

aselsan

**ASELSAN ELEKTRONİK
SANAYİ VE TİCARET ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

**REPORT OF THE BOARD OF DIRECTORS
FOR THE PERIOD BETWEEN
1 JANUARY – 31 DECEMBER 2021**



Bağımsız
Denetim ve
Yeminli Mali
Müşavirlik A.Ş.



(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

To the Board of Directors

Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi

Opinion

We have audited the annual report of Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1 January 2021 – 31 December 2021.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated March 1, 2022 on the full set consolidated financial statements of the Group for the period of 1 January – 31 December 2021.

The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,



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The Responsibility of the Board of Directors on the Annual Report (continued)

- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion. The independent audit we have performed is conducted in accordance with the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Mehmet Nadi Abbasoğlu.

Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
(Associate Member of Praxity AISBL)


Mehmet Nadi Abbasoğlu
Partner
İstanbul, 1 March 2022



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1. Principles of Preparation

The interim report of the Board of Directors is prepared on the basis of Communiqué Series II, No: 14.1 “Principles of Financial Reporting in Capital Markets” dated 13 June 2013.

The report comprises the events took place during the period 1 January – 31 December 2021. The title of the main shareholder in the report is ASELSAN Elektronik Sanayi ve Ticaret A.Ş and will be referred as “the Company” in the accompanying notes.

The Company’s consolidated subsidiaries are ASELSAN Baku (“ASELSAN Baku”), Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Co. (“Mikro AR-GE”), ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Co. (“ASELSANNET”), ASELSAN Malaysia Sdn. Bhd. (“ASELSAN Malaysia”), Aselsan Konya Silah Sistemleri Anonim Şirketi (“ASELSAN Konya”), BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım A.Ş. (“BİTES”), Aselsan Global Dış Ticaret ve Pazarlama A.Ş. (“ASELSAN GLOBAL”), ASELSAN UKRAINE LLC. (“ASELSAN Ukrayna”) and ULAK Haberleşme A.Ş. (“ULAK”).

Four branch offices; Aselsan Elektronik Sanayi ve Ticaret Anonim Şirketi EP Co. (“ASELSAN South Africa”), ASELSAN Makedonya Corridor-10 Highway Toll Collection System Project (“ASELSAN Macedonia”) and ASELSAN Kıbrıs İleri Teknolojiler Araştırma Merkezi (“ASELSAN Kıbrıs”) and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. QSTP-B (“ASELSAN Katar”) located in South Africa, Macedonia, Turkish Republic of Northern Cyprus (“KKTC”) and Qatar, respectively. The branches are also included in the consolidated financial statements.

2. Company Information and Organizational Structure

The Company is a leading defense industry company developing advanced technology system solutions within land, air, naval and space platforms.

The Company, being an establishment of Turkish Armed Forces Foundation (“TSKGV”), stands in a position of a technology center within the fields of design, development, manufacturing, system integration, modernization and after sales services of military and civil communication systems, avionics systems, electronic warfare and intelligence systems, radar systems, command and control systems, naval warfare systems, security systems, transportation systems, energy systems, traffic and automation systems, medical systems, electro-optic systems and products.

The Company has been organized under five divisions with regard to production and engineering requirements of projects. These divisions comprise Communication and Information Technologies Vice Presidency (“HBT”), Microelectronics, Guidance & Electro-Optics Vice Presidency (“MGEO”), Defence Systems Technologies Vice Presidency (“SST”), Radar and Electronic Warfare Systems Vice Presidency (“REHİS”), and Transportation, Security, Energy, Automation and Medical Systems Vice Presidency (“UGES”).

In addition to the Vice Presidencies above, the Company organization also includes six Vice Presidencies to fulfil the planning, monitoring and analyzing functions: Financial Management Vice Presidency, Corporate Management Vice Presidency, Technology and Strategy Management Vice Presidency, Business Development and Marketing Vice Presidency, R&D Management Vice Presidency and Supply Chain Management Vice Presidency. In addition to these, there are also Legal Affairs and Office of the Private Secretary.

The Internal Audit Department and Board of Directors Planning and Coordination Department have been established under the Board of Directors.

The Company maintains production and engineering operations in Ankara, Macunköy, Akyurt and Gölbaşı campuses and engineering operations in METU Teknokent, Hacettepe Teknokent, Teknopark Ankara and Teknopark İstanbul. Headquarters is located in Ankara Macunköy.

Rankings of Company's international, nation-wide and sectoral rankings are summarized in the table below:

Institution	Research / Study	Related Period	Ranking		
			Current	Prior	
• International Rankings					
Defense News Magazine	Defense News Top 100	2021	48	48	
European Commission	Industrial R&D Investment Scoreboard Top 2500	2021	855	627	
• National Rankings					
Istanbul Chamber of Industry	ICI 500 Top Industrial Enterprises	2021	11	11	
	ICI 500 - Private Enterprises	2021	11	11	
Fortune Magazine	Top 500 Companies	2021	25	25	
BIST (Borsa Istanbul)	Sustainability Index	2021	No Ranking		
	Corporate Management Index	2021	No Ranking		
	BIST Top 30 Index	2021	No Ranking		
	BIST Top 30 Market Value Ranking	2021	7	6	
TEA (Turkish Exporters Assembly)	Top 1000 Exporters	2021	159	81	
Turkish Time Journal	Research and Development Expenditures Turkey Top 100	2021	1	2	
Deloitte	Technology Fast 50 / Big Star Category	2021	No Ranking		
Brand Finance	Most Valuable Brands Top 100	2021	19	30	
Bloomberg Businessweek	Top 50 Firms (Between Universities)	2021	3	5	
Universum	Ideal Employers (Engineering and IT)- 100 Companies)	2021	1	1	
CDP (Carbon Disclosure Project)	Climate Change Ranking (Turkey)	2021	Our Company is among the first 8 companies in “CDP Turkey Climate Change Leaders” category.		

Commercial title and trade registration number of the company and contact information pertaining to its headquarters, branches and its website addresses are shown below:

Company	Type	Country / City	Address	Telephone/Fax	Web site
ASELSAN Elektronik Sanayi ve Ticaret A.Ş.	Head quarters	Turkey /Ankara	Mehmet Akif Ersoy Mahallesi İstiklal Marşı Cad. No:16 06200 Yenimahalle/Ankara Trade Registry No: 31177	Tel: +90 (312) 592 1000 Fax: +90 (312) 354 1302	www.aselsan.com.tr
ASELSAN South Africa	Branch	Republic of South Africa/ Pretoria	Summit Place Office Park Building 2, First Floor 221 Garsfontein Road Menlyn, Pretoria, 0181	Tel: +27 (0) 12 349 2613 Fax: +27 (0) 12 349 2544	--
ASELSAN Macedonia	Branch	Macedonia/ Skopje	Ankarska 29A, Üsküp	--	--
ASELSAN Cyprus Advanced Technology Research Center	Branch	TRNC/ Güzelyurt	Orta Doğu Teknik Üniversitesi Kuzey Kıbrıs Kampüsü ODTÜ KALTEV AR-GE Binası No: E-19 99738 Kalkanlı/Güzelyurt	--	www.aselsan.com.tr
Saudi Arabia Contact Office	Project Office	Saudi Arabia/ Riyad	Riyadh Business Gate, Building: Zone D-3, GF, Unit 1	Tel: +966 11 211 1111 Faks: +966 11 268 1111	--
Pakistan Contact Office	Project Office	Pakistan / İslamabad	Serena Business Complex 3rd Level, Office No:3 Sector G-5/1 Ramna Suhrwardy İslamabad	--	--
ASELSAN Qatar (QSTP-B)	Branch	Qatar / Doha	Qatar Science & Technology Park Free Zone, Street No: 2322, Zone No: 51, Unit No: 107, Building No:153, Building Name: Tech1	-	-

3. The Company's Shareholder Structure

Registered capital ceiling of the Company is TL 2.000.000.000 (TL two billion). The nominal capital of the Company is TL 2.280.000.000 (TL two billion, two hundred and eighty million) and is divided into 2.280.000.000 (two billion, two hundred and eighty million) shares, each having a nominal value of 1 TL.

1.210.909.090 (one billion, two hundred and ten million, nine hundred and nine thousand and ninety) of the shares are Group A shares and 1.069.090.910 (one billion, sixty nine million, ninety thousand and nine hundred and ten) of the shares are Group B Shares. All shares are in the name of the holder.

Group A shares are nominative preferred shares and 6 of the Members of the Board of Directors are elected among the Group A preferred shareholders or among the candidates presented by them.

Share distribution table of the Shareholders is presented below:

Partners	Share (%)	30 September 2021 (TL Thousand)
Turkish Armed Forces Foundation (TSKGV)	74,20	1.691.652
Quoted on BIST (Free float)	25,80	588.348
Paid-in capital	100	2.280.000
Inflation adjusted capital	--	2.378.621

a. Members of the Board of Directors and Senior Executives

Within the framework of the provisions of the Company's Articles of Association, the Board of Directors consists of total 9 members comprising of 6 members to be elected from privileged shareholders or candidates nominated by group A and 3 independent members to be elected under Capital Markets Board (CMB) regulations. Information regarding the Members of the Board of Directors and Senior Executives as of publishing date of the report are as follows:

