



Otokar
SUSTAINABILITY
REPORT **2023**

**WE ARE PROUD AND THRILLED TO BE ADVANCING FOR
A CENTURY ON THE PATH LED BY THE GREAT LEADER ATATÜRK,
IN THE LIGHT OF THE REPUBLIC.**

As Koç Group, we believe that the best way to celebrate our Republic is through work, production and the achievement of excellence.

We continue, with the same determination, to serve with love and devotion for our country, to protect and defend the Republic entrusted to us by Atatürk, along with its principles and values, acting with the responsibility of carrying the values of the Republic to future generations.



ABOUT THE REPORT

Otokar 2023 Sustainability Report for the period from January 1, 2023 to December 31, 2023 has been published on the corporate website in September 2024. Since 2013, Otokar's sustainability reports have been prepared annually in accordance with the GRI Standards. The report, in alignment with GRI reporting principles, is shaped around our material sustainability topics: Sustainable Development, Product Responsibility, Employee Satisfaction and Ecological Environment. In addition to utilizing LSEG performance criteria, the report also provides information about our contribution to the UN SDGs.

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GENERAL MANAGER'S MESSAGE

Dear Stakeholders,

The year 2023 was a major milestone for Otokar, as we proudly celebrated both the centennial of our Republic and the 60th anniversary of our company. Established during Türkiye's industrialization era in the early 1960s, Otokar was founded with the vision of manufacturing the country's vehicles. Today, we remain committed to serving our country, adhering to our guiding principles and core values, while always upholding our Republic, the lasting legacy of Atatürk.

However, this milestone year began with a disaster, with the devastating earthquake on February 6, 2023, causing the tragic loss of tens of thousands of lives and deeply affecting us all. In the face of this disaster, we quickly joined forces with a heightened sense of unity and solidarity. Otokar acted swiftly, launching relief efforts in coordination with the Koç Group crisis center and AFAD. Otokar Natural Disaster Rescue (ODAK) team reached the affected area within the first 24 hours, actively participating in the search and rescue operations. Their efforts in Hatay and Gaziantep led to the rescue of four survivors. In addition to dispatching essential supplies to the region, we provided ongoing support for Otokar-branded public vehicles to ensure the continuity of transportation services. Our Mobile Kitchen, a converted vehicle, served hot meals in the disaster area. We also contributed to the Hope City project initiated by Koç Holding, with our employees volunteering in this effort, which we will continue to provide.

The year 2023 was characterized by economic volatility, exacerbated by the earthquake, the global inflationary environment, liquidity crunch in both domestic and

international markets and the ongoing effects of geopolitical conflicts.

Despite these challenging conditions, Otokar maintained its sustainable growth trajectory, increasing revenues by 53% year-over-year to TL 27 billion and expanding sales volume by 48%, reaching 5,151 units in 2023. Exports, amounting to USD 667 million, accounted for 73% of our total revenues, while commercial vehicle exports captured the highest increase.

In the reporting period, Otokar maintained its leadership as the most preferred bus brand in Türkiye for the 15th consecutive year, while continuing to grow in Europe. Furthermore, our commercial vehicles business in Europe expanded with the addition of our new subsidiary in Italy after our companies in France and Romania.

In the defense industry, we continued to export military vehicles to more than 40 friendly and allied countries. In 2023, we secured a major contract with Estonia, valued at approximately EUR 130 million, marking the entry of our Arma 6x6 vehicle into the inventory of a NATO member country for the second time. This achievement underscores our role as a trusted global solution provider. Additionally, our Arma 8x8 vehicle was included in the inventory of the Turkish Land Forces Command for the first time.

Our robust performance in 2023 elevated our position in industry rankings. We advanced 38 places in the ISO 500 list, ranking 59th among Türkiye's top 100 industrial enterprises. Similarly, we climbed 66 places from the previous year on the Fortune 500 list, ranking 77th overall.



“Guided by our vision of reaching the future together, we shape our sustainability efforts around four core pillars. Our goal is to further advance our economic, social and environmental achievements, positioning Otokar as an even stronger player in the global market.”

As a responsible company that prioritizes stakeholder engagement, we integrate environmental, social and corporate governance aspects into every step of our operations. Guided by our vision of reaching the future together, we have shaped our sustainability efforts around four core pillars. As we worked toward sustainable development, we continued to deliver strong results in areas such as product responsibility, employee satisfaction and ecologic environment throughout 2023.

We remain committed to offering innovative, responsible products and a broad range of solutions tailored to the evolving needs and expectations of our customers. Empowered by our highly qualified R&D team and advanced technological and testing capabilities, we once again introduced pioneering developments in 2023. We debuted our first hydrogen-powered bus, Kent Hydrogen, during the fair in Belgium. We continued to expand our autonomous armored capabilities, adding Türkiye's first tracked unmanned vehicle, Alpar, to our product lineup. With a modular platform, Alpar features a serial hybrid electric drive system and runs in complete silence, offering an autonomous vehicle ideal for various missions.

Our product development work on alternative fuel vehicles continued throughout the year. We added e-Territo, developed in-house for the European market, to our product lineup. Our next-generation electric buses were met with high praise from European operators, and we received our first electric

microbus orders from Italy, reaffirming our advancements in this field.

We recognize that the satisfaction and loyalty of our employees are key to our continued success. In 2023, we were named "Best Employer" by Kincentric for the third consecutive year and received the "Continuous Excellence Award" in recognition of our performance in employee engagement.

We are also committed to investing in young people, the architects of our future. In 2023, we extended internship opportunities to 177 high school students and 38 vocational school students, supporting their professional growth. Through our Vocational School Internship Program, we offered full-time employment to the students who successfully completed their internships, giving them a solid foundation to begin their careers at Otokar. Ensuring the highest occupational health and safety standards remains a top priority for us, while we also work toward increasing the number of female field employees.

I am pleased to report that our investments are ongoing as part of our efforts to enhance efficiency in our environmental management processes and improve performance. With the goal of achieving carbon neutrality, we have been preparing for our submission to the Science-Based Targets initiative (SBTi) since 2022. Moreover, we actively participate in the Koç Holding Carbon Transition Program, which aims for carbon neutrality by 2050. Meanwhile, our initiatives in renewable energy continue. During the year, we commissioned

solar panels at the Sakarya plant, while the Solar Power Plant (SPP) installation work in Malatya is progressing as planned.

We constantly review and measure our environmental impact. In addition to internal audits, various other audits and inspections conducted by independent organizations, the ministry and the Koç Holding Audit Group enable us to closely monitor our performance. Furthermore, we implement energy efficiency measures to reduce our own carbon footprint and minimize CO2 emissions per kilometer from the vehicles we sell.

Otokar's focus on two diverse fields of activity not only enriches our expertise but also requires meticulous planning and management of sustainability strategies. We draw from global best practices and benefit from the strategic guidance of Koç Holding. Our goal is to further advance our economic, social and environmental achievements, positioning Otokar as an even stronger player in the global market.

As we present this report, which transparently discloses our performance in 2023, I extend my heartfelt gratitude to our employees, who have made sustainability a key part of every effort, and to all our stakeholders who have supported and contributed to this journey. We look forward to achieving even greater success in the coming year.

Sincerely,

AYKUT ÖZÜNER
General Manager

“Otokar’s focus on two diverse fields of activity not only enriches our expertise but also requires meticulous planning and management of sustainability strategies. We draw from global best practices and benefit from the strategic guidance of Koç Holding.”

ABOUT OTOKAR



ABOUT OTOKAR

Otokar was established in 1963, at a time when industrialization and modernization initiatives were being launched in Türkiye, to produce the first intercity buses of the country. The company, which started its operations with bus and minibus production, joined the Koç Group in 1976 when it decided to specialize in other business areas in addition to public transportation vehicles.

As the production of buses and minibuses continued, Otokar also began manufacturing vehicles for defense industry in 1987 and produced Türkiye's first tactical wheeled armored vehicle in the 1990s. Today, as Türkiye's leading manufacturer of commercial vehicles and defense industry products, Otokar produces buses and light trucks in the commercial vehicles segment and a variety of tactical wheeled and tracked armored vehicles and turret systems for the defense industry.

As a prominent player in the defense industry, Otokar maintains its strong position in the sector. Otokar, a Koç Group company, manufactures at its Arifiye (Sakarya) plant, offering solutions tailored to customer needs with its technologies, designs and applications. Otokar's broad product lines are currently used in five continents in more than 75 countries including Türkiye.

Otokar has established subsidiaries in five countries – France, Italy, Romania, United Arab Emirates, Kazakhstan – to be closer to its clients and meet their needs and expectations.



In the commercial vehicles segment, Otokar maintains its title as the bestselling bus brand in Türkiye for 15 consecutive years with a broad product offering that includes buses ranging from 6 meters to 21 meters for passenger transportation.

Otokar currently continues to work on alternative fuel buses and has already introduced Türkiye's first hybrid bus, first electric bus and first smart bus to the market.

75+
countries

Included in the BIST Sustainability Index since 2014



Accelerating its green mobility endeavors to contribute to a sustainable future, Otokar introduced Kent Hydrogen, its first bus with hydrogen fuel cell technology, in 2023. The company also manufactures Otokar Atlas trucks, from 8.5 to 15 tons, under license for the logistics sector.

With numerous firsts to its name since its inception, Otokar engages in R&D activities in world standards. Otokar comes to the forefront in land vehicles for the defense industry with its expertise in the design, development and system integration of all kinds of vehicles and platforms. The company manufactures tactical wheeled and tracked armored vehicles and turret systems with owned intellectual property rights and exports defense industry products to more than 40 countries.

World-class know-how in the defense industry as well as engineering, R&D and technology transfer capabilities distinguish Otokar among its peers. As the brand behind some of Türkiye's leading land vehicles, Otokar boasts a wide range of newly-developed products

from its first heavy-class unmanned ground vehicle to its first 4x4 armored vehicle.

In 2023, Otokar was recognized with the Golden Exporter award by the Uludağ Automotive Exporters Association. In addition to ranking among the top 100 companies in Istanbul Chamber of Commerce's list (ISO 100) of Türkiye's 100 largest industrial enterprises, Otokar also stands among the 19 companies that have continuously maintained their place in the ISO 500 list since it was first published.

Otokar actively participates in Koç Holding's Carbon Transition Program aiming for carbon neutrality by 2050. The company, which started generating electricity from photovoltaic panels installed at its Sakarya plant, continued its investment in building a solar power plant in 2023.

Otokar conducted product life cycle assessments for two electric buses and also eliminated single-use plastics in 2023. Otokar's exemplary environmental practices were recognized with the Environment Award at the Sakarya's Stars Awards presented by the Sakarya Chamber of Commerce and Industry in December 2023. The company also won the

Employer Award in Sakarya for creating the most jobs in 2022.

Throughout 2023, Otokar organized various internal activities to inform the employees and raise awareness about diversity, equity and inclusion. Once the infrastructure required for hiring female field employees was established, the company began to recruit women for field work. Furthermore, various workplace practices have been introduced to enhance the comfort and safety of employees with disabilities.

In addition to the "Machine Vision Systems and Application-Tailored Synthetic Image Generation" and "Digital Twin Applications" projects as part of digital transformation, other cyber-secure and highly secure industrial, logistics systems, Internet of Things (IoT) and data-driven systems alongside smart factory and supply chain projects have continued.

As a result of its sustainability-focused activities, Otokar has been included in the BIST Sustainability Index each year since 2024 based on Borsa Istanbul's Index Selection Criteria. Otokar is included in the Environmental, Social and Governance assessment of LSEG (London Stock Exchange Group), a leading global financial infrastructure and data provider.

VISION

Otokar's vision is to preserve the local and national identity of its products by developing technologies in-house and to ensure the continued satisfaction of its clients, employees and shareholders with total excellence philosophy.

MISSION

Otokar's primary mission is to design, manufacture and market commercial vehicles and various defense industry products with global competitive strength, all developed to meet customer expectations.

VALUES

Otokar, empowered by its employees, strives to ensure customer satisfaction and sound growth by delivering products and services of universal quality and standards in line with the objectives and principles set by the Koç Group. We are committed to being a symbol of trust, continuity and esteem for our country, customers, shareholders, dealers and suppliers.

Otokar always aspires to be "the best" in its efforts to serve its customers and sees its human resource as its most important asset. Otokar aims to contribute to the Turkish economy as its driving force and always upholds its superior business ethics and working principles as it works to create resources for continuous development.

Fields of Operation

Commercial Vehicles

As the manufacturer of Türkiye's first intercity bus in 1963, Otokar develops and manufactures a wide portfolio of buses, including public, intercity and tourism transportation variants ranging from 6 meters to 21 meters in length with varying passenger capacities. Otokar has been Türkiye's best-selling bus brand for 15 consecutive years and exports commercial vehicles to more than 50 countries, primarily in the European market. Otokar also offers an alternative fuel vehicle range, including electric, hybrid, CNG and hydrogen versions and manufactures 8.5-ton and 15 ton Atlas trucks under license.

Low and Zero Emission Target

Since introducing the first electric bus in 2012 to the Turkish market with the aim of reducing carbon footprint to tackle global climate change, Otokar has continued to expand its electric bus portfolio for public transportation with models ranging from 6 meters to 21 meters in length. Making strides toward its ultimate goal of having an entire product range of low- and zero-emission vehicles by further expanding its alternative fuel bus family, Otokar is already prepared to meet the needs of the European market, which is undergoing a significant transformation to minimize the negative impact of global climate change, with its zero-emission buses.

As the green mobility efforts gain momentum to contribute to a sustainable future, Otokar introduced Kent Hydrogen, its first bus powered by hydrogen fuel cell technology, in 2023. Kent Hydrogen is

developed with the mission of supporting the carbon emission reduction efforts, clean energy transition and sustainable transportation policies. Furthermore, the electric e-Territo, designed specifically to operate in the zero-emission zones in Europe, was added to the Otokar product family and debuted at the Busworld Fair in Belgium. Another vehicle showcased at the fair was Navigo, Otokar's most preferred product in markets such as Türkiye and France. Navigo T, the 39-passenger variant of Navigo was also added to the product range in 2023. Meanwhile, Navigo received a facelift within the year.

New Features in The Iconic Microbus

Otokar enhanced its iconic microbus, the all-electric e-Centro, a favorite since its launch, with new capabilities. Featuring Level 4 autonomous driving technology, e-Centro is able to travel without a driver. The vehicle, developed to adhere to traffic rules, detects its position precisely. The vehicle, capable of running seamlessly any time of the day or night in all weather conditions, pulls up to the designated stops on specific routes, allowing the passengers to easily get on and off the bus. Designed to meet the expectations of municipalities and operators, the vehicle is suitable for diverse climate and weather conditions. Functioning as an ideal platform for the autonomous vehicles of the future, the autonomous e-Centro was used to shuttle the visitors at the fair ground in Belgium, where Otokar showcased a select product offering.

VEHICLES

Buses

- Centro, e-Centro, Autonomous e-Centro Sultan/Navigo (Sultan Comfort, Sultan Maxi, Sultan Mega, Sultan LF, Sultan Giga, Navigo C, Navigo U, Navigo T) Doruk/Vectio (Doruk LE, Doruk T, Vectio C, Vectio U)
- Ulyso T
- Kent (Kent LF, Kent CNG, Kent U, Kent C, Kent Hybrid, e-Kent, Kent Hydrogen), Kent Articulated (Kent Articulated, Kent Articulated CNG, e-Kent Articulated), Kent XL
- Territo (Territo, Territo CNG, e-Territo, Territo U SHD)

Light Trucks

- Otokar Atlas, Otokar Atlas 3D



Fields of Operation

Defense Industry

Otokar is Türkiye's leading land systems manufacturer with long years of experience in the defense industry, producing various types and variants of military vehicles and turret systems from 4x4 to 8x8 wheeled and tracked armored vehicles. Otokar's military products are actively used in more than 40 friendly and allied countries, including Türkiye. Products are manufactured to order, depending on the intended purpose, capacity and protection levels. Exports of all armored vehicles are subject to requirements of related governments' export license regulations.

New Products

In 2023, Otokar added Alpar, Türkiye's first heavy-class unmanned ground vehicle, and Arma II to its portfolio.

With a maximum payload of 15 tons, Alpar has been developed in response to the armed forces' robotic and unmanned ground vehicle needs. Equipped with autonomous and AI systems, the vehicle is designed to reduce personnel risk on the battlefield, improve the success of missions, starting with routine tasks, and increase efficiency by communicating with unmanned aerial vehicles and other assets in the battlefield. Alpar's serial hybrid-electric drive and modular

electronic infrastructure enable critical silent operations and it can be operated autonomously via remote control.

Arma II 8x8 Armored Vehicle, developed by Otokar by considering asymmetrical threats as well, features best-in-class ballistic, mine and improvised explosive device (IED) protection and optimal terrain capability. Arma II is Türkiye's first 8x8 armored vehicle equipped with a local engine.

In 2023, Otokar also introduced the Arma 8x8 Mobile Repair and Rescue Vehicle variant and the Akrep II R Reconnaissance and Surveillance Vehicle.

VEHICLES

Tactical Wheeled Vehicles

- 4x4 Tactical Wheeled Armored Vehicles (Ural, Akrep II, Cobra, Cobra II, Cobra II MRAP, Kaya, Armored Internal Security Vehicle)
- 6x6 Tactical Wheeled Armored Vehicle (Arma 6x6)
- 8x8 Tactical Wheeled Armored Vehicles (Arma 8x8, Arma II 8x8)

Tracked Armored Vehicles

- Tracked Armored Vehicles (Tulpar, Tulpar S)

Unmanned Robotic Vehicles

- Alpar

Turret Systems

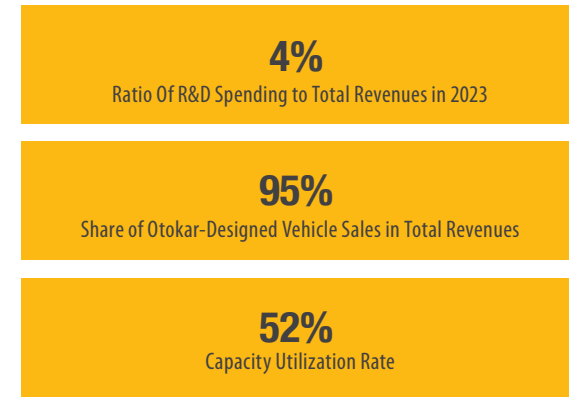
- Mızrak UKSS, Keskin UKSS, Open Turrets, Internal Security Turret, Üçok, Başok



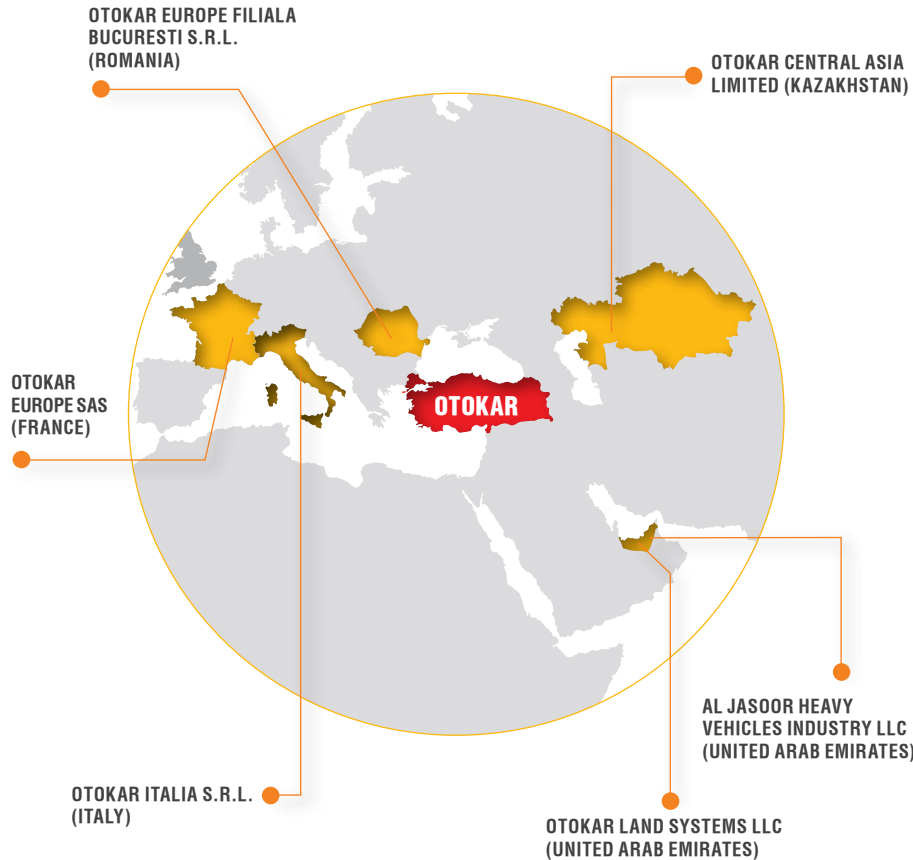
Otokar in Figures



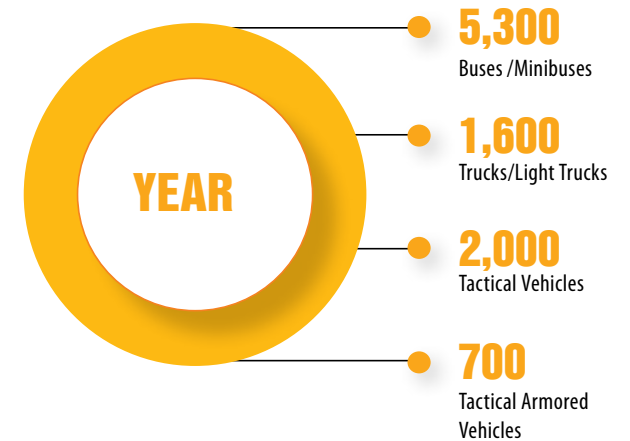
MAIN INDICATORS



OTOKAR WORLDWIDE



PRODUCTION CAPACITY



CORPORATE GOVERNANCE RATING

9.56

SALES

SALES

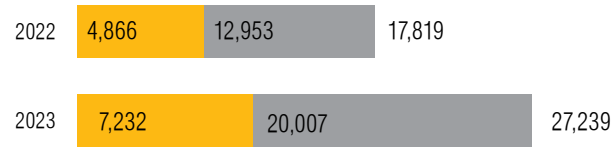
units



SALES

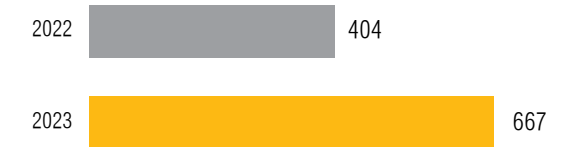
TL million

■ Domestic Sales ■ Exports



EXPORTS

USD million



PRODUCTION AND SALES

	2022		2023	
	Production	Sales	Production	Sales
Minibuses	-	-	225	195
Small Buses	1,394	1,341	1,670	1,718
Buses	1,223	1,138	1,899	1,937
Light Trucks	844	776	912	996
Military Vehicles	216	214	312	305
TOTAL	3,677	3,469	5,018	5,151

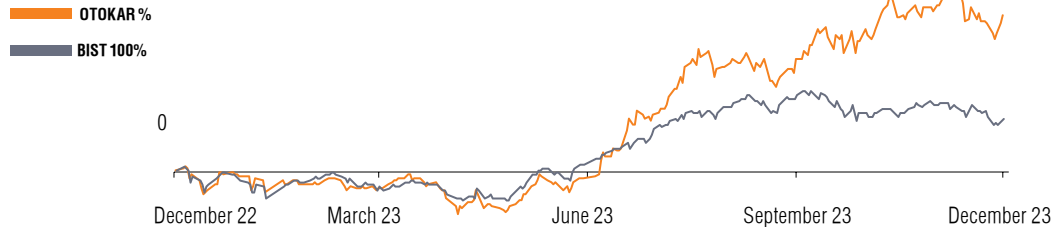
Financial Indicators

CREDIT RATING

In 2023, JCR Avrasya Derecelendirme A.Ş. (JCR Eurasia Rating) evaluated the credit ratings and outlooks of Otokar and affirmed the company's Long-Term National Rating as "AA(Tr)" and outlook as "Stable," Short-Term National Rating as "J1+(Tr)" and outlook as "Stable," and Long-Term International Rating (local and foreign currency rating) as "BB" and outlook as "Negative."

