

Otokar

Sustainability Report 2017



CONTENT



●	About the Report	3
●	Message From The General Manager	4
●	About Otokar	6
●	Responsible Management Focused On Sustainable Development	11
●	Steady Growth, Continuous Development	18
●	Innovation Focused On Value-Added	20
●	Developing Together With Value Chain	23
●	People Oriented Workplace	30
●	Environmentally Friendly Production	35
●	Climate Change, Energy And Emissions	39
●	Caring For Society	42

**ABOUT THE
REPORT****MESSAGE
FROM THE
GENERAL
MANAGER****ABOUT
OTOKAR****RESPONSIBLE
MANAGEMENT FOCUSED
ON SUSTAINABLE
DEVELOPMENT****STEADY GROWTH,
CONTINUOUS
DEVELOPMENT****INNOVATION
FOCUSED ON
VALUE-ADDED****DEVELOPING
TOGETHER
WITH VALUE
CHAIN****PEOPLE
ORIENTED
WORKPLACE****ENVIRONMENTALLY
FRIENDLY
PRODUCTION****CLIMATE
CHANGE,
ENERGY AND
EMISSIONS****CARING
FOR
SOCIETY****ABOUT
THE REPORT**

Setting off 55 years ago with an aim to attain the unattainable, we achieved the impossible from past to present. Today, we work to carry our achievements to future and to create sustainable value for our stakeholders. We offer the cornerstones of Otokar's success journey realized in a decent and responsible management understanding through sustainability reports with our stakeholders every year.

Otokar Sustainability Report evaluates the social, economic and environmental impacts of our activities; and it is one of the basic evaluation tools that involves our approaches regarding these impacts and the performance results. GRI Standards which we started to apply in the previous year also form the main methodology this year. This report has been prepared in accordance with GRI Standards: Core option.

Otokar Sustainability Priorities that constitute the main backbone of the report are established based on the GRI Standards requirements. Indicator sets of GRI Standards are used in explaining the priority subjects. Industry-specific performance criteria are used in the areas which are out of GRI Standards.

The scope of the Otokar Sustainability Report involves data on activities of Otokar Otomotiv ve Savunma Sanayi A.Ş. conducted in Turkey between January 1st, 2017 and December 31st, 2017. With an exception to the financial information which are disclosed as presented in the company's consolidated financial charts in order to demonstrate a more holistic picture, all other information disclosed within the scope of company operations in Turkey.

You can reach Otokar 2017 Sustainability Report and reports of previous periods at www.otokar.com.tr You can convey your opinion and suggestions regarding the report by e-mailing kyl@otokar.com.tr or through our website.

MESSAGE FROM THE GENERAL MANAGER



Esteemed Stakeholders,

We left behind another successful period in our studies realized with a goal to leave a more liveable and safe world to future generations. We not only successfully sustained our operations without compromising human and environmental factors but also increased our financial success based on our transparent, accountable and responsible management approach. We maintained a successful performance in the reporting period when the reliance level of economy increased both in Turkey and in the World and increased our turnover by 9%. We increased the share of exportation in turnover by 31%. In 2017, we strengthened our position in BIST Corporate Governance Index with a score of 9.33 and achieved to be in the list again in BIST Sustainability Index. We aim to achieve the same in future periods.

The core business strategy of Otokar is to contribute to developing life standards for new generations and contributing to peace and safety in the world through efficient, environmentally-friendly and innovative products whose intellectual rights we own by 100%. While doing this, our target is to develop operational excellence and environmental performance and to support the local economy and social development.

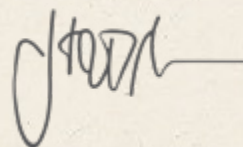
We sustained our studies that aim to mitigate environmental impacts and protect the climate in our operations in 2017 as well. Through projects we realized during the period, we reduced energy consumption to 856 GJ and greenhouse gas emission to 138 tons CO₂e. By recycling 149,000 m³ waste water we obtained 49% of water we need for production from recycling.

In the reporting period, we increased the ratio of expenditures for the R&D studies which are the core components of our business strategy to turnover from 5.17% to 5.9%. In these studies, we focus on the design and technological development of smart and low emission vehicles that are vital in meeting public

transportation requirements of smart cities of future whose importance is on the rise. In this regard, we continued our studies regarding 12 metres citybus development. With Appstacle - Cloud-based Smart Vehicle Application Platform Project which was initiated in the reporting period and will be completed in 2019, we aim to combine vehicle data bus system with IoT cloud platform to be used in automotive practices both at national and international scale.

The prerequisite for creating high added value to our stakeholders through our activities is the qualified and competent human resources. We offer thousands of hours of training studies to enhance the current qualifications of our employees. This year, we provided a total of 73,466 person x hours trainings. We provided 18,288 person x hours OHS trainings to improve occupational health and safety performance which is one of the key dimensions of our activities and to constantly keep OHS perception of our employees active. On the other hand, we continued our social responsibility studies which are one of the key practices in social development in the reporting period.

We will continue to work with a focus on innovation and sustainability in future periods as well in order to provide a good quality and safe life to future generations and to create added value for our stakeholders. I present my gratitudes to our employees, investors and shareholders, suppliers and business partners, and all our stakeholders for motivating us with their supports and trust.



Serdar Görgüç
General Manager



ABOUT OTOKAR



ABOUT THE
REPORT

MESSAGE
FROM THE
GENERAL
MANAGER

ABOUT
OTOKAR

RESPONSIBLE
MANAGEMENT FOCUSED
ON SUSTAINABLE
DEVELOPMENT

STEADY GROWTH,
CONTINUOUS
DEVELOPMENT

INNOVATION
FOCUSED ON
VALUE-ADDED

DEVELOPING
TOGETHER
WITH VALUE
CHAIN

PEOPLE
ORIENTED
WORKPLACE

ENVIRONMENTALLY
FRIENDLY
PRODUCTION

CLIMATE
CHANGE,
ENERGY AND
EMISSIONS

CARING
FOR
SOCIETY

1960s

1963

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

1964

First intercity buses of Turkey were manufactured under Magirus license.

1967

The first small buses were manufactured and exported.

1968

The legendary Havalı Apollo buses of the period were manufactured.

1970s

1970

Minibuses suitable for public transportation were designed and manufactured.

1976

The company joined Koç Group.

1980s

1980

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

1984

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

1987

The production of tactical wheeled vehicles started under Land Rover Defender licence and the first major order was received.

1990s

1990

The production of Turkey's first tactical wheeled armoured vehicle and the export of Turkey's first tactical armoured vehicle were realised.

1995

Otokar shares were offered to public.

1997

The factory was relocated to an 86,000 m² plant in Sakarya.

2000s

2002

The Company merged with İstanbul Fruehauf A.Ş.; the design and production of small bus started under the name of Navigo, which achieved second place in market share within the first year

2003

Turkey's first ADR-certified tanker was produced.

2004

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

2005

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

Armoured internal security vehicle joined the product range.

2007

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

2008

The company was named prime contractor for the modern tank production project to meet the updated requirements of Turkish Armed Forces with national resources.

The production area was increased to 552,000 m² area.

2009

Mine-resistant armoured vehicle "Kaya" and 12-meter city bus "Kent" were added to the product range.

Doruk was deemed worthy of "Design Turkey Design Award" in Turkey and "Busworld Kortrijk Grand Award" in Europe.

ABOUT THE
REPORT

MESSAGE
FROM THE
GENERAL
MANAGER

ABOUT
OTOKAR

RESPONSIBLE
MANAGEMENT FOCUSED
ON SUSTAINABLE
DEVELOPMENT

STEADY GROWTH,
CONTINUOUS
DEVELOPMENT

INNOVATION
FOCUSED ON
VALUE-ADDED

DEVELOPING
TOGETHER
WITH VALUE
CHAIN

PEOPLE
ORIENTED
WORKPLACE

ENVIRONMENTALLY
FRIENDLY
PRODUCTION

CLIMATE
CHANGE,
ENERGY AND
EMISSIONS

CARING
FOR
SOCIETY

2010s

2010

The company title was amended as Otokar Otomotiv ve Savunma Sanayi A.Ş.
“Arma 6x6” the first multi-wheeled armoured vehicle platform was added to product range.
Otokar became the best-selling bus brand in Turkey.

2011

City bus “Kent” won Jury’s Special Award at the European Coach Week.
Armoured combat vehicle “Arma 8x8” was added to the product range.
Otokar Europe, a subsidiary, was founded in France.

2012

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

2013

Turkey’s first tracked armoured vehicle “Tulpar” and armoured personnel carrier Ural were added to the product range.
Otokar CRM Centre has been established.

2014

ISO 10002 certification for customer satisfaction was received.
Otokar R&D Centre was named the “The Most Successful R&D Centre” in the automotive industry.
Otokar Electronic Compatibility Test Centre was accredited.

2015

Approval tests of Turkish Armed Forces and Undersecretariat for Defence Industries for the last two prototypes of Altay Main Battle Tank were initiated.
Tulpar-S Tracked Armoured Combat and Kent articulated bus were added to the product range.
The 2015 Defence Industry First Prize was awarded by the Undersecretariat for Defence Industries.
Otokar became Turkey’s most preferred bus brand for the sixth consecutive year and the leader of Turkey’s small bus export.
Istanbul Stock Exchange Sustainability Index was joined.

2016

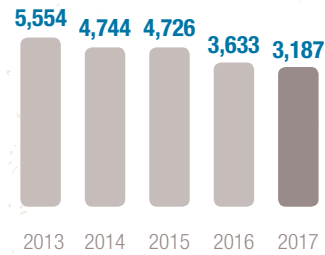
Otokar Land Systems Limited was founded.
Cobra II armoured vehicles entered into inventory of Turkish Armed Forces; an export agreement concluded for Cobra II.
Smart Bus Application developed under the CoMoSeF Project in collaboration with ISBAK and KoçSistem.
The tender for purchase of 100 articulate buses by ESHOT of İzmir Metropolitan Municipality was won and delivery was made.
Dynamometric Acclimatised Test Chamber of Otokar R&D Test Centre was selected “Turkey’s first and only approved test station” for vehicle superstructure ATP type tests.
Otokar Iceliner became the first frigorific trailer, Huckepack, which is manufactured and certified in Turkey and which is suitable for train loading at Code XL load safety standards.
The company became the leader in Turkey’s bus market in the overall segments it operates in; and Turkey’s most preferred frigorific brand.
The export of technology and licence for Sultan buses was started.

2017

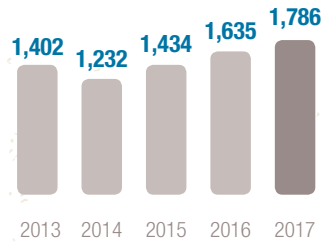
Al Jasoor, the joint venture company established by Otokar and Tawazun, a leading investment company in the United Arab Emirates (UAE), was awarded the contract for amphibious 8x8 armoured vehicles, signing the highest export deal for a single defense item of Turkey.
The qualification and acceptance tests of Altay prototypes were successfully completed, and prototypes approved in February 2017.
Altay Urban Operation Tank was first exhibited in IDEF.
Otokar became the leader in Turkish bus market.
Navigo vehicles were renewed.
New intercity bus Sultan LF was added to the product range.
Renewed Doruk T was introduced to the European Market under Ulyso.
Kent articulated bus was exported for the first time.
Studies initiated for passing to Industry 4.0, the fourth industrial revolution.
CoMoSeF project received 2017 innovation award in an event organized in Barcelona.

A global brand with 100% local capital, offering products, whose intellectual property rights it owns, to more than 60 countries on five continents, through approximately 300 sales and service points.

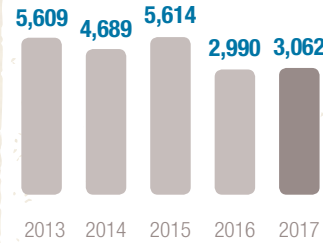
SALES (UNIT)



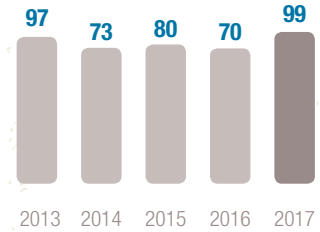
SALES REVENUES (MILLION TL)



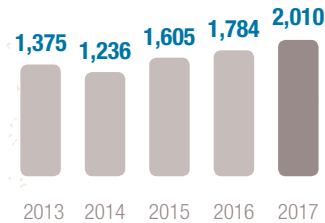
PRODUCTION (UNIT)



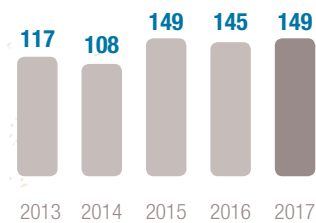
NET PROFIT FOR THE YEAR (MILLION TL)



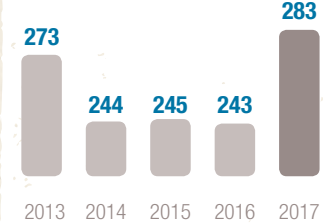
TOTAL ASSETS (MILLION TL)



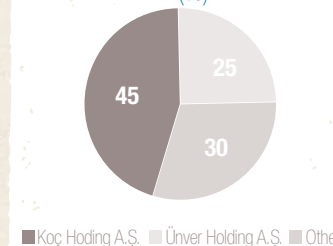
EXPERT REVENUES (MILLION USD DOLLARS)



ÖZKAYNAKLAR (MİLYON TL)



SHAREHOLDER STRUCTURE (%)



OUR VISION

Otokar protects its local and national identity in its products by developing its own technology; aims at ensuring continuity in the satisfaction of its customers, employees and partners through the philosophy of total excellence.