Members Of The Board Of Directors And Senior Executives

List No	Name and Surname	Position	Positions In Other Company's	Date of First Assignment
1.	Haluk GÖRGÜN	Chairman of the Board/ CEO	Member of The Board of Directors of IGG ASELSAN Integrated Systems LLC, Member of the Board of Directors of SASAD, Member of the Board of Directors Of BARQ, Associate Member of Turkey Academy of Sciences, Chairman of the Board of Trustees And Board of the Gebze Technical Education And Research Foundation, Board of Trustees of Basic Science Research Foundation of Turkey, Member of the Board of Trustees of Yıldız Technical University Foundation And A Member of the Board of Trustees of OSTİM Technical University, Member of The Board of Directors of Saha Istanbul	15 March 2017
2.	Alpaslan KAVAKLIOĞLU	Deputy Chairman of the Board	Deputy Minister of Ministry of Defense, Member of the Board of Directors of Turkish Parliamentarians Union	26 April 2019
3.	Ercüment ARVAS	Independent Member	Professor at İstanbul Medipol University Electrical Engineering Department, Member of the Board of Directors of Kardemir Karabük Demir Çelik Sanayi ve Ticaret A.Ş.	31 March 2016
4.	Yavuz ÇELİK	Member / Executive Director	--	19 June 2020
5.	Turan EROL	Independent Member	Professor at İstanbul Sabahattin Zaim University Business and Management Sciences Faculty, Independent Member of The Board of Directors of Tümosan And Traktör Sanayi A.Ş., Independent Member of The Board of Directors Ostim Yatırım A.Ş.	19 June 2020
6.	Mehmet Fatih KACIR	Member	Deputy Minister of Republic of Turkey Ministry of Industry and Technology, Member of Board of Trustees of Turkey Technology Team Foundation, Member of the Board of Directors of E-Sports Federation, Member of the Board of Directors Prof. Dr. Fuat Sezgin Islamic Science History Research Foundation	26 April 2019
7.	Salih KUL	Member	--	26 April 2019
8.	Nurşen SARI	Independent Member	Deputy General Manager of C Tech Bilişim Teknolojileri Sanayi ve Ticaret A.Ş.	29 June 2021
9.	Mustafa Murat ŞEKER	Member / Executive Director	Vice President at Presidency of Defence Industries, Member of the Board of Directors of the Turkish Escalator and Radiation Laboratory (TARLA), Vice Chairman of Ankara Aerospace Industry Zone	29 June 2021
10.	Mehmet Fatih GÜÇLÜ	Vice General Manager (Financial Management)	Member of the Board of Directors of Bites Savunma Havacılık Ve Uzay Teknolojileri Yazılım Elektronik Ticaret A.Ş., Member of the Board of the Directors of ASELSAN Konya Silah Sistemleri A.Ş., Member of The Board of Trustees of Anadolu Mektebi Foundation	1 October 2019
11.	Hakan KARATAŞ	Vice General Manager (Corporate Management)	Member of the Board of Directors of Teknolab Teknoloji Geliştirme Bölgesi Yönetici A.Ş., Member of the Board of Directors of ÜRTEM A.Ş., Professor of OSTİM Technical University, Chairman of ASIL Solidarity Foundation	2 July 2018
12.	Nuh YILMAZ	Vice General Manager (Supply Chain Management)	Member of the The Board of Dasal Havacılık Teknolojileri A.Ş., Member of The Board of Directors of Aselsan Global Dış Ticaret Ve Pazarlama A.Ş., Chairman of Board of Directors of ASELSAN Konya Silah Sistemleri A.Ş., Member of The Board of Directors of Aselsan Bilkent Mikro Nano A.Ş.	1 April 2021
13.	Mehmet ÇELİK (*)	Vice General Manager (Technology & Strategy Management & UGES Sector President A.)	Chairman of The Board of Managers of ASELSANNET, Member of The Board of Directors of Aselsan Hassas Optik A.Ş., Member of CoHe, Teaching Professor in KTO Karatay University Mechanical Engineering Department, Member of Presidency of Science, Technology and Innovation Policies Council,	14 May 2017
14.	Sezai ELAGÖZ	Vice General Manager (R&D Management)	Member of Board of Directors of ASELSAN Bilkent Mikro Nano A.Ş., Chairman of Board of Directors of ASELSAN Hassas Optik A.Ş., Member of Board of Directors of Tübitak Ar-Ge Destek ve Süreç Yönetim Hizmetleri Grubu, Chairman of Board of Directors of TÜYAR A.Ş., Member of Executive Board of Presidency of Defence Industries / Air Defence	18 July 2018
15.	Osman Devrim FİDANCI	Vice General Manager (Business Development and Marketing)	Chairman of the Board of Directors of ASELSAN Global Dış Ticaret ve Pazarlama A.Ş., Vice Chairman of the Board of Directors of ULAK A.Ş., Member of the Board of Directors of ASELSAN Middle East Psc Ltd, Member of Institute of Electrical and Electronics Engineers (IEEE), Member of Association of Record for Bid, Proposal, Business Development, Capture and Graphics Professionals (APMP)	1 February 2019
16.	Bayram GENÇCAN	Vice General Manager (HBT Sector President)	ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Member of the Directors Committee of Overseas Foreign Company (ASELSAN Cyprus)	15 March 2017
17.	Mustafa KAVAL	Vice General Manager (MGEO Sector President)	Member of the Board of Directors of Kazakhstan ASELSAN Engineering LLP, Member of The Board of Directors of Central Anatolia Exporters' Association, Vice Chairman of ASELSAN Middle East Psc Ltd, Member of the Board of Directors of Defence And Aerospace Ministry Exporters' Association (Executive Director), Member of the Board of Directors of BARQ, TIM (Turkish Exporters Assembly) Delegate, Vice Chairman of Board of Directors of Dasal Havacılık Teknolojileri A.Ş., Vice Chairman of Board of Directors of IGG ASELSAN Integrated Systems LLC	1 September 2014
18.	Oğuz ŞENER	Vice General Manager (REHİS Sector President)	Chairman of ASELSAN Bilkent Mikro Nano A.Ş., Chairman of the Board of Managers of Mikroelektronik	1 September 2014
19.	Behçet KARATAŞ	Vice General Manager (SST Sector President)	Chairman of the Board of BİTES Savunma Havacılık ve Uzay Teknolojileri Yazılım Elektronik Ticaret A.Ş.	2 November 2020
20.	Abdülkadir GÖKTAŞ	Internal Audit President	--	1 September 2014

(*) Prof.Dr. Mehmet ÇELİK, who is the Vice President of Technology and Strategy Management, shall be appointed as the acting Vice President and Business Sector President of Transportation, Security, Energy, Automation and Healthcare Systems as of January 7, 2022 while remaining in his main duty.

The Members of the Board of Directors are entitled with the authorizations stipulated in the Turkish Code of Commerce (“TCC”) and in article 13 of the Articles of Association of the Company.

Entitled shareholders, members of the board of directors, senior executives and to their spouses as well as relatives up to second degree are not authorized to perform transactions, which may cause conflict of interest or competition with the Company and/or subsidiaries. There is not any ban on trading for board members with the Company, which they performed on their own or on behalf of a third party. There is no operation regarding the non-compete obligation by the members of the board.

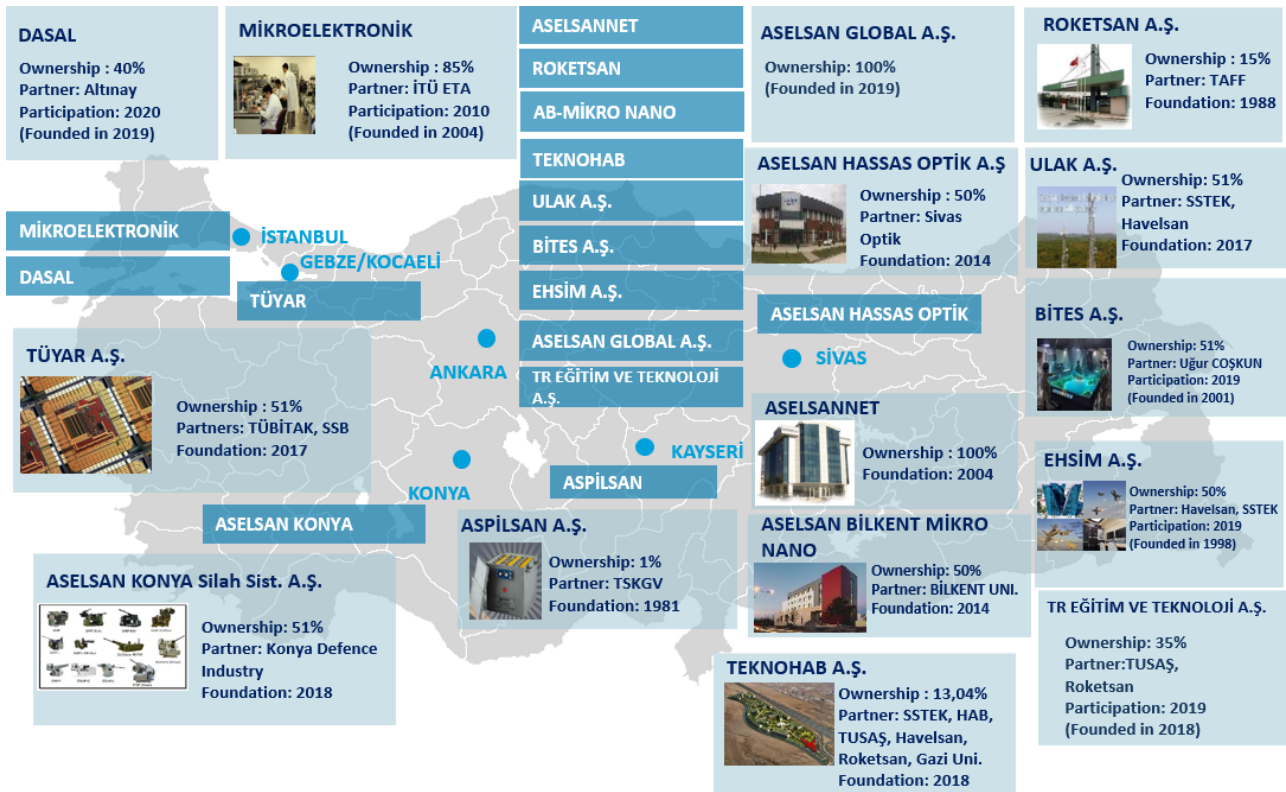
The controls are carried out by the Internal Audit Presidency (“IAP”) and Audit Committee within the parent company in order to minimize the substantial error risk on the financial statements of the Group. IAP and Audit Committee carry out their duties independent from each other but within the guidance of common objectives and targets, with the aim of maintaining an internal control system, which provides required controls in matters such as the reliability of the financial reporting system, the efficiency of the activities in order to eliminate the operational risks and compliance with the law. Furthermore, the efficiency and sufficiency of the internal control are supported with the directives in effect.

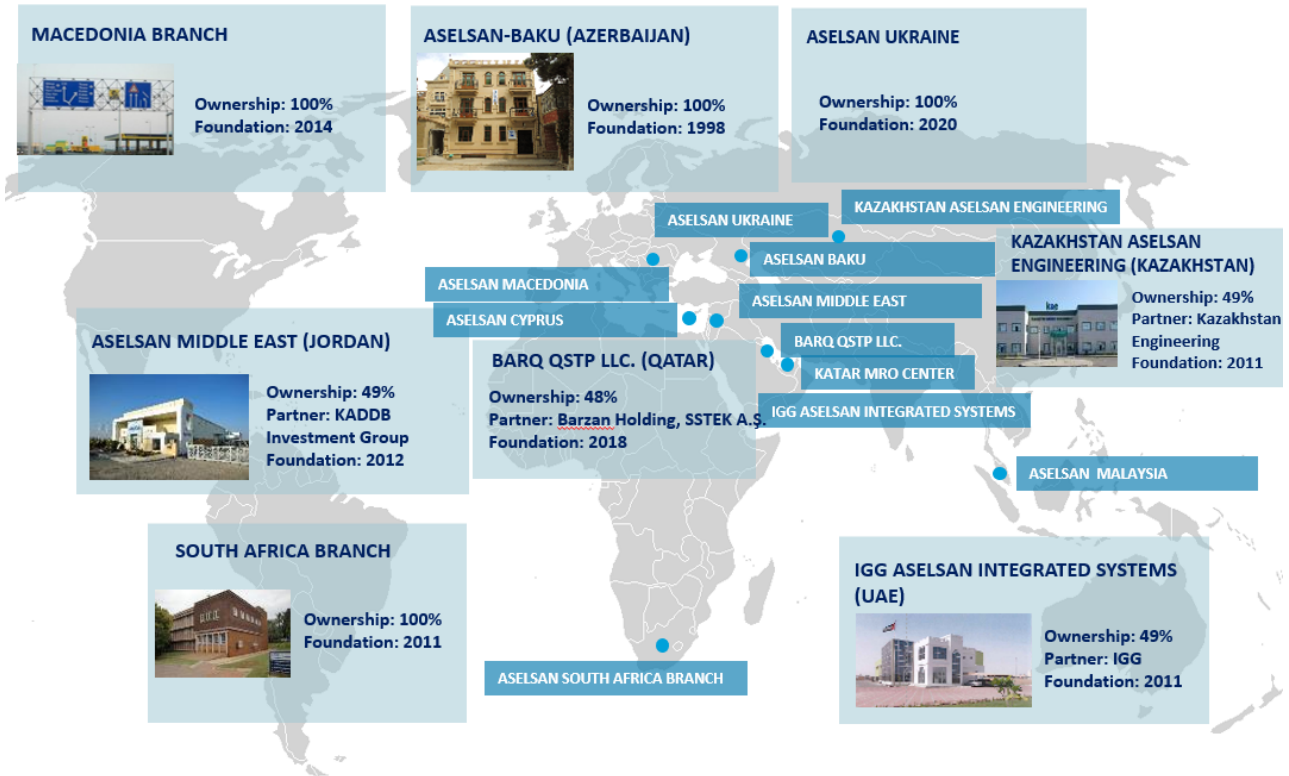
Total Amount of the Financial Benefits Given To Senior Executives:

The total amount of the remuneration and similar benefits paid to the senior executives by the Company as for the period that ended on December 31, 2021 is approximately TL 37.208 Thousand (Of the amount paid, salary and benefit payments comprise the most).

b. Information on Business Partnerships, Associates, Subsidiaries, Joint Ventures and Branches

The Company's consolidated subsidiaries and branches are as follows:





Both our subsidiaries and joint ventures subject to consolidation fulfill their obligations regarding the tax legislation of the countries in which they operate and submit their audited financial statements and declarations regarding their tax assets/liabilities to the relevant authorities.

