

aselsan

SUSTAINABILITY REPORT 2015



CONTENTS

CEO'S MESSAGE	2
PREAMBLE	4
SUSTAINABILITY MANAGEMENT	6
1. STRATEGIC MANAGEMENT	6
2. CORPORATE GOVERNANCE	7
3. ETHICAL PRINCIPLES	9
4. INTERNAL AUDIT	10
5. BRIBERY & CORRUPTION	10
6. RISK MANAGEMENT	12
7. DIALOGUE WITH STAKEHOLDERS	12
SUSTAINABLE OPERATIONS	17
1. SUPPLY CHAIN	17
2. INFORMATION SYSTEMS	20
3. FACILITY MANAGEMENT	21
EMPLOYEE DEVELOPMENT	24
1. SOCIAL DIVERSITY AND EQUAL OPPORTUNITIES	24
2. RECRUITMENT	25
3. PERFORMANCE EVALUATION SYSTEM	26
4. LEARNING AND DEVELOPMENT OPPORTUNITIES PROVIDED TO EMPLOYEES	26
5. CAREER MANAGEMENT	30
6. COMPENSATION AND FRINGE BENEFITS	31
7. EMPLOYEE PROFILE	32
8. INTERNAL COMMUNICATION	36
9. SOCIAL PERFORMANCE	38
10. WORK-LIFE BALANCE	39
11. HUMAN RIGHTS	39
12. OCCUPATIONAL HEALTH AND SAFETY	40
ENVIRONMENT	43
1. INTEGRATED MANAGEMENT SYSTEM (IMS)	43
2. ENVIRONMENTAL MANAGEMENT	44
3. CLIMATE CHANGE AND CARBON MANAGEMENT	46

CEO'S MESSAGE

Since the day it was established in 1975 with the donations of our people, ASELSAN has been steadily improving and growing towards its mission of reducing foreign dependency in defense industry and technology field. As it should be the same for all institutions having long term growth strategies, our Company makes the maximum effort in order to blend product quality and cost conscious with the aim to contribute to the society and environment.

"ASELSAN" not only produces defense systems needed by domestic and abroad customers but also carries out joint projects with universities, ensures deepening of scientific researches and technology, helps growing of small and medium sized enterprises that operate in defense industry through providing them financial support and technical trainings and generation of more efficient defense industry network, supports academic development through providing doctorate and post graduate opportunities and scholarships to successful students with limited finances and has an impact on the dynamics of the system that it has been included though many other projects. While carrying out all of these activities, we try to spread our maximum effort and take necessary care in order our world to be better place for the next generations.

ASELSAN, the only defense industry company in Turkey having stocks listed in the stock exchange, experiences the pride of being the first and sole company in the sector that shares the importance it attaches to sustainable growth with you precious stakeholders. As a result of activities we have conducted over the years through carrying sustainability concept a step further, our Company become one of the 15 companies that have entered into the Sustainability Index that Borsa Istanbul commenced in 2014 and have managed to maintain its position since then.

Our Company included in Carbon Disclosure Project (CDP), which is defined as the most comprehensive environment initiative in the world, in 2012 for the first time. With its place in the project, ASELSAN achieved to fall into the "Highest" category. Within the scope of this, our Company is the first and pioneer company that obtained the highest initial score in CDP amongst the defense industry companies in Turkey. ASELSAN has been announcing its greenhouse gas emission and climate change strategies to the public and reporting to the CDP since 2012; and according to a research result that evaluate major companies whose 35% is listed in Borsa Istanbul; our Company has been ranked at the 6th among the companies that "best manages climate change risks and having the best greenhouse gas emission performance during production process". In this field, as in the other fields, we aim to improve every passing year through keeping our targets higher.

Our Company also has ISO 14001 Environment Management system and OHSAS 18001 Occupational Health and Safety Integrated Management System certificates and we will continue to participate with pioneer implementations in initiatives that nationally or internationally implemented against environment and employees.

We hope that when you read this document which is the 3rd report that include our activities conducted in sustainability field, you will appreciate our efforts to contribute society and environment along with our long term and steady growth and will also be proud of ASELSAN regarding this subject. We hope to move always on faster than before as we have done in our 40 years of journey and present my thanks on behalf of the ASELSAN that will be stronger with our stakeholders' support.



Dr. Faik EKEN

CEO

PREAMBLE

ASELSAN believes that the key for a healthy future is “Attaching Importance” to its stakeholders and the environment.



While providing services in its fields of activity and creating value for its stakeholders, ASELSAN complies with the law to ensure system continuity by following the steps seen in the above figure. As a global company, ASELSAN focuses on:

- ✓ Completely fulfilling its commitments to its stakeholders, especially its customers and shareholders, in a balanced manner;
- ✓ Increasing customer and market diversity
- ✓ Generating high value add in the long term;
- ✓ Increasing the profit;
- ✓ Continuous improvement and development;
- ✓ Development of high technology solutions;
- ✓ Monitoring customer perception;
- ✓ Protecting the health and safety of its employees;
- ✓ Providing training opportunities for employee development
- ✓ Increasing add-on value for the society; and
- ✓ Protecting the environment.

As long as it achieves these targets, ASELSAN will remain a sustainable, profitable and responsible company.

SUSTAINABILITY MANAGEMENT

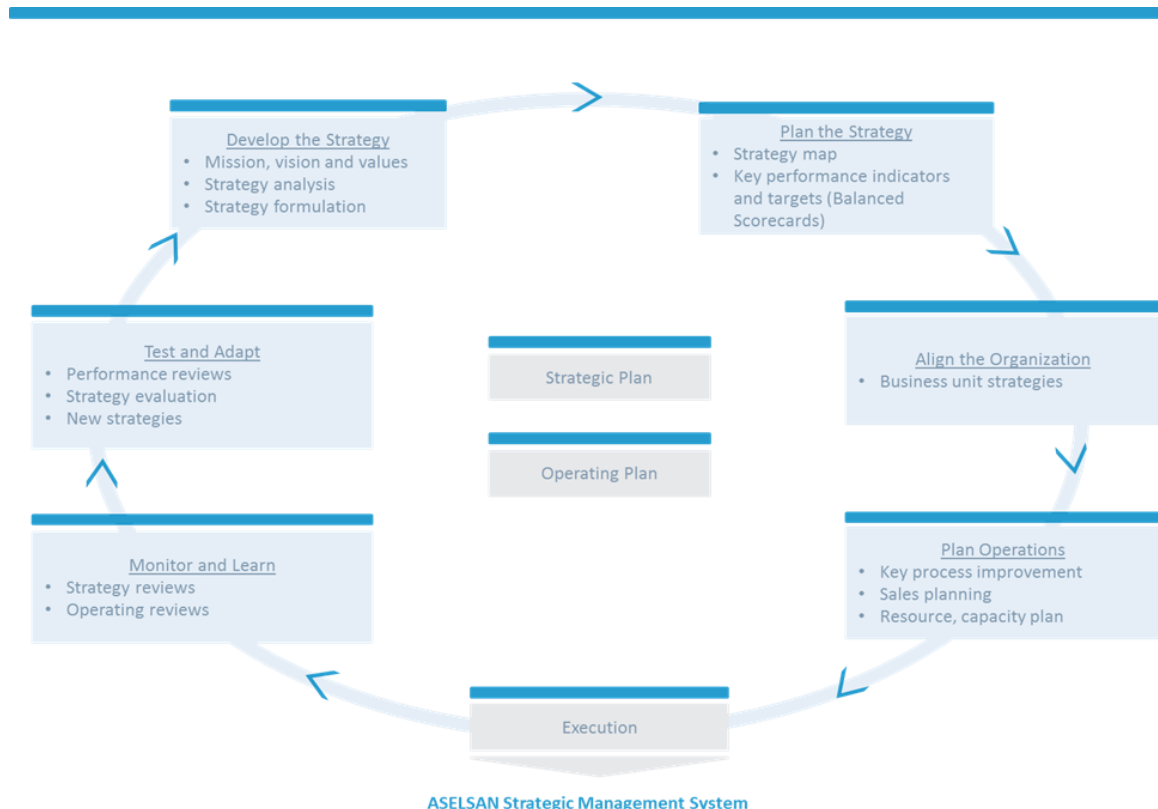


SUSTAINABILITY MANAGEMENT

1. STRATEGIC MANAGEMENT

Strategic management process is part of corporate governance and managed by the CEO on behalf of the Board of Directors following the preparation of the Strategic Plan through the coordination of the Strategy Management Directorate. A summary of ASELSAN Strategic Plan is published on ASELSAN's website www.aselsan.com.

ASELSAN's vision is to be a national defense industry company by maintaining its sustainable growth with creating value in the global market and to be preferred due to its competitiveness, to be trusted as a strategic partner, and to care for the environment and people. In line with this vision, the Company prepares five-year strategic plans that are updated every year, as well as operational plans and three-year budgets. Through this method, the Company's short- and mid-term targets are determined by taking long-term targets into account and resource planning, process improvement and development activities are held. Vice Presidencies carry out the necessary activities in line with these targets, while their performance is evaluated through the Balanced Scorecard method, which is extensively used throughout the world. ASELSAN and Vice Presidencies' performance evaluations also have an impact on individual employee performance evaluation as well. Scheme of ASELSAN Strategic Management System is given as below:



2. CORPORATE GOVERNANCE



Full compliance with the law, regulations and corporate governance principles creates a source of strength in our sustainable performance, a framework of ethical and fair competition and an instrument to balance and protect our stakeholders' benefits.