OUR MISSION

Otokar's primary mission is to design, manufacture and market commercial vehicles and various defence industry products as globally competitive products in line with customer expectations.

97%

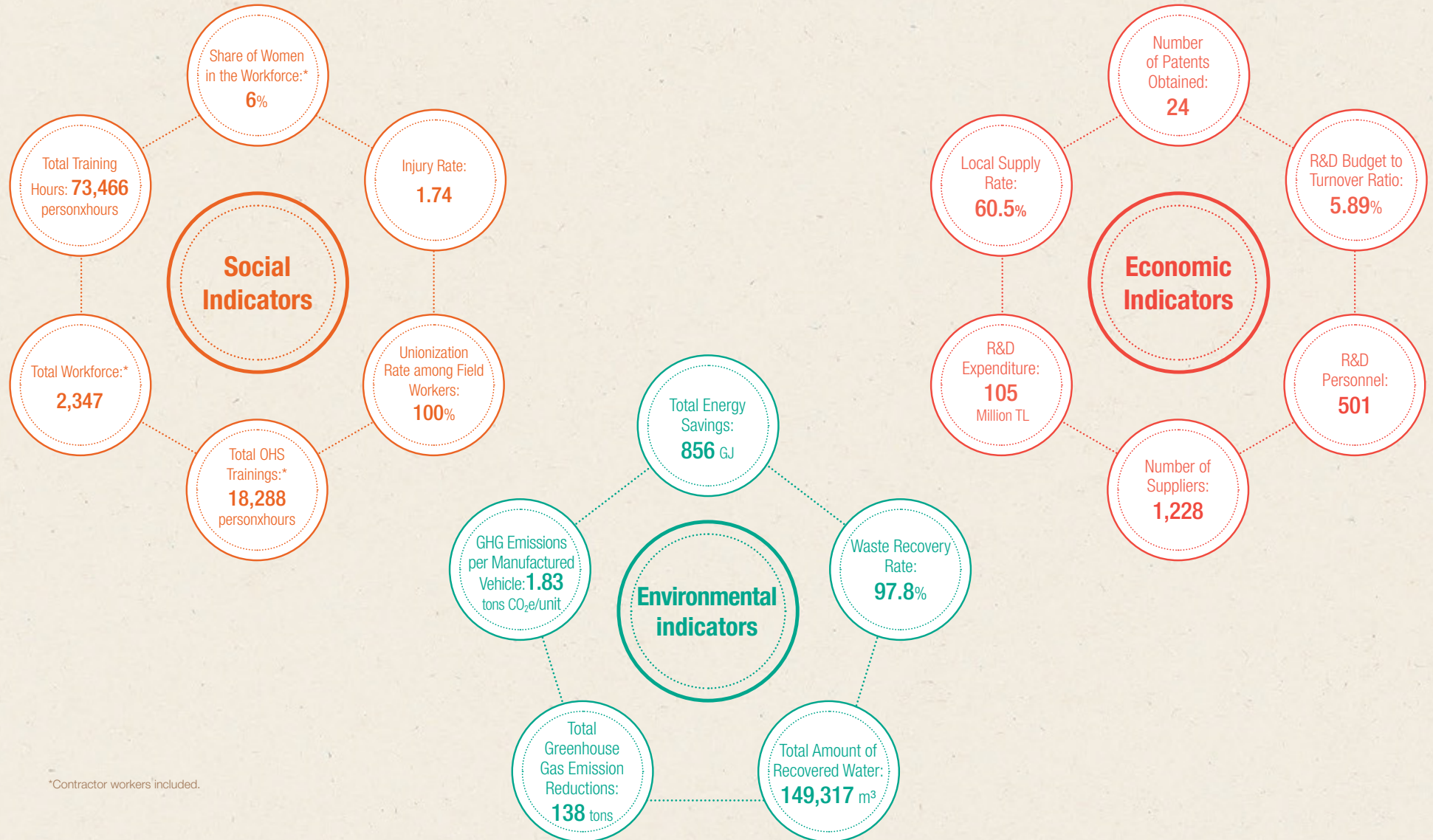
Turnover Share of Otokar-designed vehicle sales

23%

Rate of Capacity Utilisation

9.33

Corporate Governance Rating



*Contractor workers included.

RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
---------------------	---	-----------------	--	---	---	---	---------------------------------	---	---	--------------------------

CORPORATE GOVERNANCE
AND BOARD STRUCTURE

RISK MANAGEMENT

BUSINESS ETHICS
AND ANTI-CORRUPTION

INTERNAL AUDIT

SUSTAINABILITY
MANAGEMENT

STAKEHOLDER
ENGAGEMENT

The key objective of Otokar's activities is to create continuous development and to create sustainable for its stakeholders. The key foundation of this responsible management understanding shaped according to this purpose is the corporate governance structure built on transparency, fairness, integrity, total harmony with laws, and accountability.

CORPORATE GOVERNANCE AND BOARD STRUCTURE

Corporate Governance Principles determined by the Capital Markets Board constitute the main structure of Otokar's corporate management model. Studies for the development of corporate management structure are realised with the target of full compliance with these principles. As a result of compliance studies conducted, Otokar became eligible to list on the Corporate Governance Index of the Istanbul Stock Exchange with its Corporate Governance Principles Compliance Rating, which was at the level of 8.64 in 2013. The performance was increased to 9.33 as of 2017 thanks to the continuous improvement studies conducted.

Otokar Board of Directors which consists of 9 members, three of whom meet the independence criteria defined by the Capital Markets Board is the highest-level governance body. All Board members, except the General Manager, who is also a Board member, possess non-executive member status according to the definition provided in Capital Markets Board Corporate Governance Principles. The offices of the Chairman of the Board of Directors and General Manager are occupied by different individuals.

Otokar Board of Directors is responsible for the identification of company strategies, monitoring of the realisation of these activities defined for this purpose, and the management of risks that are potentially effective on the presence and success of the company. In this regard, Board of Directors is also responsible for the monitoring of the social, environmental and economic impacts that are preliminary for sustainability performance of the company. The opinions of the Board of Directors taken through routine presentations

regarding the sustainability risk and opportunities identified by the company bodies are used to build action plans and are actualised by the company senior management. The results are conveyed to the Board of Directors to be evaluated in the strategic planning studies for future terms.

Several sub-committees have been formed to enhance the working efficiency of the Board of Directors. Corporate Governance Committee, Risk Management Committee and Audit Committee established for this purpose are chaired by independent members. The Audit Committee consists of solely independent members. The Corporate Governance Committee also fulfils the duties of the Nomination Committee and Remuneration Committee as per Capital Markets Board directives.

Otokar Remuneration Policy is taken into consideration in the remuneration of Board of Directors members and senior-level executives. Remuneration report prepared by the Corporate Governance Committee is presented to the Board of Directors. While Board of Directors members are paid a fixed remuneration, performance-based remuneration system evaluating corporate and individual performance are also influential in the remuneration of General Manager and senior level executives. Financial rights granted to the Board of Directors and senior-level executives are announced through annual reports and financial statements on our website.

You can reach detailed information regarding the structure and duties of Otokar Board of Directors and its committees in Otokar 2017 Annual Report and on the corporate website of the company.

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
---------------------	---	-----------------	--	---	---	---	---------------------------------	---	---	--------------------------

CORPORATE GOVERNANCE AND BOARD STRUCTURE	RISK MANAGEMENT	BUSINESS ETHICS AND ANTI-CORRUPTION	INTERNAL AUDIT	SUSTAINABILITY MANAGEMENT	STAKEHOLDER ENGAGEMENT
---	-----------------	--	----------------	------------------------------	---------------------------

RISK MANAGEMENT

Based on its responsible governance approach, Otokar adopts a risk management system that mainly aims to achieve company's strategic targets, to ensure the sustainable development, operational and financial integrity of the company, to prevent the company from being impacted by potential situations hindering its reputation and social legitimacy and to reduce the potential negative impact on the company in circumstances that cannot be prevented. Main activity rules of risk management are defined by Otokar Risk Policy prepared in compliance with Koç Group risk policy as well. Based on this policy, risk management is generalized at every level of the company under the control of the Board of Directors and the leadership of the General Manager and in coordination with all the managers. The risks that might prevent the company from achieving its strategic targets are identified with the means prepared in accordance with this policy and necessary action plans are prepared. Otokar Risk Committee is responsible for the implementation of risk management processes in accordance with the regarding policy.

BUSINESS ETHICS AND ANTI-CORRUPTION

Compliance with legal regulations and commitment to superior ethical principles are approached in the general frame of company's value chain and managed as the components of the responsible management understanding of Otokar. Especially for the sectors the company operates in, as the main customer groups are central and local public authorities, Otokar attaches much importance to fight against bribery and corruption.

Koç Group Code of Ethical Conduct and Implementation Principles are binding not only for all Group companies, but also for Otokar, and provide a basis for Otokar's ethical working principles. These principles organise principles and policies regarding anti-corruption as well. Ethical Principles are also binding for suppliers, dealers and business partners, along with all Otokar employees. Otokar expects its business partners to act in accordance with these Ethical Principles as well. Otokar actualises its activities in accordance with UN Global Compact criteria, also signed by Koç Holding.

You can reach Koç Group's Code of Ethical Conduct by clicking this [link](#).



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

**CORPORATE GOVERNANCE
AND BOARD STRUCTURE**

RISK MANAGEMENT

**BUSINESS ETHICS
AND ANTI-CORRUPTION**

INTERNAL AUDIT

**SUSTAINABILITY
MANAGEMENT**

**STAKEHOLDER
ENGAGEMENT**

This is submitted to all stakeholders as clearly defined in Ethical Principles document. Otokar ensures that risks that might arise in supplier, dealer and business partner processes regarding issues such as human rights, employee rights, environmental sensitivity, business ethics and anti-corruption are minimised by referring to the 10 principles of the Global Compact in purchasing agreements prepared within this framework.

The Ethics Committee is responsible for establishment of the compliance, conducting audit activities in order to identify breach situations and taking necessary measures in case of a breach. Besides corruption audits performed by Otokar Audit Directorate, there are similar audits performed by Koç Holding Audit Group Presidency. Involving principles regarding bribery and anti-corruption, business ethics principles are presented on company's website to ensure company executives and employees, dealers, suppliers and stakeholders can easily access.

All Otokar employees are responsible for making a notice within the frame of determined procedures in cases of a breach of Ethical Principles including bribery and corruption. Suspicious acts related to bribery and corruption, proposals and request of this kind are submitted without losing time to Koç Holding Audit Group executives via direct communication channels. Employees and all other stakeholders can apply to Ethics Committee via communication channels defined in confidentiality principle when an act which is thought to be against ethical principles occurs. In case of such conditions, processes defined in Otokar and Koç Group Ethical Principles will be initiated. Cases detected as a result of notifications or audits are examined by the Ethics Committee. The Ethics Committee decides on precautionary or disciplinary measures. Board of Directors is responsible for the settlement of company's ethical principles, their revision when necessary, their publication and the functionality of the related organs, systems and procedures.

In line with anti-bribery and anti-corruption principles defined by Otokar Ethical Principles, Otokar employees are forbidden from giving or receiving any kind of gifts which may create an impression of existence of an irregularity, may cause a relation of dependency or which may be assumed likewise (providing a privilege or reference, resulting in winning a tender) except for materials which are offered in line with a legal or commercial tradition or given away as souvenir or promotional item. In line with Ethical Principles, Otokar does not endorse nor support directly or indirectly any political view, ideology, political organization and party or candidate. The company resources are not made available for use in political activities or propaganda. Otokar does not get involved in lobbying activities intended for the private interests of the company, nor supports individuals or corporations for this purpose. Views and information demanded by public authorities are presented through communication set by professional or civil society organizations where majority of the industry is represented. Central and

local public institutions represent the majority of the client portfolio of Otokar. In these cases, commercial relations are developed in line with regulations and free competition principle.