There is no cross-ownership relation between the companies subject to full consolidation (ASELSANNET, ASELSAN Bakü, ASELSAN GLOBAL, Mikro Ar-GE, ASELSAN Malezya, ASELSAN Konya, BİTES, ASELSAN Ukrayna and ULAK) and equity pick-up method consolidation (ASELSAN Bilkent, ASELSAN Optik, IGG ASELSAN, ASELSAN Kazakhstan, ASELSAN Ürdün, TÜYAR, BARQ QSTP LLC, TEKNOHAB, EHSİM, TR EĞİTİM, DASAL) and the Company.

4. Main Factors That Affect the Performance, Investment and Dividend Policy of the Company

The Company carries on its business operations mainly in defense industry as well as in non-defense industry.

According to the latest data, world defense expenditures has increased by 2,6 % reaching USD 1,98 Trillion and the ratio of expenditures to GDP has realized as 2,4%. The summary table on the right side gives information about the top five countries, which accounted for 62% of the defense expenditure in 2020 and Turkey.

Rank	Country	Expenditure (m\$)	2020/19 Change (%)	Expenditure / GDP (%)	Share in the World (%)
	World	1.981	2,6	2,4	
1	USA	778	4,4	3,7	39,0
2	China	252	1,9	1,7	13,0
3	India	73	2,1	2,9	3,7
4	Russia	62	2,5	4,3	3,1
5	UK	59	2,9	2,2	3,0
16	Turkey	18	-5,0	2,8	0,9

As of 2020, Turkey's annual defense expenditures decreased by 5% to USD 17,7 Billion and ranks 16th in the world. The ratio of defense spending to GDP tends to increase steadily over the years, and reached the highest level in the last 17 years with a rate of 2,8%.

Due to the industry's nature, defense projects spread over years, furthermore a system project lasts approximately 4 to 5 years from its start to its delivery.

As of December 31 2021, long term plans which have been accordingly signed as contracts spread over years amounts to USD 8,4 Billion. The determination of target regions/countries and focusing on these markets for marketing and direct sales as well as engaging in joint productions, transfer of technology to/from international platform producers and strategic initiatives for sales to third countries are concurrent to our sustainable growth objectives.

Our structure coincides with our objective to operate in non-defense electronic fields which require high technology.

In this context, the Company, which has displayed a remarkable performance in many areas in recent years, from security to transportation, from health to energy, and especially from defense electronics, has added a new activity by entering the field of financial technologies. The entry will be reflected both in the new orders by the Company in the coming period and in the customer portfolio as a variety.

The Company's projects in the field of financial technologies will focus on many different subtitles and, accordingly, customer diversification in both the public and private sectors, and will operate in this field, which includes various topics from new generation banking technologies to payment recording devices.

Technological research, development and testing processes of the Central Bank Digital Turkish Lira R&D project will be carried out in close cooperation with the participation of technology stakeholders. In this direction, the Central Bank; signed bilateral memorandums of understanding with ASELSAN, HAVELSAN and TÜBİTAK-BİLGEM and created a "Digital Turkish Lira Cooperation Platform".

The Company's profit distribution policy is posted on www.aselsan.com.tr website under Investor Relations/ Corporate Governance/Policies. According to the policy, at least 10% of the net profit is planned to be distributed.

As a result of 46th General assembly meeting held on 29.06.2021, of the net profit generated by our company from its 2020 activities;

- In accordance with Article 519/(1) of the Turkish Commercial Code, General Legal Reserves amounting to TL 197.390.996,80 is going to be allocated,
- Out of net distributable profit to the shareholders for the period, calculated in the framework of the dividend distribution regulations and decisions of the Capital Markets Board, gross, TL 400.000.000,- (Kuruş 17,54386 per share of TL 1 and 17,54386% on the basis of the capital) (net TL 340.000.000,- Kuruş 14,91228 per share of TL 1 and 14,91228% on the basis of the capital) shall be distributed in the form of cash
- In accordance with Article 519/2 of the Turkish Commercial Code, General Legal Reserves amounting to TL 28.600.000,- is going to be allocated,
- The remaining profit is going to be allocated as Extraordinary Legal Reserves, and distribution of the cash dividend to the shareholders shall be distributed as of November 19, 2021, and distributed it.

5. Enterprise Risk Management

ASELSAN's Enterprise Risk Management Policy aims; to take proper actions against uncertainties that threaten the existence of the Company and to protect corporate identity and stakeholders' interest at all conditions. Risk management is an integrated element of Corporate Management. The information gathered within the scope of risk management activities in ASELSAN is integrated into decision making mechanisms.

The “top-down” and “bottom-up” approach is being applied into Enterprise Risk Management activities together. Risks, which are significant enough to affect ASELSAN's achievement of its targets, are identified, evaluated, monitored and reported along with the risk responses and precautions to be taken. At ASELSAN; The Enterprise Risk Management process is regularly reviewed and improved. ASELSAN's employees and business processes are at the center of the Enterprise Risk Management System.

In the developing and rapidly changing world, every risk that arises or increases in impact and probability is proactively followed, and the possible effects on the Company and the opportunities created by these risks are evaluated.

At ASELSAN, risks are followed under four main categories:

a. Main Risk Categories

Strategic Risks: Risks that may prevent ASELSAN from reaching its targets in short, medium or long terms are classified under this heading. Risks under this heading include factors such as; growth and continuity, changing customer expectations, technological changes and market share.

While ASELSAN manages its strategic risks effectively; it aims to increase its backlog, increase exports and to take part in sustainable works. In order to increase ASELSAN's market share and offer new products / services, ASELSAN seizes company merger / acquisition opportunities both at home and abroad. ASELSAN also conducts business development activities successfully.

ASELSAN increases its research and development activities in order to meet changing customer expectations and changes in technology, and realizes the necessary infrastructure and technological investments. ASELSAN diversifies the geographical regions in sales, customer portfolio and the sectors in order to maintain its growth and continuity in the medium and long term.

Operational Risks: It is defined as the risks arising from errors and negligence that may occur while performing the operational activities of the company. Risks under this section include factors such as; production, supply chain, human resources, information technologies, natural disaster and terrorist attacks.

In order to ensure the continuity of the processes, in-house directives and functors have been prepared and necessary updates are being made when needed. Within the scope of the Internal Audit plan and work schedule prepared in ASELSAN, business processes are being audited and process improvements are made in line with the audit outputs.

Quality in production processes involving internal operations and suppliers is uncompromisable; where subcontractor and supplier development activities are carried without slowing down. In terms of managing Human Resources and increasing employee motivation; activities were made with the participation of employees from every level and process improvements were made. Security policies are sustained at the highest level in Information Technology applications. In this area, internal and external audits are carried out periodically and precautions are taken against probable cyber-attacks and in the field of Information Technologies, business continuity in-house is provided.

Our all processes are administered by directives, quality plans, standards, audits and test instructions. Our processes have been certified by internationally accepted standards such as AS9100, ISO 9001, AQAP and CMMI so that our products and services are secured to protect quality standards. These certificates are renewed every year with the audits performed. Changes and improvements of international standards are being followed and our processes are developed accordingly.

Regarding risks, such as natural disasters, terrorist attacks, necessary precautions are taken, primarily insurances have been made, and drills are carried out.

Financial Risks: It refers to the risks arising from the financial structure and financial preferences of the company. Exchange rate, liquidity and interest rate risks are some risks under this heading.

The exchange rate risk, which is any kind of change that may occur in assets and / or liabilities as a result of exchange rate fluctuations in the future, ASELSAN aims to minimize the effect of exchange rate fluctuations by keeping the long and short foreign exchange position at a minimum level. The balance sheet methods have been used in managing the exchange rate risk. Implementations such as; making use of foreign exchange denominated loans in line with the company's export volume, matching the contract currency with the currency of the costs of the project, and signing the subcontractor contracts in line with the main contract currency are used.

ASELSAN eliminates the liquidity risk, which is known as the risk arising from default and inability to fund the the assets, it monitors forecasted and actual cash flows regularly and ensures the continuity of adequate funds and credit lines by matching the maturity of financial assets and liabilities. In order to manage the interest rate risk arising from changes in assets and / or liabilities as a result of fluctuations in interest rates in the future, it conducts transactions with fixed interest rates and uses financial derivative instruments when necessary.

Compliance Risks: It refers to the risks associated with the Company's financial losses and / or loss of reputation as a result of the company's activities or the attitudes and behaviors of the company employees that are not in compliance with the legislation, regulations and standards. While conducting its activities, ASELSAN closely follows national and international standards with the best practices in the sector, and compliance with legislation and regulations is ensured at the highest level. In addition, by IAP; the effectiveness of controls, compliance with legislation and ASELSAN regulations, compliance with ethical principles and controls to eliminate risks are being evaluated.

b. Early Detection and Management of Risk Committee Works

The Early Detection and Management of Risk Committee, which consists of the members of the Board of Directors, has been operating at ASELSAN since 2012 in order to ensure early detection of risks that may endanger the existence, development and continuity of the Company, to take necessary measures related to the identified risks and to manage the risks. The Chairman of the Committee is an Independent Board Member.

Committee; carries out its own activities in full compliance with the regulations of the Capital Markets Board and all the related legislation, especially article 378 of the Turkish Commercial Code No. 6102. In addition, the Early Detection of Risk System and Committee, established by ASELSAN, is subjected to independent audits annually and the Auditor Report stating that the activities performed is sufficient, is submitted to the Board of Directors. Committee conducted 6 meetings in 2021 in order to follow the works on early detection and management of risks and to make evaluations about this issue. The reports containing the works of the Committee were being submitted to the Board of Directors periodically.

c. Training

At ASELSAN, spreading risk management to the Company culture and creating risk awareness in each employee are among the basic elements that ensure the success of the Corporate Risk Management System. In this context, "Corporate Risk Awareness Training" has been added to the vocational and on-the-job training programs of all ASELSAN personnel, and it has become compulsory to take it.