Corporate governance lies at the heart of all our business operations. ASELSAN adopted Capital Market Board of Turkey's (CMB) Corporate

Governance Principles (CGP) in 2004 and started to publish CGP Compliance Report both in annual reports and on company website. The principles defining ASELSAN's corporate governance understanding are fairness, transparency, responsibility and accountability. We employ these principles to all management operations and decisions.

ASELSAN annually prepares "Corporate Governance Principles Compliance Reports". These reports cover areas such as shareholder rights (including minority rights) and general assembly meetings; dividend policy, disclosure policy, human resources and ethical principles; relations with stakeholders; structure, formation, principles of activity and committees of the Board of Directors; risk management and internal audit in detail. Corporate Governance Principles Compliance Reports are published at ASELSAN's corporate website www.aselsan.com and published in annual reports.

ASELSAN, adopting the corporate governance understanding as a principle, was rated with a grade of 8,77 out of 10 as the result of the Corporate Rating Studies realized by SAHA Corporate Governance and Credit Rating Services Inc. (SAHA) in 2012 and therefore was included in the Borsa İstanbul Corporate Governance Index. As a result of the importance given to corporate governance principles, carrying out this effort as a continuous, dynamic process and making improvements accordingly; according to the report of SAHA which was published on 11.12.2015, ASELSAN's corporate governance rating grade was updated to 9,13 out of 10 points from 9,09 in 2014.

ASELSAN's management structure is a single stage system based on a Board of Directors selected by the General Assembly. 3 out of 9 members of the Board are independent members. As per the regulations included in the Company's Articles of Association and directives, the execution of the Board of Directors' resolution is carried by the CEO.

In order to conduct its duties and responsibilities in a healthy manner, ASELSAN's Board of Directors formed three committees:

Audit Committee: The Committee is comprised of three independent Board members. Its main duties are to ensure disclosure of the financial data and to oversee the functioning and effectiveness of the accounting, independent audit, internal audit and internal control systems of ASELSAN. Internal Audit Department reports directly to Audit Committee and Board of Directors. The committee assembles at least four times a year.

Corporate Governance Committee: The Committee is comprised of three Board members and the Manager of Investor Relations Department as per the Capital Markets Board legislation. It is chaired by an independent Board member. The committee presents suggestions to the Board of Directors regarding compliance with and improvements upon Corporate Governance Principles. The Committee also oversees the activities of Investor Relations Department. Committee assembles at least four times a year.

Early Detection and Management of Risk Committee: The Committee is comprised of three Board members. It is chaired by an independent Board member. Committee ensures the determination of the operational, strategic, financial and other risks and those risks are managed in compliance with company's corporate risk taking profile. The Committee assembles at least six times a year.

General principles for foundation, working, meeting and reporting of all committees are determined by the Board of Directors. Detailed information regarding ASELSAN's corporate governance structure, members of the Board of Directors, and committees can be found at www.aselsan.com.

3. ETHICAL PRINCIPLES

As the ASELSAN family and the geography the company operates in expands, the “Ethical Principles and Rules of Conduct” document is periodically reviewed and updated so that common values and ethical principles are integrated with practices and the work environment is encouraging for ethical behaviors and suitable for increasing the awareness to prevent unethical behaviors.

The basis for the ethical principles is honesty, truthfulness and work discipline. This enables ASELSAN employees to create a work environment that everyone is free to share his/her thoughts and treat one another with courtesy, sincerity, tolerance and respect.

Even the best written principles; may not elicit employees to act responsive to the long term interest of, not only themselves, but also their society, their company and the stakeholders of

the company. For that reason, new employees are appraised according to their potential to pursue a career in compliance with the company values and ethical principles.

Every new employee is informed and trained about the “Ethical Principles and Rules of Conduct” during the orientation program. Meanwhile, the process of learning about the ethical principles do not start and end at the orientation. All

ASELSAN employees work in an environment that highlight and encourage those principles so that they can internalize and apply them in their everyday life.

To be able to prevent unethical behaviors and increase awareness about them within the organizational framework and the management system of ASELSAN, responsible employees within business sectors and Vice Presidencies are appointed. All employees can consult these appointed delegates about manners that go against ethical principles within the company and with their guidance they can take these cases to the Ethical Principles Committee (EPC).

The EPC immediately starts the assessment procedure about the inquiry, and decides upon the adequate measures to be taken with the knowledge and contribution of senior management.



4. INTERNAL AUDIT

In ASELSAN, internal audit activity, which is performed within the framework of International Internal Audit Standards, evaluates and improves the effectiveness of corporate governance, risk management and internal control processes. The key role of the internal audit activity is to provide assurance to the Audit Committee and Board of Directors that risks are managed effectively.



Annual audit plans and engagement programs are prepared on a risk-based ground and audit results are periodically reported to the Audit Committee and Board of Directors. Internal audit department assesses compliance with laws and regulations, applying and upholding the code of ethics, and the adequacy of controls intended to eliminate

related risks. Internal auditors accept to comply with the Institute of Internal Auditors' (IIA's) Code of Ethics.

On the other hand, taking into consideration the economic, environmental and social effects of ASELSAN activities, as well as contributing to effective and efficient usage of sources are aimed within the internal audit process. Internal audit methodology focuses on improving the control processes within our company to contribute to achieve the long term sustainability goals such as cost reduction through supply chain management and using green technology.

5. BRIBERY & CORRUPTION

Preventing conflict of interests, managing the relationship with all our stakeholders with professionalism as well as complying with all legal obligations are in the heart of our values. Bribery and corruption are strong threats to the wellbeing of our community. Therefore, we clearly define and explain the rules of conduct with our customers along with our terms and conditions in our directives and on our website. We emphasize the importance of customer satisfaction, and responsibility to achieve the best possible quality in every single thing we do and we are sensitive towards the wellbeing of society, environment and the human rights.

All internal auditors are trained in the matter of fraud. In addition to the preventive approach of the procedures and regulations created within the scope of the internal control system, internal audit department evaluates the bribery and corruption risks systematically.

Our ethical principles and codes of conduct clearly state our understanding of relations with third parties, giving and receiving gifts, personal use of ASELSAN's assets and confidentiality. All of our employees, including the members of Board of Directors (and all of the employees' first degree blood and affinity relatives), are restrained from claiming or accepting gifts, individual services or support from third parties, which may affect their choices or decisions. Similarly, our suppliers are informed every year with a message that is published on our website. In this information message, we emphasize that ASELSAN personnel are not allowed to accept any gifts for any purposes.



We have prepared and publicly shared our Donation and Aid Policy. Every year during General Assembly meetings all shareholders are informed about the donations made in the previous fiscal year. The limit regarding the donations that can be made in a specific year is determined during the General Assembly meetings. A Board resolution is required for any kind of donation. According to our Donation and Aid Policy, financial donations and aids may be granted to/for,

- Institutions, entities, foundations and associations that conduct scientific research and development activities
- Institutions and similar organizations with social purposes,
- The constructions of schools, health facilities, etc. which constitute public interest,
- Other activities deemed beneficial by ASELSAN.

6. RISK MANAGEMENT



Enterprise Risk Management (ERM) is one of the building blocks of corporate governance and sustainable achievements. ASELSAN's risk management was strengthened to completely fulfill all the requirements of recent regulations and ERM is integrated into the decision mechanisms while being a component of corporate management.

Our ERM policy aims to provide the proper risk reaction in light of risk criteria against all uncertainties that threaten the company's corporate entity, and to protect the benefits of company's shareholders and its corporate identity. Within this scope, the "Early Detection and Management of Risk Committee" was established in 2012 with the participation of Board Members in order to ensure the early identification of potential risks that may impact ASELSAN and to manage such risks in accordance with the Company's risk taking profile.

Risks that can become an obstacle for ASELSAN to reach its long-term targets and the actions to be taken are presented to the Board of Directors through periodic reports prepared by the Corporate Risk Management Committee.

ASELSAN Risk Management System is established and managed according to the standards and literature. In the first half of 2017 we plan to get a certification for the compliance of our system with ISO 31000.

7. DIALOGUE WITH STAKEHOLDERS

ASELSAN considers all individuals, institutions and organizations that directly or indirectly affect its operations, or that are affected by ASELSAN, as its stakeholders. Hence, our main stakeholders can be categorized as customers, employees, shareholders, suppliers / subcontractors, sector institutions and non-governmental organizations (NGOs), public institutions, universities and community.

Customers

Responding to the expectations of our customers is our priority. Our key responsibility for customers is making a difference by developing extensive technological expertise through Research & Development activities and innovation; offering new value by providing the most appropriate solutions and fulfilling all kinds of contractual commitments completely and in a timely manner.

Employees

Our key responsibilities for our employees are maintaining and improving modern employment and work place conditions, supporting personal development with training programs, promoting personal progress within the scope of carrier planning and maintaining full compliance with all laws and legislations that arrange the business life.