STOCK PERFORMANCE

In 2023, BIST 100 rose by 35.60%, while Otokar shares were traded at lowest TL 148.10 and highest TL 467, with a 104.96% increase throughout the year. As of December 29, 2023, the company's market cap amounted to TL 51.1 billion. Otokar shares are listed in the BIST 500, BIST 100, BIST Corporate Governance, BIST Sustainability, BIST Stars, BIST All, BIST Industrial, BIST Metal Equipment Machinery, BIST 100-30 indices.



KEY RATIOS (%)

	2022	2023
Gross Profit Margin (%)	22.7	23.2
Operating Margin (%)	7.2	9.1
Pre-Tax Profit Margin (%)	12.19	5.4
EBITDA Margin (%)	4.2	6.1
Net Profit Margin (%)	11.3	7.2

CONSOLIDATED BALANCE SHEET

Thousand TL	2022	2023
Total Current Assets	18,279,448	24,092,387
Non-Current Assets	8,352,878	8,392,290
Total Assets	26,632,326	32,484,677
Total Non-Current Liabilities	16,533,972	20,908,042
Total Liabilities	3,571,167	3,273,492
Total Equity	6,527,187	8,303,143
Total Liabilities and Equity	26,632,326	32,484,677

CONSOLIDATED INCOME STATEMENT

Thousand TL	2022	2023
Sales	17,818,972	27,238,881
Cost of Goods Sold	(13,772,811)	(20,932,034)
Gross Profit	4,046,161	6,306,847
Operating Profit	1,281,688	2,492,045
Profit Before Tax	2,171,586	1,458,019
Tax Income/Expense	(153,506)	509,943
Profit for the Period	2,018,080	1,967,962
Earnings Per Share (kr)	16.817	16.399

Capital and Shareholding Structure

The registered capital of Otokar was TL 100,000,000 as of December 31, 2023. Within the same year, the issued capital was increased from TL 24,000,000 to TL 120,000,000, fully covered by own assets.

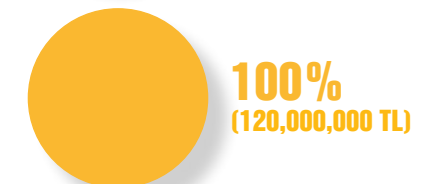
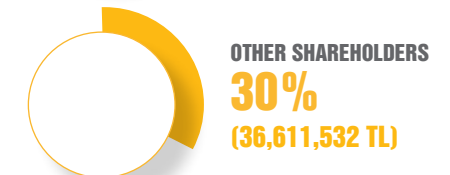
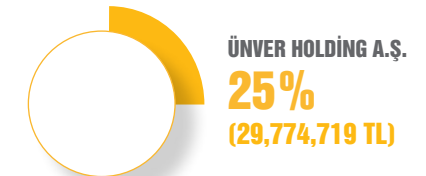
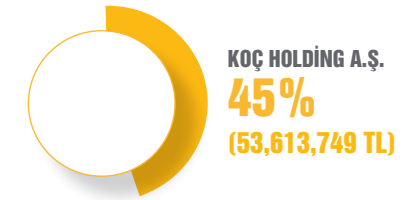
Otokar's parent company, Koç Holding A.Ş., is controlled by Koç Family and companies owned by Koç Family, while the shareholder, Ünver Holding A.Ş., is controlled by Ünver Family. The remaining 30.51% of the company's

capital, corresponding to a nominal value of TL 36,611,532, consists of other shareholders' and free float shares. The company's subsidiaries and joint ventures in the consolidated financial statements for 2023 are listed below:

Subsidiaries	Country	Main Field of Operation	Industry
Otokar Europe SAS	France	Sales and Marketing	Automotive
Otokar Land Systems LLC	United Arab Emirates	Sales and Marketing	Automotive and Defense Industry
Otokar Europe Filiala Bucuresti SRL	Romania	Sales and Marketing	Automotive
Otokar Central Asia Limited	Kazakhstan	Sales and Marketing	Automotive and Defense Industry
Joint Ventures	Country	Main Field of Operation	Industry
Al Jasoor Heavy Vehicles Industry	United Arab Emirates	Sales and Marketing	Automotive and Defense Industry

Note: Otokar Europe SAS, a group subsidiary, acquired all stakes in Mauri Bus System S.R.L., an Otokar dealer until September 12, 2023. The closing procedures pertaining to the Share Transfer Agreement signed on September 12, 2023 were finalized as of September 30, 2023. Subsequently, the company was renamed "Otokar Italia S.R.L." on October 12, 2023. The incorporation procedures regarding the company's title and Board of Directors structure were registered in the respective countries. The addition of Otokar Italia S.R.L., acquired in September 2023, to the Group's global operations is expected to contribute to operational growth in its respective territory.

SHARE RATIOS AND AMOUNTS BELONGING TO SHAREHOLDERS WITH MORE THAN 10% STAKE IN THE CAPITAL



ABOUT KOÇ HOLDING A.Ş.

Türkiye's Leader, Global Player

Koç Holding, the majority shareholder of Otokar, with its almost a century-long journey since 1926, has differentiated itself from competitors by achieving numerous breakthroughs in Türkiye, from industrialization to globalization, playing key roles with its leading positions. The Koç Group established Türkiye's first joint stock company, created the Republic's first industrial endeavor and first international partnership, and made the first public offering.

Koç Group is Türkiye's leading group of companies in terms of market capitalization on Borsa Istanbul, taxes paid and number of employees. The Group has been a driving force of the Turkish economy with total revenues that correspond to nearly 9% of Türkiye's GDP and exports that comprise around 7% of Türkiye's total exports.

Having increased its consolidated net profits by an average of 70% on TL basis in the last five years, Koç Holding is the only Turkish company in Fortune Global 500. Koç Holding has leading positions with strong competitive advantages in energy, automotive, consumer durables and finance sectors, which offer strong long-term growth potential.

The Koç Group manages activities according to international standards of corporate governance, customer satisfaction, sustainability and social responsibility.

Today, as Türkiye's largest group of companies, the Koç Group will continue to create value for all its shareholders.

KOÇ HOLDING AND KOÇ GROUP IN FIGURES

Group Operations

Energy, Automotive, Consumer Durables, Finance and Others (Food, Retail, Tourism, Information Technologies, etc.)

~8%

Revenues / Türkiye's GDP¹

~29%

Export Revenues / Total Revenues

~7%

Exports / Türkiye's Exports¹

155+

Number of Export Market

~22%

Total Market Cap in BIST 100 Index²

95+

International Manufacturing Sites and Sales/Marketing Companies

~119.000 employees

Türkiye's Largest Employer

Türkiye's Largest R&D Investments

~7% of Türkiye's Private Sector R&D Spending³

Türkiye's Largest Intellectual Property Portfolio

- > 7,600 brands
- > 2,600 patent families
- > 5,200 patents
- > 1,000 industrial designs
- > 5,000 internet domain names

The Koç Group, whose objective is to increase the value created for all its stakeholders, continues its journey that started nearly a century ago, within the framework of its long-term value creation target and global growth vision.

(1) Based on Turkish Statistical Institute's 2023 data

(2) Based on Borsa Istanbul's data as of 31 December 2023

(3) Based on Turkish Statistical Institute's gross domestic 2022 R&D spending by sector and financial source.

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Otokar acts with utmost diligence to comply with the Corporate Governance Principles, promulgated by the Capital Markets Board (CMB). The activities related to Corporate Governance in 2023 were executed in compliance with the Capital Markets Law, which includes regulations on CMB's corporate governance principles and the communiqués published pursuant to this Law. At the 2023 Ordinary General Assembly meeting, the Board of Directors and its Committees were formed in accordance with the provisions of the Corporate Governance Communiqué. Ahead of the upcoming general assembly meeting, Independent Board members were nominated and announced, and the entire process was executed in line with the regulations.

The General Assembly Information Note and documents providing details of privileged shares, voting rights and organizational changes, as well as the résumés of Board of Directors candidates, the Remuneration Policy for Board Members and Senior Management and other information required to be disclosed were all made available for the investors three weeks prior to the general assembly meeting. Furthermore, the company's corporate website and annual report were reviewed and revisions required to comply with the principles were made.

Statutory obligations such as holding the General Assembly meetings in accordance with applicable regulations, articles of association and company bylaws, and preparing Annual Reports and other documents for the shareholders to benefit are the responsibility of the Investor Relations Department. The General Assembly Meeting held in 2023, call to meeting and meeting minutes were carried out in compliance with applicable regulations, articles of association and other relevant company bylaws.

Shareholders, Privileged Shares and Protection of Minority Rights

There are no privileges in the company's Articles of Association pertaining to the exercise of voting rights. Each share in the nominal value of Kr 1 has one vote. The company acts diligently to ensure compliance with legislation in satisfying investors' demands. In 2023, no complaints, or administrative or legal pursuit of exercising shareholders' rights in the company have been filed to the best of our knowledge.

Minority rights for shareholders holding less than one twentieth of the capital have not been defined in the Articles of Association, however these rights have been defined and exercised within the frame of general provisions in the legislation.

Investor Relations Department

The relations between Otokar and

shareholders are managed by the Investor Relations Department, which cooperates with relevant divisions for this purpose. The department is responsible for providing the shareholders and potential investors with information, except for confidential information and trade secrets, in a manner not to lead to information disparities, and for establishing two-way communication between the company executives and shareholders.

In 2023, the Investor Relations Department held 15 online and 4 physical meetings and 57 conference calls, meeting with current and potential investors and updated the shareholders on the latest developments. To ensure this, the company's website, investor presentations and investor newsletters are regularly updated.

In 2023, 75 material disclosures were announced; those that particularly concern the investors were published on the Public Disclosure Platform (KAP) and concurrently on the corporate website along with their English translations. Information pertaining to the last five years is available on the corporate website in Turkish and English languages. Numerous requests for information were submitted to the Investor Relations Department by analysts and investors regarding the company's financial reports and activities, and these were replied in line with publicly available information in a manner to avoid information disparities.

INVESTOR RELATIONS DEPARTMENT EXECUTIVES

Hüseyin Odabaş
(Assistant General Manager - Finance)

İrfan Özcan
(Financial Affairs Director)

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

Hatice Gülşah Mutlu
(Investor Relations and Corporate Governance Leader)

Board Structure

The company is managed by a Board of Directors formed by minimum five (5) members, elected by the General Assembly. In addition to electing the Board members, the General Assembly also determines the number of members to serve on the Board. Without prejudice to the requirements imposed by the Capital Markets Board Corporate Governance Principles for independent directors, the General Assembly has the right to replace Board members at any time if needed, per Article 364 of the Turkish Commercial Code. Board members may be reelected to their roles for another term.

The duties of the Board Chair and the General Manager are performed by separate individuals. Board members are encouraged to allocate the required time to fulfil their obligations toward the company, while there are no rules restricting them from assuming other duties outside the company. Considering that independent directors, in particular, may contribute significantly to the Board with their business experience and industry knowledge, no such restrictions have been deemed necessary. The résumé of each Board member and their external duties are made available for the shareholders to view prior to the annual General Assembly meeting.

Otokar Board Diversity Policy was approved in 2021 with the goal of raising female membership ratio in the Board of Directors to 25% in the next five years. As of 2023-end, the female membership ratio in the Board stands at 11%.

OTOKAR BOARD OF DIRECTORS IN 2023

Full Name	Title	Independence	First Elected to BoD	Term	Committee Assignments	External Assignments
Yıldırım Ali Koç	Chairman	Not independent	26.03.2015	1 Year		Vice Chairman - Koç Holding A.Ş., Chairman, Board Member and Committee Member at multiple Koç Group Companies
Selin Ayla Ünver	Vice Chair	Not independent	22.10.2018	1 Year		Ünver Holding A.Ş. Chairwoman
Levent Çakıroğlu	Member	Not independent	26.03.2015	1 Year	Corporate Governance Committee - Member	CEO and Board Member - Koç Holding A.Ş., Chairman, Board Member and Committee Member at multiple Koç Group Companies
Haydar Yenigün	Member	Not independent	21.03.2022	1 Year	Risk Management Committee - Member	Board Member and Committee Member at multiple Koç Group Companies
İsmail Cenk Çimen	Member	Not independent	18.03.2019	1 Year		Board Member and Committee Member at multiple Koç Group Companies
Ahmet Serdar Görgüç	Member - General Manager	Not independent	20.04.2006	1 Year		
Ali İhsan İlkbahar	Member	Independent	16.03.2020	1 Year	Corporate Governance Committee - Chairman	
Ali İhsan Kamanlı	Member	Independent	15.03.2018	1 Year	Audit Committee - Member	
Kenan Güven	Member	Independent	15.03.2018	1 Year	Risk Management Committee - Chairman, Audit Committee Chairman	Turkish Heart Foundation - Chairman

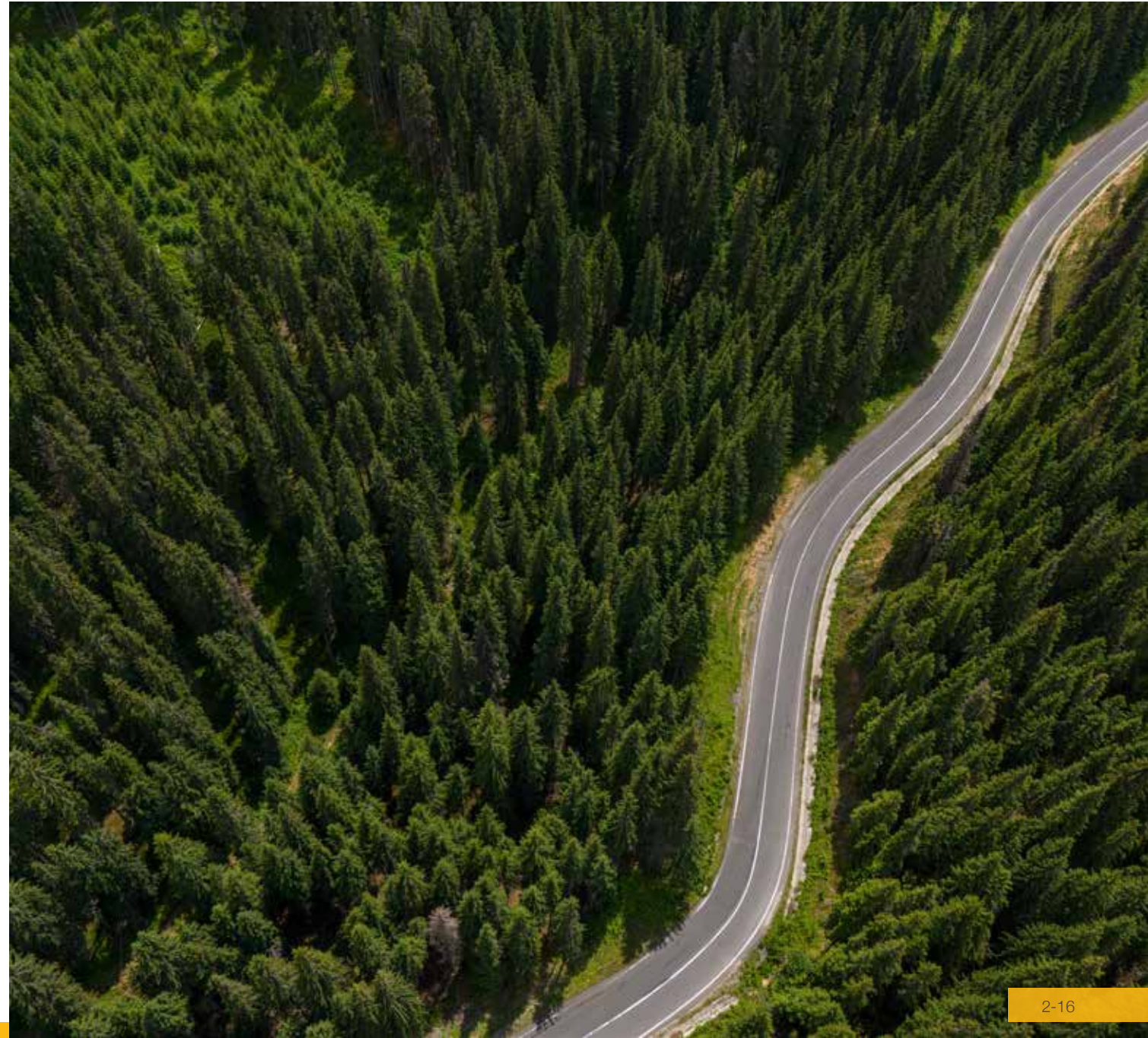
Operating Principles of the Board of Directors

The powers and responsibilities of the members of the Board of Directors are specified in the Articles of Association. Distribution of duties among Board members and their duties and powers are explained in detail in the annual reports.

The subjects or agenda of the Board of Directors Resolutions is determined according to the matters, for which the company's Articles of Association explicitly require a Board of Directors resolution, or the issues that arise as reported to the company's Senior Management and Board members by the relevant departments.

The Board of Directors convenes as company business requires in accordance with the provisions for call to meeting and attendance to address critical and strategic matters and discuss the company's position and activities. Although there is no dedicated secretariat established to facilitate communication between Board members, relevant tasks such as preparing the meeting agenda, recording the resolutions and following them through are performed by the relevant officers in coordination with the Assistant General Manager – Financial Affairs.

In accordance with the Turkish Commercial Code and the relevant articles of the company's Articles of Association, the Board of Directors convenes physically when the company business calls for a meeting, and when necessary, resolutions can also be reached by circulating them per article 390, paragraph 4 of the Turkish Commercial Code. The Board of Directors passed 25 resolutions in 2023. Furthermore, the Board convened three times with all members in attendance to address strategic matters and discuss the company's position and activities.



Remuneration Policy For Senior Executives And Members Of The Board Of Directors

Pursuant to the Turkish Commercial Code and Article 13 in Articles of Association of Otokar Otomotiv ve Savunma Sanayi A.Ş., a fixed salary is determined every year at the ordinary general assembly meeting for the Board membership functions, applicable to all members of the Board of Directors. The Board members receive payments on a pro rata basis, in consideration of the duration they serve from the date of appointment to the date they leave their positions. Board members with executive responsibilities are paid per the same policy defined for senior executives. The Board members that serve on other functions to assist in the oversight of the company's activities may be entitled to extra benefits, based on the opinion of the Corporate Governance Committee, in addition to the fixed salaries approved by the General Assembly. The bonus plans based on company performance are not used in the remuneration of the Independent Members of the Board of Directors. The company may cover the expenses (transportation, phone, insurance, etc.) incurred by the Board members during the execution of their duties.

Remuneration of senior executives consists of two parts: fixed salary and performance based bonuses. The remuneration policy stipulates that management of remuneration and benefits should be fair, objective, recognizing high performance, competitive, rewarding and motivating. Fixed salaries

of Senior Executives are determined in accordance with the international standards and the legal obligations by taking into account the macro-economic data in the market, the compensation policies prevailing in the market, the size and long-term targets of the company and the positions of the individuals. The objectives of the remuneration policy include improving the motivation and commitment of employees by considering the internal salary balances and competitiveness in the market, and attracting and retaining qualified employees who will ensure that the company's strategic business goals are achieved. Bonuses for the Senior Executives are calculated based on the company's performance and individual performance, in a way that will support the realization and exceeding of the company's business goals, and encourage superior performance by rewarding continued success. The criteria for bonus calculations are summarized below:

- **Bonus Basis:** Bonus bases are updated at the beginning of each year and vary according to the positions of the executives. When updating the bonus bases, the senior management's bonus policies in the market are taken into account.
- **Company Performance:** Performance of the company is evaluated at the end of each year by measuring the extent that the financial and operational targets (market share, exports, international operations, productivity, etc.) assigned to the company at the beginning of each year. The targets for the company

are determined by mainly considering continued success and improvements compared with the previous years.

- **Individual Performance:** Individual and collective targets set by Senior Executives with their own teams and managers, as well as key performance indicators, are taken into account in evaluating individual performance. In measuring individual performance, long-term sustainable improvement in non-financial areas, and compliance with Environmental, Social and Corporate Governance (ESG) policies are also considered.

In the event that the Senior Executives of Otokar leave their positions, they may be entitled to a severance bonus by considering their tenure as senior executives, their contributions, last targeted bonus prior to their resignation, and their salaries and bonuses in the last year. Total amounts determined in accordance with the abovementioned principles and paid to Senior Executives and Members of the Board of Directors during the year are presented to the shareholders for informational purposes and/or approval at the next General Assembly Meeting.

Considering that the Board members contribute significantly to the Board with their business experience and industry knowledge, they are not restricted in terms of assuming other duties outside the company. Given the effective functioning of the Board, no changes to the current practice are anticipated in the near future

since no negative consequence has been observed in terms of corporate governance. There has been no materially significant transaction that could result in a conflict of interest such as extending loans to the Board members or senior executives or providing collaterals in their favor by the company.

For Board membership functions, a fixed salary is determined at the Ordinary General Assembly Meeting each year, therefore their remunerations are not target-based. Senior Executives have one-year targets, including ESG criteria. The General Manager's salary is not dependent on total share value or shareholder profit. Otokar Board members and senior executives are also covered by an Executive Liability Insurance policy.

An agile bonus system and a year-end bonus system are in place to attract and retain executives. Koç Holding shares annual market data on salaries, guiding the remuneration policy to be updated accordingly. Furthermore, the salary databases of consulting firms are used in the analyses. Successions plans are in place for key positions.

Benefits Provided to Senior Executives

The total benefits provided by the Group to its Senior Executives in the year ending on December 31, 2023, amounted to TL 159,115 thousand (December 31, 2022: TL 129,881 thousand), consisting entirely of short-term benefits. Senior Executives include Board members, General Manager and Deputy General Managers.

Committees

At Otokar, the Board of Directors has formed certain committees to effectively fulfil its duties and responsibilities, and these committees carry out their activities in accordance with specified procedures. The committees reach some decisions after independently working on specific topics and present their findings in the form of proposals to the Board, who then passes a final resolution.

The committees' operating principles and fields of activity are determined by the Board of Directors and publicly disclosed. The heads of the committees are appointed from among the Independent Board members, while all the members of the Audit Committee consist of Independent Board members.

Audit Committee: The Audit Committee, established pursuant to the Board of Directors' resolution dated April 29, 2003, fulfils the duties specified for audit committees in the Capital Markets Legislation. The Board of Directors resolved on April 4, 2023 that the Audit Committee would be composed of two independent members. In 2023, the Audit Committee submitted to the Board of Directors a written report of its views on the selection of the independent auditor, observations about the functioning and effectiveness of the independent audit and internal control system, its assessments of annual and interim financial statements to be disclosed to the public in terms of their truth, accuracy and compliance with the accounting principles adopted by the company as well as the decisions made during Committee meetings held within the year. The Audit Committee convened seven times in 2023.

Corporate Governance Committee: The Corporate Governance Committee was established following the Board of Directors resolution on May 25, 2012 to monitor the company's compliance with the Corporate

COMMITTEES AND MEMBERS IN 2023

Audit Committee	Title	Term Start	Term End
Kenan Güven	Chairman	3/13/2023	3/27/2024
Ali İhsan Kamanlı	Member	3/13/2023	3/27/2024
Corporate Governance Committee	Title	Term Start	Term End
Ali İhsan İlkbahar	Chairman	3/13/2023	3/27/2024
Levent Çakıroğlu	Member	3/13/2023	3/27/2024
Hüseyin Odabaş	Member	3/13/2023	3/27/2024
Risk Management Committee	Title	Term Start	Term End
Kenan Güven	Chairman	3/13/2023	3/27/2024
Haydar Yenigün	Member	3/13/2023	3/27/2024

Meeting Attendance Rate (%)	2023
Board Meetings	89

Governance Principles, examine the reasons for non-compliance with the Principles, which are not yet implemented, and propose improvement actions, evaluate corporate governance practices and the Corporate Governance Compliance Report, and oversee the work of the Investor Relations Department. The Board of Directors resolved on April 4, 2023 that the Corporate Governance Committee be composed of three members and also serve as the Nomination Committee and the Remuneration Committee in accordance with the Communiqué. The Corporate Governance Committee

reviewed the company's corporate governance practices in 2023 and the Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Note (CGIN), drawn up according to the new reporting formats pursuant to CMB resolution no. 2/49 dated January 10, 2019 and also informed the Board of Directors on the activities of the Investor Relations Department.

