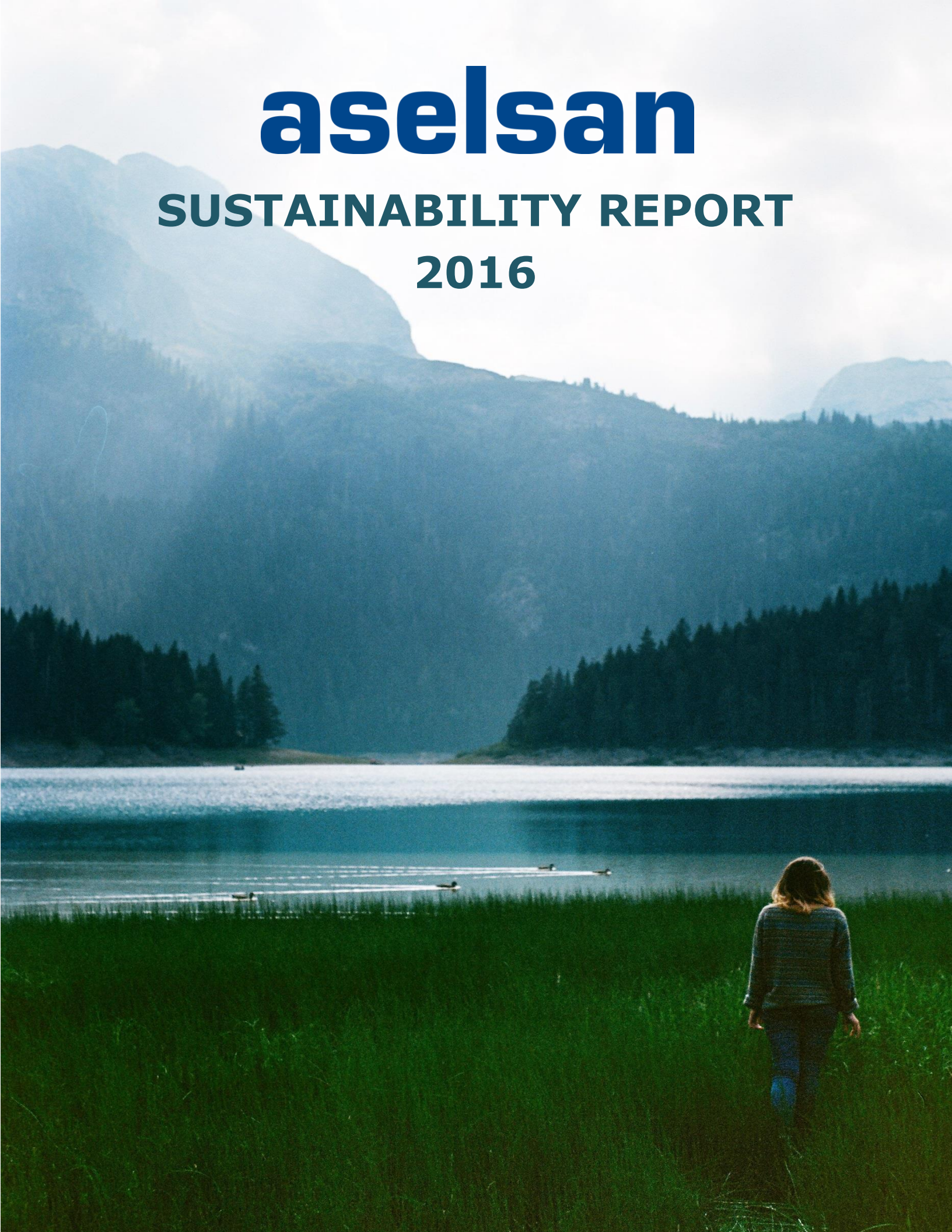


aselsan

SUSTAINABILITY REPORT 2016



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CEO'S MESSAGE

Esteemed Shareholders,

We have completed our 41st year with the important steps we have taken to meet our country's defense needs and reduce the foreign dependency on defense technologies. Today, ASELSAN has become a globally recognized institution, whose systems are used not only in Turkey but also in 3 continents and over 60 countries. In achieving this success, our progress through continuous improvement of our growth strategies and our sustainable practices, have been influential.

ASELSAN, , in addition to its mission of meeting the needs of our country, especially Turkish Armed Forces, and foreign customers with the highest quality solutions, focuses on the aim of creating maximum added value for all its shareholders. At the same time, we are constantly and intensely striving for the development of our employees, universities which we are carrying out projects with, our suppliers, most of whom are SME's and the society we serve, in line with our sustainable growth approach.



As a pioneer and leader in many fields in the Turkish defense industry, ASELSAN is proud to maintain these features in corporate governance, environmental awareness and sustainable applications. Our Company, which is ranked 12th among the most valuable companies in Borsa Istanbul, is also one of the few companies listed on the Sustainability Index since the day it was launched, as a result of the activities we have carried out in the field of sustainability and the efforts we made. At the same time, we are continuing to disclose our greenhouse gas emissions and climate change strategies to the public through the Carbon Disclosure Project (CDP), one of the world's most comprehensive environmental initiatives that we have been engaged in since 2012, with the aim to improve each and every year.

