



looking ahead is the key for progress...

**Otokar**

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**Otokar believes that it is everyone's common responsibility to leave a livable world for future generations.**

”

Acting upon such thinking, Otokar has determined environmental protection and the optimal use of all kinds of natural resources as its basic targets in the area of sustainability.

To this end, the Company has developed and implemented a series of processes and systems.

Some of these activities that are conducted with a scientific approach are:

- Continuous improvement of production processes and efficiency,
- Identification of future strategies, and
- Design of new products.

Developing its own technologies and maintaining its domestic and national identity in its production activities, Otokar aims to maximize the satisfaction of its customers, employees and shareholders, and to balance their benefits based on the principle of “excellence in every area”.

Thanks to its advanced R&D facilities, experienced and specialized workforce and sound financial structure, Otokar is a corporate citizen equipped with all the necessary competencies to meet its sustainability-related targets.

As a member of the Koç Group, one of the largest and most successful groups in Turkey and in Europe, Otokar is strictly bound to the 10 principles of the UN Global Compact signed by the Group on March 30th, 2006 and carries out its sustainability-related practices to this end.

*We would welcome your opinions and suggestions regarding our Sustainability Report, either e-mail ([kyl@otokar.com.tr](mailto:kyl@otokar.com.tr)) or through website.*

# Chairman's Message



Kudret Önen

Chairman

“

Otokar successfully advances towards its targets with its clearly defined economic, environmental and social policies and strategies.

”

Esteemed stakeholders,

We are proud to have compiled the sustainability-related efforts of Otokar – one of Turkey's leading automotive and defence industry companies – in a report for the first time with the aim of keeping you informed of such efforts.

As a company of the Koç Group, which has itself been the author of many firsts in the area of sustainability in Turkey, Otokar is strictly committed to the values and principles that the group shares and seeks constantly to expand the value that it adds to society and to play an increasingly greater role in the construction of a better tomorrow.

Otokar today successfully advances towards its targets with its clearly defined economic, environmental and social policies and strategies as a responsible, honest and transparent corporate citizen.

**Believing that looking forward is the key to progress, Otokar's permanent and unwavering target is to lead “positive change”.**

Otokar achieves this target by working to a unique business making style and proactive governance approach in today's integrated and complicated business world.

Developing eco-friendly, safe, and efficient products that contribute significantly to positive change, Otokar

has dedicated itself to innovation, R&D, and productivity. In the vehicles that it produces, Otokar concentrates not just on low operating costs and greater fuel efficiency but also on minimizing their environmental impact. To this end, the Company provides users with eco-friendly products that make use of the most advanced technologies available.

Having incorporated eco-minded policies and approaches not just into its products but into all of its business processes as well, our Company continues its successful efforts in this area.

In keeping with the dictum of Koç Group's founder Vehbi Koç that “our most precious asset is our human resources”, Otokar focuses on fostering a sustainable workplace environment whose inherent qualities are honesty, mutual trust, and individual participation. It accomplishes this through human resources policies and practices that are rooted in the principles of equitable and humane working conditions and personal development. Indeed our Company enjoys a distinguished reputation in its sector by virtue of its proactive approach to such issues.

Otokar also ensures that the authorized dealers and service centers and the suppliers with which it works, all of whom number among its most important stakeholders, are aware of its goal of spearheading positive change, its attitudes towards sustainability, and its

## Positive change

Otokar exhibits its contributions to “positive change” with corporate social responsibility efforts. Our Company is engaged in various efforts at its production facilities in Sakarya, while also conducting social activities for the public, in order to generate value for and contribute to the community.

business practices. Our Company seeks to amplify the benefit that it creates for society and the future through the strong communication that it engages in with its stakeholders and the synergies that ensue from it.

Otokar exhibits its contributions to “positive change” with corporate social responsibility efforts. Our Company is engaged in various efforts at its production facilities in Sakarya, while also conducting social activities for the public, in order to generate value for and contribute to the community. For the same purpose, Otokar actively supports Koç Group’s project, “For my Country”. Going to great lengths to disseminate such awareness among its authorized dealers and service centers, Otokar also supports social projects in which its employees voluntarily take part.

In this report we present for your consideration a detailed account of matters that we regard as being among major sustainability criteria: our approaches to spearheading positive change; our policies pertaining to the environment, to corporate social responsibility, to stakeholder issues, and to corporate governance; and examples of our 2013 efforts and operations in such areas.

**At a time of mounting economic uncertainties, globalization and environmental problems, we are determined to carry out our efforts as a responsible corporate citizen.**

During this period, we are determined to support and actively participate in the activities of initiatives like the United Nations Global Compact, which we believe will facilitate the building of a better future by overcoming global challenges that cannot be settled through the efforts of any individual or corporation alone.

I would like to extend my thanks personally and on behalf of the Board of Directors of Otokar to our stakeholders, who helped us demonstrate such a strong performance in 2013.

With your support and continuous contributions, we will continue to lead the process of “positive change”.



**Kudret Önen**  
Chairman

“

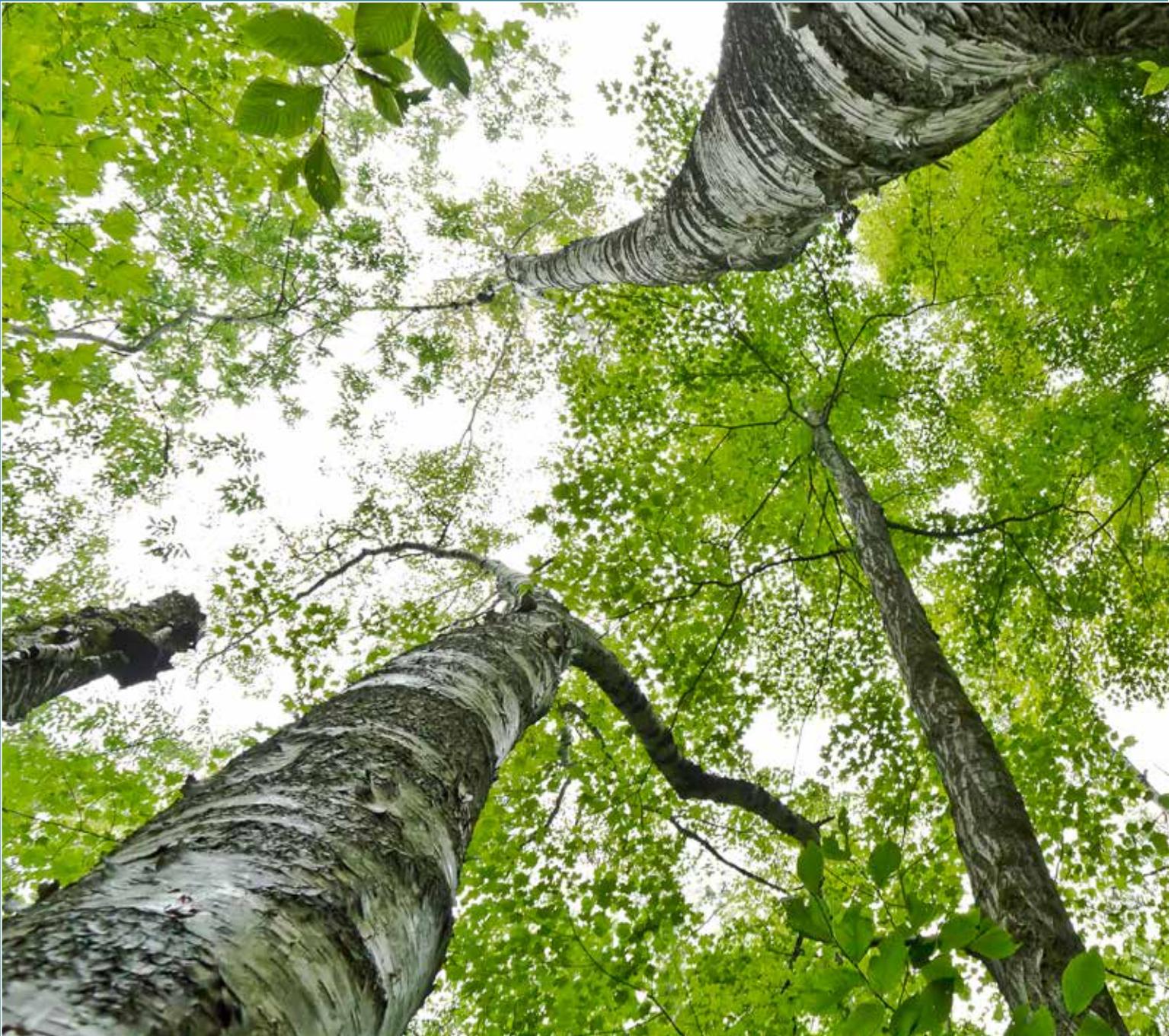
In a bid to become an exemplary corporate citizen, Otokar maintains its efforts by adopting environmentally friendly policies and approaches not only in its products, but in every stage of its production processes.”

”

“

Otokar has determined environmental protection and the optimal use of all kinds of natural resources as its basic targets in the area of sustainability.

”



## Vision

Having intellectual property rights of its products Otokar aims at the continued satisfaction of its customers, employees, and shareholders by embracing a total excellence philosophy.

## Mission

The key mission of Otokar is to design, manufacture, and market commercial vehicles and various defence industry products developed in line with customer expectations that have global competitive power.



## Objectives and Values

Otokar is strictly bound to Koç Group objectives and values;

### **Our customers are the focus of everything we do.**

Our top priority is to create value for our customers; to respond promptly to their expectations with quality. It is our duty to take responsibility for our products for the long term.

### **To be “the best” is our ultimate goal.**

To be the best in quality, service, supplier, and dealer relationships; to offer the best investment opportunity for our shareholders; and to sustain this reputation are our primary goals. To achieve these goals we are committed to managing our businesses to be the leader in the market.

### **Our most important asset is our people.**

The quality of our products and services is based on the quality of our people. For the continuity of Koç Group, we follow a policy of recruiting the best people, and providing opportunities for development and advancement. To fully utilize the talents, strength, and creativity of our people, we create a work environment which nourishes increased productivity, cooperation, and solidarity.

### **Creation of wealth for continuous development is our key objective.**

Creating value for our shareholders is a guiding principle to assure continuity of service, investments in the future and to encourage and leverage small and large savings; and allocating resources from our operations to create value

and to ensure efficient utilization of all resources with a view to support the economic and social development of our people and our society are our key objectives.

### **Honesty, integrity, and superior business ethics are the foundations of our business conduct.**

We conduct our business based on good intentions, mutual benefit, and fair treatment in all our relationships. We are committed to conforming at all times to the highest ethical and legal standards.

We are a leader in serving our society and safeguarding the interests of future generations.

Protection of the environment and promotion of a higher level of environmental awareness are our duty to both our country and our planet.

### **We aspire to strengthen the Turkish economy from which we derive our own strength.**

I would like to express a guiding principle of our Group with these words: “This is my code:

I live and prosper with my country. As long as democracy exists and thrives, so do we. We shall do our utmost to strengthen our economy. As our economy prospers, so will democracy and our standing in the world.”

**Vehbi Koç**

# Otokar in Brief

“

Having broken so much new ground in Turkey over the past 50 years, Otokar has continuously expanded its product portfolio, thanks to its superior engineering, production capacity and R&D capability. ”



Turkey's main battle tank Altay



8.5 tons Otokar Atlas light truck

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

## Plant area

Otokar operates on a 552,000 square meter plant in Arifiye, Sakarya.

## Certificate and Management Systems

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- ISO 27001 Information Security Management System
- AQAP 2110 NATO Quality Assurance Certificate
- Facility Security Certificate with National and NATO Secrecy Degree

## Firsts in Turkey

Founded in 1963 with the purpose of introducing modern mass transportation to Turkey, Otokar manufactured Turkey's first intercity bus. After joining the Koç Group in 1984, the Company decided to specialize in other segments of industry.

Having made a decision to enter the defence industry in 1987, Otokar manufactured Turkey's first tactical wheeled armoured vehicle in 1990s, thus ending Turkey's external dependence in this area.

Otokar has an affiliated company, "Otokar Europe SAS", which was established in France on 18th August, 2011 to organize export activities and increase exports thanks to its proximity to export markets. The company has 100% of its issued capital which is amounting to € 100,000 (TL 293,650). Otokar Europe will create new opportunities for Otokar in the near future.

## The leading manufacturer of land vehicles and the largest privately-owned corporation in the Turkish defence industry

Having broken so much new ground in Turkey during the past 50 years since its foundation, Otokar has continuously expanded its product portfolio, thanks to its superior engineering, production capacity and R&D capability.

As the largest privately-owned corporation in the Turkish defence

industry and the largest supplier of land systems required by the Turkish Armed Forces, Otokar is a company specialized in the design, development and system integration of all types of vehicles and platforms.

## A broad product range in the bus segment

Otokar manufactures in two main fields - city transportation and service-tourism transportation - in the bus segment with its large product range extending to 12-meter long buses of various passenger capacities. Otokar has stepped up its endeavors in the design of alternative fuelled busses in recent years and manufactured Turkey's first hybrid bus, the "Vectio (Doruk) Hibra", Turkey's first natural gas operated medium-size bus, the "Vectio CNG (Doruk DG)", and Turkey's first electric bus, the "Vectio Electra (Doruk Electra)".

## Production at international standards in the area of transportation

Otokar produces vehicles for various categories, ranging from dry cargo transportation to frigorific transportation and from container transportation to the transportation of hazardous materials in line with international standards.

Otokar produced Turkey's first tanker semi-trailer with the ADR certificate for the transportation of hazardous materials, as well as safe and hygienic solutions in food transportation with its frigorific trailers.

~2,300

### Number of employees

Otokar boasts human resources that can use state-of-the-art technology, are aware of customers and service, open to continuous learning and progress, and who are experienced and qualified.

60+

### Number of countries served

Otokar is a global company serving more than 60 countries in 5 continents.

#### Turkey's main battle tank: the ALTAY Project

The main battle tank, "Altay", which was designed and developed by the prime contractor Otokar, has been materialized in line with the needs of the Turkish Armed Forces by using national opportunities and resources. Thanks to the Altay tank project, Turkey has not only attained a main battle tank with intellectual property rights, but also has gained the substructure of designing and manufacturing tanks, one of the most complicated land systems.

#### Production capacity

- 4,200 Land Vehicles
- 900 Tactical Armoured Vehicles
- 4,600 Buses
- 1,400 Trailers and Semi-trailers

#### Exporting its products to more than 60 countries in 5 continents

Otokar's large product range is popular not only in Turkey, but in also in foreign markets over five continents and in more than 60 countries.

#### Otokar's Strategic Goals

- To grow by an average of 15% over certain periods by achieving a return of at least 15% on shareholders' equity, and by increasing the value of shares,
- To focus on the manufacture of breakthrough products which have international competitive power,
- To invest in technology in order to become the leader or the second player in the industries we operate in,
- To boost the brand's strength by commanding technology in the industries we operate in,
- To increase the share of international sales in total revenue by increasing our exports and international operations.



Otokar's 12-meter Kent DG municipal buses

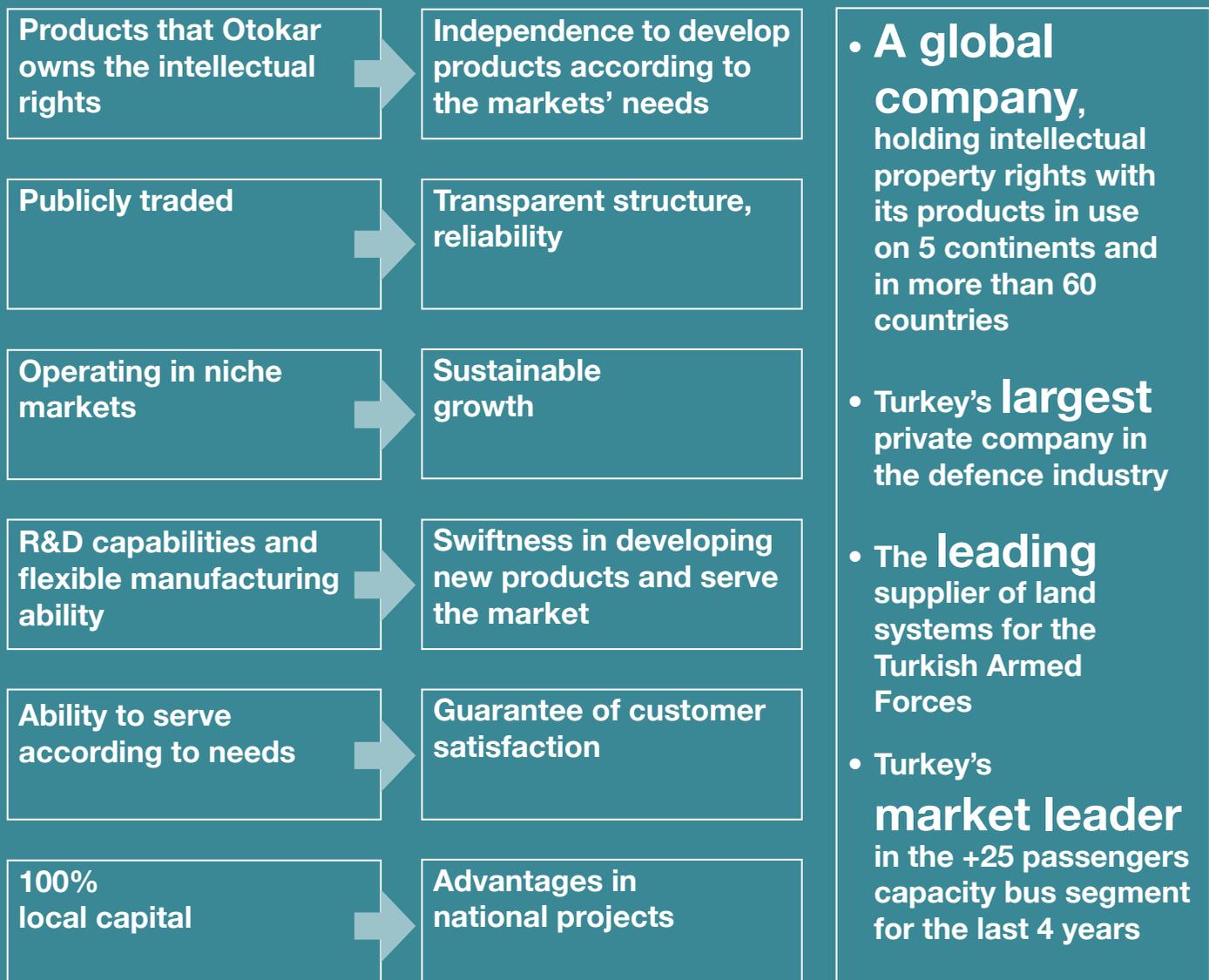


Otokar Elliptical Tanker Trailer

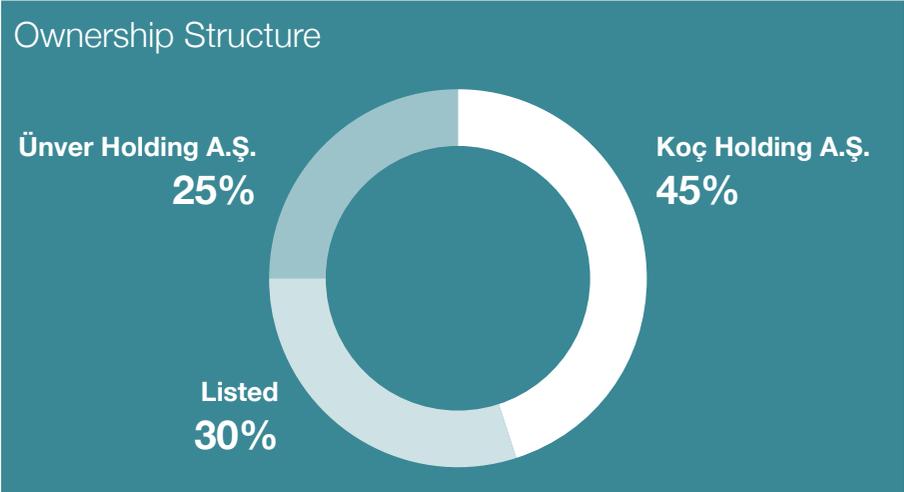
“

Otokar, whose wide product range is demanded not just in Turkey but also abroad, sells its vehicles to more than 60 countries in 5 continents.”