In 2023, the committee, which also undertakes the duties of the Nomination Committee and Remuneration Committee, worked on various topics within its purview

such as determining the Independent Board member nominees and the benefits provided to the Board members and Senior Executives. The Corporate Governance Committee convened six times in 2023.

Risk Management Committee: The Board of Directors resolved on July 11, 2012 to establish the Risk Management Committee to work on early detection of risks that could pose a threat to the company's existence, development and continuity, implement the necessary measures to mitigate these risks and to manage them so that compliance with article 378 of Law 6102 of the Turkish Commercial Code, which entered force in July 2012, is ensured and the Board committees function effectively. The Board of Directors resolved on April 4, 2023 that the Committee would be composed of two members. The committee convenes at least six times a year.

In 2023, the Risk Management Committee submitted its written report to the Board of Directors to inform them about their assessment of the Risk Report to be included in the annual report and their opinions on the risk factors, as well as the decisions reached in the committee meetings during the year. The committee also reviewed the information systems management activities in 2023 and related Report in accordance with the CMB Communiqué on Information Systems Management VII-128.9, which imposes obligations on public companies. The Risk Management Committee convened six times in 2023.

The report presented by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. on February 26, 2024 stated that Otokar's early risk detection system and the Risk Management Committee are adequate in all material aspects within the framework of article 378 of the TCC.

TENURE ON THE COMPANY'S BOARD OF DIRECTORS



PROFESSIONAL EXPERIENCE



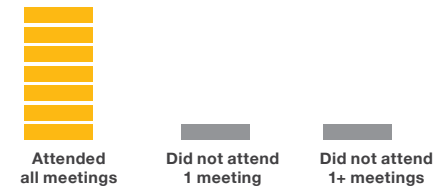
CITIZENSHIP / RESIDENCE



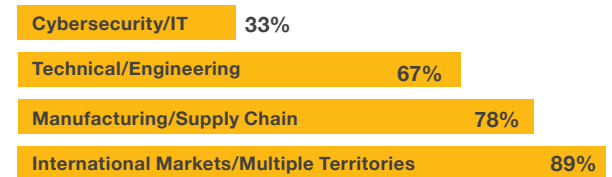
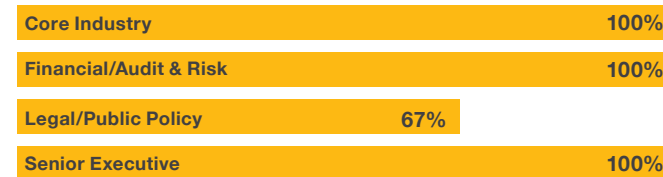
EDUCATION LEVEL



PARTICIPATION RATE IN MEETINGS



SKILLS



Compliance with Corporate Governance Principles

Otokar recognizes the importance of complying with the Corporate Governance Principles regulated by the Capital Markets Board (CMB), and has achieved full compliance with the mandatory principles of the Corporate Governance Communiqué II-17.1, applicable in 2023, as well as compliance with the majority of the non-mandatory principles.

Otokar is working on the principles yet to be implemented and plans to apply them once the administrative, legal and technical infrastructure for the effective governance of the company has been investigated. More information on this matter is provided in the relevant sections of the 2023 Annual Report. The company has not been subjected to any conflicts of interest due to non-compliance with the non-mandatory principles.

Corporate Governance Rating

Otokar has committed to comply with the Corporate Governance Principles issued by the Capital Markets Board and to introduce the necessary changes in line with the latest developments. The company has been rated by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in accordance with CMB's Communiqué on "The Principles Regarding Rating Activity in Capital Markets and Rating Agencies" for rating the compliance of BIST-listed corporations with the Corporate Governance Principles. The Corporate Governance Rating Report is published on www.otokar.com.tr.

Otokar's Corporate Governance Rating rose from 95.53 (9.55) in 2022 to 95.60 (9.56) in 2023.

Corporate Governance Rating 2023	Weight (%)	Score
Shareholders	25	95.92
Public Disclosure and Transparency	25	96.19
Stakeholders	15	97.13
Board of Directors	35	94.30
TOTAL	100	95.60

Mandatory Corporate Governance Principles per CMB	Full Compliance	Partial Compliance	Non-compliance	Exempt	Not Applicable
TOTAL	57	3	4	0	4



RISK MANAGEMENT AND COMPLIANCE

Risk Management

Risk management policy at Otokar is overseen by the General Manager under the supervision of the Board of Directors and carried out in coordination with all executives, spread and supported across all levels of the organization, and implemented in line with the company's strategies with the aim of foreseeing and monitoring any potential risks that may prevent the company from reaching its goals and drawing up action plans to address such risks.

The Risk Management Committee has been established to anticipate and assess any strategic, operational, financial, legal and other risks that may jeopardize the company's existence, growth and continuity, calculate the impact and probability of such risks, report and manage these risks according to the company's risk profile, and submit suggestions to the Board of Directors concerning the implementation of the necessary measures against such risks, taking them into consideration in decision making processes, and establishing and integrating effective internal control mechanisms.

In addition to its own risk policy, Otokar also adheres to Koç Group's Risk Policies. Potential future risks related to sales, efficiency, revenue generating capabilities, profitability,

debt/equity ratio and similar topics are also assessed and managed as part of the Risk Policy.

Risk Management and Internal Audits

The Board of Directors resolved on July 11, 2012 to establish a Risk Management Committee, to work on early detection of risks that could pose a threat to the company's existence, development and continuity and on applying necessary measures to mitigate these risks to ensure compliance with article 378 of Turkish Commercial Code No. 6102, which entered into force on July 1, 2012. The Committee evaluates the principles for the Risk Management System and risk reporting within the company, examines the periodic risk reports and expresses views on measures deemed necessary to address areas where there is non-compliance with the limits stipulated in the Risk Management System. The Committee also reviews the Risk Management System and oversees the implementation of the practices in the relevant risk management departments in terms of compliance with its decisions. The Committee's other duties include evaluating the information security procedures, monitoring compliance risks and related activities and assessing the sustainability risks. Reporting activities and the Committee's assessments are recorded as minutes of the meeting, and duly presented to the Board of Directors.

The Internal Control System established within the company aims to maintain objectivity and independence in all operations, add value to the company, ensure that the company's operations are in compliance with the strategies and goals, as well as regulations, contribute to the realization of the company's key objectives, principles and targets, and improve effectiveness and productivity. The Internal Control System is composed of standard descriptions, job definitions, authorization processes, policies and written procedures included in the workflows.

The Internal Control System is regularly reviewed by the Internal Audit Department for effectiveness. Within the organizational structure, the Internal Audit Department reports administratively to the General Manager and functionally to the Audit Committee to ensure independency of its activities.

Prior to consolidation, the accounting records and financial statements are inspected by the Audit Committee and the Internal Audit Department, and also audited by the independent audit firm Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. Otokar Otomotiv has not completed any special or public audits in 2023.



Key Risks and Opportunities

Otokar monitors its risks under four key categories: financial, strategic, operational and legal.

Financial Risks

- **Foreign Currency Risk:** The company's foreign currency positions are monitored daily to avoid risk exposure and to remain within targeted levels. Foreign currency risk is managed using derivative transactions and natural hedges.
- **Liquidity Risk:** Managed by maintaining the ratio of cash and cash equivalents to total short term liabilities at the targeted levels to meet cash demands.
- **Credit Risk:** Managed by restricting average risks for the other party in all agreements, except for those between related parties, and securing collateral when needed.
- **Interest Risk:** The company seeks to balance fixed/variable interest balance in financing. The company's policies are followed for short-term and long-term borrowing. A policy of utilizing loans with flexible maturities has been implemented.
- **Receivables Risk:** Receivables are followed based on collateral limits. Conformity of debt-receivable days with the anticipated days in the budget is monitored closely.

Strategic Risks

Strategic risks are structural risks that may prevent the company from reaching its short-, medium- or long-term strategies as one of the most important factors for future readiness. These risks are related to products, customers, competitors,

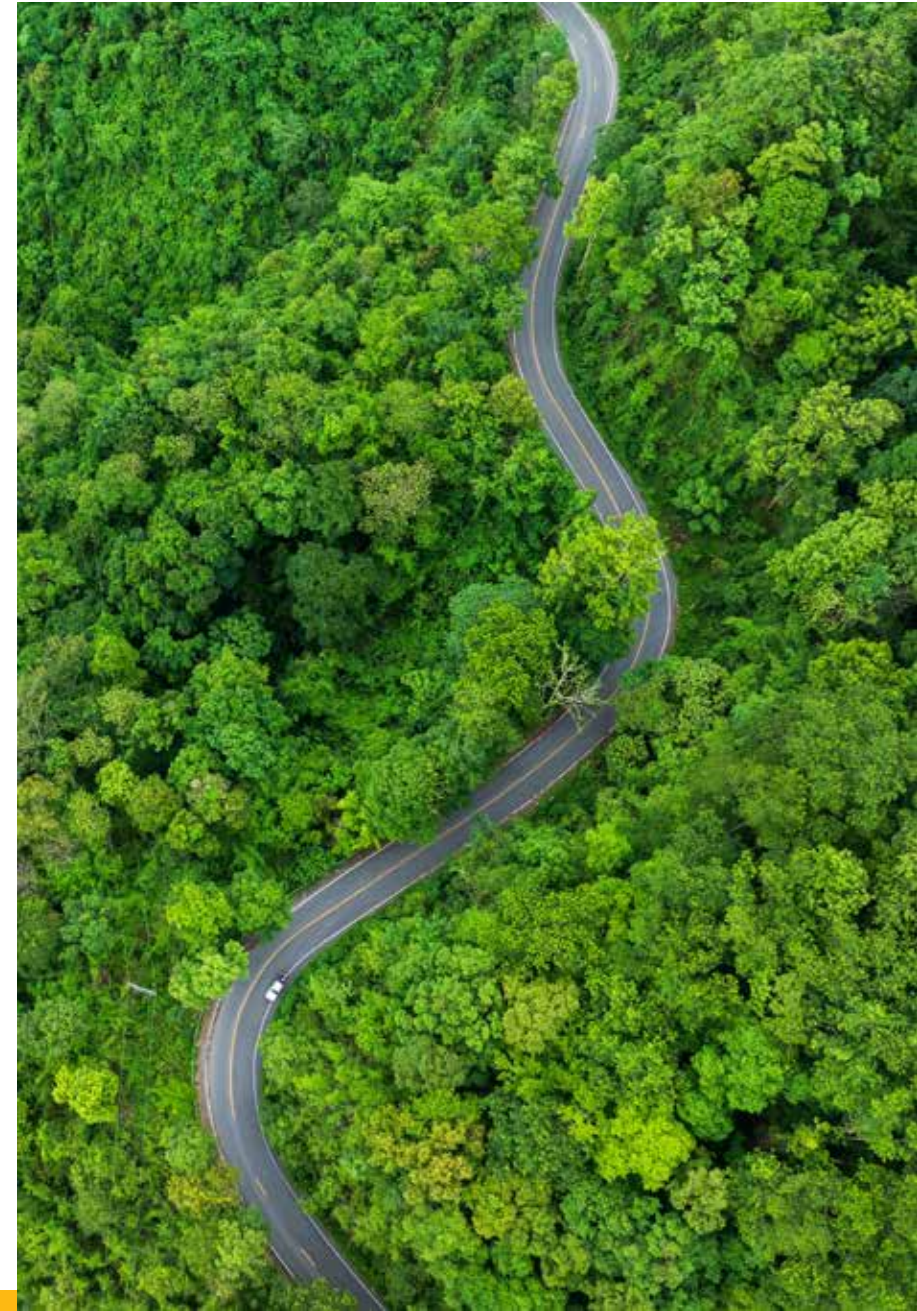
the brand, the market, industry, management and managing transformation. In strategic risk management, potential risks and opportunities are monitored by considering the budget and strategic plans that serve as indicators of future plans, macroeconomic developments, and the market and industry dynamics.

Operational Risks

Operational risks include losses such as those from business processes that may have impact on key operations, employees and systems, which are affected by internal systems and processes, and external factors. Risk areas such as sales, product development, capacity, information management, technology, brand management, earthquakes and fires are included in this category. Operational risks are monitored and managed by the relevant internal functions. Necessary insurance is secured to cover potential operational risks.

Legal Risks

Legal risks are monitored by the internal legal team and external legal counsel with expertise in specific areas for compliance with applicable local and international laws, regulations and standards in jurisdictions where Otokar operates. Preventive legal services are regularly carried out through programs for competition compliance, compliance with the personal data protection law and general compliance. The risk groups identified through compliance programs take the necessary basic training to reach a certain level of awareness and to avoid risks and also consult with expert legal counsel when in doubt.



Compliance

The Compliance Team, positioned under the Legal and Compliance Department, is supported by the Compliance Committee in its activities. The effectiveness of the compliance system is improved through discussions with the committee, which includes various department managers. Operational efforts contribute to awareness-raising activities, keeping compliance awareness on the company's agenda and achieving compliance with local and international legislations.

Moreover, risk analysis systems are utilized to identify the current effectiveness of compliance policies.

Legal compliance is another strategic factor aimed by Otokar as part of its risk and audit activities. Otokar Compliance Policy demonstrates the company's commitment to defining a comprehensive and effective compliance framework and complying with laws and regulations, internal policies, best corporate governance

practices and ethical rules. The Compliance Policy is binding on all Otokar employees and executives.

Competition Law Compliance Policy is an indication of Otokar's commitment to complying with competition law in its commercial activities and relations with its competitors. The policy lays out the principles and procedures regarding the execution of all activities in compliance with the competition law legislation. All Otokar employees and

executives are required to adhere to the Competition Law Compliance Policy.

Supply Chain Compliance Policy

provides guidelines for sharing Otokar's core principles and values with its business partners and communicating the standards they are expected to meet. In selecting suppliers and monitoring them, Otokar aims to serve as a guide. This policy is an integral part of Otokar's Code of Ethics and is binding on all suppliers of Otokar.



[Click to view Otokar's Compliance Policy.](#)

[Click to view Otokar's Competition Law Compliance Policy.](#)

[Click to view Otokar's Supply Chain Compliance Policy.](#)

Code of Ethics

Otokar Code of Ethics is based on and aligned with Koç Holding Code of Ethics and Implementation Principles, and binding on all Otokar employees, suppliers and partners. Similarly, UN Global Compact, to which Koç Holding is a signatory on behalf of all Group companies, is binding on Otokar's entire value chain. Therefore, Otokar strives to spread the ethical principles wider.

The employees are required to report any ethics violations they may witness using the available mechanisms. Reporting of such violations is treated in strict confidence. Otokar has implemented a Whistleblowing Policy to encourage its employees and

stakeholders to report any actions that they suspect are in violation of Koç Group and Otokar Code of Ethics or applicable policies or legislation.

Ethics Processes and Ethics Line

Otokar Ethics Board has been formed to design and effectively implement the processes regarding compliance with business ethics guideline and prevention of unethical behaviors, including bribery and corruption, within the organization and across the value chain. This Board is responsible for the processes, from planning and conducting audits and detecting violations to creating action plans for responding to such incidents.

Accordingly, both Otokar Internal Audit teams and Koç Holding Audit teams conduct individual audits on the company's operations.

Otokar managers and employees are required to report all suspected violations of ethical rules using the methods specified in the relevant policies.

Employees may report suspicious incidents and behaviors and communicate their suggestions and requests to a senior managers. If need be, they may directly contact the Otokar Reporting and Notification Line, specified in the relevant policy documents and accessible via the

corporate websites or the Koç Holding Ethics Line, which is available to all Koç Group companies and managed by an independent service provider. If deemed necessary, a disciplinary process, including legal proceedings, may be initiated.

Compliance training has been integrated into the orientation process. In 2022, all employees completed their compliance training. According to the report received from the platform where the compliance training is provided, 140 new employees who joined Otokar in 2023 completed the Code of Ethics Training and 120 employees completed anti-bribery and anti-corruption training.

ETHICS TRAINING AND AUDITS IN 2023

Total human rights training time (hours)	165
Total ethics training time (hours)	702
Employees who received anti-corruption training	120
Suppliers that received ethics training	518
Annual ethics training hours provided to suppliers	518 hours
Number of dealers and distributors that received ethics training	30
Total training hours provided to dealers and distributors	30

Total number of suppliers subjected to desktop/on-site assessments

555 suppliers

(companies in total were assessed using the Thomson Reuters DPS Tool.)

[Click to view Otokar's Code of Ethics.](#)

[Click to view Otokar's Whistleblowing Policy.](#)

Anti-bribery and Anti-corruption Efforts

Otokar takes all necessary measures to prevent bribery and corruption. Otokar Anti-Bribery and Anti-Corruption Policy has been drafted and implemented to address bribery and corruption, which were previously covered within the scope of the Code of Ethics. This policy lays out the principles and rules to be applied within Otokar regarding corruption and bribery. It is published on the corporate website for easy access by all stakeholders and also communicated to all employees through company channels. Otokar Compliance Program training content has been added to the supplier platform as well, and agreements are negotiated accordingly. As part of the compliance training programs at Koç Akademi, the anti-bribery and anti-corruption training was completed by 979 office employees (approximately a quarter of all employees) in 2023.

Community Investments

Otokar recognizes that its operations impact its stakeholders, the environment and society as a whole, and takes responsibility for sustainable development. The Community Investment Policy demonstrates Otokar's commitment

to contributing to the welfare of its communities and the sustainable development of the environment. Otokar ensures that Community Investments align with its Code of Ethics, Human Rights Policy, Donation and Sponsorship Policy, Anti-Bribery and Anti-Corruption Policy and other relevant company policies.

Sanctions and Export Controls

As part of its commercial activities, Otokar fulfils its obligations to comply with the economic sanctions and export controls imposed by the Republic of Türkiye, United Nations, the United States of America, European Union and other jurisdictions. Accordingly, Otokar has implemented a Sanctions and Export Controls Policy to define a clear framework for this matter.

Gifts and Entertainment

The Gift and Entertainment Policy lays out the guidelines and standards that Otokar employees and executives, acting on behalf of the company, are required to follow when receiving or offering gifts to business partners, hosting guests or accepting an invitation, and similar activities.

Inventory Management and Purchasing audits were conducted in 2023. Issues that may pose a risk of abuse are reviewed periodically. The main issues include:

- Material unit price analyses (unit price definitions/escalation parameters).
- Performance measurements by the Purchasing Team (manipulation risks, etc.).
- Occupancy rates in transportation operations.
- Tenders opened/not opened during Direct and Indirect Purchasing operations and cost analyses (compliance with the specifications).
- Access-right management.
- Users performing transactions from someone else's computer.

[Click to view Otokar's Anti-Bribery and Anti-Corruption Policy.](#)

[Click to view Otokar's Community Investment Policy.](#)

[Click to view Otokar's Sanctions and Export Controls Policy.](#)

[Click to view Otokar's Gift and Entertainment Policy.](#)



SUSTAINABILITY AT OTOKAR

Otokar's Sustainability Approach

Operating in two diverse industries, Otokar recognizes that each comes with different stakeholder expectations and material issues. While this diversity brings richness, it also requires meticulous planning and management of sustainability strategies and practices. As we focus on the shared material topics of these industries, we adopt a flexible approach that enables processes to be structured in accordance with the respective business models. In doing so, we are inspired by global best practices and guided by Koç Holding. As we create value for our stakeholders, we strive to uphold our ethical values in all processes, listen to the opinions and

suggestions of all our stakeholders, starting with our employees, suppliers, business partners and customers, and respect people and the environment.

Our sustainability approach extends beyond our own operations to encompass the entire value chain and deliver exemplary performance. In line with this vision, we have disclosed our economic, social and environmental performance transparently through our reports complying with GRI standards since 2013. As a result of our sustainability efforts, we have also been listed in the BIST Sustainability Index since 2014.

KOÇ HOLDING'S SUSTAINABILITY APPROACH

Creating long-term, sustainable value for the world and countries in which it operates lies at the heart of Koç Group's business model. Its heritage, influence and leadership role offer a variety of opportunities in sustainability. Sustainability activities at Koç Holding are guided by the "Lead. Together" partnership strategy, approved by the Board of Directors and disclosed publicly. Enabled by talents, expansive networks, technology and innovation, the main pillars of this strategy are business, people, the planet and communities.

Empower people. Together

Inclusive approach embracing diversity and engaging employees with skills and knowledge for the future

Grow the business. Together

Sustainable and profitable growth for competition at a global level

Lead. Together

"Lead. Together" is the sustainable and profitable growth strategy of Koç Holding

Act for the planet. Together

Innovative solutions to address global challenges

Strengthen communities. Together

Collaborations and partnerships for joint targets



Sustainability Management

The Board of Directors is the governing body responsible for setting the strategic direction for Otokar's social, economic and environmental issues. As with all other areas of operation, sustainability strategy and direction is also determined by the Board of Directors, which oversees the senior management's sustainability performance. The Sustainability Principles Compliance Report, prepared annually according to the formats specified in the CMB's decision of June 23, 2022, is reviewed by the Corporate Governance Committee and then submitted to the Otokar Board of Directors for approval before it is appended to the relevant year's annual report and disclosed on the Public Disclosure Platform.

The General Manager, who is also a Board member, oversees the sustainability-related activities to ensure that they are implemented in accordance with company policies and applicable legislation. The Sustainability Working Group reports to the General Manager.

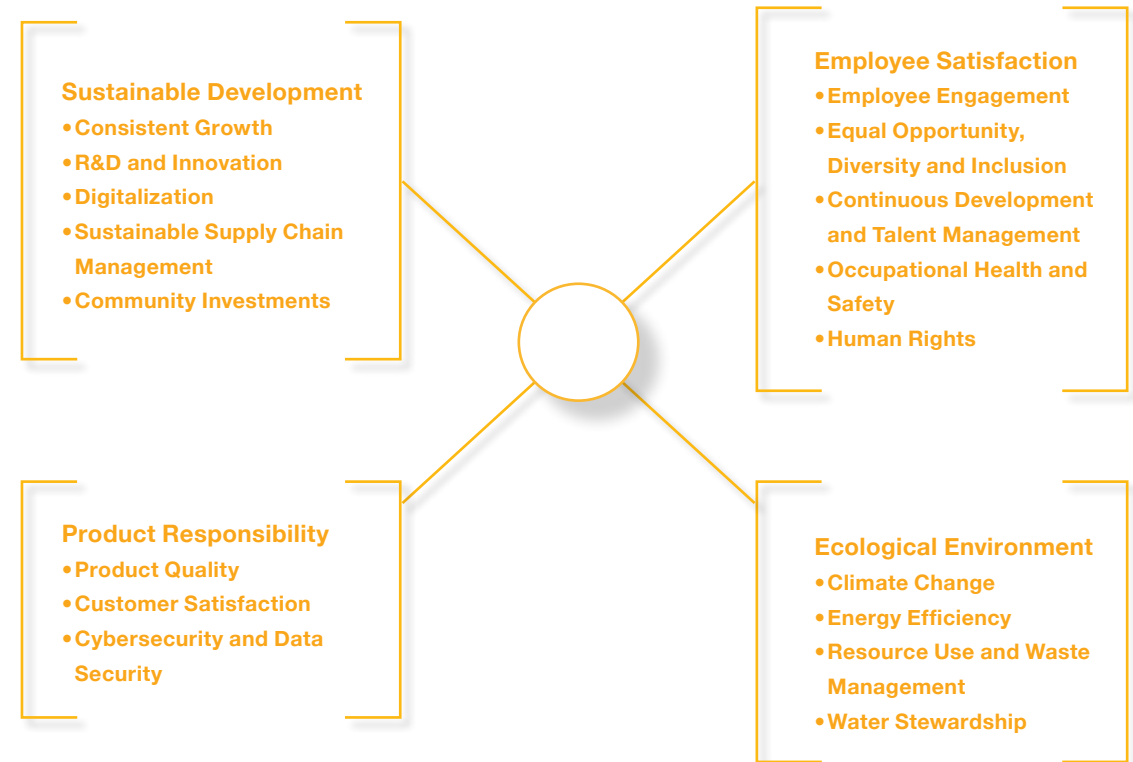
In addition to keeping a close eye on the social, environmental and economic impact of the

company's operations, Otokar Sustainability Working Group is also responsible for monitoring stakeholder expectations from a risk- and opportunity-oriented perspective. While the overarching responsibility for sustainability falls on the Board of Directors, Otokar's material sustainability topics are identified during workshops with the participation of Working Group members and senior management.