ASELSAN, with the awareness of the fact that the effort to be shown for both developing in the

fields of activity and for the improvement of the ecosystem it is in, is increasing day by day, will keep on progressing with the support of you fellow shareholders.

We hope that you will be pleased to read this document, which is our fourth report in the field of sustainability and contains the tasks we carried out in 2016. I know that we will continue to be stronger with the support of our people on this path that we have walked with steady steps for 41 years, and thank you, our valuable shareholders, for being there for us to this day, in the name of ASELSAN.

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

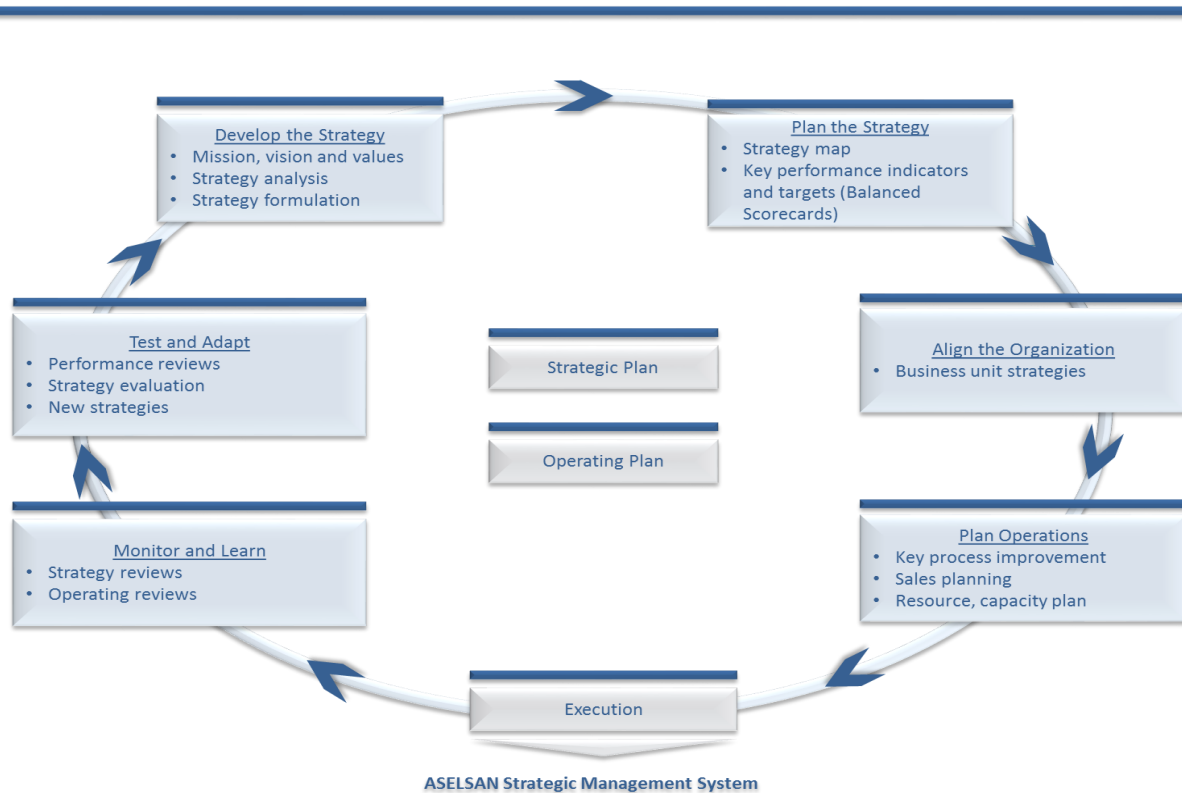


SUSTAINABILITY MANAGEMENT

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 12.12.2016, ASELSAN's corporate governance rating grade was updated to 9,15 out of 10 points from 9,13 in 2015.

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 expand, 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 this 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 program. 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.

The Corporate Risk Management and Internal Control Department is guided by the COSO model to ensure the effectiveness of the internal control system and to systematize the control activities based on existing processes and functions. The elements required for a proper internal control system are set out in COSO 2013 Internal Control Integrated Framework Report with 5 components (Control Environment, Risk Assessment, Control Activities, Information and Communication, Monitoring). Reports, based on those principles, are prepared with a risk-focused approach and presented to the managers for the execution of the related control activities.

In 2016, activities were carried out in order to increase the communion with all ASELSAN departments for the development of the appreciative auditing concept. Presentations and guides have been prepared to increase the awareness of ASELSAN managers and employees on corporate governance, corporate risk management, internal control and internal audit issues.

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.

ASELSAN Anti-Bribery and Anti-Corruption Policy have been in force by approving by the Board of Directors on 28.06.2016. The Policy prepared in Turkish and English has been opened to the public access on the ASELSAN website (www.aselsan.com).



The Policy covers members of ASELSAN Board of Directors and ASELSAN employees, shareholders, subcontracting / supplying companies serving ASELSAN, companies providing ASELSAN consultancy and inspection services, all other stakeholders in commercial and social relations and all companies, joint ventures and partnerships in which ASELSAN has more than 50% shares or

voting rights, directly or indirectly. ASELSAN Bribery and Anti-corruption Policy document was shared with our subsidiaries in which ASELSAN has more than 50% share or voting power. In this respect, those subsidiaries took necessary precautions regarding the implementation of ASELSAN Bribery and Anti-corruption policy and adapted it to their own company policies.