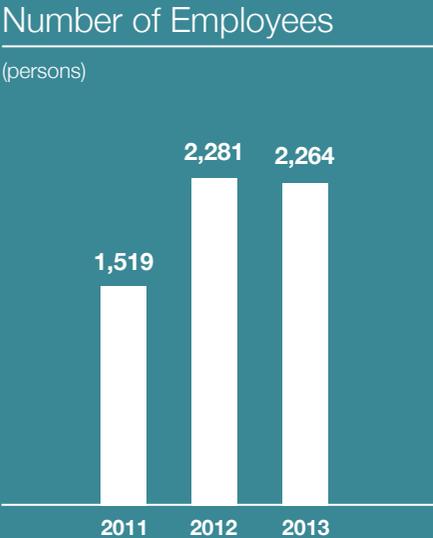
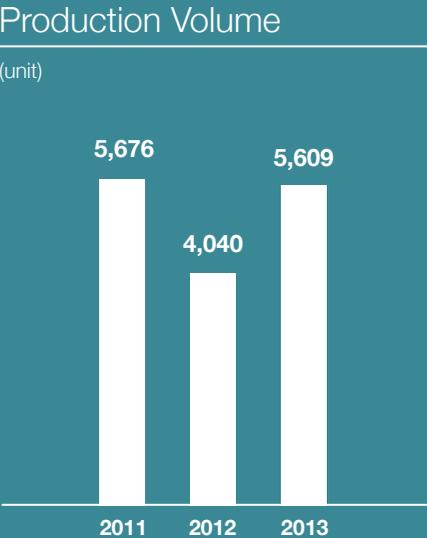
## Otokar's Competitive Advantages



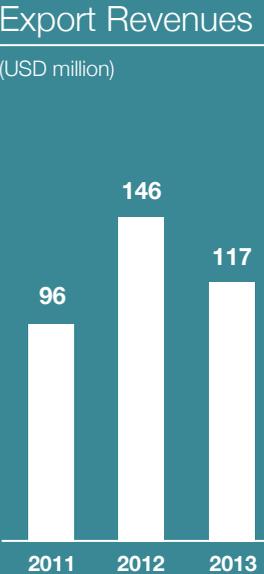
**Otokar:  
100% local  
ownership...**



**... generating  
value for  
Turkey ...**



**... a global  
brand.**



- **Otokar brand vehicles used in more than 60 countries in 5 continents**
- **Sales and service network expanded to more than 200 points**

## Otokar's Operational Lines

### Commercial Vehicles

#### Definition

##### Public Transportation

Otokar has Turkey's widest product range in city passenger transportation, ranging from 5.8-meter minibuses to 12-meter city buses. Otokar maintains its leadership in the tourism and personnel transportation segment through creating a new niche market for itself in Turkey.

#### Products

##### Buses

Centro/M-2010, Tempo, Navigo/Sultan (Navigo C, Navigo U, Navigo T), Vectio/Doruk (Vectio C, Vectio U, Vectio T), Kent C, Territo U

##### Logistic Vehicles

Having added the trailer and semi-trailer vehicles to its product range through the merger with İstanbul Fruehauf Taşıt Araçları back in 2002, Otokar is among the leading manufacturers for the transportation and logistics sector through "Otokar" and "Otokar-Fruehauf" branded trailer and semi-trailers.

Operates in the light weight truck segment with 8.5 tons Otokar Atlas trucks.

##### Trailer, Semi-trailer

Otokar-Fruehauf Curtainsider Semi-Trailer (Tirliner, Speedslider, Mega Speedslider, Euroslider), Otokar-Fruehauf Frigorific Semi-Trailer (Iceliner), Otokar-Fruehauf Tanker Semi-Trailer with ADR and above-truck applications, Otokar-Ecotir, Otokar-Ecoliner, Otokar-Plato, Otokar-Duet, Otokar-Kontena, Otokar-Spira

##### Light Truck

Otokar Atlas Long Chassis  
Otokar Atlas Short Chassis

### Defence Industry

Otokar is one of the world's leading design and production bases in terms of land defence systems. The Otokar vehicles are used not just in Turkey but also throughout the world.

Otokar vehicles are produced on an order basis whose intended purpose varies depending on the personnel capacity and required level of protection.

Designed and produced by Otokar, turret systems that are suitable for various missions are also included in the Otokar product range.

##### Tactical Wheeled Armoured Vehicles

Otokar APV (Armoured Patrol Vehicle), Ural, Cobra, Cobra II, Arma 6x6, Arma 8x8, Kaya, Kaya II, Kale, Armoured Internal Security Vehicle, Discreetly Armoured Tactical Vehicle

##### Tracked Armoured Vehicles

Tulpar Light Tracked Armoured Vehicle, Altay Main Battle Tank

##### Turret Systems

Mızrak RCT, Keskin RCT, Open Turrets, Internal Security Turret, Üçok, Bozok, Başok

## Developments in 2013

Became the market leader in the Turkish bus market for the 4th consecutive year.

The 7-meter "TEMPO" model bus, designed as a shuttle bus and for personnel transport, was added to the product mix.

900 Kent model city bus was delivered to the Istanbul Metropolitan Municipality.



Otokar medium-size bus Doruk

The production of licensed Otokar Atlas light trucks was started. Approximately 200 vehicles were sold.

The Otokar maxi sectioned tanker was included in the semi-trailer tanker family and the tanker product range was completed.

Received Design Approval Certificates from the Turkish Standards Institution for semi-trailers.

Curtainsider semi-trailer added to the product range which is suitable for railway transportation.



Otokar curtainsider semi-trailer

Tulpar, Turkey's first tracked armoured vehicle, was introduced.

Ural and Cobra II added to the product range.

Üçok, Başok and Bozok turrets were introduced in turret systems segment.

Test studies of the preliminary prototypes of Altay Main Battle Tank continued.



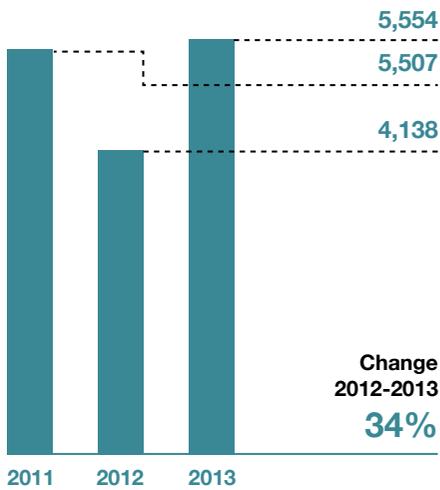
Otokar Arma 8x8 armoured combat vehicle

# Otokar's Sustainability Indicators

## Summary Financial Information

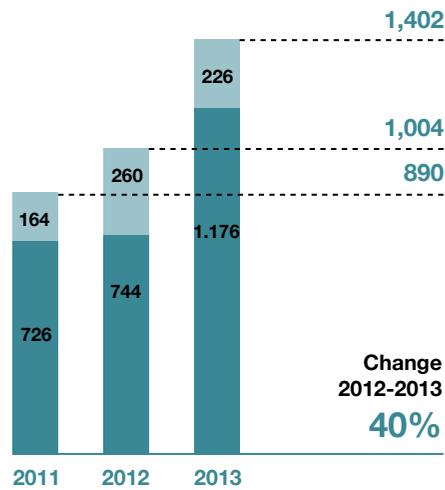
### Sales Volume

(unit)



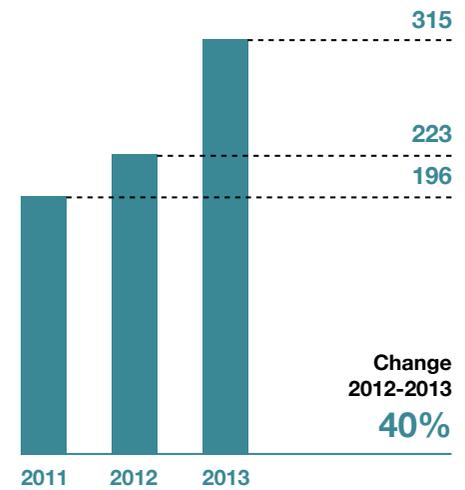
### Sales Revenues

(TL million)

■ Domestic ■ Exports


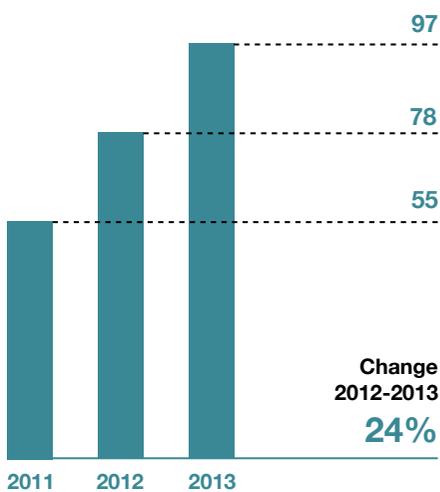
### Gross Profit

(TL million)



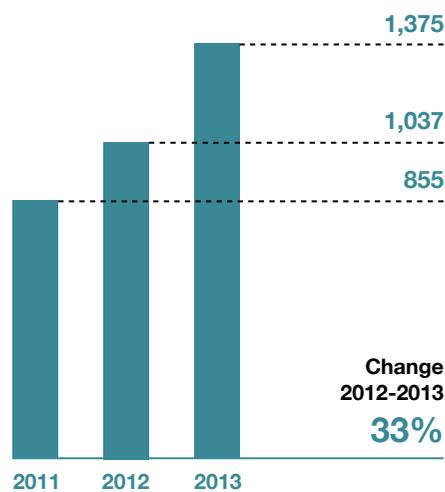
### Net Profit

(TL million)



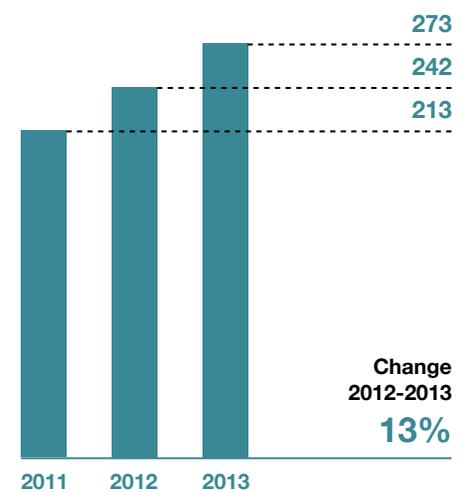
### Total Assets

(TL million)



### Shareholders' Equity

(TL million)



Summary Financial Information (TL million)	2011	2012	2013
Total Assets	855	1,037	1,375
Sales Revenues	890	1,004	1,402
Shareholders' Equity	213	242	273
Gross Profit	196	223	315
Net Profit	55	78	97

Main Ratios (%)	2012	2012	2013
Gross Profit Margin	22	22	22
Operating Margin	8	11	11
EBITDA Margin	11	14	14
Pre-Tax Income Margin	7	8	8
Net Margin	6	8	7

Economic value produced and shared in 2012 and 2013 (TL)	2012	2013
Gross Profit	223,497,902	315,010,875
Tax	3,876,947	43,676,005
Dividends	64,000,000	100,000,000
Reserve for employee termination benefits	1,689,112	2,164,300
Personnel expenses	111,926,656	142,885,391
Total operating cost	129,468,031	182,982,322

## Productivity Indicators

# 164

Number of projects developed in 2013 in order to improve productivity

# 50%

The quality improvement ratio achieved in production processes throughout 2013

## R&D Indicators

# 4.2%

The ratio of R&D spending in revenues over the last 5 years

# 95%

The share of Otokar designed vehicle sales in turnover

# TL 229 million

Total R&D spending over the last 10 years

# 81

Number of patents and industrial designs owned

Corporate  
Governance Rating  
Note

# 9.20

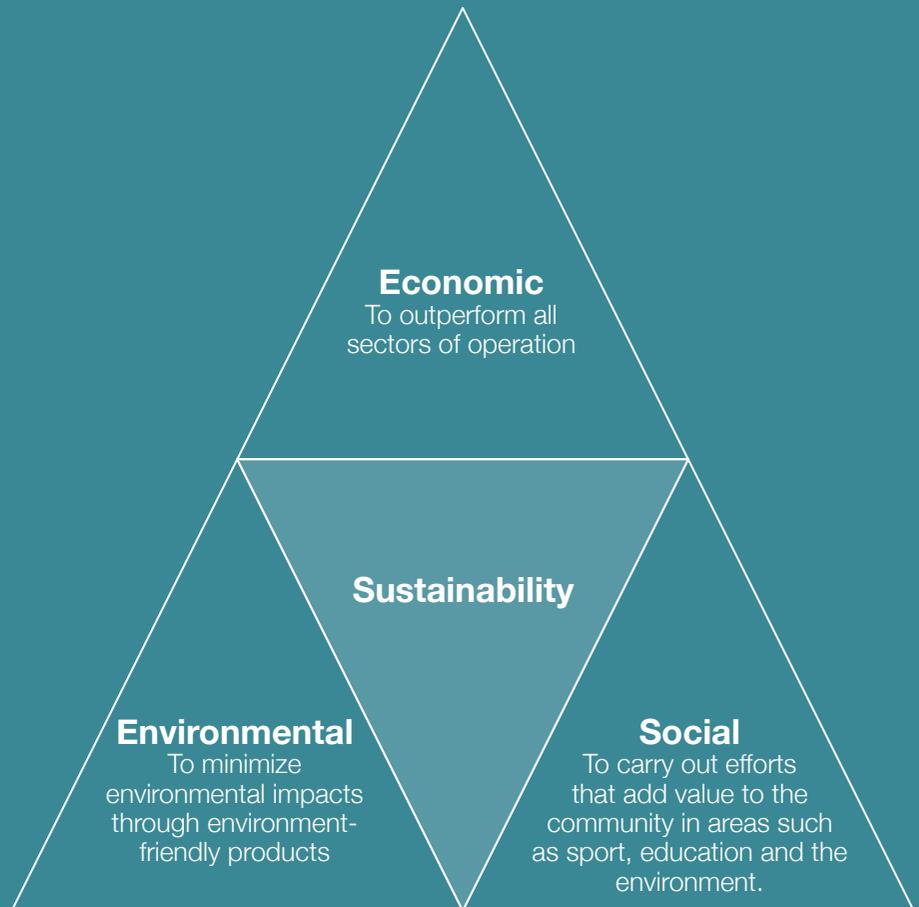
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Otokar conducts comprehensive evaluations with respect to market conditions, possible regulatory changes, environmental circumstances, elements of competition, customer expectations, technological innovations, as well as characteristics of products and services. ”



## 9.20

Otokar's corporate governance rating was revised to 91.99 (9.20) on March 19th, 2014.



## 33%

Otokar's total assets increased by 33% YoY to TL 1,375 million in 2013.

## US\$ 1.4 million

The amount of environmental investments undertaken by Otokar at its facilities in Sakarya until today totaled US\$ 1.4 million, while the total operating cost of these investments amounted to US\$ 122,000.

## “For my Country”

Within the scope of Koç Holding's “For my Country” project, Otokar has engaged in a number of projects such as supporting local development, reforestation and afforestation, blood donation, and disability rights.

# Corporate Governance and Sustainability at Otokar

“

Demonstrating a transparent, fair, responsible and accountable management approach and fully complying with the regulations for the creation of policies, processes and the management structure are the principles that Otokar abides by at all times.”

**Otokar is an honest corporate citizen, which observes full compliance with the law and legislation and carries out its activities in the production and trade cycles with a competitive and transparent approach.**

**In this context, Otokar has adopted the basic target to possess, improve on and maintain a strong corporate governance structure.**

Like all other Koç Group companies, Otokar attaches strong importance and priority to corporate governance, a concept recognized as one of the building blocks of sustainability.

