

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ A.Ş.

Date Posted	Type of Disclosure	Year	Period
21.03.2019	MED		

### Corporate Governance Compliance Rating

#### Summary of the Disclosure

Corporate Governance Compliance Report

Related Companies

Related Funds

### Corporate Governance Compliance Rating

#### Announcement Content

Update Notification Flag	No
Correction Notification Flag	No
Date Of The Previous Notification About The Same Subject	21.03.2018
Postponed Notification Flag	No
Title of Rating Company	SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.
Beginning Date of Agreement	04.01.2018
Ending Date of Agreement	04.01.2020
Beginning Date of Rating Note's Validity	21.03.2019

#### Explanation

Our company's Corporate Governance Compliance Rating has been revised by an increase to 9,40 (94,02) within the scope of Corporate Governance Rating Compliance Report prepared by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. as of 21.03.2019, as a result of activities and improvements made on Corporate Governance practices.

The attached report will be published on the company's website at [www.otokar.com.tr](http://www.otokar.com.tr) as well as the previous reports.

Rating of Adaptation to Corporate Governance Principles	Shareholders	Public Disclosure & Transparency	Stakeholders	Board of Directors	Rating of Adaptation to Corporate Governance Principles
Weight	%25	%25	%15	%35	%100
Rating	95,41	93,94	97,13	91,76	94,02

.....  
This statement has been translated into English for informational purposes. In case of a discrepancy between the Turkish and the English versions of this disclosure statement, the Turkish version shall prevail.  
.....

We hereby declare that our above statement is in conformity with the principles included in the Capital Market Board's Material Disclosures Communiqué, that it exactly reflects the entire information we received; that the information complies with our records, books and documents; that we have endeavored to obtain the correct and complete information relative to this subject and that we are responsible for the declarations made in this regard.

**Corporate Governance Rating**

Rating Revision

**Otokar**

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**21 March 2019**

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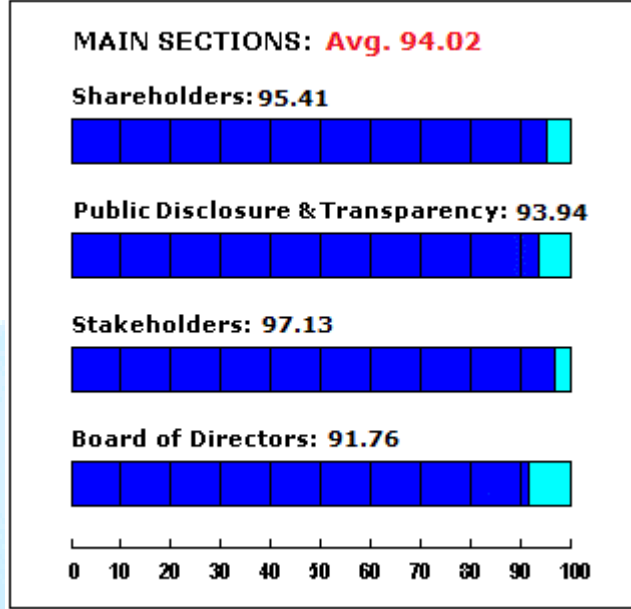
## Corporate Governance Rating

Rating Revision

## OTOKAR OTOMOTİV VE SAVUNMA SANAYİ AŞ

 SAHA  
Corporate Governance Rating:

**9.40**



## RATING REVISION

Otokar Otomotiv ve Savunma Sanayi A.Ş.'s Corporate Governance Rating, which was set as 9,35 on 21.03.2018 is revised up to 9,40. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

In consideration of Otokar's determination to apply corporate governance principles, its willingness to manage this process dynamically and continuously, and finally the improvements implemented over the last twelve months since the publication of the previous report, the corporate governance rating of the company is updated and confirmed as above.

Furthermore, SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc. Otokar is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on September 3, 2018 can be accessed at <http://www.saharating.com>.

Main improvements that affected the above revision are:

- Mrs. Selin Ayla Ünver was selected as member of the board of directors instead of Mr. Halil Ibrahim Ünver who was selected as board member at the Ordinary General Meeting held on March 15, 2018 and passed away on September 06, 2018. As a result, there is one female member in the Board of Directors. This case is providing diversity in terms of knowledge, experience and vision in the Board of Directors and will contribute positively to the activities of the company and to the effective functioning of the Board of Directors. Although there is no policy in this regard, there is currently a female member who provides 11% of the Board of Directors.

The sub-section ratings are confirmed as follows:

<b><i>Sub Sections</i></b>	<b><i>Weight</i></b>	<b><i>Rating</i></b>
<b>Shareholders</b>	<b>25%</b>	<b>95.41</b>
<b>Public Disclosure and Transparency</b>	<b>25%</b>	<b>93.94</b>
<b>Stakeholders</b>	<b>15%</b>	<b>97.13</b>
<b>Board of Directors</b>	<b>35%</b>	<b>91.76</b>
<b>Total</b>		<b>94.02</b>

## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Holding's governance practices in future should be mentioned in the annual report and disclosed to public. The Principles consist of four main sections: shareholders, public

disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles.

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**  
Public Disclosure and Transparency: **25%**  
Stakeholders: **15%**  
Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

## Rating Definitions

Rating	Definition
9 - 10	The company performs <b>very good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The company performs <b>good</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
6	The company performs <b>fair</b> in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs <b>weakly</b> as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs <b>very weakly</b> and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

## DISCLAIMER

This Corporate Governance Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) based on information made available by Otokar Otomotiv ve Savunma Sanayi A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2014.

This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

The contents of this report and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site ([www.saharating.com](http://www.saharating.com)) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

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