All ASELSAN employees were trained by ASELSAN Academy Directorate based on the training set prepared by the Internal Audit Department in order to raise awareness of ASELSAN employees against bribery and corruption as committed in the Policy.

Persons and organizations that might have negative intelligence on bribery or corruption are disqualified in the assessment process of the organizations, dealers, business partners, and suppliers to be contracted. Firms found to involve in collusive tendering through fraud, promise, threat, influence, misappropriation, collusion, extortion, bribe, etc. are included in the list of prohibited firms. Besides within the scope of international marketing and business development activities of ASELSAN appointment, remuneration and approval process of agents is defined in Appointment and Management of Foreign Agents Directive.

Employees and third parties may make notifications of acts of bribery and corruption to ASELSAN Ethics Committee without any limitation in accordance with ASELSAN Code of Ethics.

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 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 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.

ASELSAN ERM is established and managed according to the globally accepted standards.

Risks, that can prevent ASELSAN to reach its long-term targets are detected and assessed "using top-down" and "bottom-up" approaches. The prioritized risks and the actions to be taken are presented to the Board of Directors through periodic reports prepared by the Early Detection and Management of Risk Committee.

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.

ASELSAN considers the subcontractors and companies in the subsidiary industry that it works with as its business partners and in 2016, 85% of them were Small and Mid-Sized Enterprises (SMEs). By the end of 2016, ASELSAN's overall purchase orders to SMEs and domestic subcontractors has reached 3,3 billion Turkish Liras and ASELSAN completed the payment 900 Million Turkish Liras to them for tasks carried out in 2016.

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	DMR (Digital Mobile Radio) Association
Informatics Association of Turkey	EENA(European Emergency Number Association)
Information Security Association	Wisconsin Electrical Machines and Power Electronics Consortium (WEMPEC)
Telecommunications Industry Association	TETRA
Rail Transportaion Systems and Industry Association	VMEBus International Trade Association (VITA)
Anatolian Railway Transportation Systems Cluster Association	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 38 universities in 172 projects worth a total of 142,5 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 2016, ASELSAN sponsored printing books that aims to expand Atatürk's principles and reforms; Turkish Armed Forces Elele Foundation in providing a specially designed vehicle for transportation of Turkish Armed Forces employees' disabled children; and sports activities of disabled people in Turkish Armed Forces Rehabilitation and Care Center Sports Club.

SUSTAINABLE OPERATIONS



SUSTAINABLE OPERATIONS

1. SUPPLY CHAIN

ASELSAN carries on its business with thousands of registered suppliers and a global supply chain and in this regard, it is conscious of being a corporation that may make it possible for objected economic, environmental and social acquisitions to extend to a wide platform with sustainability understanding.



ASELSAN, aiming to be at the top in the civilian and military activity areas with its advanced technology product line and carrying an important role for Turkey to reach its economic and social development targets, accepts the sustainable growth perspective as a corporate vision. 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. 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.

Regardless from company size, supply chain risks that takes place in risk management plan, are also held in detail by ASELSAN. Not only supplier, customer or production activity risks that derive from dynamics of business area, but also unpredictable risks like global crisis, natural disasters, terrorism, are determined by related departments. Risks that are identified as critical, are monitored, measured and short/mid-term strategies are developed, and actions are taken to reduce these risks.

In 2016, about 43.000 order had been given to over 4.800 suppliers. This brings out the fact that a significant portion of the value the product has, is created by the suppliers. Being a national technology company, as long as the share of the national suppliers increase in ASELSAN's sustainable growth, the support to national economy 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.

Supplier selecting and evaluating scenarios of ASELSAN are determined by questioning not only quality and environment standards but also occupational health and safety conditions. 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 evaluation stages. Main aspects used for inspection and evaluation and created in accordance with the supply chain policies of ASELSAN and/or international standards are as below:

- a) Technologic capabilities,
- b) Qualified personnel,
- c) An operative extensive quality system,
- d) Strong financial structure,
- e) Compliance to ASELSAN objectives and policies, Environment Management, Occupational Health and Safety Management Standards and labor law:
 - ✓ Social security financial records
 - ✓ Work health and safety (OHSAS 18001) and Environmental Management (ISO 14001) certifications
 - ✓ Compliance to work health and safety laws (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 personal equipment and workplace conditions
 - ✓ Emergency plans
 - ✓ Precautions on general fire safety

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

To be an approved supplier, applications can be done through 'Suppliers' section of ASELSAN's corporate website.

Setting supplier communication and cooperation has a key role in sustainability of supply chain. To manage this, a supplier portal has been developed by ASELSAN. With this portal, RFQ, purchasing, quality control, product delivery, supplier application, supplier data and supplier performance measurement operations will be conducted. It is purposed that all our stakeholders use this portal as a fast, reliable, monitorable and measurable tool for wide scale of activities. Also, our stakeholders have ability to reach to ASELSAN supply policies, all related announcements and general purchasing terms and conditions by ASELSAN's corporate website.