Its corporate governance model, which has been shaped in line with the principles of integrity, respect, ethical behavior and compliance with the law and regulations, forms the basis of Otokar's management organization.

Demonstrating a transparent, fair, responsible and accountable management approach and fully complying with the regulations for the creation of policies, processes and the management structure are the principles that Otokar abides by at all times.

Otokar has adopted and implemented the Corporate Governance Principles set out by the Turkish Capital Markets Board (CMB). The Company presents the Corporate Governance Principles Compliance Report (which is presented as part of the Company's annual report and which evaluates whether the corporate governance principles in question are observed by the Company) for the consideration of its stakeholders every year on a regular basis (please refer to pp. 49-57 in Otokar's Annual Report 2013).

With its shares being traded on the Borsa Istanbul (BIST) under the "OTKAR" ticker, Otokar is subject to the corporate governance rating process on a regular basis. The Company's shares also trade on the BIST Corporate Governance Index.

## Board of Directors and Senior Management at Otokar

Otokar's Board of Directors comprises of a total of eight members, two of who are independent members. Board members are selected from among highly competent and well-informed individuals. The detailed CV's of Board members are available on the Company's website and in the annual report (please refer to pp. 18-19 in Otokar's 2013 Annual Report).

At Otokar, the roles of the Chairman of the Board and the General Manager are performed by separate persons. The Chairman Kudret Önen and General Manager Serdar Görgüç also serve on the Executive Committee as executive members.

The Board convenes for meetings whenever the operations of the Company so require and discusses strategic topics with respect to the management of Otokar. The Board convened on 14 occasions in 2013. The Finance Director is in charge of establishing the agenda of the Board meetings, preparing the Board's resolutions, and informing and communicating with Board members.

The General Manager and the Assistant General Managers responsible for five different business lines are in charge of Otokar's daily operations. The detailed CV's of Assistant General Managers are provided in the annual report.

Otokar's Board members and senior managers are covered by the "Executive Responsibility Insurance".

## Sustainability Structure at Otokar

In accordance with Otokar's corporate organization, the senior management is in charge of the coordination, monitoring and management of sustainability-related issues. Thanks to the "Koç Group Sustainability Performance Evaluation and Reporting System" set up by the Group in 2010, Otokar is, as a responsible corporate citizen, able to monitor all social, economic and environmental efforts by using objective methods.

The General Manager is responsible for monitoring and directing the Company's development in the area of sustainability and coordinating the integration of economic, as well as social and environmental factors into the Company's operations, products and services, and decision-making processes. The General Manager is also in charge of relations with suppliers and ensuring that all decisions and efforts of the Company regarding human resources, occupational health and safety, and the environment are in compliance with its policies and respective regulations.

### The Committees Operating in Otokar

At Otokar, the Board of Directors has formed four committees in order to effectively fulfill its duties and responsibilities, and these committees carry out their activities in accordance with specified procedures. Detailed information on the operating principles and duties of these committees as well as the CV's of Board Members are made available on the Company's website and annual report.

#### Audit Committee

Established in 2003, the Audit Committee fulfills the duties set out in the Capital Market Legislation. The committee is composed of two independent members.

#### Corporate Governance Committee

Established in 2012, the Corporate Governance Committee is responsible for fulfilling the duties associated with corporate governance practices at Otokar. The committee is also in charge of the duties of the Nomination Committee and Wage Committee. Comprising of two members, the committee is chaired by the independent member.

#### Risk Management Committee

Established in 2012, the Risk Management Committee works on:

- early detection of risks that could pose a threat to the Company's presence, development and continuity,
- applying necessary measures to tackle these risks, and
- risk management

in order to ensure compliance with article 378 of Law 6102 of the Turkish Commercial Code and effective operation of all committees reporting to the Board of Directors.

Comprising of two members, the committee is chaired by the independent member. The committee convenes at least six times each year.

#### Executive Committee

Established in 2012, the Executive Committee is responsible for raising the effectiveness of the Board of Directors by ensuring effective coordination between the Board of Directors and the administrative structure, to ensure effectiveness of investment in fields that are relevant to the Company's strategic targets and in business development. Comprising of two members, the committee holds at least one regular meeting per month. The committee also develops strategies that are appropriate for the Company and issues recommendations concerning the effectiveness of operations.

#### Strategy Determination Process at Otokar

As a Koç Group company, Otokar conducts comprehensive evaluations for a period of at least 5 years going forward, with respect to market conditions, possible regulatory changes, environmental circumstances, elements of competition, customer expectations, technological innovations as well as the characteristics of products and services. The strategic goals are determined in line with the Company's vision and mission, while information (including financial analysis) on investments that are necessary to achieve these goals is prepared by the senior management. The efforts of the related departments in establishing and reaching strategic goals are monitored and presented to the Board of Directors by the Company's senior management. By evaluating the performance recorded in previous years, the Board of Directors reviews the Company's activities during the year and the strategic goals set by the senior management and reaches decisions

## The Committees Operating in Otokar

- Audit Committee
- Corporate Governance Committee
- Risk Management Committee
- Executive Committee

## Corporate Governance and Sustainability at Otokar

“

Otokar has pledged to adopt attitudes and behavior which conforms to its Ethical Principles towards the persons and entities with whom it has business relations at home and abroad, the community, its customers, its suppliers, its partners, and its employees.”

accordingly. Financial performance is followed alongside the budget, and developments in strategic matters are also followed and recommendations are provided.

### Ethics at Otokar

Koç Holding's Code of Ethics and Business Conduct is binding for Otokar as it is for all other Group companies.

With regard to its marketing and brand communication, advertising and promotion activities, Otokar pursues follow-up motives based on the concepts of Leadership, Optimism, Solidarity and Value Creation, which are the four integral values of the Koç brand. For these efforts, the Company has duly adopted the principles of acting in an ethical, honest, socially responsible and decent manner, avoiding any misleading disclosures.

Otokar has pledged to adopt attitudes and behavior which conforms to its Ethical Principles towards the following;

- persons and entities with whom it has business relations at home and abroad,
- the community surrounding it,
- its customers,
- its suppliers,
- its partners, and
- its employees

and to abide by the criteria set out in the Global Compact accepted by Koç Holding, and to attempt to widen the adoption these principles and strive to ensure their adoption, most especially in its sector, in its business activities and in its relations. Otokar publishes its Ethical Principles with its stakeholders, including its employees, authorized dealers, service centers, suppliers on the Company's website.

Otokar's ethical principles, which are classified under the headings, Honesty, Respect for the Law, Working Environment and Employees, Acquisition, Use and Protection of the Information, and Environment may be viewed from the Company's website. The ethical values, that are available to all of the Company's stakeholders, are the most important resource used by Otokar in tackling bribery and corruption. Newly hired employees are also informed of these values and rules, which are also set forth in the personnel regulation.

At Otokar, the Code of Conduct Board has been established in order to audit breaches and to ensure compliance. Otokar's internal audit team and Koç Holding's audit teams perform audits to identify any incidences of corruption. Behavior that is deemed suspicious may be reported to the Koç Holding Audit Team managers by contacting them from their direct lines. The goal is to ensure that employees are able to submit any allegations directly and free from any influence. Actions to be taken in the event of any possibility of corruption have been specified by Otokar's and Koç Group's code of conduct boards. No incidence of violation of ethical rules was reported during the reporting period.

### Policies and Principles Adopted by Otokar

Otokar has designated its own policies and principles in a number of areas ranging from legal compliance to customer satisfaction and the environment. Applied by the related units and departments, some of these policies are as follows:

- Wage Policy
- Information Policy
- Profit Distribution Policy
- Donation and Aid Policy

For detailed information, please visit our website.

### Risk Management at Otokar

Otokar has adopted a risk management policy which is implemented in line with its strategies with the aim of foreseeing and monitoring any potential risks that may prevent the Company from reaching its goals, and of drawing up action plans to tackle such risks. All actions and activities with regard to risk management are carried out by Otokar's Risk Management Committee. In addition to its own risk policy, Otokar also acts in line with the risk policy implemented by the Koç Group.

Otokar follows its risks as financial risks, strategic risks, operational risks and legal risks (please refer to pp. 58-59 in the 2013 Annual Report).

### Internal Control System and Internal Audit

The establishment of the Internal Control System aims to achieve the following; to remain neutral and independent in all transactions, to add value to the Company, to ensure that activities comply with the strategies, targets and legislation, to provide a contribution to the realization of the Company's main targets, principles and strategies, and to increase effectiveness and efficiency.

Otokar had not been subject to any special or public inspections in 2013 except environmental inspection. The Company was held subject to a Consolidated Environmental Inspection by the Ministry of Environment and Urbanization on November 6th, 2013. The Company was inspected for compliance with the environmental legislation. As a result of the inspection, no violation has been identified and the Company has won acclaim for its environmental activities.

Moreover, in the Environmental Inspection performed by Koç Holding on May 28th, 2013, the Group was evaluated for its compliance with the environmental legislation and practices in field. No impropriety was identified during the inspection.

### Corporate Governance Rating

Otokar has agreed to comply with the Principles of Corporate Governance issued by the Capital Markets Board, and to undertake the necessary amendments in line with changing conditions.

Otokar has been rated by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri AŞ in accordance with CMB's (Capital Markets Board) Communiqué on "The Principles Regarding Rating Activity in Capital Markets and Rating Agencies", and as per rating the compliance of corporations listed on the BIST (formerly the ISE-Istanbul Stock Exchange), with the Principles of Corporate Governance. Details may be found at Company's website.

Otokar's Corporate Governance Rating increased from 86.80 (8.68) in 2012 to 91.03 (9.1) in March 2013. In accordance with decisions taken during the Capital Market Board's meeting number 4/105 dated 1st February, 2013, our rating was revised from 91.03 (9.10) to 86.44 (8.64) on March 19th, 2014. In consideration of the Company's determination to apply corporate governance principles, its willingness to manage this process dynamically and continuously, and finally the improvements achieved during the twelve months from March 2013, Otokar's corporate governance rating was updated and confirmed as 91.99 (9.20) on March 19th, 2014.

### Initiatives and Sectoral Organizations Support by Otokar

- United Nations Global Compact

#### Otokar serves on the boards or is an active member of the following NGOs:

- Sakarya Chamber of Commerce and Industry
- Foreign Economic Relations Board
- Istanbul Minerals and Metals Exporters' Associations
- Istanbul Chamber of Industry
- Istanbul Chamber of Commerce
- Turkish Society for Quality
- Turkish Employers' Association of Metal Industries
- Automotive Distributors Association
- Automotive Manufacturers Association
- Automotive Technology Platform
- Automotive Technologies Research & Development Company
- Defence and Aerospace Industry Manufacturers Association
- Heavy Commercial Vehicles Association
- Technology Development Foundation of Turkey
- The Union of Chambers and Commodity Exchanges of Turkey
- Association of Trailer Industrialists (TREDER)
- Turkish Industry & Business Association
- Automotive Industry Exporters Union

# Otokar's Stakeholders, Stakeholder Relations and Top Priority Issues

Otokar is interactively communicating with a broad stakeholder community with clients, staff, suppliers and shareholders at its core. Otokar's success lies in improving relationships with the core stakeholders.

Concurrently, Otokar also interacts with a broad stakeholder community (second stakeholder community) where the government, regulatory bodies, NGOs, media and the community in the widest sense are all affiliates.

Relations with stakeholders help Otokar identify corporate strategic priorities and develop appropriate policies. The Company defines the sustainable development initiatives in markets and the economic environment and within the remit of its relations with stakeholders and can hence improve the value it produces for its stakeholders.

## Informing Stakeholders and Stakeholder Communication

If and when necessary, Otokar invites its stakeholders to attend meetings on matters concerning them and/or informs them through various electronic platforms (the Company website, social media, etc.). Public announcements are published through the KAP (Public Disclosure Platform), the media and the Company's online channels, and employees are informed of various events organized by the Company.

Stakeholders	Scope of Relationship, Basis of Dialogue and Otokar's Responsibility to its Stakeholders
<b>Customers</b>	Otokar is in touch with its customers on a 24/7 basis. The head office, factory, authorized dealers and service centers form the basis of the service platform in interactions with customers. Having a wide portfolio of domestic and foreign customers, Otokar, delivers its products to customers in more than 60 countries, as well as in Turkey. All Otokar employees work according to predefined business processes and job descriptions while serving clients by responding to their requests and maintaining client satisfaction.
<b>Employees</b>	<p>Otokar's primary responsibility to its staff is to offer appropriate and fair pay and to maintain modern and sound workplace standards.</p> <p>Otokar fulfills its daily human resources needs through its HR policies. It concurrently provides training, development and career programs to its staff as well as management meetings within the context of staff relations. These are the other platforms through which the Company's human resources interact with the workplace.</p> <p>Otokar also fulfills staff needs by providing them with private pension and health insurance<sup>1</sup> in addition to the coverage provided through the SGK's (social security institution) system.</p> <p>The interactive communication with staff, which is enhanced through Otokar's high-tech intranet tool, allows employees to participate in the Company management and to communicate effectively and efficiently.</p>
<b>Shareholders and foreign investors</b>	<p>Otokar's main responsibility to its shareholders and investors is to realize the highest standards of performance given the economic conditions and to share the outcomes with the related parties.</p> <p>Otokar shares are listed on the Borsa Istanbul. The Company continuously communicates with shareholders and investors through annual board meetings and various other means.</p>
<b>Authorized dealers and service centers</b>	Authorized dealers and service centers that have a direct impact on the Company's operations or play a key role in the Company's operations are indispensable business partners for Otokar.
<b>Government and regulatory bodies</b>	As a publicly-held joint stock company, Otokar is in cooperation with the related regulatory bodies, principally the Capital Markets Board (CMB). Otokar is in regular contact with these bodies, whereby fulfilling reporting and other informative obligations is mandated by laws and procedures.
<b>Suppliers</b>	Otokar supports initiatives which improve sustainable development in its relations with suppliers. The Company requires its suppliers to meet certain criteria with respect to human rights, working conditions and the environment, and specifically includes environmental issues in supplier contracts.
<b>NGOs</b>	Otokar is in contact with and cooperates with NGOs in various areas. The Company takes part in various operations, supports action plans and takes action to fulfill the obligations of corporate social responsibility with the environment being the primary concern.
<b>Media</b>	Otokar's Corporate Communication Department organizes daily relations with the media and answers the questions accurately and promptly.
<b>Community</b>	Otokar carries out efforts both directly and by taking part in the projects conducted by the Koç Group to add value to the community, which forms its widest stakeholder mass.

<sup>(1)</sup> Koç Holding Foundation for Pensions and Assistance

Otokar's Annual General Meetings are open to all shareholders. The Company aims to inform not only its shareholders but all stakeholders by inviting them to attend Annual General Meetings as well as through the publication of information on its website, through annual reports, press releases, and all other practices carried out within the scope of the Company's disclosure policy.

Important announcements, newly launched practices, changes in the management and press releases are issued on the Company's intranet, which is accessible by all employees. Moreover, the Corporate Communication Unit periodically publishes a printed bulletin entitled "Otokar Hattı" which is followed by the Company's employees, dealers and customers, particularly customers in the commercial vehicle segment. The Corporate Communication Unit also periodically publishes an e-bulletin entitled "Otokar Haber" on the developments in the defence industry.

"Otokar'da Bu Ay" E-bulletin, which is published within the Company, aims to share all important news concerning Otokar with the Company's employees.

Otokar constantly keeps its authorized dealers and service centers informed of its products, services and forecasts, and organizes training programs that will enhance their knowledge and skills. The Company maintains the highest level of relations with dealers through meetings and visits with general or regional dealers. Stakeholders may access the Audit Committee through the contact information provided on the Company's website and/or intranet, concerning any practices which violate the law, or are ethically inappropriate.

### Participation of Stakeholders in the Management

Stakeholders, mainly employees, may participate in the management's improvement efforts, actively express their opinions and impart comments in accordance with the procedures implemented within the organization.

Such practices include self-assessment meetings which are attended by all

white- and blue-collar employees, and open-door meetings, all of which are developed on the basis of a total quality philosophy and which aim to increase productivity. The Company also organizes regular meetings where employees, suppliers and customers may state what they require from the Company. In addition, a number of training programs and various surveys, such as the "working life evaluation questionnaire", are carried out within the scope of the Company's HR policies.

From the dealer network meetings to shareholders' factory visits, the Company strives to reach out to stakeholders and thereby have a greater impact on society. Additionally, the Company implements a system through which customer orders received by the sales and the dealer network may be tracked and forwarded to the management, hence enabling necessary measures to be taken and feedback to be provided. The Company collaborates with independent research institutions to measure and report the level of satisfaction of its authorized dealers and customers on an annual basis and to undertake the necessary improvements.

### Prioritization Analysis and Top Priority Issues

The prioritization analysis contributes to the improvement of Otokar's sustainability performance, thus helping the Company meet stakeholder expectations. The prioritization analysis plays a key role in the:

- determination of issues in which Otokar needs to focus on in order to ensure that stakeholders contribute to the improvement of the Company's sustainability performance; and
- determination of issues that may bring either opportunities or threats to the Company.

Issues of the highest priority for Otokar are determined and detailed based on the Company's strategic roadmap and stakeholder expectations. Otokar structures the determination of top priority issues as a continuous, participatory and multidimensional process.

“ Stakeholder relations play an important role in setting out and implementing an effective strategy on sustainability and corporate responsibility. ”

# Otokar's Sustainability Cycle and Priorities in 2013

In its service cycle, which revolves around its shareholders, Otokar focuses on;

- continuously increasing the added value that it offers its customers,
- become a reliable, fair and preferred employer in the hearts and eyes of its employees;
- improve and strengthen the synergic value chain which it has established with suppliers; and
- act as a corporate citizen which has respect for the community and the environment.