In order to create an indispensable ASELSAN brand for our employees,

- We adopted a human resources management approach based on international standards.
- We recruit highly qualified human resources.
- We invest in the development of our employees.
- We maintain a competitive compensation policy.
- We regularly survey our employees to examine their job satisfaction and make improvements.
- We raise our employees' motivation and loyalty.
- We support sustainable performance policies.

**Shareholders**

Our key responsibility for our shareholders is to produce added value in line with the vision, to implement the strategic investment and growth plans and to maintain full compliance with the law.

General Assembly meetings are the main dialog channels with our shareholders and investors. We believe minority shareholders also have a representation channel in the management of ASELSAN as 3 members of our Board are independent members in line with CMB regulations. All

our shareholders use their right to express opinions and obtain information within the limits of regulations. Other tools we employ for communicating with our shareholders are annual reports, material disclosures, analyst days, road shows, investor meetings (including conference calls and one-on-one meetings with investors at ASELSAN headquarters) and investor presentations.

Suppliers / Subcontractors

ASELSAN, as the institutional sustainability conception it adopted requires, gives utmost importance to have strong relationships with its suppliers and to increase the cooperation. It is aimed that our suppliers shall believe in the benefits of the system and act in coordination with ASELSAN, with the awareness of common objectives such as economic stability, protecting the environment and social justice. This purpose is supported by the on-the-job activities and supplier trainings by which the requirements of ASELSAN are made comprehensible and the tracking of the system progress is maintained by a transparent structure and continuous communication.

We consider Small and Mid-Sized Enterprises (SMEs) and companies in the subsidiary industry as our business partners. In 2015, ASELSAN purchase orders to domestic subcontractors is 364 million USD and 52 percent of this total is to SMEs.

Sector Institutions and NGOs

ASELSAN is a member of all the sector institutions and NGOs seen in the below table and ASELSAN's management teams actively participate in the sectorial and social studies, projects and management of the local ones.

Local	International
Ankara Chamber of Commerce	AFCEA (Armed Forces Communication and Electronics Association)
Ankara Chamber of Industry	ETSI (European Telecommunications Standards Institute)
Center Anatolian Exporters Union	AOC (The Association of Old Crows)
Istanbul Minerals and Metals Exporters' Association	TIA ADVANCING GLOBAL COMMUNICATIONS
Mobile Battery Producers and Importers' Association	IPC (Association of Connecting Electronics Industries)
Accumulator Importers and Producers Association	SPIE (Society of Photo-Optical Instrumentation Engineers)
Defense and Aerospace Industry Exporters' Association	IEEE (INSTITUTE OF ELECTRICAL AND ELEKTRONICS ENGINEERS)
Defense and Aerospace Industry Manufacturers Association	Optical Society of America (OSA)
Turkish Electronics Industry Association	PCI-SIG (Peripheral Component Interconnect - Special Interest Group)
Turkish Electronics Industry Association - Electronics Industry Specialised Center Foundation	RTCA (Radio Technical Commission for Aeronautics)
Turkish Quality Association	ATC (American Turkish Council)
Turkish Industry and Business Association	DMR (Digital Mobile Radio) Association
Informatics Association of Turkey	NDIA (National Defense Industry Association)
Information Security Association	EENA(European Emergency Number Association)
Telecommunications Industry Association	Wisconsin Electrical Machines and Power Electronics Consortium (WEMPEC)
Rail Transportaion Systems and Industry Association	TETRA
Anatolian Railway Transportation Systems Cluster Association	VMEBus International Trade Association (VITA)
Technology Development Foundation of Turkey	Society for Information Display (SID)
	Open Network Video Interface Forum (ONVIF)
	International Railway Standart (IRIS)
	EUROCAE (European Organization for Civil Avionics Equipment)

Public Institutions

We realize the information and opinion demands by the public institutions regarding our activities and sector, while we support their social and sectoral development projects and initiatives.

Universities

Universities are one of our key stakeholders given the fact that qualified workforce is the primary capital of defense industry organizations. Universities provide educated manpower and training opportunities as well as contributing to industrial technology development activities in an increasing trend. In total, ASELSAN have collaborated with 36 universities in 172 projects worth a total of 137,5 million USD.

Community

Our key responsibility for the community is to contribute to the community's social, environmental, economic and cultural development. We believe social responsibility projects contribute to employee loyalty and create value for not only ASELSAN but also for overall community. In 2015, ASELSAN made a donation to Martyr Şerife Bacı and Martyrs Memorial in Kastamonu/Seydiler and also donated to Bingöl Martyrs Memorial and 33. Soldier Monument. Moreover, ASELSAN sponsored sports activities of disabled people in Turkish Armed Forces Rehabilitation and Care Center Sports Club.

SUSTAINABLE OPERATIONS



SUSTAINABLE OPERATIONS

1. SUPPLY CHAIN

ASELSAN, currently, carries on the business with about 17.500 registered suppliers and global supply chain distributed to 80 different countries and in this regard, it is conscious of being an institution that may make it possible for objected economic, environmental and social acquisitions to extend to a wide platform with sustainability understanding. Sustainability understanding of ASELSAN, through extensive supply chain, gives opportunity for each stakeholder included in the chain to meet this understanding and related practices in their own levels and to adopt the common sustainability understanding. Therefore, ASELSAN provides a raise of consciousness for the environment where all resources are used respectfully and moderately while actualizing its economic objectives such as efficiency, growth and stability together with its stakeholders, and also has the opportunity to transfer the important social objectives of sustainability mission such as employment, equality, safety, education and health to the community with the help of its stakeholders.



ASELSAN, aiming to be at the top in the civilian and military activity areas with its advanced technology product line, improves its key production abilities and transfers all the operations apart from these to external sources in order to increase its competitive power. In 2015, about 33.000 orders had been given to over 4.200 suppliers. This brings out the fact that a significant portion of the value the product has, is created by the suppliers. Nevertheless, "supply chain" concept being defined as the whole process from raw material supply all the way to delivery to the final customer, makes it compulsory for the sustainability studies to be covered broadly, when the information, material or capital generated or shared through this process is taken into account.

ASELSAN, aiming to be among the top 50 defense industry companies in the world and plays a substantial role for Turkey to reach its economic and social improvement objectives, adopts sustainable growth as a company vision. As long as the share of the national suppliers increase in this path of sustainable development, the support to national economy also increases and a multilateral contribution to the environmental consciousness in the country is maintained. With the trainings given to the suppliers which are classified as SMEs, understanding of the high production standards of ASELSAN, learning of the requirements of defense industry and thus unity of the objectives for qualified production are maintained. Besides these trainings, our suppliers also benefit from a variety of on-the-job activities and financial and hardware supports.

With a sustainable supply chain method, it is aimed to create a safe and healthy work environment in a supplier network including all suppliers and we act with the zero industrial accident ideal. These ideals are taken into consideration while firm selecting and evaluating scenarios of ASELSAN are being created and firm assessment criteria are determined by questioning not only quality and environment standards but also occupational health and safety conditions. The expectation of ASELSAN is to work with suppliers acting with the conscious of responsibility and aiming not only financial gains but also social and environmental contribution, therefore, the process of supplier selection and evaluation is shaped and developed according to this. Main aspects used in this process with the aim of assessment and evaluation and created in accordance with the supply chain policies of ASELSAN and/or international standards are as below:

- ✓ Technologic capabilities,
- ✓ Qualified personnel,
- ✓ An operative extensive quality system,
- ✓ Strong financial structure,
- ✓ Compliance to ASELSAN objectives and policies, Environment Management, Occupational Health and Safety Management Standards and labor law.

Supplier selection and interim evaluation questionnaire examines occupational health and safety issues in detail, such as:

- ✓ Social security financial records,
- ✓ Work health and safety (OHSAS 18001) and Environmental Management (ISO 14001) certifications,
- ✓ Compliance to Work Health and Safety Law (health control records, active board of WH&S, recruit WH&S specialist and occupational medicinal service etc.),
- ✓ Documentation of work health and safety risks, related preventions,
- ✓ Control of workplace, health and safety personnel equipment and workplace conditions,
- ✓ Emergency plans,
- ✓ Precautions on general fire safety,

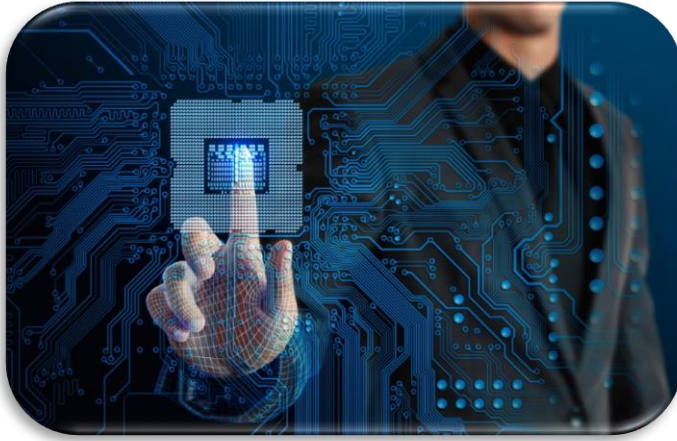
- ✓ Environmental permit, Legal requirements environmental, risk assessment regarding environmental issues,
- ✓ Legitimacy on child labor, working hours, over time.