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, ISO 20000, ISO 9000 series requirements for information systems management process and ISO 27000 series requirements are taken as a base for information security management. An important step has been taken for providing the sustainability of information security by having ISO 27001 certificate. 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 thought 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 upgrading to more efficient IT systems and automatically turning off inactive systems. With the establishment of the new electronic document and workflow management systems and controlled print systems, 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, hygiene 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. While competencies evaluated with PMS model are used to determine training and development needs of the employees, performance evaluation outcomes affect rewarding and compensation processes. Also, 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 which make it possible to plan future career path of the employees. 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 achieve integrated development of individuals and teams in ASELSAN by the activities performed through its mission of continuously providing a competent workforce. Through this goal, ASELSAN Academy's vision is to conduct measurement and improvement of learning and development activities and their alignment with ASELSAN strategies and business plans systematically.

Facilitating learning and development at individual and corporate level, increasing employees' and ASELSAN's organizational competency level, enabling knowledge sharing to develop a corporate memory by supporting ASELSAN's goals and strategies are among the most prominent activities of ASELSAN Academy.

ASELSAN Academy designs necessary processes to meet employees' learning and development requirements in order to transform the existing system into an effective, innovative, flexible, dynamic, proactive and sustainable system that is specific to ASELSAN. Within this scope, in order to shift to competency-based learning and development approaches, ASELSAN Academy develops

a competency model that is compatible with ASELSAN's job descriptions, corporate processes and strategies, and employees' career paths specifically for ASELSAN to meet ASELSAN's corporate goals and requirements.



Using the Competency Model, the gap between present and required competencies of employees will be analyzed. One of ASELSAN Academy's main purposes is to define the learning and development requirements by using the competency needs revealed through gap analysis and to design learning and development programs to meet these requirements. Thus, the learning and development programs aligned with ASELSAN's strategies will enable ASELSAN employees to acquire necessary skills and knowledge on emerging technologies and new business areas by proactive planning.

Meanwhile, ASELSAN Competency Model will facilitate measuring the intellectual capital of ASELSAN, making competency-based work and project plans, determining workforce needs of units according to competency requirements, making succession plans for critical roles and creating a base for resource planning functions. Competency Model is a strategic tool which would affect the performances of both employees and the firm positively, and provide sustainable improvement of intellectual capital and continuously competent workforce.

ASELSAN Academy intends to create a synergy between ASELSAN's Vice Presidencies and business sectors by providing means for sharing professional knowledge, protecting of corporate memory and, recording and effective dissemination of lessons learned. In this context, demands for

knowledge sharing activities especially from business sectors are assessed and activities like info days, workshops and seminars are organized together with representatives of demanding departments as well as participation of ASELSAN business sectors and relevant universities, institutions and organizations. In 2016, ASELSAN Academy organized three workshops, one symposium and one info day with the participation of the Vice Presidencies and the business sectors of ASELSAN, universities, research and public institutions. 47 universities, 5 public institutions and ASELSAN employees as around 344 people participated to these workshops where 82 presentations were featured. Workshop reports were published. With these workshops, both our employees and the participants from universities were informed from each other's studies and understand cooperation opportunities that result in supportive consequences for university - industry collaboration. TÜBİTAK Research Support Programs Info Day event was held for ASELSAN researchers and project managers in which TÜBİTAK Experts explained TÜBİTAK's R&D support programs. 53 ASELSAN employees on point participated to this Info Day.

Qualified and sustainable intellectual capital is the fundamental for performance of value-adding design and development activities in ASELSAN. The investment on employees' learning and development for enhancing the intellectual capital of our company, also contributes to innovation, productivity and employee satisfaction in ASELSAN; and creates a loyal and highly motivated employee profile who adapts to the corporate culture. ASELSAN Academy aims for both corporate development and personal development by means of life-long learning. ASELSAN Academy constructs a continuously improved learning and development system by measuring and reporting of the impact of learning and development activities on business results. With 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 has started to use other training methods than classical in-class training including coaching, mentoring, rotation, and using educational technologies such as e-learning.

ASELSAN Academy publishes plans of the in-class trainings every year and revises them every two months, periodically. ASELSAN has its own classrooms in ASELSAN's main campus to provide various training to our employees. Trainings which are conducted by ASELSAN internal trainers, classroom trainings which are 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 are the main training activities offered to employees.

In addition to classroom and outsourced trainings, ASELSAN Academy started to use e-learning in 2016. ASELSAN Academy designed e-learning courses for corporate policies, which are the indicators of sustainability to ensure employee development in order to spread the understanding of institutionalization more effectively to all employees, including Bribery and Corruption, Ethical Principle, Values and Conduct Rules. E-learning is used also for vocational education that is delivered by internal trainers of ASELSAN Academy.

For the year 2016, the average training hour per employee is 15 hours and in total our employees have received 76.096 hours of training. Apart from that Occupational Health and Safety trainings which are legal obligation are 39.978 hours. All the realized training mentioned above is recorded in our Enterprise Resource Planning (ERP) System.