The issues that were prioritized in the 2013 Sustainability Report of Otokar are summarized below:	
Corporate Governance	<ul style="list-style-type: none"> <li>• Corporate governance structure</li> <li>• Legal compliance</li> <li>• Loyalty to ethical values</li> <li>• Effective risk management</li> </ul>
Economic Performance	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• R&amp;D activities that create value for the customers</li> <li>• Strong supplier relations and supplier value chain</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Performance and career management</li> <li>• Occupational health and safety</li> <li>• Training human resources</li> <li>• Development of employment opportunities for the disabled</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Development of environmentally friendly products</li> <li>• Reducing the consumption of natural resources</li> <li>• Minimizing possible environmental impacts which arise during production</li> <li>• Reducing waste at its source</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Contributing to efforts aimed at meeting the community's needs in healthcare, education and sport</li> </ul>

# Suppliers: Key Pillars of Otokar's Value Chain

## About Otokar:

- Otokar has a total of 728 suppliers, divided into 456 domestic suppliers and 272 foreign suppliers.
- Otokar's foreign suppliers operate in a total of 31 countries: Africa (2), America (3), Asia (6) and Europe (20).
- Otokar's domestic suppliers operate in a total of 19 cities.
- About 80% of the Company's domestic suppliers are located in Istanbul, Kocaeli, Sakarya and Bursa, which are the cities closest to the factory.
- About 70% (337) of the Company's domestic suppliers are SMEs.
- Otokar's domestic suppliers employ more than 60,000 people.
- The Company's suppliers employ more than 7,000 women.

## Otokar prefers those suppliers who:

- Act in line with the general policies and strategies of Otokar and Koç Holding;
- Fulfill the criteria set forth in the United Nations Global Compact;
- Do not employ children;
- Apply no discrimination against their employees;
- Do not apply forced labor;
- Abide by the principle of confidentiality of information;
- Supports collective labor agreement and protect employees' right to join a union;
- Obey the rules of occupational health and safety;
- Comply with employee-related standards imposed by the sector and the law;
- Obey legal working/employment hours;
- Follow ethical rules (together with Otokar's employees)
- Do not partake in any form of psychological or physical pressure, abuse or similar methods;
- Have a competitive edge;
- Invest in the development of technology and human resources;
- Provide high-quality products in a timely manner and under competitive conditions; place importance on research and development to further increase their expertise in their areas; and perform production activities in accordance with the national and international standards with respect to occupational health and safety and the environment.

In their contracts with Otokar, suppliers undertake to comply with the provisions of the UN Global Compact, environmental legislation and the requirements of Otokar's ISO 14001 Environmental Management System.

## Otokar's Supplier Policy

**The Company's Supplier Policy is to establish, maintain and develop long-term business relations based on cooperation and mutual trust with existing and potential business partners in accordance with the general policies and strategies of Otokar and Koç Holding and in line with the UN Global Compact and Koç Holding's Purchase Management System.**

Otokar evaluates all national and global supplier alternatives, particularly those in the nearby region, in order to become competitive in both domestic and foreign markets.

The Company has developed a communication substructure, which is highly effective in ongoing collaborations with suppliers and allows Otokar and its suppliers to share information and

to work in harmony. Otokar prefers to work with suppliers who invest in the development of technology and human resources and have respect for human health and the environment. Otokar extends support to the development of its existing suppliers in these areas.

Otokar establishes long-term business relations with those suppliers who have a modern management approach and who provide high-quality products in a timely manner and under competitive conditions; who attach importance to research and development to further increase their expertise in their areas and perform production activities in accordance with the national and international standards with respect to occupational health and safety, and the environment.

The general manager is responsible for ensuring that all decisions taken concerning and activities involving

relations with suppliers at Otokar are in compliance with the Company's other policies and applicable regulations.

**Otokar's technical infrastructure and communication channels ensure uninterrupted relations with suppliers.**

Otokar and its suppliers assess suggestions and draw up the necessary plans to ensure seamless progress of mutual relations, while also engaging in continuous dialogue to exploit new business opportunities.

Suppliers generally expected more frequent and detailed information concerning Otokar's business program during 2013. Otokar undertakes the necessary developments in line with such expectations of its suppliers, who represent one of the Company's core stakeholder groups.

## Suppliers: Key Pillars of Otokar's Value Chain

“

As a direct party of “new product” or “joint product” development projects conducted with suppliers, Otokar carries out joint activities with suppliers and engineering departments.”

# 728

### Suppliers

Otokar carries out its production activities within a value chain that comprises of a total of 728 suppliers.

Otokar continuously updates its Supplier Policy, keeps it in its vSRM portal and publishes it on its website.

#### Operating in synergy with its suppliers

Otokar carries out its production activities within a value chain that comprises of a total of 728 suppliers.

The Company is in continuous communication and close cooperation with a network of 456 domestic suppliers with respect to a wide range of issues such as quality improvement, ordering processes and delivery times, particularly during the launch of new products.

Otokar plays an active role within the supply chain both on an administrative and functional basis. As a direct party of “new product” or “joint product” development projects conducted with suppliers, Otokar carries out joint activities with suppliers and engineering departments.

Otokar held more than 250 meetings with participants of the subsidiary industry in 2013. The Company established communication with suppliers, provided them with information and performed capacity analyses in special projects. The Company conducted more than 25 projects with the subsidiary industry in 2013.

Meetings held with suppliers aim to:

- Identify the needs and wishes of suppliers;
- Inform suppliers of what Otokar wants from them in the mid-term;
- Inform suppliers of the quality and environmental management;

- Introduce models to be manufactured by Otokar in the future;
- Explain Otokar's targets and strategies to suppliers;
- Ensure effective communication between Otokar and its suppliers; and
- Analyze technological development of suppliers.

#### Otokar approaches supplier relations on a win-win basis aiming to establish permanent relations with suppliers.

In order to create permanent added value for its stakeholders, particularly its customers, Otokar holds the companies on the Otokar-Approved Supplier List subject to performance evaluation at least once a year. The results achieved are assessed by the Otokar Evaluation Committee by using the following methodology. Despite not having any effect on ratings, the financial risk status of suppliers is also taken into account by the Evaluation Committee.

As a result of the supplier evaluation study performed during the reporting period, only one company was in category D. Following mutual negotiations, cooperation with this company was terminated. As of 2013, 30% of Otokar's suppliers were in category C, 61% in category B and 9% in category A.

#### vSRM portal and the supply process

Supply processes are conducted through the web-based vSRM portal. The portal allows the Company to share information concerning its production plan and ordering details with suppliers, and to extend suppliers the results of supplier evaluations, as well as quality

Otokar's Supplier Evaluation Methodology			
Rating	Category	Action	Improvement work
<40	D	Cooperation with the supplier is immediately terminated	
40-65	C	Progress of suppliers is monitored	Joint activities (arrangement of shipment and ordering processes, improvement of packaging processes, increasing product quality, etc.) are conducted to help suppliers in categories B and C rise to the next category
65-85	B	Progress of suppliers is monitored	
>85	A	Preferred suppliers	

reports, error notifications and information on improvement work that needs to be carried out. Finalized orders and projections are shared with suppliers through the portal, thus providing them with the opportunity to carry out the necessary planning.

By performing capacity analyses in suppliers, Otokar contributes to efforts to maintain an efficient resource and requirement planning process.

The performance ratings achieved during the supplier evaluation study are announced through the vSRM, allowing suppliers to instantly monitor their performance. The results are mutually evaluated and action plans for the necessary improvement work are prepared by Otokar and its suppliers.

The Company also publishes target cards specific for each supplier through the vSRM. This system allows suppliers to view their performance in the past months in all criteria and to monitor the related targets.

#### **Otokar audits its suppliers under different headings.**

Otokar audited 57 suppliers under the heading of:

- quality, logistics/delivery, cost/planning,
- compliance with the general policies and strategies of Otokar and Koç Holding, and
- compliance with the provisions of the UN Global Compact.

To this end, the Company held more than 250 visits and meetings. As a result of this auditing process, no incidences of impropriety with respect to compliance with the above listed topics were found.

#### **Environmental auditing**

Otokar focuses particularly on the audit of those suppliers which play a key role in the Company's activities. Suppliers holding ISO 9001, ISO 14001 and OHSAS 18001 certificates rank low on the prioritization process.

Because of its environmental awareness, Otokar audits those suppliers without ISO 14001 certificate in accordance with specified criteria. Meanwhile, the

Company provides training to subsidiary industries concerning environmental legislation and laws. A total of 25 subsidiary industry workers received "Environment Training" at the factory in 2013. In addition, three suppliers underwent environmental auditing in 2013. The Company aims to increase this number to 5 in 2014.

#### **Proactive communication with suppliers enabling rapid solutions**

Otokar recognizes its suppliers as its strategic partners. The Company considers its strong communication network as a prerequisite for success during this period.

Otokar holds supplier days to ensure coordination among suppliers with respect to the Company's vision, mission, and corporate culture and targets. In these meetings, suppliers are informed of these issues and rewarded on the basis of different criteria.

Otokar participates in basic or subsidiary industry exhibitions held every year. Having attended a total of 9 fairs in 2013 as a visitor, Otokar will meet its stakeholders in a total of 22 exhibitions in 2014. Fair participation offers Otokar new opportunities to meet new suppliers and to share innovations and developments with its existing suppliers.

At Otokar, a supplier is considered to be a manufacturer that is in systematic communication with the Company. In this approach, in which suppliers are viewed as strategic partners, there is a flow of opinions and recommendations between suppliers and the Company with respect to issues such as production, cost, quality, system, working conditions, occupational health and safety and the environment. All opinions and recommendations of suppliers are evaluated, and those deemed to be suitable are put in practice. In this context, the Company gives the greatest consideration to suppliers' feedback.

Otokar nominates its most successful suppliers to the "Most Successful Automotive Supplier" award program, which is held by the Automotive Industrialists' Association every year, and takes part in the selection process.

# vSRM

## web-based portal

Supply processes in Otokar are conducted through the web-based vSRM portal. The portal allows the Company to share information concerning its production plan and ordering details with suppliers.

## Suppliers: Key Pillars of Otokar's Value Chain

### Training activities for suppliers

In 2013 Otokar provided a total of 100 man hours of environmental training to 25 suppliers and a total of 40 man hours of training on occupational health and safety to contractors. In the first 5 months of 2014, contractors received a total of 78 man hours of training on occupational health and safety.

### Inconsistency of the ordering process found to be most important issue for our suppliers in the short term.

Otokar carries is engaged in various improvements in its organization and among its suppliers in order to reduce the impact caused by such inconsistency. To this end, the Company regularly provides environmental training programs, as well as standard training programs on planning and quality management, when there is increase in demand.

Otokar also encourages its suppliers to acquire co-designer software in order to build a co-designer structure within the Company.

### Training activities within the scope of supplier relations

Otokar provides training to its suppliers under different topics. The Company also conducts planned training programs for its employees with respect to relations with suppliers.

In 2013 Otokar provided a total of 100 man hours of environmental training to 25 suppliers and a total of 40 man hours of training on occupational health and safety to contractors. In the first 5 months of 2014, contractors received a total of 78 man hours of training on occupational health and safety. Otokar aims to expand the scope of such training.

Business partners receive vSRM training when they first join the Otokar's supplier portal.

Within the scope of mandatory on-the-job training, Otokar provides each new employee who starts working in the purchase department with training on the purchase process (purchase policy, supplier selection process, etc.) and Koç Holding's Purchase Management System.

Employees are supported through individual training sessions in the event that they are found to be lacking technical competencies (such as SAP, or similar programs) during the management of purchase processes.

### Otokar's supply chain and the environment

Otokar focuses on bringing its direct and indirect environmental impacts under control and to reducing them in a systematic manner.

The Company places importance on importing raw materials by land, sea or rail instead of by air. To this end, the Company carries out an effective planning process for a variety of issues from the selection of transporters from among new generation vehicles to the reduction of the number of daily shipments. For example, the cargo of suppliers on specific routes is combined and shipped in single vehicles where possible. Likewise, imported products using the same customs point are shipped together.

Otokar has been applying the milk run transportation model since 2009. Accordingly, the cargo of a total of 166 suppliers were combined and shipped to Otokar through four different routes in 2013. This contributed greatly to the efforts to reduce gas emissions in the supply chain.

Otokar began to reduce recyclable packaging materials within its supply chain, thus significantly curtailing the volume of packaging waste.

In 2013, a total of 87 companies took part in Otokar's recycling movement with a total of 4,241 vehicle bodies. Otokar aims to increase the number of suppliers working with recyclable vehicle bodies and the use of recyclable body parts both during and after 2014.

Otokar carries out its purchase activities (receiving and evaluating quotations, supply through e-auction, storage, etc.) in the electronic environment by using applications such as SAP, SRM, vSRM and e-mail in supply processes. This raises the effectiveness of the purchase process, while also contributing to Otokar's efforts to reduce paper consumption.

# A Focus and Determination on Raising the Value Offered to Customers

**Otokar, which has been a symbol of the Turkish automotive sector's presence and development, carries out projects which have influence not just in Turkey but also around the world, thus increasing the value proposition that it offers to its customers with each passing day.**

With 51 years of experience and extensive knowledge, competence in design and engineering and an effective solution-creating approach, Otokar continues to serve its customers.

## Manufacturing different types of vehicle for different areas of use

At Otokar, different types of vehicles are manufactured in different segments with a niche approach in line with customer expectations (Mass Customization).

Detailed information concerning Otokar's latest product portfolio is provided on page 10-11 of the report.

Aiming to ensure customer satisfaction, Otokar focuses on meeting customers' needs, expectations and requests together with its suppliers and by making use of the latest technological developments and innovations in its production processes, as well as the advantages (such as ease of planning and assurance) introduced by mass customization.

Otokar performs manufacturing on the basis of Build-to-Order (BTO) or Build-to-Forecast (BTF).

For the production process, the Company primarily aims to maintain the existing value chain that satisfies both suppliers and customers. To this end, Otokar carries out joint purchase activities and organizes ERP, design and development programs in order to raise suppliers' capability.

## Products caring about customers

During the design and development stage of its products, Otokar subjects them to a battery of safety tests which, depending on product particulars, cover everything from stability while in motion to behavior in collisions. No banned materials or

materials hazardous to human health are ever used as production inputs.

Otokar invariably has its products certified for compliance with government regulations to ensure that they are road-legal and this compliance is attested to in their Type Approval certification. Such certification means that a product's production materials and processes have been approved through mandated testing that addresses both health and safety issues. Otokar products and manufacturing processes are homologated (certified as compliant with laws and regulations by official agencies) in every country in which the Company has operations. This government approval is shown by means of a number or code that is affixed to a product.

Otokar tags each and every one of its products in accordance with the requirements of laws and regulations. Otokar provides essential information about products by means of brochures, user's guides, and Type Approval certificates. Otokar also makes certain that consumers are properly and effectively informed about products both when it sells them the products and in its management of after-sales services.

## Otokar places great importance on after-sales services

Attaching great importance on after-sales services, Otokar is determined to stand by its customers and meet their needs and demands in a timely manner. The Company does not just provide after sales services to the domestic market, but also to all locations in the world where Otokar's vehicles are used.

Ever improving its after-sales services, Otokar launched the "Otokar Customer Care" line on 444 68 57/444 OTKR for domestic market in 2013. Accessible on a 24/7 basis, the "Otokar Customer Care" provides support to any vehicle sold by the Company. As well as raising customer satisfaction to the highest level, the customer care also serves as an important source of statistical data. In the defence industry segment, the Company provides Integrated Logistics Support to its customers anywhere in the world where its products are used.

# 444 68 57

## Otokar Customer Care

Accessible on a 24/7 basis, the "Otokar Customer Care" line provides support to any vehicle sold by the Company in domestic market.

## A Focus and Determination on Raising the Value Offered to Customers

# Vectio Electra

## Electric bus

Aware of the trend towards clean energy and the use of alternative fuel in mass transportation, Otokar produced Turkey's first electric bus, the Vectio (Doruk) Electra.



Turkey's first electric bus Vectio Electra

With the aim of increasing customer satisfaction, Otokar carries out a variety of activities to analyze customer feedback down to the last detail. This provides a significant amount of data for engineering and R&D studies. Thanks to the "ISO 10002 Customer Satisfaction Management System Project" launched by the Customer Satisfaction Team in November 2013, all authorized dealers of Otokar have become the first certified authorized commercial vehicle service centers in Turkey. The project primarily aims to increase the quality of services provided by Otokar's authorized service centers and to raise the level of satisfaction of Otokar's customers.

In line with the increasing number of vehicles and automotive products, Otokar will effectively maintain its activities and services in the coming periods as an important indicator of the importance it attaches to customer satisfaction.

### Sustainable passenger transportation and land transportation

Because of rapidly growing vehicle parks, environmental pollution and traffic density - which is one of the most widespread problems large cities - the importance of mass transportation around the world is growing. The need for mass transportation is rapidly increasing in parallel with the rising population; in meeting this need, it is imperative that companies and local administrations produce and implement solutions which are both cost-efficient and sensible.

In various studies performed in the EU, it was found out that nearly 30% of the carbon dioxide (CO<sub>2</sub>) emissions were caused by the transportation sector. While amounts of CO<sub>2</sub> produced during other human activities are falling, the amount of emissions produced by the transportation sector continues to increase rapidly.

Acting upon these findings, Otokar conducts comprehensive and long-term work into the production of environment-friendly, high-tech and comfortable products.

### Turkey's first electric bus

Aware of the trend towards clean energy and the use of alternative fuel in mass transportation, Otokar produced Turkey's first electric bus, the Vectio (Doruk) Electra.

The electric bus was launched in 2012 in Turkey and undertook trial runs in Istanbul, Izmir, Samsun and Antalya in 2013.

Otokar believes that mass transportation vehicles should be designed in a contemporary manner in line with the modernization process in the cities, an approach justified by the design prizes awarded by various organizations in Turkey and Europe to Otokar for its Vectio and Kent buses. Thanks to this approach, Otokar has been Turkey's most popular brand of bus for the last 4 years.

