

A hand is shown on the left side of the frame, holding a torn, irregular piece of white paper. The paper reveals a photograph of a large, mature tree with a thick, textured trunk and a dense canopy of green leaves. The background of the entire page is a light, textured grey. The company name 'aselsan' is printed in a bold, blue, sans-serif font in the upper right corner.

aselsan

SUSTAINABILITY REPORT 2017

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CEO'S MESSAGE

Esteemed Shareholders,

For 42 years, ASELSAN has been growing and progressing with utmost care to protect the interests of all stakeholders. We are committed to continuing this progress in the direction of our vision: *"Being a national technology company that maintains its sustainable growth by creating value in the global market; preferred due to its competitiveness, trusted as a strategic partner, and caring for the environment and people"*.

We believe that the stable, profitable and long-term growth of our company can be achieved through the awareness of our influence and responsibilities not only in the economic and institutional arena but also in the social and environmental fields, and we endeavor to carry out all our activities within this framework.

ASELSAN, which is the leader and the most experienced institution in the defense sector in our country, will continue to prove its power in the global arena as well as being focused on national technological solutions. As a necessity of that, we strive to create business models that will contribute to solving the problems that concern the systems in which we are located both at home and abroad. We are committed to ensuring the continuity of a peaceful work environment that has become a part of our corporate culture since the first years of our company's establishment. Creating a work environment that is pleasant, safe and healthy, remote from discrimination and focused on personal development for our employees, and to keep this environment in this way is one of our main priorities. We also encourage our business partners and suppliers to accommodate to us and adapt to innovative practices in key sustainability areas such as quality, human rights, corporate governance, safe working environment and environmental performance. By including our expectations on these fields in our written agreements with the institutions involved in our supply chain and through regular inspections, we ensure the continuity and sustainability of these applications.

With the introduction of the BIS Sustainability Index, from 2014 onwards we have begun to report on sustainability initiatives that we have already been pursuing for many years and aim to improve each year. We are proud of being the pioneer and the only defense industry company in sustainability reporting as we are in many other areas in our country.



Our Company that has been listed in the BİST-Sustainability Index since its inception has also been included in the Carbon Disclosure Project since 2012 and reports carbon footprint measurements. ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Integrated Management System applications are now routine for all our facilities. In this field also, we will continue to renew our processes to improve ourselves day by day in national and international applications.

We are aware of the support we receive from our stakeholders and our responsibilities towards society and environment on the way to becoming a world-renowned national technology giant from a small company with only a few employees and single product-focus when it was first established with the contributions of our people. We hope that you will be pleased to read this document, which is our fifth report covering the year 2017 studies carried out in the field of sustainability, and on behalf of ASELSAN, I would like to extend my sincere thanks to you, our valuable stakeholders, for your support and trust in us.

Best regards,
Prof.Dr. Haluk GÖRGÜN
Chairman, President and 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