In January 2016, ASELSAN procedures to apply target-based performance evaluation method in ASELSAN were published. Accordingly, an ASELSAN-specific training program on “Defining Targets and Performance Evaluation” for managers was constructed and coordinated by ASELSAN Academy on February-March 2016. The objective was to inform managers about setting targets that can be measured objectively and that are aligned with corporate strategy and department goals. In this respect, 357 managers attended the 3-hours training given in 14 groups.

ASELSAN Academy has defined the necessary processes to conduct activities conforming to certain standards, measures and continuously optimizes its activities through its mission and vision. ASELSAN Academy works on increasing the processes’ capability and maturity.

It is essential to effectively use IT infrastructure in order to measure impact of learning and development activities on business results and employees’ competency and improve them according to measurement results. It is also essential for effective planning and reporting. ASELSAN Academy works for development of software and IT infrastructure that is capable of handling every part of learning processes including competency gap analysis, data collection, course content management, documentation, monitoring and reporting. In addition, ASELSAN Academy improves the present infrastructure and resources on the basis of effective management of learning and development activities.

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 16.150 published books, 803 CD/DVD collection, 63 periodical journal subscriptions, 166.000 electronic books, 5.300 electronic journals, 320.000 electronic reports & documents and 180.000 electronic standards. Our employees can access training materials by using library database.

UNIVERSITY- INDUSTRY COLLABORATION

Ph.D. and Research Scholarships

The aim of the ASELSAN scholarship programs is to deepen our knowledge about new technology and improve our human resources in long term by supporting the students and our employees who are interested in the fields that are strategic for ASELSAN. Within these programs, ASELSAN employees are supported for M.Sc., Ph.D., and postdoctoral research programs abroad. In addition, there is a scholarship program supporting Turkish academicians for Ph.D. and postdoctoral research programs both in Turkey and abroad, and for research at ASELSAN.

The ASELSAN Ph.D. scholarship program for Turkish University students started in 2008 and other scholarship programs were started in 2015. 20 students have benefited from the Ph.D. and research programs since 2008. 10 of these students since 2008 have graduated from their respective Ph.D. and research program. In 2016, 6 more Ph.D. students were granted the ASELSAN Ph.D. scholarship program. Currently 10 Ph.D. students continue to their program with the ASELSAN scholarship. The Ph.D. scholarship is given for 4 years, the integrated Ph.D. scholarship for 5 years, and research scholarship for 1 year, maximum.

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

ASELSAN supports employees for their M.Sc., Ph.D. or Post-doctoral research studies while working at ASELSAN. Within this scope, approximately 850 ASELSAN employees continue their graduate studies in universities currently.

Internship

Internship is an important process in ASELSAN and every year 850-950 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.

Moreover, occupational education opportunity is provided to high school students between September and June. Every year 290-300 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:

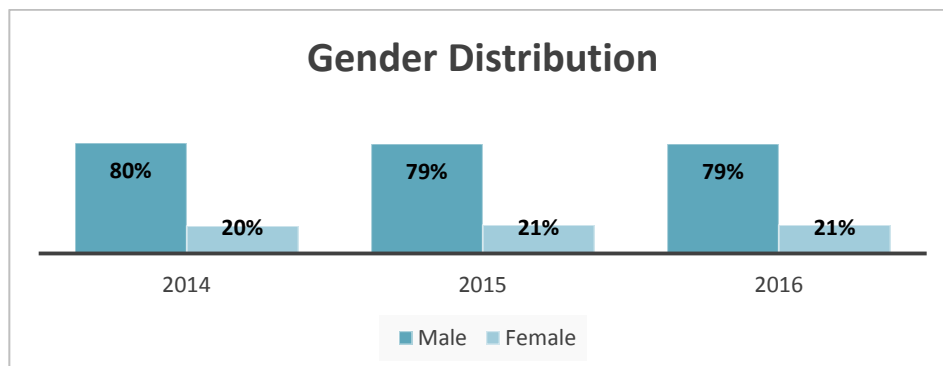
- ✓ **Private Health Insurance** for every employee (and their spouses and children if they choose to add them to their insurance policy with a discount) with different plan alternatives and wide-coverage.
- ✓ **Lunch**, prepared and served at our campuses (free of charge). Employees in remote offices 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.