### Full compliance with EU regulations in the semi-trailer segment

Otokar's semi-trailer products, which are designed in line with EU regulations and customs legislation, have succeeded in meeting key transportation needs with their multi purposed area of usage. Otokar was the first company to implement ADR standards in Turkey regarding the safe transportation of hazardous materials and is the most experienced manufacturer in this field.

Otokar is one of the 6 companies in Europe to hold the R111 certificate, which certifies a reduced risk of the tankers overturning. As the ADR code concerning the transportation of hazardous materials has entered effect in Turkey, Otokar broke further ground by becoming the first manufacturer to receive the Design Approval Certificate from the Turkish Standards Institute for its elliptic tanker trailer and truck mounted tanker.

Furthermore, Otokar is the pioneer manufacturer in the production of ATP-certified refrigerated semi-trailers (which will gain further importance in the coming years in terms of hygienic nutrition and contribution to the economy), which are used to ensure hygienic and safe transportation of food in compliance with EU standards.

**Eco-friendly mass transportation vehicles**

Metropolitan-area traffic densities, which are directly related to population growth, and the environmental pollution that they cause make it essential to encourage the proliferation of mass transportation and clean energy use. Out of its awareness of these issues, Otokar installs eco-friendly EEV engines with Euro 5.5 exhaust emission ratings in the KENT busses that are the preferred choice of many metropolitan municipalities for their public transportation systems.

In Vectio and Territo, two other Otokar-made bus series, the Company upgraded the engine exhaust emission ratings to Euro 6 and has begun manufacturing the first vehicles with this higher value. In 2013 Otokar made its first Euro 6 fleet sales in the European market.

**Activities aimed at increasing productivity at Otokar**

**Otokar sees productivity operations as one of the major components for sustainable growth.**

Otokar develops and applies productivity projects focused on costs and quality in its production, in line with its business plans and goals. In addition, the Company also develops projects on systematic working, employee satisfaction, the environment and occupational health and safety.

In the scope of productivity operations, Otokar fulfilled 164 improvement projects in 2013. The Company analyzed the main reasons for the challenges, held 64 meetings on these issues and created solutions aimed at overcoming the identified obstacles to realizing its goals. A total of 76% of the projects were focused on cost and quality, while 24% concerned deadlines, the environment and employee satisfaction.

The Company realized a 65% improvement in the quality of goods from its suppliers and a 50% improvement regarding quality problems in the manufacturing process in 2013.

**R&D Activities at Otokar**

**Otokar is a manufacturer which has provided the Turkish automotive sector with a wide array of innovations and been a pioneer for the sector in its corporate sector.**

The main factor behind Otokar's success has been the R&D activity that it conducts in line with international standards.

Having started its R&D activities in the 1970s with the correct projections, Otokar today has a modern R&D center which is structured multi-dimensionally and equipped with state-of-the-art technology.

In line with the Company's vision of "protecting the domestic and national identity of its products", Otokar's R&D center has a total of 81 letter patents, industrial designs and working models.

**Otokar allocates 4.2% of its turnover to R&D.**

Otokar has invested 4.2% of its total revenues in R&D over the last five years, and invested about TL 50 million into R&D in 2013.

Otokar has meticulously fulfilled the principle of utilizing resources domestically with its R&D investments over the last 10 years.

Otokar introduced its Tank Test Centre - the first in Turkey and the most modern in the world - in 2012, and realized most of the projects included in its R&D operations:

- The 6DOF (6 Axis Simulator) was brought into use in the turret systems field in 2013.
- The Tulpar, Ural, Cobra II tactical armoured vehicles, Tempo, Euro 6 engine buses, Otokar Atlas light weighted trucks, Maxi sectioned tanker semi-trailer, Mega Iceliner semi-trailer and huckapack trailer suitable for railway transportation were launched to the market as new products.
- As the ADR code concerning the transportation of hazardous materials has entered effect in Turkey, Otokar more new ground by becoming the first company to receive the Design Approval Certificate from the Turkish Standards Institute for its elliptical tanker trailer and truck mounted tanker.

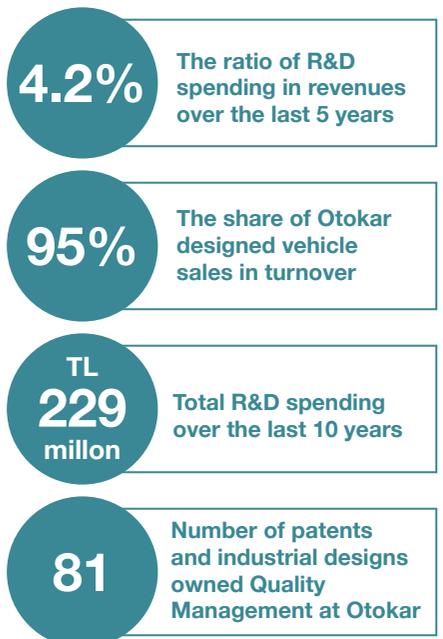
**Otokar Test Center**

- A climate controlled Test Chamber with Dynamometer, the first of its kind and unique in Turkey, which is also well respected in Europe
- The highest capacity hydraulic road simulator in Turkey
- Electromagnetic Compatibility Test Chamber (EMC/EMI), the first of its kind and unique in Turkey, and also the most modern in the world
- One of the world's most advanced and modern ballistic laboratories, with mine testing equipment



Otokar R&D Center

**Otokar R&D Indicators (as of 2013 year-end)**



# Quality Management at Otokar

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Attaching the greatest importance to quality management in all of its processes - before, during and after production, Otokar continuously adopts new standards and methods to raise the effectiveness of its quality management systems. ”

Otokar's most important characteristics which set it apart in the current environment of fierce competition are its Customer orientation and presentation of the highest quality, by most accurately understanding customer expectations. Otokar attaches the greatest importance to quality management in all of its processes - before, during and after production.

The processes and process indicators of Otokar's management systems are integrated into the quality management software and the improvement work is simplified. The Company monitors the effectiveness of its processes through process performance indicators and carries out the necessary work for continuous improvement.

#### The main principles of Otokar's quality policy are to:

- Define the customer needs and expectations, recommend alternative solutions and implement them with the cooperation of customers,
- Support the continuity of customer satisfaction by means of after-sales services,
- Monitor and apply the new technologies and quality techniques to maintain the best product quality,
- Spread the total quality philosophy throughout the company and establish the necessary infrastructure of the philosophy. In order to ensure all employee contribution organize training activities,
- Organize and perpetuate efforts that minimize the number and cost of failures; and its continuity.

In our quality journey, compliance with standards and management systems has a great importance. Otokar first received the AQAP4 Industrial Quality Assurance Certificate from the Ministry of National Defence in 1993 and ISO 9001 Quality Management System certificate in 1998. Within the scope of the AQAP4 Industrial Quality Assurance Certificate (valid until 2015) and the ISO 9001 Quality Management System certificate (valid until 2016), the high-quality production cycle is improved with the new systems, which are monitored for their effectiveness by means of internal audits.

Aiming to work together with all of its employees to ensure that each and every decision, action taken and product and service offered contributes to the increase of customer satisfaction, Otokar continuously adopts new standards and methods to raise the effectiveness of its quality management systems.

Regarding the supplier's defect reduction and to raise the quality of its parts, the Company executes ppm Improvement in suppliers, supplier process audits, poka yoke (mistake proofing) practices and increases the number of companies holding TS 16949 certificate, while it has also set up the supplier scorecard.

The PPM value is improved by 66% in 2013. The Company also held supplier process audits in 47 subcontractors during 2013. A total of 60 Poka Yoke practices were launched within the processes of both Otokar and its suppliers in an important step of improvement taken towards mistake proofing operations. With the new certificates, 65% of the suppliers that Otokar intensively collaborates with have become holders of the TS 16949 certificate. Likewise, 60 different suppliers requested a total of 144 Corrective/ Preventive Actions, while Otokar fulfilled 90% of these requests.

The Problem Monitoring and Prioritization System, and the techniques such as 6 Sigma and A3 Problem Solving were used in order to achieve effective and rapid problem solving. The Company generated TL 2,903,000 cost saving in 2013 by applying 6 Sigma methodology. As of 2014, Otokar held 1 master black belt, 4 black belt, 27 green belt and 47 yellow belt employees on its payroll.

In order to raise the quality of production lines, Otokar carries out such practices as quality on the source, in the process verification, process audit, defect per unit rating, finished product audit; and performs the rating procedure from customers' perspective.

By setting improvement targets for these indicators every year, Otokar maintains its efforts to increase product and system quality and analyzes process performance parameters both in internal audits and the management's review meetings.

# An Environmental Protection Approach Which Goes Far Beyond Legal Requirements

Otokar has a holistic approach with respect to environmental protection. Monitoring and managing its direct impacts on the environment with its environmental management system, Otokar takes strategic initiatives that enhance the environmentally friendly features of its products.

Otokar has been attaching importance to the environment since its foundation in 1963. When relocating its facilities to Sakarya in 1997, the Company established treating facilities during the construction of the factory and became the first company in the province of Sakarya to receive the discharge permit during the commissioning stage.

Otokar's Environmental Policy may be accessed by its suppliers, respective agencies and the general public. The environmental policy is built on two basic principles: compliance with the law and related legislation, and creating and perpetuating systems that aim to ensure effective use of natural resources and protect the environment.

## Otokar's Environmental Policy

Otokar,

- accepts the mission of raising the awareness of the public and organizations which it is in direct or indirect interaction with, during the process of producing and presenting the products, and fulfills its environmental responsibilities to its local and regional neighbors;
- creates and perpetuates systems that aim to ensure the effective use of natural resources and protect the environment.

In line with this policy, Otokar:

- Follows environmentally related publications and acts in compliance with the relevant law and regulations,
- Minimizes and controls the discharge of waste material through its environmental management system,
- Supports all of its personnel and suppliers to be more sensitive to environment,
- Shares its environmental targets and objectives with its suppliers, respective agencies, and generally, the public,
- Directs its environmental activities so as to support other policies, and
- Promises continuous improvement in its environmental performance.

## Otokar's Environmental Investments – From 1995 to Present

1995	Receipt of the environmental impact assessment (EIA) report	2000	Forestation of the Hanlıköy intersection
1995	Setup of the biological wastewater treatment plant	2001	Automation of the sand filter in the biological wastewater treatment plant
1995	Setup of the process wastewater treatment plant	2002	Launch of efforts for the ISO 14001 certification of the trailer manufacturing facility
1995	Setup of the closed-loop water cooling towers	2003	ISO 14001 certification for the trailer manufacturing facility by expanding the scope of certification
1995	Planting in the environment	2003	Natural gas starts being used
1996	Start using 50% fuel oil and 50% diesel	2004	Forestation of Sakarya University's campus
1996	Setup of the laser cut counter air cleaning system	2005	Forestation of the Arifiye intersection
1996	Setup of the ACC wastewater treatment plant	2008/09	Installation of a line from the new wastewater treatment plant to the industrial wastewater treatment plant
1996	Receipt of the discharge permit	2008/09	Use of more energy efficient blowers in biological wastewater treatment plants
1997	Setup of the welding gas air cleaning system	2009	Forestation work in the new facility area, around the Sakarya governor's office and along the TEM highway
1997	Contract with İzaydaş AŞ	2010	Revision to the mixing system of the industrial wastewater treatment plant
1997	Launch of efforts for the ISO 14001 Environmental Management System	2011	Setup of the rainwater collection system
1997	Setup of the trailer dyed wastewater treatment plant	2012	Switching to the 2K painting system in the trailer final layer paint shop
1997	Setup of the integrated wastewater treatment plant for the Otoyol – Otokar trailer manufacturing facility	2012	Use of energy-efficient lights in production lines
1998	LPG investment	2012	Use of less waste producing electrostatic paint guns in paint shops
1998	Receipt of the emission permit	2013	Setup of the solvent collection system in paint shops
1998	ISO 14001 Environmental Management System certification	2013	Water heating with solar panels
1998	Setup of the oil separator in the process wastewater treatment plant	2013	Variable-speed compressors start to be used
1999	Automation of the process wastewater treatment plant	2013	Efficient motors start to be used
1999	Gas saving in gas metal arc welding processes	2013	Planting of 600 trees and 3,000 ivies in the facility area

## An Environmental Protection Approach Which Goes Far Beyond Legal Requirements

### Otokar's Environmental Investments Highlights

(For the period until today)

## Otokar Arifiye

Total environmental investment

**USD 1.4 million**

Operating cost of environmental investments

**USD 122,000**

### Carrying out manufacturing activities within the scope of the ISO 14001 Environmental Management System

Otokar launched its efforts to obtain the ISO 14001 Environmental Management System (EMS) certification in late 1997. Having received the ISO 14001 EMS certificate in 1998, Otokar has become one of the first companies in the automotive sector to comply with this standard. The ISO 9001 and ISO 14001 certificates are valid for Otokar's facilities in Sakarya and headquarters in Istanbul.

Otokar also received the ISO 14001 EMS certification for its trailer manufacturing facility in 2003 and its new facility in 2009.

The senior management established its environmental policy to ensure that it forms a general basis for the creation and review of Otokar's quality and environmental targets; and informed all employees of this policy. By using the Quality Document Management System (QDMS) software and the notification boards in production facilities and administrative building, the Company aims to ensure that its quality and environmental policy is communicated and understood by all of its employees.

No instances of impropriety with respect to compliance with the Environmental Management System or environment-related legislation was identified in Otokar in 2013 during the ISO 14001 audits performed by Bureau Veritas, the environmental audits performed by the Koç Holding Audit Department or the consolidated environmental audits performed by the Ministry of Environment and Urbanization. Otokar's efforts drew strong acclaim.

In addition, management systems are subject to an internal inspection each year in accordance with the previously prepared inspection plan. In this procedure, the Company's environmental process performance indicators and the work carried out by the Company to achieve its process-related targets are inspected.

### Otokar's Environmental Management Team

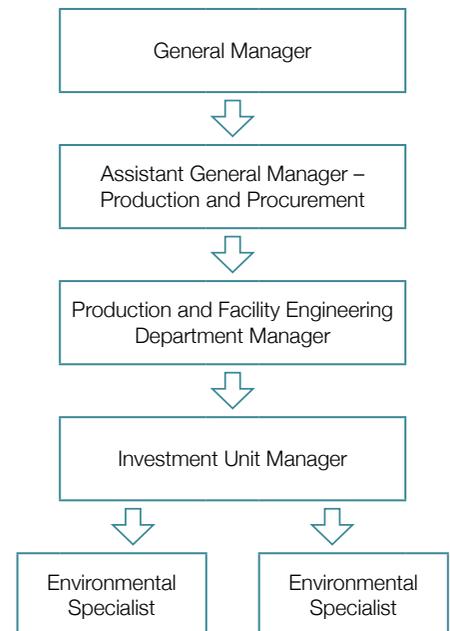
At Otokar, environmental activities are conducted by the Production and Facility Engineering Department under

the supervision of the Head of the Production and Facility Engineering Department (Environmental Management Representative) and the Director of the Investment Unit.

Two environmental specialists and two operators (who are vocational high school graduates) are employed in the environmental management team.

### Environmental Management Unit

Otokar's Environmental Management Unit comprises of 2 certified environmental engineers who hold an environmental technician certificate and a unit manager. Otokar is the first industrial facility in Sakarya to have an environmental management unit certified by the Ministry of Environment and Urbanization. Otokar is subject to the List Annex-1 according to the "Regulation on Permits and Licenses in Accordance with the Environmental Law". Pursuant to this regulation, two environmental technicians are employed by the Company.



It is the general manager's responsibility to ensure that all decisions taken concerning and activities involving environmental management at Otokar are in compliance with the Company's other policies and applicable regulations.

Otokar determines its vision and strategies in parallel with the vision and strategic targets of the Defence Industry, Other Automotive, and the Information Group at Koç Holding, its parent company. In this context, Otokar prepares long-term plans in accordance with its 5-year strategies and targets before setting annual targets as part of the business programs established by the Company. Otokar also sets departmental and personal targets in line with the created business program and the Company's targets. Process performance indicators are also taken into account when setting targets. Targets are monitored through the target card system and evaluated within the scope of the performance management system by the end of the year.

Otokar's senior management regularly holds meetings where management systems are discussed and reviewed for their legal compliance, capability and effectiveness.

The process of determination, evaluation and management of annual environmental goals and targets has been defined in the Procedure of Determination of the Management Systems Environmental Goals, Targets and the Management Program.

Pursuant to its Environmental Policy, Otokar works to the basic principle of taking preventive actions to define, evaluate and check the risks and impacts of its activities. The working environment, as well as the work performed and the tools and equipment used by the Company during the evaluation of such risks and impacts are considered as a whole.

Environmental impacts caused by Otokar's activities are evaluated from all aspects. The specific analysis of these impacts is performed in the Environmental Effects Register (EER). Besides the impacts identified within the scope of the EER, the EER is updated when new environmental impacts are identified during the internal inspection of management systems, during the ordering of new materials, or during new investments. The processes related to the prevention of environmental pollution,

assurance of environmental impacts, environmental inspections and disposal of hazardous waste are conducted effectively and in accordance with predefined procedures.

The tools and test equipment used by Otokar in environmental measurements and analysis (such as water, wastewater and emissions) are calibrated, configured and/or validated on a regular basis in Otokar's calibration and testing laboratories or at the internationally recognized centers outside the Company.

Within the framework of Otokar's Management Systems, the Production and Facility Engineering Department checks whether the requirements of the environmental law and other liabilities are applied and/or fulfilled. The Company keeps abreast of environmental legislation through the Official Gazette and Lebib Yalkın (a legislation publishing house).

As a result of the improvement work, electricity consumption declined by 12.5%, natural gas consumption by 5.5% and water consumption per unit/department (equivalent vehicle) fell by 27% YoY in 2013.

Likewise, electricity consumption, natural gas consumption and water consumption per unit/department (equivalent vehicle) reduction targets were set for the year 2014.

Otokar even attaches greater priority to the selection of systems minimizing waste production than it does to waste disposal. The Company had paid for waste disposal until 2012. As a result of the improvement work, the Company began to generate income from waste in 2013, because the waste is used by recycling companies for energy generation and recycling.