Material Sustainability Topics

The identified material aspects are reviewed by external experts every year and updated as needed. In 2021, a materiality analysis was conducted, involving surveys with 14 different stakeholder groups, including Otokar managers and executives along with external stakeholders. The results were then evaluated by the Sustainability Working Group. This materiality analysis was expanded with Koç Holding's material topics, updated in 2023, along with SASB's industry-specific materiality map and external expert opinions to shape the ultimate Otokar Sustainability Model.

The objective of this Sustainability Model is to draw up a roadmap



that respects the environment, people and the future to strengthen the company's business strategy in the automotive and defense industries as an organization that acts with environmental, social, and governance responsibility and values stakeholder engagement. The Otokar Sustainability Model will evolve with a holistic and inclusive approach.

Stakeholder Communication and Engagement Platforms

In all its operations, Otokar aims to create value for all its stakeholders. Accordingly, the company aims to engage in constructive and transparent communication based on mutual trust, cooperation and benefit with all its stakeholders, including its clients, employees, suppliers and shareholders, regulatory bodies, government authorities, NGOs and the media. In determining the communication methods and frequency, Otokar considers the needs and expectations of the respective stakeholder groups. As a publicly traded company listed in Borsa Istanbul, Otokar maintains shareholder relations in accordance with applicable laws and regulations and capital market legislation requirements, and communicates transparently and regularly with investors and shareholders through the Investor Relations Department.

The shareholders are advised about the company's activities and goals by various means, including annual ordinary general assembly meetings, annual reports, sustainability reports, annual and quarterly earnings releases, periodic analyses and information documents, website, press releases, material disclosure announcements, meetings, and interviews. Provided that there is no breach of confidentiality or conflicts of interest, information is shared with the shareholders on demand.

The Corporate Communications Department is also responsible for communicating with the stakeholders other than the shareholders, determining the corporate communication strategies and practices, and implementing social development projects. During the selection of the partnering stakeholders, especially for

social development projects, the relevant stakeholder is expected to hold the same high ethical standards as Otokar and adopt a mutually beneficial and constructive work philosophy.

The intranet and the custom developed mobile app are the primary channels used to communicate with Otokar employees. Internal management changes, important announcements and press releases are announced via the intranet. Work environment surveys among the employees, management bodies such as OHS committees, self-assessment interviews, open door meetings and suggestion system are other important channels used in internal communication. These channels enable the employees to communicate their expectations, opinions and suggestions and to contribute to the management processes.

The internal newsletter "This Month at Otokar," the Otokar Line blog, and the company's social media accounts are channels used to communicate with the employees, clients and the authorized dealers and service centers. The training programs offered to the employees and the authorized dealers and service centers also strengthen the communication between the company and its stakeholders.

Otokar joins trade and industry associations and unions operating in its fields and partners with non-governmental organizations working for sustainability. The company also serves on the joint working platforms or management bodies of these organizations to support their activities.

Stakeholder Groups	Stakeholder Engagement Platforms
Employees	Satisfaction Surveys (annual), Training programs (continuous), This Month at Otokar newsletters, News of the Days, social media, website, intranet, Otokar employee app, emailing, company screens
Customers	Otokar Customer Service Line, mobile app, website, press releases, material disclosure announcements, meetings and interviews, social media, events, trade fairs
Investors	General Assembly Meetings (annual), Annual Reports, Sustainability Reports (annual), annual and quarterly earnings releases, periodic analyses and information documents, website, press releases, material disclosure announcements, meetings and interviews, social media
Business Partners (Dealers and Aftersales Service Centers)	Satisfaction Surveys (annual), training programs, website, press releases, material disclosure announcements, meetings and interviews, social media, events, trade fairs
Suppliers	Supplier portal, website, press releases, material disclosure announcements, meetings and interviews, social media, events, trade fairs
Subcontractors	Meetings and interviews, press releases, material disclosures, social media

Managing Potentially Negative ESG Impacts

Koç Group Ethics Line, operating 24/7, is managed by independent service providers and available as the main communication channel for whistleblowing. All incidents reported via the Ethics Line or alternative methods are initially reviewed by System Users from the Internal Audit Department and Legal and Compliance Department, depending on their subject. The purpose of these reviews is to confirm the relevance of the reported incident and to verify its reliability. As regulated by the Koç Group Whistleblowing Policy, if the reported incident is within Otokar's purview based on the preliminary assessment, the System User is authorized to investigate the issue in depth and decide whether an investigation is required or to close the ticket opened in the system. When an investigation is necessary, Otokar's internal procedures are followed. If the relevant issue is not within Otokar's purview, actions specified in the Koç Group Whistleblowing Policy are taken.

Notifications submitted to the Ethics Line are evaluated by Otokar Internal Audit Department and Legal and Compliance Department.

Memberships and Organizations

- Automotive Distributors Association (ODD)
- Automotive Manufacturers Association (OSD)
- Automotive Technologies R&D
- Automotive Technology Platform
- Corporate Communications Association
- Defence and Aerospace Industry Manufacturers Association
- Foreign Economic Relations Board of Türkiye (DEİK)
- Heavy Commercial Vehicle Importers Association
- Istanbul Chamber of Commerce
- Istanbul Chamber of Industry
- Istanbul Mineral and Metals Exporters' Association
- OSD Environment Advisory Board
- Sakarya Provincial Employment Authority
- Sakarya Chamber of Industry and Commerce
- Technology Development Foundation of Türkiye
- The Union of Chambers and Commodity Exchanges of Türkiye
- Turkish Employers Association of Metal Industries (MESS)
- Turkish Industry and Business Association (TÜSİAD)
- Turkish Quality Association (KALDER)
- TÜSİAD Environment Advisory Board
- Uludağ Exporters' Association
- Union of Chambers and Commodity Exchanges of Türkiye



Compliance with CMB's Sustainability Principles

Otokar closely follows the best sustainability practices, including those specified in the Capital Market Board's (CMB) Sustainability Principles Compliance Outline, operating with the aim of complying with the generally accepted best sustainability practices. The majority of the sustainability topics Otokar manages are congruent with the Sustainability Principles Compliance Outline introduced by CMB in 2020. Otokar is already in compliance with the majority of the non-mandatory principles in the Sustainability Principles Compliance Outline imposed by the Capital Markets Board on a "comply or explain" basis.

Once the ongoing work to align with internationally accepted practices is completed, Otokar aims to adhere to the remaining principles that currently lack full compliance. Environmental and social impacts related to non-compliance with the non-mandatory principles are monitored by the company and assessed within the course of sustainability activities.

Explanations regarding non-compliance with certain principles and relevant action plans are summarized below:

- PrincipleA1.2: While targets in many areas are monitored with scorecards according to ESG policies, starting with environment and occupational safety, work is ongoing to set long-term targets. Once the target setting system is in place, the short- and long-term targets will be disclosed to the public.
- PrincipleA4.1: Otokar works with an independent third party for verification to further improve the reliability of the consolidated financial statements disclosed to the public. A process is ongoing to publicly disclose the verification results of other

Principles	Compliance Status			
	Yes	No	Partial	Not Applicable
A) General Principles	10	1	1	-
B) Environmental Principles	18	4	2	-
C) Social Principles	18	-	-	-
D) Corporate Governance Principles	2	-	-	-

- environmental and social indicators in the years to come.
- PrincipleB9: The activities carried out in 2023 included carbon footprint calculations for Scope 1 and Scope 2, target modeling, and target feasibility studies along with calculations for Scope 3 emissions. With 2021 taken as baseline, Scope 1-2-3 emissions have been assured by BSI according to the ISO14064-1 standard. The Scope 1-2-3 emissions for 2022 have been accredited by BVQI (Bureau Veritas). Calculations were also made with Carbon Trust in accordance with the GHG standard. Otokar started the preliminary work for the Science Based Targets initiative (SBTi) in 2022 and awaits for the revision of the automotive sector guidelines.
- PrincipleB12: Even though certain targets in various areas are tracked with scorecards within the scope of ESG policies, starting with environment and occupational safety, work is ongoing to set long-term targets. Once the target setting system is in place, the short- and long-term targets will be disclosed to the public.
- PrincipleB14: Although the environmental performance and improvement efforts, including greenhouse gas emissions, are among the supplier selection criteria and considered in the process, the specific actions taken in these areas are not disclosed to the public due to the nature and dynamics of the suppliers' respective industries.
- PrincipleB15: Even though the company discloses the administrative and investment costs of environmental




































management activities, the returns on the efficiency-focused activities are not declared.

- PrincipleB23: The company is considering different tools to employ for transitioning to a low-carbon economy, and those identified as suitable will be implemented as part of the strategy determined for this purpose.
- PrincipleB24: The company is considering different tools to employ for transitioning to a low-carbon economy, and those identified as suitable will be implemented as part of the strategy determined for this purpose.
- PrincipleB25: The annual Sustainability Reports are the primary channel for transparent disclosure of environmental performance. The corporate website and the Annual Report also contain the environmental metrics.

BIST Sustainability Index

Otokar aims to create long-term value by integrating economic, environmental and social factors with corporate governance principles. Since 2014, Otokar has been included in the BIST Sustainability Index, whose constituents are listed companies with the highest corporate sustainability performance, in recognition of its sustainability focused efforts. Through the Sustainability Index, Otokar discloses information on its environmental, social and corporate governance related activities as well as their performance results and relevant targets to its stakeholders. Otokar is also included in the ESG rating of the LSEG.

CONTRIBUTIONS TO UN SDGS

Sustainability Pillar	Material Topic	Relevant SDGs
Sustainable Development	Consistent Growth	  
	R&D and Innovation	   
	Digitalization	
	Sustainable Supply Chain Management	  
	Community Investments	 
Product Responsibility	Product Quality	 
	Customer Satisfaction	 
	Cybersecurity and Data Security	
Employee Satisfaction	Employee Engagement	
	Equal Opportunity, Diversity and Inclusion	  
	Continuous Development and Talent Management	 
	Occupational Health and Safety	
	Human Rights	
Ecological Environment	Climate Change	 
	Energy Efficiency	  
	Resource Use and Waste Management	  
	Water Stewardship	

**SUSTAINABLE
DEVELOPMENT**



CONSISTENT GROWTH

As a leader in the Turkish automotive and defense industries, Otokar aims for consistent growth in global markets and creating value for its stakeholders. Otokar is a company with a local and national identity that always works to contribute to the country's economy and society.

Pursuing the goal of becoming a global player in the automotive and defense industries, Otokar will continue to maintain its leading position in the Turkish market, while making strides in international operations. To achieve these ambitions, Otokar will uphold its ethical values, anticipate major risks including climate change, seize opportunities and support the development of its stakeholders. Otokar recognizes that its contribution to job creation, suppliers, shareholders and the country beyond financial success is a critical factor for driving consistent growth.

2023 Results

Otokar ranks among the most experienced companies in the Turkish automotive and defense industries and its results are testament to its successful trajectory throughout the years. In 2023, the 60th anniversary of the company, Otokar continued to grow, capturing great success worldwide and becoming an international company that employs over 4,000 people and exports to more than 75 countries on five continents. Revenues increased by 53% to TL 27 billion and operating profit by 94% to TL 2,492 million. Otokar posted TL 1,968 million in net profit, while exports reached USD 667 million, accounting for 73% of total revenues.

Consistent Growth Indicators	2022	2023
Revenues (TL million)	17,819	27,239
Share of Exports in Revenues (%)	73	73
Main Operating Profit (TL million)	1,282	2,492
Profit for the Period (TL million)	2,018	1,968
Number of Employees (year-end)	3,298	4,393
Capacity Utilization Rate (%)	38	52
Local Sourcing Ratio (%)	45	48
Dividend Payout (TL million)	-	720
Stock Price (beginning of the year, TL)	71.33	212.36

Payments to States – taxes and fines (TL million)	2022	2023
Türkiye	161.6	385.2
France	3.6	12.6
Romania	8.2	0.5
Italy	0.00	3.4

Tax Policy and Practices

Similar to all Koç Group companies, Otokar applies the directives, circulars and policies of Koç Holding for its tax management methodology. In simplest terms, the policy principles are described as commitment to integrity and ethical values and compliance with local and international legislation in the jurisdictions where the company operates. Pursuant to Article 3.2 of Koç Group Code of Ethics, Otokar aims for compliance with law under all circumstances. Where legislation is unclear, the relevant authorities are contacted to make sure that the most reasonable taxation method is applied to favor the public and the company. To ensure continuity in taxation and prevent compliance risks, the company constantly monitors the latest legislative changes and updates, keeps its practices up-to-date and manages risks at the micro and macro level.

Regarding the elimination of tax-related risks, the company adopts a proactive approach and monitors the latest developments while the legislative process is still ongoing, taking action for maximum compliance through information technology solutions. In matters where the policymakers leave the legislation ambiguous, solutions that comply with the spirit and letter of the applicable tax legislation are implemented under the advice of Koç Holding Tax Coordination Department and the Chartered Accountants who provide consultancy. Communications with the tax office and other public institutions may be both in person and on digital platforms. Tax audits are regularly conducted by Chartered Accountants and the Holding's Audit Group, which hold the required certifications.

In each country where the subsidiaries operate, taxes are calculated for the revenues of services provided locally.

Type of Financial Incentive (TL million)	2022	2023
SSI Incentive	57.8	121.5
R&D Debt Cancellation	38.6	83.7
TÜBİTAK – TEYDEB Grants (5490401 – R&D Scheme Fund per Law no. 5746)	4.6	3.5
Turkish Ministry of Trade, Turquality Brand Grants Program (Decision No. 5973 on Export Grants)	8.3	0
Law No. 5746 on Support for R&D and Design Activities discounts, exceptions, grants and incentives	502.4	888.6



Consistent Growth in Commercial Vehicles

Most Preferred Turkish Bus Brand for 15 Years

According to Automotive Manufacturers Association (OSD) data, Otokar maintained its successful performance, once again becoming the most preferred bus brand in the total of Turkish midibus and bus segments and reconfirming its market leadership for the 15th consecutive year. With a broad product range that includes buses from 6 meters to 21 meters in length, Otokar remained the first choice in transportation, with one out of every three buses sold in the market bearing the Otokar brand. In addition to the 20 metrobuses delivered to the Istanbul Metropolitan Municipality in 2023, Otokar also completed deliveries of public transportation buses to various cities, including Bursa, Balıkesir and Muğla.

77% Growth in Vehicle Exports

In 2023, Otokar increased its total commercial vehicle export revenues by 77%, fueled by the large volumes of

bus orders from different markets, starting with Europe. Otokar's new electric buses have also been highly praised by European operators. Otokar received the first orders for its electric minibuses from Italy. Moreover, various vehicles were tested by users in countries such as Germany, Spain, France and Belgium. As product development continued for a number of vehicles, the small bus, a favorite in several countries, including Türkiye, France and Italy, was redesigned.

New Subsidiary in Europe

Otokar, which exports buses to nearly 50 countries, mostly in Europe, continued to take strategic steps to maintain its success in its primary export market. In line with its expansion plans to grow its bus business further in Europe, Otokar Italia was incorporated following the acquisition of Mauri Bus System, a prominent bus dealer with 101 years of history in Italy. Otokar Italia follows the company's other subsidiaries in France and Romania. Otokar now

aims to bring its successful growth across the continent to Germany, Latvia and Scandinavian countries, aspiring to take its place among the top five players in the European bus market over the medium term.

Otokar Atlas Enters the European Truck Market

Otokar increased the number of trucks sold by nearly 45% in 2023. With a flexible and adaptable construction, Otokar Atlas remained a top choice for businesses in various sectors. Boasting the highest standard equipment level in its class, Otokar Atlas captured a market share of 25% in the light truck segment in 2023. Otokar has started to export its Atlas trucks and already established a dealer network in multiple European countries, including Spain, Poland, Republic of North Macedonia, Romania, Bulgaria and Serbia. Otokar currently stands as the only light truck brand capable of officially exporting to the European Union countries through its own sales network.



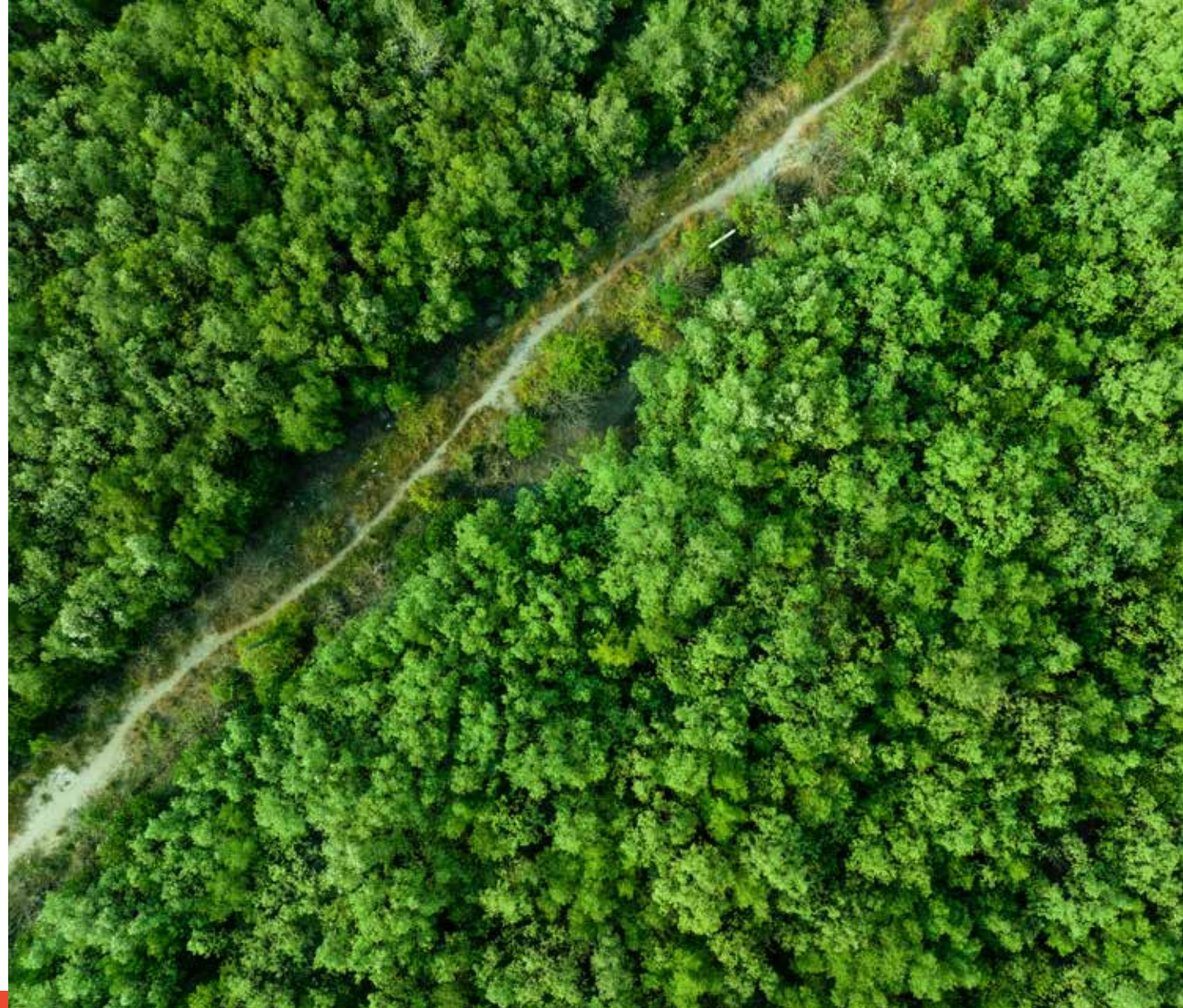
Consistent Growth in the Defense Industry

Growing in Global Markets

Otokar, the pioneer national defense company of Türkiye, offers different types and variants of military vehicles and turret systems, which currently serve 60 clients in more than 40 countries. In 2023, Otokar continued to receive new vehicle orders from many friendly and allied countries in Europe, South America, Africa and the Gulf region. Otokar keeps a close eye on the tenders and purchases in Türkiye and diverse regions worldwide and participates in user tests with its armored vehicles. The company's subsidiaries in Kazakhstan and the United Arab Emirates also monitor the market requirements in their respective territories.

Currently, more than 500 Arma vehicles, with proven track records in diverse geographical conditions and climates around the world, serve in the inventories of nine clients in five countries. The Arma family was the subject of two major contracts in 2023. Passing the rigorous tests of the Estonian Armed Forces with flying colors, Otokar's Arma 6x6 left behind its international competitors to win the bid. The contract worth nearly Euro 130 million awarded by Estonia marks the second time that Arma 6x6 will be included in the inventory of a NATO member country. Moreover, the Arma 8x8 armored vehicle entered the inventory of the Turkish Land Forces Command for the first time in 2023.

As Türkiye's leading land systems manufacturer, Otokar is committed to contributing to the country's exports with its product development, R&D and technology transfer capabilities in global markets. Otokar will continue to introduce product and service innovations to meet client expectations and needs, offering its products, capabilities and means for the benefit of our country.



R&D and Innovation

R&D and Innovation Approach

The 1960s, when a significant industrialization movement was taking place in Türkiye, saw an increasing need for passenger transportation. The buses built on truck chassis offered in response to this need were not adequately comfortable or safe for transportation. Otokar had demonstrated its customer-focused innovation approach already during its inception. The company was established with the aim of manufacturing Türkiye's first intercity buses suitable for passenger transportation and focused on R&D and innovation to develop optimal products that would meet the evolving transportation needs. With many firsts to its name, including Türkiye's first public minibuses, first medium-sized bus, Otokar also introduced the first computer-assisted designs to the Turkish automotive sector.

Since then, closely following customer expectations, market needs, trends and technologies, and being able to respond to these needs with its own technology has formed the basis of Otokar's R&D and innovation approach.

R&D Activities

Otokar's capability to develop technologies, designs and applications with wholly owned intellectual property rights is among its key competitive advantages, made possible thanks to the activities carried out with nearly 700 employees at the advanced R&D Center, which ranks among the handful facilities worldwide.

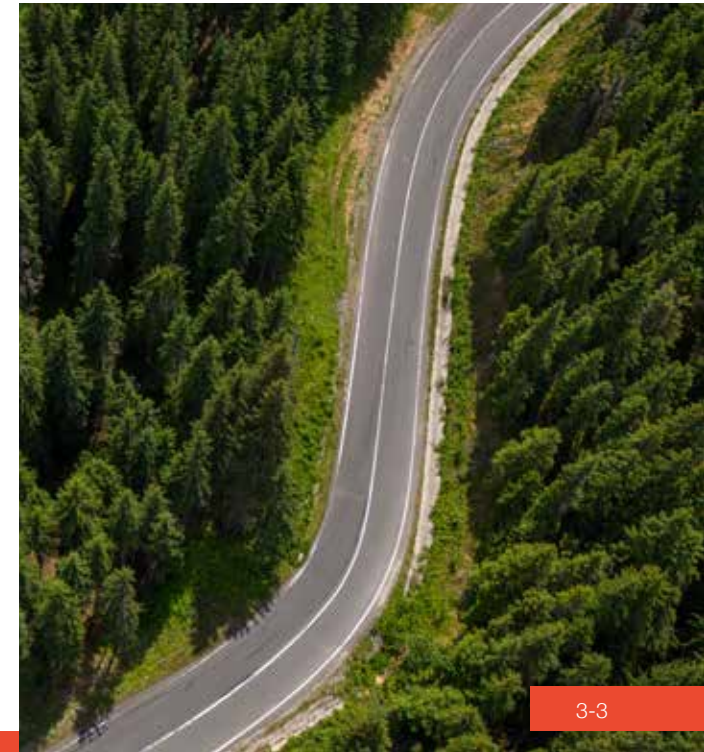
The high technology vehicle groups and systems Otokar manufactures are designed in-house. In

R&D and Innovation Metrics	2022	2023
R&D Spending (TL million)	574	1,009
Share of R&D Spending in Revenues (%)	6	4
Number of R&D Center Employees	622	691
Share of Otokar Design Vehicle Sales in Revenues (%)	96	95

the reporting period, Otokar's own designed vehicle sales accounted for 95% of total revenues. Otokar R&D capabilities include CAD software for product development, prototyping workshops and software, computer-assisted analytics and simulation software, testing apparatus and software. In 2023, Otokar's R&D spending corresponded to 4% of the company's revenues.

