OTOKAR Sustainability Report 2014

## Otokar

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In 1963, we started out manufacturing modern public transportation vehicles and intercity buses that were needed in Turkey. Over the years we have found many solutions in meeting the transportation needs of Turkey, including many "firsts". Our heartfelt ambition to succeed has continued to grow day by day. With our founders manifesto "I exist, if my country exists", down the road we began meeting the needs of Turkey's defence industry, using local capital, local engineers and local technologies. When introducing our brand in more than 60 countries and carrying out new investments one after the other, we said, "We can do it." And we did. What lies beneath our ambition to succeed is, first, our dedication to the society to which we are attached and, second, our desire to produce sustainable value for our stakeholders through principled and responsible management.

The purpose of our second Otokar Sustainability Report is to inform our stakeholders about our progress thus far in producing socially, environmentally, economically and ethically sustainable value. This year, for the first time, our Sustainability Report is "In Accordance" with the GRI G4 Guidelines - Core option in terms of defining the scope and boundary of the report, determining its content, calculating performance data, and structuring its disclosures.





We prepared this report according to the Materiality Principle recommended by the GRI G4 Reporting Guidelines. We principally used the performance indicators of the GRI G4 Standard when making disclosures about material issues, and drew upon many types of industry-wide accepted data when making disclosures about certain other issues.

The activity and performance data of Otokar Otomotiv ve Savunma Sanayi A.S. is detailed throughout the report. The corporate operations of Otokar constitute the main data source for the report, which also includes information related to activities conducted by external stakeholders, such as dealers and suppliers, in relation to certain material issues. All information disclosed in this report covers a one-year activity period from January 1, 2014 to December 31, 2014. We also benefitted from the data of previous reporting years for key performance indicators, in order to offer readers the opportunity to compare periods by showing performance improvement over the years. We intend to prepare future reports on an annual basis, in similar fashion and according to the same standards.

The Otokar 2014 Sustainability Report and detailed information regarding our company is available at www.otokar.com. For suggestions and comments regarding our Sustainability Report, you may send us an e-mail at kyl@otokar.com.tr or a message via our website.

### **GENERAL MANAGER'S STATEMENT**

#### Dear Stakeholders,

We are happy to present to you Otokar's second sustainability report, which we submit for your evaluation regarding the policies and strategies we have adopted, the operations we have carried out, and the results we have achieved accordingly over the past year.

The main objective of Otokar in its sustainability management activities is to hand down a more livable world to future generations while continuing its steady growth. The strategy we follow to reach our goals can be defined as:

 Staying close to people and society, environmentally friendly, and strictly committed to universal human rights and business ethics;

• A business model focused on developing value-added products that fully meet customers expectations through operational excellence and high technology; and

• Increasing corporate profitability and protecting its local capital structure.

As a member of the Koç Group, a pioneer in corporate sustainability practices in Turkey, we actively carry out additional sustainability objectives included in their sustainability agenda. We continue to enforce principles set out in the UN Global Compact, signed by Koç Holding on behalf of all Group Companies in 2006.

We have been successful in numerous activities designed to develop products and processes that are environmentally friendly, which represents one of the main pillars of our sustainability programme. As foreseen last year, decreasing units produced had a negative impact on performance related to areas such as per-unit energy and water consumption and the amount of GHG emissions. However, we have managed to keep this impact at a lower rate than the rate of production unit decrease thanks to the productivity and optimisation activities we carried out. Through these measures, we saved a total of 2,110 GJ of power, 188 tons of  $CO_2e$  greenhouse gas (GHG) emissions and, thanks to the productivity activities carried out during the period, we managed to save 145,000 m<sup>3</sup> of water for use in production through wastewater recovery and closed-circuit systems.



The activities we carry out to combat climate change constitute an important element of our environmental awareness. As a reputable member of the automotive sector, our efforts to decrease GHG emissions originating from production processes and to minimise the impact resulting from the use of the vehicles we manufacture. This is among the most important focuses of the R&D activities we carry out. To this end we have designed and manufactured Vectio Hibra (known as Doruk Hibra in Turkish market), the first hybrid bus of Turkey, Vectio CNG, the first natural gas operated medium-sized bus in Turkey, and Vectio Electra (Doruk Electra), the first electric bus in Turkey, and we continue to aim at developing and manufacturing vehicles powered by alternative fuels.

During the reporting year, we continued to improve at being a people-oriented workplace, which is another major part of our activities. In one of our key priority areas within this category, occupational safety, we continued to see improvement in this period. In order to further improve our performance so as to reduce occupational accidents to zero in the future, we provided 11,534 person-hours of occupational health and safety training to our personnel. Within the scope of career and personal development programmes, we offered 51,208 person-hours of personnel training in 2014.

Another important part of our activities is our support for sustainable development within our society as a whole. Accordingly, in addition to our active support for the "No Barriers for My Country" programme of Koç Group, we contribute to the development of Turkey through various social development activities.

We have dreams, ideas and goals to build a better future and the motivation to pursue them. We are determined to cope with all kinds of challenges, pursue innovation and create value. We have done, are doing, and shall continue to do these things.

I, personally, and on behalf of the Otokar Board of Directors, would like to extend our thanks to all our stakeholders, especially our employees, investors, shareholders, suppliers, and business partners who have continued to support us in our achievements.

SADAL

Serdar Görgüç General Manager





### **1963-2014 MILESTONES...**

### 1960s

### 1963

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Our company, Otobüs Karoseri Sanayi A.Ş. was established in Bahçelievler, Istanbul.

#### 1964

We manufactured Turkey's first intercity bus under Magirus licence.

### 1967

We manufactured and exported first small buses

### 1968

The legendary "Havalı Apollo" buses of the period were manufactured by our company.

### 1980s



Turkey's first armoured cashin-transit vehicle was designed and manufactured by our company.

#### 1984

Our company title was amended as "Otokar

Otobüs Karoseri Sanayii A.Ş.".

### 1987

We started the production of tactical wheeled vehicles under Land Rover Defender licence, and we received our first major order.

### 1970s

### 1970

We designed and manufactured minibuses for mass transport.

### 1976

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We joined Koç Group of Companies.

<sup>1</sup> You may find more detailed information on terms of marketing and sales for defence industry products from **"Product and Service Responsibility"** section on page 27.

### 1990s

#### 1990

Turkey's first tactical wheeled armoured vehicle was manufactured by us, and Turkey's first tactical armoured vehicle was also exported by us.

### 1995

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Our Public Offering was realised.

### 1997

Our factory was relocated to a 86,000-square metre plant in Sakarya.

### 2000s

### 2002

- » We merged with Istanbul Fruehauf A.Ş.
- » We designed and started manufacturing the small bus "Navigo", coming second in market share in the first year of production in Turkey.

2003 We produced T

ADRcertified tanker.

### 2004

(•)

Our R&D activities were consolidated at our R&D Centre.

### 2005

»We designed and manu factured our Otokar branded semi-trailers.

### 2007

We designed "Vectio", which was due to become the best selling medium size bus in Turkey for seven consecutive years. Turkey's first hybrid bus was manufactured by our company.

2008

» We were named prime con

tractor for the modern main battle tank production project to meet the updated requirements of Turkish Armed Forces.

»We expanded our total production area to 552,000 square metres.

### 2009

» We added mine-resistant armoured vehicle "Kaya" and 12-metre city bus "Kent" added to our product portfolio.» We received the "Design Turkey Award" and "Busworld Kortrijk Grand Award" in Europe for "Vectio".

### 2010s

### 2010

- » The company title was amended as » "Otokar Otomotiv ve Savunma Sanayi A.S."
- » We added "Arma 6x6", a multi wheeled armoured vehicle, to the product range, and received two
- export orders in the first year. »We became the best selling bus
- brand in lurkey.

### 2011

- »We received "Jury's Special Award" at the European Coach Week for city bus "Kent".
- » We added armoured fighting vehicle "Arma 8x8" to our product range.
- » We displayed full-scale model of the national main battle tank Altay to the public for the first time.
- » We founded our subsidiary, Otokar Europe, in France.

### 2012

» We opened Otokar Tank Test Centre. » We launched Turkey's first

- »We introduced preliminary proto types of the national main battle
- » We received a 900-bus order from IETT (Istanbul Electricity, Tram and Tunnel Administration) for use in Istanbul.

### 2013

- » Our light truck production was started.
- » We added Turkey's first tracked armoured vehicle "Tulpar" and armoured personnel carrier "Ural" to our product range.

### 2014

- » We became Turkey's best selling bus brand for the fifth time.
- We received ISO 10002 certification for customer satisfaction.
- » Fifteen thousandth "Navigo" came off our production line.
- » Our wheeled armoured vehicle "Ural 4x4" was included in our country's inventory
- » Our R&D Centre was named the "Most Successful R&D Centre" in automotive industry
- » Our Electromagnetic Compatibility Test Centre was accredited.



A global brand with 100% local capital that offers products to more than 60 countries on five continents, through more than 200 sales and service points.

### **OUR VISION**

We seek to develop our own technology and protect our local and national identity in making our products. We also aim to maintain continuity in the satisfaction of our customers, employees and business partners with our "total perfection" philosophy.

### **OUR MISSION**

Our primary mission is to design, manufacture and market commercial vehicles and various defence industry products that are in line with customer expectations and are competitive in the global market.

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### **ABOUT OTOKAR**

Sakarya Arifiye Manufacturing Plant

552,000 m<sup>2</sup>

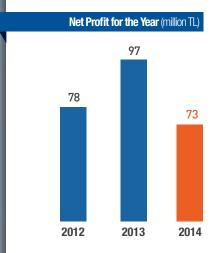
### Capacity

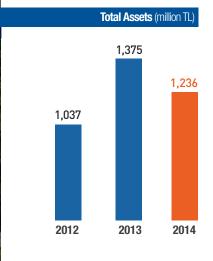
4,600 Buses + Minibuses 2,600 Off-road Vehicles 1,600 Trucks + Vans 1,400 Trailers + Semi-trailers 900 Tactical Armoured Vehicles 91% Turnover share from sales of vehicles designed by Otokar

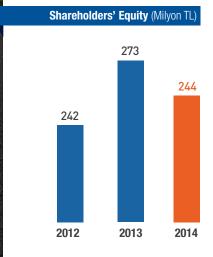
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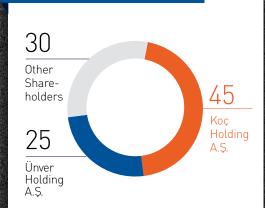
 $\begin{array}{c} 9.20 \text{ Corporate Governance} \\ \text{Rating} \end{array}$ 



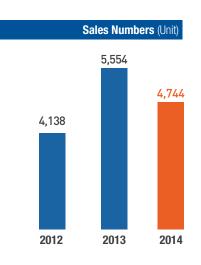




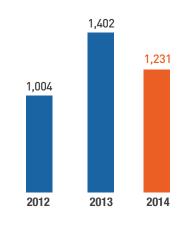
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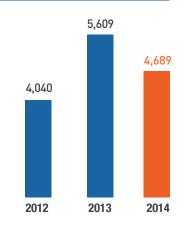


Shareholder Structure (%)



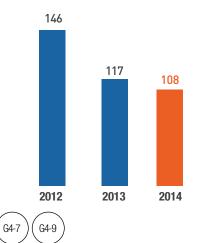






Production Numbers (Unit)







### **2014 SUSTAINABILITY INDICATORS**

Total Energy Saving:

**2,110** GJ

GHG Emissions per Unit: **1.65** Ton CO<sub>2</sub>e /Unit

antol

Waste Recovery

<u>99</u>%

Environmental Indicators

Total GHG Emission Savings: **188** Tons Total Amount of Water Recovered: **145,000** 

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### **RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE GROWTH**

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In addition to strict observation of laws, transparency, accountability, fairness and honesty, Otokar upholds the corporate values of Koç Group: Leadership, Optimism, Solidarity and Value Creation. It is an important element of Otokar's sense of corporate citizenship to put forward a responsible governance model to ensure that sustainable development activities are effectively put into practice.

### CORPORATE GOVERNANCE AND BOARD STRUCTURE

Developments within corporate governance represent one of the most important areas of focus for Otokar, in line with its emphasis on responsible management focused on sustainable development.