In order to become an approved supplier of ASELSAN, the applications can be made from the section dedicated to the suppliers on the corporate website. Furthermore, our suppliers can access ASELSAN procurement policies, announcements related with these policies and the operations and general purchasing terms and conditions from our website as well. Due to the fact that facilitating the supplier communication and cooperation is valued as a vital factor for the sustainability of the supply chain, an electronic portal is aimed to be used for the purposes of managing all knowledge exchange needs from one single platform.

Selected and approved suppliers' performances are assessed separately for each shipment in the basis of on time delivery and quality. Performance scores are used for the determination of audit frequency of approved suppliers and for the selection of successful firms determined annually. While low scored suppliers are audited more often than the high scored suppliers, successful suppliers are given a certificate and it is announced via ASELSAN corporate website. In the interim audit activities applied to approved firms, the compliance of the suppliers to above mentioned issues are evaluated again and the suppliers determined as not sustaining the compliance to ASELSAN evaluation criteria are removed from the supply chain. Performance evaluation and audit results are considered as one of the most important indicators enabling the track of supply chain sustainability.

A supply chain in a scale that ASELSAN has, raises the level a little more and carries the objectives to a global level. Adopting international standards such as ISO, AS 9100 Quality System Standard, AQAP and CMMI along with national standards in company activities, makes it possible to use a common language in supplier selection and audit stages. In all these relations in supply chain; compliance with the law, human rights and defined corporate ethical rules of ASELSAN are based on. In this way, supplier relationships beginning with an all-purpose and objective evaluation process are kept sustainable with transparent and continuous communication.

2. INFORMATION SYSTEMS



Information Systems Management is carried out in accordance with the objectives of information security, business continuity and efficiency in business operations.

Technology-oriented services are supported by the information systems intended for users and processes. ITIL and ISO 27000 series requirements are taken as a base for information systems

management process and information security management respectively. In the ongoing process for the information systems risk management, information systems risks are constantly being revised and measures are taken in the emerging areas.

In order to provide the security of information, the data interfaces are closely controlled by the use of the latest security technologies. The issues related to endpoint protection, the use of portable devices and mobile access are addressed and secure solutions are devised. In order to increase the information security awareness, comprehensive training programs are being prepared and the users are being informed about the latest information security issues.

Ensuring the security of corporate data has been adopted as the corporate culture and is considered as a part of business continuity. In order to provide business continuity against any disaster situation, the corporate data is kept secure in the reliable data centers located in different locations and continuously backed up. In addition to this, the critical corporate data is concurrently copied to the disaster recovery centers to deliver the timely deployment of the critical information technologies (IT) services.

In order to provide easy access to business applications such as Enterprise Resource Planning system and Reporting System, a corporate portal integrated to these systems is being used.

Lower energy consumption is provided by preferring eco-friendly systems in the acquisition of IT hardware and by following Green IT requirements in the design of data centers. Moreover, by the flexible use of resources and high-availability opportunities provided by the virtualization technology, IT resources are efficiently used. Energy consumption is reduced by server upgrades, storage consolidations and automatically turning off inactive systems. With the establishment of the new electronic document management system, the amount of paper being used has been substantially reduced within the company.

3. FACILITY MANAGEMENT

The main aim of facility management in ASELSAN is the timely and uninterrupted provision of infrastructure and support services required / to be required in facilities on a continuous basis through integrating employees, spaces, processes and technology with each other.

Ensuring the efficient use of energy is another main objective of facility management. Related efforts are monitored and controlled by the Energy Manager. Through the Comprehensive and Integrated-Database Control and Monitoring System, the electrical values concerning transformers, power generators and uninterrupted power supplies are monitored continuously and energy is used in a more efficient way.

An ISO-50001 Energy Management infrastructure has been built in pursuance of the principle of



consuming energy in an efficient way on a sustainable basis. Saving points will be determined and the action plans will be started to be implemented under this system.

A building automation system is used for controlling the central acclimatization systems. Suitable conditions are provided in work environments, where any potential problem of operation is responded to immediately. Through selecting air-mixed

equipment to be used in these systems, the amount of air required in work environments are adjusted in accordance with the relevant standards, while equipment is used in a more efficient way. Thus, the cold air aspirated from spaces cooled in summer and the warm air aspirated from spaces warmed in winter are mixed with outdoor air, so that recovery is achieved in cooling and warming.

Failures are discovered and responded to by means of proactive maintenance techniques, so that equipment sustainability is accomplished.

Many practices such as motion sensors and timers for lighting of many spaces, central compensation in transformer stations, sensor-fitted faucets, building insulation, and LED-fitted fixtures are being conducted for preventing unnecessary use of energy.

Lighting in wide spaces is controlled based on separate zones. Thus, the lighting units of different work spaces can be controlled independently and only the spaces in use can be lighted when necessary.

The equipment is chosen and systems are installed meticulously in new investments. High-tech and automatic-controlled equipment with low energy consumption and high efficiency are chosen and used, where the human error factor is minimized.

The standards ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System are applied.

All kinds of wastes are delivered to licensed companies for disposal/recovery/recycling purposes, and emphasis placed on ecological balance. Training programs are organized for the personnel to ensure the sustainability of practices and awareness-raising on the subject.

The entire correspondence process is carried out through an Electronic Document Management System. Thus, "time", which is the most valuable parameter, is used effectively, traceability of processes is ensured, the environment-friendly identity of ASELSAN is registered, and contribution is provided for internal efficiency.

Administrative services are conducted in accordance with the principle of appropriate and timely response to the needs through monitoring recent developments. Superior services are provided in areas such as Facility Security, healthcare service, hygienic cleaning activities, transportation and shuttle service, facility safety issues, personnel food service from kitchen to table, and automation of fire detection and extinguishing systems under the fire department.

As for the Information Technologies, traceable and manageable infrastructures the efficiency and continuity of which are measurable and high, respectively, which consume less energy are employed by means of data centers, which have been built based on the recent developments, providing the highest certification conditions in the world.

EMPLOYEE DEVELOPMENT



EMPLOYEE DEVELOPMENT

ASELSAN has adopted an employee-focused management philosophy being aware that the value created since its foundation is owed to steadily increasing intellectual know-how. As a consequence of mentioned philosophy, ASELSAN regards its investment in employees and partnerships with stakeholders for the development of human resources as indispensable factors for achieving the company's strategic goals.

Human Resources systems being utilized at ASELSAN have been designed to foster high performance. Performance Management System is based on the individual work results and competencies. Outputs of the performance management system form the basis for career and talent management processes. Competitive compensation system and comprehensive package of fringe-benefits, which is best-in-class in its sector, are updated regularly with salary surveys.

Human Resources team members have a busy agenda for updating HR practices in accordance with recent requirements and improvements.

1. SOCIAL DIVERSITY AND EQUAL OPPORTUNITIES

Regarding equal opportunity, ASELSAN values all employees and the contributions they make. We have a long-standing commitment to equal opportunity and intolerance to discrimination. Our



workplaces are free from discrimination, physical and verbal harassment on the basis of race, sex, color, national or social origin, religion, age, disability, sexual orientation, political opinion or any other status protected by applicable law. ASELSAN has no lawsuits on discrimination or any other issues mentioned above.

ASELSAN adheres to minimum age provisions of applicable laws and regulations. We prohibit the hiring of individuals that are under 18 years of age for all positions. Our prohibition of child labor is consistent with International Labor Organization standards.

2. RECRUITMENT

ASELSAN Talent Acquisition Department is responsible for the recruitment and selection of new employees. The tools used during the selection process are chosen carefully to make sure that the most appropriate candidate is chosen fairly.

The shortlisted candidates are evaluated with a combination of tools: a personality test (16 PF, to be precise), competency based interviews, presentations (if needed), technical skill and knowledge tests as well as on-the-job assessments.

The value of ASELSAN brand in the eyes of the new generation is increasing every day. To be able



to fulfill the responsibility of this value and to ensure that our talent pipeline is made up of up and coming young potentials, we pay special attention to collaborating with high schools, universities and student organizations. High school students are invited to ASELSAN where they are informed about our fields of activity and the educational path that lies ahead of them to pursue a career in one of those fields. By attending to the career fairs at the universities and taking part in seminars, panels organized by student clubs; platforms are created where ASELSAN is introduced and the industrial reflections of technological developments are shared with young people.

Field trips can be arranged to our campuses so that students can see on the firsthand how critical technology and innovations come out to life. Our internship and Part-time engineering programs, which are offered to senior engineering students, give them the chance to work with the top professionals in their fields. Limited number of

organizations in Turkey can offer working on the size and scope of some of the projects ASELSAN does, so it is a great opportunity.

An applicant, any person who fills out the application form on our website, is a candidate and all application forms are evaluated and appropriate response is provided to the applicants as soon as possible. The applicants can always contact the Human Resources Department and receive further information about the procedures anytime they need to.

3. PERFORMANCE EVALUATION SYSTEM

We have a flexible and transparent Performance Management System (PMS) which responds to changing needs and is receptive to developments related to our business areas and markets. The objective of PMS model is the adoption of high performance culture by all of our employees. The main inputs of PMS model are the competency evaluation sets defined in accordance with titles and job definition and the individual work results arising from ASELSAN Corporate Scorecard. 360 degrees performance evaluation method is used for our managers and the performance feedback process is supported with psychometric personality inventory.