R&D Center

Otokar's Sakarya plant is home to one of the leading automotive R&D centers worldwide. Otokar's R&D Center, which also serves as an independent accreditation center for all R&D activities of local and international companies in the automotive and defense industries, is equipped with simulators, test equipment and computer systems to generate and evaluate information for faster testing of manufactured vehicles with advanced technologies. The testing capabilities of the R&D Center are accessible to various other industries and companies.



Green R&D

Commercial Vehicles

Electric Vehicles: In line with its objectives, Otokar has primarily directed its R&D projects toward alternative fuel vehicles, placing a particular emphasis on electric vehicle development within its long-term strategy. Since 2018 when the research and development accelerated in this focus area, the company has successfully commercialized the electric versions of the 12-meter and 18-meter Kent and the 6.6-meter Centro public transportation buses. Furthermore, ongoing projects include the development of electric versions of the e-Territo school bus and Intercity vehicles. Additionally, Otokar is actively engaged in studies focusing on modular design and alternative battery applications aimed at replacing the existing Kent public transportation bus.

Hydrogen Fuel-Cell Technology: Otokar, committed to advancing green mobility solutions for a sustainable future, has intensified its efforts by introducing Kent Hydrogen, its first bus powered by hydrogen fuel cell technology, to its product lineup. Kent Hydrogen operates by utilizing hydrogen, a gas derived from renewable energy and water, which reacts with oxygen in the fuel cell atop the vehicle to generate electricity. This innovative design not only significantly reduces harmful emissions, emitting only water vapor, but also plays a crucial role in enhancing urban air quality. Engineered with plug-in hybrid technology, the vehicle can charge its fuel cell while in motion, thereby extending its range. With the capability to be filled in under 10 minutes, Kent Hydrogen offers a remarkable range exceeding 600 kilometers.

Autonomous Vehicle Project: The electric autonomous e-Centro, equipped with Level 4 driving technology, operates without requiring a human driver. Engineered to adhere to traffic regulations, this vehicle boasts precise

positioning capabilities, ensuring safe navigation. Capable of providing seamless service round-the-clock and in all weather conditions, the autonomous e-Centro effortlessly pulls up to designated stops along its route, facilitating passenger boarding and alighting with utmost efficiency. Otokar showcased its pioneering autonomous vehicle technology with the e-Centro at the Busworld fair in Belgium, where it not only introduced the advancements in public transportation but also provided shuttle services to fair visitors.

Military Vehicles

R&D is a crucial element in the defense industry. R&D capabilities should be continuously enhanced to strategically reduce dependence on imports, maintain the country's and our allies' self-defense capabilities at the highest level, and to stay ahead of the curve in this constantly advancing industry.

Boasting superior design, testing and production capabilities, Otokar quickly responds to the ever-evolving needs and requirements of its clients. With excellent design and development capabilities, Otokar competes with global industry titans. In 2023, Otokar expanded its portfolio with the introduction of two new products.

Arma II Against Asymmetric Threats: The R&D team at Otokar designed Arma II to address both conventional combat scenarios and the asymmetric threats often encountered in diverse conflict zones worldwide. Boasting best-in-class ballistic, mine and improvised explosive (IED) protection, Arma II delivers high terrain capability in an optimal combination. Arma II, with a maximum payload of 40 tons and a 720 HP engine, allows for the integration of heavy weapon systems up to 120-millimeter caliber, along with higher carrying capacity and extensive

protection features. In the process of developing Arma II, Otokar also wanted to take an important step toward reducing Türkiye's dependence on imported land systems and used its own design transfer case and suspension system. Furthermore, locally designed and manufactured subsystems, including the cooling package, were preferred. One of the most important innovations was the option of an Arma II, equipped with a locally produced engine. Otokar showcased the Mobile Repair and Rescue Vehicle variant of Arma II 8x8 at the IDEF Defense Industry Fair. This versatile vehicle is capable of quickly rescuing the damaged, overturned, sunken tracked and wheeled armored vehicles on the battlefield where it operates, provide all kinds of maintenance, repair and towing services, perform ground leveling and remove obstacles.

Unmanned Ground Vehicle (Alpar): In a pioneering move toward unmanned vehicle technology, Otokar unveiled its serial hybrid-electric drive unmanned ground vehicle in 2023, marking a first for Türkiye and garnering high praise at its debut at the IDEF Fair.

Akrep II: The next-generation AKREP II 4x4 armored vehicle range is developed as an armored reconnaissance, surveillance and weapons platform to meet the current and future needs of modern armies, thanks to its low silhouette. In addition to offering exceptional mobility and unparalleled maneuverability on all terrain, Akrep II features a modular structure that allows the use of alternative power sources such as diesel, hybrid and electricity. Akrep II, integrating power generation and transmission systems, sensors, computers, communication and targeting systems into a single system, comes with an infrastructure that will accelerate the transition toward autonomous vehicles.

Digitalization

Digitalization Approach

Otokar has designed its digital transformation strategy in a way to ultimately make it an integral part of the company culture, while also leading the industry with its digitalization efforts. Accordingly, Otokar builds its digital transformation vision on four pillars: Customer Facing Digital Channels, Digitalized Production and Supply Chain, Analytical Decision and Marketing, and Digital Products and Services to develop projects.

Digitalization Projects

Bus Monitor: Otokar introduced this service on predictive or preventive maintenance, developed to facilitate fleet operations, at the Busworld Fair. Bus Monitor, Otokar's telematics technology solution monitors performance in real time, enabling the users to track and manage their fleets more effectively.

VALU3S (Verification and Validation of Automated Systems' Safety and Security):

Within the scope of the project continued, the Hardware Security Module (HSM) and Secure Gateway (SG) were integrated into the industrial robotics system, resulting in enhanced cyber security. HSM is linked to a remote server, generates random numbers and encrypts them. SG is integrated to a remote access point at production line, resolves encrypted incoming data from other systems or encrypts those that will be sent. A digital twin platform software that creates the safe robot trajectory and eliminates any human involvement was developed. This digital twin mapped the automatic robot trajectory by identifying all points and camera angles that need to be photographed to perform presence-absence checks of all bus body parts using the vehicle's 3D design data. Then this trajectory was observed on the digital

Digitalization Metrics	2022	2023
Ratio of Projects Completed on Time and Within Budget (%)	100	100

twin platform and determined that it functioned properly without creating occupational safety risks such as collisions. At the last meeting of the project in Portugal in July 2023, demonstrations of the improvements were presented to the project referees from the EU, and the project was successfully completed. The implemented developments were also presented at the IEEE/IFIP Dependable Systems and Networks 2023 conference.

TASTI (Application-Tailored Synthetic Image Generation):

Training artificial intelligence (AI) algorithms requires vast amounts of data. However, the openly shared data sets do not contain sufficient data collected from industrial environments. While AI algorithms aimed at generating images or adding different properties to the images produce successful results in human and normal environment data, they do not deliver the same level of success with industrial environment data. The main goal of this project is to develop a modular framework of transferable technology to innovate synthetic image generation and tailor it to industrial applications artificially from scratch in a computer environment and to add these errors to errorless images previously collected from industrial environments. Images

that occasionally contain radiation due to welding and cause erroneous results when transmitted to the system can be shown as an example that occurs during the quality control process at Otokar. With this project, artificial neural networks will be developed that enable the generation of industrial environment images containing welding radiation (or other types of errors) from scratch and the injection of welding radiation errors realistically into images that do not contain welding radiation. The goal of the project is to generate synthetic images of the error types encountered in industrial systems and to classify those errors with neural networks trained with these images. Otokar aims to integrate the project outputs into applications where artificial vision systems are utilized. There are 17 project partners from Türkiye, the Netherlands, Spain, Belgium, Sweden and Canada. The project has already received the Celtic (Eureka) label and TÜBİTAK's approval. In the first year of the project, the working scenario, requirements and system topology were determined. An autoencoder-based AI algorithm has been developed for detecting anomalies in data received from camera sensors.

Signaling: Bluetooth signals are received from beacons (bluetooth-based interaction technology-transmitter) placed on production vehicles via

gateways (antennas-receiver) positioned in various places across the plant floor. An algorithm developed by Otokar is used for real-time location calculations of the vehicles. Clients are shown the status of different stages of production via interfaces developed by Otokar.

Andon Boards: This project involves using boards developed by Otokar as part of digitalization on the production floor to monitor data in real time. The speed and efficiency of the lines are monitored instantly on the production monitoring screens to determine whether there are any errors/malfunctions in the lines on the production floor and whether the daily production targets are met within the projected times. The board equipment was selected by Otokar, which also designed the boards' interiors and developed the software running on the GPU and the interface.

Factory IoT: This project involves Platform360, which enables instant monitoring of the equipment in the factory (air conditioning unit, pumps, busbars, motors, etc.). In addition, analog signals were converted to digital and a more efficient work environment was created for the employees with comfort sensors (carbon dioxide, temperature, humidity, smoke detectors) placed in the offices. Furthermore, advance alerts were created against possible anomalies to ensure early intervention and predictive maintenance.

SA4CPS: This project focuses on issues such as cyber-secure data transfer of the signaling system, which tracks vehicle and

forklift locations, ensuring that the stored data remains unalterable and secure with blockchain technology, and establishing infrastructures to monitor the safe operation of the systems in real time. The project, which received the Celtic label, is executed by an international consortium of 20 stakeholders from six countries. The approval processes at TÜBİTAK are ongoing.

EDIH (European Digital Innovation Hubs): The objective of the EDIH program, coordinated by the Presidential Digital Transformation Office and the Ministry of Industry and Technology at the national level, is to develop hubs in Türkiye to help public institutions, businesses of all sizes, including SMEs, university research centers and other stakeholders, on the journey to successful digital transformation. EDIHs offer the 'test before invest' option, along with technical expertise, financial guidance, training and skills development. The consortium, in which Otokar is a stakeholder, was selected among the successful consortiums in the pre-application phase and moved to the next phase.

Trend Analysis Project: This project involved the creation of a predictive algorithm that anticipates potentially popular technologies by reviewing patent databases to be cognizant of technological advancement in product development areas and to take quick action. The algorithm clusters the patents, identifies the fields they belong, analyzes the changes in these fields over the years and offers recommendations about when to invest in a technology.



Sustainable Supply Chain Management

Supply Chain Management Approach

Otokar evaluates all national and global sourcing alternatives, starting with suppliers in the immediate vicinity, to be competitive in both domestic and international markets. A highly effective communication system that enables harmony and information sharing is developed to facilitate effective cooperation with the existing suppliers. Otokar prefers to work with suppliers that invest in technological development and human resources and respect the environment and human health. The company also supports the development of its existing suppliers in these areas. Otokar establishes long-term business relationships with companies that are capable of delivering quality products on time and in competitive terms, prioritize research and development to specialize in their respective fields, manufacture in national and international environment and occupational safety standards, and adopt a contemporary management approach.

Otokar's Purchasing Policy is disclosed publicly on its website. The objective of Otokar Purchasing Policy is to establish, maintain and develop long-term business relationships based on mutual trust and cooperation with current and prospective business partners in alignment with the general policies and strategies of Koç Holding and Otokar, in line with UN Global Compact.

The objective of the Supply Chain Compliance Policy is to communicate Otokar's core principles and values to the suppliers by creating a roadmap for the standards they need to follow. With this policy, Otokar also aims to provide guidance in the supplier selection and monitoring processes.

All Otokar employees and managers are required to adhere to this policy, which is an integral part of Koç Group's and Otokar's Code of Ethics. Otokar expects all its business partners to adhere to this policy, to the extent applicable for the respective business, and takes the necessary steps to ensure compliance.

Otokar selects its business partners according to criteria such as technical competence, product and service quality, pricing, corporate reputation and financial soundness. Engagement with all business partners required acting in accordance with a set of criteria listed.

Otokar also assesses compliance risks associated with business partners according to a risk-based approach to ensure compliance with these principles. This approach involves the adoption of the following conditions:

- Taking the necessary measures to effectively manage risks associated with sanctions and export control regulations.
- Ensuring that business partners are not sanctioned directly or indirectly, and that they bear no negative intelligence, including bribery, corruption, laundering the proceeds of crime, financing of terrorism and weapons of mass destruction, human rights violations, etc.
- Auditing the business partners as needed to ascertain their compliance with Otokar Code of Ethics, applicable legislation, guidelines for business partners and contractual obligations.
- Providing the necessary training to business partners as needed to ensure compliance with applicable standards.

CRITERIA FOR BUSINESS PARTNER SELECTION

- Laws and regulations
- Anti-bribery and anti-corruption, prevention of laundering the proceeds of crime, financing of terrorism and weapons of mass destruction
- Human rights
- Health and safety
- Environment
- Compliance with code of ethics and international conventions
- Conflicts of interest
- Reporting
- Training and development
- Management systems

Supply Chain Metrics	2022	2023
Total Sourcing (TL billion)	7.93	15.9
Local Sourcing Ratio (%)	45	48
Total Number of Suppliers	1,456	1,426
Number of Local Suppliers	1,178	1,130
Local Supplier Ratio (%)	81	79
Number of Supplier Audits	38	27
Number of Supplier Self-Assessment Surveys	46	45

Supplier Relations

Otokar works with various suppliers for strategic purchasing, rapidly increasing and maintaining its inventory levels or replacing many materials with local alternatives. The main suppliers consist of partners supplying materials and components, while providers of various services, starting with logistics, are also included in the supplier portfolio. In the supplier selection process, criteria such as competitiveness and compliance with global standards and the financial, commercial, operational processes along with social, environmental and economic performance are used to evaluate the candidates. Suppliers that meet the criteria are collected in the supplier pool and all purchases are made from this pool.

Meanwhile, supply chain risks and their management remained a key focus area for Otokar. In 2023, Otokar worked with 1,426 suppliers, including 1,130 local companies, for direct and indirect procurements. During the reporting period, purchasing costs amounted to TL 15.9 billion, with local sourcing ratio at 48% levels. Otokar leverages working models such as VMI (Vendor Managed Inventory), BTO (Build to Order), Kanban and JIT (Just in Time) to ensure efficiency in sourcing. MilkRun collection programs, introduced to support these processes particularly in local sourcing, have been ongoing since 2009.

The suppliers' compliance with Otokar's operating principles and standards is monitored through supplier audits. In this process, the performance of the suppliers is evaluated by various criteria, including quality, logistics, cost, environment, working norms and human rights and occupational safety practices. UN Global Compact forms the main framework of this evaluation process. In audits conducted with a risk-based approach, the suppliers that are signatories of the UN Global Compact and the suppliers who hold ISO 14001, OHSAS 45001, ISO 9001 certifications are categorized as the low risk group, which is prioritized in the audits. The scope of the audits includes compliance with environmental working norms, respecting human rights, including not using forced labor, child labor or illegal labor and business ethics. Based on the audit results, a development plan is prepared for the suppliers. The goal is to increase the level of implementation.

The Business Ethics Self-Assessment Document, introduced in 2022 for local suppliers was applied in 2023 as well. This assessment addressed criteria such as employment, occupational health and safety, discrimination, disciplinary practices and protection of personal data (KVKK). Based on the assessments, which 45 suppliers completed in 2023, no non-compliance has been detected.

Environmental and Social Criteria for Supplier Selection	2022	2023
New suppliers	34	22
Ratio of new suppliers selected according to environmental criteria (%)	100	100
Ratio of new suppliers selected according to social criteria (%)	100	100

Environmental Inspections at Suppliers	2022	2023
Suppliers audited according to environmental criteria	38	27
Suppliers identified as having negative environmental impact (actual or at risk of occurrence)	0	0
Supplier contracts terminated due to environmental reasons	0	0

Social Audits at Suppliers	2022	2023
Suppliers audited according to social criteria	38	27
Suppliers identified as having negative social impact (actual or at risk of occurrence)	0	0
Supplier contracts terminated due to social reasons	0	0

[Click to view Otokar's Procurement Policy.](#)

[Click to view Otokar's Supply Chain Compliance Policy.](#)

Community Investments

Community Investment Approach

Otokar aims to support the development and welfare of its communities, drawing from the motto of the late Vehbi Koç, the founder of Koç Holding, who said, 'I exist if my country exists'. Adopting a responsible corporate citizenship approach, Otokar also contributes to the social, environmental and economic development of society in line with the sustainable development goals. All the activities carried out for these purposes are guided by the principles defined in Otokar Social Investment Policy, which forms an integral part of Otokar's Code of Ethics.

This policy demonstrates the importance Otokar attaches to contributing to the welfare of the community and the sustainable development of the environment. Otokar prioritizes conducting its activities in the highest ethical standards and has adopted the 10 principles of the UN Global Compact, to which Koç Holding A.Ş. is a signatory.

Community Investments are made in accordance with the Koç Group's Sustainability Guidelines and Otokar's material sustainability topics, taking into account the following conditions:

- The relevant Community Investment should align with the priorities and needs of the regions where Otokar engages in commercial activities.
- A clear and explicit link should be present between Community Investments activities and business strategies.
- Strong relationships should be established with civil society organizations, international organizations, universities or individuals to implement viable solutions.
- The returns of Community Investments should be measurable and scalable with the potential to deploy in different fields of activity and regions.
- Community Investments should align with the social and environmental targets stated in the UN Sustainable Development Goals.

Community Investment Metrics	2022	2023
Donations and Sponsorships (nominal TL million)	9.7	31.6



[Click to view Otokar's Community Investment Policy.](#)

[Click to view Otokar's Policy for Donations and Sponsorships.](#)

Donation And Sponsorship Approach

Otokar makes donations and extends sponsorships under certain conditions. These should:

- Comply with the limitations specified in Otokar's articles of association (and/or other incorporation documents) or stipulated by the General Assembly and/or the Board of Directors or a similar authorized representative body.
- Comply with all applicable laws and regulations, including but not limited to capital market laws, commercial codes and tax legislation in the countries where Otokar operates.
- Comply with the principles in this Policy and the Koç Group and Otokar Code of Ethics, without any conflicts with Otokar's values or legitimate interests.
- Be documented in accordance with the legislation.

Donations and sponsorships should not be:

- Used for any improper benefit or corruption of any kind.
- Associated with any commercial benefits (winning a tender, ensuring the renewal of a contract, etc.)
- Intended for political purposes to benefit any politician, political party, municipality or government official, directly or indirectly through a third party.
- Benefit of any institution or organization that discriminates against ethnicity, nationality, gender, religion, race, sexual

orientation, age or disability.

- Directly or indirectly violate human or animal rights, promote tobacco, alcohol and illegal drug use or harm the environment.

In addition to the aforementioned, the upper limit of the donations by Otokar should be determined by the General Assembly and the donations made during the year should be submitted to the General Assembly.

Donations

Pursuant to Article 6 of the Capital Markets Board Communiqué on Dividends No. II-19.1, the upper limit for the donations should be determined by the General Assembly in cases not specified in the Articles of Association, and the donations and payments should be submitted to the shareholders at the Ordinary General Assembly meeting. The donations made to foundations and associations in 2023 per the company's Donation and Sponsorship Policy amounted to TL 31,643,368 (corresponding to TL 37,615,853 based on the purchasing power on December 31, 2023). Of this nominal amount, TL 17,809,300 was donated to Vehbi Koç Foundation, TL 8,840,955 to Koç University, TL 2,919,850 to Yemekhane A.Ş. for food aid and mobile kitchen installation in the earthquake-affected region, TL 1,375,269 to İBB Veterinary Branch Directorate and the remainder to various other institutions

and organizations. These other donations are each lower than TL 300,000 and are not materially significant for the investors.

Disaster Relief Efforts

Shortly after the end of the reporting period, the February 2023 earthquakes, with Kahramanmaraş at the epicenter, hit a wide region and devastated many provinces, causing major loss of life and indescribable grief across the whole country. Upon receiving the news of the earthquake, Otokar immediately took action to support the recovery efforts in the affected region in coordination with the Koç Group crisis center and AFAD. As the topmost priority, Otokar Natural Disaster Search and Rescue (ODAK) team, which was formed many years ago and currently consists of trained volunteering employees, was quickly mobilized and reached the disaster region within the first 24 hours to support the search and rescue efforts on the ground. The team rescued four earthquake victims in Hatay and Gaziantep, giving hope amidst the devastating news coming from the affected region. Driven by this motivation, Otokar accelerated its support efforts and delivered all kinds of essential supplies to the earthquake zone. Otokar employees provided seamless repair services for the Otokar-branded government vehicles and public transportation vehicles to ensure that transportation could be maintained without interruption in disaster conditions. A Mobile

Kitchen, converted from a bus, served hot meals. Furthermore, volunteering employees of Otokar supported the relocation of many families to Umut (Hope) City, a tent city built by Koç Holding. Meanwhile, the field employees at the plant donated to Turkish Red Crescent's blood drive. Otokar will continue to support the recovery efforts in the earthquake region and stand by the people as they heal from the disaster.

Environmental Initiatives

As part of its social responsibility approach, Otokar regards raising environmental awareness and fulfilling its environmental responsibilities as a duty. The company builds systems for the effective use of the environment and natural resources and ensures their continuity. In terms of protecting and improving the environment in which it operates, Otokar organizes tree planting activities with its employees and also delivers training on environmental protection for its business partners.

Otokar's environment-focused efforts have been recognized with multiple awards by institutions such as the Ministry of Environment, Sakarya Governor's Office, İstanbul Chamber of Industry, Adapazarı Chamber of Commerce and Industry and Kocaeli Chamber of Industry. Otokar is also one of the first automotive companies to operate with ISO 14001 certification.

PRODUCT RESPONSIBILITY



Product Quality

Quality Approach

Otokar's primary mission is to design, manufacture and market commercial vehicles and various defense industry products with global competitive strength, all developed to meet customer expectations. Otokar envisions preserving the local and national identity of its products by developing technologies in-house and ensuring continued satisfaction of its clients, employees and shareholders with its total excellence philosophy. In line with this primary mission, Otokar has defined the Core principles of its Quality Policy by considering the changing and evolving conditions.

- Ensuring continued customer satisfaction by designing and manufacturing the highest quality, innovative and problem-free products.
- Defining the needs, expectations and conditions of the relevant parties and stakeholders in line with our strategies, proposing and implementing solutions.
- Researching and introducing new technologies and quality techniques to continuously enhance our quality management system, product and service quality.
- Instilling the total quality concept across the organization and establish the necessary infrastructure. Engaging in activities to promote zero error in our products and increasing the value we offer to our customers.
- Strengthening our cooperation with our suppliers, monitoring and supporting their developments to help them improve the quality of the products and services they provide.
- Contributing to the development of our employees with a people-centric approach based on mutual respect and trust.

Quality Metrics	2022	2023
Ratio of Commercial Vehicles Assessed for Health and Safety Impacts	100	100
Ratio of Defense Industry Vehicles Assessed for Health and Safety Impacts	100	100
Total Cases Caused by Non-compliance of Products and Services with Health and Safety Standards	0	0

Product Quality and Responsibility

Otokar aims to provide safe products and services in universal quality norms and standards. As part of its product and service responsibility, Otokar considers the social, environmental and economic impact that the services may create. The company continuously strives to ensure that customers are always equipped with accurate information about the products and terms of use.

At Otokar, product and service quality is managed in line with the internationally accepted product and management standards. Accordingly, production process quality and excellence is assured with ISO 9001 Quality Management System Standard and AQAP 2110 Military Quality Assurance System certifications. Otokar products are subject to many laws and regulations that vary depending on their purpose and markets where they will be used. Therefore, applicable legislation is monitored closely to ensure and maintain legal compliance..