Through its activities where strict compliance with corporate governance principles stipulated by the Capital Market Board is defined as a key objective, Otokar continues to improve its understanding of management by continuously improving the corporate governance principles it has adopted. Thanks to its achievements to date, Otokar became eligible to list on the Corporate Governance Index of the Istanbul Stock Exchange (Borsa Istanbul), and its Corporate Governance Principles Compliance Rating rose from 8.64 in 2013 to 9.20 in 2014, according to an independent audit conducted in that year.

Members of the Otokar Board of Directors are selected by the Otokar General Assembly from among people possessing the required qualifications and who are appreciated by stakeholders, thanks to either their business experience or their prestige. The Chairman and General Manager's roles are exercised by two individuals. The Otokar Board of Directors is composed of nine members in total, three of whom meet the independence criteria defined by the Capital Markets Board, and none of whom take charge of the executive board except for the General Manager according to the criteria defined by the Capital Market Board. The Otokar Board of Directors, as the top-level managing body of the company, is directly responsible for defining main strategic trends in all areas of activity and for controlling the level of execution of such trends. The social, environmental and economic matters that fall under sustainability management are also considered within this scope and are included in the activity agenda of the Otokar Board of Directors. Sustainability risks and opportunities detected by company management are periodically submitted for evaluation to the Board of Directors. Strategic trends seen as relevant by the Board of Directors are then put into effect by the executives of the company. The results obtained and the assessments made are then reported to the Board of Directors and used for assessing future projections.

In order to increase the productivity of the Board of Directors, four Board of Directors Subcommittees were formed in 2014; the Executive Committee, the Corporate Governance Committee, the Risk Management Committee and the Audit Committee. Each committee, except for the Executive Committee, is chaired by independent members, and all members of the Audit Committee are independent members.

The remuneration paid to members of the Board of Directors and to the executives is approved by the Board of Directors, in line with the recommendation of the Corporate Governance Committee, which assumes the duties of the Nomination and Remuneration Committee in accordance with the Capital Markets Board directives and the Otokar Remuneration Policy. Whereas members of the Board of Directors are paid a fixed remuneration, the executives are paid remuneration based on corporate and personal performance, in addition to their fixed remuneration. The financial rights granted to the Board of Directors and the executives are published in activity reports and financial statements on our website.

Detailed information on the structure, duties and composition of the Otokar Board of Directors and Subcommittees can be found in the "Declaration of Compliance with Corporate Governance Principles" included in Otokar 2014 Annual Report.

#### **RISK MANAGEMENT**

The purpose of the Otokar risk management system is to protect the company from potential circumstances which may prevent the company from reaching its goals, in line with corporate strategies, sustainable development, operational and financial integrity, the reputation and social legitimacy of the company. It is also intended to minimise the effect on the company of circumstances which cannot be prevented. Accordingly, a Risk Management Policy has been created based on the prediction and monitoring of risks and their management and elimination through proactive action plans. All actions related to implementation of the risk management processes across the company are conducted by Otokar Risk Management Committee.





### **BUSINESS ETHICS AND ANTI-CORRUPTION**

Commitment to superior ethical principles, strict compliance with legal regulations, and promotion of the ethical principles adopted within the value chain constitute key elements of Otokar's responsible management culture. The fact that central and local public authorities are our main customer base, brings with it a responsibility towards the public and requires Otokar to show a special effort in combatting corruption.

The principles and policies adopted by Otokar in terms of business ethics and anti-corruption are regulated by the Code of Ethical Conduct and the Codes of Practice of Koç Group. These principles are binding for Otokar personnel within the scope of all activities conducted by Otokar wherever they are located. Suppliers, dealers and business partners are also asked to act according to these principles. Referring to the code of ethical conduct and the 10 principles of the UN Global Compact as it relates to purchase agreements, we make sure to minimise risk to business ethics, working norms, and anti-corruption during the supplier, dealer, and business partner processes with regard to employee rights, environmental awareness and anti-corruption.

In carrying out principles of business ethics, it is of great importance to ensure that the company's executives and employees are informed about, and internalise, such principles. To this end, a document on business ethics principles is shared with employees, suppliers, dealers and business partners via our website. Within the scope of the company's information activities, between 2012 and 2014 five executives, 122 directors and department managers were provided with training, primarily on anti-corruption and applying ethical principles in management. An Ethics Committee has also been formed in order to ensure that ethical principles are upheld and to conduct necessary investigations, procedures and proceedings in case of violations. Within the scope of the company's confidentiality principle, any stakeholder suspecting a violation of an ethical rule may apply to the Ethics Committee by means of a defined communication channel, and with confidentiality. It is a fundamental responsibility of the employees to report violations within the framework of the defined procedures. The Ethics Committee looks into cases reported or detected during inspections, makes decisions, and starts legal or disciplinary action if necessary. The Board of Directors, on the other hand, is responsible for publication of the company's ethical principles and for observing the effectiveness of the body, system and procedures established for such purposes.

The anti-corruption principles in the Code of Ethical Conduct strictly forbid Otokar employees from giving or receiving in-kind gifts of significant financial value, cash money, or gifts which may be used for cash, with the exception of symbolic gifts of minimum value as permitted by local culture. In accordance with the code of conduct, Otokar neither supports any political views or ideologies nor directly or indirectly supports political institutions, parties or candidates. The company's resources are not made available for use in political activities or propaganda. The company is not involved in any specific lobbying activities intended for the private interests of the company, nor is it supportive of persons or establishments conducting such activities. Otokar may, however, contact public institutions through professional or non-governmental organisations that represent the sector in general, and may provide its opinions and information upon request. In cases where public institutions are customers, commercial relationships may be established provided they abide by the conditions of free competition to the extent defined by the relevant laws.

As a general principle, no employee of Otokar can be held liable for any damages which may be directly or indirectly incurred by the company or that are imposed by sanctions as a result of an employee's compliance with the ethical principles of the company.





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### **INTERNAL AUDIT**

Ensuring compliance of corporate activities with the regulations, corporate policies and principles, defined strategies and objectives plays an important role in developing an understanding of responsible and effective management. To this end, an internal audit department was established in order to conduct internal audit activities based on risks and processes. The activities carried out by the internal audit department every year are also performed in relation to legal compliance and corruption risks covered by financial and operational processes.

All findings collected from the internal audit processes are reported to the relevant managers along with recommendations for improvement. Violation or suspicious circumstances detected in relation to business ethics and anti-corruption are immediately reported to the senior management of the company and to the Board of Directors by the Oversight Committee. Additionally, such circumstances are reported to the senior management of Koç Holding through the Koç Holding Audit Group.

As a result of the audits carried out in 2014, one circumstance was deemed to be in conflict with the provision in the code of ethical conduct that defines cases of conflict of interest. Following the evaluations, necessary procedures were implemented and a case was concluded. The company and stakeholders did not have any damages. No unfavourable circumstances were detected during the corruption e2 carried out within the year; there were no cases that required sanctions to be imposed upon employees in relation to corruption or the termination of a sales or services agreement signed with a business partner.

Besides the internal audits processes of Otokar, additional annual audits are conducted by Koç Holding Audit Group covering financial, operational, legal compliance, human rights, environmental, business ethics and corruption matters. The activities of Otokar are also subject to audits performed by public institutions at different periods.

### SUSTAINABILITY MANAGEMENT

Otokar conducts its activities with an understanding which sustainability management is an inseparable part of its business model and strategies. The company defines its main objective in sustainability management as handing down a more livable world to future generations while continuing steady growth. The sustainability strategy it follows to accomplish this objective is:

• Staying close to people and society, environmentally friendly, and strictly committed to universal human rights and business ethics;

• A business model focused on developing value-added products that fully meet customers expectations through operational excellence and high technology; and

• Increasing corporate profitability and protecting its local capital structure.

One of the responsibilities of the Board of Directors is to define the strategies to be followed in Otokar's activities and to ensure that all activities comply with targeted performance criteria. Thus, within the scope of sustainability management, the Otokar Board of Directors defines and implements key strategies in social, environmental and economic matters.

In order to ensure coordination among activities carried out to define the sustainability management framework and to implement and monitor performance improvement activities and performance assessment and reporting processes, the company established a Sustainability Study Group with the participation of the managers representing the company in general. The Sustainability Study Group defines the sustainability priorities of the company during its annual workshops, carried out in participation with the General Manager and the Vice-General Managers. The priorities determined

Otokar Sustainability Priorities					
	Supply Processes	Design and Manufacturing Processes	Distribution Processes	Sales and Marketing Processes	After Sales Processes
Environmental Issues					
Climate Change, Energy, Greenhouse Gasses • Energy Efficiency, • Alternative Energy, • Optimisation of Logistics and Packaging	*	*	*	*	
Environmental Impacts of Manufacturing • Water and Waste Water Management • Waste Management • Biodiversity		*			
Vehicles with Minimised Environmental Impact • Low Fuel Consumption and Emission in Vehicles • Alternative-fuelled and Electric Vehicles		*		*	*
Social Issues					
Product and Service Responsibility		*			*
Human Rights	*	*	*	*	*
Business Ethics and Anti-corruption	*	*	*	*	*
Occupational Health and Safety	*	*			
Social Development and Employee Volunteering					*
Employee Rights	*	*	*	*	*
Risk Management	*	*	*	*	*
Talent Management		*			
Stakeholder Engagement		*			
Economic Issues					
Innovation		*			
Supporting Local Economy					*
Customer Satisfaction		*		*	*
Competitive Strategic Planning		*		*	

at the end of assessments, performed using a methodology focused on risks, opportunities and stakeholder expectations, are then reassessed by the senior management, which shares the final version with the relevant managers for use in implementation.

### STAKEHOLDER ENGAGEMENT

Otokar builds a constructive relationship with its stakeholders through transparency and fair communication. The quality of these relationships, which provide essential input in developing corporate strategies and policies, play a big role in the achievements of Otokar, as properly meeting the expectations and needs of stakeholders is a key factor in the success of its business plans.

The main groups of stakeholders with whom Otokar keeps in touch are its customers, employees, suppliers and shareholders. In addition, the company forms strategic relationships with public and regulatory institutions, NGOs, the media and society. While the frequency and manner of communication with shareholders varies according to the type of shareholder and their expectations, Otokar takes care that its stakeholders share its ethical principles. The company focuses on mutual benefit, and has adopted a constructive working culture in identifying the stakeholders with whom to cooperate and develop joint projects.

The offering of shares in Otokar to the public on the Istanbul Stock Exchange (Borsa Istanbul) adds a different dimension to the communication developed with those shareholders and investors included among our core stakeholders. The activities related to communication with shareholders are conducted by the Investor Relations Department. Transparent, regular and current company information of the kind expected by investors and shareholders, Annual General Assembly Report, Annual Report, Sustainability Report, annual and guarterly financial performance reports, periodical analysis and informational documents are submitted to stakeholders through press releases, material disclosures, meetings and discussions in addition to the corporate website. Requests for information and meetings that are not of a confidential nature are replied to as soon as possible. Whereas each department of the company can communicate directly with the stakeholder groups that have an influence on its activities, the Corporate Communication Department is responsible for conducting all of the company's external communication strategies and activities. Aside from the activities developed through communication plans focused on target stakeholder groups, the Corporate Communication Department is responsible for carrying out social development projects.

The intranet, which is available to all employees, is used to publish important notices, management changes and press releases. A monthly Koç Group magazine called "News from Us" is issued to increase communication among employees, and it is also read by the public. Not only employees but also customers, authorised dealers and services have access to corporate news via the Otokar Hatti magazine and Otokar News e-bulletins. "This Month at Otokar", another e-bulletin, is an in-company publication designed specifically to inform company em-

ployees. In addition to periodicals and meetings, Otokar conducts training activities to enhance the predictive powers of authorised dealers and services, and increases their knowledge and skills through general and regional meetings.

As a matter of corporate culture, Otokar supports practices that pave the way for its stakeholders' expectations and opinions to be represented in the company's decision-making processes. In addition to means of feedback such as customer satisfaction and "working life assessment surveys," stakeholder participation in management is supported through practices whereby employees can share their expectations and opinions with their manager and ask questions about matters of concern – for example, through self-assessment meetings, open-door meetings, and governance bodies where employees are represented, such as the OHS committees organised at manufacturing plants. Otokar also supports the activities of its external stakeholders such as the NGOs of which it is a member by taking role in their governance bodies.