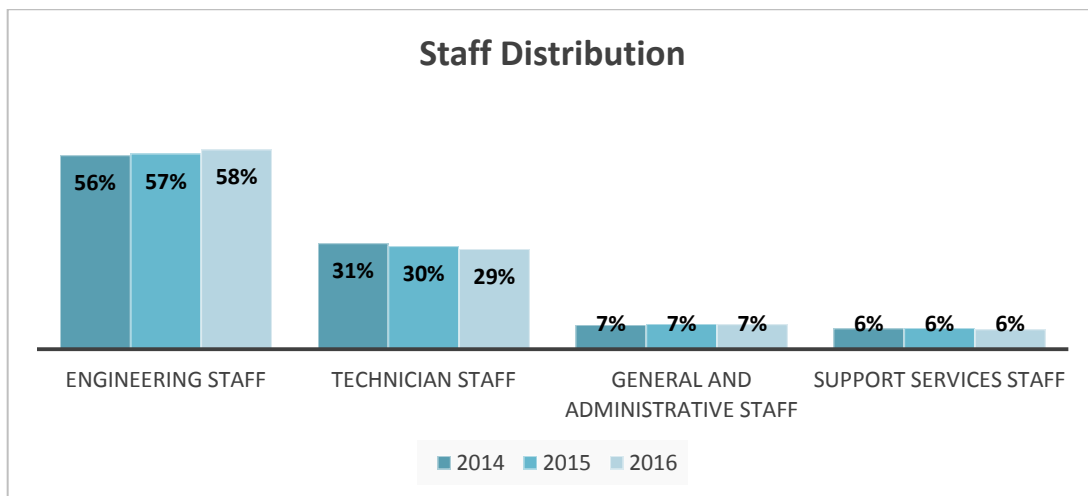
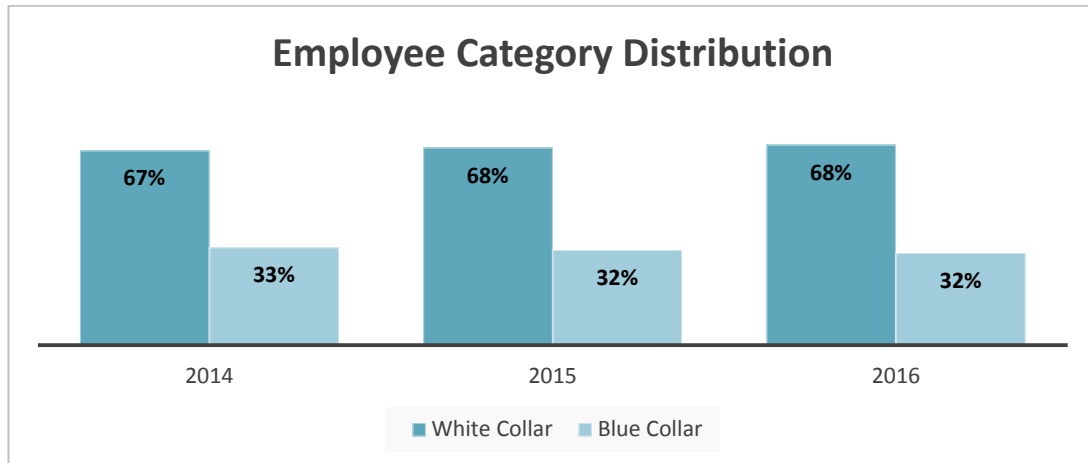
7. EMPLOYEE PROFILE

ASELSAN's manpower has grown 14% in 2016. Throughout the last three years, excluding employees transferred due to the MİKES merger in 2015, an average of 376 new employees per year became members of ASELSAN.

Ratio of female and male employees increased 1% per years after 2015.

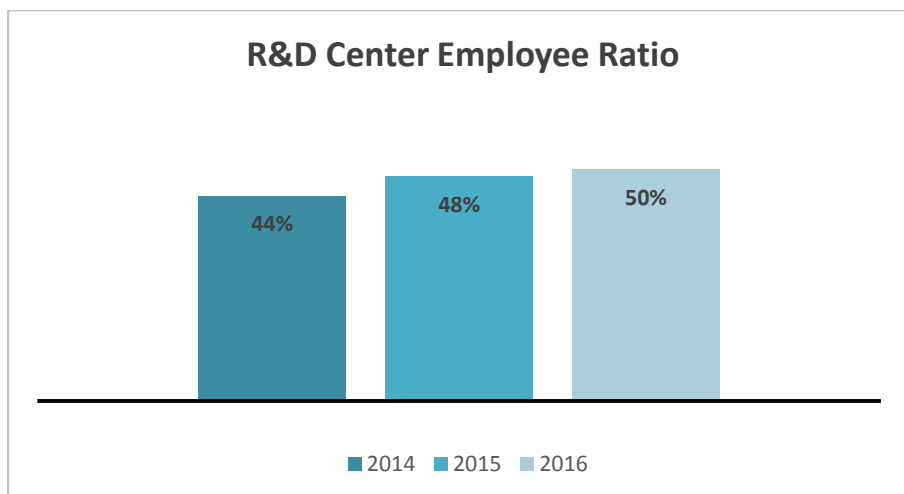


The ratio of white collar employees, which is composed of Engineering and some General and Administrative staff, is 68%; while blue collar employees' ratio, which are Technicians and other General and Administrative staff, is 32%. In last three years, ratio of white collar employees has increased 1%.



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 half of our total employee number and the ratio shows an increasing trend in years.