In order to reduce the amount of contaminated waste, the Company has conducted analysis and improvement at the source, provided employees with training in the field and added more waste bins wherever necessary. As a result of these efforts, the amount of contaminated waste per unit/department (equivalent vehicle) fell by nearly 40% YoY in 2013.

“

Pursuant to its Environmental Policy, Otokar works to the basic principle of taking preventive actions to define, evaluate and check the risks and impacts of its activities.”



## An Environmental Protection Approach Which Goes Far Beyond Legal Requirements

“

Otokar's Environmental Laboratory, which includes high-tech devices such as a BOD (Biological Oxygen Demand) measuring device, spectrophotometer, drying oven, precision balance, pH-meter, pure water device and flue gas emission device, is able to perform almost all sectoral analyses. ”



In order to reduce the amount of paint sludge, the Company has expanded the use of electrostatic paint guns in paint shops. As a result of these efforts, the amount of paint sludge per unit/department (equivalent vehicle) fell by nearly 13% YoY in 2013.

### Otokar's flue gas emissions

There are 130 sources of emission in Otokar's Sakarya Factory.

Otokar holds an environment permit, so a periodic emission measurement of such sources is performed by an independent accredited institution every two years. The emission levels in 2013 were found to be within their legal limits.

### Otokar's wastewater treatment plants

There are a total of 5 wastewater treatment plants in Otokar's Factory; two of which are domestic with the remaining three being industrial treatment plants. Otokar holds two permits for discharging wastewater: one for discharging to the receiving environment (Çark Creek) and one for discharging to the municipality's sewage system (SASKI).

Wastewater treatment plants in Otokar's Factory:

- Biological (domestic) wastewater treatment plant
- Industrial wastewater treatment plant
- ACC line wastewater treatment plant
- Dyed wastewater treatment and recycling plant
- Biological wastewater treatment plant in the new facility

### Total amount of recycled, recovered and reused water

In Otokar's Factory, rainwater is collected from the roof and surroundings of the trailer manufacturing building. The collected water is reused in post-welding leakage tests performed at the Tanker Production Line.

### Energy saving achieved through efforts aimed at reducing energy consumption and increasing energy efficiency

The amount of energy saved (in electricity or natural gas terms) by Otokar through use of energy efficient materials and equipment during the reporting period is shown below.

As a result of the improvement work, electricity consumption declined by 12.5% YoY, natural gas consumption declined by 5.5% YoY and water consumption per unit/department (equivalent vehicle) fell by 27% YoY in 2013.

### Otokar's Environmental Laboratory

Water and wastewater tests are performed at the Otokar Environmental Laboratory, which operates within Otokar's Factory. The laboratory, which includes high-tech devices such as a BOD (Biological Oxygen Demand) measuring device, spectrophotometer, drying oven, precision balance, pH-meter, pure water device and flue gas emission device, is able to perform almost all sectoral analyses.

### Otokar is engaged in various activities to reduce air pollution.

With its investment in 2004, Otokar has given up using LPG and switched to natural gas in order to prevent air pollution and to eliminate the risk of accidents that may arise during transportation with tankers.

In another project, the Company launched the 2K automatic paint feeding and mixing system, thus reducing consumption of paint and thinner in color changes.

By starting to use HVLP and electrostatic paint guns, the Company ensured more effective painting with a lower use of paint and reduced the amount of paint waste.

Otokar enables the efficient operation of combustion systems through periodic checks and maintenance. The boiler flue emissions are measured twice each month with Otokar's emission measuring devices and the necessary measures are taken. All other emissions are measured and reported by accredited agencies at frequencies specified in the respective regulation.

Otokar maintains its efforts on alternative chemicals in order to reduce the amount of VOC (Volatile Organic Compounds) in surface cleaning before painting.

### Recognition for Otokar's environmental approach

Otokar's environmental activities have been rewarded by various organizations. The Company was granted third prize in the category of "Environmental Management and Corporate Social Responsibility in Large Scale Corporations" by the Istanbul Chamber of Industry (ISO) in the 2012 Environmental Awards. The award was handed to the Company executives in early 2013. Otokar was also granted the "Turkey's Cleanest Industrial Plant" award by the Ministry of Environment and Urbanization.

Otokar supports a number of projects aimed at contributing to the development of environmentally friendly products. Some of the primary projects sponsored by the Company include:

- Saguar Team from Sakarya University – Solar Car,
- Hidrocartal (Hydrogen Car),
- The Shell Eco Marathon Hydrogen Vehicle,
- Seth Shell Eco Marathon Hydrogen Vehicle,
- METU Hy-tech Hydrogen Car,
- Boğaziçi University – Steam Vehicle,
- Shell Eco Marathon Hydrogen Car,
- Istanbul Technical University – Tesla Fuel Cell Electric Vehicle

As a member of the Koç Group's Environment Board, Otokar attends monthly meetings and contributes to Group companies by sharing information concerning best practices and their methodology. The Company also conducts similar work in the Automotive Industrialists' Association (OSD) and TÜSİAD's (Turkish Industry & Business Association) Environmental Study Groups.

Otokar is also in dialogue with other Koç Group companies, the members of the OSD (Automotive Industrialists' Association), TÜSİAD (Turkish Industry & Business Association) and ISO (Istanbul Chamber of Industry), and the companies in the Sakarya area. Otokar is also in contact and cooperation with these companies with respect to short- and long-term legislative changes, directives for EU compliance, local restrictions and investments.

Operating under Otokar, the "Ekokar Environment Club" is engaged in various in-house and external activities on energy and the environment. On the Environment Days on June 5th, the Club hosts joint events with the municipality in a bid to raise public awareness on the subject.

During the Environment Week, events organized by the Ekokar Environment Club are open to all Company employees and the people living in regions where the Company operates.

### Otokar's environmental related means of communication

- Koç Group's corporate social responsibility reports covering all group companies, including the Otokar
- "Otokar Hattı" Bulletin
- Environmental Bulletin
- OHS Bulletin
- Subsidiary Industry Training sessions
- Handbooks aimed at raising Environmental Awareness

In addition, the Company hands out Environmental Service Awards to employees every year in accordance with its Rewarding System. In this context, employees exhibit their respective projects and the best project identified as a result of the evaluation conducted based on the following criteria is granted the "Environmental Service of the Year" Award:

- Reducing consumption of natural resources (such as water, electricity, natural gas, LPG)
- Ensuring use of alternative recyclable products or increasing the volume of recycled products
- Performing process improvements that will reduce or completely remove waste
- Producing recoverable solid/liquid waste instead of hazardous/harmful waste by changing raw materials in the process
- Taking preventive actions against environmental accidents
- Conducting activities to further improve the Company's image with respect to environmental protection
- Increasing the effectiveness of Otokar's Environmental Management System

# 2012

## Environmental Awards

Otokar was granted third prize in the category of "Environmental Management and Corporate Social Responsibility in Large Scale Corporations" by the Istanbul Chamber of Industry (ISO) in the 2012 Environmental Awards. The award was handed to the Company executives in early 2013.

## An Environmental Protection Approach Which Goes Far Beyond Legal Requirements

# IPCC

## IPCC 2006-Tier 1

IPCC 2006 – Tier 1 is used as the calculation method for direct and indirect emissions.



### Tackling climate change

Climate change, in the form of global warming caused by the increasing emissions of greenhouse gases, is one of the most pressing environmental problems faced by world today. Scientific research demonstrates that continued global warming will have serious consequences not only for natural life, but also for social and economic development. Otokar is taking the problem of climate change seriously, and determines, projects and rapidly implements its functions accordingly. Its activities and investments focused on the struggle against climate change are by no means seen and treated as a cost-increasing factor. Instead, Otokar considers this issue as an area of investment with significant potential to create new jobs and employment opportunities as the “low carbon economy” approach gradually becomes more popular.

In addition to its in-house initiatives aimed at tackling climate change, Otokar also plays an active role in conjunction with Koç Holding in the activities and initiatives undertaken by NGO platforms with the participation of international organizations, governmental bodies and the business world.

Otokar carries out its activities in line with Koç Group’s Climate Change Strategy and 2020 Strategic Plan for Greenhouse Gas emissions for 2020, which also covers products, operations and production processes, suppliers and customers.

<http://www.koc.com.tr/en-us/corporate-social-responsibility/environmentally-friendly-practices/climate-change-and-emissions-management>

A Greenhouse Gas Report is prepared each year to monitor greenhouse gases, energy consumption and the use of natural resources at the factory.

Greenhouse Gas Reports include direct and indirect greenhouse gas emissions caused by all of Otokar’s facilities in Arifiye, Sakarya.

The report is based on two pillars:

1. Compliance with the ISO 14064-1:2006 Standard and
2. Verification of Otokar’s direct and indirect (energy-based) greenhouse gas emissions

The Greenhouse Gas Report is open to official authorities, as well as the executives of Koç Holding companies as well as auditors and committees visiting the factory with respect to the Company’s application for various awards, initiatives, projects and other reasons.

The sources of emissions are gathered under two main groups.

1. Direct greenhouse gas emissions sources
  - 1.1 The burning of fuel in boilers for heat generation
  - 1.2 Physical and chemical processes (such as the leakage of air conditioning refrigerant)
2. Energy-based indirect greenhouse gas emission sources

The calculations, measurements and their combinations set forth in item 4.3.3 of the ISO 14064-2006 Standard have been defined as an alternative method to calculate greenhouse gas inventories.

ISO 14064 was applied as the reporting standard. Moreover, some of the important criteria set forth in the GHG Protocol Standards have been taken into account.

### Direct and indirect emissions and calculation methods

IPCC 2006 – Tier 1 is used as the calculation method.

Natural gas is used in boilers and processes for heat generation. The total amount of natural gas consumption is monitored through gas meters. Emissions resulting from the filling of air conditioning refrigerant during the mounting process are calculated as the volume of leakage per vehicle and in accordance with IPCC 2006.

Indirect emissions, on the other hand, are caused by purchased electricity. Here, the coefficient valid for Turkey’s electric network is used according to the IPCC 2006 method.

**Scope of greenhouse gas emissions**

In greenhouse gas reports, values related to the greenhouse gas emissions caused by Otokar’s facilities in Sakarya are indicated as Scope-1 and Scope-2.

**Absorption sources**

Otokar’s Sakarya facilities are located on an attractively landscaped area and the Company carries out forestry efforts in the region every year. These trees have grown into a significant source of absorption. However, the total amount of emissions absorbed by trees is not included in the reports.

**Reliable calculation and measurement of greenhouse gas emissions**

Natural gas consumption figures are officially monitored through gas meters. The Company pays its natural gas bills to AGDAŞ based on the values read on the meters.

Likewise, electricity consumption is also controlled through official meters and the Company pays its electricity bills to SEDAŞ based on the meter readings.

The specifications of the vehicles to be manufactured are entered into the SAP system by the Production Planning Department and the purchase and production processes are conducted accordingly. The number of vehicles with air-conditioning is stated in the vehicle specifications table, while the quantity of greenhouse emissions produced by the filling of the air conditioning refrigerant is calculated based on the number of such vehicles.

The total volume of the Company’s greenhouse gas emissions per unit (equivalent vehicle) decreased by 8% YoY in 2013.

**Biodiversity**

Otokar undertakes and involves itself in reforestation and afforestation projects every year. It supported the TEMA Foundation’s efforts to combat soil erosion by taking part in the foundation’s “10 Billion Oaks” campaign.

On the occasion of Otokar’s 45th anniversary, 45,000 saplings were planted in Pamukova township. Among the major projects of this nature that have been completed to date, mention may be made of the following:

- 9,000 m<sup>2</sup> of land at the Hanlıköy junction was planted with 500 trees.
- Otokar employees planted 1,250 trees on the campus of Sakarya University.
- 6,500 saplings were planted along the TEM motorway and on the grounds of the Sakarya governor’s headquarters.
- 168 saplings were planted in the name of those who took part in the “Donate Blood For My Country” campaign organized by Koç Holding.
- 3,250 saplings were planted in the Hendek section of the TEM motorway.
- 3,250 saplings were planted in the Camili district.

Reforestation projects undertaken during the most recent three years:

	2011	2012	2013
Number of trees planted	2,000	3,000	3,600

**As one of the automotive industry’s most active participants, Otokar attaches the utmost importance to the use of clean energy and alternative fuels and carries out its development activities by taking these two criteria into account.**

**Working to produce an alternative fuel buses since 2005**

Having manufactured Turkey’s first hybrid bus, the first medium-size CNG bus and first electric bus, Otokar has proven proves the achievement it has reached in the area of R&D.

With its vehicles, Otokar aims to create a cleaner environment, to pave the way for quieter traffic, to lower its operating costs and to achieve higher efficiency.

Turkey has recently begun to take swift and positive steps to reduce exhaust emissions within the framework of its EU compliance criteria.

Like all other manufacturers, Otokar strives to reach the levels designated in EU criteria. In metropolises where environmental problems are felt most intensively, Otokar uses the environmentally friendly EEV engines in its “KENT” branded buses, which were designed and manufactured to be used in mass transportation.

The use of cleaner and more efficient energy will become one of the most important topics on the agenda in the future. Otokar is determined to delicately carry out its environmentally friendly manufacturing activities, which prevent air pollution and contribute to the Turkish economy.

**Initiatives to reduce the environmental impact (other than energy consumption) of the Company’s products and services**

**Emissions**

Otokar switched from the Euro-V exhaust emission level to the Euro-VI exhaust emission level for its Vectio and Territo brands, and began to manufacture its first vehicles. The Company has already exported the first series of Vectio C Euro-VI vehicles.

With no exhaust gas emissions, the electric bus - the Vectio (Doruk) Elektra - successfully completed trial runs in Istanbul (IETT), Izmir (ESHOT and İZULAŞ), Samsun (Metropolis Municipality) and Antalya (Metropolis Municipality), distinguishing itself as an environmentally friendly vehicle.

**Noise**

All manufactured vehicles meet the requirements set forth in noise-related regulations in effect.

Being so quiet, the electric bus - the Vectio (Doruk) Elektra - offers a significant benefit for the environment, while offering passengers a higher level of comfort during their journeys.

# Otokar's Employees Are the Architects of Sustainability

	2012		2013	
	Number of Employees	%	Number of Employees	%
<b>Breakdown of employees by gender</b>				
Total	2,281		2,264	
Women	84	3.7	99	4.4
Men	2,197	96.3	2,165	95.6
<b>Breakdown of employees by type of employment</b>				
White-collar	595	26.1	640	28.3
Blue-collar	1,686	73.9	1,624	71.7
<b>Breakdown of employees by labor contract</b>				
For a definite period of time	193	8.5	1	0.0
For an indefinite period of time	2,088	91.5	2,263	99.2
<b>Breakdown of employees by type of work</b>				
Full-time	2,281	100	2,264	100
Part-time	0	0	0	0

	2012			2013		
	Women	Men	Total	Women	Men	Total
<b>Breakdown of Board members by gender</b>						
Chairman		1	1		1	1
Members		8	8		8	8
<b>Breakdown of members of the senior management by gender</b>						
General Manager		1	1		1	1
General Manager Assistants		5	5		5	5
Mid-Level Managers	4	65	69	3	66	69

<b>Breakdown of employees by education background</b>	White-Collar	Blue-Collar	Total
Doctorate's degree	4		4
Master's degree	161		161
University graduate	395	24	419
Vocational high school graduate	63	195	258
High school graduate	16	841	857
Other	1	564	565
Labor force turnover rate	6.72%		

## In 2013

- 187 blue-collar workers and
- 92 white-collar workers joined Otokar.

40 of the 92 newly hired white-collar employees started working in the R&D center as engineers. The total number of people employed at Otokar's R&D center had reached 488 by the end of 2013.

### Otokar attaches special importance to protecting human rights.

As a member of the Koç Group, Otokar attaches special importance to protecting human rights and strives to increase its performance in this area in its business processes through related policies and practices.

In line with shared principles of the Koç Group, Otokar does not practice any discrimination based on language, ethnicity, gender, political view, philosophical view, religion, denomination or on any other matters in business relations. Otokar requests all of its stakeholders in the value chain to adopt its sensitive approach in respecting human rights and therefore, goes to great lengths to raise their awareness on this issue.

Otokar attaches the highest importance to internationally proclaimed human rights and their practices with the principle found in the article 3.8.2 of the Koç Group Code of Conduct which states, "Acting in accordance with the principles specified in the United Nations Global Compact, and being an example of corporate citizenship with our employees, dealers, suppliers and authorized service centers."

Otokar aims to maintain a modern business environment where human rights are fully respected. With the target of being a sustainable employer with the strength it derives from its employees, Otokar's HR department pursues a strategy of creating a warm and people-oriented environment, where employees have mutual trust and respect for each other.

The "Equality at Work Platform" is one of the most comprehensive initiatives to have been established under the auspices of the Ministry of Family and Social Policies in cooperation with the World Economic Forum in order to narrow the gender gap in the community. As a member of the Koç Group, Otokar accepts the "Equality at Work" Declaration released by the "Equality at Work Platform".

Accordingly, Otokar has undertaken that it will voluntarily abide by the following principles to eliminate gender-based discrimination and play a key role in the dissemination of these principles throughout Turkey:

- 1- We respect human rights. We uphold the basic principle of equality with respect to all of our employees.
- 2- We ensure the health, safety and wellbeing of all of our employees, regardless of gender.
- 3- We especially support the participation of women in the work force.
- 4- We define the criteria of equal opportunities for both men and women in all our Human Resources policies.
- 5- We adhere to and pursue the policy of an equal wage for equal jobs.
- 6- We establish the necessary mechanisms so that career opportunities are equally available to all.
- 7- We formulate training policies, monitor and take special care to ensure the participation of women.
- 8- We establish a working environment and practices that will maintain a balance between work and family life.
- 9- We disclose our equality of opportunity plan and the developments regarding our gains in this respect through both internal and external channels.
- 10- We ensure that this declaration is disseminated throughout our entire sphere of influence (including our business partners and our suppliers).
- 11- We assign a leadership team to follow up on the matters included in this declaration.