Corporate Memberships	
Name of Organisation	Contact
Adapazarı Chamber of Commerce and Industry	Member
Aerospace and Defence Industries Association of Europe	Member
Foreign Economic Relations Committee	Member
Gedik Education Foundation	Member
Istanbul Mineral and Metal Exporters Association	Member
Istanbul Chamber of Industry	Member
Istanbul Chamber of Commerce	Member
Quality Association	Member
Metal Manufacturers Union	Member
Automotive Distributors Association	Member
Automotive Manufacturers Association	Member
Automotive Technology Platform	Member
Otomotiv Teknolojileri Araştırma Geliştirme A.Ş.	Member
Defence Industry Manufacturers Association	Member
Technology Development Foundation	Member
Commercial Vehicle Exporters' Association	Member
Trailer Manufacturers' Association	Member
The Union of Chambers and Commodity Exchanges of Turkey	Member
Turkish Industry and Business Association	Member
Uludag Exporters' Union	Member
New Investor Relations Association	Member of Regulati- ons Work Group

# **STEADY GROWTH, CONTINUOUS DEVELOPMENT**



Otokar's objective in its sustainability management practices, is to create a more livable world for future generations while maintaining its steady growth.



Now the leading automotive and defence industry manufacturer in Turkey, Otokar was established in 1963 to offer Turkey modern public transportation, comfortable intercity passenger transportation vehicles and safe freight shipment solutions, in addition to defence industry products based on national private-sector manufacturing. Operating within Koç Group Companies, Turkey's largest industry and service group company, Otokar operates with nearly 2,100 employees, 482 of whom work in R&D, and its manufacturing plant covers an area of 552,000 m<sup>2</sup> in Arifiye, Sakarya.

Since the day it was founded, Otokar has improved its resources with each passing year, from production capacity and intellectual capital to its ability to grow sustainably. Growing by 16% in the last 10 years despite global economic fluctuations, Otokar has fulfiled its value objective for its stakeholders through its financial stability, commercial success, and profitability performance.

Today, with more than 200 sales and service points, and as a manufacturer of vehicles that are used in more than 60 countries, Otokar has become a global brand. Playing a key role in this is the company's capacity to channel elements of competitive advantage towards the right targets through a rational and visionary strategy. For example, operating in niche markets

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has greatly contributed to the growth of Otokar. On the other hand, being a company without foreign shareholders strengthens its competitive advantage in value-added national projects in the defence industry. Finally, with its high R&D capability, engineering capacity, and wholly company-owned technology, Otokar has an advantage in being able to design and manufacture products quickly that will satisfy customers and meet market expectations.

Through all such opportunities, Otokar has contributed to corporate growth while breaking various areas of new ground in Turkey. After manufacturing Turkey's first intercity bus, the Company later manufactured the first tactical wheeled armoured vehicle of Turkey. Manufacturing Turkey's first hybrid and electric buses, as well as being the prime contractor of Altay, the most complex land vehicle and the national main battle tank of Turkey, gives some indication as to where Otokar now stands with its R&D, design and manufacturing technology capacities.

Despite a shrinking market and thanks to these advantages, Otokar maintained its position as the leader in the "25+ seat" bus market in 2014 for the fifth year. The company increased its trailer sales by 100% in the logistics sector, while maintaining its long-term position in the defence industry as the country's leading land systems supplier.

### **INNOVATION FOCUSED ON VALUE-ADDED**

Since the day it was founded, Otokar has continually improved its innovation capacity, in time becoming a company that manufactures its own technologies. The fact that Otokar, with the information packages with its own intellectual property rights, designs and manufactures in the most complex vehicle groups makes the company an important centre for R&D, not only in Turkey but also across the world.

Otokar sees its capacity for innovation as its most important strategic competence, and it increases its R&D investments every year. In 2014 Otokar spent TL 43.5 million on R&D studies, a figure equivalent to 3.53% of total turnover recorded within the year. The new technologies made available by Otokar's 482 employees in R&D resulted in the acquisition of 68 new patents within the reporting period.

Otokar R&D Centre, established in 2014 to bring all R&D studies conducted across the company under the same roof, and thus to obtain optimum efficiency, has gained an important position

over the last decade, not only Turkey but also in Europe, thanks to its technological infrastructure, testing resources, engineering competency, and ability to manage individual property. As a result of such developments, Otokar R&D Centre was granted the "Most Successful R&D Centre in the Automotive Industry" award by the Ministry of Science, Industry, and Technology in 2014. Furthermore, Otokar became the first Turkish company to receive design approval from the Turkish Standards Institute in all categories of tanker manufacturing: circular, elliptical, and maxi-volume.

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Studies conducted to improve the competencies of the R&D Centre increase each year, and in parallel, its semi-trailer R&D achievements also increase. Accordingly, the Otokar Electromagnetic Compatibility (EMC/EMI) Testing Centre was accredited by the Turkish Accreditation Agency during the current reporting period. As a result of this accreditation, which certifies compliance with the standards of TS EN ISO/IEC 17025:2012 as well as the required regulations and notices, the Centre has begun to serve as an independent accreditation centre for R&D studies in different industries.

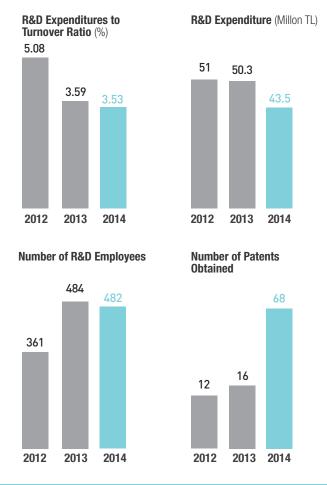
Otokar R&D Centre contains the following: a Dynamo-metric Acclimatized Testing Chamber (Turkey's first and one of only a few in Europe), Turkey's highest-capacity hydraulic road simulator, an electromagnetic compatibility testing centre (the largest in Turkey and one of only a few in the world), mine testing equipment, and ballistic labouratories. With such capacities, Otokar offers superior resources to meet the testing needs of companies operating in various sectors. Thus, Otokar R&D Centre does not just conduct studies related to the activities of Otokar; it also has a corporate identity that offers R&D services to other companies.

Otokar continued its product development studies uninterruptedly in 2014. As a result of these studies, conducted in line with user expectations and needs, Otokar added Vectio C, an 83-seat and 10-metre public transportation bus, to its bus product family in 2014. Otokar also renewed its issue of Tempo buses, the most favoured model for shuttle service. Other additions to the product line included the Iceliner Premium Double Deck, which can transport different loads in the same vehicle, the Mega Euroslider Huckepack for intermodal transportation, and a 45-inch "high-cube" for containers carrying vehicles and light semi-trailer designs. Additionally, Huckepack semi-trailers were manufactured, offering a safer

transportation experience to customers with its Load Safety Certificate in accordance with EN 12642 CODE XL standards.

Another field of focus for R&D studies is developing studies intended for future transportation needs. It is anticipated that Smart Traffic Systems, the first examples of which we can now see in automotive technology, will become more common in the future and eventually become standard. Accordingly, in 2014, Otokar assumed an active role in the CoMoSeF Project, intended to develop the applications and equipment needed to create Smart Traffic services. Funded by the European Union, the CoMoSeF Project attracted more than 20 stakeholders from eight countries. Otokar also hosted a midterm evaluation of the project in 2014.

### **Otokar R&D Competencies**



#### **Smart Vehicles, Safe Future**

Handing down a safer and higher quality of life to future generations is one of the underlying principles of the sustainability perspective of Otokar. One important focus of our R&D studies is to provide future generations with higher-quality infrastructure and with the vehicles to meet their transportation needs. The CoMoSeF Project, implemented by Otokar in cooperation with more than 20 other establishments in 2014, is an important step in defining future transportation technologies.

Funded by the European Union's Eureka Fund and the Scientific and Technological Research Council of Turkey (TÜBITAK), the Project is intended to define inter-vehicle communication standards. Accordingly, within the scope of project guidelines, in 2014 studies were conducted to produce solutions, based on the data gathered, to improve driving quality and safety by establishing vehicle communication with other vehicles and roadside units. The intent is to create architecture that will cover all traffic systems using technologies developed as a result of the project, and to establish communication between the service-receiving and service-providing end users over a shared network.

### **DEVELOPING TOGETHER ALONG THE VALUE CHAIN**

The automotive sector by its nature operates along an extensive value chain. The core purpose of this value chain is to bring to-gether thousands of components using superior technology and quality, distributing products across the world, and servicing them after sales. Improving the quality and quantity of this value chain, which develops around most major manufacturers, is essential to the future of companies.

Otokar considers its growth objectives together with the development of the value chain around which it revolves. Social, environmental, and economic improvements in supply, logistics, dealers, services, business manner, production and service quality, occupational safety and workers rights, environmental management, and working norms are the elements that will help turn risks into opportunities and growth. With this perspective, Otokar carries out activities that support the development of all of its stakeholders' operations along the value chain. Such activities are defined based on risks and opportunities, and are subject to periodical performance controls.

### **DEVELOPING THE SUPPLY CHAIN**

Otokar's supply chain is based heavily on supply of materials, but it also includes supply of special services related to logistics and products. Conducting its purchasing processes with a supply pool including more than 2,000 companies, Otokar made direct and indirect purchases of material and services from a total of 1,213 suppliers in 2014. All 750 suppliers in the direct supplier portfolio are approved active suppliers. Of these, 480 of them are local and 270 foreign. It is assumed that the primary income source of 2% of Otokar suppliers are the productions carried out for Otokar. In 2014, more than 300,000 purchase orders were placed with these companies, for a total volume worth more than TL 634 million.

Of the 1,213 suppliers with whom purchases were made in 2014, some 952 are local suppliers, and the volume of these purchases were worth around TL 335 million. Accordingly, in terms of the number of suppliers, 78.5% of the direct and indirect material and service purchases were made with local suppliers, while



in terms of the amount of purchases, 54.4% of the same were made with local suppliers.

The most important factor in developing the supply chain is the process of selecting suppliers. Accordingly, Otokar chooses its suppliers using method-based financial, commercial and operational criteria and quality norms, in addition to certain rational criteria that observe the social, environmental and economic performance areas that have been defined with a focus on risks and opportunities.

#### **Otokar Supplier Policy**

Otokar Supplier Policy seeks to build, maintain, and develop longterm relationships with existing and potential business partners based on mutual trust and cooperation, in compliance with the general policy and strategies of Koç Holding and Otokar, and in line with the principles of the UN Global Compact and the Koç Holding Purchasing Management System.

Otokar prefers to work with suppliers that operate within its vicinity, but it also considers all national and global supplier alterna-

#### **Otokar Supplier Selection Criteria**

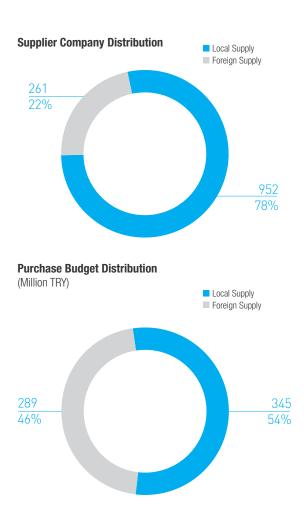
Otokar prefers suppliers that:

- Comply with the general policy and strategies of Koç Holding and Otokar
- Comply with the principles of the UN Global Compact
- Do not condone child labour
- Do not condone discrimination
- Do not condone forced labour
- Comply with confidentiality of information
- Do not prevent collective labour agreements and unionisation
- Observe occupational health and safety rules
- Observe the employee standards defined by laws and by the sector
- Follow legal working hours
- Abide by the company's ethical rules together with its employees,
- Do not resort to psychological or physical pressure or abuse in corporate discipline
- Offer a competitive advantage
- Supply quality products on time and with competitive conditions
- Consider R&D important for specializing in their own field
- Conduct manufacturing activities in line with national and international standards on environmental and occupational health and safety

Within the scope of the agreements they enter into, Otokar's suppliers undertake to comply with the principles of the UN Global Compact and with legal regulations related to the framework and requirements of Otokar's ISO 14001 Environmental Management System.

tives in order to maintain its competitive position in the markets where it operates.