Otokar employees cannot be held liable for any damages, which may be directly or indirectly incurred by the company, nor can they be imposed sanctions because of their compliance with the Ethical Rules of the company such as when they turn down a bribe offer or refuse to participate in an act of corruption or make the required notice on such occasions. It is possible to report any anti-corruption or other abuses through application forms available in the corporate website. Otokar Ethics Committee evaluates these reports earnestly. In 2017, there was one notification received from whistleblowing mechanisms related to abuse of ethical rules, human rights or corruption; but no nonconformity case found.

You can reach Otokar Code of Conduct by clicking this [link](#).

**ABOUT THE
REPORT**

**MESSAGE
FROM THE
GENERAL
MANAGER**

**ABOUT
OTOKAR**

**RESPONSIBLE
MANAGEMENT FOCUSED
ON SUSTAINABLE
DEVELOPMENT**

**STEADY GROWTH,
CONTINUOUS
DEVELOPMENT**

**INNOVATION
FOCUSED ON
VALUE-ADDED**

**DEVELOPING
TOGETHER
WITH VALUE
CHAIN**

**PEOPLE
ORIENTED
WORKPLACE**

**ENVIRONMENTALLY
FRIENDLY
PRODUCTION**

**CLIMATE
CHANGE,
ENERGY AND
EMISSIONS**

**CARING
FOR
SOCIETY**

**CORPORATE GOVERNANCE
AND BOARD STRUCTURE**

RISK MANAGEMENT

**BUSINESS ETHICS
AND ANTI-CORRUPTION**

INTERNAL AUDIT

**SUSTAINABILITY
MANAGEMENT**

**STAKEHOLDER
ENGAGEMENT**

INTERNAL AUDIT

Otokar Internal Audit Directorate, conducts risk and process based internal audit activities in order to control conformity of company activities with regulations, corporate policies and principles or strategic objectives set. In order to perform independently, Internal Audit Directorate reports administratively to the General Manager directly and functionally to the Audit Committee. Internal Audit Directorate aims to conduct 4 to 6 planned assurance or consultancy activity annually. Inspections triggered by whistleblowing are not planned audit activities and are not included in this objective.

Internal Audit activities audit all Otokar business units once a year in regards to financial and operational processes. Legal compliance and anti-corruption risks are also taken into account during these audit activities. In addition, Koç Holding Audit Group also performs audits involving financial, operational, legal compliance, human rights, environment, business ethics and corruption issues across the company.



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

CORPORATE GOVERNANCE
AND BOARD STRUCTURE

RISK MANAGEMENT

BUSINESS ETHICS
AND ANTI-CORRUPTION

INTERNAL AUDIT

**SUSTAINABILITY
MANAGEMENT**STAKEHOLDER
ENGAGEMENT

SUSTAINABILITY MANAGEMENT

Through the aim of protecting national capital structure and profitability, Otokar's sustainability strategy adopts sensitivity on environment, people and the society, adhesion to universal human rights and business ethics principles, focus on operational excellence and customer satisfaction, and developing value-added products based on advanced technology, as its main axis. The Board of Directors is responsible for the determination of the strategic orientations in commercial, operational, social, environmental and economic issues based on this main framework, and for monitoring whether the works agreed upon and conducted in this direction by the Senior Management produce the targeted performance.

The Sustainability Work Group representing the whole company functions determines Otokar sustainability priorities. The company's sustainability priorities are determined in workshops held with the participation of the General Manager and Assistant General as well as Work Group members by taking into consideration risks and opportunities the company may encounter on issue basis. The priority issues emerged as a result of this study are re-evaluated by the senior management and finalised for use in implementation.

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 <ul style="list-style-type: none"> • Energy Efficiency, • Alternative Energy, • Optimisation of Logistics and Packaging 	*	*	*	*	
Environmental Impacts of Manufacturing <ul style="list-style-type: none"> • Water and Waste Water Management • Waste Management • Biodiversity 		*			
Vehicles with Minimised Environmental Impact <ul style="list-style-type: none"> • 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		*		*	

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

**CORPORATE GOVERNANCE
AND BOARD STRUCTURE**

RISK MANAGEMENT

**BUSINESS ETHICS
AND ANTI-CORRUPTION**

INTERNAL AUDIT

**SUSTAINABILITY
MANAGEMENT**

**STAKEHOLDER
ENGAGEMENT**

Corporate Memberships

Name of the Organization

Adapazarı Chamber of Commerce and Industry
Defence, Aviation and Security Organization of Europe
Foreign Economic Relations Board
Gedik Education Foundation
Istanbul Mineral and Metal Exporters Association
Istanbul Chamber of Industry
Istanbul Chamber of Commerce
Quality Association
Metal Manufacturers Union
Automotive Distributors Association
Automotive Manufacturers Association
Automotive Technology Platform
Automotive Technologies R&D Corporation
Defence Industry Manufacturers Association
Technology Development Foundation
Commercial Vehicle Exporters' Association
Trailer Manufacturers Association
Union of Chambers and Commodity Exchanges of Turkey
Turkish Industry and Business Association
Uludag Exporters' Union
New Investor Relations Association

STAKEHOLDER ENGAGEMENT

Establishing a constructive and transparent communication forms the basis of Otokar's target to produce value by meeting the expectations of its stakeholders. Otokar is in constant communication with stakeholder groups such as customers, employees, suppliers and shareholders, public and regulatory institutions and NGOs, and media. Methods used in the communication and the frequency of this communication shape the expectations and needs for information of stakeholder.

In realising the corporate targets and in the selection of stakeholders to collaborate with in project areas such as social responsibility, it is of importance that stakeholders have adopted identical codes of conduct with Otokar as well as a mutual benefit oriented and constructive working culture.

Due to the public listing of Otokar shares at Istanbul Stock Exchange, the company manages shareholder relations in compliance with the principles stated in the capital markets legislation. The Investor Relations Department established for this purpose carries out transparent and routine communication activities with the investors and shareholders. Company information is shared with the relevant parties through annual ordinary general assembly meetings, annual reports, sustainability reports, annual and quarter based financial performance reports, periodical analyses and information documents, website, press releases, material disclosures, meetings and interviews. Information demands by shareholders are responded to in a short time without infringing confidentiality. The Corporate Communication Department is responsible for communication with all other external stakeholder groups that have an influence on the operations of the company

except for shareholders and investors, as well as for implementing the external communication strategies and practices, along with the actualisation of social projects.

In-company communication practices for employees which consists an important part of stakeholder communication activities are carried out via different tools depending on their purposes and qualifications. Important announcements concerning the employees, information about management changes and press releases are made through the in-company intranet. While an important part of employee communication is carried out at the publication "This Month at Otokar," besides the employees; customers, authorised dealers and services are also informed about company news through Otokar Hattı and Otokar Haber e-bulletin. In addition to periodicals and communication tools, a great part of the exchange of information regarding employees, authorized dealers and services consists of training studies.

Stakeholders benefit from many applications special for stakeholder groups aiming to participate Otokar stakeholders to the management with their opinions and expectations. The applications in which Otokar management's decision-making processes are enriched with employees' expectations and suggestions include feedback tools such as customer satisfaction, working life assessment surveys, the managing bodies where employees are represented such as OHS Committees organised in production facilities, and the self-evaluation meetings and open-door meetings. Otokar also supports the works of non-governmental organisations and platforms of which it is a member, by participating in their management.

STEADY GROWTH, CONTINUOUS DEVELOPMENT



**ABOUT THE
REPORT**

**MESSAGE
FROM THE
GENERAL
MANAGER**

**ABOUT
OTOKAR**

**RESPONSIBLE
MANAGEMENT FOCUSED
ON SUSTAINABLE
DEVELOPMENT**

**STEADY GROWTH,
CONTINUOUS
DEVELOPMENT**

**INNOVATION
FOCUSED ON
VALUE-ADDED**

**DEVELOPING
TOGETHER
WITH VALUE
CHAIN**

**PEOPLE
ORIENTED
WORKPLACE**

**ENVIRONMENTALLY
FRIENDLY
PRODUCTION**

**CLIMATE
CHANGE,
ENERGY AND
EMISSIONS**

**CARING
FOR
SOCIETY**

Otokar was established in 1963 with an aim to provide public transportation and freight shipment, and defence industry products through 100% local capital using its technology, design and practices. Following 55 years full of achievements, Otokar has now become the most preferred bus brand, the largest privately owned company in defence industry in Turkey.

Otokar operates with its 2,122 employees at its Sakarya Arifiye Factory covering an area of 552,000 m² and provides service to its customers via nearly 300 authorised sales and service points in over 60 countries.

Otokar strengthened its position as a market leader in Turkey in the total of bus segments it operates in 2017 as one of every three buses carry Otokar brand, and Kent articulated bus was exported for the first time to Italian, Serbian and Spain markets. While Doruk T which was renewed during this period was launched to European market under Ulyso brand, Navigo buses has also been renewed. While Otokar focuses on hazardous material and perishable goods transportation solutions which require expertise in trailer segment, its product Otokar Atlas in light

truck segment was presented to the market with new Euro 6 engine.

Otokar signed Turkey's largest export deal for a single defence item in 2017. Otokar has taken the first step in technology transfer in the defence industry by establishing Al Jasoor company with its local partner in the United Arab Emirates last year. Al Jasoor signed an agreement worth USD 661 million to meet the 8x8 armored vehicle requirement of the United Arab Emirates Armed Forces, and with this deal Otokar expanded the scope of its export activities with technology transfer. As a result of all these developments, Otokar has increased its sales income by 9.2% in 2017 compared to the previous period.



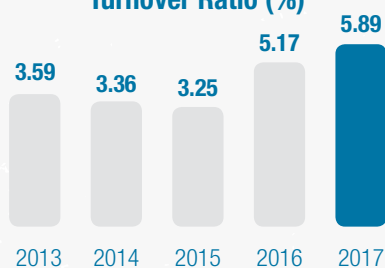
INNOVATION FOCUSED ON VALUE-ADDED



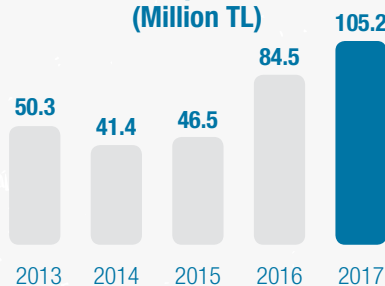
ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Otokar has competitive advantages as it operates in niche markets of automotive industry with 100% local capital. Thus, Otokar carries out successful operations in the international arena in addition to preserving its leader position for year in domestic market in segments it operates. Otokar's success is based on its R&D competence which enables the conversion of technology, designs and practices whose intellectual rights it owns 100% into products that comply fully with customer expectations.

R&D Expenditures to Turnover Ratio (%)



R&D Expenditure (Million TL)



Otokar performs the design and manufacture of the most complex vehicle groups which are high technology products with information packages that are its own intellectual property through its R&D investments constantly carried out for 55 years and increases its R&D efficiency every year. Thus, Otokar has allocated 4% of its turnover on average to R&D activities in the last decade. As an extension of this strategy, Otokar realized a total of 105.2 million TL R&D expenditure which corresponds to 5.9% of its turnover in 2017.

Gathering all R&D activities under a single roof, Otokar R&D Centre, outstands among the best facilities in the world

through the testing competence it reached. Having ISO 17025 accreditation, this system also guarantees laboratories to operate according to international standards; thus, Otokar R&D Test Centre provides service to national and international automotive and defence industry companies as an independent accreditation centre.

Otokar applied for 24 new patents in 2017 based on all of these competencies and R&D employees reaching 501 as of 2017. Thus, patent, useful model and industrial design applications have reached 269 in the last decade.



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Wireless communication protocol 802.11p developed to support smart transportation systems through CoMoSeF Project completed by Otokar in the previous period and carried out according to European Union's Celtic-Plus was used for the first time in public transportation, which became a "success story" and was awarded with Celtic Innovation Award in Barcelona in 2017.

Following CoMoSeF Project, Otokar initiated Appstacle - Cloud-based Smart Vehicle Application Platform Project in the reporting period. The objective of this project which is being carried out with the participation of various local and international project partners and which will be completed in 2019 is to combine vehicle data bus system with IoT cloud platform on the basis of providing joint services, standards and safe environments in automotive applications at national and international scale. In this regard, we are working to establish smart transportation practices independent of vehicles. Based on these objectives, Turkish consortium of this project will develop vehicle applications such as driver profile analysis, remote detection of problems in vehicles, prevention of unauthorized use and similar, and carry out the necessary R&D tests on the vehicle.

Rollover accidents are the most dangerous accident type in commercial vehicles. According to the statistics, body robustness is the key safety aspect in such accidents. Based on the project initiated in 2017, the durability of

upper structures of big public transportation vehicles, their body endurance are developed according to simulations carried out with full-scale models, physical tests and virtual analyses, and the vehicle became safer.