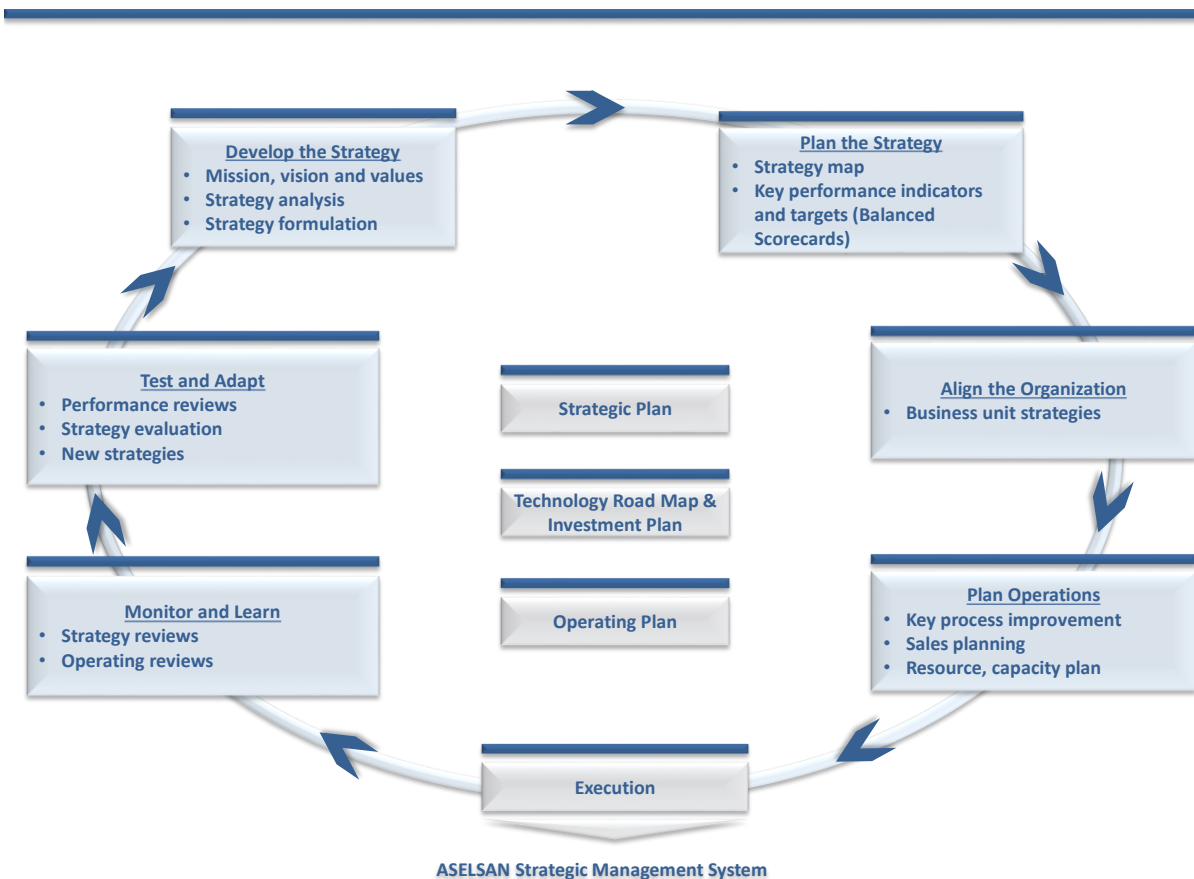


SUSTAINABILITY MANAGEMENT

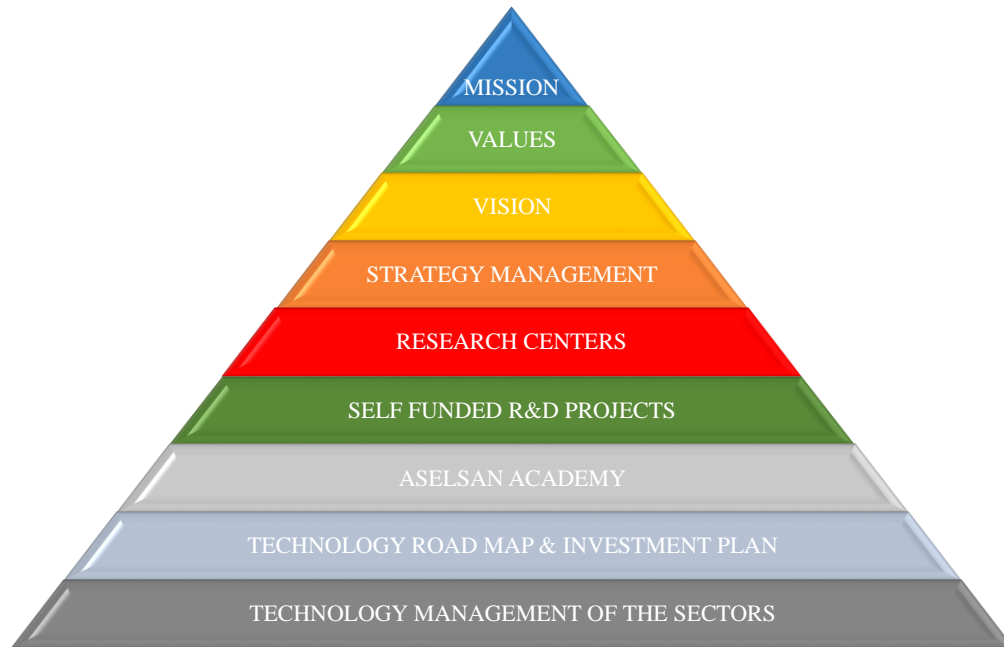
1. TECHNOLOGY AND STRATEGY MANAGEMENT

Strategic management process is a 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 reliable, competitively preferred, environment-friendly and human conscious technology firm which preserves its sustainable growth in the global market via the values created for stakeholders, as well as serving its establishment purposes. 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:



Upon creation of ASELSAN strategies and related technology goals, activities planned to achieve the technology goals are coordinated through Technology Road Map and Investment Plan. This document specifies the required investments, self-financed R&D projects and related academic program thesis for a 5-year term, and updated annually. Management of this process is shown in the below graph.



ASELSAN has started Academy program under the auspices of Council of Higher Education on August 1st, 2017 to increase the number of engineers who are qualified and highly experienced in their fields and to improve her knowledge base by enabling her staff to carry out master and PhD programs in accordance with her technological road map.

ASELSAN Academy has started master and PhD programs in Computer, Electronics, Mechanical, and Material Engineering together with Gazi University, Gebze Technical University, İstanbul Technical University, and Middle East Technical University.

ASELSAN Academy, as the first 4th Generation University in Turkey, enables her staff to carry out master and PhD thesis in accordance with their current projects and improves her competitive edge with innovative solutions by providing academicians to work on ASELSAN's state of the art technological infrastructures.

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 12.12.2017, ASELSAN's corporate governance rating grade was updated to 9,20 out of 10 points from 9,15 in 2016.

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 two 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

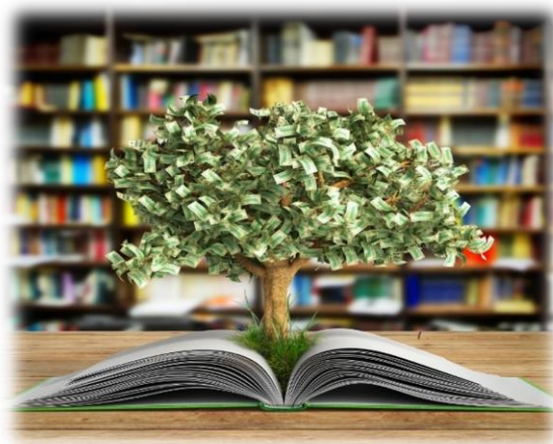
As the ASELSAN family and the geography the company operates in expand, the "Ethical Principles and Rules of Conduct" document is periodically reviewed and updated so that common values and ethical principles are integrated with practices and the work environment is encouraging for ethical behaviors 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. Two of these employees are chosen by our employees. 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.

The developments in the digital environment as part of industrial revolution brought about the sustainability risks in this area. In the management of such risks, the importance of information security applications is increasing. In the scope of internal audit activities in 2017, audits were carried out in the field of information security. In addition, Information Security Awareness E-Training has been carried out in order to increase personnel awareness in coordination of the relevant units.

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.

The ASELSAN Anti-Bribery and Anti-Corruption Policy is available in both Turkish and English on the ASELSAN website (www.aselsan.com.tr).