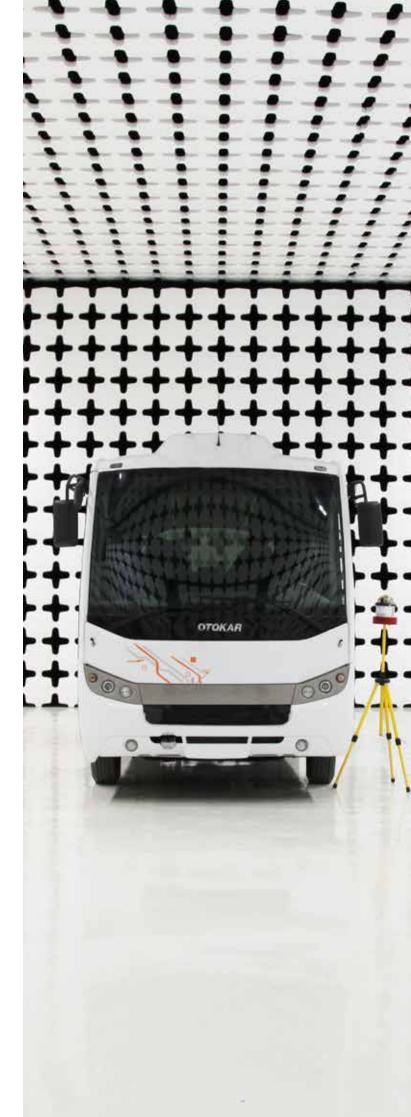
Otokar has built a communication structure based on effective, harmonious and transparent information-sharing with its suppliers. It is the responsibility of the General Manager to ensure that all decisions made and activities conducted in relations with suppliers are in compliance with all other policies and any relevant arrangements of the Company.

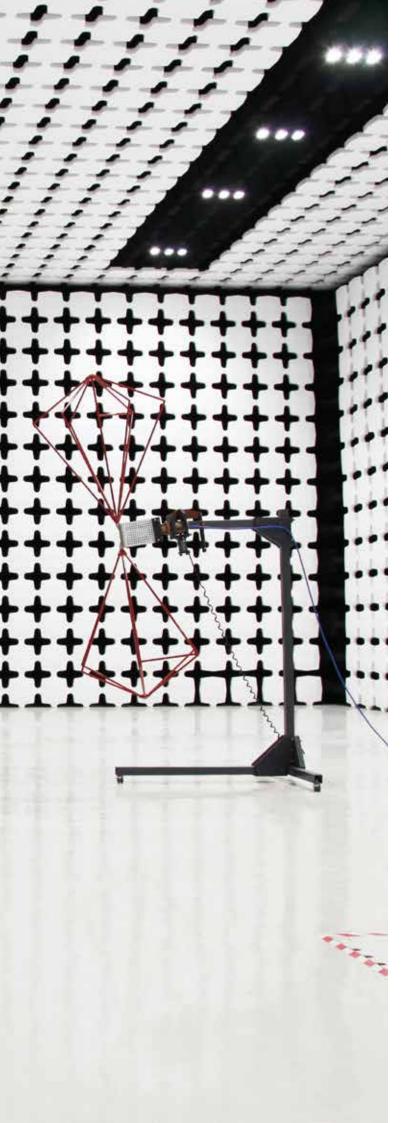


### Effective Communication and Cooperation with Suppliers

Otokar's technical infrastructure and communication channels ensure uninterrupted flow in supplier relations. The most important of these channels is the vSRM Portal. A web-based portal, cSRM is used to follow all stages of supply and to share current information on supply policies with suppliers, as well as any other matter which may influence their relations with Otokar. Vendor Managed Inventory (VMI), Build to Order (BTO), KANBAN and Just in Time (JIT) applications are also used to assure the efficiency of supply operations.

Otokar involves its suppliers in its innovation activities intended to gain an advantage in global competition. Accordingly, Otokar conducts activities to develop both new and joint products with its suppliers. Within the framework of such projects, the engineering departments of Otokar and of supplier companies carry out joint activities. To ensure that activities requiring advanced cooperation and coordination are completed successfully, Otokar holds hundreds of cooperation meetings with its suppliers every year.





### Service Management Project

The Service Management Project was launched in 2013 to improve quality in the management of business processes at Otokar dealers and service centres. The project ensures improvement of the services offered by dealers and service centres, enhances commercial relationships, and provides feedback from vehicle records to the R&D department and product development units. Through the system installed by this project, which is expected to be completed in 2015, any vehicle sold will be automatically recorded in the system, and later, any vehicle brought to a service centre will be entered into the system for service using the Work Order Card. In this way, any malfunctions in vehicles, workmanship, services rendered or spare parts used will be recorded, and this information will serve as valuable feedback for future R&D

#### **Supplier Performance Evaluation Practices**

Periodical performance control and inspection play an important role in improving the qualitative and quantitative efficiency of supply operations. Accordingly, Otokar conducts its supplier-related control activities using a methodology that involves environmental awareness, occupational safety, working norms, workers rights and similar parameters, in addition to quality, logistics, delivery, and cost parameters. In this context, the 10 principles of the UN Global Compact are among the dimensions checked during inspection processes. Annual control plans are created by defining a sample with a method based on risks in order to ensure the inspection's efficiency. Accordingly, since the companies that comply with ISO 14001, OHSAS 18001, and ISO 9001 standards and that adopt international initiatives such as UN Global Compact are included among the lower risk groups in the areas of inspection on the systems they have, such companies rank as a lower priority for inspections, which are prioritised for companies that do not have such qualifications.

Otokar Supplier Evaluation Methodology							
Score	Category	Action	Improvement activities				
<b>&lt;</b> 40	D	Cooperation with supplier is terminated.					
40-65	С	Suppliers whose improvements are followed.	Joint activities are carried out in order to ensure that the suppliers in categories				
65-85	В	Suppliers whose improvements are followed.	B and C could advance to the upper category (shipment and order arrangement, packaging improvements, quality improvements, etc.)				
>85	А	Preferential Suppliers					



At the end of inspections, suppliers that meet some of the performance or risk criteria desired are offered development plans intended for performance improvement, and capacity-building training activities are carried out. Cooperation is terminated with suppliers that fail to meet the minimum performance criteria at the end of inspections.

In 2014, inspection studies were carried out with 25 supplier companies. During inspections, companies were evaluated on the basis of certain scales, weighted by various risk factors, especially in areas such as environmental awareness, workers rights, child labour, forced labour, and right to association. During the reporting period, there were no supplier companies whose services were terminated on the basis of failure to meet the minimum requirements.

#### WIDE DEALER AND SERVICE NETWORK

Since Otokar considers customer satisfaction to be at the centre of its activities, it is of critical importance to have dealer and service operations where, across the value chain, products meet customers' needs, product value is maintained during use, and customer complaints are resolved.

Having a wide dealer and service network facilitates availability of products and services and improves the service quality. For this reason, Otokar offers products and after-sales services at 94 points across Turkey and at more than 200 locations across the world.

Working norms, development of business processes, and service quality are just as important as the extensiveness of the dealer and service network in ensuring that the value chain continues its sustainable development. Otokar therefore conducts various development activities for dealers and services to ensure that they internalise working norms that are suited to them and to improve their business processes and quality of service.

### **IMPROVING CUSTOMER SATISFACTION**

Otokar customers are at the centre of the company's operations. Therefore, the company conducts continuous operations to improve customer satisfaction. Otokar has remained the market leader for the last five years partly as a result of its orientation towards customer satisfaction.

The level of customer satisfaction is monitored using various research methods such as Welcome Surveys, Customer Satisfaction Surveys, Dealer, Service, and Product Satisfaction Surveys, and Brand Perception Surveys. In this context, 70% of customers surveyed in 2014 said they were quite satisfied with Otokar's products and services. Numerous activities and projects are currently being implemented in order to improve this level of satisfaction.

During the reporting period, activities were also carried out to improve the systems and organisation for managing customer satisfaction. Another innovation that was introduced during the reporting period was the launch of a customer resource management (CRM) department. Through this, the company began to perform a more systematic management of customer information, demands, expectations, and complaints. Following this, the Otokar Customer Services Hotline was reorganised to serve uninterruptedly and 24/7 in connection with the CRM department, and began operating in accordance with the "ISO 10002 Customer Satisfaction Management System" standard. An analysis con-



ducted using customer feedback in 2014 found that the level of customer satisfaction with the Customer Services Hotline was more than 80%.

### PRODUCT AND SERVICE RESPONSIBILITY

A key factor allowing Otokar to reach new stakeholders is the products and services it offers, which break new ground in Turkey. In this context, not only does the company offer products and services of the highest quality, based on a customer-oriented approach and designed to fulfil their expectations and demands; corporate responsibility at Otokar also involves constantly improving product safety, providing customers with transparent information about its products, and managing the social, environmental and economic effects of its products and services.

The main objective of Otokar is to fulfil the needs and expectations of society through the value-added services it provides and the products it manufactures. Thus, having introduced new automotive technologies and products into Turkish society since the day it was founded, Otokar today adopts superior quality norms in its manufacturing processes and manages its quality standards in an integrated manner through its QDMS system.

The quality policy internalised by Otokar is based on five key principles:

- Explore the needs and expectations of customers, and offer and implement solutions to them;
- Support continuity in customer satisfaction through after-sales operations;
- Pursue and implement new technologies and techniques to continuously improve product quality;

• Popularise the total-quality philosophy across the company and build the necessary culture for such a philosophy, including through training activities; and

• Organise activities so as to minimise the number and cost of errors and maintain continuity.

In addition to using internationally accepted methods such as the ISO 9001 Quality Management Standard and the AQAP Industrial Quality Assurance System in order to improve the quality of manufacturing processes, the Problem Tracking and Prioritisation System, 6 Sigma, A3 and Problem Solving techniques are used for effective and prompt problem-solving. In addition to improvements in the quality of manufacturing processes, other activities are conducted to improve the quality of the end-product. All Otokar products and components are manufactured in accordance with the conditions and specifications required by all applicable legal norms in the markets where the company operates. The regulations governing quality norms for products are actively observed and complied with. No instances of non-compliance were observed during the reporting period.

Otokar provides information to its customers about the components and capabilities of its products, their features, types of environmental impact, and safe usage factors on its website, as well as product information forms, user manuals, and vehicle modification guidelines.

### Commercial Vehicle Safety Improvement Projects

Equipping the vehicles it manufactures with superior driving and passenger safety features is an important aspect of product responsibility at Otokar, and studies to improve vehicle safety are conducted as part of the company's R&D activities.

During the reporting period, R&D and design studies were conducted to improve the driving and passenger safety of commercial vehicles, as well as ergonomics and comfort for handicapped passengers. As a result of these studies – and in order to ensure compliance with regulations coming into effect in the following periods – the seats, headlights, and brake systems of Otokar vehicles were improved to enhance passenger and driver safety. Otokar has already implemented some of the innovations from this project as part of the safety equipment of existing vehicles, and it has begun working on an Improved Emergency Brake System and a Lane Departure Warning System, which will be launched at the end of 2015.

Alternatively, Customer Services Hotlines may be used to access such information, as well as to file complaints and communicate demands.

To ensure customer satisfaction, fulfil their expectations and needs, and establish healthy communication with them, Otokar conducts several different activities designed to collect information about its customers. Along with carrying out such activities comes the responsibility to protect the security of any customer information collected. Otokar does this through systems designed in accordance with international standards and in compliance with the norms defined by regulations.

Otokar's operations in the defence industry make information security of critical importance. For this reason, all processes from production to sales are carried out in compliance with ISO 27001 Information Security Management Standard AQAP 2110 Design, Development and Production NATO Quality Assurance Requirement Standards, thereby protecting product information.

Another part of product responsibility at Otokar is the follow-up on products after sales. Thanks to the CRM department launched in 2014, products and services are actively followed up on post-sale, and operations are carried out to answer all customer expectations and complaints and to maintain the unconditional satisfaction of our customers.

When it comes to the defence industry, it takes a different meaning in terms of product responsibility. Defence industry products, as a matter of its chatacteristic, can be sold only to Turkish Armed Forces or Security Forces under the conditions defined by law. Like all defence industry sectors, defence industry products can only be exported under articles of export lisences and with regard to information and permisson granted by Republic of Turkey Ministry of National Defence; in accordance with export permits of related governments, sales can only be made to governments or public institutions.