COVID - 19

From the first statements announced by the World Health Organization and Ministry of Health of Republic of Turkey regarding the Corona Virus (COVID-19) threat, ASELSAN has taken all the necessary preventive measures and decisions to protect the health of all employees working in its campuses and to provide a suitable working environment for them. Maintaining the health of all employees working in ASELSAN campuses, as well as ensuring the continuity and sustainability of production and design activities in terms of the nature of the area in which it operates and its importance for the country have been determined as the main target.

COVID-19, which has influenced the world and our country, has been at the center of ASELSAN's Corporate Risk Management System. In order to reduce the impact of the outbreak, measures covering all internal and external stakeholders at ASELSAN have been implemented. In addition, all possible effects of epidemic disease on ASELSAN's strategic goals, operations, financial situation, and all laws and regulations it is subject to were evaluated through scenario-based analysis.

Serial production of mechanical ventilators was carried out by taking quick action in areas that emerged with the risk of pandemic and urgently needed by our country.

ASELSAN, which is Turkey's largest defense electronics organizations operates in a wide area that meets the needs of domestic and foreign authorities especially the Turkish Armed Forces' in the field of communication and information technologies, microelectronics, radar, electronic warfare, electro-optics, avionics systems, unmanned systems, land, naval, army systems, air defense, missile systems, command and control systems, transportation, security, traffic, automation and health technologies. ASELSAN Family continues to work with great faith, determination and sacrifice.

CLIMATE CHANGE

ASELSAN has been working as the climate leader within the scope of Carbon Disclosure Project (CDP) Climate Change since 2010. It continues to work as a climate leader in every field by getting the A- grade in CDP Water Reporting.

According to the Global Risks Report 2022 published by the World Economic Forum, the most important risks evaluated according to probability and impact level in the next decade are climate change risks.

ASELSAN continues to take the necessary actions for the management of climate change risks and a sustainable world, especially CDP Climate Change reporting, and maintains its place among the world's important defense industry leaders in this regard. In this context, it has made climate change and environmental risks, which are among the most important risks of our age, a part of the corporate risk system.

6. Financial Information of the Company

The forecasts under the normal conditions regarding the Group's consolidated financial results for the 2022 year are presented below;

Financial Targets of 2022	Financial Targets 2022 (Ratio / Amount)
Consolidated Revenue Growth (TL)	>%25
EBITDA Margin <i>(Consolidated and Adjusted without Foreign Exchange Rate Differences)</i>	>%22
Consolidated Capital Expenditures	5.000 Million TL

The Company, which has been in the most prestigious Defense Industry list since 2008, "Defense News Top 100", published by "Defense News" magazine, aims to increase its ranking in the list in following years. Ranking 48th in the 2020 list, the Company maintained its 48th place in the 2021 list.

46th Ordinary General Assembly Meeting was held on 29 June 2021.

In order to achieve the sustainable growth:

- The quality and technological perspectives of the cooperation formed with the universities have been increased.
- ASELSAN employees are provided with the opportunity to study in the work environment with the initiation of ASELSAN Academy Postgraduate Training Program. The program serves the purpose of having the necessary technologies and developing existing technologies.
- The eco-system with the sub-industry companies and SME's is formed.
- Company is continuing its operations in non-defense electronic areas which requires high technology.
- Inorganic growth will be also evaluated as well as organic growth.

a. Financial Resources of the Company

The most substantial financial resources of the Company comprise the advance and interim payments taken within the scope of the contracts signed and profits generated by the main activities.

During the period between 1 January – 31 December 2021, the cash requirements were met with the available cash, cash inflows from operations and loans.

As of 31 December 2021, there is a loan balance amounting to USD 398 Million, including USD 208 Million used from Turkish EximBank, USD 181 Million used from commercial banks, USD 9 Million used for the payment for Social Security Institution.

The total loan balance is 416 USD Million with the consolidation effect.

Planned Measures To Improve the Financial Structure of the Company

As for the annual budgets and implementations for the period 2022-2024, the Group have adopted the principles as the basis to take care of savings in all kinds of expenditures, to follow up the advances and receivables closely, to pay attention to the proportion of the term and currency in purchasing and sales agreements and the risk status of the domestic/foreign suppliers and sub-contractors.

b. Research and Development Activities

The Group, as a leading defense industry establishment, develops advanced technology system solutions on land, air, naval and aerospace platforms, places great importance to Research and Development activities and technological gains since it was founded.

By following up on all kinds of technological developments pertaining to land, air, naval and aerospace platform product/system technologies, the Company not only applies technology but also designs, develops and produces product/system technologies in order to share or sell with/to national and international collaborations.

Projects are striving at maximum level in order to benefit from the technological opportunities existing in the country aiming to increase the national contribution share. For this purpose, cooperation is made with universities and various R&D organizations and importance is given to the use of local suppliers and subcontractors.

As for the projects carried out within the Group, Research and Development center application pursuant to the Law regarding the support of Research and Development activities numbered 5746 is being implemented. As for non-public R&D projects, the approval of TEYDEB (Technology and Innovation Support Programs Directorate) and ARDEB (Research Support Programs Presidency) are received and supported by the institutions.

Within the Company, there are 7 Research and Development centers within the scope of Defense System Technologies (SST), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO-1 and MGEO-2), Communication and Information Technologies (HBT), Transportation, Security, Energy, Automation and Medical Systems (UGES) Vice Presidencies as well as ASELSAN Research Center of Vice Presidency of Technology and Strategy Management (GY). Currently, 4.617 staff are employed at the Group's Research and Development centers.

Besides, in this context, in January 2021, R&D Management Vice Presidency is established.

The Company also carries on its activities at METU Teknokent, Hacettepe Teknokent, Teknopark Ankara and Teknopark İstanbul within the scope of the Law numbered 4691 on Technology Development Regions. Group employed 950 staff within this region. 350 staff at Teknopark İvedik, 365 staff at METU Teknokent, 129 staff at Teknopark İstanbul, 88 staff at Teknopark Hacettepe, and 18 staff at Gebze IT Valley are employed.

c. Progress in Investments and Degree of Incentive Utilization

i. Investments

Directing the Company's resources to profitable, high value added fields, where advanced technology is used, is anticipated in the first place by considering the global tendencies, technological developments and the actual and prospective requirements of all customers, particularly Turkish Armed Forces. The investments within the Company are carried out after detailed consideration of the technological plans, strategic plans and project requirements.

During the current period, the investments, which will meet the needs of substructure and equipment in order to be used in research and development project have been sustained in compliance with the investment scheme in accordance with the policy of efficient use of resource.

ii. Incentives

Income tax withholding incentive, insurance premium support, stamp tax exemption and Research and Development incentives are utilized within the scope of the Law numbered 5746. In accordance to the Law regarding the Incentive of Research and Development Activities numbered 6676 published on Legal Gazette numbered 29636 on 26 February 2016 and The Law Regarding the Amendments on Delegated Legislation, the content of the law and incentives has been broadened and additional exceptions has been given. Income tax withholding incentive, insurance premium support and stamp tax exemption is utilized by being calculated over the salaries of the Research and Development personnel and not being paid to the relevant institution and the Research and Development discount is utilized by means of applying a discount on the corporate tax return. Aforesaid law is valid until the date of 31 December 2028.

Within the scope of the Teknokent Law numbered 4691, incentive on withholding income tax, insurance premium support and stamp tax exemption is applied.

These are utilized by making calculations on Research and Development and software personnel wages and not being paid to the related institution. The gain obtained with reference to the execution of Technology Development Zones Law numbered 4691 is exempted from the corporate tax of 31 December 2028.

Between the period 1 January – 31 December 2021 because of having Research and Development centers, TL 369.402 Thousand, within the scope of income tax withholding incentive, promotion of insurance premium, stamp duty exception; as a result of being active at ODTÜ Teknokent, Ankara Teknokent, Hacettepe Teknokent, Gebze Informatics Valley and İstanbul Technology Development Area Technopark TL 87.466 Thousand incentives have been used.

Within the scope of the Research and Development Law No 5746 and Teknokent Law No 4691, TL 1.247.831 Thousand Corporate Tax advantage has been gained as of 1 January - 31 December 2021 period.

At the periods when Group's Research and Development expenses, which is subject of Research and Development discount, is higher than the principal amount of Research and Development discount which is indicated at corporate tax return, Corporate Tax ratio is 25% (%25 for the year 2021, %22 for the years 2018 - 2020 and 20% for the remaining years) of distinction amount is evaluated as deferred tax income at financial tables.

Subject to the Tübitak Academic Support Programs; there are four ongoing projects in the 1003 –Priority Areas R&D Projects Support Program, and 2 ongoing projects in the 1004-Center of Excellence Support Program.

Subject to the Tübitak Industry Support Programs 2 in the 1511-Priority Areas Research, Technology Development and Innovation Projects, and two ongoing projects in the 1501-Industry R&D Projects Support Program. The application was removed from the programs for large-scale organizations; SMEs were left under the program based on the changes made on the 1501-Industry R&D Projects Support Program on 1 July 2019.

The 1007 Public Institutions Research and Development Project Support Program has been formed in order to meet the requirements of the Public Institutions with Research and Development or to support the projects aimed at solving their problems. In scope of this support 9 Research and Development projects are still ongoing.

The incentives for the related programs are used periodically. In addition, there are 1 project carried out in the Tübitak 1005 Ardep- National New Ideas and Products Research Funding Program.

Incentives were received from Turquality and Support and Price Stability Fund (DFIF) due to the Market research, fair, and library support activities (TL 2.388 Thousand).

Supports are received within the scope of TUBITAK projects. (TL 12.848 Thousand).

Within the context of "Taxes and Funds Exemption Certificate" received from Republic of Turkey Ministry of Trade in order to increase exports and gain competitiveness in international markets, stamp duty and fee exemptions are used in export sales and deliveries and foreign exchange gain activities (TL 52.459 Thousand).

Within the Decision Regarding the Governmental Grant in Investments, there are eight Investment Incentive Certificates taken from the Turkish Republic Ministry of Industry and Technology General Directorate of Incentives and Implementation. With such incentive certificates, VAT exemption and customs tax exclusion are utilized (TL 102.613 Thousand).

VAT exemption is applied to our purchases, which are used for our deliveries subject to VAT 13/f Article and our exports (TL 638.102 Thousand).

d. Production, Capacity and Revenue

The Company can conduct complicated projects through its own integrated system architecture by means of knowledge, highly developed R&D infrastructure, well-equipped production lines and facilities.

According to the relevant sales agreement terms and conditions, the Company's revenue from projects contains order based production, mass production product sales, services, commodities and progress billing sales. Sales terms and conditions are subject to change as for the respective agreements.

Substantial part of production has been realized based on orders. All related processes are being managed efficiently since product requirements, quantities and prices are different.

Works in order to perform distinctive business development and marketing activities in global markets to increase efficiency in international markets and exports have been continued.

As of December 2021, net sales increased by %25 to TL 20,1 Billion and export to net sales ratio is %11.

e. Financial Ratios

As of 31 December 2021, the Group's financial statements prepared in accordance with the Communiqué Series II, No: 14.1 "Communiqué on Capital Market Financial Reporting Standards" issued by Capital Markets Board. Based on this, financial ratios are presented as below.