The Policy covers members of ASELSAN Board of Directors and ASELSAN employees, shareholders, subcontracting / supplying companies serving ASELSAN, companies providing ASELSAN consultancy and audit 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 Anti-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 regulations. ERM activities are pursued based on corporate risk management principles and approached from a holistic and proactive perspective. ASELSAN ERM is established and managed according to the globally accepted standards. Risks that can prevent ASELSAN to reach its medium and long-term targets are detected and assessed by "using top-down" and "bottom-up" approaches. Risks

that are defined in four main categories -strategic, exterior, financial and operational risks are managed in an integrated manner with the business processes, it takes preventive measures to decrease probability or impact of the risks identified and new values are created for stakeholders while the company's existing values are protected. ERM policy of ASELSAN 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. The committee provides advice and suggestions to the Board of Directors in relation to the early determination of risks, their evaluation, determination of their probable effects, and reporting, taking necessary precautions. There are also sub-committees and risk teams operating to identify and manage risks at different levels. 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.

Additionally, awareness raising activities regarding climate change are carried out at the level of Board of Directors.

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 aim to 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 other companies in its own industry with as its business partners and in 2017, 85% of them were Small and Mid-Sized Enterprises (SMEs). By the end of 2017, ASELSAN's overall purchase orders to SMEs and domestic subcontractors has reached 3,8 billion Turkish Liras and ASELSAN completed the payment 1,8 billion Turkish Liras to them for tasks carried out in 2017.

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 46 universities in 117 projects worth a total of 150,5 million USD.

Community

Our key responsibility for the community is to contribute to the community's social, environmental, economic and cultural development.

In 2017, ASELSAN sponsored to sports activities of Turkish Armed Forces Rehabilitation and Care Center Sports Club and the event of Gendarmerie General Command, called "the participation of maximum readers to an author's audition"

ASELSAN Magazine and Social Media

ASELSAN Magazine is used as an effective tool to share the activities of the company and the products and services it provides to the defense sector with internal and external stakeholders. The Aselsan magazine is published twice a year in print and online.

ASELSAN is actively using social media accounts to keep the public informed about developments in our company.

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. In order to transfer the sustainability principals to ASELSAN supply chain applications and to share good practices, by the approval of Board of Directors, ASELSAN has applied for membership to TEDAR (Supply Chain Management Society), a non-profit organization that has an important place in Turkey's business world.

Regardless from company size, supply chain risks that take place in every company's 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 2017, about 47,000 orders had been given to over 5,100 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 the 3,974 hours of training and education in 2017, our suppliers benefit from financial supports for 55 times. To support different production tasks, more than 310 pieces hardware have been transferred to our suppliers. By signing a cooperation protocol with KOSGEB (Small and Medium Enterprises Development Organization), ASELSAN is targeting to support suppliers for inventive and domestic product manufacturing. In addition, ASELSAN has been trying to increase local suppliers' share and local technology development by cooperating with clusters like; TÜDEP, BASDEC, OSSA, SAHA, TSSK, HUKD, ESAC.

For Strategic Cooperation Agreements, companies that operate on critical fields in terms of ASELSAN and have high performance in respect of providing value-added production /design and which have development strategies in line with ASELSAN's growth targets; are determined among the approved suppliers. These companies, which are preferred suppliers in their field of activity, can also benefit from ASELSAN supports with priority. The activities monitoring the performance of the current strategic partners and identifying potential new partners; carried out through a commission regularly every year. Currently, 23 suppliers are in strategic partnership with ASELSAN and purchase orders that have been placed to these companies for last 5 years is around 392 million USD.

Supplier selection and evaluation 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 of employees, active board of WH&S, recruit WH&S specialist and occupational medicinal service etc.)
- ✓ Documentation of work health and safety risks, related risk 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, prevention from non-covered employment, working hours,

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, request for quotation, purchasing, quality control, product delivery, supplier application, supplier data and supplier performance measurement operations are conducted. It is aimed that all our stakeholders use this portal as a fast, reliable, monitorable and measurable tool for wide scale of activities. At the period that portal is active, 1,299 supplier registration applications, 672 corrective/preventive actions, have been taken 145 persons from 12 suppliers have been trained. Registered company number at portal is 398 and 306 of them are SMEs. Again by portal, 4701 RFQs have been opened. By transferring purchasing procedures to portal, reliability of that critical process is now maximized.

Also, our stakeholders have ability to reach the ASELSAN supply chain 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, COBIT, ISO20000, 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 continuous 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 taught 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.

Additionally, the current system's productivity and maintainability have improved apparently to meet customers' demand with the most effective way by targeting to reach outstanding practical business solutions with the use of functionality of the IT demand management system which has been activated in 2017.



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. One of the outstanding projects which are carried out in this major is the

Data Center Project which targets to meet international Tier III standard in all data centers of ASELSAN for both Internet and Intranet by giving such concurrently maintainable service with the efficiency rate of 99,982% in terms of shutdowns. It is no doubt that one of the crucial outputs of the project is having such data centers which are measurable and managable. Since this project leads substantial energy conservation and a certain amount of decrease in carbon footprint rate, it is an integral part of the support in meeting Green IT requirements.

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 including new business processes, the amount of paper being used has been substantially reduced within the company. The documentation system for invoices is as an example of the current practice in this area. That system has been prepared for ASELSAN to monitor all paper-based invoices via the platform of work flow in which all paper-based invoices are documented electronically. In this way, needless documentation may be reduced and so that system can be monitored in a controlled way with gathering substantial time and energy efficiency based on the planned process.

With the use of Electronic Document Management System (EBYS), document management processes have been standardized, measured and improved accordingly. The ease of searching in the electronic system and the accurate archiving of documents provide users to access documents more easily and facilitate document communication for internal and external usage. As a result of all these outcomes, a significant amount of cost savings are achieved in terms of paper, printer, toner and postage usage.

3. FACILITY MANAGEMENT

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

Ensuring the efficient use of energy is another main objective of facility management. Accordingly, Energy Managers of each Facility Engineering Directorates are responsible for this purpose. Projects such as Solar Energy Systems, heat pump etc. are being developed and aimed to put in effect for the use of renewable energy sources.

ISO-50001 Energy Management System principles were transformed to corporate culture for the aim of consuming energy in an efficient way on a sustainable basis.