## **PEOPLE-ORIENTED WORKPLACE**

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Thanks to the growth and development it has achieved from its founding up to today, Otokar has become one of the most prestigious companies in Turkey and Europe. What makes this success possible is the diligent work of Otokar's employees. In this sense, as a member of Koç Group, Otokar considers its employees to be its most valuable asset.

Otokar's workplace practices are people-oriented. In this respect, Otokar offers its employees a workplace that dignifies them as human beings and supports egalitarianism and employee development.

Within the framework of Otokar's Personnel Regulation, employment policies, career planning, performance and salary management are offered, in addition to development and employee training policies, defined in accordance with the company's Human Resources Policy. The General Manager is responsible for ensuring the compliance of all decisions and activities conducted as a part of human resources processes at Otokar.

Otokar puts special emphasis on protecting workers rights, which are assured in various ways. The company has adopted the principles of UN Global Compact, signed by Koç Group, and it follows and promotes these principles and monitors their implementation throughout the entire value chain. Otokar does not condone discrimination based on race, gender, political or philosophical views, or religion in any of its human resources processes, nor does it make dispositions which may be considered as discriminating.

In order to secure its stance against gender discrimination, Otokar acknowledges the Equality at Work Declaration issued by the Equality at Work Platform, a comprehensive initiative made by Turkey's Ministry of Family and Social Policies in cooperation with the World Economic Forum in order to eliminate social gender inequality. During the reporting period, the Otokar Women's Club was established to carry out activities specified in the declaration.

Otokar voluntarily undertakes to abide by the following principles intended for eliminating gender discrimination, and to lead the way in promoting such principles throughout the country:

- 1- We respect human rights. We treat all employees equally.
- 2- We ensure the health, safety and well-being of both female and male employees without any discrimination based on gender.
- We specifically support female participation in the labour force.
- 4- We define criteria on equal opportunity for women and men under our Human Resources policies.
- 5- We apply and uphold an "Equal Pay for Equal Work" policy.
- 6- We establish the required mechanisms to ensure equal access to career opportunities.
- 7- We create and monitor training policies, giving particular consideration to female participation.
- 8- We create work environments and practices to maintain life balance between work and family.
- We communicate internally and externally all news regarding our equal opportunity schemes and achievements.
- We will promote this declaration across our entire business ecosystem, including business partners and suppliers.

11- We will establish a leadership committee within our company to monitor the items covered in this declaration. In this vein, Otokar has taken steps to increase female employment within the company. Otokar does not discriminate between the salaries of female and male workers, in line with our "equal pay for equal work" principle. The salary differences between employees who do the same work result from objective factors such as length of service and payment by performance.

Otokar respects the right to assembly and provides the environment necessary for conducting union activities across the company. In this context, all of the 1,436 employees working at Otokar have signed a collective labour agreement. The company does not condone child labour in the workplace and does not practise forced labour, and it expects the same from its business partners, particularly its suppliers and contractors within the value chain.

### PERFORMANCE AND TALENT MANAGEMENT

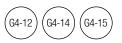
Performance measurement and assessment at Otokar is carried out using systematic methods and with the participation of employees. At the end of each year, all managers interview their personnel to conduct a performance assessment. The data collected from these interviews is used in regulating training and development processes. Employees whose performance levels are below expectations are interviewed again at mid-year. These interviews are intended to reach a consensus and make plans for the company's future development.

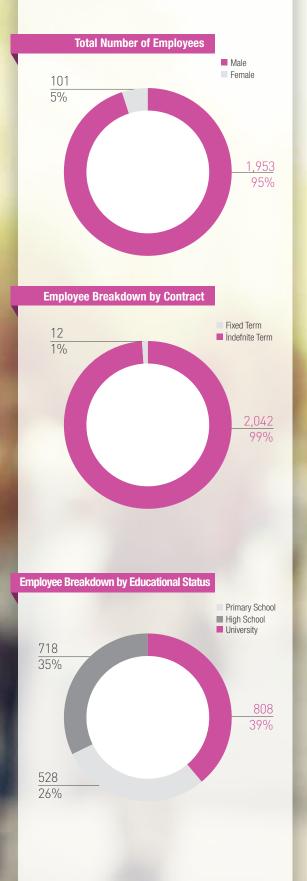
Scoreboards are prepared for blue-collar employees to evaluate their technical and behavioural talents. Areas needing development are identified during the performance assessment, and employees are asked to participate in training programmes. Employee development is measured at the end of the year. Practice in reaching target scores is conducted when assessing the performance of blue-collar team leaders. In 2014, as every year, employees were informed about their performance during the assessment process and shown their results.

Otokar follows a systematic and objective approach when determining employee pay. The work done and responsibility assumed by the employee are the key criteria used in determining salary levels. Gender is not a factor that affects salary differences at Otokar.

The company's salary policy defines the salary system and practices of the members of the Board of Directors and Executives, who have executive responsibilities within the scope

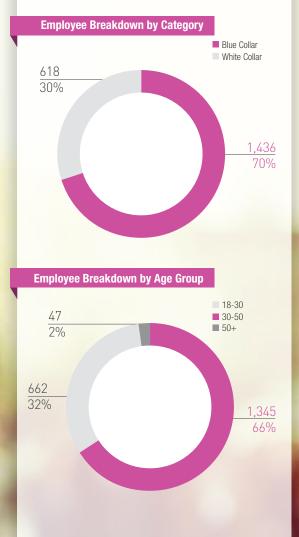
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### **VOCATIONAL TRAINING COURSES**

Taking initiative in training specialised employees needed in the automotive sector, Otokar has trained employees specialised in the automotive sector thanks to the vocational training courses it organises with the support of Turkish Employment Agency (lşkur) since 2011. As a result of the training programmes where 295 trainees became specialised in several automotive processes, 50% of the successful trainees were employed by Otokar. Thanks to their specialties, other trainees found the opportunity of employment in other companies operating in Sakarya region. of the regulations of the Capital Markets Board. More detailed information is available at www.otokar.com

Otokar organises many training activities each year to support the development of its employees, who are the company's most precious asset. In 2014 the company provided 51,208 person-hours of training, with 2,401 people participating.

Otokar employees also benefit from broader development opportunities offered by Koç Group. Among the Group's employee development programmes that have included Otokar employees are Koç Holding's "You are the Leader" Programme, the Koç University Master's Programme (E-MBA) and the Koç Group Internal Coaching System.

Otokar employees design projects to develop corporate procedures in many fields, especially operational productivity. These ideas are evaluated on the basis of a suggestion and reward system, whereby the employees who have made the most successful suggestions are rewarded. In 2014, the employees of Otokar made a total of 3,050 suggestions, 1,600 of which were considered worthy of implementation. A total of 33 Otokar employees were rewarded through the company's rewards programme. Projects implemented by employees are also evaluated in the "Most Successful Koç Members" programme carried out across all Koç Group Companies. In 2014, three projects carried out by Otokar employees won awards, in the categories of "Adding Value to Life", "Creating Customer Satisfaction" and "Creative Innovations".

### **OCCUPATIONAL HEALTH AND SAFETY**

Creating a safe work environment for employees and other stakeholders in production areas is a top priority at Otokar. Within its OHS Policy, the company conducts its operations in line with the OHSAS 18001 Occupational Health and Safety Standards. As a result of studies launched during the reporting period, Otokar aims to finalise its OHSAS 18001 validation process in 2015.<sup>2</sup>

The Occupational Health and Safety Department, consisting of occupational health specialists, on-site doctors and healthcare specialists, carries out the company's OHS practices. OHS targets are set for every function and level, and a work programme is developed annually. OHS performance and compliance with the work programme are reported monthly to the related de-

 $^{\rm 2}$  Validation process has been finalised in 2015; thus facilities were certified with OHSAS 18001.





### **OTOKAR'S OHS POLICY**

Otokar considers its employees as its most valuable assets in the operations conducted to provide competitive edge and attain strategic goals in line with its main mission.

Otokar takes it as a principle to take measure required to create a health and safe working environment for its employees and everybody present in the production area for business, internship or a visit.

In order to create a Health and Safe working environment, Otokar:

• Follows developments in Occupational Health and Safety, complies with applicable regulations and fulfils its liabilities arising from agreements;

• Defines and analyses occupational health and safety risks of its operations and takes measure to minimise such risks in order to prevent injuries and illnesses related to its operations;

• Conducts training and information activities for its employees and everybody present in the production area for business, internship or a visit in order to raise their awareness of individual or corporate responsibilities;

• Conducts its operations in compliance with the requirements of Occupational Health and Safety Management System. Sets goals and creates management programmes, monitors the results and puts preventive actions into effect in case of deviations from goals in order to continuously improve Occupational Health and Safety System and Occupational Health and Safety performance.

### Practices to Improve Employee Ergonomics

To improve the health of personnel working at the company's sandblasting unit, Otokar switched to fully automated systems in 2014. With these systems, excess loads that could have negative effects on the health of personnel are transported via rail and lift systems, thereby lowering the level of ergonomic risk. As a result, the employees' awareness of occupational health and safety was increased. This exemplary work has become a pioneer for ergonomic improvements in other areas.

partments and reviewed annually during Senior Management Review Meetings.

Otokar has established an Occupational Health and Safety Committee that works to minimise occupational health and safety risks in the workplace and improve Otokar's performance in this area. In line with the requirements defined in the relevant laws, the committee consists of 17 members, six of which are employee representatives.

The knowledge and heightened awareness of occupational health and safety among Otokar personnel has an important effect on the development of OHS performance. The company therefore organises OHS training for its employees. In 2014, it provided 11,534 person-hours of such training, with 1,210 people participating.



### DORUK ENVIRONMENTALLY FRIENDLY PRODUCTION

In its operations, Otokar has continued to uphold the principle of environmentally friendly production with which it started, and to lead by example for other companies operating in the same territory. At the heart of the company's Environmental Policy are systems and procedures created in accordance with the ISO14001 Environmental Management System Standard and developed not just to comply with the laws but also to lead by example internationally.

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Available to all stakeholders on the company website, the Otokar Environmental Policy has relied on three basic principles: creating systems that make efficient use of the environment and natural resources; ensuring the system's continuity; and complying with legal and other obligations.

The environmental impact of Otokar operations is considered in multiple aspects. A "prominence analysis" of environmental impacts is carried out as a part of the corporate risk management system using its Environmental Impacts File. This file is revised whenever new environmental impacts not already included in it are discovered, such as through Internal Audits of Management Systems, purchase orders for new materials, and new investments.

The efforts of the company's Environmental Management encompass areas such as efficient use of natural resources (mainly water and energy) and other materials; climate change; wastewater and solid waste management; management of GHG emissions; minimising the impact of operations on the environment and on biodiversity; compliance with environmental laws and regulations; training and awareness-raising; and developing communication and cooperation with stakeholders, principally NGOs.

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As in all other fields, the Otokar Board of Directors determines the company's general strategic direction on environmental matters. The General Manager of Otokar, who is also a Member of the Board of Directors, is responsible for ensuring that the environmental decisions made and efforts carried out are in compliance with all other corporate policies and decisions, are effectively implemented, and ensure strict compliance with environmental laws and regulations in all corporate operations. The Otokar senior management meets periodically to review the company's environmental management systems and their continuous conformity, qualification, and efficiency. The operations carried out within

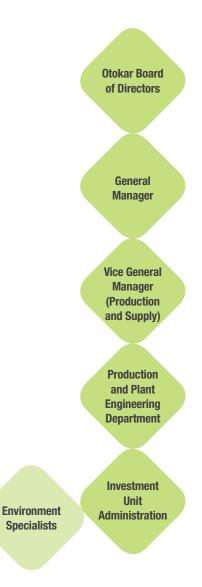


these fields are implemented by the Environmental Management Unit, organised under the leadership of the Manager of Production and Plant Engineering and the Investment Unit Manager.

Prevention of pollution, minimisation of environmental impacts, periodic checks, and disposal processes of hazardous waste are all carried out based on defined procedures. The instruments and testing equipment used in these measurements and analyses are regularly calibrated at the company's calibration and test labouratory, or at internationally traceable centres.

The objective of Otokar's environmental policy is to achieve continuous performance development in the operations carried out by its environmental management. In addition to the periodic internal audits carried out to ensure that such efforts are efficient, environmental audits are conducted by the Audit Group of Koç Holding.