Outputs of the performance management system form the basis for career management, compensation, recognition and rewarding systems. Additionally, employees with high potential are identified; candidates for managerial and technical leadership positions are assigned to corresponding talent pools and career development activities are planned. On the other hand, training and development programs are offered to employees with lower-than-average performance for improving their work results and competency levels.

4. LEARNING AND DEVELOPMENT OPPORTUNITIES PROVIDED TO EMPLOYEES

ASELSAN Academy aims to support ASELSAN's organizational goals and strategies by developing functions, individuals and teams in ASELSAN at corporate level with an integrated manner in terms of providing the individual and corporate learning, increasing the knowledge level and wisdom, and creating and retaining the organizational memory.

ASELSAN Academy will ensure to increase the employee performance and to align the institutional strategies with learning and improvement by developing and using new, dynamic and flexible methods which are formed by relating the learning requirements and the strategic goals of ASELSAN. In order to define the competency based learning and improvement activities aligned with ASELSAN's strategies and working plans, ASELSAN Academy works on development of the ASELSAN Competency Model (the competencies and competency levels according to job descriptions) and the assessment of the competencies of ASELSAN employees. Competency may be defined as the combination of knowledge that an employee receives during his lifelong educational life, skills she/he learns/ develops with the experience he gets during her/his working life, and her/his ability to apply these knowledge and skills to the work/ process she/he performs. By developing the competencies of the employees, their process management abilities and relatedly the corporate overall performance will increase, and all the necessary knowledge and practice relevant to new strategic goals and technological requirements will be distributed via ASELSAN Academy to individuals and teams. Developing competency models will enable a transition to competency-based HR management.



ASELSAN Academy intends to create a synergy between ASELSAN's Vice Presidencies and business sectors by providing means for sharing professional knowledge and effective dissemination of lessons learned and the best practices. It is aimed to minimize the tacit knowledge and dependency of knowledge to individuals by increasing the amount of shared professional knowledge. In this context, meetings are organized in order to determine learning requirements and participants share professional knowledge in these meetings. In addition, seminars and workshops are organized to support sharing professional knowledge. In 2015, ASELSAN Academy organized four workshops with the participation of the Vice Presidencies and the business sectors of ASELSAN, universities, research and public institutions. 250 people from 41 university and 11 public institutions and around 300 ASELSAN employees participated to these workshops where 40 papers and 22 posters were presented. With these workshops, both our employees and the participants from universities were informed from each other's studies and understand cooperation opportunities, resulting in supportive consequences for university - industry collaboration.

Qualified and sustainable intellectual capital, is the fundamental for value-adding performance of design and development activities in ASELSAN. The investment on employees' learning and development for enhancing the intellectual capital of our company, will also help increasing innovation, productivity and employee satisfaction in ASELSAN; creating a loyal and highly motivated employee profile who are adopted to the corporate culture. ASELSAN Academy aims for corporate development in addition to self-development by life-long learning. ASELSAN

Academy works for a continuously improved learning system that benefits from efficient continuous measures the impact of learning and development activities on task performance. Referring to the competency model, the educational requirements of employees on their career path will be specified and course offerings will be formed accordingly. In this framework, ASELSAN Academy will enrich the classical in-class training by new training methods including coaching, rotation, distance learning and e-learning using different educational technologies. In 2015, ASELSAN has started internal coaching. Around 60 employees have been supported by coaching activities. Studies on Development and Evaluation Center applications continues in order to measure non-technical competencies and finding the competency gaps of employees.

ASELSAN Academy publishes plans of the trainings every year and revises them every two months, periodically. ASELSAN has its own classrooms to provide various training to our employees. Trainings are provided in three main categories; training which is conducted by ASELSAN internal trainers, classroom training which is coordinated by ASELSAN Academy using consultant firms and instructors of universities and individual training with the participation of our employees in various companies and universities. All the realized training mentioned above is recorded in a database by using Enterprise Resource Planning (ERP) System.

For the year 2015, the average training hour/employee is 13 hours and in total our employees have received 65.418 hours of training. Apart from that Occupational Health and Safety trainings which are legal obligation are 22.212 hours.

ASELSAN also has a very developed library that mainly contains defense industry, engineering and information system books, journals and electronic online research database. There are 15.000 published books, 800 CD/DVD collection, 40 periodical journal subscriptions, 100.000 electronic books, 2.500 electronic journals, 300.000 electronic reports & documents and 170.000 electronic standards. Our employees can access training materials by using library database.

UNIVERSITY- INDUSTRY COLLABORATION

Ph.D. and Research Scholarships

ASELSAN supports her employees for graduate programs such as M.Sc., Ph.D. and research studies in foreign countries. ASELSAN also supports Turkish academicians for their studies in Turkey or foreign countries for M.Sc., Ph.D. programs or research in foreign countries and research within ASELSAN with scholarship programs. The aim of the scholarships are to encourage and support the students who are interested in the fields that are strategic for ASELSAN, deepen our knowledge about new technology and improve our human resources.

The ASELSAN Ph.D. scholarship program for Turkish University students started in 2008 and other scholarship programs were started in 2015. 14 students have benefited from the programs since 2008. 7 of these students have graduated from their respective program, 7 of them are still

continuing to their Ph.D. and research programs. The Ph.D. scholarship is given for 4 years, the Ph.D. without M.Sc. scholarship for 5 years, and research scholarship for 1 year, maximum.

ASELSAN Employees' M.Sc., Ph.D. and Research Studies

ASELSAN employees attend training and courses related to their job and have the opportunity of self-development as well. Our employees can attend the graduate programs such as M.Sc., Ph.D. or Post-doctoral research studies in universities related to their jobs or future career options. There are currently 783 employees who are continuing graduate studies in universities.

Support Programs for M.Sc. and Ph.D.

The M.Sc. and Ph.D. programs are supported by multiple corporates. Industry Thesis (SANTEZ) supported by Ministry of Science and Industry and Technology and Defense Industry Researcher Training Program (SAYP) financed by Undersecretary for Defense Industries, are the most used programs. At the end of 2015, 30 employees started and 12 employees have completed successfully their program within the context of SANTEZ. SAYP protocols have been signed with METU, Turkish Military Academy, Gazi University, Ankara University, Bilkent University, TOBB and Gebze Technical University. The projects within the context of SAYP were conducted at SST and HBT Vice Presidencies until today. Similar protocols are aimed to sign with other universities and in order to raise the practicability of this program in 2016 at ASELSAN. ASELSAN Academy cooperates with R&D and Technology Management Vice Presidency to introduce and disseminate the programs in ASELSAN, and contributes to the execution of these programs conducted with the universities. At the same time, ASELSAN Academy continues to make the impact analysis of these programs for next periods.

Internship

Internship is an important process in ASELSAN and every year 800-900 students do their summer practices in ASELSAN between June and September. During internship period, departments observe the students and evaluate their performance as potential employees in the future. Following their internship, Human Resources Department make interviews with the students and can recruit them as part time engineers. "Part time engineer program" is a special program developed by ASELSAN. In this program, students work with salary in ASELSAN for three half days in their last year of education. When they graduate, they can be recruited as engineers.

A second internship type is provided to high school students in their last year of education during school time between September and June. Every year 250-300 students do their occupational education in ASELSAN. This program is conducted in compliance with the related law.

5. CAREER MANAGEMENT

Our career management system is designed to support employee development. Promotion process rewards employees with high potential and performance. Meanwhile, career management system and utilizing job rotations, enables employees to develop their competency levels.

Every employee can reach career maps, open positions in the company and information about career opportunities in our subsidiaries on the Intranet Portal. Managers use custom-designed management reports to view subordinates' information working in their teams. Human Resources staff is assigned to support both employees and managers to inform them about career implementation principles of ASELSAN. Additionally, at any time, employees can communicate with HR staff using HR Help Desk.

In accordance with ASELSAN's vision of becoming a global technology company, growing operations abroad and international project partnerships allow us for offering international career opportunities to our employees. When our talents, whose career development are closely monitored, are ready to try new challenges, they are assessed for the new positions in our subsidiaries in different countries. Employees that are assigned to the positions at the subsidiaries carry back their experience at the end of their assignments and might be placed to a new post in ASELSAN. On the other hand, talents, who are assigned to posts in international project partnerships, get the opportunity to contribute to the development of high-tech products, participating in groups of researchers from different countries.