For the purpose of facility management and production processes; maintenance, revision and modifications of machines and devices which belongs to the infrastructure systems like HVAC, industrial gasses, process water and purification, vacuum and compressed air etc., are being performed. Through selecting air-mixed equipment to be used in the air conditioning systems, the amount of air required in work environments are adjusted in accordance with the relevant standards, while equipments are provided to be used in a more efficient way. All these systems are managed through Building Management System automation.

Clean rooms are operated through ISO 14644-1 and Server Rooms ISO 27001 standards and the needs of the infrastructure are being fulfilled.

Many practices such as LED-fitted fixtures, motion sensors, sensor-fitted faucets, using regional lightening techniques, central compensation in transformer stations, building isolation activities are being conducted for preventing from unnecessary use of energy.

The consumption data gathered from transformers, generators and uninterrupted power supplies are continuously monitored by the Integrated Database Control and Monitoring System.

Within the fire services; fire sensing and fire extinction systems with water and gas are operated through automation.

Within all activities, troubleshooting is done by using "Predictive Maintenance" techniques and sustainability of management is provided by early interventions. In this manner, measurement and analysis equipments as thermal cameras, heat, humidity, pH, conductivity equipments, etc. are used as active instruments.

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

As well as the fixture and renovation activities to supply the need of infrastructure/superstructure operations, the technological infrastructure engineering activities are performed for the purpose of constructing production facilities local and abroad.

The entire correspondence process is carried out through an Electronic Document Management System. Thus, "time", parameter, is used effectively, traceability of processes is ensured, 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 and Industry Security, healthcare services, cleaning and environmental planning, hygiene activities, kindergarten and sport activities, documentation and cargo activities, transportation and shuttle services, personnel food service from kitchen to table, complimentary food and drink services for the committees.

As for the Information Technologies; traceable, manageable, the efficiency of which are measurable, environment friendly infrastructures 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

Human resources at ASELSAN care about value creation and consciously employ their intellectual capacity which in turn allows ASELSAN to preserve its critical position in national defense industry and its ever rising competitive edge in international markets. From this strategic perspective, efforts for sustainable Human Resources Management accelerated in 2017.

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 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 Management Department is responsible for the recruitment and selection of new employees. The tools used during the selection process are chosen carefully and updated frequently 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 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 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.

ASELSAN makes career mentoring to students having high academic performance and 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

Learning and Organizational Development Directorate 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, Learning and Organizational Development Directorate has a vision 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 and performance level, enabling knowledge sharing to develop a corporate memory by supporting ASELSAN's goals and strategies are among the most prominent activities of Learning and Organizational Development Directorate.

Qualified and sustainable intellectual capital is the fundamental for 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. Learning and Organizational Development Directorate aims for both corporate development and personal development by means of life-long learning. Learning and Organizational Development Directorate constructs a continuously improved learning and development system by measuring and reporting of the impact of learning and development activities on business results. Competency models are being defined and a learning and development catalogue, which defines the educational activities needed to be taken by employees through their career paths, is designed.

Learning and Organizational Development Directorate 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, Learning and Organizational Development Directorate 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 Learning and Organizational Development Directorate'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. On behalf of developing ASELSAN Competency Model, most of the part of the study, which is coordinated by Learning and Organizational Development Directorate on defining technical competencies of all design engineers in ASELSAN, has been completed. As a first step, focus groups are formed from employees who know ASELSAN's organizational structure, job descriptions and are experienced in their fields. Data received at the end of this study, is aimed to be used for the continuous enhancement of human resources and learning and development activities performed in ASELSAN.

Learning and Organizational Development Directorate intends to contribute to the 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 2017, 11 academicians and 83 ASELSAN employees, total of 94 people participated in “Decision Support Systems in Defence Systems Management” workshop that is organized with Middle East Technical University Industrial Engineering Department. In this workshop, there are four presentations given by academicians from Industrial Engineering Department. 402 ASELSAN employees participated in “Industrial 4.0 Info Day” presented by Alper Gerçek from ASELSAN Technology Transfer Management. There are 21 employees participated in the seminar given by the ASELSAN’s PhD scholar Arda Çelebi, who studies PhD in Bogazici University Computer Engineering Department and shares his PhD study in this event. Likewise, Cevahir Çığla, who is an employee and also a scholar of post PhD studies of ASELSAN, presented his one year research in NASA JPL Laboratory to a total of 121 ASELSAN employees.

Learning and Organizational Development Directorate 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 delivered by ASELSAN internal trainers, in-class trainings organized by Learning and Organizational Development Directorate and trainings through consultant firms and instructors of universities and individual training with the participation of our employees in various companies and universities are the main learning and development activities offered to employees.

In addition to in-class trainings, under coordination of Learning and Organizational Development Directorate e-learning courses with variety of field are organized for ASELSAN employees. Learning and Organizational Development Directorate 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 Internal Control Awareness Training and Basic Environmental Awareness Training, in addition to Bribery and Corruption, Ethical Principle, Values and Conduct Rules e-learning training which are designed with related departments and opened for the use of ASELSAN employees.

For the year 2017, the average training hour per employee is 14 hours and in total our employees have received 75,748 hours of training. Apart from that Occupational Health and Safety trainings which are legal obligation are 39,649 hours. All the realized training mentioned above is recorded in our Enterprise Resource Planning (ERP) System.

In 2017, the studies have been initiated to diffract the strategic targets of ASELSAN into every unit and individual, and define measurable targets that are aligned to ASELSAN’s strategies for all organizational levels and employees. The key performance indicators were defined for the units that directly report to Vice Presidents of ASELSAN, by meetings conducted with those units’ managers during 2017. In 2018, the scorecards of all units in ASELSAN are going to be generated.