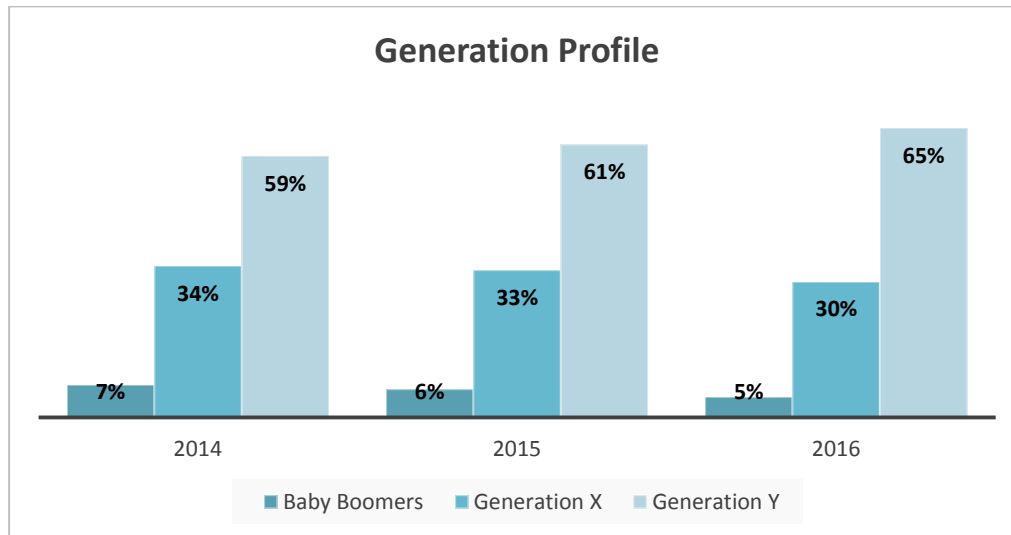


The average age of our employees is 34 as of 2016 year-end.

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 69% of the workforce in 2016.

Employees by Education Category	2014	2015	2016
Industrial High School	16%	15%	15%
Two-year degree	12%	12%	12%
Undergraduate	31%	32%	33%
Master's Degree	33%	33%	33%
Post-graduate	3%	3%	3%
Other	5%	5%	4%

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.



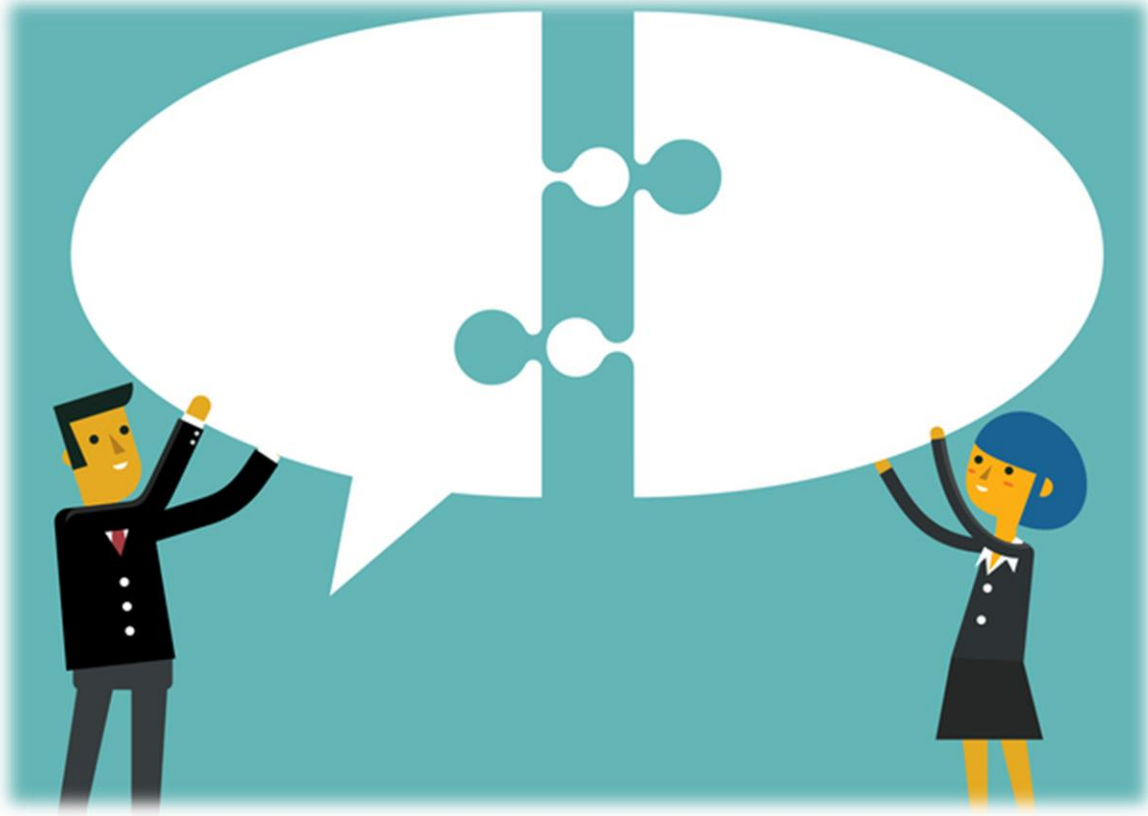
The average voluntary exit rate in the previous three years is 2%.

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:

- ✓ ASELSAN 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.

- ✓ 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, Anıtkabir, the mausoleum of Atatürk – founder of Turkish Republic – is visited 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.
- ✓ 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



✓ 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 4:35 pm and so rush hour traffic stress does not affect our lives. After 4:35 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.



INTEGRATED MANAGEMENT SYSTEM



INTEGRATED MANAGEMENT SYSTEM

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 at each facility.



Compliance with standards and statutory legislation is strictly ensured in any work carried out within the facility.