All operational departments of Otokar are subject to the ISO 14001 Environmental Management System Standard certification. Independent external audits are also conducted at regular



intervals to maintain compliance with the ISO 14001 Standard. Additionally, the company's fields of operation and the environmental operations carried out at these sites are subject to inspection by Turkey's Ministry of Environment and Urban Planning. During the audits conducted in 2014, nothing was found to be inconsistent with environmental standards, laws, and regulations, nor was any penalty or sanction imposed. The company did not receive any complaint or demand from stakeholders with regard to the environmental aspects of Otokar's operations in 2014.

The "Procedure for Determining Environmental Objectives", a Goals and Management Programme under the company's Management Systems, has been created to define the process of



# **Otokar Environmental Policy**

Otokar considers it part of its duty to raise the environmental awareness among the people, entities, and organisations with which its directly or indirectly interacts when creating and presenting products, and to fulfil its environmental responsibilities towards its local and regional neighbors. The company therefore creates systems based on efficient use of the environment and national resources, and ensures the continuity of these systems. In accordance with this policy,

#### Otokar:

- Keeps up on publications related to the environment, and complies with all existing laws and regulations;
- Minimises and controls environmental pollution through its Environmental Management System;
- Supports its employees and sub-industries in being environmentally conscientious;
- Makes its environmental objectives and goals available to the entire public, its sub-industries, and other relevant organisations;
- Directs its environmental activities so as to support other policy elements; and
- Is committed to the continuous development of its environmental performance.

setting, assessing, and managing Otokar's annual objectives in environmental performance. By this means, the company has drawn up five-year strategic plans in line with the vision and strategic goals set jointly Koç Holding Defence Industry, and the Other Automotive and Information Group. It also created timelines for setting and attaining these goals.

The company's environmental performance indicators are determined on the basis of specific subjects and processes, delivered through regular measurement and assessment, and the level of development is observed. The achievement level of these goals is tracked through a goal card system, which is also considered in the company's remuneration system as a part of its performance management system. Efforts carried out in in terms of environmental management, and the results thereby achieved, are regularly reported to the General Manager. The Board of Directors is also informed of the level of implementation of the strategic plan and its achievements.

In accordance with its environmental policy, Otokar shares information on the efforts it makes and the performance it achieves with its suppliers, relevant public institutions, and the whole public through various channels, mainly through GRI-approved sustainability reports, reporting efforts carried out at Koç Holding, the Otokar Hatti Bulletin, the Otokar Factory Bulletin, the Otokar ISG Bulletin, sub-industry training sessions, and environmental information notes.

Otokar allocated a resource more than USD 1.5 million for its Arifiye Plant to date in efforts carried out investment operations to enhance the efficiency of its environmental management, maintain legal compliance, and improve its environmental performance.

The company expects that its suppliers and business partners adopt a similar environmental management approach, and will develop measures and actions to minimise their environmental impact. For this reason, when choosing suppliers, Otokar considers the environmental management level of each supplier, especially its ISO 14001 certification, to be an important criterion. Environmental management is also considered during supplier inspections, and development plans are created and followed in accordance with these findings.

Otokar carries out environmental training activities for both its own employees and those of its contractors in order to raise their environmental awareness. This reflects its goal of reducing its environmental impact directly through its daily operations, and of improving its performance. In 2014, some 639 person-hours of training were delivered to Otokar's employees, and 50 person-hours of training were delivered to the employees of its contractors.





In addition to its own business operations, Otokar carried out training activities to raise the environmental awareness of its external stakeholders, especially local society, in accordance with its sense of social responsibility. In this regard, 290 person-hours of environmental training was delivered in 2014.

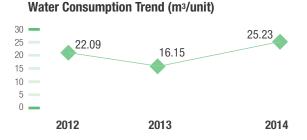
# WATER MANAGEMENT

G4-14

Water, besides being important for individual consumption, is an essential resource in industrial operations. It is therefore important to secure water resources in order to maintain manufacturing operations in the future. As a responsible manufacturer, Otokar considers efficient management of water resources to be a priority, in order to achieve environmental sustainability, secure the necessary water for continued production, and ensure the future existence of water resources, both socially and industrially.

The water management operations carried out in accordance with the Otokar Environmental Management Principles and the ISO 14001 System Standard requirements include the efficient use of water resources, water recovery, and waste-water management.

The amount of fresh water used in production depends on many factors. Generally, the more production increases, the more fresh water is consumed. However, water consumption does not decrease at the same rate as production decreases, because a min-



imum amount of water is necessary for company processes. Accordingly, as production decreases, the water consumption value per unit increases. In 2014, an apparent decrease in production had this sort of effect, causing the amount of water used per unit to rise from 16.15 m<sup>3</sup> to 25.23 m<sup>3</sup>. Otokar aims to decrease its water consumption per unit in the next period in accordance with an expected increase in production.

It also aims to reduce the amount of water consumed by making efforts to optimise its production processes. However, the amount of fresh water consumed differs from the amount required for production. This difference arises from the company's recycling and recovery efforts made during the production process. The more water is returned to production processes by repeatedly reusing and recycling the fresh water used in closed-circuit sys-



tems, or by recycling water at waste-water treatment plants, the lower the company's fresh water requirement. In 2014, a total of 145,000 m<sup>3</sup> of water was returned to production through recycling or recovery, and 40% of the water required for manufacturing operations was supplied in this way.

ons. The use of thinner was decreased by 20% in 2014 through the project we implemented to reduce thinner

use in paint shop processes.

As far as possible, Otokar tries to recycle the waste-water produced by its production processes. This recycling is carried out at wastewater treatment plants. However, the waste-water cannot be fully recycled; a part of it must be discharged. The goal of these efforts – made in accordance with the Otokar Environmental Policy, environmental management system, and relevant legal regulations – is, first, to minimise the amount of waste-water that is discharged so as to reduce the pollution load to the values specified in the company's discharge authorisations, and second, to discharge it at the points specified in the legal regulations. To this end, there are two domestic wastewater treatment plants and two industrial wastewater treatment plants at Otokar Arifiye Manufacturing Plant. These

are equipped with cutting-edge technology in accordance with the quality of the waste-water produced. Of the 44,816 m<sup>3</sup> in waste-water produced in 2014, some 21,208 m<sup>3</sup> was discharged into natural receiving environments, and 23,608 m<sup>3</sup> was discharged into the wastewater channel after having been treated at these plants, achieving the norms specified in the legal authorisations.

Otokar's operations do not have any adverse impact on the biodiversity of nature or on natural water resources, either through consumption or through discharged waste-water, thanks to the principles followed in its waste management practices. Similarly, there are no natural protected areas, protected catchment basins, conserved wetlands or RAMSAR areas within the area impacted by the company's manufacturing plants. It has not been observed that its operations have an impact on areas with special status with respect to biodiversity.



# **MATERIAL AND WASTE MANAGEMENT**

Otokar aims at optimum management of materials and resources in its production operations. Cost increases are prevented by boosting production efficiency, while the efficiency with which it manages environmental impact is improved through decreased use of resources. To this end, projects are carried out that aim to ensure the most efficient use of resources and, where possible, the reuse of materials used in production.

Packaging materials hold an important place among the materials used in production. These ensure that the parts and components to be used in production are brought into the production area without being damaged during transport and handling. In this sense, they serve an important function in increasing production quality and ensuring materials efficiency. However, use of packages made of plastic, metal, wood, and cardboard produce waste. To reduce this impact, Otokar first optimises its use of packaging materials, and then reuses them wherever possible. If it is not possible to do so, such materials are recycled. Otokar makes efforts to optimise its packaging based on both the volume and the composition of the products it supplies. In this regard, 32 standard packaging studies were carried out in 2014, and these will be continued in 2015. According to these studies, 149,645 tons of packaging materials were used in 2014, and these materials were recycled according to directives by licensed companies.

In addition to packaging materials, many different types of waste are produced as a result of the company's production processes. Otokar believes it is essential to minimise produced waste, to sort it at the source, and to recycle it as far as possible before its disposal as required by the Otokar Environmental Policy and Environmental Management System. The waste produced as a result of the company's operations is recycled by companies with legal authorisation. In 2014, approximately 4,900 tons of waste produced as a result of its manufacturing operations was recycled by 99%. The total amount of waste sent for disposal was less than 1 ton.

# CLIMATE CHANGE, ENERGY AND EMISSIONS



The climate change we face as a result of the global warming, caused to a large extent by man-made GHG emissions, is the major environmental problem in today's world. Studies on climate change suggest that the conditions it causes will have negative impacts not only on physical living conditions but also on social and economic conditions.

Companies operating in the automotive industry, which plays a role in the phenomenon of climate change – with regard to both their products and their manufacturing operations – also need to take an active role in creating solutions to this problem. In this regard, Otokar deals responsibly with the climate change problem by designing projects on its own and quickly implementing them. Another motivation for Otokar's operations in this field is to take the advantage of new business opportunities in the low-carbon economy that will emerge from various approaches to combat climate change.

In addition to the internal policy and strategies, such as the environmental policy that determines Otokar's efforts to combat climate change, other primary sources include Koç Group's Climate Change Strategy and its GHG Strategic Plan for 2020. The four main strategic objectives in pursuit of the national and international climate change agenda are:

- To estimate and track the amount of emissions produced in production processes;
- To reduce emissions through energy efficiency projects;
- To reduce emissions caused by product use by developing more efficient products; and
- To support initiatives aimed at combatting climate change.

Koç Group's Climate Change Strategy and GHG Strategic Plan for 2020 are available at http://www.koc.com.tr/en-us/corporate-social-responsibility/environmentally-friendly-pratices/climate-change-and-emissions-management

Together with its parent company, Koç Group, Otokar is involved in non-governmental organisations for combatting climate change, in policy development and joint action plans developed with the participation of international organisations, governmental bodies and agencies, and the business world.

There are two basic strategic fields underlying the action plans intended for combatting climate change. The first is the strategic plans carried out under the Otokar Environmental Policy, and the second is the efforts made under the company's R&D strategies. In these two fields, as with all other sustainability fields, the Otokar Board of Directors determines the company's strategic orientation. The General Manager of Otokar, who is also a Member of the Board of Directors, is responsible for ensuring that the decisions taken and the efforts



### Use of Efficient Motor and Compressor

The existing low-efficiency motors were replaced with new efficient motors at the company's armoured-vehicle paint shop, which was chosen for a pilot programme under the energy efficiency projects implemented during the reporting period. Through these efforts, electricity consumption per unit was reduced, and electricity savings of 7,856 kwh were achieved. In a separate practice, more efficient, variable-speed compressors began to be used, considering the idle running time of the existing compressors, thereby achieving electricity savings of 126,080 kwh.

## Efficient Water Heating and Drying Projects

In the reporting period, applications were conducted for heating and drying water more efficiently through energysaving efforts. Unnecessary energy losses were prevented by heating the water used in paint shop processes with electric heaters instead of natural gas, thus saving 30,000 m<sup>3</sup> of natural gas. In addition, natural gas savings of 15,000 m<sup>3</sup> were achieved by drying product parts at the opening of the drying oven using blown air, instead of by vaporizing it in the paint shop.

## **Solar Water Heating Project**

The hot water requirement for administrative buildings, dining halls, and showers was met through solar panels in accordance with efforts made to use the alternative energy resources. Thanks to the implementation of this project, total natural gas savings of 6,500 m<sup>3</sup> were achieved within the current period. The company's aim is to make more use of solar energy by extending the project much more broadly in future periods.





made this regard are consistent with all other corporate policies and decisions, that they are efficiently implemented, and that they are in compliance with the relevant laws and regulations. Otokar's senior management meet regularly to review the compliance, qualification, and efficiency of the relevant systems, principally those for estimating and reporting GHG emissions.

As with other environmental issues, the company's performance on energy and GHG emissions has an impact on the individual goals of the relevant units and managers as a part of the corporate performance management system, and in this way also affects the remuneration system.

# **ENERGY and EMISSIONS**

Energy plays a key role within Otokar's sustainability efforts, as this is the source of the GHG emissions that cause climate change, in addition to being a primary cost element as one of the main inputs for production.