Learning and Organizational Development Directorate has defined and documented the necessary learning and development processes to conduct activities conforming to certain standards, measures and continuously optimizes its activities through its mission and vision. The existing process documents are reviewed and optimized continuously. Learning and Organizational Development Directorate 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, design and reporting. Learning and Organizational Development Directorate works for development of software and IT infrastructure that is integrated with competency based learning and development processes and capable of handling every part of learning processes including competency gap analysis, data collection, course content and learning process management, documentation, e-learning, monitoring and reporting. In order to improve software and IT infrastructure, functional analysis is carried out and system user requirements are identified. In addition, Learning and Organizational Development Directorate improves and optimizes 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 defence industry, engineering and information system books, journals and electronic online research database. There are 17,350 published books, 805 CD/DVD collection, 51 periodical journal subscriptions, 223,400 electronic books, 4,100 electronic journals, 940,000 electronic documents & conference proceedings and 160,000 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. Until now, 24 students have benefited from the Ph.D. and research programs. In 2017, 3 scholars and up to now 13 scholar students have graduated from their respective Ph.D. and research programs. In 2017, 5 more Ph.D. students have been granted the ASELSAN Ph.D. scholarship program. The Ph.D. scholarship is given for 4 years, the integrated Ph.D. scholarship for 5 years, and research scholarship for 1 year, maximum.

Internship

Internship is an important process in ASELSAN and every year approximately 900 students do their summer internship 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 more than 300 students do their occupational education in ASELSAN. This program is conducted in compliance with the related law.

5. ASELSAN ACADEMY GRADUATE EDUCATION PROGRAM

The ASELSAN Academy Graduate Education Program was implemented in order to increase the number of qualified and specialized personnel needed by the industry, which has been a long discussed issue and for one which a solution has long been sought in our country, and to find a solution through an innovative approach for the development of technology and knowledge through thesis studies in the field where an industrial organization operates.

ASELSAN has started Academy program under the auspices of Council of Higher Education on August 1st, 2017. On August 1, 2017, the ASELSAN Academy Graduate Education Program cooperation protocol was signed between the YÖK under the Presidency of the Higher Education Council and ASELSAN. The ASELSAN Academy bears the distinction of being the first model applied in this respect in the world and in Turkey.

Under the ASELSAN Academy Model, the coordination with the YÖK paved the way for several universities to come together and for them to be incorporated into the cooperation model under a single program, which was followed by the establishment of cooperation between universities.

Under this model, an industrial organization (ASELSAN) became the external campus of more than one university for the first time. Thus, ASELSAN employees were given the opportunity to continue postgraduate training in the fields where they work without leaving ASELSAN. The program is conducted according to the Graduate Education Regulations and rules (student admission requirements, compulsory courses, program constraints, etc.), which are determined by the Graduate School of Natural and Applied Sciences of the universities that are included in the program. The student will then be awarded a Master’s degree or doctoral degree from the relevant university.



The main objective of the program is to enable ASELSAN staff to take courses related to the projects on which they work at ASELSAN, and to conduct postgraduate thesis studies. With the appointment of personnel who possess an academic background in R&D projects, the development of innovative technologies in the field of the defense industry and develop critical technologies indigenously will gain momentum. Personnel will be able to study for master's degrees or complete a doctoral thesis, or perform research in the field of the defense industry, in accordance with ASELSAN's mission and vision.

Another aim of the program is to enhance the collaboration between academia and industry and provide an environment where universities can carry out projects together with industry. Our first priority is to have measurable contributions from the Academy thesis to the ASELSAN's projects.

Implemented with the mission of increasing ASELSAN personnel's knowledge of the Company's field of activity, contributing to the applied academic development of the other stakeholders (universities, R&D centers, institutions, subcontractors, etc.) that operate in our country, the ASELSAN Academy has become a new and innovative model of tremendous importance for Turkey which commands very high expectations.

In order to increase the number of engineers who are qualified and highly experienced in their fields and to improve her knowledge base by enabling her staff to carry out master and PhD programs in accordance with her technological road map. ASELSAN Academy has started master and PhD programs in Computer, Electronics, Mechanical, and Material Engineering together with Gazi University, Gebze Technical University, İstanbul Technical University, and Middle East Technical University.

ASELSAN Academy, as the first 4th Generation University in Turkey, enables her staff to carry out master and PhD thesis in accordance with their current projects and improves her competitive edge with innovative solutions by providing academicians to work on ASELSAN's state of the art technological infrastructures.

In order to provide sustainability it is aimed to continue Academy program in a dedicated building.



6. 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 job rotations, enable employees to develop their competency levels.

Every employee can reach career maps, vacant 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, work for at least 3 years, 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.

7. 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:

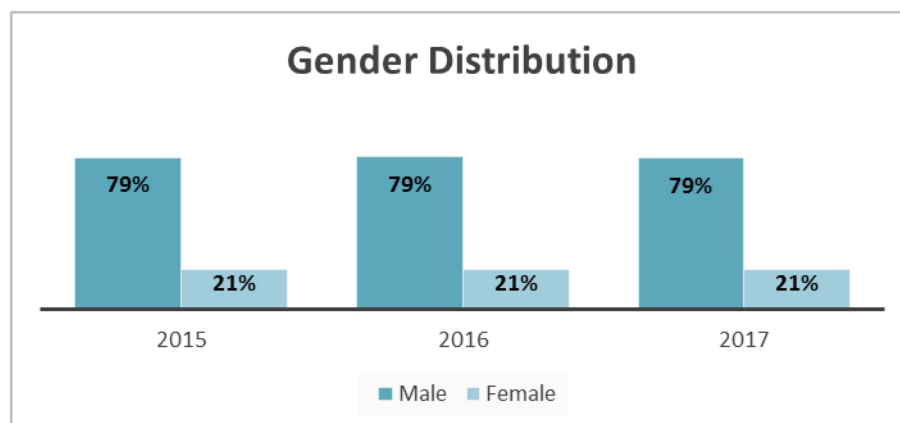
- ✓ **Private Health Insurance** for every employee (and their spouses and children if they choose to add them to their insurance policy with a discount) with different plan alternatives and wide-coverage.
- ✓ **Lunch**, prepared and served at our campuses (free of charge). Employees in remote offices 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. Likewise, free transportation is also provided for employees who work overtime. 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.
- ✓ **Annual Leave:** Experienced employees are entitled for additional annual leave based on their tenure in former employers.
- ✓ **Holiday Organizations:** Discounted prices are obtained for ASELSAN employees' holiday organizations according to the agreements signed by tourism companies/agencies.