The project completed in the reporting period met the vehicle needs which respond to the requirements of intercity public transportation with high passenger capacity, suitable for the disabled with low base and front engine available in the market through the revisions on new Sultan LF model of Otokar.

The majority of Otokar's R&D studies consists of projects focusing on the development of industry 4.0 and digitalization practices in production processes. In this regard, Otokar has initiated digitalization project for vehicle body carcass control process by realising a unique application in the industry. With this project, a system that will enable comparing the images of the vehicle produced with digital design models taken by cameras and thus detection of deficient or surplus parts of the vehicle. This will minimize human error factor during control processes and save time and money. Otokar will also develop the critical components of the system that will be developed based on this project which are image processing algorithm, cartesian robot, linear slide mechanism and the automation algorithm which will control these components.

Another digitalization project which was initiated in the reporting period is Smart Welding Machine and Mas Modernisation Project which aims to support welding works which are manual labors with digital technologies. Based on this project, Otokar will develop a system in which various operation parameters of manual welding machines can be read and processed real-time. As a result of this system which will communicate with the smart mask which will be designed with Bluetooth technology, the operator will be supported in keeping the welding torch at optimum distance while welding. This will result in the reduction of welding repair works and in the traceability of machine and operation based consumption.

Real-time Location Monitoring System Development Project which was initiated to be completed in 2020 aims to develop a digital infrastructure and software which gathers wireless data from moving objects available in all working areas and enables process optimization as a result of analysing this data. This project will enable real-time communication between all processes in value from purchasing to production and quality control and will take spontaneous optimum decisions to enable managing of all processes without depending on human input.

DEVELOPING TOGETHER WITH VALUE CHAIN



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
------------------	----------------------------------	--------------	---	---------------------------------------	-----------------------------------	--------------------------------------	---------------------------	-------------------------------------	--------------------------------------	--------------------

DEVELOPING THE SUPPLY CHAIN	OTOKAR SUPPLIER POLICY	EFFECTIVE COMMUNICATION AND COOPERATION WITH SUPPLIERS	SUPPLIER PERFORMANCE ASSESSMENT PRACTICES	WIDE DEALER AND SERVICE NETWORK	IMPROVING CUSTOMER SATISFACTION	PRODUCT AND SERVICE RESPONSIBILITY
-----------------------------	------------------------	--	---	---------------------------------	---------------------------------	------------------------------------

Otokar manages its fairly extensive supply pool through a development-oriented approach. Otokar works to convert risks available in its value chain into opportunities through development and auditing activities. In this regard, Otokar responsibly monitors all aspects available in value chain such as supply, logistics, business manner in dealer and service channels, product and service quality, occupational safety, human rights, environmental management and working norms.

DEVELOPING THE SUPPLY CHAIN

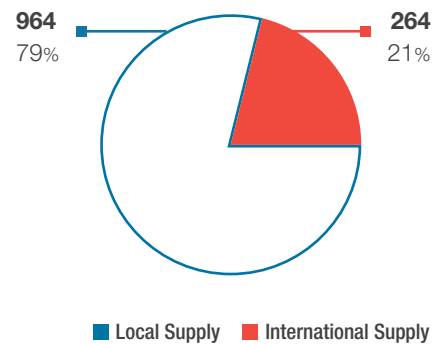
Otokar aims at developing and managing a competitive supply chain at world standards in regards to its quality, delivery, cost and cooperation. Otokar selects its suppliers by evaluating them in terms of their financial, commercial and operational qualities with a risk and opportunity-based approach. Otokar conducts purchasing operations through

tendering procedure from a fairly extensive supply pool consisting of suppliers that fulfill the defined conditions. In 2017, Otokar made direct and indirect purchasing processes from a total of 1,228 suppliers. The total number of direct material suppliers was 758, of which 494 were local and 264 were foreign. For the indirect material procurement, we work with

all local 470 suppliers. The production they make for Otokar constitutes the main source of income for 20 suppliers.

In 2017, Otokar spent around 1 billion TL in procurement activities. Local procurement rate corresponds 60% by item, and 40% by number of suppliers.

Supplier Company Distribution



**ABOUT THE
REPORT**

**MESSAGE
FROM THE
GENERAL
MANAGER**

**ABOUT
OTOKAR**

**RESPONSIBLE
MANAGEMENT FOCUSED
ON SUSTAINABLE
DEVELOPMENT**

**STEADY GROWTH,
CONTINUOUS
DEVELOPMENT**

**INNOVATION
FOCUSED ON
VALUE-ADDED**

**DEVELOPING
TOGETHER
WITH VALUE
CHAIN**

**PEOPLE
ORIENTED
WORKPLACE**

**ENVIRONMENTALLY
FRIENDLY
PRODUCTION**

**CLIMATE
CHANGE,
ENERGY AND
EMISSIONS**

**CARING
FOR
SOCIETY**

**DEVELOPING THE
SUPPLY CHAIN**

**OTOKAR
SUPPLIER POLICY**

**EFFECTIVE
COMMUNICATION AND
COOPERATION WITH
SUPPLIERS**

**SUPPLIER PERFORMANCE
ASSESSMENT PRACTICES**

**WIDE DEALER
AND SERVICE
NETWORK**

**IMPROVING
CUSTOMER
SATISFACTION**

**PRODUCT
AND SERVICE
RESPONSIBILITY**

Otokar Supplier Policy

Otokar considers its suppliers as business partners and establishes long-term business relations based on code of conduct and mutual trust. Supply processes are carried out within the framework of Otokar Supplier Policy. Otokar Supplier Policy is based on UN Global Compact principles and Koç Holding Purchase Management System in compliance with the general strategies and policies of Otokar and Koç

Holding. The responsibility for the monitoring of the compliance of decisions taken and works conducted within the framework of supplier relations with relevant legal regulations and other corporate policies belongs to the General Manager. Otokar, which primarily prefers companies that operate in its vicinity in supplier election, evaluates all alternatives. Otokar suppliers commit to comply with UN Global

Compact, legal regulations on environment and Otokar's ISO 14001 Environmental Management System requirements.

Otokar prefers suppliers that invest in technological development and human resources, that respect to environment and human health, and supports the development of current suppliers in these subjects.

Otokar Supplier Selection Criteria

Otokar prefers suppliers that;

Comply with the general policies and strategies of Koç Holding and Otokar,	Comply with the UN Global Compact,
Do not condone child labour,	Do not engage in discrimination,
Do not use forced labour,	Comply with confidentiality of information,
Do not prevent collective labour agreements and unionisation,	Observe occupational health and safety rules,
Observe employee standards defined by laws and the sector,	Follow legal working hours,
Abide by codes of conduct together with company employees,	Do not resort to psychological or physical pressure or abuse in corporate discipline,
Offer a competitive advantage,	Invest in technology development and human resources,
Supply quality products on time and under competitive conditions,	Place emphasis on research and development to specialise in their own field,
Pursue production operations conforming to national and international standards with regard to environmental and occupational safety issues.	

As part of the agreements they enter into, Otokar suppliers commit to comply with the UN Global Compact, legal regulations about the environment and requirements of Otokar's ISO 14001 Environmental Management System.



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
---------------------	---	-----------------	--	---	---	---	---------------------------------	---	---	--------------------------

DEVELOPING THE SUPPLY CHAIN	OTOKAR SUPPLIER POLICY	EFFECTIVE COMMUNICATION AND COOPERATION WITH SUPPLIERS	SUPPLIER PERFORMANCE ASSESSMENT PRACTICES	WIDE DEALER AND SERVICE NETWORK	IMPROVING CUSTOMER SATISFACTION	PRODUCT AND SERVICE RESPONSIBILITY
--------------------------------	---------------------------	---	--	---------------------------------------	---------------------------------------	--

Effective Communication and Cooperation with Suppliers

Otokar believes that the way to create effective communication and cooperation with suppliers is to create effective communication and cooperation to establish ceaseless communication. There are various channels developed for this purpose. The monitoring of supply processes is ensured through the vSRM

channel, a web based portal; through this channel, suppliers are informed regarding purchasing policies and current developments. VMI (Vendor Managed Inventory), BTO (Build to Order), KANBAN and JIT (Just in Time) applications are pursued to increase the efficiency of supply operations.

In addition to constant communication channels, Otokar carries out various number of face-to-face meetings annually with its suppliers. Based on these meetings, Otokar conducts new and mutual product development studies in coordination with Otokar and supplier engineers.

Supplier Performance Assessment Practices

In order to audit its suppliers, Otokar conducts systematic auditing processes that involve environment, occupational safety, working norms, human rights and similar principal parameters in addition to quality, logistics and cost criteria. Otokar commits to disseminate compliance with the articles of the Global Compact throughout its value chain in addition to its own operations and to enhance awareness in this issue. In this regard, the 10 principles of the UN Global Compact are among the issues checked as part of the audits.

Supplier auditing processes are carried out with a risk-oriented approach. ISO 14001, OHSAS 18001,

ISO 9001, or adopt international initiatives such as the Global Compact are evaluated as belonging to a low-risk group. The auditing of companies without such qualifications is prioritised.

In consequence of the performed audits, business relations with suppliers that fail to meet the minimum performance criteria are terminated. Improvement plans are designed, training activities are organised for companies that do not completely meet the expected performance and risk criteria.

In 2017, 25 suppliers were audited. In regards to these audits, risk factors that include human

rights, child labour, forced or unfree labour, right of association, working conditions and working hours have been evaluated. According to the results of auditing works, there were no supplier companies whose services were terminated on the grounds of failure to meet minimum requirements. During the period, no noncompliance is detected in 50 suppliers that were audited in regards to environmental criteria.

Supplier Development Programs

Otokar executes supplier development programs with an aim to increase efficiency in supply chain. In 2017, 4 supplier companies were included in URGE (Development of International Competitiveness) program supported by TAYSAD and Ministry of Economy. In addition, development activities of 6 suppliers continue with the support of a consultant using the program prepared for suppliers at Sakarya region.

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

<i>ABOUT THE REPORT</i>	<i>MESSAGE FROM THE GENERAL MANAGER</i>	<i>ABOUT OTOKAR</i>	<i>RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT</i>	<i>STEADY GROWTH, CONTINUOUS DEVELOPMENT</i>	<i>INNOVATION FOCUSED ON VALUE-ADDED</i>	<i>DEVELOPING TOGETHER WITH VALUE CHAIN</i>	<i>PEOPLE ORIENTED WORKPLACE</i>	<i>ENVIRONMENTALLY FRIENDLY PRODUCTION</i>	<i>CLIMATE CHANGE, ENERGY AND EMISSIONS</i>	<i>CARING FOR SOCIETY</i>
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

<i>DEVELOPING THE SUPPLY CHAIN</i>	<i>OTOKAR SUPPLIER POLICY</i>	<i>EFFECTIVE COMMUNICATION AND COOPERATION WITH SUPPLIERS</i>	<i>SUPPLIER PERFORMANCE ASSESSMENT PRACTICES</i>	<i>WIDE DEALER AND SERVICE NETWORK</i>	<i>IMPROVING CUSTOMER SATISFACTION</i>	<i>PRODUCT AND SERVICE RESPONSIBILITY</i>
--	-----------------------------------	---	--	--	--	---

WIDE DEALER AND SERVICE NETWORK

Dealer and service operations encompass one of the keystones of Otokar's success. The prevalence of Otokar's dealer and service operations is a crucial factor that eases access to products and services for customers and increases product quality. As of 2017, Otokar brings its products

together with its customers at nearly 300 points worldwide, offering aftersales services.

Otokar expects its dealers to adopt identical, social, environmental and ethical working norms and to conduct their activities in accordance with internal or general service standards. Otokar

provides development support to its dealers to improve their business processes and service qualities in order for a sustainable value chain. The previous period was evaluated and targets were shared in meetings done in 2017.

IMPROVING CUSTOMER SATISFACTION

Improving customer satisfaction at Otokar which has a customer-oriented approach is among its key priorities. Customer demands and expectations are taken into account in developing product and business processes. Otokar Customer Satisfaction Policy aims to ensure unconditional customer satisfaction and to establish long-term relations based on trust with customers.

The management of customer satisfaction processes is under the responsibility of different departments organized under Aftersales Services Directorate. Through Customer Relations Management Department (CRM), Otokar customers receive service for 7 days, 24 hours; the expert personnel generate constructive solutions

for customer notices, demands, requests and expectations in the shortest time.

Otokar conducts Welcome to Otokar Survey, Customer Reassurance Survey, CRM Customer Satisfaction Survey, Road Assistance Satisfaction Survey, and TGW Survey. During the reporting period, customer satisfaction level of Otokar has been identified as above the sector average.

Otokar initiated Otokar Service Days campaign to enhance customer satisfaction. Almost 100 authorized services that participated in this campaign in Turkey offered vehicle owners a discount in labor, periodical maintenance and filter parts. A vest and a check-up are presented to

vehicle owners who had periodical maintenance done during this campaign at the services in which professional teams work with a perfectionist approach in aftersales services.