6. COMPENSATION AND FRINGE BENEFITS



We are employing a fair, objective and comprehensible compensation system which supports high performance at ASELSAN. In addition to competitive compensation structure, some of the many fringe benefits we offer our employees are:

- ✓ **Private Health Insurance** for every employee (and their spouses and children if they choose to add them to their insurance policy with a discount) with different plan alternatives and wide-coverage.
- ✓ **Lunch**, prepared and served at our campuses (free of charge). Employees in remote offices where lunch cannot be served are provided with lunch tickets. Snacks are also provided to employees who report in advance that they will be working extra-time.
- ✓ **Transportation** to and from campuses with mini buses (free of charge), not only for central spots but also for many districts. This decreases the number of our employees using their own cars, thus also creates a contribution to environmental wellbeing by preventing pollution.
- ✓ A **Welfare Fund** for every employee to be used within their units with their colleagues (e.g. a dinner, picnic, etc). Employees working together get the chance to know each other better in a relaxed environment.
- ✓ **Graduate Education Opportunities** for employees, allowing them to continue their graduate studies as long as their job description requires further academic work. To attend to their classes and to complete their coursework, our employees do not have to

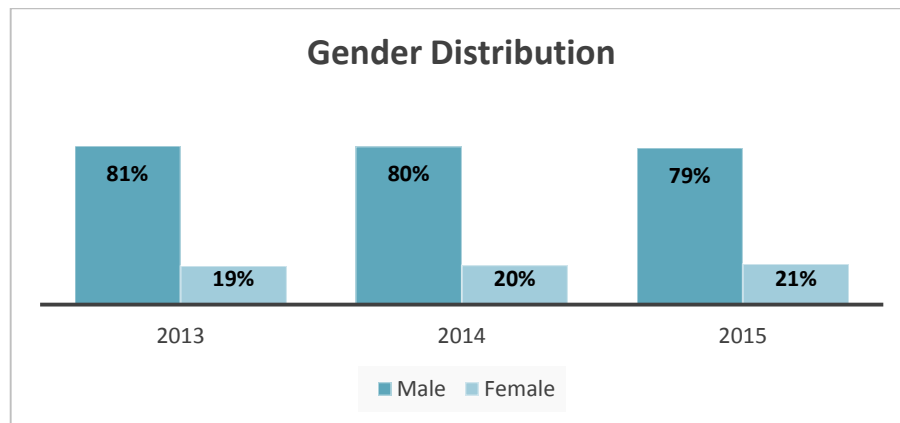
use excused leave. Mini buses are arranged to and from our campuses to university campuses.

- ✓ **Library** with electronic publications, journals, books serving all our campuses.
- ✓ **Sports Center** where our employees can enjoy several sports facilities. Weight control programs are offered to employees in coordination with our dietitians.
- ✓ **Infirmary** where employees with medical concerns can be examined unless further examination in a health care facility is needed.
- ✓ **Child Daycare Facility** for children of our employees between ages 0-6. This facility also offers special breastfeeding rooms for all mothers in ASELSAN.
- ✓ **Maternity Leave:** Pregnant employees are allowed sixteen weeks of paid leave. They can also take unpaid parental leave for up to six months and 1.5 hours per day for breast feeding until the baby reaches the age of 1. From the first month of pregnancy, our female employees use 1 hour maternity leave every working day. After pregnant employees inform the HR staff about their situation, they are given a special file consisting of detailed information about the procedures related to maternity leave.
- ✓ **Paternity Leave:** Five days of paternity leave is provided for new fathers.

7. EMPLOYEE PROFILE

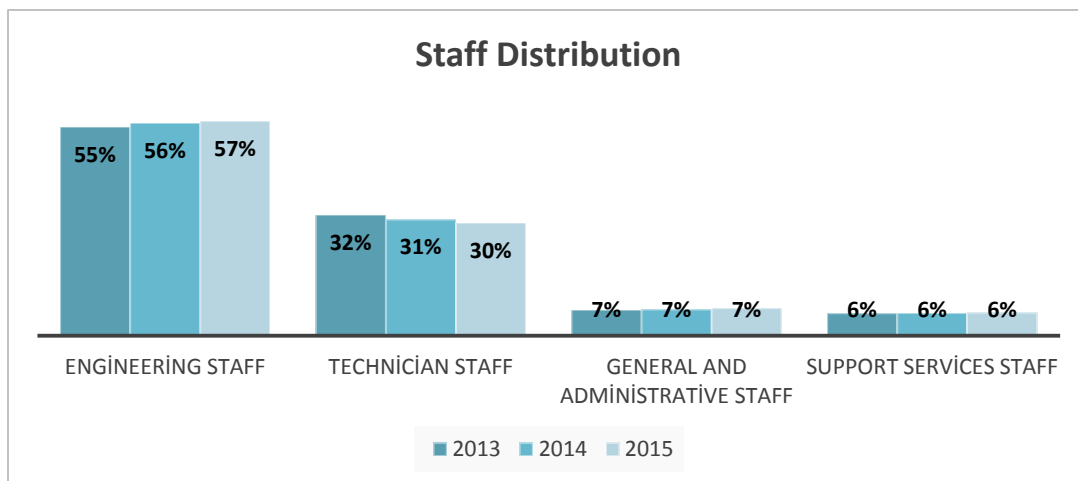
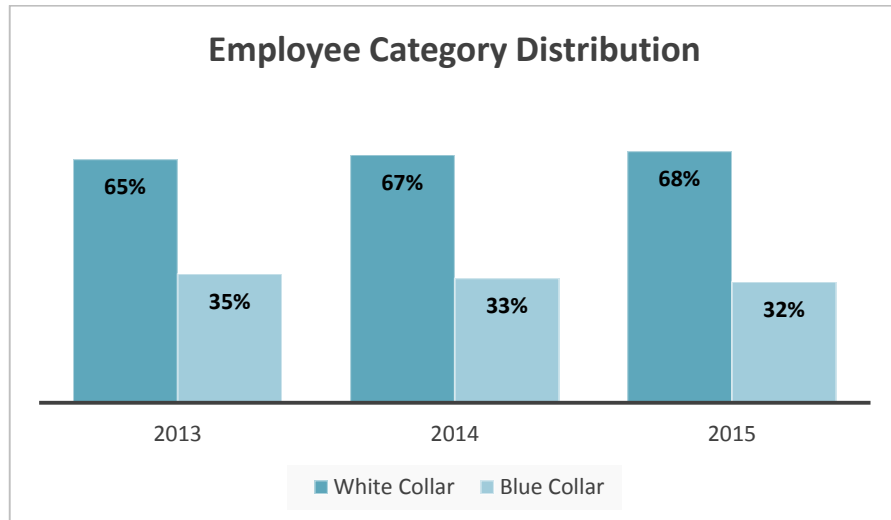
ASELSAN's manpower has grown %9 in 2015. This dramatic increase in 2015 is a company merge with MİKES. Excluding employees who are transferred from MİKES, increase of manpower is measured as %3,5 in 2015. Throughout the last three years, excluding employees transferred from MİKES, an average of 311 new employees per year became members of ASELSAN.

Ratio of female and male employees increased %1 per years. Our female employees ratio is above the ratio of female employees working at the industrial sector (%16)¹.



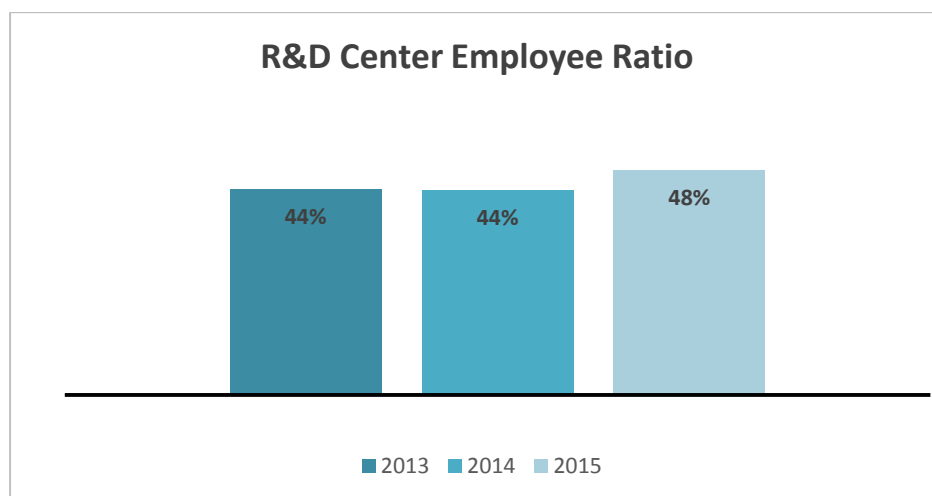
¹ TÜİK 2014-Household Workforce Statistics

The ratio of white collar employees, which is composed of Engineering and some General and Administrative staff, is %68; while blue collar employees' ratio, which are Technicians and other General and Administrative staff, is %32. In last three years, ratio of white collar employees has increased %3.



As can be seen in the table above, ASELSAN's main focus is on its engineering staff, which shows an increase of %2 in last three years. In addition to this, technical staff is also the backbone of ASELSAN. However it can be seen that the percentage of technician staff has decreased in three years.

Another important data is the percentage of R&D employees in ASELSAN. R&D employees constitute nearly half of our total employee number and the ratio shows an increasing trend in years.