Financial Ratios	December 31, 2021	December 31, 2020
Current Ratio	1,38	1,59
Liquidity Ratio	0,78	0,97
Short Term Current Liabilities / Total Financial Liabilities	94,0%	77,0%
Total Financial Liabilities / Total Assets	11,6%	11,4%
Gross Profit Margin	33,0%	28,6%
Operating Profit Margin (EBIT)	25,2%	22,6%
Adjusted EBITDA Margin (*)	27,3%	24,4%
Net Profit Margin	35,4%	27,6%
Return On Equity (ROE)	32,5%	28,1%
Net Working Capital / Net Sales	44,7%	38,5%
Return on Assets (ROA)	17,7%	14,9%

(*) General administrative expenses, marketing expenses and research and development expenses are subtracted from and current period's depreciation and amortization expenses are added to the gross profit in calculation of Adjusted EBITDA value. Other operating income and other operating expenses are not included in the calculation.

7. Changes in the Legislation Which Would Have Significant Impact on the Activities of the Company

There is no material change in the legislation within the reporting period.

8. Compliance Report on Corporate Governance Principles

"Corporate Governance Compliance Report" is in the appendix.

9. Information Regarding the Lawsuits of the Group

The lawsuits and execution proceedings filed by or against the Group as of 31 December 2021 are summarized in the table:

Detail	December 31, 2021 (Thousand TL)
Ongoing lawsuits filed by the Group	35.871
Execution proceedings carried on by the Group	319.264
Lawsuits proceedings carried against the Group	22.418
Execution proceedings carried against the Group	5.875
Lawsuits finalized against the Group within the period	12.745
Lawsuits finalized in favor of the Group within the period	102.542

There has not been any final judicial decision against the Group due to the responsibility related with work accidents within 2021.

10. Information Regarding the Transactions Made within the Reporting Period

a. Changes in the Articles of Association

There are no changes in the Articles of Association within the reporting period.

b. Collective Agreement Implementations, Rights and Benefits Provided to the Personnel and Workers

The Group recruited a total number of 1.779 people as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 1 January – 31 December 2021 and the number of people quit for the same period is 752.

The rights and benefits provided to the personnel by the Company are bonus payments, meal allowances, marriage benefits, maternity benefits, death allowances, transportation, private health insurance, and childcare and kindergarten benefits. The average number of personnel employed by the Group as of 31 December 2021 is 9.905.

c. If it is an affiliate company, the legal transactions carried out in favor of the parent company or its affiliate with the parent company, with an affiliate company connected to the parent company with the direction of the parent company and all other measures taken or avoided to be taken in favor of the parent company or its affiliate in the previous activity year

There has not been such an event within the reporting period.

d. If it is an affiliate company, whether any counter performance was realized for each legal transaction according to the known status and conditions at the time the legal transaction mentioned in article c was realized or at the time the measures were taken or avoided to be taken and whether the company incurred losses due to the taken or avoided measure and if the company incurred losses to observe whether this was equalized or not

There has not been any material event that affects the Company's financial statements within the period.

e. Information Regarding the Donations and Social Responsibility

Within the period of 1 January – 31 December 2021, the donations made by the Group are as below.

Institution	December 31, 2021 (Thousand TL)
ASELSAN Vocational Technical High School	4.272
Ministry of Education	260
ASiL Foundation	38
Others	164
TOTAL	4.734

f. Events After the Reporting Period

After the reporting period, the Group has signed contracts amounting to USD 39,6 Million.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2021

Corporate Governance Principles Compliance Report 2021

CHAPTER I - STATEMENT FOR COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

ASELSAN, in scope of the Corporate Governance Principles which has been implemented by Capital Markets Board (CMB) since 2003, has been making efforts to work in compliance with the principles under the titles shareholders, public disclosure and transparency, stakeholders and Board of Directors.

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 carried out by SAHA Corporate Governance and Credit Rating Services Inc (SAHA) first in 2012 and therefore was included in the Borsa İstanbul Corporate Governance Index.

According to the report of SAHA, ASELSAN's corporate governance rating grade, which had been as 9,29 over 10 on 11.12.2020, has increased to 9,35 as of 10.12.2021.

Corporate governance rating grade shows to what extent the companies comply with the corporate governance principles set out by the CMB. The Company's compliance level with the principles is defined with a methodology measuring under the main titles Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors. Within this context, the methodology that is based on the "Corporate Governance Principles" published by CMB in January 2014, was used in the rating made by SAHA.

The ratings of 2020 and 2021 and the subtitles are given below:

2020 Rating Distribution	2021 Rating Distribution
Shareholders : 89,57 / 100	Shareholders : 89,59 / 100
Public Disclosure and Transparency : 98,72 / 100	Public Disclosure and Transparency : 98,72 / 100
Stakeholders : 99,17 / 100	Stakeholders : 99,17 / 100
Board of Directors : 88,55 / 100	Board of Directors : 90,16 / 100
Average 9,29 / 10,00	Average 9,35 / 10,00

ASELSAN Corporate Governance Rating Reports published by SAHA can be accessed at the company website: www.aselsan.com.

ASELSAN is in full compliance with all the mandatory principles of Corporate Governance Principles. There are no conflicts of interest arising because of the arbitrary principles where compliance has not been achieved. The titles regarding the arbitrary principles, where compliance has not been achieved yet, are given below and are explained in detail through the Compliance Report.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2021

- The fact that although the mechanisms enabling the participation of stakeholders in the management of the company are built, they are not included in the Articles of Association.
- Non-existence of a judgement in the Articles of Association; declaring that shareholders may individually demand special audit of certain incidents from the General Assembly even if it is not on the meeting agenda, under the condition that the right to ask to obtain information and to examine has been used before and if the exercise of shareholders rights is necessary,
- The article "Group A shares shall not be sold or transferred without the consent of the Board of Directors because of the Company's operations in security and defence industry; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records" in the Articles of Association of the Company,
- The fact that a target, where the ratio of the female members should not be less than 25%, was not set and that there is not a written company policy on that issue,
- The Chairman of the Board and the Chief Executive Officer being the same person and the lack of material event disclosure through Public Disclosure Platform (PDP) explaining the situation with the reasoning behind it.
- Not disclosing the remuneration of board of directors and executive managers or the benefits provided to them per each individual.

With the resolution of CMB, numbered 2/49 and dated 10.01.2019, it has been decided that companies shall make their Corporate Governance Compliance Reporting, which is made in accordance with the Corporate Governance Communiqué numbered II-17.1, by filling the Corporate Governance Compliance Report and Corporate Management Information Form templates via the PDP. In accordance with this decision, our Company filled the relevant templates in PDP and added the templates to the end of the report as Appendix-1.

Corporate Governance Committee will carry on the necessary efforts in order to achieve full compliance with Corporate Governance Principles.

Prof. Dr. Ercüment ARVAS
Independent Member of Board of Directors
Corporate Governance Committee Chairman

Yavuz ÇELİK
Member of Board of Directors
Member of Corporate Governance Committee

Salih KUL
Member of Board of Directors
Member of Corporate Governance Committee

Mustafa Murat ŞEKER
Member of Board of Directors
Member of Corporate Governance Committee

Pınar ÇELEBİ
Investor Relations Manager
Member of Corporate Governance Committee

CHAPTER II - SHAREHOLDERS

2.1. Investor Relations Department

The information regarding Investor Relations Department responsible for the relations with shareholders is given below.

Mehmet Fatih GÜÇLÜ	: Chief Financial Officer / Vice President
Yunuz POYRAZ	: Finance Director
Pınar ÇELEBİ	: Investor Relations Manager
Gülru SELÇUK FİLİZ	: Investor Relations Department / Senior Specialist
Müge TAZE ARISOY	: Investor Relations Department / Specialist

Contact Information

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e-mail: aselsan.ir@aselsan.com.tr

Investor Relations Department has submitted the report regarding the tasks carried during 2020, to Board of Directors on 15.01.2021.

Pınar ÇELEBİ, Investor Relations Manager, has Capital Markets Transactions Level-3 and Corporate Governance Rating Expertise Licenses.

Main operations carried out by Investor Relations Department during 2021 are as follows:

- Maintenance of the exercise of partnership rights of shareholders, updated and safe records regarding shareholders,
- Coordination of public disclosure of material events,
- Answering the written inquiries of shareholders regarding the company, excluding the information considered as confidential, trade secret and which was not disclosed to public,
- Ensuring the execution of General Assembly meeting in compliance with the regulation in force, Articles of Association and other company regulations, records being kept regarding the ballots and the results being reported to shareholders,
- Monitoring of every issue regarding the public disclosure including the regulations and company policies on information,
- Execution of tasks assigned by Corporate Governance Committee,
- Operation of transactions regarding dividend distribution and tasks regarding Corporate Governance Principles,
- Coordination of updating the list of people who have access to insider information; informing those people in purpose of protecting the insider information and making sure they follow the confidentiality rules until financial and operational results are disclosed to public,
- Coordination of preparation and publishing of Sustainability Report,
- Performing the tasks regarding the compensation of the beneficiaries with the capital market instruments, the property of which has been lapsed to the Investor Compensation Center (ICC) and have become valid again,
- Answering investors' questions via the Voice Response System, report the phone calls.
- Manage the content of the Investor Relations section on corporate website.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2021

The Investor Relations Department accepted the meeting requests of domestic/foreign corporate and individual investors to the maximum extent in 2021. In 2021, a total of 121 meetings were held with investors, most of which were online as in 2020, during the pandemic process the world went through. Additionally, approximately 800 retail shareholders' questions regarding fluctuations in the stock price, exercising shareholder rights, material event disclosures made, financial tables, etc. were answered either written or verbally in 2021.

The information and explanations, which may affect the exercise of shareholders rights, are provided in the company website.

2.2. Exercising of Information Acquisition Rights of the Shareholders

Investor Relations Department has taken care of every written and verbal inquiry of all shareholders in 2021 with the most accurate and fastest way. It has paid attention to respond to all the information demands of shareholders with complete and comprehensible responses.

Investor Relations Department has been using Turkish and English website www.aselsan.com.tr actively in order to inform ASELSAN's investors on a timely and accurate basis and has been updating the information given on the web constantly. The electronic platform on our website is being effectively used regarding the issues that may affect exercising of the shareholders rights. The material event disclosures made through Public Disclosure Platform incorporated under Borsa İstanbul are being disclosed both in Turkish and in English from 26.10.2015 onwards, the material event disclosure and other notifications are being published on our corporate website in Turkish and in English on the same day. In general, any changes occurred in the Company structure are immediately announced on our website and the investor presentations are constantly updated. Information on capital increases and dividend distribution is also submitted to our investors' knowledge on the website. In addition, notifications regarding the attendance of shareholders to the General Assembly and electronic general assembly principles within the context of the new Turkish Code of Commerce (TCC) are being made.

Full compliance of both Turkish and English chapters on "Investor Relations" of our company's website as per the regulations was achieved.