Otokar provides quality assurance by certifying its aftersales services with ISO 10002 Customer Satisfaction Management System Standard and ISO 10001 Quality Management - Customer Satisfaction. Other systems effective in establishing aftersales customer satisfaction include TS 12681 and TS 12047 Service Competency Certificates.

PRODUCT AND SERVICE RESPONSIBILITY

The key principles of Otokar's product and service responsibility approach include offering reliable products and services with superior quality norms, constantly improving products and services, and offering aftersales services through customer-oriented approaches. Within this framework, Otokar manages the constant improvement of the safety conditions of products, the information of customers regarding products and product utilization, and the management of social,

economic and environmental impacts generated by products and services.

While meeting new products and technologies with its customers, Otokar aims to provide excellent quality norms available. Otokar makes use of methodologies such as ISO 9001 Quality Management Standard, AQAP 2110 Military Quality Assurance System, ISO 3834-2 Resource Competency Certificate, and 6 Sigma DMAIC to

assure quality in production processes. All quality standards and norms adopted are managed via QDMS system.

All Otokar products are manufactured at quality standards conforming with all the legal regulations in the markets of operation; and the legislation regulating the quality norms of products is constantly tracked, the continuity of compatibility is ensured. In 2017, no cases of

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

DEVELOPING THE SUPPLY CHAIN	OTOKAR SUPPLIER POLICY	EFFECTIVE COMMUNICATION AND COOPERATION WITH SUPPLIERS	SUPPLIER PERFORMANCE ASSESSMENT PRACTICES	WIDE DEALER AND SERVICE NETWORK	IMPROVING CUSTOMER SATISFACTION	PRODUCT AND SERVICE RESPONSIBILITY
--	-----------------------------------	---	--	--	--	---

Otokar Quality Policy

- Identifying customer needs and expectations through customer cooperation, offering and implementing solutions;
- Supporting the continuity of customer satisfaction with aftersales activities;
- Pursuing and implementing new technologies and quality techniques devoted to constantly improving product quality;
- Popularising the total quality philosophy across the company and creating its infrastructure, engaging in training activities;
- Organising works to minimise the number and cost of errors and ensuring their continuity.

noncompliance were identified in legal legislations of the markets in which the products are used in regard to product and safety norms.

Otokar website, product information forms, user guides, vehicle modification manuals are tools for customers to access product components, usage characteristics, environmental impact qualifications and safe usage manners. In addition, customers are able to convey their complaints and requests via Otokar Customer Services Hotline, website and authorized dealers and services.

As a part of its customer satisfaction studies, Otokar has conducted several studies to gather information about its customers in order to truly meet the expectations and needs of its customers and to establish effective communication with the customers. In order to provide this safety of information, all processes are executed in compliance with ISO 27001 Information Security Management Standard and AQAP 2110 NATO Quality Assurance Requirements for Design, Development and Production Standard.

Operating in defence industry as well, Otokar attaches critical importance

to product and service responsibility. Due to their characteristics, defence industry products can only be sold to the Turkish Armed Forces and Security Forces in accordance with the conditions determined by laws. The exportation of defence industry products is realised with the information and permission of the Turkish Republic Ministry of National Defence. Otokar acts in accordance with the law regulating export licences and makes sales solely to governments and public institutions.

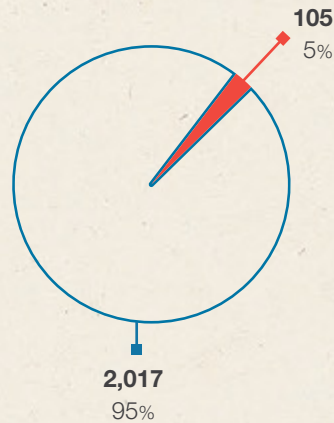


PEOPLE ORIENTED WORKPLACE



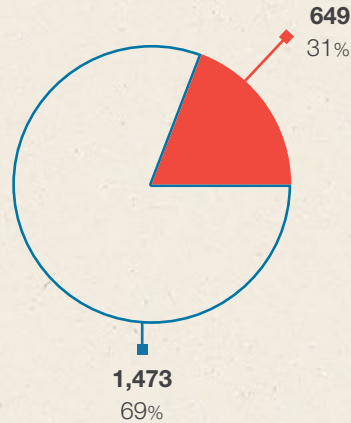
Otokar focuses on constant increase in motivation and loyalty in addition to constant improvement in qualified human resources. In this regard, it offers to its employees an environment where there is mutual trust and respect, respect for human rights and equality, and participation is encouraged.

TOTAL NUMBER
OF EMPLOYEES



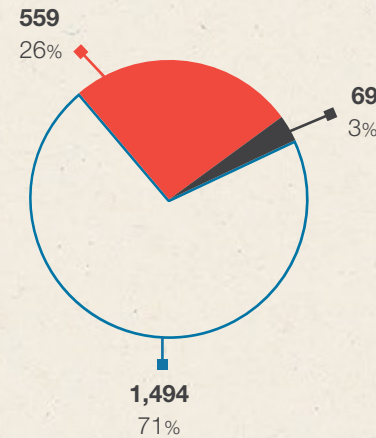
○ Male ● Female

EMPLOYEE BREAKDOWN
BY CATEGORY



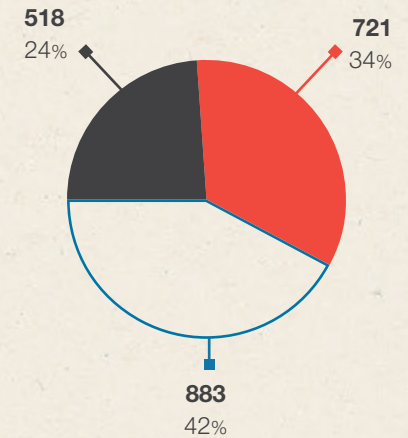
○ Field Workers ● Office Workers

EMPLOYEE BREAKDOWN
BY AGE GROUP



● 18-30 ○ 30-50 ● 50+

EMPLOYEE BREAKDOWN
BY EDUCATION LEVEL



● Primary School ● High School
○ University and above

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

**PERFORMANCE
AND TALENT
MANAGEMENT**

**OCCUPATIONAL
HEALTH AND
SAFETY**

Otokar commits to voluntarily comply with the following principles which aim to eliminate gender discrimination and to pioneer the generalization of these principles within the country:

1. We respect human rights. We act in accordance with the main equality principle for all employees.
2. We provide health, safety and prosperity both for women and men employees indiscriminately.
3. We give special support for women's participation to workforce.
4. We define equality of opportunities criteria for women-men in all of our Human Resources policy.
5. We act according to and strictly follow equal pay for equal work policy.
6. We establish the necessary mechanism for employees to benefit equally from career opportunities.
7. We establish and monitor training policies and attach special importance to women's participation.
8. We establish working environments and practices that keep work-family life balance.
9. We announce the developments regarding our plans and achievements in equality of opportunities through internal and external communication.
10. We generalize this declaration to all our sphere of influence (business partners, suppliers).
11. We establish a leadership team in our company to monitor the aspects of this declaration.

All human resources processes including recruitment, career planning, performance evaluation and remuneration processes as well as employee career and training programs are the responsibility of the General Manager, are managed within the framework of Human Resources policy and Personnel Regulation.

Otokar adopts the principles of UN Global Compact, of which Koç Holding is a signatory, in corporate operations and the value chain. Otokar acts in compliance with human rights, and in accordance it does not discriminate on the basis of race, gender, political tendencies, philosophical views, religion or sect in human resources processes, nor does it engage in acts that might be considered discriminating. Adopting "equal pay for equal work" principle, Otokar does not discriminate between the wages of women and men employees.

The remuneration difference between our employees doing an equal job can only appear because of differences based on seniority or performance achievement.

Otokar attaches importance to internal diversity and conducts activities to enhance the working lives of women. Under the roof of Otokar Women's Club, volunteering Otokar employees support the enhancement of the quality of life of disadvantaged women and children. Otokar actively supports social gender equality projects actualised under the leadership of Koç Group. Many employees returned to their healthy weight through Dietitian Polyclinic application realised to minimize the risks on chronic diseases based on No Barriers for My Country Project. In 2017, Dietitian Polyclinic service was initiated with the same purpose. Otokar Employees covered grounds in healthy living through this polyclinic that has high participation levels.



ABOUT THE
REPORT

MESSAGE
FROM THE
GENERAL
MANAGER

ABOUT
OTOKAR

RESPONSIBLE
MANAGEMENT FOCUSED
ON SUSTAINABLE
DEVELOPMENT

STEADY GROWTH,
CONTINUOUS
DEVELOPMENT

INNOVATION
FOCUSED ON
VALUE-ADDED

DEVELOPING
TOGETHER
WITH VALUE
CHAIN

PEOPLE
ORIENTED
WORKPLACE

ENVIRONMENTALLY
FRIENDLY
PRODUCTION

CLIMATE
CHANGE,
ENERGY AND
EMISSIONS

CARING
FOR
SOCIETY

PERFORMANCE
AND TALENT
MANAGEMENT

OCCUPATIONAL
HEALTH AND SAFETY

PERFORMANCE AND TALENT MANAGEMENT

Otokar shares its knowledge and experience with young generations and aims to contribute to their career developments. All employees receive feedback for their performances at Otokar which supports the talent and ability development of its employees with various training and development practices.

Otokar follows objective and systematic approaches in the remuneration of employees. The work performed and responsibility assumed are the basic criteria for determining wage levels, and gender differences do not influence remuneration. Otokar's remuneration policy involves the remuneration systems and practices concerning Board of Directors members with executive responsibility and senior managers, within the scope of Capital Markets Board regulations. Detailed information regarding this topic is available at www.otokar.com.

Office employees' performance is measured with systematic assessment methods and the participation of employees. Otokar managers come together with employees at the end of the year through performance assessment meetings. In these meetings, employees are interviewed by their managers to draw development areas.

Contributing to personal developments of employees in addition to their technical and behavioural skills are among the priorities of Otokar for a sustainable growth. Supporting employees with training activities they need form the basis of Otokar's training and development policy. These trainings are identified according to performance results of the previous year, performance feedback interviews and development planning meetings. In 2017, various new training modules were realised and intensive communication studies were carried out in order to reach higher number of Otokar employees in regards to personal development. As a result of these studies, participation ratio to personal development trainings carried out in 15 different subjects has increased by 51.9% compared to the previous year. In 2017, 1,952 Otokar employees received 73,466 personxhours training.

Otokar employees can also benefit from training and development opportunities offered by Koç Group in regards to Koç Holding's 'You Are the Leader' Program, Koç University Master's Programme (e-MBA), and Koç Group Internal Coaching System. In 2017, Otokar managers were included to most of the management development programs carried out in the Group. 3 managers attended Koç University's EMBA Program, 133 managers attended Manager and Leader Development Programs and 31 managers attended Harvard Business School's online trainings.

Otokar supports participation of its employees to management processes through views and suggestions. In this regard, in 2017, 856 of 1,647 suggestions received from employees were designed and initiated.

Otokar supports private lives of its employees as well as their internal social lives. Thanks to Employee Support Program realised with this purpose, all employees are able to receive consultancy support from experts in psychology, medicine, finance and law.

Vocational Training Activities

Otokar continues to contribute to the training of qualified fieldworkers in areas of expertise where human resources lack, by developing collaborations with national institutions and ministries such as Turkish Employment Agency, Ministry of Labour and Ministry of National Education. Otokar developed various vocational training processes with the purpose of helping youth gain competence appropriate for the expectations of the industry and meet the qualified workforce requirement of the industry. Besides, it offers vocational training opportunities devoted to the disabled, aiming to increase the employment of disabled personnel in these specialised lines of work.



Little Inventors Code the Future

In 2017, «Little Inventors Code the Future» project was initiated to create awareness and to develop digital literacy for Otokar employees' children at the age of 7 to 14. According to the project executed by HR Department, a total of 66 children of Otokar employees received 594 hours of training on coding. These trainings help children design their own games, establish robotic cycle, draw and print 3D designs.

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

**PERFORMANCE
AND TALENT
MANAGEMENT**

**OCCUPATIONAL
HEALTH AND SAFETY**

OCCUPATIONAL HEALTH AND SAFETY

Otokar aims at creating safe working fields for its employees and other employees in the production fields. The Occupational Health and Safety Department consisting of workplace doctors and allied health personnel is responsible for managing occupational health and safety issues at Otokar. The Occupational Health and Safety Department operates under the Human Resources Directorate that reports directly to the General Manager.

Occupational health and safety issues are conducted within the framework of Otokar OHS Policy signed by the General Manager. Policy text is shared with employees and other stakeholders through internal communication tools.

Performance targets regarding occupational health and safety are assigned at department and

employee level and annual work programs are prepared. Compliance with the targets and work program form input for performance assessments. Occupational Health and Safety performance is assessed through annual Management Review meetings and reported monthly to relevant departments.