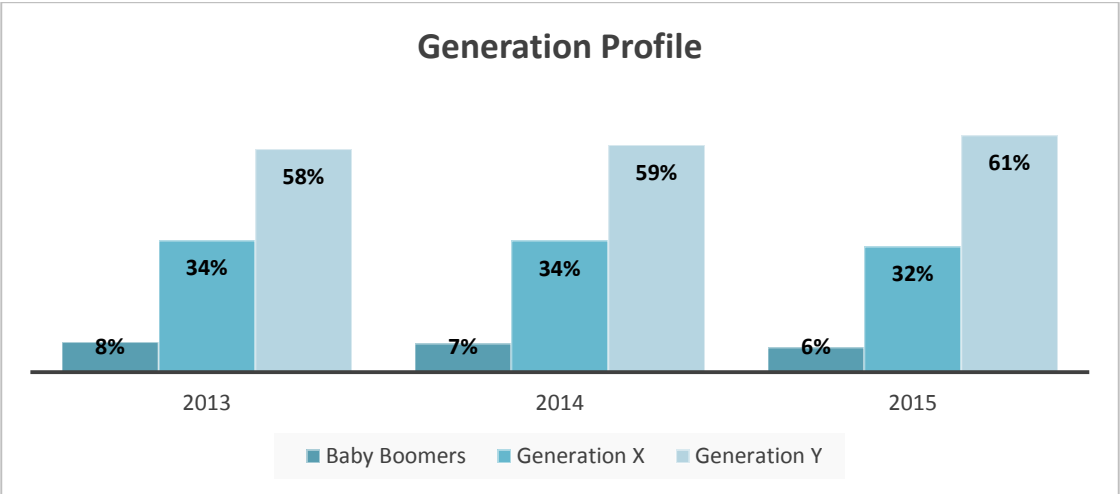


The average age of our employees is 34 as of 2015 year-end.

The team members of ASELSAN have a strong educational background; increasing the ratio of undergraduates and post-graduates each year, which has reached up to a total of %68 of the workforce in 2015.

Employees by Education Category	2013	2014	2015
Industrial High School	18%	16%	15%
Two-year degree	12%	12%	12%
Undergraduate	31%	31%	32%
Master's Degree	29%	33%	33%
Post-graduate	3%	3%	3%
Other	7%	5%	5%

Our company is also aware of the fact that our employee generation profile is rapidly moving in the direction towards Generation Y and there is a continuous decrease in Baby Boomers and X Generations. Thus we try to adopt practices which fit best to each generation such as implementing more appreciation and award based practices for the increasing Y generation.



The average voluntary exit rate in the previous three years is 1,8%.

8. INTERNAL COMMUNICATION

Communication is one of the most important core competencies of ASELSAN employees. Therefore, platforms to enhance this communication between employees within and between units are provided. The most frequently used internal communication media are intranet and e-mailing. This way less use of paper is encouraged. Administrative notices, regulations, activities of business units and company news are shared daily with employees to keep them informed about any issue.

To strengthen the communication with and between employees:

- ✓ ASEL SAN managers' "open door" policy enables employees to speak directly with all levels of management including CEO and Board of Directors about their ideas, concerns, or problems, and to collaborate with managers to address workplace issues.
- ✓ General Manager, on regular basis, have lunch together with groups of employees where he has the chance to share some information with them while obtaining their views and requests.
- ✓ In order to meet the requirements of the employees, receive information about their troubles and include them to the decision-making processes, there exists an "Employees Representative Committee" for which the employees choose their representatives by voting for the candidates.



- ✓ Employees can share their ideas by using “Individual Suggestion System”.
- ✓ Besides these, employees can share their expectations, opinions and suggestions with the senior management through an electronic sharing platform named “Employee Wishes”, which is open to all employees. The aim of this platform is to;
 - Cater for the employees to convey their expectations and problems to the management,
 - Timely and correct sharing of related decisions,
 - Take part in decision-making processes,
 - Enhance the communication between the employees and the management,
 - thus contribute to strengthen the motivation and sense of belonging. This platform is also used for technical information exchange, between the employees.
- ✓ The ASELFOT Photography Club held photography seminars and organized tours for shooting purposes for beginners, in parallel with its growing membership.
- ✓ The ASELHOT Turkish Folk Dances Club members perform traditional dance shows.
 - The ASELDOST Nature Sports Club brings employees together for tracking and hiking anywhere in Turkey.
- ✓ ASELSAN Turkish Folk Music Choir gives yearly concerts for the ASELSAN employees and their families for free.
- ✓ Football, volleyball, table tennis, tennis and bowling tournaments are organized.
- ✓ Financial allowance is provided to each personnel for the yearly gathering organizations held in order to strengthen the friendliness among the personnel.
- ✓ With the support of management ASELSAN employees can easily find tickets for activities like theatres and concerts.
- ✓ On every establishment anniversary of ASELSAN which coincides with 14 November, all ASELSAN employees pay a visit to Anıtkabir, the mausoleum of Atatürk – founder of Turkish Republic – and a souvenir photo is taken which is displayed in ASELSAN facilities throughout the year.
- ✓ We organize service awards ceremony every year for the employees who complete 15-20-25-30 and 35 years of service in ASELSAN.
- ✓ ASELSAN supports the postgraduate education of the personnel in order to help her employee to be experienced specifically in the company field of activities.
- ✓ Special arrangements with various shops and stores are made in order for ASELSAN employees and retired personnel’s benefit in shopping.
- ✓ Private health insurance is provided for ASELSAN employees.
- ✓ In case of demise of an ASELSAN employee, support for funeral services and to the family is provided.
- ✓ In case of an ASELSAN employee marriage or at birth of their children support is provided.

9. SOCIAL PERFORMANCE



- ✓ Like in 2014 ASELSAN, in 2015 was named as the best company that students want to work in IT and engineering field.
- ✓ ASELSAN employees participate in blood donation campaigns every year to help the Red Crescent Association to mitigate its blood need.
- ✓ Besides conveying their experience to the students at universities our employees take role in Governmental organizations as referee.
- ✓ We support Turkey's first and largest technology-based entrepreneurship competition, “New Ideas New Businesses” and present “Defense Industry Category Special Award” to the award winner.
- ✓ Employees are informed about the current health issues like work stress, how to quit smoking, heart diseases, breastfeeding for mothers.
- ✓ At ASELSAN, we use all our resources to create employment opportunities and the best possible working environment for people with disabilities.

10. WORK-LIFE BALANCE



Finding a suitable balance between work and daily living is a challenge that all employees face. Friends and, especially families are particularly affected. In countries like ours, because of their cultural role, women also spend a lot of time doing the household chores like cooking and cleaning, therefore it is an extra pressure on them to work in and out of home. In ASELSAN, we are well aware that an important aspect of work-life balance is the

amount of time our employees spend at work. Long working hours may impair their personal health, jeopardize their safety and increase the amount of stress they have to endure. Our employees work 42,5 hours a week. We start the day early at ASELSAN at 7:30 am and end the day at 4:30 pm and so rush hour traffic stress does not affect our lives. After 4:30 pm, our employees have the chance to spend time for themselves and/or their families. Our employees can also work flexible hours which allow them to organize their work schedule according to their daily routines.

11. HUMAN RIGHTS



Respect for and observance of human rights and fundamental freedoms is the ultimate challenge to and the goal of all human kind. And in our company, the understanding of these rights and freedoms is of great importance. Under ASELSAN roof, every individual; regardless of race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status, is equal. Every individual has the right and the means to communicate his/her needs and opinions as long as he/she is respectable to others' rights. Everyone has the right to life, liberty and security of person and we ensure that no one is subject to torture (physically and psychologically) or to cruel,

inhuman or degrading treatment or punishment. Every employee has the right to an effective remedy for acts violating the fundamental rights granted to him/her by the constitution or by law.

12. OCCUPATIONAL HEALTH AND SAFETY



Human health and environment as primary elements of sustainability are always prioritized and all activities are maintained in accordance with this principle in ASELSAN. Responsibility about this topic is shared among all personnel from top level to low level. All activities are carried out within the frame of the policy that is determined by top management.

Our Policy of Occupational Health and Safety Management System for Macunköy Facility is defined as follows:

“ASELSAN, during its service in defense industry, obtains having a performance beyond standards for continuous improvement by possessing the

requirements of legal and other conditions; adopting, following and revising occupational health and safety improvement activities by its personnel; implementing educational programs and other activities so as to constitute an occupational health and safety culture; pulling the occupational health and safety to the top level for its trainees, visitors and subcontractors in addition to its personnel as principles.”

The objective of the determined policy is to minimize risks in order to deal effectively with any kind of hazard that might occur in the workplace for various reasons and therefore, to ensure that workplace setting remains as safe areas in addition to safety of employees and work environment.

Coordination of occupational health and safety practices at ASELSAN is ensured by the Occupational Health and Safety Board (OHSB).

The Board oversees performance of annual fire/earthquake and evacuation drills with the aim of increasing preparedness for emergencies that might occur, reviewing emergency measures, ensuring that the employees learn emergency response methods and develop the skills of emergency teams in responding to emergencies.

OHSB provides necessary occupational health and safety educations to all personnel in accordance with their job descriptions twice in a year. In 2015, occupational health and safety education was given to personnel under 26 titles (ergonomics, working at height, physical and chemical risk factors, legal regulations education etc.) 22.211,5 hours in sum. In addition, all interns, suppliers and subcontractors were given the necessary occupational health and safety educations as well.

OHSB performs local measurements (dust, gas, noise, thermal comfort, lighting, etc.) in areas they see fit, and the conditions of unsuitable workspaces are improved to comply with standards. Tap water is analyzed regularly every month.

Local controls are done in production areas, repair/renovation/construction areas, testing areas (both inside and outside ASELSAN) in order to prevent any potential occupational accidents. Root causes of occupational accidents that occur are identified by the Board and necessary measures are taken in this respect. The accidents that have occurred are monitored monthly through the calculation of Accident Frequency Rates and Accident Severity Ratios. Accident Frequency Rates and Accident Severity Ratios of 2015 have a decay rate of approximately %10 upon comparison with 2014. Moreover, incidents that do not cause an/a injury/harm or damage on goods/machinery (near miss) are also recorded so as to hinder occupational accidents that can happen in the future.