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).

Moreover, in all facilities an annual Management Review Meetings (MRM) are 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.

1. 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 is defined as follows:

We commit ourselves;

- To obtain a performance beyond standards for continuous improvement by complying with the requirements of legal and other conditions,
- To identify, reduce and prevent hazards which can cause occupational diseases and occupational accidents,
- To raise consciousness among employees on Occupational Health and Safety and to ensure that it is internalized as a common responsibility, by implementing continuous training programs and other activities,
- To rise Occupational Health and Safety to top level by creating a healthy workplace environment,
- To ensure a strong and continuously improving Occupational Health and Safety culture, in which all personnel, trainees, visitors and suppliers contribute,
- To accomplish sustainable Occupational Health and Safety Management System performance by conducting Management Review Meetings (MRM) where objectives, targets and management plans are set.



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 each month. In 2016, occupational health and safety & environment education was given to 9.795 personnel in different subjects(ergonomics, working at height, physical and chemical risk factors, legal regulations education etc.) 54.738 hours in sum. In addition, 1.150 intern were given basic education on occupational health and safety, 84 personnel were given first-aid education, and suppliers and subcontractors were given the necessary occupational health and safety educations.

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 Incidence Rates. 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. In addition, fire risk assessment was 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.

Suppliers, subcontractors and visitors, who come to ASELSAN, are informed about Occupational Health, Safety and Environment rules of ASELSAN by the video broadcasted at the entrance 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.

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 Environment Management System Policy that is determined by top management. This policy is shared with internal and external stakeholders via internet.



Our policy of Environmental Management System is defined as follows:

- To accord legal and other conditions on specifying and managing environmental risks by considering the environmental dimensions and impacts of the processes, activities and services,
- To comply with company's objectives and context,
- To minimize the impact on global climate change by monitoring and reporting of greenhouse gas emissions in a transparent approach,
- To use natural resources in the most effective way and minimize the wastes,
- To monitor national and international sustainability programs on environment and to create sustainable added value at the top level,
- To ensure a strong and continuously improving environmental awareness, where all personnel, trainees, visitors and suppliers contribute,
- To consider the environment as a heritage for future generations,
- To improve environment performance by contribution of personnel and by aiming to protect natural environment and prevent pollution.

An Environmental Safety Board (ESB) currently maintains efforts for the purpose of determining measures to be taken in connection with environmental safety at ASELSAN 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.

At ASELSAN, the employees receive environmental trainings annually. In 2016, a total of 675 man*hours of training regarding the environment protection, was given to the employees. 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 2016.

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.

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

Waste Management

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 water 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.

Waste management data for the years 2015 and 2016 are given for comparison at the table below:

	2015	2016
Non-hazardous Waste Amount (ton)	298	285
Re-cycled Non-hazardous Waste Amount (ton)	419	428
Quantity of Hazardous Waste Delivered to Licensed Firm (ton)	142	156
Chemical Amount from the Chemical Treatment Plant (kg)	4,0	4,5

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 "to minimize the impact on global climate change by monitoring and reporting of greenhouse gas emissions in a transparent approach" 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.



In 2016, Corporate Carbon Footprint Report is prepared and reported by Integrated Management System Directorate. In 2016, ASELSAN is awarded with final letter grade B.

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.

Emissions and Energy

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.

In 2016, various efforts have been made to reduce the emissions of our company's greenhouse gases:

- ✓ At Macunköy Campus, the cooling of the TR-4 UPS room cooling system was converted into an outside air source cooling system during the winter months, saving 5 kW of energy per hour. The system operates completely automatically and is activated when the outdoor temperature is at the desired level. The resulting savings amount was determined as 14,400 kWh and the savings achieved by this reduction is 7,36 t CO₂e.
- ✓ At Gölbaşı Campus, in the winter months when the need for cooling is relatively low, a lower-capacity, air-cooled chiller cooling group is being used to provide energy efficiency. The amount of reduction provided by this investment is about 750,000 kWh and the emission reduction amount is 383,32 t CO₂e.
- ✓ In March-April 2016, the Electronic Document Management System (eDMS) was introduced throughout ASELSAN. In this regard, in 2016, the documents were distributed electronically instead of 519.029 pages of paper (A4) consumption. With regard to the calculations made, it was determined that the total savings correspond to 125 tons of paper and represent a greenhouse gas emission reduction of 116,97 t CO₂e.

The amount of greenhouse gas reduction/savings realized during this period corresponds to 1% of the company's total greenhouse gas emissions.

Emission values produced by ASELSAN in 2015 and 2016 are given comparatively in the table below:

	2015	2016
Carbon Emission (t CO₂e)	46.676	50.650
Emission Value per 1000 TL Turnover (t CO₂e)	0,016	0,014
Heating (Natural Gas) (m3)	3.766.828	4.156.372
Heating (Natural Gas) Emission (t CO₂e)	7.957	8.451
Spare Power Generator (Diesel)	99.799	92.345
Generator (Diesel) Emission (t CO₂e)	269	250
Production-Office Activities Electricity (kWh)	55.307.168	50.197.162
Production-Office Activities Electricity Emission (t CO₂e)	29.714	28.543