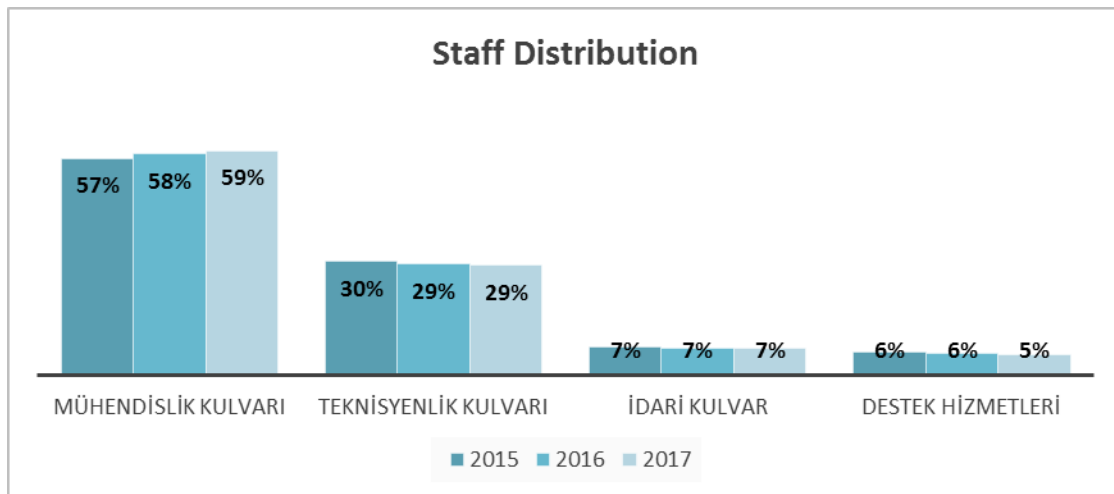
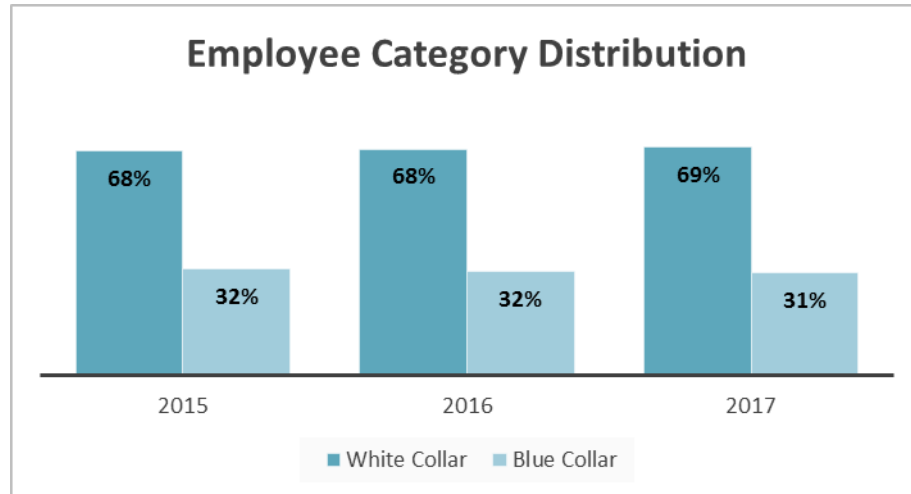
8. EMPLOYEE PROFILE

ASELSAN's manpower has grown 10% in 2017. Throughout the last three years, an average of 645 new employees per year became members of ASELSAN.

In this period, ratio of female and male employees remained same.

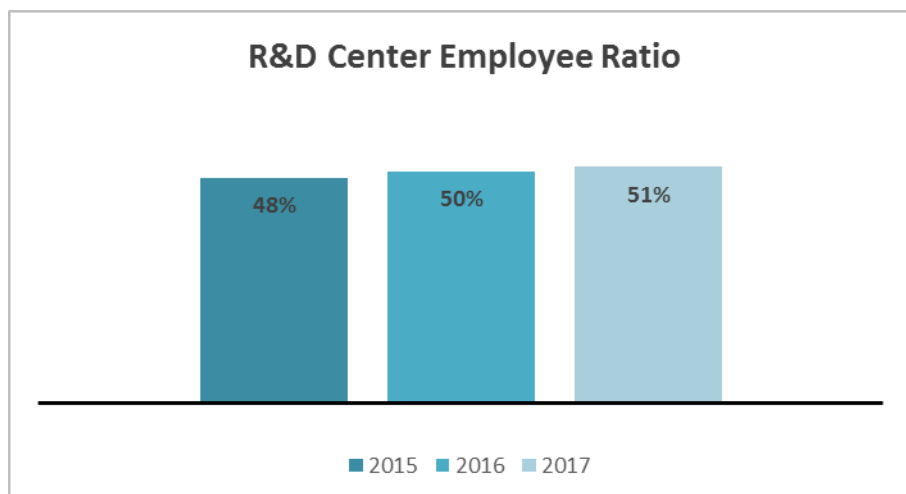


The ratio of white collar employees, which is composed of Engineering and some General and Administrative staff, is 69%; while blue collar employees' ratio, which are Technicians and other General and Administrative staff, is 31%. In last three years, ratio of white collar employees has increased 1%.



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.

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.