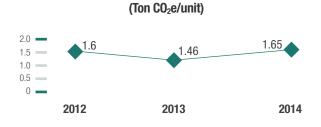
Otokar's GHG emissions performance is tracked through emissions reporting efforts conducted under its annual plan. In these reports, consumption of energy and natural resources is tracked, in addition to GHGs. In their preparation, the reports use both direct and indirect energy consumption values, follow the ISO 14064-1:2006 Standard, GHG Protocol, and IPCC 2006 Tier 1 methods, and use the current coefficient values caused by the Turkish electric energy grid. The two main sources of energy used in Otokar's production processes are natural gas and electricity. Particularly, preferring natural gas as the primary source used in thermal energy production creates significantly lower emission values compared with its alternatives. In 2014, the company's manufacturing operations produced GHG emissions of 1.65 tons of  $CO_2e$  per unit. The root cause of the increase in emission values per unit compared with the previous year was the significant reduction in production. It is expected that these values will tend to decrease in line with the increased production expected in the following period.

Energy efficiency efforts the primary tool drawn upon in decreasing the energy consumed and the GHG emissions associated with Otokar's production processes. Through such efforts, in 2014 savings of 2,110 GJ in energy and 188 tons of  $CO_2e$  GHG emissions were achieved.

A significant part of the energy the company uses is consumed in its logistics operations. Optimisation efforts are being made in this respect, carried out by the supplier companies or by service providers under the Milk-Run operation, thus both securing production continuity and achieving savings in energy consumption through decreased logistics operations.

In 2014, Otokar continued the reforestation works it has been performing for a long time around the Arifiye Manufacturing Plant site as part of efforts to combat air pollution. During the year, 365 seedlings were planted in timberland designated as a "swal-





**Emission Trend per Vehicle Manufactured** 

lowing area" for the flue gas emissions, thus bringing the total number of seedlings planted in four years to 9,000.

# **GREEN TRANSPORTATION SOLUTIONS**

Growth in car parks as a result of a rapidly increasing urban population is the chief factor causing problems such as environmental pollution, climate change, and high traffic volumes. The importance of public transportation in solving these problems – which cause social and economic issues as well as environmental ones – is gradually increasing. Yet to achieve the capacity required to meet the rapidly increasing demand for public transport, operators and local authorities expect that cost-efficient fleet solutions will be developed. These solutions will provide a comfortable journey through their ergonomic properties and have environmentally friendly characteristics in their fuel systems.

According to various studies carried out by the European Union, almost 30% of GHG emissions are caused by the transportation industry. It is forecast that this ratio will get higher in the future, in accordance with the increasing population.

In light of this, Otokar focuses on developing vehicle solutions use cutting-edge technology, where ergonomics and comfort are prioritised, and efficient and alternative-fuel systems are used. By this means, the environmental impacts caused by its products are decreased. The company also ensures that its product portfolio meets the requirements of a low-carbon economy, with its products developed in accordance with social expectations.

In this sense, Otokar has seen some groundbreaking achievements in Turkey with its alternative fuel buses. Turkey's first hybrid bus, Vectio Hibra (Doruk Hibra), and its first electric bus, Vectio Electra (Doruk Electra) – both manufactured by Otokar – offer environmentally friendly public transport solutions as innovative vehicles equipped with alternative fuel systems. The company continues to develop environmentally friendly vehicles through the R&D studies it carries out in this field.

Other studies carried out under the Euro6 projects, which began in 2012 to manufacture low-emission vehicles, also continued during the reporting period. The motor systems of Otokar's commercial vehicles with Euro6 emission levels were integrated and tested. The purpose of these studies is to reduce environmental impact by popularizing vehicles that release exhaust gas at Euro6 emission levels.

## Efficient Logistics by Milk-Run

Otokar transported 40% of its supplier materials via the Milk-Run operation in 2014. Milk-Run operation has achieved a level of 139 suppliers on four separate routes. The emissions level caused by logistics operations was also reduced through consolidation of transport vehicles used and by using a new generation of energy-efficient vehicles. In 2015, the company aims to increase the occupancy rate of the vehicles performing its transport to an average of over 80%, compared to 71% in 2014. The goal of this is to reduce the amount of fossil fuels consumed per unit of material, and thereby reduce the amount of harm caused to the environment.

# Electric Public Transport Vehicle Design

A fully electric-propelled vehicle was designed under a project launched in 2014 for the purpose of manufacturing a public transport vehicle with zero emissions. In that year, the vehicle's sub-components were selected; its design, analysis, and integration operations were carried out; and its design was set up to be verified under a study based on the Vectio LE (Doruk LE) make. Thanks to this project as implemented, important technical achievements were made regarding the infrastructure of electric vehicles. By the end of the project, a prototype vehicle will have been fully manufactured.

# **CARING FOR SOCIETY**





Otokar's perspective on future development is based on the idea of developing together with the society in which it operates. The words "I exist, if my country exists," uttered by Vehbi Koç, the founder of Koç Group, captures Otokar's perspective in the most meaningful way. Otokar defines development not only by economic growth, but also by achievements in social and cultural welfare.

Accordingly, Otokar considers it a fundamental responsibility to contribute to the sustainable development of the society in which it operates, and thus carries out projects that will lead to this kind of development. In this regard, in 2014 Otokar contributed TRY 1.9 million to social projects, donations, and sponsorship efforts.

Otokar provides active support for the national projects implemented by Koç Holding, implements other projects, and makes donations and sponsors efforts in the fields of education, health, culture, and sports in order to add value to all spheres of social life. In 2014 the company carried out eight different social projects and sponsored five different studies.

The voluntary contributions of Otokar's employees to social development efforts also create an important driving force. Thus the company both contributes to the personal development of its employees, and draws upon their specialised knowledge and efforts in solving social problems. In the projects it implements, Otokar also invites its suppliers and other business partners to become involved, as well as its own employees. In this regard, 834 people in total, including 448 of its own employees, voluntarily contributed to the social projects in which Otokar was involved or which it implemented.

#### Training on the Right Approach to Disabilities

Otokar also maintained its support for the "No Barriers for My Country" project implemented by Koç Group in 2014. One of the major studies under this project, whose goal is to help remove barriers to the integration of the disabled into social and economic life, is to enable the relevant parts of the society, starting with our employees to develop a correct and right-based approach to disability issue.

In this regard, training on "The Right Approach to Disabilities" was delivered in 2014 to newly employed personnel and interns, as well as to the bus drivers in cooperation with the Sakarya Metropolitan Municipality. Such training was delivered to 179 people in 2014, bringing the total number of people who have received awareness training from Otokar volunteers since 2012 to 2,290.

#### Training on Photography without Disabilities

Another effort made by Otokar in 2014 under the "No Barriers for My Country" project was to deliver training on basic photography and photo-shooting techniques to the disabled, in cooperation with Sakarya New Life Sports Club. Photo shoots of various compositions and at various locations were performed with participants following training delivered by Otokar's Photography Club.

#### Otokar Vectio Electra (Doruk Electra)

The Vectio Electra, Turkey's first electric-propelled bus, was designed and manufactured by Otokar. In 2014 it was introduced to the students at the campuses of Istanbul University, Yildiz Tech-



nical University, and Istanbul Technical University in order to contribute to university students' education and introduce them to the cutting-edge technologies currently available in the automotive industry. The technology used in the Vectio Electra was introduced at booths set up by the company, while the Vectio Electra provided transport services for students on campus. During the event, 3,480 people were directly informed, 7,855 passengers were transported, and a total distance of 476 km was covered.

#### **Otokar Employees Support for Education**

Otokar continues to provide support for projects undertaken through the voluntary initiative of its employees. In this regard, the company's employees provide book and stationery to schools in need, such as Keser Village Primary School in Yozgat, in cooperation with Arifiye District Directorate of National Education.

#### Manufacturing Plant Visit by University Students

Senior students at the Bus Driving Department of Afyon Kocatepe University visited Otokar's manufacturing plant in 2014. The students were informed about the company's history, products, and operations as well as its production and R&D competencies. During their visit, the students were also able to conduct a test drive of Otokar buses at the manufacturing plant.



#### Support to Sports Events

G4-27

Otokar maintained its support for sports events in 2014 in the territory in which it operates. In this regard, the company provided support for the Girls School Handball Team at Arifiye Üzeyir Garih Secondary School to participate in the Semi-final Competitions of the Turkish Handball Championship. It also helped sponsor the International Turk Telekom Star Boys Basketball Tournament held in Sakarya, in which teams from 16 countries participated.



# Sponsorship for Turkish Physically Disabled Table Tennis Championship

The company helped sponsor the Turkish Physically Disabled Table Tennis Championship, the first national sports event without barriers to the disabled, held in Sakarya in 2014 under the "No Barriers for My Country" project. A total of 64 disabled athletes from 12 cities competed for medals in the tournament, in which some Otokar employees also participated.

#### **Blood Donation**

As a follow-up on the "Blood Donation for My Country" project carried out in 2010 by Koç Holding, and as a result of the project's success and the positive feedback it received, Otokar conducted further blood drive campaigns in 2014. In this regard, 188 units of blood were donated under such campaigns in 2014, carried out in cooperation with the Turkish Red Crescent.



Environmental Performance Data	2012	2013	2014
Energy Reduced (GJ)	2,148	1,135	2,110
GHG Emissions Reduced (Ton CO2e)	287	151	188
GHG Emissions per Unit (Ton CO2e/Unit)	1.60	1.46	1.65
Total Water Withdrawal (m <sup>3</sup> )	222,481	195,161	215,050
Underground Water	166,020	126,003	147,300
Municipal Water	55,561	68,118	65,790
Rainwater	900	1,040	1,960
Water Withdrawal per Unit (m³/Unit)	22.09	16.15	25.23
Waste Water Discharge (m <sup>3</sup> )	45,738	44,530	43,367
Waste Water Sewer	21,420	20,825	21,208
Natural Receiving Water	24,318	23,705	23,608
Total Hazardous Wastes by Disposal Method (Ton)	562	631	557
Recycling	545	631	556
Landfill	17	1	1
Total Non-Hazardous Wastes by Disposal Method (Ton)	3,920	5,288	4,310
Recycling	3,419	4,572	4,310
Landfill	501	716	-
Environmental Trainings - Attendace (number)	879	978	583
Direct Employees	639	740	278
Contractor Employees	20	83	15
Social Responsibility	220	155	290
Environmental Trainings - Total Hours (person x hour)	879	1,729	638.5
Direct Employees	492	1,370	299
Contractor Employees	60	204	49.5
Social Responsibility	220	155	290
Employee Trainings - Attendace (number)	2,652	2,753	2,401

Social Performance Data		2012	2013	2014
	Blue Collars	2,156	2,205	1,787
	White Collars	496	548	614
	Female	64	41	90
	Male	2,588	2,712	2,311
Employee Trainings - Total Hours (person x hour)		30,319	38,352	51,208
	Blue Collars	16,662	27,905	33,43
	White Collars	13,657	10,447	17,778
	Female	1,344	856	2,382
	Male	28,975	37,496	48,826
Contractor Trainings - Attendace (number)		25	79	152
	Blue Collars	25	79	152
	White Collars	0	0	0
	Female	0	0	0
	Male	25	79	152
Contractor Trainings - Total Hours (person x hour)		20	532	190
	Blue Collars	20	532	190
	White Collars	0	0	0
	Female	0	0	0
	Male	20	532	190

Social Performance Data		2012	2013	2014
OHS Trainings - Attendace (number)		810	1,988	1,210
OHS Trainings - Total Hours (person x hour)		1,835,5	11,027	11,534
	Injury Rate	1.47	1.4	1.37
	Female	0	0	0
	Male	1.54	1.46	1.45
Occupational Disease Rate		0	0.04	0.04
	Female	0	0	0
	Male	0	0.05	0.05
Lost Day Rate		22.48	32.07	54.24
	Female	0	0	0
	Male	23.56	33.54	57.33
Fatalities		0	0	0
OHS Committees		1	1	1
Total Members of OHS Committees		16	13	17
Employee Representatives in OHS Committees		6	6	6