Within the context of regulations of CMB, in 2021;

- General Assembly documents within legal deadlines,
- General Assembly minutes and participants list,
- 2020 Annual Report,
- The reports for the 1st quarter, 2nd quarter, and 3rd quarter period for 2021,
- The investor presentations which are updated every 3 months,
- Disclosure of material events made in 2021,
- Our Company's consolidated financial statements and basic performance indicators for the last 5 years along with the Financial Report,
- Earnings Release has been published,
- Investor Calendar updates.

were published on the website in Turkish and English.

Due to the reason that a regulation is present within the TCC numbered 6102 according to which the shareholders will be able to request from the General Assembly the assignment of a special auditor for the inspection and disclosure of the financial status, and due to the reason that the law and the relevant legislation are considered for the issues not present in the Articles of Association of the Company, there is no respective provision with regard to this issue in the Articles of Association. There was no request of any shareholders with respect to the assignment of a special auditor in 2021.

2.3. General Assembly Meetings

The agenda and invitation related to the 46th Ordinary General Assembly Meeting dated 29.06.2021 with regard to 2020 operations realized at the Company headquarters were duly announced comprising all the necessary information in a daily newspaper published in Turkey and on the website and in the Turkish Trade Registry Gazette dated 04.06.2021. Furthermore, the invitation was sent to the main shareholders and the shareholders who attended the previous meeting via mail two weeks prior to the General Assembly. The General Assembly meeting was held with a capital of TL 218.564,00 shares were represented by the persons acting as principal, a capital of TL 142.200.510,00 shares were represented by the persons acting as depositors and a capital of TL 1.691.651.248,92 shares were represented by other representatives which in total made 1.834.070.322,92 shares, out of the 2.280.000.000 shares corresponding to a total capital of TL 2.280.000.000

In scope of the Communiqué on Corporate Governance numbered II.17-1 of CMB, three weeks before the Ordinary General Assembly on date 28.05.2021, the Ordinary General Assembly Document including the meeting agenda, place, time, copy of the power of attorney, total number of shares as of 28.05.2021 and the voting rights, the number of shares representing the privileged shares and their voting rights, the reasons for the changes in the members of Board of Directors, which is present in the agenda, the list of independent members of the Board of Directors, the proposal of the Board of Directors with respect to the year 2020 dividend distribution, the CVs of the independent members of the Board of Directors and their statements of independence and explanations regarding the agenda items were disclosed on Public Disclosure Platform and were published on our Company website. The annual report was made available for the review of the shareholders at the headquarters 15 days prior to the general assembly meeting and handed to the shareholders participating in the general assembly and to the ones who made requests.

For the facilitation of physical attendance to Ordinary General Assembly Meeting in 2021, transportation from central spots to our Akyurt facility was provided for our shareholders.

In the Ordinary General Assembly Meeting in 2021, the shareholders were informed regarding the presence of executive directors, all the Board of Directors members and auditors at the meeting. No proposals were set forth by the shareholders during the meeting regarding the agenda. The shareholders exercised their rights to ask questions regarding the topics in the agenda and the answers to the questions took place in the General Assembly Meeting minutes. There are no questions, which has not been answered in the Ordinary General Assembly Meeting and answered by the Investor Relations Department later on. Within the period, there have not been any transactions of which their resolutions were submitted to General Assembly because the confirmative vote of the majority of the independent board members are required where as they have voted negatively. The minutes of the General Assembly Meeting held in 2021 can be accessed from the website of our Company.

No Extraordinary General Assembly Meeting was held during the year 2021.

The shareholders were informed about donations and aids were made in 2020, with a separate agenda item at the 46th Ordinary General Assembly Meeting.

2.4. Right to Vote and Minority Rights

In article 25 of the Articles of Association titled "Right to Vote", there is a provision stating that "the Shareholders and their representatives who are present at the Ordinary and Extraordinary General Assemblies shall have one right to vote for each share" and there is no privilege or no upper limit pertaining to the numbers of votes. The right to vote arises as soon as the share is acquired and there is no regulation setting forth that the vote shall be used when a certain time passes after the acquisition date of the share.

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The regulations regarding the voting of the shareholders through their representatives are followed by; in the event of a legal representation, it is certified and the open proxy rule is applied.

Particular attention is paid in exercising the minority rights in our Company and the provisions of Turkish Code of Commerce and the relevant legislation regarding minority rights are applied as is. All shareholders are treated equally in our Company, including the minority and foreign shareholders.

There are no prevailing partners in our Company. In the Articles of Association, there is no provision with respect to the representation of the minority shares in the management and their accumulated casting of votes. Due to the voluntary implementation of this issue regarding the capital market legislation, provision with respect to the current General Assembly quorum is applied.

2.5. Dividend Rights

There are no privileges with respect to the participation in the profit gained by the Company. The dividend policy was last revised in 2016 and was submitted to following ordinary general assembly meeting. The dividend policy published on our website is given below.

“The dividend amounts which shall be calculated considering the sustainable growth rate, market capitalization, net working capital requirements, dividend yield and cash flows, equity ratio, with the relevant legislation and the provisions of the articles of association over the distributable profit amount calculated taking the period profit as the basis which is shown on the financial statements of our Company prepared pursuant to the existing legal regulations (after the compulsory legal reserves are reserved and the taxes, funds and financial liabilities and losses of the previous year, if any, are deducted and the donations are added), the profit distribution proposal which shall be prepared by the Board of Directors in order for the shares which shall be issued by means of adding the cash or the dividend on the capital on the date(s) determined pursuant to the regulations of the Capital Markets Board to be distributed targeting at least %10 of net profit in cash in the defined amounts or as bonus shares or partly in cash, partly as bonus shares in defined amounts, shall be submitted to the approval of the General Assembly. Following the approval of the General Assembly, the determined dividends are distributed to the shareholders within the legal periods on the date determined by the General Assembly.

There is no privilege to participate to the profit of our Company. The dividends are distributed equally regardless of all the existing shares and their issue and acquiring dates.

In case of a revision made on the Dividend Policy, the resolution of Board of Directors regarding this revision and the reason for revision shall be publicly announced with respect to the legislation of Capital Markets Board.”

The net distributable profit calculated within the scope of the profit distribution decision taken at the Ordinary General Assembly Meeting held on 29.06.2021 within the framework of the Capital Markets Law and other legal regulations and the provisions of the articles of association, is equal to TL 400.000.000,- (Kuruş 17,54386 per share of TL 1 and 17,54386% on the basis of the capital) (net TL 340.000.000,- Kuruş 14,91228 per share of TL 1 and 14,91228% on the basis of the capital) shall be distributed in the form of cash, The said profit distribution rates, which were decided at the Ordinary General Assembly meeting, were announced on the PDP. Of the dividends decided to be distributed, it was paid on 19.11.2021

2.6. Transfer of Shares

The transfer of the nominated Group A shares representing majority part of the capital and which are not traded in Borsa İstanbul has been restricted with the provision of article 6 of the Articles of Association stating “As the company operates in security and defense sector; Group A shares shall not be sold or transferred without the consent of the Board of Directors; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records”.

CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Website and its Content

In order to inform our shareholders in a timely and accurate manner within the context of public disclosure and transparency; the website of the Company at the address www.aselsan.com.tr in Turkish and English is actively used and the information published on the web are updated regularly.

The section “Investor Relations” is included on our website also comprising the issues listed in article 2.1.1 of the corporate governance principles of Communiqué on Corporate Governance numbered II-17.1 issued by CMB on 03.01.2014.

Under “Investor Relations” section;

1. Corporate Governance
 - 1.1 Shareholder Structure and Privileged Shares
 - 1.2 Board of Directors
 - 1.3 Key Resolutions of Board of Directors
 - 1.4 Board Committees
 - 1.5 Articles of Association
 - 1.6 Company Profile and Trade Register Information
 - 1.7 Policies
 - 1.8 Ethical Principles
 - 1.9 Corporate Governance Rating
 - 1.10 General Assembly Meeting
 - 1.11 Compliance with Corporate Governance Principles
 - 1.12 Sustainability
2. Financial and Operational Data
 - 2.1 Financial Reports
 - 2.2 Financial Highlights
 - 2.3 Investor Presentations
 - 2.4 Board of Directors Reports
 - 2.5 Earnings Release
3. Stock Info
 - 3.1 Stock ID
 - 3.2 Capital Increases
 - 3.3 Analyst Coverage
 - 3.4 Dividen Info
 - 3.5 Investor Tools
4. BIST Disclosures
5. Annual Reports
6. Investor Calendar
7. FAQ
8. Contact

chapters exist. Necessary records and information are included under these titles. The information given on the Turkish website under “Investor Relations” section is included entirely on the English website.

3.2. Annual Report

The Board of Directors prepare the annual report in detail regarding the operations of the Company and enable the public to reach complete and accurate information that can be comprehensive. The 2020 annual report of our Company was prepared as per the Turkish Code of Commerce numbered 6102, the Regulation Regarding the Determination of the Minimum Content of the Annual Reports of Companies issued by the Ministry of Customs and Trade, the Communiqué Regarding the Principles Related to Financial Reporting in the Capital Market and the Communiqué Regarding the Determination and Implementation of the Corporate Governance Principles, both issued by the CMB.

CHAPTER IV - STAKEHOLDERS

4.1. Informing the Stakeholders

The information requests of stakeholders are keenly handled and attention is paid in responding these accurately and in an understandable manner. Our employees are informed with an employee hand book and informative presentations over the intranet; continuous access to data and support is provided through help desk application over the intranet. Nonetheless, general and personal data that can be necessary outside the company are provided to access over the internet.

On the supplier side, ASELSAN Supplier Portal, which was already developed in order to provide efficient information transfer, dissemination facilities, are promoted. In this sense, technical improvements and enhancements have been made on the ASELSAN Supplier Portal. Starting with the subindustry suppliers, on-site trainings have been provided for the suppliers. In 2021, trainings were delivered to 63 suppliers. More on-site trainings will be provided in addition to subindustry suppliers in the forthcoming period. Besides supplier communication and improvement operations were combined into a supplier specific web-based platform which is launched on April 2019, "Powerful Together". Powerful Together will continue to serve more effectively starting from the first quarter of 2022 with its renewed interface and infrastructure. Besides, information regarding all localization projects is continuously being shared through ASELSAN's webpage, workshops, announcements through the portal and face to face meetings.

High quality standards and high technological solutions are offered for services or delivered products with regard to customer needs and expectations so as to meet customer satisfaction. Requirements of these quality standards are met and inspections, tests are applied through every process from projects' start till the delivery phases. Our all processes are administered by directives, quality plans, standards, audits and test instructions. Our processes have been certified by internationally accepted standards such as AS9100, ISO 9001, AQAP and CMMI so that our products and services are secured to protect quality standards. These certificates are renewed every year with the audits performed. Changes and improvements of international standards are being followed and our processes are developed accordingly. Customer satisfaction, which is the primary objective, is evaluated and reported for the access of related executives. In addition, results and trends are evaluated by the senior management on an annual basis and required improvement activities are planned.