For Otokar, operating in the defense industry comes with critical product quality requirements and responsibilities. Pursuant to applicable laws and statutory requirements, the defense industry products are only sold to the Turkish Armed Forces and other internal security and police forces. Exporting defense industry products are subject to the approval of the Turkish Ministry of Defense. They are only exported to the authorized organizations within the framework of the applicable export laws and regulations, and the requirements of the respective governments' export licenses.

All of our products and services – both commercial vehicles and defense industry are assessed for their health and safety impact. Within the reporting period, no fines or warnings were imposed for any non-compliance with health and safety regulations in our products and services and no cases were detected to violate voluntary codes.

Test Center

In 2023, Otokar's EMC and Environmental Testing Laboratory was audited for re-certification by TÜRKAK. After the inspections were completed, the quality certificates of Otokar's test laboratories were renewed.

Quality Controls

At Otokar, quality controls are performed by qualified employees using advanced measurement, calibration, physics and chemistry laboratory systems in all processes from receiving raw materials from suppliers to delivering products to customers.

OTOKAR'S QUALITY ACTIVITIES

Input Quality

- **First Sample Check** (size checks, material, mechanical, metallurgical, chemical and corrosion tests and life tests)
- Serial Part Check
- Laboratory Tests

Body

- Fixture Checks
- Welding Checks
- Process Checks

Paint and Cataphoresis

- Paint Thickness Checks
- Final Coat Paint Checks
- Adhesion Tests
- Leakage Tests
- Process Checks

Assembly

- COP (Conformity of Production) Tests
- Homologation Tests
- Process Controls

Final Processes

- Brake Tests
- Water Tests
- Road Tests
- Underbody Checks
- Paint Checks
- Final Checks
- Vehicle Specification Checklist Controls

Delivery

- Finished Product Checks
- Shipment Preparation
- PDI (Pre-Delivery Inspection)

CERTIFICATES AND DOCUMENTS HELD BY OTOKAR UNDER THE SCOPE OF INTEGRATED MANAGEMENT SYSTEMS:

- ISO 9001:2015 Quality Management System Certificate
- ISO 14001:2015 Environmental Management System Certificate
- ISO 14064 Greenhouse Gas and Emissions Management System Certificate
- ISO 50001:2018 Energy Management System Certificate
- ISO 10002:2018 Customer Satisfaction Management System
- ISO 27001:2013 Information Security Management System
- ISO 45001:2018 Occupational Health and Safety Management System Certificate
- AQAP 2110:2016 Quality Management System Certificate
- MND - Facility Security Certificate – (NATO Classified)
- MND - Facility Security Certificate – (National Classified)
- MND - Approved Supplier Certificate
- MND - Production Permit Certificate
- ISO 17025:2017 Laboratory Accreditation Certificate
- TS 12047:2013 Authorized Service Qualification Certificate
- ISO 21434-R155 (Road Vehicles) Cyber Security Management System (CSMS) Certificate
- Ministry of Trade – Authorized Economic Operator Certificate (AEO)

[Click to view Otokar's Quality Policy.](#)

Customer Satisfaction

With over 50 years of experience, Otokar Otomotiv ve Savunma Sanayi A.Ş. is a pioneer and leader in the industry. Otokar designs and develops products using its own R&D capabilities. Always aiming to preserve the local and national identity of its products, Otokar has introduced many innovations in public transportation and defense industry. The company's goal is to ensure continued customer satisfaction by generating fast and reliable solutions with its total excellence philosophy. The objective of Otokar's Customer Satisfaction Policy is to establish long-term relations with its clients based on mutual trust, while ensuring their ultimate satisfaction.

According to the policy:

- The customers' requests and expectations are quickly addressed at no cost with a transparent and objective approach. All customers may contact Otokar 24/7 via the Customer Relations Line at 444 68 57 (444 OTKR).
- Otokar offers customer-centric solutions to applications submitted to the company in accordance with internal policies, legal and other requirements and organizational, financial and operational requirements.
- The security of our customers' personal information is important. Therefore, their information is not shared or used for purposes other than the application submitted to the company pursuant to Law No. 6698 on the Protection of Personal Data.
- Otokar is committed to seizing the notifications, requests and expectations of customers, employees and other relevant parties as an opportunity for continuous improvement in all business processes.

Customer Satisfaction Metrics	2023
Customer Satisfaction Certification	ISO 10002 Customer Satisfaction Management System Standard and ISO 10001 Quality Management-Customer Satisfaction certifications
Customer Complaints Received	6,744
Customer Complaints Resolved	6,345
Resolution Rate (%)	94

Customer Satisfaction Processes

Otokar aims to establish long-term relations based on mutual trust with its customers, while ensuring their unconditional satisfaction. Customer satisfaction is managed within the framework of Otokar Customer Satisfaction Policy and Otokar Quality Policy. Furthermore, Otokar has obtained ISO 10002 Customer Satisfaction Management System Standard and ISO 10001 Quality Management-Customer Satisfaction certifications for quality assurance of customer satisfaction. Product and service responsibility is a key component of customer satisfaction. For this purpose, Otokar continuously works to enhance the safety of its products and keeps the customers informed about the latest developments while considering social, environmental and economic impact across its production and service operations.

The activities carried out for this purpose are managed by the Marketing and Sales Directorate

and the relevant units according to the Customer Satisfaction Policy and Quality Policy. The sales and after-sales processes are executed through Otokar's dealers and authorized service centers.

The conformity of the customer satisfaction processes with applicable standards across the customer satisfaction ecosystem, including dealers and authorized service centers, is assured by independent system certification inspections. Furthermore, customer satisfaction in after-sales service processes is assured with TS 12681 and TS 12047 Authorized Service Qualification Certifications.

The development areas identified as a result of satisfaction surveys are shared with the relevant units and the improvement processes are followed. In 2023, 94% of the 6,744 customer complaints communicated to the company were resolved.

Informing Customers

Otokar has in place multiple custom-designed communication channels to provide complete information about its products and services. Customers may directly access information such as product content, features, environmental impact and safe terms of use via these channels. Otokar's corporate website, product information forms, user manuals, vehicle modification guides and various other documentation are also resources available to the customers. Furthermore, customers may submit their service requests, opinions and suggestions via the Otokar Customer Service Line, website or authorized dealers and services.

Ensuring customer satisfaction is crucial for Otokar, which considers client needs and expectations in its operations. Always aiming to elevate the satisfaction levels of its products and services, Otokar continued its customer-centric activities in the reporting period. In addition to offering low maintenance costs and affordable parts through a wide aftersales service network across Türkiye, the company has also organized a Service Days campaign for commercial vehicles.

Continuous Improvement

As a company that always aims for continuous improvement in its business processes, services and products, Otokar continued to apply Kaizen practices to offer the employees development opportunities. Based on the evaluations of the Kaizen work of the field employees throughout the year, the viable practices were included in the system and implemented. The achievements of the employees are recognized through the rewarding system.

Agile Organization

Otokar continues its agile transformation with the vision of transforming into a resilient organization that creates value through innovation, constantly learns and pioneers change. In this cultural change, Otokar aims to ensure high customer satisfaction by producing higher value-added outputs for its customers and stakeholders. In 2023, several projects were executed toward this goal, focusing on improving efficiency in production, quality and OHS. Agile transformation training was provided to 391 company employees.

Lean Manufacturing Layout

Otokar launched the Layout Project to reconfigure the production flows in both the commercial vehicle and defense industry manufacturing. As part of the project, all production workflows were reconfigured according to lean production principles. Furthermore, the company's technological infrastructure was reinforced and the production management processes were restructured. With the completion of the project, Otokar aims to set industry benchmarks in production infrastructure and management processes.

Brand Value and Reputation

For Otokar, customer satisfaction is a key factor that determines the brand value and reputation. The company's people-centric sustainability model is combined with customer relationship management to expand its impact. Otokar also aims to maintain customer satisfaction at the highest level with after-sales services.

CUSTOMER SATISFACTION FOLLOW-UP SURVEYS

- Welcome to Otokar Survey
- Customer Satisfaction Survey
- CRM Customer Satisfaction Survey
- Roadside Assistance Satisfaction Survey
- Things Gone Wrong (TGW) Survey
- Solution Path Customer Satisfaction Analysis
- Service Satisfaction Survey
- New Vehicles Customer Survey

[Click to view Otokar's Customer Satisfaction Policy.](#)



Cybersecurity and Data Security

Information Security Approach

As specified in the Information Security Policy, Otokar regards its information assets (including consumer information assets) as an important resource for capturing a competitive advantage and attaining its strategic goals. Therefore, Otokar takes all necessary measures to ensure that these information assets are always available, secure and consistent.

Otokar is committed to complying with laws and regulations, fulfilling its contractual information security obligations and putting in maximum effort to ensure the security of customer and consumer information available to the company. To achieve these goals, Otokar has committed to establishing and continuously enhancing an Information Security Management System, managing its risks in accordance with ISO 27001 criteria and allocating the necessary resources.

Data Privacy

As a manufacturer with the capability to design and develop products using its own know-how and expertise, Otokar also engages in R&D activities, making its information assets even more important. Protecting the corporate and personal data of clients and customers is also addressed within the scope of data privacy. Furthermore, Otokar's activities in the defense industry require data to be maintained in utmost confidentiality. Therefore, Otokar takes all measures needed to protect its information assets and store them securely, safely and continuously, while constantly enhancing the relevant practices.

Cybersecurity and Data Security Metrics	2022	2023
Number of Employees Who Received Information Security Training	1,138	1,201
Number of Cyberattacks	0	0
Number of Complaints About Customer Information Privacy Violations and Customer Data Losses	0	0
Number of Incidents Detected Regarding Loss, Theft or Leaking of Customer Data	0	0

Otokar Information Security Policy lays out the principles for protecting information assets, collecting information from customers and using such information. Otokar Personal Data Protection Policy, drafted according to applicable laws and regulations, includes the principles adopted by the company for processing personal data.

In all processes regarding data privacy, Otokar complies with ISO 27001 Information Security Standard and AQAP 2110 NATO Quality Assurance Requirements Standard for Design, Development and Production. Otokar advises data subjects transparently about the protection of their data, and the express consent of the customers is sought after they have read and understood the relevant notice before their information is collected. The collected data is not used for purposes other than those specified in Otokar Customer Satisfaction Policy and the Personal Data Protection Law No. 6698. All employees, starting with the CRM Center employees, receive

training on data privacy and agree to protect confidentiality. Processes related to data privacy are regularly assessed.

Cybersecurity

Since the applications connected to the internet pose the highest risk in terms of cybersecurity, these are protected by IPS and firewalls, ensuring that no incidents are experienced. No adverse situations were encountered in 2023

Protection of Personal Data

Otokar protects personal data diligently. Otokar Personal Data Protection Policy lays out the principles adopted by the company for processing personal data. Data subjects are advised of their rights transparently through this policy. Furthermore, Otokar Employees Personal Data Protection and Processing Policy regulates how employees' personal data is protected.

[Click to view Otokar's Information Security Policy.](#)

[Click to view Otokar's Personal Data Protection Policy.](#)

A woman in a grey work uniform and safety glasses is working on a large engine component in a factory. The engine is mounted on a yellow and teal frame. The word "Otokar" is visible on the teal frame. Another woman is visible in the background, looking at the engine. The scene is set in a large industrial facility with various machinery and equipment.

EMPLOYEE SATISFACTION

Otokar

Otokar

Employee Engagement

Human Resources Approach

Otokar creates all kinds of opportunities to foster its employees' development. To attract highly qualified talent to the company and to ensure the loyalty of current employees, Otokar aims to support them by implementing contemporary human resources policies that create an equitable, reliable and peaceful work environment, free from discrimination against religion, language, race and gender without compromising ethical values. The objective of the Human Resources Policy is to be the most preferred employer in the sector and to ensure this continuously. This can be achieved by creating an environment that makes employees proud and by developing the knowledge, skills and competencies of employees, which enable them to continuously show high performance by revealing their potential. The principles and procedures to follow in human resources processes are also specified in Otokar Human Resources Policy and Personnel Regulation.

Believing that employee happiness and loyalty will bring success in business life, Otokar supports the high motivation and continuous development of its employees. Offering its employees a fair, equitable and respectful work environment where their rights are protected, Otokar adopts a management approach with people at the center. Working life at Otokar is organized within the framework of the fundamental values of respect, trust, human rights and equity.

Otokar aims to manage employee experience holistically at every stage of employment, starting from recruitment. Employee experience initiatives are led by the Human Resources Department.

Employee Engagement Metrics	2022	2023
Number of Employees	3,298	4,393
Office Employees	861	980
Field Employees	2,437	3,413
Temporary Field Employees	356	813
New Hires (office employees)	200	223
New Hires (field employees)	1,878	1,987
New Hires (disabled employees)	36	73
Employee Turnover (%)	33	26
Employee Engagement Score	73.2	72.3
Number of Club Activities	16	30
New Interns	162	257

Recruitment Processes

The objective of Otokar's selection and placement system is to build a creative, innovative and qualified workforce, open to newness and aligned with the company's goals. As of year-end 2023, the number of Otokar employees, including those with a temporary contract, totaled 4,393. In 2023, 223 new office employees started working at Otokar, including 90 employed as engineers at the R&D Center. As a result, the number of R&D employees reached 691. In 2023, Otokar received 15,514 applications for field jobs and recruited 1,987 field workers as a result of 3,673 job interviews. On the other hand, 884 field workers' employment status changed from temporary to permanent contract. Otokar was also recognized by SATSO with an award as the employer to provide the highest number of jobs with social security in the province of Sakarya in 2023.



Employee Figures	2022	2023
Employees by Gender		
Female Employees	178	239
Male Employees	3,120	4,154
Total Employees	3,298	4,393
Female Employees – HQ	29	38
Male Employees – HQ	82	94
Total HQ Employees	111	132
Female Employees – Factory	149	201
Male Employees – Factory	3,038	4,060
Total Plant Employees	3,187	4,261
Permanent and Temporary Employees		
Permanent Female Employees	177	208
Permanent Male Employees	2,765	3,372
Permanent Employees - Total	2,942	3,580
Temporary Female Employees	1	31
Temporary Male Employees	355	782
Temporary Employees – Total	356	813
Permanent Employees - HQ	111	132
Temporary Employees - HQ	0	0
Permanent Employees – Factory	2,831	3,448
Temporary Employees - Factory	356	813
Full-time and Part-time Employees		
Full-Time Female Employees	178	239
Full-Time Male Employees	3,120	4,154
Full-Time Employees - Total	3,298	4,393
Part-Time Female Employees	0	0
Part-Time Male Employees	0	0
Part-Time Employees - Total	0	0
Part-Time Employees - HQ	0	0
Full-Time Employees - HQ	111	132
Part-Time Employees - Factory	0	0
Full-Time Employees - Factory	3,187	4,261
Other		
Field Employees	2,437	3,413
Office Employees	861	980
Disabled Employees	95	131



Youth Employment

In 2023, 177 high school students and 38 vocational school students were recruited as interns. Those who completed the Vocational School Internship Program were employed at Otokar. As the activities to strengthen the employer brand continued in 2023, several university students visited the Otokar plant. The recruitment team also participated in personal and online events to introduce Otokar to young talents.

Holistic Approach To Employee Engagement

Employee satisfaction is a key priority for the Internal Communications and Employee Experience team under the Human Resources Department, which adopts a holistic approach to this matter. As part of this approach, Otokar works on continuously improving employee satisfaction and experience on all levels in close collaboration with all departments engaged in employee-related processes, leveraging the ideas submitted via the instant suggestion system. The Employee Engagement score was 72.3% in 2023.

Otokar was named the “Best Employer” for the third consecutive year by Kincentric, a global human resources and management consultancy firm, and won the Continuing Excellence Award. Based on a number of studies, surveys and polls, Otokar was also recognized with the Happy Place to Work and Great Place to Work awards.

Supporting Social Life

Otokar cares about its employees healthy work-life balance. Therefore, the work environment and practices are shaped to promote this. Events such as employee club activities, internal celebrations, sports tournaments and nature walks are organized for the entire Otokar family to participate, fostering the employees’ social life and strengthening employee communication. In 2023, 25 events were organized with employee clubs and employees’ families.

Subcontractor Employees	2022	2023
Cleaning Staff	153	161
Security	64	57
Kitchen	94	128
Other	33	36
Total	344	382

Employees at Subsidiaries and Joint Ventures	2023
Otokar Europe SAS – France	37
Otokar Europe Filiala Bucuresti SRL – Romania	26
Otokar Land Systems LLC – UAE	3
Al Jasoor Heavy Vehicles Industry – UAE	25
Otokar Italia SRL – Italy	19
Total	110

New Hires	2022	2023
Total New Hires	2,078	2,210
Total New Recruitment Ratio (%) (Total New Hires/Total Employees Year-end)	63	50

Employee Turnover	2022	2023
Employees Leaving the Company	1,063	1,129
Employee Turnover Rate (%) (Total Employees Leaving the Company/ Total Employees Year-end)	32	26

As members of the Koç Group, Otokar employees benefit from KoçAilem, a platform that offers various privileges, including discounts across Türkiye in all areas of life, from shopping and travel to education and art. They are also offered regional deals specific to Sakarya and Izmit such as discounts at partnering companies in healthcare, sports, entertainment and education.

All new employees starting at Otokar are offered guesthouse facilities to support their accommodation in and around Sakarya.

Employee Benefits

Remuneration System: Employee remuneration is based on performance. Objective methods are used in remuneration to eliminate all kinds of bias. In determining remuneration policies, opinions and research of independent expert organizations are utilized. The principles specified in the Remuneration Policy for Otokar Board of Directors and Senior Executives are followed in the remuneration of Board members and senior executives with administrative responsibilities in accordance with CMB regulations.

Employee Payments (TL million)	2022	2023
Employee Salaries	562.7	1,435.0
Employee Benefits	409.8	1,116.3
Payments to the State on Behalf of the Employees	338.9	770.4
Other Payments	22.9	50.5

Private Pension	2022	2023
Number of Participants	2,271	2,620
Employees' Contribution (TL million)	23.3	49.0
Otokar's Contribution (TL million)	22.8	48.3

EMPLOYEE BENEFITS INCLUDE:

- Footwear vouchers twice a year
- Holiday candy gift on religious holidays
- Grocery store coupons in Ramadan
- Company vehicles allocated for external assignments
- Towels and soap gifted twice a year
- Gifts on International Women's Day
- Travel expenses for working on the weekends and public holidays
- Financial assistance in marriage, birth and death of a next of kin
- Tuition assistance for children in primary and secondary schools
- Birthday gifts
- Newborn baby gift
- Daycare assistance
- Annual leave allowance
- Holiday allowance twice a year
- Covering employee's share of the medications provided by workplace physicians
- Monthly fuel assistance
- Personal liability insurance
- Foundation Private Health Insurance or Supplementary Health Insurance with employee contribution
- Modems and Token Flex meal vouchers for remote workers
- Foundation membership, Foundation Private Health Insurance and Koç Ailem membership for permanent employees (temporary employees are not entitled to these benefits)
- Employer contribution to the private pension system (BES), which more than half of our employees benefit from

Diversity, Equity and Inclusion

Otokar's Diversity, Equity and Inclusion Manifesto

Otokar strives to address biases and eliminate barriers and focuses on gender equality, disability and generational gap issues. Otokar believes that diversity, equity and inclusion are crucial to a workplace where everyone is represented, can thrive and be inspired, and works to create this environment. Otokar is committed to fostering a culture where everyone is valued and included, where everyone can contribute their individual differences, experiences, knowledge and unique talents, and where all opinions are respected. Otokar pledges to promote a zero tolerance policy against discrimination and pledge that it guide all our business processes as our core principle.

Diversity, Equity and Inclusion Processes

Guided by its Code of Ethics, Otokar aims to offer equal opportunity on all levels and to ensure diversity and inclusion. Otokar believes that achieving diversity, especially in decision-making mechanisms, would directly contribute to business performance. Therefore, Otokar strives for ensuring diversity among Board members, who bring knowledge and experience in their respective fields.

In 2023, Otokar continued to raise awareness within the organization as part of its diversity, equity and inclusion endeavors. The infrastructure required to employ women on the field was completed, and the company began to recruit female field workers.

In 2023, the number of female employees at Otokar was 239, corresponding to 5.4% of all employees. Women constitute 11% of the Board of Directors, 9% of the senior executives and 11% of managers. Additionally, 4% of new hires and 3% of those leaving the company are women.

Diversity, Equity and Inclusion Metrics	2022	2023
Number of Female Employees (Total)	178	239
Female Employment Ratio (Total) %	5.4	5.4
Female Employment Ratio (Board of Directors) %	11	11
Female Employment Ratio (Executives) %	11	9
Female Employment Ratio (Managers) %	10	11
Female Employment Ratio (non-managerial) %	5	5
Female Employment Ratio (New Hires) %	2	4
Female Employee Ratio (Those Leaving the Company) %	3	3
Gender Pay Gap for manager (Female Employee Salary/Male Employee Salary) %	92	97
Gender Pay Gap for non-managers (Female Employee Salary /Male Employee Salary) %	95	95

The necessary adjustments have been made in the workplace to improve the comfort and safety of disabled employees:

- Sign language training is organized to facilitate communication with hard of hearing and deaf employees.
- Given the presence of lifting and transport equipment and vehicle movement at the plant, the uniforms of hard of hearing and deaf employees were updated in different colors to increase their visibility by seeking their opinions and suggestions.
- Hard of hearing and deaf employees are assigned buddies to work together to ensure that they always have someone to rely on for evacuation in case of danger.
- Disabled employees are offered annual check-ups.

Spektrum

Otokar formed the voluntary Diversity, Equality and Inclusion Committee - SPEKTRUM - to create a diverse, equal and inclusive work environment where human rights are respected and to build a corporate culture on these principles. The SPEKTRUM committee has already conducted a materiality analysis within the organization and identified the focus areas to address as gender equality, physical disability and generational discrimination. The results of these studies have been published as a manifesto. Furthermore, the employees received training on this topic. A dedicated function was created within the mobile app for the employees to enter their suggestions.

Female Employment Ratios by Position	2022	2023
Female Representation on the Board of Directors (%)	11	11
Female Executives (%)	11	9
Female Managers (%)	10	11
Women in Non-managerial Roles (%)	5	5

Employees by Age Groups and Positions 2022	Under 30	Between 30-50	Over 50
Board Members (%)	-	11	89
Executives (%)	-	22	78
Managers (%)	0.4	80.7	19.0
Non-managerial Roles (%)	37	59	5

Employees by Age Groups and Positions 2023	Under 30	Between 30-50	Over 50
Board Members (%)	-	11	89
Executives (%)	-	30	70
Managers (%)	-	80	20
Non-managerial Roles (%)	47	50	3

New Recruitment Figures	2022	2023
Newly Hired Female Employees	45	94
New Female Employment Ratio (Newly Hired Female Employees/Year-end Female Employee Count) (%)	25	39
Newly Hired Male Employees	2,033	2,116
New Male Employment Ratio (Newly Hired Male Employees/Year-end Male Employee Count) (%)	65	51
Total Newly Hired Employees	2,078	2,210
New Employment Ratio (Total Newly Hired Employees/Year-end Employee Count) (%)	63	50

Gender Equality in Society

Recognizing the importance of adopting corporate approaches to ensuring gender equality, Otokar engages in practices that promote women's employment and equality in business life. Otokar is a signatory of the Declaration on Equality at Work, published by the Equality at Work platform, and Women's Empowerment Principles (WEPs), a joint initiative of UN Women and UN Global Compact.

To enhance its diversity and equal opportunity practices further, Otokar also drafted and implemented the Board of Directors Diversity Policy. The target is for the female representation on the Otokar Board of Directors to reach 25% by the end of 2026. Currently, female members constitute 12.5% of the Otokar Board of Directors.

In the reporting period, targets regarding the employment of

hourly-paid female workers were set for senior executives.

Equal Pay for Equal Work

Remuneration is another area where the company promotes gender equality and adopts an Equal Pay for Equal Work approach. Accordingly, there is no gender pay gap between people performing the same job. Salary differences between employees are based solely on factors such as individual performance and tenure at the company.

Mother-Baby Practices

Otokar implements measures to facilitate the lives of female employees with children, such as contributions for nursery. Otokar sites feature a dedicated room for women who are nursing, while plans are in place to increase the number of these rooms in the near future.