### Otokar's Personnel Regulation arranges the process of recruitment, career management, performance management and remuneration, and training and development planning.

Designated within the framework of Otokar's Human Resources Policy, areas encompassing recruitment policies, career planning, performance and remuneration management, along with training and development policies for employees are handled within the scope of the Personnel Regulation.

“

Our Human Resources Policy aims to achieve continuous improvement, motivation and loyalty of our qualified human resources to the family of Otokar. ”

## Otokar's Employees Are the Architects of Sustainability

The general manager ensures that all decisions taken concerning and activities involving human resources at Otokar are in compliance with the Company's other policies and applicable regulations.

Otokar's HR practices are carried out in line with the Human Resources Policies implemented by the Koç Group. Hence, rights and working conditions of both white-collar and blue-collar personnel are assured, so they are not subject to any abuse or discrimination. No complaints were received with respect to this issue during the reporting period.

Duties of the Company's personnel are defined in writing and shared with employees. Through the Koç@insan electronic platform, the Company is engaged in increasing and rewarding its employees' performance.

By using this platform which is a means of communication open to all employees, the Company shares its targets with its employees and evaluates employees based on their performance in achieving these targets. The results are shared with employees during the feedback meetings.

At the end of the year, managers of all levels are supposed to make performance feedback interviews with their subordinates. Outcomes derived from these interviews are used for training and development planning process. High performers are recognized and differentiated. Whereas underperforming employees, manager, section manager and the underperforming employee come together in half year performance feedback interviews. All the parties reach a consensus on expectations, progression and achievements at the first half of the year. Additional development plans may be defined in these sessions.

As for blue-collar employees, their score cards composed of technical and behavioral competencies. After performance evaluation period, we define development areas for underperforming employees. Until the first half of the year they attend training programs related to the specified development areas. At the

beginning of the second half, we make half year performance evaluation in order to measure their progress. For blue collar team leaders, balanced score cards are used to evaluate their performance. As having a crucial role in managing blue-collar, team leaders' target integration to the organizational goals is the main point of this system.

In these performance review processes, 100% of employees receive performance feedback at the end of the year.

### Otokar's Remuneration Approach and Policy

Otokar applies a systematic approach with respect to the remuneration of its white-collar employees, an issue managed within the framework of Koç Group's Remuneration System. Employee pay and benefits at Otokar are determined in line with fair and competitive policies and based on the latest market conditions with respect to remuneration. The duty and responsibility of the employee represent the basic criteria in the determination of pay at Otokar. No discrimination is carried out on the basis of gender in determining remuneration. Remuneration paid to out-of-scope employees is evaluated and determined based on the difficulty, knowledge required and the responsibilities of the position.

The remuneration and other rights and benefits of blue-collar employees of Otokar are designated in the Collective Labor Agreement, which signed at the end of the collective bargaining held with the union.

For detailed information about Otokar's human resources practices, please visit the Company's website.

The remuneration policy determined by Otokar defines the related systems and practices for the remuneration of Board members and senior managers, who have executive responsibility pursuant to CMB regulations.

For Otokar's Remuneration Policy, please visit the Company's website.

### Occupational health and safety - a key element of business life for Otokar

For Otokar, occupational health and safety (OHS) is one of the key elements of business life.

#### OHS organization at Otokar

At Otokar, OHS activities are carried out by the Occupational Health and Safety Unit under the Human Resources Department. The unit comprises of an OHS unit manager, 2 OHS experts, 2 on-site doctors and 3 health officers.

Within the scope of the occupational health and safety program, an Occupational Health and Safety Committee has also been set up at Otokar. Comprising of 13 members from different departments, the committee convenes on a monthly basis. It carries out its activities in accordance with the provisions of the Regulation on Occupational Health and Safety Boards.

Otokar conducts its activities on occupational health and safety in accordance with the national occupational health and safety legislation that it is subject to, as well as the provisions set forth in the collective labor agreements signed by and between the Company and the unions.

At Otokar, in accordance with the legislation in effect in Turkey, all newly hired employees undergo physical examinations during the recruitment process and are evaluated by on-site doctors for compliance with the jobs that they are assigned to, also taking into account the risks present at the locations where they will be working. Likewise, all employees undergo physical examinations on a regular basis in accordance with the relevant legislation.

### OHS training at Otokar

In line with the requirements of the respective legislation, Otokar provides all employees with 12 hours of OHS training during the recruitment process and once every two years. In addition, employees are offered on-the-field One Topic Training, which are prepared based on risk evaluations.

Otokar provided 11,027 man-hours of training on Occupational Health and Safety to its employees in 2013.

### OHS performance data

The occupational accident rate is the main indicator demonstrating Otokar's OHS performance.

The Company keeps track of this parameter throughout the entire factory and on a unit basis and provides each unit with next year's target, which is calculated based on that unit's current performance value. These efforts have helped the Company reduce the occupational accident rate by 30% over the last three years.

### Provisions in the collective labor contract with respect to occupational health and safety

In addition to the legislation on occupational health and safety, Otokar also meets its responsibilities within the scope of the collective labor agreement. In this context, as an employer Otokar undertakes to completely meet the conditions of a modern workplace (drinking water, hot and cold showers, air conditioning, lighting, and so on).

Union representatives are also present in Otokar's Occupational Health and Safety Committee as employee representatives. In committee meetings, the opinions, recommendations and complaints tabled by union representatives with respect to OHS-related issues are also evaluated.

In Otokar, where all employees regularly undergo physical examinations with lung X-rays, in addition to social security insurance, the Koç Foundation Private Health Insurance is offered to all employees and their families.

### Otokar offers its employees the opportunity to partake in sporting activities.

Otokar has sports facilities like basketball court and football field that are available to all employees. The Company organizes volleyball, football, basketball, bowling and athletics tournaments from time to time. Moreover, the tennis, diving, skiing and sailing clubs which operate under Otokar encourage employees to participate in sporting activities outside the Company as well.

The Company also enters special discount agreements with various sports centers in Kocaeli and Sakarya for its employees.

### Union rights and union relations at Otokar

Maintaining harmony at work is a primary area of focus for Otokar.

In accordance with article 23, subsection 4 of the United Nations Universal Declaration of Human Rights and with the 2nd, 3rd and 4th articles of the agreement regarding individuals' right to organize and form unions concluded by the UN in 1948, Otokar protects the rights of individuals to affiliate with a union to the extent that such discretion is not in violation of local laws and regulations in the jurisdictions where it operates. Otokar respects freedom of unionization and the collective bargaining of employees.

Otokar is subject to the Group Collective Labor Agreement which was signed by and between the Türk Metal Union and MESS (Turkish Employers' Association of Metal Industries) on June 3rd, 2013. Having entered into effect on September 1st, 2012, the Group Collective Labor Contract covered all Otokar employees as of the reporting period.

There were no incidents of disputes or labor movements during the reporting period.

# 11,027 hours

## OHS training

Otokar provided 11,027 man-hours of training on OHS to its employees in 2013.

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With the target of being a sustainable employer with the strength it derives from its employees, Otokar's HR department pursues a strategy of creating a warm and people-oriented environment, where employees have mutual trust and respect for each other.”

## Otokar's Employees Are the Architects of Sustainability

“

In order to have dynamic, well-informed, highly competitive and qualified human resources which meet global standards, Otokar aims to correctly identify its employees' needs and to effectively meet these needs. ”

### Highlights from Otokar's Training Activities (2012 – 2013)

	2012	2013
Number of employees who participated in training	2,281	2,591
Total training time (man hours)	32,260.09	38,351.5
Average training time per employee (hours)	14.1	14.8

### Otokar's Training and Development Policy

Otokar carried out various activities in 2013 with respect to the training of its human resources.

In the face of the rapidly changing environment in the sector, Otokar is required to maintain its human resources, most of who are from the Y generation. For this purpose, the Company pursues a training and development policy that essentially aims to precisely identify employees' training and development needs and to support them through appropriate training programs.

In addition, Otokar's training and development management systems, which are applied by the Company to protect and improve its qualified human resources have been configured to support this policy. Thanks to these systems, the Company defines people's training needs precisely and in a timely manner and supports its employees through appropriate training activities. As a result, in order to have dynamic, well-informed, highly competitive and qualified human resources which meet global standards, Otokar aims to correctly identify its employees' needs and to effectively meet these needs. Acting upon these dynamics, the Company has shaped its training policy in line with its targets and strategies with the purpose of maintaining its presence under today's competition conditions, to ensure the personal development of our employees and to maximize their performance, knowledge and skills.

In addition to work area specific training and development practices, Otokar employees use Koç Akademi, which is a platform of learning, development and sharing.

In 2013 Otokar offered long-term internship opportunities to a total of 22 students and summer internship opportunity to a total of 192 students from different universities within the scope of its "university-industry cooperation" program.

Technical tours were organized for students from the Departments of Electronics and Mechanical Engineering from Istanbul Technical University and Yıldız Technical University. In these tours, which were attended by nearly 150 students, students and academicians were informed of Otokar's R&D capabilities and the production technologies used in the Company.

### Highlights from training activities...

Within the scope of the training program with a 50% employment guarantee, which is jointly held by Otokar and İşkur, courses were held with the participation of a total of 121 people in the following areas in 2013: gas metal arc welding, CNC operation, auto electric work, automotive painting, basic manufacturing assembly work and basic manufacturing assembly work (for the disabled).

This project's module, which was conducted in conjunction with İşkur, was designed to support the aims of the disabled to ensure that the disabled gain certain professional competencies in the industrial sector and that a higher number are employed at Otokar. Having attended this 50% employment guarantee project, disabled employees received applied training on Otokar's production lines for a period of four months and 70% of the disabled people who completed the training were employed at Otokar.

The total number of disabled people employed at Otokar's factory in Sakarya and facilities in İstanbul reached 67 by the end of 2013.

**ORS Indicators (2011-2013)**

	Total Number of Recommendations	Number of Recommendations Implemented	Number of Recommendations per Employee
2011	2,613	1,079	3.08
2012	3,472	1,474	3.75
2013	3,060	1,087	2.94
TOTAL	9,145	3,640	

Within the scope of heavy and hazardous work, a total of 178 Otokar employees successfully completed the courses in surface painting, basic manufacturing assembly work and gas metal arc welding, and were presented with their certificates in 2013.

Founded under the coordination of the Ministry of Labor and Social Security, the Occupational Competence Agency organized certification tests in the following occupational branches: mechanical maintenance, automotive painting, automotive bodywork, sheet working, automotive assembly and sheet and body welding. Having passed these tests, 67 blue-collar Otokar employees were handed their Occupational Competence Certificate, which is also internationally recognized.

**Otokar Recommendation System (ORS)**

It is vitally important for companies to set the right targets with respect to business processes, efficiency and product/service quality in order to enable sustainability. The ORS (Otokar Recommendation System) is one of the most important processes which allows the Company to monitor its development in these areas based on objective data. The ORS is open to all Otokar employees.

Otokar employees may fill out the ORS Recommendation Form and upload it to the system through e-woom or Portokar. The form is evaluated by the employee's manager in the first stage; if deemed suitable, it is submitted to the Recommendation Evaluation Board and the Recommendation Evaluation Supreme Board for a final evaluation.

Addressing the improvements realized by the Company in its environment-energy

and OHS related practices with respect to business processes, efficiency and product/service quality, the ORS allows the Company to keep track of (i) the number of recommendations submitted by Otokar employees and (ii) the number of recommendations put in practice and the number of recommendations per employee, on an annual basis.

One of the primary objectives of all departments at Otokar is to ensure that the number of recommendations per employee increases at a certain rate each year.

Otokar employees forwarded a total of 3,060 recommendations to the system in 2013; 35 employees were awarded.

On the other hand, as a result of the pre-evaluation performed among a total of 81 projects from 20 companies under the Koç Group, Otokar reached the finals with the following 5 projects among 30 finalist projects:

Project	Award
<b>Cooperation Developers</b> White-Collar Category	Cooperation between Otokar and RMK Marine for Defence Industry Projects
<b>Creators of Customer Happiness</b> Blue-Collar Category	Inside Trim Assembly Improvement
<b>Those Making a Difference</b> Blue-Collar Category	Manufacturing of Special Vehicles on the Serial Assembly Line
<b>Creative Innovations</b> Blue-Collar Category	Removal of Window Scratches
<b>Those Adding Value to Life</b> Blue-Collar Category	Prevention of Environmental Leakages of Chemicals and the Recycling of Chemicals

As a result of the final evaluation made by the supreme board, Otokar, with its "Removal of Window Scratches" project, was granted the "Most Successful Koç figures of 2013" award in the Creative Innovations – Blue-Collar category.

# ORS

## Otokar Recommendation System

Otokar employees forwarded a total of 3,060 recommendations to the system in 2013; 35 employees were awarded.

# Otokar and Corporate Social Responsibility

“

Contributing to such efforts aiming to offer transportation for everyone and to create a livable environment, Otokar carries out various projects and takes initiatives that benefit the community. ”

**Within the systematic and long-term work carried out by Otokar within the scope of social responsibility, sustainability has been accepted as a basic component of its approach. A large part of the value created for society by these projects is realized in various fields such as sport, education and the environment.**

Contributing to such efforts aiming to offer transportation for everyone and to create a livable environment, Otokar carries out various projects in its production facilities in Sakarya, and takes initiatives that benefit the community. These projects and initiatives primarily aim to contribute and add value to the community in line with the Company's corporate social responsibility approach and ethical social rules. Otokar also supports social projects which employees may attend voluntarily.

In its corporate social responsibility activities, Otokar's philosophy is based on the following phrase of Mr. Vehbi Koç – the Founder of the Koç Group: "I live and prosper with my country." Working with the synergy which it has created with other Group companies and aware that its CSR activities yield more positive results with such synergy, Otokar has been supporting the project entitled "For my Country", which was launched by Koç Holding in 2006. With the "For my Country" project, which is based on the premise of disseminating individual entrepreneurship in line with the principles of responsible citizenship, Otokar has been engaged in an array of projects, such as extending support to local development, planting trees and donating blood. Information on the activities performed by all Koç Group companies, including Otokar, is available on the following website: [www.ulkemicin.org](http://www.ulkemicin.org).

Within the scope of the project, "For my Country", Otokar has been engaged in Koç Holding's project, "No Barriers for my Country", together with the Alternative Life Association (AYDER) and the United Nations Development Programme (UNDP); with this project, the aim is to be a role model in practices that will support the disabled in their business and social lives, creating a permanent impact while also raising social awareness and sensitivity towards those who suffer from a disability.

Within the scope of the "For my Country" project, Otokar - with five of its employees who volunteered to be instructors - provided training on the "Right Approach towards the Disabled" to a total of 1,477 people in and outside the Company. The following work was carried out within the framework of the project:

- The "Engelsiz Spor Şenliği" (Sports without Obstacles Festival), which has been supported by Otokar as the main sponsor, was held at the Atatürk Indoor Sports Hall in Sakarya on May 14th, 2013. Within the scope of the event, nearly 2,000 disabled children and young people who receive education in private training centers for the disabled in Sakarya, Bolu, Düzce and Kocaeli had the opportunity to enjoy sporting activities in various branches.
- A cooperation protocol was signed by and between Otokar and the Turkish Employment Agency's Provincial Directorate of Sakarya within the scope of the Specialized Employment Center Project (UMEM – Beceri 10). In this context, a decision was taken to provide 16 disabled individuals with training on "basic manufacturing and assembly techniques" for a period of 3 months in the company with engineers and technical personnel to be appointed by the Company; and to employ some of these individuals in Otokar. Accordingly, 5 out of the 7 disabled people who attended and successfully completed the training program were employed by Otokar.

- Serving as voluntary inspectors for the project, “No Barriers for my Country”, Otokar employees donated stationery supplies to the initiative, “Düşler Akademisi” (Academy of Dreams), held by Ayder for the children of poor families.
- Otokar sponsored the “Engelsiz Akademi” Sports Club for its participation in the Turkish swimming championship and met the club’s accommodation and transportation expenses.
- Otokar employees continued to donate battery-powered wheelchairs and hearing aids to disabled people.
- Otokar donated 300 white canes to Altı Nokta Körler Derneği (Six Point Society for the Blind).
- In Otokar’s Doruk (Vectio) and Kent branded buses, which provide access to passengers in wheelchairs, the Braille alphabet began to be used for the visually impaired. It was made part of the serial production process.
- The Company offered an information booklet entitled “Right Approach or the Disabled” with each vehicle sold.
- Members of the Ekokar Environmental Club provided training on the Environment and Saving Energy to a total of 155 students in three schools in Arifiye and Sapanca on World Environment Day on June 5th.
- Within the scope of the Koç Group project entitled “Vocational High Schools: A National Matter”, Otokar offered internship opportunity to a total of 113 final year students from industrial vocational high schools in its facilities in Sakarya and Istanbul during the 2013-2014 academic year, contributing to the employment of educated labor force.
- The International Türk Telekom Young Men’s Basketball Tournament, sponsored by Otokar, was held in Sakarya between February 1st-9th, 2013.
- Through a combination of in-house and external activities in 2013, Otokar organised the planting of 3,600 saplings.

#### Wide participation in environmental training sessions held within the scope of corporate social responsibility activities

In 2013 Otokar held environmental training sessions at the following schools within the framework of its corporate social responsibility approach.

- Arifiye, Hanlı Elementary School (5th-7th grades – 43 pupils),
- Sapanca, Alaçam Elementary School (5th-7th grades – 70 pupils) and
- Sapanca, Anadolu Sağlık Vocational High School (42 pupils)

Highlights from the activities conducted during the reporting period are given below:

- Otokar held an additional blood donation campaign with Kızılay (Red Crescent) as continuation of the project, “Donating Blood for my Country – 2010-2011”. Within the scope of the project, Otokar employees donated 164 units of blood.
- A book and toy safe had been set up following a suggestion from Otokar employees. With this safe, Otokar employees donated books and toys to preschool and elementary pupils in 4 schools in Sakarya.
- The Company donated one ventilator (respiratory device) and one monitor to the recently founded intensive care unit at the Sakarya Training and Research Hospital.

