103-2 The Management Approach and its Components	Environmentally Friendly Production (p.31-33)	-
	103-3 Evaluation of the Management Approach	Environmentally Friendly Production (p.31-33)	-
GRI 303: Water 2016	303-1 Water Withdrawal by Source	Performance Indicators (p.39)	-
	303-2 Water Sources Significantly Affected by Withdrawal of Water	Water Management (p.32)	-
	303-3 Recycled and Reused water	Water Management (p.32); Performance Indicators (p.39)	-
GRI 306: Effluents and Waste 2016	306-1 Water Discharge by Quality and Destination	Performance Indicators (p.39)	-
	306-2 Waste by Type and Disposal Method	Performance Indicators (p.39)	-
GRI 307:Environmental Compliance 2016	307-1 Non-compliance with Environmental Laws and Regulations	Environmentally Friendly Production (p.31)	-
Product and Service Responsibility			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Product and Service Responsibility (p.24)	-
	103-2 The Management Approach and its Components	Product and Service Responsibility (p.24)	-
	103-3 Evaluation of the Management Approach	Product and Service Responsibility (p.24)	-
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the Health and Safety Impacts of Product and Service Categories	Product and Service Responsibility (p.24)	-
	416-2 Incidents of Non-compliance Concerning the Health and Safety Impacts of Product and Services	Product and Service Responsibility (p.24)	-
Human Rights			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); People Oriented Workplace (p.26)	-
	103-2 The Management Approach and its Components	People Oriented Workplace (p.26)	-
	103-3 Evaluation of the Management Approach	People Oriented Workplace (p.26)	-

Material Topics			
Standard	Indicators	Descriptions and Page Numbers	Omissions
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of Governance Bodies and Employees	Performance Indicators (p.41,42)	-
Social Development and Employee Volunteering			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Caring for the Society (p.38)	-
	103-2 The Management Approach and its Components	Caring for the Society (p.38)	-
	103-3 Evaluation of the Management Approach	Caring for the Society (p.38)	-
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure Investments and Services Supported	Caring for the Society (p.38)	-
Employee Rights			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); People Oriented Workplace (p.26)	-
	103-2 The Management Approach and its Components	People Oriented Workplace (p.26)	-
	103-3 Evaluation of the Management Approach	People Oriented Workplace (p.26)	-
GRI 408: Child Labor 2016	408-1 Operations and Suppliers at Significant Risk for Incidents of Child Labor	During the reporting period, no evidence for risk of chid labour in Otokar operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.	-
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and Suppliers at Significant Risk for Incidents of Forced or Compulsory Labor	During the reporting period, no evidence for risk of forced or compulsory labour in Otokar operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.	-
Talent Management			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Performance and Talent Management (p.27-28)	-
	103-2 The Management Approach and its Components	Performance and Talent Management (p.27-28)	-
	103-3 Evaluation of the Management Approach	Performance and Talent Management (p.27-28)	-
GRI 401: Employment 2016	401-1 New Employee Hires and Employee Turnover	Performance Indicators (p.42)	-
GRI 404: Training and Education 2016	404-1 Average Hours of Training per year per Employee	Performance Indicators (p.40)	-
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Occupational Health and Safety (p.29)	-
	103-2 The Management Approach and its Components	Occupational Health and Safety (p.29)	-
	103-3 Evaluation of the Management Approach	Occupational Health and Safety (p.29)	-
GRI 403: Occupational Health and Safety 2016	403-1 Workers Representation in Formal Joint Management- Worker Health and Safety Committees	Performance Indicators (p.40)	-
	403-2 Types of Injury and Rates of Injury, Occupational Diseases, Lost Days, and Absenteeism,and number of Work-related Fatalities	Performance Indicators (p.40)	-
Innovation			
GRI 103: Management Approach 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Added-value Focused Innovation (p.19)	-
	103-2 The Management Approach and its Components	Added-value Focused Innovation (p.19)	-
	103-3 Evaluation of the Management Approach	Added-value Focused Innovation (p.19)	-
Supporting Local Economy			
GRI 103: Yönetim Yaklaşımı 2016	103-1 Explanation of the Material Topic and its Boundary	Sustainability Management (p.14); Developing Together With the Value Chain (p.21)	-
	103-2 The Management Approach and its Components	Developing Together With the Value Chain (p.21)	-
	103-3 Evaluation of the Management Approach	Developing Together With the Value Chain (p.21)	-
GRI 204: Procurement Practices 2016	204-1 Proportion of Spending on Local Suppliers	Developing Together With the Value Chain (p.21)	-

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