Gender Pay Gap (Average Female Employee Salary/Average Male Employee Salary)	2022	2023
Gender Pay Gap - Executives (%)	92	97
Gender Pay Gap – Non-managerial roles (%)	95	95

Turnover Figures	2022	2023
Female Employees Leaving	28	37
Female Employee Turnover Rate (Female Employees Leaving/Year-end Female Employee Count) (%)	16	15
Male Employees Leaving	1,035	1,092
Male Employee Turnover Rate (Male Employees Leaving/Year-end Male Employee Count) (%)	33	26
Total Employees Leaving	1,063	1,129
Employee Turnover Rate (Total Employees Leaving/Year-end Employee Count) (%)	32	26
Employees Leaving - Under 30	674	546
Employee Turnover Rate – Under 30 (%)	20	12
Employees Leaving – Between 30-50	370	461
Employee Turnover Rate - Between 30-50 (%)	11	10
Employees Leaving – Over 50	20	122
Employee Turnover Rate - Over 50 (%)	1	3
Employees Leaving – HQ	13	19
Employee Turnover Rate - HQ (%)	12	14
Employees Leaving – Factory	1,050	1,110
Employee Turnover Rate – Factory (%)	33	26

Otokar is committed to voluntarily adhering to the following principles to eliminate gender discrimination and lead in spreading them across the country.

1. We respect human rights and treat all our employees with the basic principle of equality.
2. We ensure the health, safety and wellbeing of our female and male employees without gender bias.
3. We specifically support women's participation in the workforce.
4. We define equal opportunity criteria for men and women in all our Human Resources policies.
5. We adopt an equal pay for equal work approach and follow the policy.
6. We establish the mechanisms needed to offer the employees and candidates equal career opportunities.
7. We define and monitor training policies and encourage women's participation in training programs.
8. We provide work environments and practices that enable work-life balance.
9. We announce developments regarding our equal opportunity plans and achievements through internal and external communications.
10. We ensure that the Equality at Work Declaration is spread across our ecosystem (business partners, suppliers).
11. We form a leadership team within the organization to follow up the issues in the Declaration.

[Click to view Otokar's Diversity, Equality and Inclusion Manifesto.](#)

[Click to view Otokar's Diversity Policy.](#)

Continuous Development and Talent Management

Otokar recognizes that providing a development-focused work environment plays an important role in individual success and motivation as well as achieving collective business success. Training and development endeavors contribute significantly to both employee motivation and Otokar's future success. In line with the primary objectives of the Human Resources Policy, the company creates various learning opportunities to equip employees with new knowledge and skills and improve their competencies.

The company adopts a talent management approach that aims to ensure that the right person is placed in the right position, personal performance is measured and assessed accurately and objectively and employees are provided with the necessary professional knowledge and skills by planning their career paths accordingly. The employee development roadmap is created on the basis of assessments and planning interviews conducted during the performance appraisal process.

Training Programs

In addition to internal and external classroom and online training programs, development programs created by Koç Holding and Koç University are also available to the employees. Based on the OtoRota online training and development catalogue, 14 personal development and nine professional development training programs were completed in 34 groups during the year, reaching 529 Otokar employees in 2023. The catalogue, featuring 900 different training

Continuous Development and Talent Management Metrics	2022	2023
Number of Employees Receiving Training	4,089	4,647
Total Training Time (hours)	97,731	100,494
Training Hours per Person	29.63	30.47
Resources Allocated for Training Activities (TL million)	9,0	19,3
Professional Qualification Certificates Received	1,086	503
Ratio of Employees Subjected to Performance Appraisal (%)	73	71
Number of Implemented Suggestions	1,749	1,784

Training Hours Per Person	2022	2023
Female Employees	40.62	49.48
Male Employees	29	29.38
Senior Executives	6	3.1
Managers	48.25	41.33
Non-managerial Positions	28.01	29.56
Average	29.63	30.47

topics, including agile transformation, basic first aid, sign language, English language, energy savings, OHS and digital literacy, was used to provide 100,494 hours of training. 503 Vocational Qualification Certificates were obtained for field workers with different qualifications. New employees receive "Development Journey" training. Otokar employees also took various training from internal trainers and benefited from coaching support in 2023.

Suggestion System

Otokar recognizes that seeking the

opinions and suggestions of the employees and using them in determining strategies and making decisions may make a difference, while also supporting their development. Accordingly, Otokar uses a Suggestion System to obtain employees' opinions. Employee suggestions are assessed by the Suggestion Evaluation High Committee, and viable suggestions are duly implemented.

Excite is the mobile feedback system launched in September 2021 used to

Suggestions	2022	2023
Number of Employees Submitting Suggestions	1,241	1,520
Number of Suggestions Submitted	3,159	3,721
Number of Suggestions Implemented	1,749	1,784
Financial Savings Achieved (TL million)	12.3	10.3

KOÇ ACADEMY

The e-learning platform, Koç Academy, features various online training topics, including business world, culture and arts, leadership, wellness, and technology, and offers our employees the opportunity to focus on their own development.

improve the employee experience culture at Otokar. It enables employees to communicate their needs anonymously and find quick solutions to relevant issues.

Performance Appraisal

Employee performance is evaluated with fair and systematic measurement tools. After performance appraisals are completed with interviews at the end of the year, individual feedback is provided to the employees. Within the year, nearly 70% of Otokar employees receive feedback about their performance.

Occupational Health and Safety

Occupational Health and Safety Approach

In line with its primary mission and in its efforts to attain its strategic goals and capture a competitive advantage, Otokar regards its workforce as its most valuable asset, as stated in the Occupational Health and Safety Policy. Koç Group Occupational Health and Safety Policy, Koç Group OHS Management System Procedure and Koç Group Standards guide Otokar in its OHS endeavors.

To create a healthy and safe work environment, Otokar commits to providing the necessary resources and:

- Following the developments related to OHS, complying with applicable laws and regulations, fulfilling our contractual obligations.
- Identifying the occupational health and safety risks of our operations, analyzing the causes, context and risks, taking the necessary precautions, creating opportunities and adopting preventive approaches to address potential workplace accidents and occupational diseases and eliminate hazards.
- Engaging in the necessary training and informative activities to ensure that employees and anyone else who is on site for work, internship or visit purposes are aware of their individual or business responsibilities.
- Creating an environment where the employees, employee representatives and stakeholders may interact and participate the OHS-related activities, working to build an OHS culture.
- Operating in accordance with the requirements of the OHS Management System, setting targets and designing management programs using the best technologies to continuously improve the OHS Management System and its performance, monitoring the results.
- Working toward the zero accident target.

Occupational Health and Safety Metrics	2022	2023
Number of Field Inspections	267	185
Number of Corrective Actions	2,161	2,056
OHS Committee Meetings	12	12
Contractor Occupational Safety Committee Meetings	6	6
OHS Training (person hours)	40,092	37,243
OHS Training for Subcontractor Employees (person hours)	60	152.5
Injury Rate (per million hours)	10.56	18.27
Fatal Accident Rate	0	0
Occupational Disease Cases	0	0

Occupational Health and Safety Practices

Occupational health and safety is addressed within the framework of ISO 45001 Standard and Otokar OHS Policy. The employees participate in occupational health and safety processes through the OHS Committees, helping to reduce the risks and enhance performance. During the regular OHS Committee Meetings, accident indicators are evaluated, accident causes are analyzed and the measures taken are shared. The Otokar OHS system, which has undergone internal and external audits as of the end of 2023, covers all Otokar employees, subcontractor employees (approximately 610 people) and our permanent suppliers (approximately 480 people).



OHS Management

The Occupational Health and Safety Unit, responsible for OHS management, consists of occupational safety experts, workplace physicians and auxiliary health personnel. The Occupational Safety Unit is positioned under the Systems and Production Engineering Department, which reports directly to the Deputy General Manager, and the Healthcare Unit is positioned under the Human Resources Department, which reports directly to the General Manager.

The employees participated in the occupational health and safety processes through OHS Committees, which work on mitigating the risks and enhancing performance. Five OHS Committees operate at Otokar sites. 14 members of these committees, which consist of 40 members in total, are direct employee representatives. Pursuant to the Occupational Health and Safety Law, union representatives are also appointed as employee representatives. At the regular OHS Committee Meetings, accident indicators are evaluated, their causes are analyzed and measures are discussed, where union representatives directly express their opinions and suggestions. During the year, Occupational Health and Safety Committees convened 12 times and the Subcontractor Occupational Safety Committees six times.

Otokar takes all necessary measures to create a healthy and safe environment for

anyone who is on site for work, internship or visit purposes. In 2023, as a result of the 185 field inspections, 2,056 corrective actions were initiated and reported to the Senior Management. Information provided to the Senior Management and managers of all units included corrective actions, all workplace accidents, incident reports and accident root cause analyses, ensuring that precautions are taken across the organization.

The occupational health and safety provisions in the Collective Labor Agreement contain clauses parallel to the requirements of the Occupational Health and Safety Legislation. The Collective Labor Agreement specifies the course of action to be followed in the event of non-compliance with occupational health and safety guidelines at the workplace. Disciplinary measures regarding occupational health and safety at Otokar are applied in accordance with the provisions of the Collective Labor Agreement.

Aiming to mitigate occupational health and safety risks and increase performance, monthly and annual OHS targets are set and work plans are made for the employees and units. OHS performance is reported to the relevant units on a monthly basis and evaluated at the annual Management Review Meetings.

Employees may communicate their opinions and suggestions regarding occupational

health and safety and the risky situations they observe to the relevant managers via the intranet. The relevant people in charge respond to all such reports. Incident reports received via the risk information system are directly forwarded to Occupational Health and Safety Specialists for immediate action. Furthermore, measures are taken to ensure that the individuals reporting workplace accidents and occupational diseases do not face any retaliation in accordance with applicable laws and regulations and the organizational structure.

Occupational health services (such as physician, ambulance, insurance) include occupational healthcare (starting work, periodic examinations and tests, monitoring the work situation according to the examination results, monitoring the employees with chronic diseases, pregnant employees and those in risk groups, risk assessments, occupational health training, hygiene inspections, water analyses) specified in the duties, powers and responsibilities of the workplace physician and other healthcare staff; 24-hour emergency service, prescription and supply of medicines, wellbeing (dietician, psychological support and screenings at KETEM Early Cancer Screening, Diagnosis and Education Centers, seminars and training programs).

To ensure quality, the abovementioned external services are procured solely from accredited institutions and authorized

organizations affiliated with the Ministry of Health. Quality is assured and maintained through Ministry of Health inspections (ambulance inspections, etc.) and internal inspections.

For the purpose of protecting patients' information, non-disclosure agreements are signed with the prospective service providers during the technical specification phase. A physician at the clinic has been appointed as the PDP officer to monitor compliance with personal data protection regulations. In the recruitment and periodic examinations, the health results are sent only to the relevant person. These reports do not contain personal data and only specify the working conditions.

In case of a non-work related health problem, employees may apply to the clinic for examination. If the workplace physician deems it necessary, treatments such as injection, blood pressure measurement, oral or topical medications may be applied by other healthcare staff. If the workplace physician writes a prescription (unless the patient requests otherwise), the medications are procured by the clinic from a partner pharmacy and dispensed to the patient. If the medication is not fully covered by the Social Security Institution, the price difference is covered by the employer.

Furthermore, Driving Safety Standard published by Koç Holding is followed during operations.

OHS Training

Employees' awareness of occupational health and safety is at least as effective as management strategies in preventing workplace accidents and adverse health situations. To improve occupational health and safety performance, Otokar provides OHS training to both company employees and subcontractor employees. Accordingly, Otokar employees received 37,243 hours and subcontractor employees 152.5 hours of occupational health and safety training in 2023.

The scope of the occupational health and safety for the employees include the following:

General Topics: Information on labor laws, legal rights and responsibilities of the employees, workplace cleanliness and order, legal consequences of workplace accidents and occupational diseases.

Health Topics: Causes of occupational diseases, principles of disease prevention and preventive techniques, biological and psychosocial risk factors, first aid, harms of tobacco products and passive exposure,

Technical Topics: Chemical, physical and ergonomic risk factors, manual lifting and carrying, flash, explosion, fire and fire protection, safe use of work equipment, working with tools with screens, electricity hazards, risks and precautions, causes of workplace accidents and

applying protection principles and techniques, safety and health signage, use of personal protective equipment, general occupational health and safety rules and safety culture, evacuation and rescue.

Other Topics: PPE and risk matrix, eye protection, use of personal protective equipment, safe use of grinders and cranes, safe work inside warehouses, OHS in vehicle loading and unloading, safe use of lifting and carrying equipment, hearing protection, safe work under the vehicle, safe use of manual pallet trucks, EJC safe use rules, safe use of forklifts, safe use of hammers, use of vehicle lifts and support legs, chemical substance use training, daily checks of lifting and carrying equipment, OHS in maintenance activities, body loading operation, precautions before, during and after earthquakes, preventing stresses and injuries in manual carrying and lifting, safety in working with hand tools, safety in using box cutters, safety in using manual drills, safe use of personnel lifting equipment, safe use of radial-column drills, elements that may cause slips, trips and falls, working with materials with sharp, pointed corners and edges, avoiding damaged and defective hand tools, general work at height, what to do in emergencies, nozzle cleaning.

Regarding non-work-related chronic diseases, we organize seminars and screening programs (such as Heart Health Seminar, Addiction Seminar, Breast Cancer Seminar, KETEM



screening), encourage participation and provide guidance according to the results.

Workplace Accidents and Occupational Diseases

The most frequent causes of workplace accidents at Otokar include being cut by an object, collision with a fixed object or person, falling parts, burr splashing, excessive muscle strain and liquid chemical splashes.

At Otokar, major and minor incident investigation teams conduct root cause

analyses, and actions are defined by referencing the diversified causes chart to prevent workplace accidents. Spreading information across the organization and enhancing the areas where the same accident may incur, also help to prevent future accidents.

In 2023, the operating permit system was updated and more comprehensive inspections were initiated. A digital portal app was launched to ensure that subcontractors are checked before entering the factory.

OHS Events

In 2023, Otokar organized the PPE (Personal Protective Equipment) Days event. Regarding driving safety, several rollover, collision and driving safety simulations were offered, and a behavior-focused occupational safety play was staged. To increase employees' awareness of danger, events were organized where the employees identified the dangers in their workplace and other areas using the virtual reality app.

During the hypertension awareness week, the risks of high blood pressure were shared via email, and the employees were invited to the clinic unit. In addition to blood pressure measurements and briefings, online webinars were organized on office yoga, breathing and body awareness. Seminars titled "The Importance of Heart Health, What Complaints Do Heart Patients Present?", "Approach to Headaches, Migraine and Migraine Botox" and "Heart Health, Sports and Nutrition" were organized to inform the employees.



Workplace Accidents – Employees	2022	2023
Ratio of fatal workplace accidents (ratio=number of incidents/hours worked x 1 million)	0	0
Ratio of workplace accidents resulting in serious injury (excluding deaths) (ratio=number of incidents/hours worked x 1 million)	12.55	20.53
Ratio of workplace accidents (ratio=number of incidents/hours worked x 1 million)	17.22	29.11
Total hours worked	6,851,341	8,621,874

Workplace Accidents – Subcontractor Employees	2022	2023
Ratio of fatal workplace accidents (ratio=number of incidents/hours worked x 1 million)	0	0
Ratio of workplace accidents resulting in serious injury (excluding deaths) (ratio=number of incidents/hours worked x 1 million)	0	0
Ratio of workplace accidents (ratio=number of incidents/hours worked x 1 million)	1.55	0
Total hours worked	1,294,364	1,064,805

Occupational Diseases – Employees	2022	2023
Ratio of fatal occupational diseases	0	0
Ratio of occupational diseases	0	0

Occupational Diseases – Subcontractor Employees	2022	2023
Ratio of fatal occupational diseases	0	0
Ratio of occupational diseases	0	0

[Click to view Otokar's Occupational Health and Safety Policy.](#)

Human Rights

Human Rights Approach

Guided by the Universal Declaration of Human Rights, Otokar adopts a respectful human rights approach toward its stakeholders in the communities in which it operates. A fundamental principle for Otokar is to create and maintain a positive and professional work environment for its employees. Otokar follows global ethical principles in matters such as recruitment, promotion, career development, wages, benefits and diversity, respecting the rights of its employees to establish and join non-governmental organizations of their own choosing. Otokar does not tolerate any form of forced labor, child labor, discrimination and harassment.

Koç Holding is a signatory to UN Global Compact, which is binding on Otokar's operations and value chain. Otokar stands against child labor, forced labor, all forms of discrimination and harassment, never compromising this stance.

Adhering to the UN Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work, Otokar respects the rights of its employees, shareholders, business partners, customers and all others affected by its products or services in relation to its activities. Otokar treats all employees with integrity and fairness, assuming responsibility for providing a safe and healthy work environment where human dignity is respected without discrimination. Otokar may also apply additional standards for vulnerable groups that are more likely to be exposed to human rights violations. As stated in the UN Guiding Principles on Business and Human Rights, Otokar considers the special conditions of groups whose rights are described in more detail in United Nations documents (indigenous people, women, ethnic, religious and linguistic minorities, children, disabled people, migrant workers and their families).

OTOKAR EXPRESSES ITS COMMITMENTS TO HUMAN RIGHTS CLEARLY IN THE FOLLOWING TOPICS:

- Diversity and equal employment opportunities
- Prevention of discrimination
- Zero tolerance for child labor and forced labor
- Freedom of association and collective bargaining
- Health and safety
- Working hours and salaries
- Personal development
- Data privacy
- Political activities

THE RIGHT TO PERSONAL DEVELOPMENT IS ALSO A HUMAN RIGHT, AND OTOKAR CLEARLY STATES THIS IN ITS POLICY:

Otokar offers personal development opportunities for its employees to tap into their talents and potential. Otokar recognizes its human capital as a valuable asset, supports its employees with internal and external training and encourages their personal development.

INTERNATIONAL STANDARDS AND PRINCIPLES ADOPTED CONCERNING HUMAN RIGHTS

- UN Guiding Principles on Business and Human Rights (2011)
- UN Global Compact (2000)
- ILO Declaration on Fundamental Principles and Rights at Work (1998)
- Women's Empowerment Principles (2011)
- Worst Forms of Child Labor Convention (No. 182)
- OECD Guidelines for Multinational Enterprises (2011)

Human Rights Metrics	2022	2023
Human Rights Violations (incidents)	0	0
Ratio of Lowest Employee Wage to Minimum Wage (%)	125.9	125.9
Unionized Employees	2,437	3,413
Ratio of Unionized Employees (%)	74 (All field workers at Otokar are union members)	78 (All field workers at Otokar are union members)

Human Rights Practices

Human rights are among Otokar's core values and main sustainability priorities. The Human Rights Policy, reflecting the company's human rights approach and standards, is binding for all Otokar employees and managers. Otokar's business partners are also expected to adhere to this policy.

Otokar adopts a people-centric management approach. Employees are provided with a fair, equal and respectful work environment where their rights are protected. No discrimination against race, gender, political affiliation, philosophical view, religion or sect is allowed at any stage of the human resources processes. Behaviors that can be defined as discrimination are not allowed and no incident of discrimination occurred during the reporting period. The "Equal Pay for Equal Work" approach forms the basis of employee compensation.

Unionization Rights and Collective Bargaining

Otokar respects the rights of employees, who are all free to exercise their unionization rights. As a result of this inclusive approach, all field employees at Otokar are union members as of 2023. At Otokar, which has a high unionization ratio, the terms and conditions of the Collective Bargaining Agreement signed between Türk Metal and MESS apply to the employee-employer relations.

A constructive communication environment has been maintained with the labor unions

Ratio of Standard Starting Wage (Or Lowest Wage) to the Minimum Wage	2022	2023
Ratio of the lowest female employee wage to minimum wage (%)	126.5	125.9
Ratio of the lowest male employee wage to minimum wage (%)	125.9	125.9

throughout the year, and no loss of work or working hours due to strikes or similar practices has occurred.

Human Rights at Otokar's Suppliers

Business partners are expected to adhere to Otokar Human Rights Policy in their commercial activities.

Employment: Otokar's Business partners should ensure that their activities are not associated with child labor, forced labor or abuse at work. Otokar also expects its suppliers, distributors and authorized service centers to apply a "zero tolerance" approach to slavery and human trafficking in accordance with ILO Conventions and Recommendations, the Universal Declaration of Human Rights and UN Global Compact.

Compliance with Labor Laws: Business partners are expected to comply with the labor laws applicable in the countries where they operate. The salaries should be determined competitively according to the relevant sectors, the local labor market and in accordance with the terms of collective labor agreements, if any.

All salaries and wages, including social benefits, should be paid in accordance with the applicable laws and regulations.

Prevention of Harassment and Violence:

Business partners are expected to provide a work environment free of violence, harassment and other unsafe and disturbing conditions resulting from internal and external threats. No form of physical, verbal, sexual or psychological harassment, bullying, abuse or intimidation will be tolerated.

Discrimination: Business partners are expected to provide a work environment where no form of discrimination is allowed, employees are treated fairly and discrimination (against race, gender, color, national or social origin, ethnicity, religion, age, disability, sexual orientation, gender identity or political views) is not tolerated.

Freedom of Association and Collective Bargaining:

Business partners should respect the rights and freedom of their employees to join a union and bargain collectively without fear of retaliation.

[Click to view Otokar's Human Rights Policy.](#)



ECOLOGICAL ENVIRONMENT

Otokar's Approach to Ecological Environment

Otokar designs and manufactures products and services, including buses and light trucks for the automotive industry, and tactical wheeled and tracked vehicles and turret systems for the defense industry. In all its design, development and manufacturing processes, Otokar considers the internal and external contexts, and the conditions, needs and expectations of all relevant parties with tailored solutions and environment-friendly sensibilities. Otokar defines the limits and applicability of the systems in detail in accordance with ISO 9001:2015, ISO 14001:2015 and AQAP 2110:2016 system documentation.

Otokar systematically monitors and contains its environmental impact through the Environmental Management Unit, established pursuant to Regulation on Environmental Management Unit and Environmental Consultancy Firms under the Environmental Law No. 2872, and authorized by the Ministry of Environment, Urbanization and Climate Change. Since Otokar Europe and Istanbul garage-services belong to private individuals and organizations, these activities are outside the scope of the management system documentation. To raise public awareness, garages and service centers are advised about quality, customer satisfaction, environmental awareness, environmental and occupational health and safety laws.

Otokar takes responsibility for sustainability by increasing the environmental awareness of the people, institutions and organizations in direct and indirect interaction throughout the product lifecycle, conserving biodiversity by fulfilling its environmental obligations toward

its local and regional neighbors, and introducing improvements to continuously mitigate climate change with environmentally friendly processes and products.

Ecological Environment Management

Otokar Board of Directors determines the environmental management strategies and monitors the relevant activities. The General Manager is responsible for the implementation of corporate policies and strategies. Environmental management practices are overseen by the Environmental Leadership positioned under the Systems and Production Engineering Department.

In 2023, Otokar's environmental management and investment spending amounted to TL 6.4 million for the efficient implementation of environmental management processes and applications to improve performance. The environmental impact of Otokar's operations is subject to multi-dimensional audits. In addition to the company's internal audit system, annual Koç Holding Audit Group audits are also conducted.

IN ALL ITS PROCESSES, OTOKAR BUILDS SYSTEMS ON THE PRINCIPLE OF EFFECTIVE NATURAL RESOURCE UTILIZATION AND ENSURES THEIR CONTINUITY. IN LINE WITH ITS ENVIRONMENTAL POLICY, OTOKAR:

- Monitors environmental publications and complies with applicable laws and regulations.
- Strives to leave a cleaner and healthier environment sensitive to climate change for future generations.
- Monitors and contains environmental pollution by minimizing it with the environmental management system and the principle of preventing pollution at the source.
- Provides the necessary information and training to the supply industries and relevant organizations in line with environmental goals and objectives.
- Guides environmental activities in a manner to support other policy provisions.
- Commits to continuously improve its environmental performance.



On the other hand, independent external audits are conducted for compliance with environmental standards. Otokar is also subject to audits by the Turkish Ministry of Environment, Urbanization and Climate Change. Otokar reports its performance related to greenhouse gas emissions, VOC emissions, wastewater, hazardous and non-hazardous waste to the Ministry. During the reporting period, no complaints were filed and no environmental fines were imposed due to environmental impact.