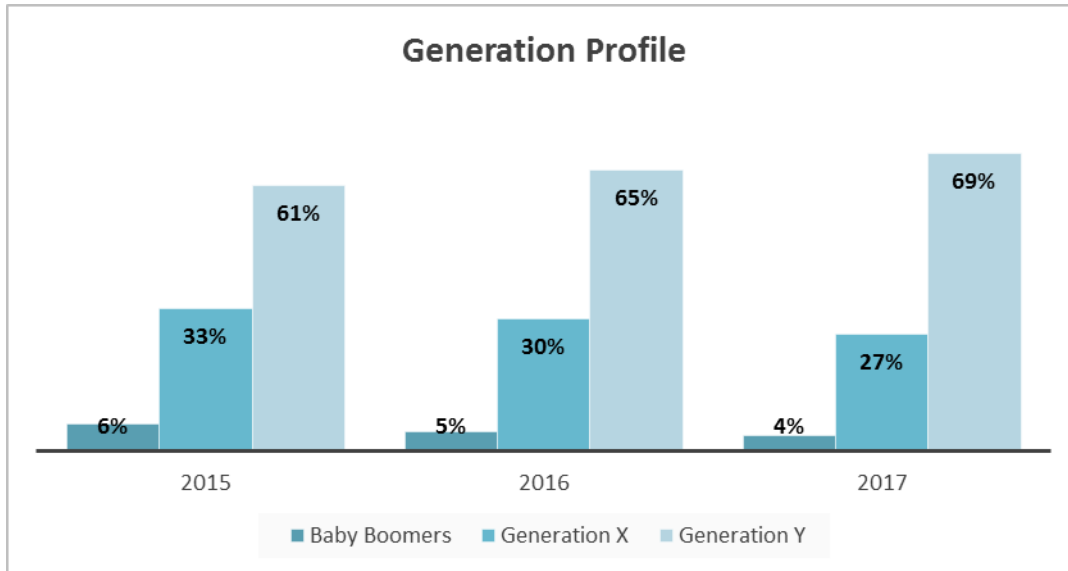


The average age of our employees is 34 as of 2017 year-end.

The team members of ASELSAN have a strong educational background; the ratio of undergraduates and post-graduates is 69% of the workforce in 2017.

Employees by Education Category	2015	2016	2017
Industrial High School	15%	15%	13%
Two-year degree	12%	12%	14%
Undergraduate	32%	33%	35%
Master's Degree	33%	33%	31%
Post-graduate	3%	3%	3%
Other	5%	4%	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 2,3%.

9. 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.
- ✓ 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. General Manager, on regular basis, meets and have lunch together with "Employees Representative Committee" members where he has the chance to share some information with them while obtaining their views and requests. "Employees Representative Committee" members participate "Board of Directors Meeting" once a year.
- ✓ 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 ASELSAN Turkish Folk Dances Club members perform traditional dance shows.
- ✓ 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.
- ✓ 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.

10. SOCIAL PERFORMANCE



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- ✓ 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.

11. WORK-LIFE BALANCE

Finding a suitable balance between work and daily living is a challenge that all employees face. In case lack of this balance, not only the employee but also 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.



12. 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



INTEGRATED MANAGEMENT SYSTEM

ASELSAN, holds the two most important internationally recognized standards in the Integrated Management System; OHSAS 18001 Occupational Health and Safety Management System and ISO 14001 Environmental Management System Certificates. Both management systems' requirements are implemented integrally at each facility under Integrated Management System. In 2017 studies were conducted for making the transition from ISO 14001:2007 to ISO 14001:2015. As a result, an international certification authority audited Macunköy, Gölbaşı and Akyurt facilities, and as a result of the audit, the systems united under one certificate.

Compliance with ASELSAN Integrated Management System Policy, which is approved by the General Manager, is ensured in any work related with Occupational Health and Safety and Environment issues.

Integrated Management System Policy is shared with all employees by using internal communication medium such as boards, occupational health and safety television, occupational health and safety web pages, common sites at intranet, occupational health and safety educations. In addition to this, the policy is shared with other stakeholders by internet page.

Under Integrated Management System, control of the system is ensured by internal inspections conducted by Management Representatives authorized by the General Manager. These inspections determine the tests, periodical inspections etc. compliance with the pre-determined criteria (legislation, standards, corporate policies and targets).

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.

In addition to audits carried out by independent organizations, management systems' efficiency and sustainability are ensured by periodic internal inspections.

1. OCCUPATIONAL HEALTH AND SAFETY

Beyond legal obligations, at ASELSAN occupational health and safety activities are designed to create a strong occupational health and safety culture. 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;

- to exhibit successful performance beyond the standards for continuous improvement through fulfilling legal and other conditions with regards to occupational health and safety,
- to identify, reduce and eliminate hazards that may lead occupational accidents and occupational diseases,
- employees to have a good occupational health and safety awareness and it is to be adopted as joint responsibility by all personnel through training and other activities,
- to bring occupational health and safety to the highest level through generating a healthy work environment,
- to generate a strong health and safety culture to which trainees, visitors and personnel of sub-contractors along with all employees contribute to its implementation and development,
- to ensure continuity of the occupational health and safety management system performance through management review works in which targets regarding occupational health and safety 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.

All the studies that are done for increasing the level of consciousness on Occupational Health and Safety, decisions taken and operational responsibility on Occupational Health and Safety

management are represented at top level management. Coordination of occupational health and safety practices at ASELSAN is ensured by the Occupational Health and Safety Board (OHSB). Occupational Health and Safety Board reviews the Occupational Health and Safety studies and make decisions in meetings held in regular intervals. In 2017, 36 Occupational Health and Safety Board meetings were held.

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 2017, occupational health and safety education was given to 8,313 personnel in different subjects (ergonomics, working at height, physical and chemical risk factors, legal regulations education etc.), 1,183 intern were given basic occupational health and safety education and 273 personnel were given first aid education, 51.816 hours in sum.

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.

ASELSAN aims to comply with hygiene conditions, to ensure the development of the conditions and to create a a culture where hygiene conditions are adopted as joint responsibility by all personnel. In order to support the hygiene acitivities, whose sustainability can be ensured by joint responsibility, Hygiene Boards are formed in each facility under the leadership of Health Center. The boards' aim is to suggest corrective and preventive actions on hygiene by internal and supplier inspections.