It is possible to increase the quality of product and service correspondingly increasing customer satisfaction by supplying the materials used in products from the right and trusted sources. For this purpose, suppliers are subject to product and/or field of activity-based selection, evaluation and auditing processes. These activities that target continuous improvement and high quality standards for suppliers are regarded as playing an important role in eventual product quality. In this direction, technical, trainings, technology/equipment transfers, on site visits and guidance, on the job trainings are for creating a high quality supplier portfolio. In addition, risk based delivery and quality inspections are conducted in order to clarify ASELSAN's expectations from the firms, increase their awareness and take improving actions. In order to reduce the ASELSAN's burden of design, development and/or production, and to maximize the utilization of suppliers' expertise through the cooperation starting from the design stage, and to have a faster and safer product/service supply chain; Strategic Cooperation Agreements are signed with ASELSAN approved suppliers having adequate technological infrastructure and expertise and that are able to develop themselves technicalwise and to sustain long-term relationship with ASELSAN. Within this context, ASELSAN approved suppliers are continuously evaluated and annually the number of firms that sign Strategic Cooperation Agreements with ASELSAN is being increased in order to enrich the Strategic Cooperation network.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2021

All information is shared within the context of confidentiality with our suppliers, who have the status of our business partners, and it is not permitted to share this information with unauthorized persons and third-party firms. Through related directives, handling any kind of relations between ASELSAN and the suppliers within the scope of law and ethical values, minimizing the occurrence of unsuitable conditions for protecting parties and securing the justice and transparency.

ASELSAN Magazine, published in Turkish and English every 3 months and A Bülten published in Turkish every month, provide information regarding the activities, technical issues and up-to-date social events. Hard copies of ASELSAN Magazine is delivered to the end users of products, shareholders who participated to the General Assembly Meeting, company employees and other related parties. A Bülten is uploaded to the social media, Turkcell Dergilik application and the corporate website right after it is publication.

The Compensation Policy can be accessed from our Company's website under Corporate Governance title.

The members of the Board of Directors and the executives do not perform any activities that may cause shareholders to incur losses or may diminish the Company assets. The subject that no debt shall be given, no loans shall be granted or no pledges such as guarantees in favor thereof may be extended to any members of the Board of Directors or to any employees through the use of ASELSAN assets, is declared within the "ASELSAN Ethical Principles, Values and Conduct Rules Document", which is available on our Company's website.

The e-mail mechanism for the stakeholders to report their complaints regarding the transactions of the company, which are against the legislation or deemed unethical, is stated in the ASELSAN Ethical Principles Policy. The policy has been published on the Turkish and English web site following the approval of the policy. Within the context of the policy, the Ethics Committee is informing the Corporate Governance Committee.

4.2. Participation of Stakeholders in the Management

ASELSAN observes the sensitivities of the sector where it operates; never compromises on the principles of fairness, transparency, accountability, and responsibility, which are the cornerstones of corporate governance; adds momentum into its consistent growth, and safeguards the interests of stakeholders. In an attempt to bring its lead on domestic platforms to the international arena, the Company works without respite towards full compliance with corporate governance principles and legal regulations.

In the Articles of Association, there are no provisions regulating the participation of the stakeholders in the management. However, their participation to management shall be supported provided that it does not corrupt the Company activities.

The corporate governance structure of the Company gives the opportunity to all stakeholders including the employees and representatives to convey their worries with regard to transactions, which are inappropriate in terms of legality and ethics.

Our employee suggestion system with the theme of "Development Workshop", which aims to live, keep alive and take our values of development and excellence further together, continued to work in 2021.

Throughout the year, our employees conveyed suggestions to Development Workshop with the following topics; increasing productivity and efficiency, developing business processes, raising the level of quality, reducing cost / increasing income, enhancing employee and customer satisfaction, providing occupational health and safety, improving working conditions and the company image. Each suggestion was evaluated attentively and necessary actions were ensured to be taken.

4.3. Human Resources Policy

ASELSAN updates its Human Resources Policy regularly to maintain its strong employer brand and enhance employee experience. ASELSAN's main focus areas are to manage qualified human resources in full compliance with applicable laws and regulations governing the working life, provide modern employment and working conditions, encourage personal development, and boost work performance. ASELSAN's Human Resources Policy is aimed at creating a fair, respectful, and transparent working environment, and is made up of principles based on the Universal Declaration of Human Rights, the Conventions of the International Labor Organization (ILO) to which the Republic of Turkey is a party, and the Turkish regulations on labor and social security. Our human resources management policy is a set of principles which creates a fair, respectful and transparent working environment. All employees are responsible for the implementation of the Human Resources Management Policy within the limits of their duties and authorities.

The basic principles of ASELSAN Human Resources Management Policy are as follows:

- To accept the employees as a social entity with a personality, to respect their personalities, to protect their material and moral rights.
- To ensure that the authorities and responsibilities are fully determined, and to consider the fit of the characteristics of the task and the competencies of the employees.
- Creating equal learning and development opportunities and designing learning programs according to abilities, qualifications and development areas of ASELSAN employees.
- To ensure that the employees are motivated for high performance.
- To ensure that the workforce plan is dynamic and meets the strategic needs of the company.
- To design a career management system which allows employees to ensure their career development and promotion in accordance with their performances.
- To create a peaceful working environment which promotes creative, constructive, honest, well intentioned and open communication.
- To ensure that appointment, dismissal and evaluation procedures are based on objective and egalitarian principles, away from personal criteria.
- To encourage each employee for improvement and development, as an individual or team member.
- To make employees feel safe regarding their job security unless their behaviors contradict with ethical rules, general principles and laws.
- To continuously review and revise the human resources management policy, in accordance with the values and strategic plans of the company.

61% of our employees stand for the engineering group, 29% for the technician group, 6% for the administrative group, 2% for the office personnel and 2% of the worker group.

4.4. Ethical Rules and Social Responsibility

4.4.1. Ethical Rules

ASELSAN's Ethical Principles, Values, and Code of Conduct is reviewed and updated regularly to create working environments that comply with ethical principles based on integrity, honesty, and work discipline; prevent unethical behavior; raise awareness on ethical values; and align the Company's practices with ethical principles.

Ethical Principles enable ASELSAN to create and preserve a working environment where ASELSAN employees treat one another with kindness, genuineness, tolerance, and respect, and voice their opinions open-mindedly. Thanks to the mutual trust established in the Company, employees act responsibly and look after not only their interests but also the long-term interests of their society, their Company, and all the stakeholders.

ASELSAN's Ethical Principles Committee is established under the corporate structure and management system of the Company and consists of seven members. Chaired by the Vice President of Corporate Governance, the Committee consists of the representatives from Internal Audit, Supply Chain Management, Legal Affairs, and Human Resources, and two ASELSAN employees who are elected with the votes of employees. All ASELSAN employees are entitled to obtain information from the Committee and report any suspected unethical conduct to the Committee. Unethical conduct is promptly inspected by the Committee, which also implements necessary measures in line with the information and contributions received from the Senior Management.

When selecting new hires, utmost attention is paid to choose who are willing to comply with ASELSAN's core values and ethical principles. Every new member of the ASELSAN family takes an onboarding program whereby they go through comprehensive training on ASELSAN's Ethical Principles, Values and Code of Conduct, and ASELSAN's Directive on Ethical Values. New recruits are also tasked with mandatory Ethical Principles, Values, and Code of Conduct; provided a booklet on ethical principles, values, and code of conduct; and are expected to commit to ethical principles specified in the ASELSAN Covenant for Employment. Efforts are undertaken to ensure that all ASELSAN employees internalize ethical values in an environment where they are encouraged to uphold these values in their day-to-day work and at all times after the onboarding period. All ASELSAN employees can apply to the Ethical Principles Committee via the Ethical Principles Help Desk, while external applications are received at etik@aselsan.com.tr. ASELSAN's Ethical Principles Committee regularly announces the applications received and the evaluations made by the Committee to all ASELSAN employees to raise awareness on ethical principles and values. The Ethical Principles Committee presents a report at the Board Meeting every year in January regarding its activities, applications received and evaluations conducted.

The Committee issues certificates of appreciation for employees to encourage employee behavior that help promote ethical principles and values. Meanwhile, necessary studies were completed to send "Glad to Have You" notifications to employees via the "Glad to Have You" app on behalf of the Committee. Such incentive mechanisms will be launched for active use.

4.4.2. Social Responsibility

An independent British institution, Carbon Disclosure Project (CDP), which reports how the companies manage the risks of climate changes, has announced 2021 reporting ranking results on November 2021. By performing a climate change management above the country and global average, ASELSAN has been placed in the A- list of CDP Water Reporting, which is assumed to be one of the most prestigious environmental projects of the world. In addition to this report, in which it participated for the first time, it continued its climate change studies with a score above the global average in CDP Climate Change reporting. According to the study that evaluates the big companies listed on Borsa İstanbul, by its sustainable environment management, ASELSAN has protected its place among the firms that most successfully manage climate change risks through production process and has the highest gas emission performance.

In ASELSAN, where decreasing carbon emission is one of the strategic goals, carbon emission has been monitored since 2009. Among defense companies in Turkey, ASELSAN was the first company that participated in CDP and has been ranked between important global defense companies with its climate change management. With the success it received in the first year of CDP Water Reporting, it reflected the value it places on water management.

ASELSAN aims a sustainable carbon emission management and continues to work on increasing energy efficiency in production, giving priority to energy production technologies that will decrease carbon emission and production of environmentally friendly products as a responsible manufacturer with increasing momentum. ASELSAN received the "Low Carbon Hero" award at the Carbon Summit held in 2021 with the works that has been carried out.

Zero Waste is a system, which gives importance to reuse, decrease in waste production due to service and production, collection of the waste separately according to its type and recycling. By aiming protection of environment and human health, ASELSAN has strengthen its zero waste management system during 2021. Wastes are collected separately to be recycled in a manner that will add value to the environment and the economy. The lunch leftovers are being shipped to animal shelters and used as organic waste composting and office waste is recycled. Garment and toy collection boxes has been placed in the campus parking areas and delivered to those in need within the scope of social responsibility. With the help of vegetable waste oilcans placed in the parking lots, the vegetable waste oils brought by the personnel from their homes were sent for recycling. ASELSAN was deemed worthy of an award in the UK-based Green Apple Awards, one of the most accepted environmental awards in the world, with its success in waste management carried out at its campuses.

Having certifications for ISO 45001:2018 Occupational Health and Safety, ISO 14001:2015 Environmental and ISO 14064: 2006 Greenhouse Gas Integrated Management System, we will proceed to take part in pioneer applications through actualization of national and international initiatives. With the ISO 39001 Road Traffic Safety Management System, the installation of which was completed in 2021, the safety of the transportation system was once again confirmed.

In November 2014, Borsa İstanbul (BIST) has launched Sustainability Index that display the performance of January-March 2014 time period for BIST-30 firms in the fields of financial, environmental, social issues and corporate governance. With respect to that, as of this date, ASELSAN started publishing sustainability reports. As a result of the evaluation of our Company on the ASELSAN Sustainability Report, published in Turkish and English for the first time before the Index assessments, ASELSAN was among the 15 firms that were approved to be included in BIST Sustainability Index. In 2021, ASELSAN kept its place in the index as a consequence of the re-evaluation of ASELSAN Sustainability Report that was published in July 2021.

Sustainability reports that are published on our website (www.aselsan.com.tr) include the details of sustainable applications in the fields of strategic governance, corporate governance, ethical principles, internal audit, bribery and corruption, risk management, communication with stakeholders, supply chain, information systems, facility management, employee development, human rights, occupational health and safety, environmental management.