Occupational and safety practices are conducted in compliance with OHSAS 18001. There has been no discrepancy obtained at OHSAS 18001 interim audit in 2017. This audit has been an important opportunity for the dissemination of occupational safety works throughout all departments and for a fast progress in the development of occupational safety culture.

OHS Committees work with the purpose of reducing occupational health and safety risks at Otokar operation sites and improving the performance in this area. OHS Committees consisting of employee representatives assure the participation of employees to occupational health and safety processes. 60 members, 16 of which are employee representatives, are assigned in the 7 OHS Committees within Otokar as of 2017. The committees carry out their activities in compliance with the requirements determined by relevant laws.

Accident indicators are put forth in units, and root cause analysis of accidents and measures taken are shared in OHS board meetings which are organized routinely. In 2017, 18 OHS boards have been realised, 12 of which were OHS boards and 6 were contractor occupational safety boards.

Otokar continued to offer trainings in occupational health and safety trainings in 2017 as well. In regards to OHS trainings conducted with the purpose of enhancing the knowledge and awareness regarding occupational health and safety, 18,288 personxhours of training were provided for 1,804 Otokar and contractor company employees.

Otokar adopts a preventive and corrective approach in occupational health and safety. As a result of this approach, there has been no fatal cases or occupational diseases since 2012. Thanks to improvements and awareness trainings conducted in the plant, the injury ratio has been improved by 22% compared to the previous year to the level of 1.74; and the lost day ratio was improved by 30%. The level of improvement in lost day ratio has reached 63% since 2014.



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
---------------------	---	-----------------	--	---	---	---	---------------------------------	---	---	--------------------------

PERFORMANCE
AND TALENT
MANAGEMENT

OCCUPATIONAL
HEALTH AND
SAFETY

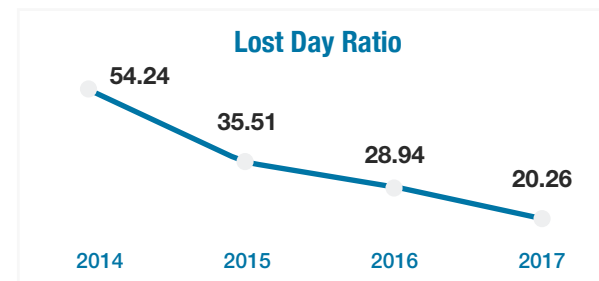
Otokar OHS Policy

Otokar regards its employees as its most valuable asset 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 the measures required to create a healthy and safe working environment for its employees and for everyone present on the production site for business, internship or visit. In order to create a healthy and safe working environment, Otokar;

- Follows developments in Occupational Health and Safety, complies with current legal regulations and fulfils its liabilities arising from agreements.
- Defines and analyses the occupational health and safety risks of its operations and takes measures to minimise such risks in order to prevent injuries and illnesses in relation to its operations.
- Conducts the necessary training and information activities for its employees and everyone present on the production site for business, internship or visit in order to raise their awareness of individual or corporate responsibilities.
- Conducts its operations in compliance with the requirements of the 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 the Occupational Health and Safety System and Occupational Health and Safety performance.

Otokar's OHS Awards

Otokar received two awards all at once in 2017 from MESS Golden Glove and Golden Suggestion Occupational Health and Safety Contests organized by Turkish Metal Industrialists' Union (MESS) in order to increase awareness in occupational health and safety and support sustainability efforts. Awarded with Golden Glove for the third time, Otokar has also obtained Golden Suggestion award.



ENVIRONMENTALLY FRIENDLY PRODUCTION



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
									WATER MANAGEMENT	MATERIAL AND WASTE MANAGEMENT

Otokar Environmental Policy and ISO 14001 Environmental Management System Standard forms the basis for Otokar's environmentally-friendly production approach. Structured based on these foundations, environmental management aims full compliance to legal legislation, to steer systems and procedures according to internationally acknowledged principles that serve as a model and to constantly improve via stakeholders' opinions.

OTOKAR ENVIRONMENTAL POLICY

Otokar, adheres to its mission to be sustainable by increasing the awareness of the people and organizations interacted directly or indirectly from product development and marketing stages until the end of lifecycle; to protect biodiversity by assuming its environmental responsibilities towards local and regional neighbours; and reducing impacts on the climate change through environmental improvements made on processes and environmentally friendly products.

For all processes, Otokar establishes and maintains systems based on environmental protection and efficient use of natural resources.

In line with this policy, Otokar,

Monitors the publications dealing with the environment and complies with the applicable laws and regulations;

Minimizes and keeps the environmental pollution under control through the Environmental Management System;

Supports all employees and subsidiary industries in their efforts to be sensitive toward the environment;

Communicates its environmental objectives and targets to the public, the subsidiary industries and the concerned organizations;

Directs its environmental activities in a manner to support the other constituents of the policy;

Commits to improve the environmental performance continuously

Otokar Environmental Policy which commits to use natural resources effectively, to fully comply with the legal legislation, to generate constant improvement studies to reduce environmental impacts, and to establish systems and processes for

effective application and audit of these studies is available in the corporate website.

Otokar Board of Directors is responsible for determining strategic orientations in environmental topics.

The implementation of the decisions taken based on these orientations in accordance with corporate policy and legal regulations is the responsibility of Otokar General Manager. Otokar senior management reviews environmental management



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

**WATER
MANAGEMENT** **MATERIAL AND
WASTE MANAGEMENT**

systems and the conformity, competence and efficiency of these systems through periodic meetings. Activities regarding environmental management issues are carried out by the Environmental Management Department organised under the leadership of the Production and Facility Engineering Director and the Investment Department Manager.

Key operational areas of Otokar Environmental Management are the effective use of natural resources such as water and energy and other materials, combating climate change, management of waste water, solid waste and GHG emissions, environmental training and awareness-raising studies for employees and related stakeholders, and communication and cooperation with non-governmental organizations and other related stakeholders. Environmental management procedures conveyed in training programs for employees and various directives manage environmental impact reduction, internal control, waste management and hazardous waste elimination processes.

Environmental impacts are evaluated as a part of corporate risk management system; impacts detected

in Environmental Impacts Registry are analysed for precision. This Environmental Impacts registry is revised when new environmental impacts occur due to management systems internal audits, new material orders and new investments.

Constant improvement of environmental performance is the main principle of Otokar Environmental Policy in general in Otokar's operations. The implementation of these activities being conducted is monitored through periodically performed internal audits, as well as annual audits realised by Koç Holding Audit Group. All Otokar operations are verified through ISO 14001 Environmental Management System Standard certification through periodical independent external audit works. Moreover, environmental management practices are subject to the audits of the Turkish Ministry of Environment and Urbanisation. In 2017, no complaints or requests were received from stakeholders concerning the environmental dimension of Otokar's operation.

Environmental management is realized through annual and five-year goals. The Procedure for Determining Management

Systems Environmental Objective, Goal and Management Programs define the process of determining, evaluating and managing annual objectives and goals regarding environmental performance. As part of the procedure, 5-year strategic plans are prepared, and annual goals conforming to these plans are constituted. The environmental vision and strategic objectives determined by Koç Holding are taken into consideration in the constitution of work programs in addition to the company's vision and strategies. These company goals are reflected to personal goals and become a part of performance evaluation and enumeration system. The realisation level of goals is followed through goal card systematics. The General Manager and the Board of Directors are informed regarding the results. Works conducted during the period, as well as performance results are shared with all stakeholders through sustainability reports, Koç Holding reporting studies, Otokar News from the Factory Bulletin, Otokar OHS Bulletin, sub-industry trainings and environmental information notes.

Based on its principle of focusing on the whole value chain in its environmental

management, Otokar expects its suppliers and business partners to adopt an identical environmental management approach. ISO 14001 certification and environmental impact management criteria are regarded significant for supplier selection. In order to improve supplier environmental management practices monitored via field audits and self-assessment systems, development plans are prepared and the implementation processes of these plans are monitored.

Otokar carries out training activities for its employees and subcontractor employees to improve the level of environmental awareness and know-how. In this context, in 2017, Otokar employees are provided with 490 person x hours training, while subcontractor employees with 490 person x hours training on environment. In 2017, Otokar carried out 300 person x hours environmental trainings for people from different social categories in order to improve social environmental awareness.

In the reporting period, Otokar has allocated over 259,000 TL resource to studies conducted to improve environmental performance.

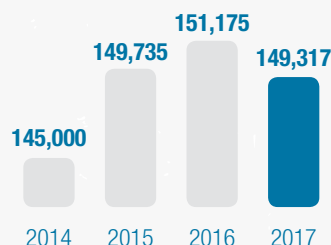
WATER
MANAGEMENT

MATERIAL AND
WASTE MANAGEMENT

WATER MANAGEMENT

Attaching strategic significance to the continuity of operations and efficient use of water resources which have a strategic value are distinguished as a prioritised issue in regards to environmental policy. Activities carried out in compliance with Otokar Environmental Management Principles

Total Water Reused through Recycling (m³)



and ISO 14001 System Standard requirements encompass the issues of efficient water use, water recovery and wastewater management.

In 2017, a total of 163,000 m³ of fresh water has been consumed in Otokar operations; and 149,000 m³ water has been recycled through recycling or recovery methods. Thus, 49% of the total water need during the year was met with recovered water. This resulted in 7% increase compared to last year.

At Otokar Arifiye Plant, there are 2 household wastewater treatment facilities and 2 industrial wastewater treatment facilities. Thanks to these facilities, wastewater is processed in line with Otokar Environmental Policy, environmental management system and relevant legal regulations, its pollution load is minimized to relevant values, and subsequently discharged at points identified by legal regulations. A total

of 165,000 m³ of wastewater generated in 2017 as a result of Otokar operations. 92,000 m³ was discharged to the natural receiving environment and 73,000 m³ to wastewater channels after reaching to values below norms indicated by licenses. Purification sludge per product was reduced by 25 compared to the previous period through waste sludge improvement practices carried out during the year.

The water used in Otokar operations or the discharged wastewater do not have any negative impacts on the biodiversity quality of natural water resources. There are no natural protected areas, protected catchment basins, wetlands, or RAMSAR areas within the area impacted by production facilities. Also, no impact of operations was observed on areas with special status with respect to biodiversity, during the reporting period.

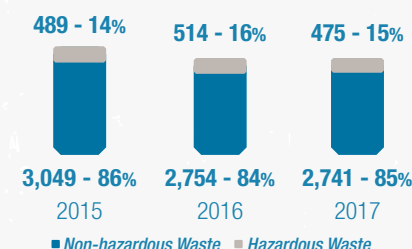
MATERIAL AND WASTE MANAGEMENT

Efficient use of materials and resources which is one of the main aspects of Otokar Environmental Policy is crucial both for production efficiency and mitigation of environmental impacts. In this regard, studies on efficient use of materials include reuse and recovery.

According to Environmental Policy and management system, the aim of waste

management is to minimise wastes generated by production processes before elimination, to sort them at the source and to recover as far as possible. In 2017, the whole 3,215 tons of waste was recycled which resulted in 98% recycling. In 2017, 287,000 tons of packaging materials have been used, packaging wastes were recycled by 100%.

Waste Amount by Type (ton - %)



CLIMATE CHANGE, ENERGY AND EMISSIONS



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

**ENERGY AND
EMISSIONS**

**GREEN
TRANSPORTATION
SOLUTIONS**

Climate change is among Otokar's sustainability priorities due to manufacturing processes and product characteristics. As climate change has direct impacts, energy and emission issues are dealt with a risk- and opportunity-oriented approach. While Otokar conducts projects to eliminate the impacts of production processes and products, it regards the low carbon economy and the expectations of customers in this context as an opportunity and carries out product development studies based on this approach.

Koç Group Climate Change Strategy and 2020 Greenhouse Gas Strategic Plan are available on [website](#).

The main sources of policies followed while combating climate change include Otokar Environmental Policy, R&D Strategy, Koç Group Climate Change Strategy and 2020 GHG Strategic Plan. Otokar calculates other emissions and constantly monitors energy consumption and greenhouse gas amounts occurred during production processes. It eliminates energy consumption and emission amounts through energy efficiency projects. Otokar becomes prominent in eliminating product-based emissions through fuel efficiency and alternative-fuel vehicle development projects

conducted in R&D studies. Another important principle of Otokar's climate change studies is to carry out joint studies and to support civil initiatives.

Otokar Board of Directors define strategic orientations for combating climate change. Serving also as a Board Member, Otokar General Manager is responsible for defining studies that will be realised based on these orientations and for the compliance of these studies with corporate policies and legal regulations. Company's senior management calculates and reports

GHG and other emissions occurred in operational processes and ensures the compliance of their systems. Performance results obtained from these systems are evaluated in periodical meetings. Units working in operational processes are responsible for carrying out energy consumption and emission mitigating activities. As part of performance management system, this responsibility is among the personal goals of unit managers and has impacts on remuneration system as well.