Obeying occupational health and safety instructions, reporting the work accidents, risk situations and near misses are all employees' responsibility. The most important tools used to reach the targets are field audits, reported near misses, Occupational Health and Safety helpdesk and the programmes which are planned for supporting the internalization of occupational health and safety by all employees.

In order to increase the communication related with occupational health and safety, in 2017 ASELSAN has started using Occupational Health and Safety televisions. These televisions have been placed at the places with the highest level of employee circulation. News related with occupational health and safety, important announcements and important points are shared with employees and other shareholders. In addition to this, in 2017 intrAnet page of Integrated Management System renewed to create a better communication medium.

Employees' awareness on occupational health and safety are supported by special projects, practices and continuous education programme. ASELSAN aims to create a sustainable Occupational Health and Safety culture.

For this purpose, Integrated Management System Department prepared an activity plan. With the support of the top management, an activity is performed each month. A "Motto Competition" was organized in order to attract employee interest in and raise their awareness over the issue of Occupational Health and Safety. Various rewards were awarded to the first three. Moreover, the winner motto is demonstrated in various areas of the facility. Internal communication medium is used effectively to increase Occupational Health and Safety awareness.

A competition called "It Is In Your Hand To Control The Risk" was arranged in 2017 to increase the awareness. Various rewards were awarded to the first three.

An activity related with photography had been conducted to emphasize the importance of personal protective equipment and to increase occupational health and safety consciousness. Furthermore, to integrate occupational health and safety with daily work life, glasses with related themes have been started to be used in all of our facilities.

Seminars with notable people are organised to support employees' moral, motivation and wellbeing. 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 and with brochures. At the entrance, ASELSAN authorities control their documents and give approval for the entrance if the documents comply with the pre-defined requirements.

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

As requisite of management systems, in addition to ASELSAN, it is important for suppliers and subcontractors to carry on studies in full compliance with legal and other conditions. With the support and demand of top management, Integrated Management System Department's employees visit main suppliers. The identified finding are shared with the company and ASELSAN's management.

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



By considering environment as a deposit of which to be handed down the next generations and with the belief of being responsible from protecting the environment, ASELSAN carries out its activities within the frame of the Environment Management System Policy that is determined by top management. This policy, which forms the basis of ASELSAN's environment management understanding is shared with internal and external stakeholders via internal communication medium and internet.

Our policy of Environmental Management System is defined as follows:

We commit;

- to follow legal and other conditions in identifying environmental risks through considering environmental aspects and effects of our activities, services and products,
- to comply with the aspects that are included in the scope of the purpose and context of the organization,
- to monitor and transparently report the greenhouse gas emissions in order to reduce the effects of the global climate change,
- to ensure effective use of natural resources and reduction of the wastes,
- to attentively follow the environmental sustainability programs that have been developed in the national and international area and generate sustainability added value at the highest level,

- to generate a strong environmental awareness to which trainees, visitors and personnel of sub-contractors along with all employees contribute to its implementation and development,
- to consider environment as a deposit of which to be handed down the next generations,
- to improve and develop environmental performance continuously with the contribution of all employees at every level through focusing protection of our natural environment and prevention of pollution.

In addition to minimizing greenhouse gas emissions, ASELSAN aims to minimize the negative effect of natural resource usage and waste management on environment.

In compliance with the management system standards, ASELSAN projects to minimize the wastes, which are a result of the production processes, before disposal and to reach a high level of recycling by separating at its source.

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. Environmental Safety Board meetings are held at least once a year. In addition to this, internal inspections are conducted each year. Handbooks related with the environment are in use to guide personnel with the environment practices at the facilities. At ASELSAN, the employees receive environmental trainings annually. In 2017, training regarding environment protection, was given to 2.514 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 readiness of the employees for all kinds of environmental accidents. As a result of these efforts; no environmental accident happened in 2017.

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.

Dangerous Goods Safety Consultancy is received to secure full compliance with Carriage of Dangerous Goods (ADR) and regulations related with carriage of dangerous goods. Additionally, in order to increase the efficiency in 2017, studies on integrating the system with Dangerous Goods Safety Program has been started.

In addition, it is ensured by the Environmental Officer that Reports 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 in connection with the previous year's efforts is prepared and submitted to top management.

Moreover, by considering environment as a deposit of which to be handed down the next generations, in Arbor Day 2017, a drawing competition between secondary school students was organized and awards were given to the winners.

Waste Management

In order to hand down a clean and healthy environment to next generations, ASELSAN follows environment performance regularly by defining the aims and targets related with controlling the its environmental effects and resource usage.

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.

3. CLIMATE CHANGE AND CARBON MANAGEMENT

ASELSAN, has been reporting the practices of Carbon Disclosure Project (CDP)’s Climate Change Program since 2009 in a transparent way.



ASELSAN gives high importance to CDP, which takes climate change, environmental risk management and carbon emission reduction efforts into account while evaluating companies.

ASELSAN calculates and manages greenhouse gas inventory in compliance with ISO 14064 International Standard for Greenhouse Gases. Certification related with this issue is renewed on an annual basis.

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, 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 2022 is set as target.

In 2017, Corporate Carbon Footprint Report is prepared and reported by Integrated Management System Department. ASELSAN was ranked at B category.

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 are analyzed, with measures being taken for increases.

In 2017, various efforts have been made to reduce the emissions of our company's greenhouse gases:

- ✓ Heat exchanger recycling system was set up to benefit from the heat of the vapor that is thrown to the atmosphere by degasifier.
- ✓ VRF cooling systems flex channels are changed with the isolated channels.
- ✓ Soft water has been started to be used in cooling towers by the usage of central softing system and soft water storehouse of 500 tons. By this way, the efficiency of the towers increased and water and chemical usage decreased.
- ✓ 2,000 fluorescent bulb with 18 W changed with led tube bulbs with 8 W.

Emission values produced by ASELSAN in 2015 and 2016 are given comparatively in the table below. Emission values in 2017 are studied and will be reported in 2018.

	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