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Within the scope of the “For my Country” project, Otokar provided training on the “Right Approach towards the Disabled” to a total of 1,477 people with five of its employees who volunteered to be instructors.

”



Sultan MaxiCity

# About the Report

This is the first sustainability report published by Otokar.

The Company's sustainability performance as covered by this report is primarily concerned with a variety of economic, social and environmental issues. These issues are considered from the standpoints of stakeholders, corporate structure, the environment, human resources, and the community.

## Determination of the Report Content and Senior Management's Participation

The matters considered in Otokar's Sustainability Report were determined, in light of systematic and internationally recognized auditing procedures carried out at the Company in 2013, as a result of discussions and meetings with members of the Company's upper and middle management as well as on the basis of stakeholder feedback. During the preparation of the report content, the AA 1000 APS Standard ([www.accountability.org](http://www.accountability.org)) and the GRI Sustainability Reporting Principles (3.1) ([www.globalreporting.org](http://www.globalreporting.org)) were taken as a basis.

Otokar's senior management was provided with detailed information concerning this report during the presentation held in May 2014.

## Period covered by the report

Unless otherwise indicated, this report covers the period, January 1st, 2013 – December 31st, 2013. The information provided in this report will serve as benchmark in any future sustainability reports which Otokar may publish.

## Reporting cycle

Otokar will continue to report on its sustainability performance in 12-month intervals going forward. The Company expects to publish its next report by June 2015.

## Reporting structure and independent audit

Since its foundation, Otokar has been sharing information concerning its economic performance with regulators and its stakeholders through annual and interim reports and with the public through its corporate website.

This report, which is designed to offer stakeholders access to detailed and current information on Otokar's sustainability performance, serves to uphold the Company's traditions of sharing information, reporting and transparency.

The report is designed to demonstrate Otokar's accountability and transparency and to record its corporate performance, while also illustrating how sustainability is being integrated into all aspects of the Company's business. In addition, the report serves as a research and teaching tool for Otokar's internal and external stakeholders and spreads the best practices throughout the Company. The information contained in the sustainability report is supplemented by other Otokar reports and documents.

Otokar strives to ensure full data assurance for all significant sustainability data reported. In addition to the comprehensive internal metrics systems applied in Otokar and the Koç Group, the Company employs a variety of internal and external processes aimed at providing assurance that its operations are transparent and the information which it reports is accurate and truly reflective of its actual results. In this context, the following issues set forth herein are checked by the following agencies and institutes:

- Otokar's solo and consolidated financial information summarizing its 2013 economic performance, audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Ernst & Young Global Limited)
- Otokar's ISO 14001 EMS by Bureau Veritas Turkey

## Statement of compliance with GRI principles

Otokar declares that this report was prepared in accordance with Level A (+) of Global Reporting Initiative (GRI) Reporting Guide version 3.1 (please refer to the section, "GRI Index").

## How this report is published

Otokar's Sustainability Report was published in Turkish and English. The interactive electronic version of the report is available on the Company's website. The report may also be downloaded as a PDF file.

# GRI ALC Statement



## Statement GRI Application Level Check

GRI hereby states that **Otokar Otomotiv ve Savunma Sanayi A.Ş.** has presented its report "SUSTAINABILITY REPORT 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

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

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

Amsterdam, 14 October 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir  
Director Services  
Global Reporting Initiative



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

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 01 October 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

# G3 Content Index

	Application Level	B+	
<b>STANDARD DISCLOSURES PART I: Profile Disclosures</b>			
<b>1. Strategy and Analysis</b>			
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
1.1	Statement from the most senior decision-maker of the organization.	Fully	Chairman's Message, page 2-3
1.2	Description of key impacts, risks, and opportunities.	Fully	Chairman's Message, page 2-3
<b>2. Organizational Profile</b>			
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
2.1	Name of the organization.	Fully	Otokar Otomotiv ve Savunma Sanayi A.Ş.
2.2	Primary brands, products, and/or services.	Fully	Otokar's Operational Lines, page 10-11
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	Otokar in Brief, page 6-15 Please see page 4-5 and 14-15 of the Company's 2013 Annual Report at: <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a>
2.4	Location of organization's headquarters.	Fully	Aydınevler Mah. Dumlupınar Cad. No: 58 A Blok 34854 Küçükyalı İstanbul - Turkey
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	Otokar is headquartered in Turkey. The Company has also a subsidiary -Otokar Europe SAS- which operates only in France.
2.6	Nature of ownership and legal form.	Fully	Otokar is incorporated under the laws of the Turkish Republic. Ownership structure as of 31 December 2013: Koç Holding A.Ş. 45%, Ünver Holding A.Ş. 25%, Listed 30%
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	Having a wide portfolio of domestic and foreign customers, Otokar, delivers its products to customers in more than 60 countries, as well as in Turkey. Please also see pages 4-5, 14-15 of the 2013 annual report at: <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a>
2.8	Scale of the reporting organization.	Fully	Please see page 12-13. Total number of employees by year end 2013 is 2,264.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	There has not been any significant change during the reporting period.
2.10	Awards received in the reporting period.	Fully	Please see page 35-36
<b>3. Report Parameters</b>			
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	The full year 2013, from 01.01.2013 until 31.12.2013
3.2	Date of most recent previous report (if any).	Fully	This is the first sustainability report of the Company.
3.3	Reporting cycle (annual, biennial, etc.)	Fully	Annual from 1 January to 31 December
3.4	Contact point for questions regarding the report or its contents.	Fully	Ms. Beril Gönüllü, Ms. Selin Selçukkan, Corporate Communications Unit, Phone: (+90 216) 489 29 50
3.5	Process for defining report content.	Fully	The report content is based on an assessment of materiality, considering legal and regulatory requirements, Otokar's sustainability strategy and risk assessment and information requests from stakeholders. The Company used Tayburn's consultancy services to undertake the Materiality Analysis which was based on GRI's Guidance on Defining Report Content. All information collected throughout the reporting period, through various communication channels (see page 20-21) were analyzed, and issues material to the Company and its stakeholders were determined in close collaboration with Otokar's Corporate Communications Unit. The main sustainability issues have been gathered under the following main topics: • Customers • Suppliers • Employees • Community and the Environment

3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	The content of this report is limited to Otokar's own activities in Turkey.
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	Please see 3.6
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	This report does not cover the Company's subsidiaries.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	Fully	A variety of internal standards, data collection models and systems, as well as a rigorous internal and external audit process are used. Otokar conforms to external data reporting standards, and complies with legal requirements currently in force in Turkey.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	Fully	Provided primarily as footnotes to individual charts where data changed.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	This is the first sustainability report of the Company.
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	GRI 3.1 Content Index, page 48-56
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	Otokar did not seek an external assurance for the report.
<b>4. Governance, Commitments, and Engagement</b>			
Profile Disclosure	Disclosure	Level of reporting	Location of disclosure
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	Corporate Governance and Sustainability at Otokar, page 16-19. 100% of Board Members are male. There is no minority group representative in the Board of Otokar. The percentage of diversity indicators and minority groups is 0%. For Otokar Board Members' age information, please see page 19 of the 2013 annual report at: <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a> .
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	The Chairman is an executive member of the Board.
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	Otokar's Board of Directors comprises of a total of eight members, two of who are independent members. Please see page 36-37 of the Company's 2013 Annual Report at: <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a>
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	For full details please see Otokar's 2013 Annual Report, page 53 on <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a>
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Fully	Corporate Governance and Sustainability at Otokar, page 16-19. For further details please see Otokar's 2013 Annual Report, page 34-60 on <a href="https://www.otokar.com.tr/en/investor_relations/2013-annual-report-flipbook/index.html#12">https://www.otokar.com.tr/en/investor_relations/2013-annual-report-flipbook/index.html#12</a>
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	Corporate Governance and Sustainability at Otokar, page 16-19. For further details please see Otokar's 2013 Annual Report, page 34-60 on <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a>
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Fully	Corporate Governance and Sustainability at Otokar, page 16-19. For further details please see Otokar's 2013 Annual Report, page 34-60 on <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a>

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4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	Please see page 4-5
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	For full details please see Otokar's 2013 Annual Report, page 54-57 on <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a>
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	Otokar's Stakeholders, Stakeholder Relations and Top Priority Issues, page 20-22
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Fully	Otokar's Stakeholders, Stakeholder Relations and Top Priority Issues, page 20-22
4.14	List of stakeholder groups engaged by the organization.	Fully	Otokar's Shareholders, Stakeholder Relations and Top Priority Issues, page 20-22
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	Otokar's Shareholders, Stakeholder Relations and Top Priority Issues, page 20-22
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	Otokar's Shareholders, Stakeholder Relations and Top Priority Issues, page 20-22
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	Otokar's Shareholders, Stakeholder Relations and Top Priority Issues, page 20-22. The responses of Otokar to key topics and concerns are addressed throughout this report.
<b>STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)</b>			
G3.1 DMAs	Disclosure	Level of reporting	Location of disclosure
<b>DMA EC</b>	<b>Disclosure on Management Approach EC</b>		
Aspects	Economic performance	Fully	Summary Financial Information, page 12-13
	Market presence	Fully	Otokar in Brief, page 6-9
	Indirect economic impacts	Fully	A Focus and Determination on Raising the Value Offered to Customers, page 27-29.
<b>DMA EN</b>	<b>Disclosure on Management Approach EN</b>		
Aspects	Materials	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
	Energy	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
	Water	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
	Biodiversity	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
	Emissions, effluents and waste	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
	Products and services	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37 and A Focus and Determination on Raising the Value Offered to Customers, page 29.
	Compliance	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.
	Transport	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37 Suppliers: Key Pillars of Otokar's Value Chain, page 26
	Overall	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37 Suppliers: Key Pillars of Otokar's Value Chain, page 26

<b>DMA LA</b>			
<b>Disclosure on Management Approach LA</b>			
Aspects	Employment	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Labor/management relations	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Occupational health and safety	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Training and education	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Diversity and equal opportunity	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Equal remuneration for women and men	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
<b>DMA HR</b>			
<b>Disclosure on Management Approach HR</b>			
Aspects	Investment and procurement practices	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Non-discrimination	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Freedom of association and collective bargaining	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Child labor	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Prevention of forced and compulsory labor	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Security practices	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Indigenous rights	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
	Assessment	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
Remediation	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43	
<b>DMA SO</b>			
<b>Disclosure on Management Approach SO</b>			
Aspects	Local communities	Not	
	Corruption	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.
	Public policy	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.
	Anti-competitive behavior	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.
	Compliance	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.
<b>DMA PR</b>			
<b>Disclosure on Management Approach PR</b>			
Aspects	Customer health and safety	Fully	During the design and development stage of its products, Otokar subjects them to a battery of safety tests which, depending on product particulars, cover everything from stability while in motion to behavior in collisions. No banned materials or materials hazardous to human health are ever used as production inputs. Otokar invariably has its products certified for compliance with government regulations to ensure that they are road-legal and this compliance is attested to in their Type Approval certification. Such certification means that a product's production materials and processes have been approved through mandated testing that addresses both health and safety issues. Otokar products and manufacturing processes are homologated (certified as compliant with laws and regulations by official agencies) in every country in which the company has operations. This government approval is shown by means of a number or code that is affixed to a product.
	Product and service labelling	Fully	Otokar tags each and every one of its products in accordance with the requirements of laws and regulations. Otokar provides essential information about products by means of brochures, user's guides, and Type Approval certificates. Otokar also makes certain that consumers are properly and effectively informed about products both when it sells them the products and in its management of after-sales services.
	Marketing communications	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.
	Customer privacy	Fully	Otokar takes all due care to ensure the privacy of customer data and communications in the conduct of all of its dealings.
	Compliance	Fully	Corporate Governance and Sustainability at Otokar, page 16-19.

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STANDARD DISCLOSURES PART III: Performance Indicators			
Economic			
Indicator	Disclosure	Level of reporting	Location of disclosure
<b>Economic performance</b>			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	Summary Financial Information, page 12-13. For further details please see Otokar's 2013 Annual Report, page 42-47 on <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a> (Donations are disclosed on page 47 of the above referred link-Profit Distribution Proposal)
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37 Suppliers: Key Pillars of Otokar's Value Chain, page 26
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37. For further details please see Otokar's 2013 Annual Report, page 101 on <a href="http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html">http://www.otokar.com.tr/en-us/investorrelations/financialresults/AnnualReports/annual-report.html</a>
EC4	Significant financial assistance received from government.	Fully	Otokar does not receive any type of financial assistance or aid from the government.
<b>Market presence</b>			
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Fully	Suppliers: Key Pillars of Otokar's Value Chain, page 23-26
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	Otokar's employees are hired from the local population. The management at Otokar, including the CEO and assistant general managers, is Turkish.
<b>Indirect economic impacts</b>			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	A Focus and Determination on Raising the Value Offered to Customers, page 27-29
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not	
Environmental			
Indicator	Disclosure	Level of reporting	Location of disclosure
<b>Materials</b>			
EN1	Materials used by weight or volume.	Not	
EN2	Percentage of materials used that are recycled input materials.	Not	
<b>Energy</b>			
EN3	Direct energy consumption by primary energy source.	Partially	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 33-34
EN4	Indirect energy consumption by primary source.	Not	
EN5	Energy saved due to conservation and efficiency improvements.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not	
<b>Water</b>			
EN8	Total water withdrawal by source.	Partially	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 33-34
EN9	Water sources significantly affected by withdrawal of water.	Not	
EN10	Percentage and total volume of water recycled and reused.	Not	
<b>Biodiversity</b>			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37

EN13	Habitats protected or restored.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not	
<b>Emissions, effluents and waste</b>			
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not	
EN19	Emissions of ozone-depleting substances by weight.	Not	
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not	
EN21	Total water discharge by quality and destination.	Not	
EN22	Total weight of waste by type and disposal method.	Fully	An Environmental Protection Approach Which Goes Far Beyond Legal Requirements, page 31-37
EN23	Total number and volume of significant spills.	Not	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	
<b>Products and services</b>			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Fully	A Focus and Determination on Raising the Value Offered to Customers, page 27-29.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not	
<b>Compliance</b>			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	There have been no incidents of environmental fines or non-compliance during the reporting period.
<b>Transport</b>			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Not	
<b>Overall</b>			
EN30	Total environmental protection expenditures and investments by type.	Not	
<b>Social: Labor Practices and Decent Work</b>			
Indicator	Disclosure	Level of reporting	Location of disclosure
<b>Employment</b>			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not	
LA15	Return to work and retention rates after parental leave, by gender.	Not	
<b>Labor/management relations</b>			
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	The Group Collective Labor Contract covered all Otokar employees as of the reporting period.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Fully	Otokar fully conforms to the labor law, and complies with legal requirements currently in force in Turkey.

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<b>Occupational health and safety</b>			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Not	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Partially	In the reporting period, there were not any incidents of death or injury; and occupational diseases. Occupational accidents decreased by 30% during the reporting period.
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Not	
LA9	Health and safety topics covered in formal agreements with trade unions.	Not	
<b>Training and education</b>			
LA10	Average hours of training per year per employee by gender, and by employee category.	Partially	Otokar's Employees Are the Architects of Sustainability, page 42-43
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	Otokar's Employees Are the Architects of Sustainability, page 42-43
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	Otokar's Employees Are the Architects of Sustainability, page 39-40
<b>Diversity and equal opportunity</b>			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
<b>Equal remuneration for women and men</b>			
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Fully	Otokar's Employees Are the Architects of Sustainability, page 38-43
<b>Social: Human Rights</b>			
Indicator	Disclosure	Level of reporting	Location of disclosure
<b>Investment and procurement practices</b>			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Partially	Otokar's Employees Are the Architects of Sustainability, page 39
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Partially	Otokar's Employees Are the Architects of Sustainability, page 38-43
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not	
<b>Non-discrimination</b>			
HR4	Total number of incidents of discrimination and corrective actions taken.	Fully	There were not any incidents of discrimination at Otokar during the reporting period.
<b>Freedom of association and collective bargaining</b>			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	There have been no incidents during 2013.
<b>Child labor</b>			
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Fully	No risk of child labour has been identified during the reporting period. Otokar does not tolerate the use of child labour in its own business, customers and suppliers.
<b>Prevention of forced and compulsory labor</b>			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Fully	No risk of forced or compulsory labour has been identified during the reporting period. Otokar does not tolerate the use of forced or compulsory labour in its own business, customers and suppliers.
<b>Security practices</b>			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	

Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	
Assessment			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not	
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not	
<b>Social: Society</b>			
Indicator	Disclosure	Level of reporting	Location of disclosure
<b>Local communities</b>			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Not	
SO9	Operations with significant potential or actual negative impacts on local communities.	Not	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not	
<b>Corruption</b>			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Not	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not	
SO4	Actions taken in response to incidents of corruption.	Fully	No corruptive practices were encountered in 2013, so no corrective actions needed to be taken.
<b>Public policy</b>			
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	Otokar is not an active participant in the political and public policy making proces.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not	
<b>Anti-competitive behavior</b>			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not	
<b>Compliance</b>			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	There have been no fines for non-compliance with laws and regulations.

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<b>Social: Product Responsibility</b>			
Indicator	Disclosure	Level of reporting	Location of disclosure
<b>Customer health and safety</b>			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not	
<b>Product and service labelling</b>			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Fully	There have been no incidents during 2013.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not	
<b>Marketing communications</b>			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	The practices in relation to the marketing and promotion of the products are strictly governed by legislation. Otokar complies with laws and regulations relating to marketing and promotion of products and services.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Fully	In the reporting period, there were not any complaints delivered to Otokar.
<b>Customer privacy</b>			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Fully	In the reporting period, there were not any complaints delivered to Otokar.
<b>Compliance</b>			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	In the reporting period, there were not any complaints delivered to Otokar.

**Otokar Otomotiv ve Savunma Sanayi A.Ş.**

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