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

ENERGY AND EMISSIONS

GHG emissions formed during Otokar operations are basically due to energy consumption. Thus, studies to eliminate emissions focus on energy efficiency. As a result of illumination revisions carried out in the plant in 2017, we saved over 79,000 kWh energy annually and reduced 31 tons of CO₂e greenhouse gas emissions annually. As a result of automation processes conducted in areas where energy is densely used, we saved over 46,000 kWh energy and reduced 20 tons of CO₂e emissions. By equipping ventilation pools of household wastewater treatment facility with continuous oxygen monitoring

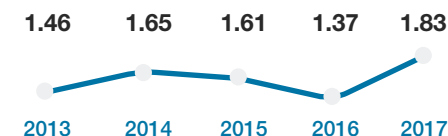
system, blower operation intervals have been automatized, thus 49,992 kWh of energy consumption and 21.49 ton CO₂ emission reduced. Thanks to other studies, we reduced annually 112,000 kWh energy consumption and obtained 21.5 tons of CO₂e emission reduction. As a result of all these studies, we reduced annual 856 GJ energy consumption and 138 tons of CO₂e greenhouse gas emissions.

Otokar GHG emission performance is calculated using ISO 14064-1:2006 Standard, GHG Protocol and IPCC 2006 Tier 1 methods based on direct and indirect energy consumption values.

**ENERGY AND
EMISSIONS**

**GREEN
TRANSPORTATION
SOLUTIONS**

Emission Trend per Vehicle Manufactured (ton CO₂e/unit)



The results obtained are reported in the annual plan. The emission amount per vehicle produced in 2017 was 1.83 tons of CO₂e.

GREEN TRANSPORTATION SOLUTIONS

Transportation operations that become denser due to increasing urban populations increase the need for low-emission, energy-efficient, comfortable and low-cost vehicles, considering the issue of climate change as well. This necessity is reflected upon Otokar's R&D strategy through vehicle designs whose intellectual rights it owns 100% that meets the expected qualifications. Thus, increasing the use of environmentally-friendly fuel alternatives with low emissions especially in public transportation vehicles is a crucial part of Otokar's R&D studies. In this regard,

Otokar not only revises the engine systems of its current vehicle portfolio with systems that have low emissions, but also focuses on vehicle applications in which alternative fuels, especially electric, are used.

As an extension to applications conducted routinely in previous periods, integration and design verification studies of engine systems that release exhaust gas at Euro 6 emission levels for POYRAZ vehicles were carried out through the project that continued in the reporting period and which will be completed in 2018. On the other hand, Otokar continued

its project to make a 12-meter long LF-class electric vehicle ready for serial production in the reporting period. Based on this project which is assumed to be completed in 2021, detail concept study, power train, CAE analysis, battery-vehicle design and development studies are carried out.

In the first step of the project, a version of 12-meter long LF-class vehicle that can be used in lines special for vehicles that can be charged very quickly and has short range with pantograph application.

CARING FOR SOCIETY



ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Otokar aims to create added value by contributing to the sustainable development of the society in which it operates. Operating with the sense of corporate responsibility, Otokar assumes an active role in studies carried out in Koç Group in regards to social development and encourages voluntary participation of its employees to social development studies.

For My Country We Support for Social Gender Equality

By generalising the notion of social responsibility among the companies of Koç Group, its employees, dealers and suppliers, Otokar supports “For My Country” Project that aims at actualising projects that will improve the living standards by developing a more participatory attitude towards social problems and by supporting local growth.

Otokar supports “I Support Social Gender Equality for My Country” project that was

launched within Koç Group through studies on establishing social gender equality awareness in public transportation sector. Throughout 2017, Otokar encouraged associations that carry out exemplary studies for social equality that enhance female employment through awards it offers in Transportation Platform Award Ceremonies.

In regards to Social Gender Equality Support Studies, a separate category for female

employees was established for the first time in 2017 in 19th May Youth Run which is organized annually, and female employees that came out received awards. Moreover, Otokar employees who joined “We are Running for Each Other” event in regards to HeforShe project which continues under the leadership of Koç Holding covered a total of 54 km distance.

Employee Volunteering Studies

Otokar supports voluntary studies conducted by employee initiatives in addition to corporate social responsibility studies. In this way, Otokar not only makes use of the knowledge and labors of its employees in solving social issues, but also contributes to their personal development.

In this regard, in 2017, approximately 50 instruments and measuring devices that are not used by Otokar employees were donated to

TAYSAD’s project “Don’t Junk, But Recycle, Strengthen Occupational Schools.” IMKB Sakarya Professional Technique Anatolian Occupational High School was visited with the participation of experts from MESS Education Foundation within “Full Support for Occupational Education” project. In addition, 400 high school students attended information seminar on Metal Sector and Automotive Sector.

Again, in regards to employee volunteering, Otokar donated books to the library of Arifiye Occupational and Technical Anatolian High School in order for students to gain reading habits. In 23rd April National Sovereignty and Children’s Day, Otokar gathered together Sakarya football team players with orphan children living in Turkish Metal Union and Sakarya Governorship Children’s House.

Little Inventors Code the Future

With a faith that the transformation of high technology into production is the key achievement criterion in future, Otokar aims to introduce our children with digital literacy

through educational support events. In this regard, in 2017, 66 children were introduced to coding and future technologies through methods full of fun thanks to «Little Inventors

Code the Future» training organized in Otokar Arifiye Plant. During this training, children learned to design their own games, establish robotic cycle, draw and print 3D designs.

PERFORMANCE TABLES

Environmental Performance Data	2013	2014	2015	2016	2017
Total Energy Consumption (GJ)	184,489	149,684	189,565	180,249	171,069
Total Direct Energy Consumption by Source (GJ)	112,733	88,893	119,415	114,852	113,142
Renewable Energy	0	225	225	225	241
Non-Renewable Energy	112,733	88,668	119,190	114,627	112,901
Total Indirect Energy Consumption by Source (GJ)	71,761	61,291	70,150	65,397	57,927
Renewable Energy	0	0	0	0	0
Non-Renewable Energy	71,761	61,291	70,150	65,397	57,927
Energy Consumption per Unit (GJ/unit)	15.27	17.54	17.08	17.32	24.00
Energy Reduced (GJ)	1,135	2,110	5,550	932	856
Total Greenhouse Gas Emissions (Ton CO ₂ e)	17,373	14,068	17,883	14,291	13,570
Direct(Scope 1)	7,804	5,895	8,528	5,570	5,845
Indirect(Scope 2)	9,569	8,173	9,355	8,721	7,725
GHG Emissions Reduced (Ton CO ₂ e)	151	188	492	124	138
GHG Emissions per Unit (Ton CO ₂ e/Unit)	1.460	1.650	1.610	1.373	1.830
Total Water Withdrawal (m ³)	195,161	215,050	275,123	213,367	162,823
Underground Water	126,003	147,300	181,960	113,647	77,334
Municipal Water	68,118	65,790	89,303	97,820	83,849
Rainwater	1,040	1,960	3,860	1,900	1,640
Water Withdrawal per Unit (m ³ /Unit)	16.15	25.23	24.45	23.00	21.70
Water Recovered or Reused (m ³)	-	145,000	149,735	151,175	149,317
Waste Water Discharge (m ³)	44,530	43,367	166,200	153,984	164,400
Waste Water Sewer	20,825	21,208	90,180	88,620	91,800
Natural Receiving Water	23,705	23,608	76,020	65,364	72,600
Total Hazardous Wastes by Disposal Method (Ton)	631	557	489	514	475
Recycling	631	556	489	514	474
Landfill	1	1	0	0.03	0.11
Total Non-Hazardous Wastes by Disposal Method (Ton)	5,288	4,310	3,049	2,754	2,741
Recycling	4,572	4,310	3,049	2,754	2,664
Landfill	716	-	0	0	76
Environmental Trainings - Attendace (number)	978	583	495	1,040	964
Direct Employees	740	278	214	355	514
Contractor Employees	83	15	136	35	300
Social Responsibility	155	290	145	650	150
Environmental Trainings - Total Hours (person x hour)	1,729	638.5	332	789	1,280
Direct Employees	1,370	299	229	320	490
Contractor Employees	204	49.5	104	35	490
Social Responsibility	155	290	145	434	300

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Social Performance Data		2013	2014	2015	2016	2017
Employee Trainings - Attendace (number)		2,753	2,401	2,498	2,739	1,952
Field Workers		2,205	1,787	1,984	2,031	1,284
Office Employees		548	614	514	708	668
Female		41	90	93	114	124
Male		2,712	2,311	2,405	2,625	1,828
Employee Trainings - Total Hours (person x hour)		38,352	51,208	63,088	70,525	73,466
Field Workers		27,905	33,430	51,303	48,166	46,876
Office Employees		10,447	17,778	11,785	22,359	26,590
Female		856	2,382	2,042	3,307	4,035
Male		37,496	48,826	61,046	67,219	69,431
Contractor Trainings - Attendace (number)		79	152	301	219	207
Field Workers		79	152	301	213	201
Office Employees		0	0	0	6	6
Female		0	0	12	50	29
Male		79	152	289	169	178
Contractor Trainings - Total Hours (person x hour)		532	190	301.5	1,448	2,484
Field Workers		532	190	301.5	1,402	2,412
Office Employees		0	0	0	46	72
Female		0	0	16	320	346
Male		532	190	285.5	1,128	2,138
OHS Trainings - Attendance (number)		1,988	1,210	1,774	2,294	1,804
Direct Employees		-	-	1,647	2,075	1,597
Contractor Employees		-	-	127	219	207
OHS Trainings - Total Hours (person x hour)		11,027	11,534	19,867	25,156	18,288
Direct Employees		-	-	19,674	24,630	15,804
Contractor Employees		-	-	193	526	2,484
Injury Rate		1.4	1.37	1.89	2.24	1.74
Female		0	0	0	0	0
Male		1.46	1.45	1.97	2.34	1.87
Occupational Disease Rate		0.04	0.04	0.11	0.078	0.17
Female		0	0	0	0	0
Male		0.05	0.05	0.11	0.082	0.19
Lost Day Rate		32.07	54.24	35.51	28.94	20.26
Female		0	0	0	0	0
Male		33.54	57.33	36.98	30.37	21.79
Fatalities		0	0	0	0	0
OHS Committees		1	1	1	7	7
Total Members of OHS Committees		13	17	14	60	60
Employee Representatives in OHS Committees		6	6	3	16	16

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Employee Demographics		2013	2014	2015	2016	2017
Otokar Employees		2,264	2,054	2,105	2,273	2,122
	Female	99	101	102	107	105
	Male	2,165	1,953	2,003	2,166	2,017
Contractor Employees		218	204	214	221	225
	Female	22	27	49	50	31
	Male	196	177	165	171	194
Employees by Contract						
	Indefinite Contract	2,263	2,042	2,081	2,263	2,117
	Female	99	101	101	107	105
	Male	2,164	1,941	1,980	2,156	2,012
	Temporary Contract	1	12	24	10	5
	Female	0	0	1	0	0
	Male	1	12	23	10	5
Employees by Category						
	Field Workers	1,624	1,436	1,484	1,599	1,473
	Female	9	13	16	18	20
	Male	1,615	1,423	1,468	1,581	1,453
	Office Employees	640	618	621	674	649
	Female	90	88	86	89	85
	Male	550	530	535	585	564
Employees by Employment Type						
	Full-time	2,264	2,054	2,105	2,273	2,122
	Female	99	101	102	107	105
	Male	2,165	953	2,003	2,166	2,017
	Part-time	0	0	0	0	0
Employees by Education						
	Primary Education	566	528	546	585	518
	Secondary Education	855	718	737	797	721
	University and Above	843	808	822	891	883
Employees by Age Group						
	18-30	756	662	538	694	559
	31-50	1,465	1,345	1,502	1,510	1,494
	50+	43	47	65	69	69
Number of Disabled Employees						
	Field Workers	63	56	59	61	59
	Office Employees	3	4	6	6	5
	Female	2	3	5	5	4
	Male	64	57	60	62	60