Environmental impacts are monitored as part of corporate risk management. The risks identified in this area are analyzed and the environmental impacts are recorded in the Environmental Impact Log. Mitigating these risks and improving environmental performance is essential. In the event of changes in environmental risks, the Environmental Impact Log is updated. In accordance with the Otokar Management Systems Environmental Objectives, Targets and Management Programs Procedure, annual and five-year targets are set for environmental performance and progress is monitored.

Environmental targets are also included in the personal performance appraisals and remunerations system. The environmental performance of the employees is evaluated and tracked with scorecards and the results are reported to the General Manager and the Board of Directors.

Otokar organizes training activities to ensure that the employees are well-informed and aware about environmental management. In 2022, Otokar employees received 1,680 person*hours

of environmental training. The environmental management activities and their results are communicated to the stakeholders through sustainability reports and annual reports, Koç Holding reports, Otokar Line blog, This Month at Otokar newsletter, Otokar OHS newsletter, training programs for the supply industry and environmental information documents.

Environmental Partnerships

As part of its environmental sensibilities, Otokar focuses on partnerships and collaborations to create a wider impact. Accordingly, Otokar collaborates with various stakeholder groups and NGOs. As a Koç Group company, Otokar participates in the monthly Koç Group Environmental Committee meetings and shares its best practices with other Koç Group companies for wider dissemination.

Otokar is also a member of the Environmental Working Groups in OSD and TÜSİAD, contributing to the improvement of environmental management practices in the industry and the business world in general. These engagements offer opportunities for information exchange on legislative changes, EU compliance directives, local sanctions and investments.

Incentivizing Stakeholders

Otokar expects its stakeholders and business partners to adopt an identical environmental approach and aims to spread the environmental management approach beyond its own operations to the entire value chain. In supplier selection, compliance with environmental standards and meeting environmental management criteria are key considerations. The environmental

performance of suppliers is monitored through audits and inspections.

In December 2023, Otokar was recognized with the Environment Award at the Sakarya Stars Award Ceremony organized by the Sakarya Chamber of Commerce and Industry for its exemplary environmental practices. Otokar has also offset the carbon footprint, including attendees' travel emissions and press conference activity, created at its booth on October 6, 2023 Busworld Fair press day, through Net Zero Climate Investments.

[Click to view Otokar's Environmental Policy.](#)

Environmental Investments and Training	2022	2023
Environmental Management and Investment Spending (TL million)	3.4	6.4
Environmental Training (person*hours)	1,680	1,652



Climate Change

Approach to Tackle Climate Change

In efforts to tackle climate change, Otokar follows its Environmental Policy, Energy Policy and R&D Strategy, which are all in alignment with Koç Group Climate Change Strategy and Koç Group Climate Change Management model. The Board of Directors is the highest governing body responsible for determining the strategies to address climate change. Climate change topics are managed with an approach that considers the risk and opportunity analyses.

Carbon Footprint

Guided by TCFD (Task Force on Climate-Related Financial Disclosures), a risk analysis was conducted regarding climate change. Sustainable products, services and strategies that facilitate the transition to a low-carbon economy were evaluated on the basis of risks and opportunities. The main strategy that Otokar follows for tackling climate change is to work on limiting the impact of Otokar products and manufacturing processes on the climate.

Accordingly, the energy consumed and greenhouse gas emissions released in Otokar's production processes are monitored and efficiency projects that help reduce energy consumption and emissions are implemented. In 2023, Scope 1 and Scope 2 carbon footprint calculations, target modeling and feasibility studies were conducted and Scope 3

Tackling Climate Change Metrics	2022	2023
Scope I Emissions (tons CO ₂ e)	11,023	16,046
Scope II Emissions (tons CO ₂ e)	9,685	12,722
Scope III Emissions (tons CO ₂ e)	3,197,714	4,999,262
Scope I Emissions per Unit (tons CO ₂ e/unit)	0.86	1.01
Scope II Emissions per Unit (tons CO ₂ e/unit)	0.76	0.80
Scope III Emissions per Unit (tons CO ₂ e/unit)	251.49	315.47
Average CO ₂ Consumption per Vehicle Produced (tons CO ₂ e)	921	976
Renewable Energy Generated (kWh)	10,213	811,859
Average CO ₂ consumption per kilometer for vehicles sold (kg CO ₂ e/km)	1.09	1.02



emissions calculated. Scope 1-2-3 emissions were verified by BSI according to ISO14064-1 Standard, taking 2021 as baseline. Similar work was conducted in 2022 and 2023, related emission values were approved and accredited by independent third parties.

Scope I emissions are calculated to cover the Arifiye Plant in Sakarya, sales offices and warehouses in six locations, four in Türkiye, and headquarters, and include all direct greenhouse gas emissions. Emission sources such as stationary combustion sources, company vehicles and fugitive gases are included.

Scope II emissions are calculated to cover the Arifiye Plant in Sakarya, sales offices and warehouses in six locations, four in Türkiye, and headquarters, and include all purchased indirect energy sources.

Scope III emissions are not limited to production-related transportation, business travel, employee transportation, waste, distribution of sold products and use of sold products, and waste but include all pre-production and post-production emission sources.

Otokar started preparing for submitting its targets to the

Science-Based Targets initiative (SBTi) in 2022. Otokar is also an active participant in the Koç Holding Carbon Transition Program, which aims for carbon neutrality by 2050.

Renewable Energy Resources

The company, which started generating electricity from the photovoltaic panels at the Sakarya plant in 2023, completed and commissioned the new solar energy plant investment on site. Otokar is currently working on the installation of a SPP (Solar Energy Plant) in Malatya.

Alternative Fuel Vehicles

Emissions released from internal combustion engine (ICE) vehicles can have devastating impact on climate change. Therefore, developing technologies to limit the emissions takes up an important place on the agenda of Otokar as a leading industry player. Otokar engages in R&D activities to reduce the greenhouse emissions of its products and works on alternative fuel vehicles, electric vehicles and vehicles with high fuel efficiency.

Otokar, committed to expanding its zero-emission vehicles, introduced Kent Hydrogen, its first bus powered by hydrogen fuel cell technology, to its product lineup in 2023. Another addition was the

electric e-Territo bus, developed specifically to operate in the zero-emission zones in Europe, which was unveiled at the Busworld Fair in Belgium. The electric autonomous e-Centro bus, featuring Level 4 autonomous driving technology, was also added to the product range in 2023. The vehicle was used for shuttling the visitors during the fair in Belgium.

Otokar focuses on developing green solutions to reduce the impact of transportation on climate change with an electric bus lineup ranging from 6 meters to 19 meters in length. As a leading global player in alternative fuel vehicles, Otokar offers a wide product range of CNG powered and electric buses to meet the cities' need for ecofriendly vehicles.

As investments in vehicle technologies with reduced emissions continue, the engine systems of the current vehicle portfolio are also being upgraded for lower emission values. Otokar's zero-emission buses are ready to meet the needs of all cities, especially in Europe, that are undergoing transformation. The company aims to expand its alternative fuel vehicle family and offer an entire product range of low and zero emission vehicles.



Energy Efficiency

Energy Efficiency Approach

In all its operations, Otokar aims to implement and develop a proactive energy management system based on sustainable development. In line with its Energy Policy, Otokar is committed to efficient use of energy and natural resources in all its activities, implementing environment and energy-friendly technologies in new projects and equipment purchases, saving energy and reducing natural resource consumption through efficiency improvements in existing processes and systems. Otokar is also dedicated to continuously improving energy performance by designing and supplying products, processes and services with high energy efficiency, providing and continuously reviewing sufficient resources (knowledge, expertise and economic resources) to achieve energy goals and targets. Ensuring compliance with legal and other requirements regarding energy efficiency, use and consumption. Additionally, Otokar strives to increasing awareness of all stakeholders on renewable energy and climate change and developing energy efficiency projects to support sustainable development, and continuously improving the Energy Management System.

Energy Efficiency and Renewable Energy in Production

Energy consumption and greenhouse gas emissions are monitored as key performance indicators, and efficiency

projects are implemented to reduce them. During the reporting period, greenhouse gas emission calculations and assurances were performed regarding Scope 1, Scope 2 and Scope 3 emissions in accordance with the ISO 14064 - 1:2006 Standard, GHG Protocol and IPCC 2006 Tier 1 methods. Furthermore, target modeling and feasibility studies were carried out for Scope 1 and Scope 2 emissions.

Aiming to reduce the energy consumption and carbon emissions of the domestic wastewater treatment plant, Otokar launched a pilot project in 2022 and started to generate electricity from photovoltaic panels with an installed capacity of 12.6 kWh. After achieving successful results, a solar power plant (SPP) with an installed capacity of 800 kWh was built. The SPP was commissioned in early 2023, generating 811,859 kWh during the year. During the reporting period, Otokar's operations consumed a total of 181,075 GJ of direct and 101,691 GJ of indirect energy, while generating 2,858 GJ of energy from solar power.

As part of the energy efficiency activities Otokar carried out at its Sakarya plant, 19 projects were launched in seven areas. The projects saved approximately 1,537 MWh of energy and 695 tons of CO₂ in 2023.

Energy Efficiency Metrics	2022	2023
Direct Energy Consumption (GJ) – (Grid)	216,223	181,075
Indirect Energy Consumption (GJ) – (Grid)	79,152	101,691
Total Energy Consumption (GJ) – (Grid)	295,669	282,766
SPP Energy Generation (GJ)	294	2,858
Total Energy Consumption (GJ) – (Grid and SPP)	295,963	285,624
Annual Savings through Energy Efficiency Initiatives (MWh)	1,587	1,537
Electricity Consumption per Unit (kWh/Unit)	1,765	1,684
Natural Gas Consumption per Unit (m ³ /Unit)	282	277
Energy Consumption per Unit (GJ/Unit) – Grid and SPP	23.27	18.02

ENERGY EFFICIENCY PROJECTS:

- Replacing the LED Luminaires in the Old Paint Shops at the Plant: A total of 366 luminaires used in the paint were replaced, resulting in annual energy savings of 148 MWh.
- IE4 Engine Conversion: A total of 19 EFF2 cabin fan engines in the Minibus FRP Paint Shop were replaced with IE4 engines, resulting in annual energy savings of 476.8 MWh.
- Replacing the 30 and 22 kW Water Circulation Pumps in the Bus Paint Shop: 8 EFF2 pump engines used in water circulation of the bus paint shop were replaced with IE4 engines, resulting in annual energy savings of 50.9 MWh.
- Operating the Water Test Station Pumps with a Drive System: The 22 kW and 11 kW pumps in the water test line and operating with a star-delta system were rearranged using a drive system, delivering annual energy savings of 37.8 MWh.
- Air Leakage Analysis: As a result of the leakage test conducted with the ultrasonic air leakage analyzer throughout the factory, air leaks at 59 points were eliminated, delivering annual energy savings of 31.7 MWh.
- Commissioning the 800 kWe Rooftop Solar Power Plant on the Production Pre-Preparation Building: The 800 kWe Solar Power Plant installed on the roof of the Production Pre-Preparation Building delivered annual energy savings of 791.4 MWh.

Resource Use and Waste Management

Efficient Use of Natural Resources

Efficient use of natural resources is a critical matter that Otokar follows diligently. As a responsible company, Otokar aims to utilize the resources needed for its activities at a minimum.

Otokar resorts to reusing and recycling the materials needed for production, minimizing waste generation. Otokar also aims for minimal water consumption and recovery of used water.

Zero Waste Approach

At Otokar, wastes mainly originate from manufacturing processes and paint shops as well as packaging wastes and support team wastes (wastewater, maintenance) from logistics activities. The waste materials are classified as hazardous and non-hazardous. Hazardous wastes include chemicals and wastes contaminated with chemicals. Non-hazardous wastes are all wastes that have not been subjected to any chemical contamination, such as packaging wastes and metal parts originating from processes.

In line with its environmental policy and zero waste target, Otokar aims to minimize waste generation during production and to recover and reuse the waste at the highest rate possible. All hazardous and non-hazardous waste generated at the plant is managed with the zero waste principle. After the waste materials are sorted, they are designated as solid-liquid, recycling, temporary storage and disposal. The waste materials sorted for recycling are further separated depending on whether they can be directly recycled or reused as fuel, and shipped out of the plant according to their designations.

In 2023, Otokar's operations generated 8,958 tons of waste, including 723 tons of hazardous

Resource Use and Waste Management Metrics	2022	2023
Number of Life Cycle Assessments (LCAs)	1	3
Waste Generated (tons/unit)	0.57	0.54
Hazardous Waste Generated (tons/unit)	0.033	0.043
Total Waste (tons)	7,077	8,958
Recovered Waste (tons)	6,999	8,892
Recovered Waste Rate (%)	99	99

and 8,235 tons of non-hazardous waste, and 99% of this waste was recovered. No significant leakage was detected in 2023.

All electronic waste generated during the production process is recycled through licensed companies. In addition, areas have been designated for employees to drop their electronic waste from their homes. All processes have been completed for planting trees with the proceeds from recycling these wastes.

Life Cycle Assessments (LCAs)

The evaluation of environmental impacts is an important decision factor in the design of Otokar products. Therefore, not only certain production processes and products, but also the impact created by the products throughout their entire life cycle should be considered. In light of the evaluations, studies are conducted to improve the environmental impact qualities of existing and new products.

In 2022, a Product Life Cycle Assessment (LCA) Report was created for the electric microbus and product life cycle assessments continued for two different electric buses in 2023. In addition, recycling rate analysis was conducted on two small bus models. Based on the outcomes, improvement work is being planned.

Managing Waste Gases Gases Damaging the Ozone Layer

Fluorinated greenhouse gases are used in AC units of the vehicles (R-134A) and during facility maintenance (R-404a, R-407a, R-410a or R-22 depending on the type of cooling device). In 2023, 15,204kg was used for vehicles (directly related to production volume and vehicle type) and approximately 60 kg in facility maintenance.

Other Harmful Gases

The harmful gases generated in 2023 are

VARIOUS ACTIVITIES, STARTING WITH RECYCLING, ARE CARRIED OUT TO REDUCE WASTE. THESE INCLUDE THE FOLLOWING ACTIONS:

- Work is ongoing for packaging optimization and reusable packaging in the supply chain.
- Continuous training is provided to promote the zero waste vision.
- Single-use plastics were eliminated in 2023.
- Nesting is applied on plates to prevent metal waste generation to reduce process-related waste.
- Profiles are sourced in different lengths instead of fixed-length to minimize waste.
- The thinner formed is refiltered at the plant and used in auxiliary processes such as gun cleaning. The amount of reused thinner was nearly 20 tons in 2023.

listed below:

- Sulfur oxides (SO_x/SO₂) 102kg
- Nitrogen oxides (NO_x/NO₂) 64,990kg
- Non-methane volatile organic compounds (NMVOC) 23,891kg
- Carbon monoxide (CO) 319kg

The Regenerative Thermal Oxidizer (RTO) system is the key measure employed to reduce NMVOC emissions. As a result of burning NMVOC gas formed in the paint drying ovens and storing it in active carbon filters, the emission of volatile organic compounds is prevented with a 95% efficiency.

The gases released into the air are below the limit values of the Ministry of Environment, Urbanization and Climate Change and figures are the total emission amounts in a year. Emission measurements and air quality controls are performed regularly by Ministry-approved institutions.

Water Stewardship

Otokar's production processes involve intensive water use, especially in surface coating and in the filtrations in the paint shops. Moreover, significant domestic wastewater is generated due to cafeteria and employee use. All industrial liquid wastes are discharged into the municipal wastewater channel in accordance with the discharge standards determined by Sakarya Metropolitan Municipality (SASKİ) after undergoing chemical and physical treatment. No additional treatment is applied to domestic wastewater.

Efficient Use of Water

Otokar recovers and reuses water for improved efficiency. In 2022, efforts were made to improve rainwater harvesting to use more recycled water in production. Accordingly, the roofs of two separate buildings were retrofitted to enable rainwater collection. In 2022 and 2023, nearly 150 thousand m³ of water was reused in production through recycling and recovery.

Otokar has five wastewater treatment plants, two for domestic and three for industrial purposes. Wastewater generated from production is treated in these plants in accordance with Otokar Environmental Policy, environmental management systems and applicable regulations and the pollution load is reduced to the values specified in the discharge permits and delivered to the discharge points.

Water Consumption and Wastewater (m ³)	2023
Withdrawal – ground water	91,328
Withdrawal – municipal water	101,714
Total Water Withdrawal	193,042
Wastewater	89,757
Total Water Consumption	103,285

Water Stewardship Metrics (thousand m ³)	2022	2023
Recovered Water	150	150
Water Consumption	178	193
Water Consumption/Unit	0,007	0,006
Wastewater Discharge	157	89



GRI CONTENT INDEX

Otokar Otomotiv ve Savunma Sanayi A.Ş. has reported in accordance with the GRI Standards for the period from January 1, 2023 to December 31, 2023. For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index is presented clearly and in a manner consistent with the standards and that the references for disclosures are aligned with the appropriate sections of the report. No sector standards have been used. The service was received for the Turkish version of the report.




**CONTENT INDEX
ESSENTIALS SERVICE**
2024

GRI CONTENT INDEX				
GRI STANDARD	DISCLOSURE	PAGE/LINK/DIRECT ANSWER	OMISSIONS	
GRI 2: General Disclosures 2021	1) The organization and its reporting practices			
	2-1	Organizational details	7	
	2-2	Entities included in the organization's sustainability reporting	The sustainability report includes the performance of Otokar Otomotiv ve Savunma Sanayi A.Ş.; the performances of its subsidiaries were not included in the report.	
	2-3	Reporting period, frequency and contact point	2, 82	
	2-4	Restatements of information	Due to the transition to inflation accounting, certain past financial data has been restated.	
	2-5	External assurance	No external assurance was taken for the sustainability report.	
	2) Activities and workers			
	2-6	Activities, value chain and other business relationships	7, 15	
	2-7	Employees	56	
	2-8	Workers who are not employees	57, 57	
	3) Governance			
	2-9	Governance structure and composition	18	
	2-10	Nomination and selection of the highest governance body	18	
	2-11	Chair of the highest governance body	18	
	2-12	Role of the highest governance body in overseeing the management of impacts	30	
	2-13	Delegation of responsibility of managing impacts	30	
	2-14	Role of the highest governance body in sustainability reporting	No direct role.	
	2-15	Conflicts of interest	20	
	2-16	Communication of critical concerns	19	
	2-17	Collective knowledge of the highest governance body	No training of this nature was provided during the reporting period.	
	2-18	Evaluation of the performance of the highest governance body	20	
	2-19	Remuneration policies	20	
	2-20	Process to determine remuneration	20	
	2-21	Annual total compensation ratio		Confidentiality Restrictions: No disclosure is made due to the privacy of personal data.
	4) Strategy, policies and practices			
	2-22	Statement on sustainable development strategy	4, 5	
	2-23	Policy commitments	27, 30, 67	
	2-24	Embedding policy commitments	27	
	2-25	Processes to remediate negative impacts	27	
	2-26	Mechanism for seeking advice and raising concerns	27	
	2-27	Compliance with laws and regulations	No significant monetary or non-monetary penalties incurred during the reporting period.	
	2-28	Membership associations	32	
	5) Stakeholder engagement			
2-29	Approach to stakeholder engagement	31		
2-30	Collective bargaining agreements	67		

GRI STANDARD	DISCLOSURE		PAGE/LINK/DIRECT ANSWER
Material Topics			
GRI 3: Material Topics 2021	3-1	Process to determine material topics	30
	3-2	List of material topics	30
Consistent Growth			
GRI 3: Material Topics 2021	3-3	Management of material topics	36
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	28
	205-2	Communication and training about anti-corruption policies and procedures	28
	205-3	Confirmed incidents of corruption and actions taken	There were no cases of corruption during the reporting period.
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	36, 36, 46, 58
	201-4	Financial assistance received from government	37
GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	At Otokar, senior management is defined as of Board members, the General Manager and Assistant General Managers. All of our senior executives are Turkish citizens.
GRI 207: Tax 2019	207-1	Approach to tax	37
	207-2	Tax governance, control, and risk management	37
	207-3	Stakeholder engagement and management of concerns related to tax	37
R&D and Innovation			
GRI 3: Material Topics 2021	3-3	Management of material topics	40
Digitalization			
GRI 3: Material Topics 2021	3-3	Management of material topics	42
Sustainable Supply Chain Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	44
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	44
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	45
	308-2	Negative environmental impacts in the supply chain and actions taken	45
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	45
	414-2	Negative social impacts in the supply chain and actions taken	45
Community Investments			
GRI 3: Material Topics 2021	3-3	Management of material topics	46
GRI 415: Public Policy 2016	415-1	Political contributions	No donations have been made for political purposes.
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	36, 36, 46, 58
Product Quality			
GRI 3: Material Topics 2021	3-3	Management of material topics	49
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	49
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	49

GRI STANDARD	DISCLOSURE		PAGE/LINK/DIRECT ANSWER
Customer Satisfaction			
GRI 3: Material Topics 2021	3-3	Management of material topics	51
Cybersecurity and Data Security			
GRI 3: Material Topics 2021	3-3	Management of material topics	53
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	53
Employee Engagement			
GRI 3: Material Topics 2021	3-3	Management of material topics	55
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	57, 57, 60, 61
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	58
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Legal periods and practices are taken into consideration.
GRI 201: Economic Performance 2016	201-3	Defined benefit plan obligations and other retirement plans	58
Equal Opportunity, Diversity and Inclusion			
GRI 3: Material Topics 2021	3-3	Management of material topics	59
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	57, 57, 60, 61
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	60
	405-2	Ratio of basic salary and remuneration of women to men	61
Continuous Improvement and Talent Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	55
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	62
	404-2	Programs for upgrading employee skills and transition assistance programs	62, There is no transition support program in place.
	404-3	Percentage of employees receiving regular performance and career development reviews	62
Occupational Health and Safety			
GRI 3: Material Topics 2021	3-3	Management of material topics	63
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	63
	403-2	Hazard identification, risk assessment, and incident investigation	64, 64
	403-3	Occupational health services	64
	403-4	Worker participation, consultation, and communication on occupational health and safety	64
	403-5	Worker training on occupational health and safety	64
	403-6	Promotion of worker health	64, 65
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	64
	403-8	Workers covered by an occupational health and safety management system	85
	403-9	Work-related injuries	65
	403-10	Work-related ill health	65

GRI STANDARD	DISCLOSURE		PAGE/LINK/DIRECT ANSWER
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GRI 3: Material Topics 2021	3-3	Management of material topics	67
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	68
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	68
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	We do not have any operations or suppliers where the Right to Collective Bargaining is at risk.
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	We do not have any operations or suppliers with a significant risk of child labor incidents.
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	We do not have any operations or suppliers with a significant risk of forced or compulsory labor incidents.
Climate Change			
GRI 3: Material Topics 2021	3-3	Management of material topics	70
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	There are no sites within this scope.
	304-3	Habitats protected or restored	There are no habitats protected or restored.
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	There are no species within this scope.
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	72
	305-2	Energy indirect (Scope 2) GHG emissions	72
	305-3	Other indirect (Scope 3) GHG emissions	72
	305-4	GHG emissions intensity	72
Energy Efficiency			
GRI 3: Material Topics 2021	3-3	Management of material topics	74
GRI 302: Energy 2016	302-1	Energy consumption within the organization	74
	302-3	Energy intensity	74
	302-4	Reduction of energy consumption	74
GRI 305: Emissions 2016	305-5	Reduction of GHG emissions	74
Resource Use and Waste Management			
GRI 3: Material Topics 2021	3-3	Management of material topics	70
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	75
	306-2	Management of significant waste-related impacts	75
	306-3	Waste generated	75
	306-4	Waste diverted from disposal	75
	306-5	Waste directed to disposal	75
GRI 305: Emissions 2016	305-6	Emissions of ozone-depleting substances (ODS)	75
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	75
Water Stewardship			
GRI 3: Material Topics 2021	3-3	Management of material topics	70
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	76
	303-2	Management of water discharge-related impacts	76
	303-3	Water withdrawal	76
	303-4	Water discharge	76
	303-5	Water consumption	76

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