Employee Demographics		2012	2013	2014
Otokar Employees		2,281	2,264	2,054
	Female	84	99	101
	Male	2,197	2,165	1,953
Contractor Employees		202	218	204
	Female	19	22	27
	Male	183	196	177
Employees by Contract				
	Indefinite Contract	2,088	2,263	2,042
	Female	84	99	101
	Male	2,004	2,164	1,941
	Temporary Contract	193	1	12
	Female	0	0	0
	Male	193	1	12
Employees by Category				
	Blue Collar	1,686	1,624	1,436
	Female	7	9	13
	Male	1,679	1,615	1,423
	White Collar	595	640	618
	Female	77	90	88
	Male	518	550	530
Employees by Employment Type				
	Full-time	2,281	2,264	2,054
	Female	84	99	101
	Male	2,197	2,165	1,953
	Part-time	0	0	0
Employees by Education				
	Primary Education	588	566	528
	Secondary Education	896	855	718
	University and Above	797	843	808
Employees by Age Group				

Employee Demographics	2012	2013	2014
18-30	935	756	662
31-50	1,311	1,465	1,345
50+	35	43	47
Number of Disabled Employees	59	66	60
Blue Collar	56	63	56
White Collar	3	3	4
Female	1	2	3
Male	58	64	57
Senior Management	7	6	6
by Gender			
Female	0	0	0
Male	7	6	6
by Age Group			
18-30	0	0	0
31-50	4	3	2
50+	3	3	4
by Nationality			
TC Citizen	7	6	6
Expat	0	0	0
Mid-Level Management	69	69	65
by Gender	69	69	65
Female	4	3	3
Male	65	66	62
by Age Group	69	69	65
18-30	0	0	0
31-50	62	63	57
50+	7	6	8
Employees Working Under Collective Bargaining Agreement	1,686	1,601	1,436
New Hires	1,377	1,009	344
by Gender	1,377	1,009	344
Female	23	24	13
Male	1,354	985	331
by Age Group	1,377	1,009	344
18-30	947	721	231
31-50	429	286	113
50+	1	2	0
Lay-offs	615	1,026	1,026
by Gender	615	1,026	554
Female	7	10	11
Male	608	1,016	543
by Age Group	615	1,026	554
by Age droup	010		
18-30		706	325
			325 222
18-30	382	706	
18-30 31-50	382 231	706 312	222



# **GRI G4 Content Index**

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	General Standard Disclosures		
G4-1	General Manager's Statement (p.4-5)	-	-
G4-2	General Manager's Statement (p.4-5); Risk Management (p.13 Sustainability Management (p.16)	3); -	-
G4-3	Contacts (inside back cover)	-	-
G4-4	Corporate Website: https://www.otokar.com.tr/en-us/products/Pages/default.aspx	a	-
G4-5	Contacts (inside back cover)	-	-
G4-6	Otokar conducts its production activities in Turkey.	-	-
G4-7	About Otokar (p.9)	-	-
G4-8	Otokar 2014 Annual Report (p.26-29, 30-31)	-	-
G4-9	About Otokar (p.9-10); People Oriented Workplace (p.31)	-	-
G4-10	People Oriented Workplace (p.31)	-	-
G4-11	All blue collar employees making 70% of total workforce are employed under collective bargaining agreement.	)	-
G4-12	People Oriented Workplace (p.30)"	-	-
G4-13	Corporate Website: https://www.otokar.com.tr/en-us/investorreletions/instructions-announcements/Pages/material-disclosure.asp		-
G4-14	Risk Management (p.13); Business Ethics and Anti-Corruption (p.14 People Oriented Workplace (p.30); Occupational Health and Safe (p.32); Environment-Friendly Production (p.35-36); Climate Chang Energy and Emissions (p.42)	ty	-
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G4-17	About the Report (p.2-3)		
G4-18	About the Report (p.3); Sustainability Management (p.16-17)	-	-
G4-19	Sustainability Management (p.16)	-	-
G4-20	Sustainability Management (p.16)		
G4-21	During the materiality process, scopes of performance indicato and aspects boundaries were also set. While company informatic is employed in all material aspects; with limitation to related sub-a pects, information regarding suppliers in climate change, energy, gr enhouses gases, human rights, business ethics and anti-corruptio occupational health and safety, employee rights, risk managemer regarding dealers and services in climate change, energy, greenhou se gases, vehicles with minimised environmental effect, product ar service responsibility, human rights, business ethics and anti-corrup tion, social development and employee volunteering, employe right risk management, supporting local economy, customer satisfactio competitive strategic planning issues.	yn S-  n, nt; J- nd D- S,	-
G4-22	About the Report (p.2-3)	-	-
G4-23	About the Report (p.2-3)	-	-
G4-24	Stakeholder Engagement (p.17)	-	-
G4-25	Stakeholder Engagement (p.17)	-	-
G4-26	Stakeholder Engagement (p.17)		

Indicators		External Assurance	Omissions
	General Standard Disclosures	ASSUITATICE	
G4-27	Improving Customer Satisfaction (p.26-27); Caring For the Societ (p.46-47)	у -	-
G4-28	About the Report (p.2-3)	-	-
G4-29	About the Report (p.2-3)	-	-
G4-30	About the Report (p.2-3)	-	-
G4-31	About the Report (p.2-3); Contacts (inside back cover)	-	-
G4-32	About the Report (p.2); GRI Index (p.51); Legal Disclaimer (insid back cover)	e -	-
G4-33	Legal Disclaimer (inside back cover)	-	-
G4-34	Corporate Governance and Board Structure (p.13)	-	-
G4-56	Business Ethics and Anti-Corruption (p.14); Corporate Website https://www.otokar.com.tr/en-us/investorrelations/corporate governance/Pages/ethical-code.aspx		
Spesific Standard D			
Material Aspect: Ec	onomic Performance		
G4-DMA	About Otokar (p.9); Steady Growth and Continuous Development (p.19	) -	-
G4-EC4	Otokar 2014 Annual Report (p.77)	-	-
Material Aspect: Inc	direct Economic Impacts		
G4-DMA	Innovation Focused On Added Value (p.20-21); Developing Togethe With Value Chain (p.22-25, 26-27); Caring For the Society (p.46-47		-
G4-EC7	Innovation Focused On Added Value (p.20-21); Developing Togethe With Value Chain (p.22-25, 26-27); Caring For the Society (p.46-47		-
G4-EC8	Innovation Focused On Added Value (p.20-21); Developing Togethe With Value Chain (p.22-25, 26-27); Caring For the Society (p.46-47		-
Material Aspect: Pr	ocurement Practices		
G4-DMA	Developing Together With Value Chain (p.23-24)	-	-
G4-EC9	Developing Together With Value Chain (p.23-24)	-	-
Material Aspect: En	ergy		
G4-DMA	Innovation Focused On Added Value (p.20-21); Environment Friendl Production (p.34-36); Climate Change, Energy and Emissions (p.41 42); Green Transportation Solutions (p.43)		-
G4-EN6	Climate Change, Energy and Emissions (p.41-42)	-	-
G4-EN7	Innovation Focused On Added Value (p.20-21); Green Transportation Solutions (p.43)	n -	-
Material Aspect: Wa	ater		
G4-DMA	Environment Friendly Production (p.34-36); Water Management (p.37)	-	-
G4-EN8	Water Management (p.37)	-	-
G4-EN9	Water Management (p.38)	-	-
G4-EN10	Water Management (p.38)	-	-
Material Aspect: Bi	odiversity		
G4-DMA	Environment Friendly Production (p.34); Water Management (p.38) Energy and Emissons (p.42-43)	); -	-
	Water Management (p.38)	_	-
G4-EN11	Water Management (p.30)		

Indicators		External Assurance	Omissions
	General Standard Disclosures		
G4-DMA	Innovation Focused On Added Value (p.20-21); Environment Friendl Production (p.34-36); Climate Change, Energy and Emissions (p.41 43); Green Transportation Solutions (p.43)		-
G4-EN18	Climate Change, Energy and Emissions (p.41-43); Green Transportation Solutions (p.43)	-	-
G4-EN19	Climate Change, Energy and Emissions (p.42)	-	-
Material Aspect: Ef	fluents & Waste		
G4-DMA	Environment Friendly Production (p.34-36); Material and Waste Management (p.39); Water Management (p.37-38)	-	-
G4-EN22	Water Management (p.38)	-	-
G4-EN23	Material and Waste Management (p.39)	-	-
G4-EN26	Water Management (p.38)	-	-
Material Aspect: Pr	oducts & Services		
G4-DMA	Innovation Focused On Added Value (p.20-21); Green Transportation Solutions (p.43)	-	-
G4-EN27	Innovation Focused On Added Value (p.20-21); Green Transportation Solutions (p.43)	-	-
Material Aspect: 0v	verall		
G4-DMA	Not Material	-	-
G4-EN31	Environment Friendly Production (p.36)	-	-
Material Aspect: Oc	ccupational Health and Safety		
G4-DMA	Occupational Health and Safety (p.32-33)	-	-
G4-LA5	Occupational Health and Safety (p.33)	-	-
G4-LA6	Occupational Health and Safety (p.33)	-	-
Material Aspect: Tra	aining & Education		
G4-DMA	People Oriented Workplace (p.29-30); Performance and Talent Management (p.30,32)	-	-
G4-LA9	Performance and Talent Management (p.32)	-	-
G4-LA10	Performance and Talent Management (p.31-32)	-	-
G4-LA11	Performance and Talent Management (p.30)	-	-
Material Aspect: Di	versity and Equal Opportunity		
G4-DMA	People Oriented Workplace (p.29-31)	-	-
G4-LA12	In 2014, no female manager employed amongst senior management.	-	-
Material Aspect: Eq	ual Remuneration for Women and Men		
G4-DMA	People Oriented Workplace (p.30)	-	-
G4-LA13	People Oriented Workplace (p.30)	-	-
Material Aspect: No			
G4-DMA	People Oriented Workplace (p.29-30)	-	-
G4-HR3	During the reporting period, no case of discrimination has occured.	-	-
Material Aspect: Fr	eedom of Association and Collective Bargaining		
G4-DMA	People Oriented Workplace (p.30)	-	-
G4-HR4	During the reporting period, no case has been withnessed throu ghout Otokar operations that rights for organisation and collective bargaining are at risk. Same principle applies to supplier audit pro cess and no such risk aspect has been identified.	е	-

Indicators		External	Omissions
		Assurance	
	General Standard Disclosures		
Material Aspect: Ch			
G4-DMA	People Oriented Workplace (p.30)	-	-
G4-HR5	During the reporting period, no case has been withnessed throu ghout Otokar operations that rights for organisation and collectiv bargaining are at risk. Same principle applies to supplier audit pro- cess and no such risk aspect has been identified.	е	
Material Aspect: Fo	prced or Compulsory Labour		
G4-DMA	People Oriented Workplace (p.30)	-	-
G4-HR6	During the reporting period, no case has been withnessed throu ghout Otokar operations that rights for organisation and collectiv bargaining are at risk. Same principle applies to supplier audit pro cess and no such risk aspect has been identified.	е	
Material Aspect: Lo	ocal Communities		
G4-DMA	Carrying For Society (p.46-47)	-	-
G4-S02	Carrying For Society (p.46-47)	-	-
Material Aspect: Ar	nticorruption		
G4-DMA	Business Ethics and Anti-Corruption (p.14)	-	-
G4-SO3	100% of operations were assessed for corruption cases. No suc case has been idetified inolving the company nor employees or cont ractors.		-
Material Aspect: Pu			
G4-DMA	Business Ethics and Anti-Corruption (p.14)	-	_
G4-S06	Business Ethics and Anti-Corruption (p.14)	_	_
	Istomer Health and Safety		
G4-DMA	Innovation Focused On Added Value (p.20-21)	_	-
G4-PR1	All Otokar products were assessed for customer health and safet impacts.	у -	-
G4-PR2	No such case occured during the reporting period.	-	-
Material Aspect: Pr	oduct and Service Labeling		
G4-DMA	Product and Service Responsibility (p.27)	-	_
G4-PR3	100% of Otokar products are labeled in compliance with legal regulations.	ļ	-
G4-PR4	No such case occured during the reporting period.	-	-
G4-PR5	Developing Together With Value Chain (p.26)	-	-
Material Aspect: In			
DMA	Innovation Focused On Added Value (p.20-21)	-	-
	ompetitive Strategic Planning		
DMA	Steady Growth and Continuous Development (p.19)	-	_
	pocial Development and Employee Volunteering		
DMA	Carrying For Society (p.46-47)		

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#### Legal Disclaimer

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