Risk Analysis studies in all areas of operation are conducted at ASELSAN, with the participation of OHSB members. As a result of risk analysis, OHSB ensures the appropriate measures are taken according to the characteristics of the work done and the facility, in compliance with the principle of eliminating hazards at source, by collaborating with relevant units. Moreover; ergonomics risk analysis are conducted in departments that has dense labor force. Fire risk assessment is planning to be completed in 2016.

A “Motto Competition” is organized annually in order to attract employee interest in and raise their awareness over the issue of Occupational Health and Safety. Various rewards are awarded to the first three. Moreover, these mottos are demonstrated in various areas of the facility.

So as to inform the employees about Occupational Health and Safety topics, hand brochures are prepared and distributed.

A performance called “Occupational Health and Safety Theater” is carried on in order to establish and enhance occupational health and safety culture.

At the end of each year, OHSB prepares an annual report assessing operations, identifying issues to be included in the operating plan for the following year, which is submitted to top management.

ENVIRONMENT



ENVIRONMENT

1. INTEGRATED MANAGEMENT SYSTEM (IMS)

ASELSAN holds (since 2009) the two most important internationally recognized standards in the Integrated Management System; OHSAS 18001:2007 Occupational Health and Safety Management System and ISO 14001:2004 Environmental Management System Certificates certificated by BSI (British Standards Institute). Both management systems are implemented integrally.



Compliance with both standards and statutory legislation is strictly ensured in any work carried out within the facility. Audit of the system is conducted by BSI Group Eurasia.

Under IMS; interim control of the system is ensured by internal inspections conducted by the Management Representatives authorized by the CEO annually in order to observe whether activities such as tests, periodical inspections, etc., comply with the pre-determined criteria (statutory legislation, corporate policies and targets and standards).

In addition, an annual Management Review Meeting (MRM) is held with the participation of top management to discuss the objectives, targets and management plans set for each year as well as internal and external inspection results, status of corrective and preventive actions, Environmental & Occupational Health and Safety complaints and recommendations, environmental and occupational accidents, assessment of compliance with legal and other conditions, monitoring–measurement results, improvement activities and follow-up on the decisions taken at previous meetings, reviewing OHSAS 18001 Occupational Health and Safety Management and ISO 14001 Environmental Management Systems (EMS).

The reports prepared as a result of the inspections and meetings in connection with regular improvement of the system are submitted to the facility officer and their retention in the facility/activity is properly ensured.

2. ENVIRONMENTAL MANAGEMENT



ASELSAN, with the consciousness of sustainable life responsibility, considers protecting environment and natural resources as its primary duty and carries out its activities within the frame of the policy that is determined by top management. This policy is shared with internal and external stakeholders via internet.

Our policy of Environmental Management System for Macunköy Facility is defined as follows:

“So as to hand down a cleaner and sustainable environment to future generations, we promise to accord legal and other conditions on specifying and managing environmental risks; to minimize the wastes in their origin; to use natural resources in the most effective way in order to reduce the effects of climate change to a minimum level; to have continuous improvement, optimization and revision with the participation of employees from all degrees; by taking the environmental aspects and effects of our activities into account.”

An Environmental Safety Board (ESB) currently maintains efforts for the purpose of determining measures to be taken in connection with environmental safety at ASELSAN / Macunköy Facility and problem assessment caused by their implementation. In addition, all work done regarding

environmental issues are monitored and inspected by the Environmental Officer. Environmental Safety Board ensures increase in efficiency and quality of the practices, sustainability and finding facilitative offers, by controlling the practices of environmental safety precautions. Board, aims to ease the endeavors of the personnel of the firm that is authorized of environmental safety inspection. All offers and precautions that aim to dissolve the environmental hazard away are evaluated according to the risk reduction hierarchy.

Environmental management activities are carried out in accordance with legislation in ASELSAN. Environmental Safety Board controls the legislation status of all ongoing activities by examining them periodically. Environmental Safety Board meetings are held every year at least one time. Moreover, an internal audit is made annually. A handbook is prepared and presented to personnel in order to inform them about environmental issues on-site.

Both standards and statutory legislation require sorting of each waste material by type and delivery of it to licensed waste collection entities authorized by the Ministry of Environmental and Urban Affairs, and retention of their records to prevent escalation of environmental dimensions leading to environmental problems. Therefore, solid wastes are classified by type and their temporary storage is carried out in such a manner ensuring that they would not pose any hazards in terms of Occupational Health and Safety as well as Environment. In accordance with statutory legislation, their periodical measurements are carried out by accredited entities.

- ✓ Waste waters, which are processed by all kinds of chemical agents and that may be disposed of under proper conditions are classified as acid, alkali, complex and wash waster and transmitted into the semi-automatically operating chemical treatment plant via discrete contained system from the areas of operation and finally discharged into the sewerage system in compliance with statutory legislation after treatment operation.
- ✓ Requirements of statutory legislation are duly met by conducting necessary measurements of emissions caused by processes and heating, in certain periods.
- ✓ Domestic wastes are divided into several sub-categories – packaging wastes, non-hazardous scrap, hazardous wastes, electronic wastes and particular wastes (depleted tires, medical waste). Relevant disposal method is followed for each type of waste under the relevant Regulations.
- ✓ Waste batteries and accumulators, waste chemicals, chemical packages, any types of materials contaminated by chemicals, waste oils/lubricants, oily chips, electronic wastes, waste fluorescents and waste filters are treated as part of hazardous wastes. Hazardous wastes are stored at the Temporary Storage Site. Hazardous wastes are delivered to the companies having Environmental Authorizations issued by the Ministry of Environmental and Urban Affairs, as well as to the licensed transport vehicles in compliance with legislation.

- ✓ Mineral waste oils and vegetal waste oils are individually stored and delivered by the Environmental Officer to the licensed collectors.
- ✓ Medical wastes generated by the infirmary are collected in sealed leak proof containers bearing the sign of “medical waste” and “biological hazard” upon it as defined by the relevant Regulation and delivered to the relevant authorities.

At ASELSAN, the employees receive environmental trainings annually. Also, in accordance with statutory legislation and ISO 14001 Environmental Management Standard, employees receive drills and environmental trainings to demonstrate necessary action to be taken in case of potential chemical leakage–spill and ensure preparedness of the employees for all kinds of environmental accidents. As a result of these efforts; no environmental accident happened during 2015.

The Environmental Officer is responsible for acquiring, updating and/or renewing the environmental authorizations, licenses and certificates required for the facility/activity. Environmental Effect Evaluation is made for all operations regularly. Environmental performance is also a criterion while selecting suppliers.

In addition, it is ensured by the Environmental Officer that Minutes of Monthly Assessment are prepared and that environmental status of the facility is reported and submitted to the facility and/or activity owner/responsible officer on a monthly basis. At the same time, an Environmental Performance Report is prepared and retained in connection with the previous year’s efforts by the end of each year. Environmental Performance Report for 2015 was prepared and approved by an impartial firm.

Moreover, arbor day is organized by Environment Safety Board on World Environment Day.

3. CLIMATE CHANGE AND CARBON MANAGEMENT



The Environmental Safety Board (ESB) ensures the calculation of carbon footprint value of the facility annually in compliance with ISO 14064 International Standard for Greenhouse Gases Emissions Inventories and Verification, making notifications to national/international initiatives in connection therewith. Within this framework, ASELSAN took part in the Carbon Disclosure Project (CDP) in 2012, which is regarded as the world’s most comprehensive environmental initiative and consolidated its

pioneering position in Turkish Defense Industry sector by becoming the first and only company that took part in the Carbon Disclosure Project (CDP).

The objective “use of natural resources in an optimal way so as to minimize the effects of climate change” was included in the Environmental Management System Policy by the top management of ASELSAN, showing our determination regarding this issue.

ASELSAN’s targets regarding carbon are determined by top management subject to strategic goals. Greenhouse Gases Management Plan is prepared and put into practice in order to achieve targets. Periodic reviews of the applications are made by the Environmental Safety Board. Decrease in carbon release until 2019 is set as target.

Corporate Carbon Footprint Report is prepared for the first time by Integrated Management System Directorate by adding Akyurt, Teknokent and İstanbul working sites with Macunköy site into the account. As the score of 2015 is 95B, ASELSAN became the 6th company with the highest score in Turkey.

ASELSAN pays particular attention to carbon emission in any operations undertaken. Trainings are given to the employees regarding this issue to increase their awareness. The Environmental Officer is in charge of the issue of climate change and emission monitoring.

Natural gas, which does not pollute environment and generates less CO₂, as far as fossil fuels are concerned, is being used within boilers which have efficiencies achieved at approximately 93-94%. It is effectively endeavored further to reduce carbon release by installing filters on the chimneys. In addition, efforts are underway to recycle boiler flue heat and find methods of energy conversion and its possible uses.

Also energy consumptions are monitored regularly at ASELSAN on a monthly basis. Reasons for any decrease or increase taking place in connection therewith are analyzed, with measures being taken for increases.