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Employee Demographics	2013	2014	2015	2016	2017
Senior Management					
by Gender					
Female	0	0	0	0	0
Male	6	6	6	6	6
by Age Group					
18-30	0	0	0	0	0
31-50	3	2	1	1	1
50+	3	4	5	5	5
by Nationality					
TC Citizen	6	6	6	6	6
Expat	0	0	0	0	0
Mid-Level Management					
by Gender					
Female	3	3	3	3	3
Male	66	62	62	71	91
by Age Group					
18-30	0	0	0	0	0
31-50	63	57	55	63	83
50+	6	8	10	11	11
Employees Working Under Collective Bargaining Agreement	1,624	1,436	1,484	1,601	1,478
New Hires	1,009	344	1,003	1,042	113
by Gender					
Female	24	13	10	17	19
Male	985	331	993	1,025	94
by Age Group					
18-30	721	231	646	657	72
31-50	286	113	351	379	39
50+	2	0	6	6	2
Lay-offs	1,026	554	952	874	264
by Gender					
Female	10	11	9	12	21
Male	1,016	543	943	862	243
by Age Group					
18-30	706	325	569	482	101
31-50	312	222	369	374	135
50+	8	7	14	18	28
Female Employees Took Maternal Leave	3	6	7	7	4
Female Employees Came Back to Work After Maternal Leave	3	6	10	8	3

GRI CONTENT INDEX



Indicators	Descriptions and Page Numbers	Omissions
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016		
Corporate Profile		
102-1	Contacts (p.53)	-
102-2	www.otokar.com.tr/en-us/products/Pages/default.aspx	-
102-3	Contacts (p.53)	-
102-4	About the Report (p.3)	-
102-5	About Otokar (p.9)	-
102-6	Steady Growth and Continuous Development (p.19)	-
102-7	About Otokar (p.9); People Oriented Workplace (p.30)	-
102-8	Performance Data (p.46-47)	-
102-9	Developing Together With the Value Chain (p.24)	-
102-10	No significant change has been occurred neither in company's operational or financial structure nor supply chain	-
102-11	Responsible Management Focused on Sustainable Development (p.13, 16); Developing Together With the Value Chain (p.27-28); Environmentally Friendly Production (p.37)	-
102-12	Responsible Management Focused on Sustainable Development (p.13, 16); Developing Together With the Value Chain (p.27-28); Environmentally Friendly Production (p.37)	-
102-13	Memberships (p.17)	-
Strategy		
102-14	Message From the General Manager (p.5)	-
Ethics and Integrity		
102-16	Responsible Management Focused on Sustainable Development (p.13-14)	-
Governance		
102-18	Responsible Management Focused on Sustainable Development (p.12)	-
Stakeholder Engagement		
102-40	Responsible Management Focused on Sustainable Development (p.17)	-
102-41	About Otokar (p.10)	-
102-42	Responsible Management Focused on Sustainable Development (p.17)	-
102-43	Responsible Management Focused on Sustainable Development (p.17)	-
102-44	Developing Together With the Value Chain (p.27)	-
Reporting Practices		
102-45	About the Report (p.3)	-
102-46	About the Report (p.3); Responsible Management Focused on Sustainable Development (p.16)	-
102-47	Responsible Management Focused on Sustainable Development (p.16)	-

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Indicators	Descriptions and Page Numbers		Omissions
102-48	No significant restatements made in information given in previous reports.		
102-49	Responsible Management Focused on Sustainable Development (p.16)		
102-50	About the Report (p.3)		
102-51	About the Report (p.3)		
102-52	About the Report (p.3)		
102-53	Contacts (p.53)		
102-54	About the Report (p.3)		
102-55	GRI Content Index (p.48-52)		
102-56	Legal Disclaimer (p.53)		
Material Issues			
Standards	Indicators	Descriptions and Page Numbers	Omissions
Climate Change, Energy and Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Environmentally Friendly Production (p.36-38); Climate Change, Energy and Emissions (p.40-41)	-
	103-2 The management approach and its components	Environmentally Friendly Production (p.36-38); Climate Change, Energy and Emissions (p.40-41)	-
	103-3 Evaluation of the management approach	Environmentally Friendly Production (p.36-38); Climate Change, Energy and Emissions (p.40-41)	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Performance Data (p.44-47)	-
	302-3 Energy intensity	Performance Data (p.44-47)	-
	302-4 Reduction of energy consumption	Performance Data (p.44-47)	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Performance Data (p.44-47)	-
	305-2 Energy indirect (Scope 2) GHG emissions	Performance Data (p.44-47)	-
	305-4 GHG emissions intensity	Performance Data (p.44-47)	-
	305-5 Reduction of GHG emissions	Performance Data (p.44-47)	-
Vehicles with Minimised Environmental Impact			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Green Transportation Solutions (p.41)	-
	103-2 The management approach and its components	Green Transportation Solutions (p.41)	-
	103-3 Evaluation of the management approach	Green Transportation Solutions (p.41)	-
GRI 302: Energy 2016	302-5 Reductions in energy requirements of products and services	Green Transportation Solutions (p.41)	-

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Material Issues			
Standards	Indicators	Descriptions and Page Numbers	Omissions
Environmental Impacts of Manufacturing			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Environmentally Friendly Production (p.36-38)	-
	103-2 The management approach and its components	Environmentally Friendly Production (p.36-38)	-
	103-3 Evaluation of the management approach	Environmentally Friendly Production (p.36-38)	-
GRI 303: Water 2016	303-1 Water withdrawal by source	Performance Data (p.44-47)	-
	303-2 Water sources significantly affected by withdrawal of water	Environmentally Friendly Production (p.46-38)	-
	303-3 Water recycled and reused	Performance Data (p.44-47)	-
GRI 306: Effluents and Wastes 2016	306-1 Water discharge by quality and destination	Performance Data (p.44-47)	-
	306-2 Waste by type and disposal method	Performance Data (p.44-47)	-
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Environmentally Friendly Production (p.36-38)	-
Product and Service Responsibility			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Product and Service Responsibility (p.27-28)	-
	103-2 The management approach and its components	Product and Service Responsibility (p.27-28)	-
	103-3 Evaluation of the management approach	Product and Service Responsibility (p.27-28)	-
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Product and Service Responsibility (p.27-28)	-
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Product and Service Responsibility (p.27-28)	-
Human Rights			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); People Oriented Workplace (p.30-34)	-
	103-2 The management approach and its components	People Oriented Workplace (p.30-34)	-
	103-3 Evaluation of the management approach	People Oriented Workplace (p.30-34)	-
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	People Oriented Workplace (p.30-34); Performance Data (p.44-47)	-
Business Ethics and Anti-corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Business Ethics and Anti-corruption (p.13-14)	-
	103-2 The management approach and its components	Business Ethics and Anti-corruption (p.13-14)	-
	103-3 Evaluation of the management approach	Business Ethics and Anti-corruption (p.13-14)	-
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Business Ethics and Anti-corruption (p.13-14)	-

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Material Issues			
Standards	Indicators	Descriptions and Page Numbers	Omissions
Social Development and Employee Volunteering			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Caring for Society (p.43)	-
	103-2 The management approach and its components	Caring for Society (p.43)	-
	103-3 Evaluation of the management approach	Caring for Society (p.43)	-
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Caring for Society (p.43)	- -
Employee Rights			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); People-Oriented Workplace (p.30-34)	-
	103-2 The management approach and its components	Sustainability Management (p.16); People-Oriented Workplace (p.30-34)	-
	103-3 Evaluation of the management approach	Sustainability Management (p.16); People-Oriented Workplace (p.30-34)	-
GRI 408:Chld Labour 2016	408-1 1 Operations and suppliers at significant risk for incidents of child labour	During the reporting period, no evidence for risk of chid labour in Otokar operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.	-
GRI 409: Foced or Compulsory Labour 2016	409-1 1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	During the reporting period, no evidence for risk of forced or compulsory labour in Otokar operations has been witnessed. Same principle is also considered during supplier audit process and no risk element witnessed.	-
Risk Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Risk Management (p.13)	-
	103-2 The management approach and its components	Risk Management (p.13)	-
	103-3 Evaluation of the management approach	Risk Management (p.13)	-
Talent Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); People-Oriented Workplace (p.30-34)	-
	103-2 The management approach and its components	Sustainability Management (p.16); People-Oriented Workplace (p.30-34)	-
	103-3 Evaluation of the management approach	Sustainability Management (p.16); People-Oriented Workplace (p.30-34)	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Performance Data (p.44-47)	-
GRI 404: Training and Education2016	404-1 Average hours of training per year per employee	Performance Data (p.44-47)	-
Stakeholder Engagement			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Stakeholder Engagement (p.17)	-
	103-2 The management approach and its components	Sustainability Management (p.16); Stakeholder Engagement (p.17)	-
	103-3 Evaluation of the management approach	Sustainability Management (p.16); Stakeholder Engagement (p.17)	-
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); People-Oriented Workplace (p.30-34)	-
	103-2 The management approach and its components	People-Oriented Workplace (p.30-34)	-
	103-3 Evaluation of the management approach	People-Oriented Workplace (p.30-34)	-
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management–worker health and safety committees	Performance Data (p.44-47)	-
	403-2 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Performance Data (p.44-47)	-

ABOUT THE REPORT	MESSAGE FROM THE GENERAL MANAGER	ABOUT OTOKAR	RESPONSIBLE MANAGEMENT FOCUSED ON SUSTAINABLE DEVELOPMENT	STEADY GROWTH, CONTINUOUS DEVELOPMENT	INNOVATION FOCUSED ON VALUE-ADDED	DEVELOPING TOGETHER WITH VALUE CHAIN	PEOPLE ORIENTED WORKPLACE	ENVIRONMENTALLY FRIENDLY PRODUCTION	CLIMATE CHANGE, ENERGY AND EMISSIONS	CARING FOR SOCIETY
-----------------------------	---	-------------------------	--	--	--	---	--	--	---	-----------------------------------

Material Issues			
Standards	Indicators	Descriptions and Page Numbers	Omissions
Innovation			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Innovation Focused on Value-Added (p.24-25)	-
	103-2 The management approach and its components	Innovation Focused on Value-Added (p.24-25)	-
	103-3 Evaluation of the management approach	Innovation Focused on Value-Added (p.24-25)	-
Supporting Local Economy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Steady Growth, Continuous Development (p.19)	-
	103-2 The management approach and its components	Steady Growth, Continuous Development (p.19)	-
	103-3 Evaluation of the management approach	Steady Growth, Continuous Development (p.19)	-
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Performance Data (p.44-47)	-
Customer Satisfaction			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Developing Together With the Value Chain (p.24-28)	-
	103-2 The management approach and its components	Developing Together With the Value Chain (p.24-28)	-
	103-3 Evaluation of the management approach	Developing Together With the Value Chain (p.24-28)	-
Competitive Strategic Planning			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	Sustainability Management (p.16); Steady Growth, Continuous Development (p.19)	-
	103-2 The management approach and its components	Steady Growth, Continuous Development (p.19)	-
	103-3 Evaluation of the management approach	Steady Growth, Continuous Development (p.19)	-

**ABOUT THE
REPORT**

**MESSAGE
FROM THE
GENERAL
MANAGER**

**ABOUT
OTOKAR**

**RESPONSIBLE
MANAGEMENT FOCUSED
ON SUSTAINABLE
DEVELOPMENT**

**STEADY GROWTH,
CONTINUOUS
DEVELOPMENT**

**INNOVATION
FOCUSED ON
VALUE-ADDED**

**DEVELOPING
TOGETHER
WITH VALUE
CHAIN**

**PEOPLE
ORIENTED
WORKPLACE**

**ENVIRONMENTALLY
FRIENDLY
PRODUCTION**

**CLIMATE
CHANGE,
ENERGY AND
EMISSIONS**

**CARING
FOR
SOCIETY**

Contacts

Otokar Otomotiv ve Savunma Sanayi A.Ş.

Headquarters

Aydınevler Mah. Saygı Cad. No: 58 A Blok
34854 Küçükyalı İstanbul - Turkey
T: +90 216 564 71 00 / F: +90 216 489 29 67

Factory:

Atatürk Cad. No: 6 Arifiye 54580
Sakarya - Turkey
T: +90 264 229 22 44 / F: +90 264 229 22 42

For more information or express your suggestions about this report please contact; Corporate Communications Unit

Beril Gönüllü - Selin Özdemir
T: +90 216 489 29 50

Reporting Advisor & Design

Kıymet-i Harbiye
info@kiymetiharbiye.com
T: +90 212 279 13 13

LEGAL DISCLAIMER

"Otokar 2017 Sustainability Report ("Report") was prepared by Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Otokar"). All the information, opinions and assessments included in this report which do not carry the characteristics to be complete were provided by Otokar and were not verified independently for the Report.

This Report was prepared only for informative purposes, and it does not aim to set basis for any investment decisions. The information on this report does not constitute a qualification of any bids for the sale of Otokar shares partly or wholly, or an invitation for such a share selling process, and publishing this Report does not imply any legal relationship in this matter.

While the information and the relevant documents included in this Report are believed to be concerned with the Report's reporting period, the information is provided based on reliable sources and in good faith. However, Otokar does not provide any reassurance, undertaking or declaration regarding this information. In accordance with this, Otokar, Otokar shareholders, Otokar subsidiaries or their board members, employees or consultants cannot be held accountable for any direct or indirect loss or harm on any person or persons based on any information or communication in this Report or any information that is not featured in this report or any information based on the Report."