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The year 2021 has also placed a conscientious responsibility on ASELSAN with the emergence of pandemic and continuing impact of earthquakes and disasters. During these difficult times, the steps taken in order to become one and united turned into projects that benefit society through our ASİL Association.

In this context, many important projects were implemented by the “ASİL Association” throughout 2021.

ASIL Association has approached many needy families and has supported them in several categories to show them they are not lonely with the support of ASELSAN in 2021. When we look back, it has been encroached to 3.500 families who has requirements due to financial impossibilities in 2021.

- From these families; hand and foot prostheses of 2 patients who were urgently in need, were implanted, the surgery costs of 3 patients whose operations were delayed due to lack of financial opportunity were covered, the necessary devices for disabled children were delivered to the families, and the drug costs for patients who could not buy their medications were covered by ASİL.
- ASİL Association who has many activities and assistances in educational field has supported 20 schools by supplying book sets, stationery sets and technological materials in 2021.
- Kindergarten which has been collapsed during earthquake in Malatya, Doğanşehir county, Kurucaova village has been reconstructed and commenced education as ASELSAN kindergarten name.
- Food aid to 2800 families, alms assistance to 250 families in Ramadan and clothing assistance to 1000 kids in Eid Al Adha has been done in 2021.
- 1 mobil ambulance was sent to Palestine by ASİL Association for the Palestinian people.
- For the forest fires in country wide in this year which has deeply upset all of us, ASİL association has mobilised a fire water bucket and 10 nozzles to fire regions.
- With the support of ASELSAN personnel, ASİL Association sent coats and boots to 250 children in need.

ASIL association will pull out all the stops to approach many needy families with the belief and support of you and will continue to add “hope to future, value to life”.

In order to provide resources for all these activities, 3 cafés, 5 canteens and 1 corner café in ASELSAN's Macunköy, Akyurt and Gölbaşı campuses started to be operated by ASİL Association.

In the year 2021, our company supported the following events through sponsorship:

- Turkish Armed Forces Rehabilitation and Nursing Center's Handicapped Sports Club's sport activities held in 2021,
- Online Event of SAHA EXPO 2021,
- TÜREB (Turkish Wind Energy Association) Turkey Wind Energy Atlas ve Statistics Report
- TEKNOFEST 2021, Aerospace and Technology Festival,
- IDEF 2021, 15th International Defence Fair and related CBRN Defence Activities
- 3rd Productivity and Technology Fair
- 6th International Earthquake Engineering and Seismology Conference
- 6 G Workshop
- 3rd Military Radar and Border Security Summit
- International İstanbul Smart Cities and Grids Congress and Expo
- Konya Defence Industry and Arms Fair
- TÜREK (Turkey Wind Energy Union) 10GW+ Congress
- 12th Transportation and Communication Council
- 7th İstanbul Security Conference
- 14th International Information Security and Cryptology Conference

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CHAPTER V - BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

In our Company, 3 members of 9 members of Board of Directors are independent members. The duties of Nomination Committee are executed by Corporate Governance Committee. The reports regarding the evaluation of the list of Independent Members of Board of Directors prepared by Corporate Governance Committee on 27.04.2021 and 16.06.2021 were presented to Board of Directors. Within the scope of CMB's Communiqué on Corporate Governance numbered II.17-1, CMB has not stated any adverse opinion on the nominee list and the evaluation report. The CVs and independence statements of the 6 nominees were announced to public on our website on 18.06.2021. As a result of the voting at the General Assembly Meeting on 29.06.2021, 3 nominees were elected as Independent Members of Board of Directors. There is 1 female member among the Independent Members of the Board of Directors. There were no cases to eliminate the independency of the Independent Members of the Board of Directors in 2021.

The CVs of the Members of the Board of Directors are included in the annual report and the information with respect to their duty terms is provided in the table below.

Name Surname	Duty	Election Date
Haluk GÖRGÜN	Chairman / CEO	March 2017
Alpaslan KAVAKLIOĞLU	Vice Chairman	April 2019
Ercüment ARVAS	Independent Member	March 2016
Yavuz ÇELİK	Member / Executive Director	June 2020
Turan EROL	Independent Member	June 2020
Mehmet Fatih KACIR	Member	April 2019
Salih KUL	Member	April 2019
Nurşen SARI	Independent Member	June 2021
Mustafa Murat ŞEKER	Member / Executive Director	June 2021

In article 13 of the Articles of Association titled "Duties and Authorization of the Board of Directors", the duties and authorization of the Board of Directors have been defined. Besides, the Board of Directors Working Directive also describes the Duties and Authorization of the Board of Directors. With the article 14 of the Articles of Association titled "Assignment of the Authorization to the CEO", the assignment of the authorization of the Board of Directors to the CEO has been set out. The duties and authorization of the executives are described in the "Duties and Responsibilities Directive" formed within the Company.

The duties of the Members of the Board of Directors and of the CEO carried out outside the Company, information regarding the term of office and the statements of the board of members with respect to their independencies were given below.

- There is an executive member in the Board of Directors.
- The statements of independence of the Independent Members of the Board of Directors have been provided at the annex of the Compliance Report.
- The Members of the Board of Directors fulfill their duties without any interest or benefit and pursuant; to the liabilities and authorizations undertaken by the Board of Directors and to the regulations of the Turkish Code of Commerce and CMB.
- Members of the Board of Directors, in accordance with the Working Directive of Board of Directors, are liable not to enter into any commercial treatments directly or indirectly with the Company that coincides with the Company objectives, on their behalf or on behalf of others without the consent of the General Assembly.

5.2. Principles of Activity of Board of Directors

Board of Directors carries out its duties and responsibilities determined with reference to TCC, Capital Market Law and Articles of Association. In this context, the basis of duties and operations are indicated in details in ASELSAN Board of Directors Working Directives.

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The agenda of the Board of Directors meetings is formed with the proposals of the Members of the Board of Directors and the committees and the CEO, it is afterwards evaluated by the Board of Directors Chairman and finalized. The subjects emerged as urgent and which are considered worthwhile to discuss may be added to the agenda during the Board of Directors meeting.

As per article 10 of the Articles of Association, the Board of Directors assemble when required and at least once a month. The number of Board of Directors Meetings in 2021 was 15, where 19 of the decisions in the meetings are interim decisions. 93% of the Members of the Board of Directors attended all of the meetings.

The place, date, time and agenda of the next meeting is decided at the Board of Directors Meetings. Documents pertaining to the meeting agenda are sent to the members of Board of Directors at least 3 work days before the meeting by the Presidency.

The Members of the Board of Directors attend the meetings and fulfill their duties as per their authorization and responsibilities. The members who do not attend the meetings submit their excuses.

Board Office is established under Board of Directors in order to coordinate necessary issues in the name of the Board, particularly the relationships with the Presidency and TAFF, to execute planning and support the Board of Directors' operations.

All members have one right to vote, including the chairman. If the numbers of votes are equal, the vote of the chairman does not change the result. Abstaining is not possible, either rejection or acceptance is voted. The vote of the abstaining member is considered as a rejecting vote. The member casting a reject vote states the ground for this in the meeting minutes and undersigns it. According to the article 11 of the Articles of Association titled "Quorum of Meeting and Decision Making"; "The provisions of the TCC, Capital Market Law, regulations of the Capital Markets Board in connection with corporate governance and other relevant legislation are considered with respect to the meetings and decision making quorums of the Board of Directors as well as with respect to any Board of Directors members assuming duties and positions outside the Company. Any action and resolutions taken by the Board of Directors without complying with the Corporate Governance Principles, which are made mandatory as to be complied by the Capital Markets Board, are invalid and considered as in contrary to the Articles of Association". In the operation year 2021, there were no related party transactions or any other significant issue, which had to be submitted to the approval of the general assembly since they were not approved by the Independent Members of the Board of Directors.

The signed decisions are made available to the follow up of the Members of the Board of Directors and Executive Committee Members in the electronic platform.

Executive Liability Insurance Policy was signed for Board of Directors members on 05.08.2021, with a validity period of 1 year.

5.3. Number of Committees Formed in the Board of Directors with Their Structures and Independency

As per the title "Committees Formed in the Board of Directors" in the Communiqué Regarding Determination and Implementation of Corporate Governance Principles by the Capital Markets Board, our Company's Board of Directors, in the meeting dated 10.04.2012, formed an Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee and announced this to the public. There are no Nomination and Remuneration Committees within the Board of Directors and the duties of these are carried out by the Corporate Governance Committee.

The directives of Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee are made available at the website of our Company. The Independent Members of the Board of Directors have duties in more than one committee. This is because it is mandatory that all members of the Audit Committee and the chairman of the other committees should be Independent Members of the Board of Directors.

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Boards of Directors have made the annual evaluation of the committees composed under its structure and the evaluation report is available in Annual Report.

AUDIT COMMITTEE

Committee Members (January – June 2021)

İbrahim ÖZKOL	: Chairman / Independent Member of Board of Directors
Ercümend ARVAS	: Member / Independent Member of Board of Directors
Turan EROL	: Member / Independent Member of Board of Directors

Committee Members (June – December 2021)

Nurşen SARI	: Chairman / Independent Member of Board of Directors
Ercümend ARVAS	: Member / Independent Member of Board of Directors
Turan EROL	: Member / Independent Member of Board of Directors

The main duties of the Audit Committee that were set out in the “ASELSAN Audit Committee Work Directives” regulating the working principles of Audit Committee are as follows;

- To enable the disclosure of the financial data of ASELSAN, to pursue the operation and efficiency of the accounting system, independent audit, internal audit and internal control system of the company,
- To assemble at least every 3 months, to share the meeting minutes with the Board of Directors

Meetings were held by Audit Committee on dates 23.02.2021, 27.04.2021, 10.08.2021 and 26.10.2021 regarding the financial statements with the participation of the related independent audit company in 2021.

In order to increase the efficiency of internal audit, attention was paid to strengthen the cooperation with Internal Audit Presidency and to the supervision of internal audit activities, direct and continuous communication was established between Audit Committee and Internal Audit Presidency. A dimension of this communication; Audit Committee-Internal Audit Presidency coordination meetings in 2021, were held 11 times on dates 21.01.2021, 18.02.2021, 25.03.2021, 21.04.2021, 12.07.2021, 22.09.2021, 21.10.2021, 24.11.2021, 29.11.2021, 22.12.2021 and 24.12.2021.

The Committee was active in two main topics in 2021.

i. Independent Audit Activities and Works Regarding the Audited Financial Statements:

“Communiqué on Financial Reporting in Capital Markets” Serial: II, 14.1 regulated the preparation of financial reports and their basis, principles of presentation to the relevant parties. December 2020, March 2021, June 2021 and September 2021 financials and Board of Directors reports were prepared in accordance with the communiqué numbered II, 14.1, and submitted to Board of Directors by Audit Committee and presented to the public via Public Disclosure Platform.

The procurement process for independent audit services for the year 2021 as per the CMB’S communiqué numbered II-14:1, was handled by the Industrialization and Procurement Directorate and the procurement proposal resolution of the Board of Directors regarding procurement of services from “YEDİTEPE Bağımsız Denetim A.Ş.” was submitted for approval on the General Assembly Meeting dated 29.06.2021 and was accepted.

ii. Internal Audit Presidency:

Within the scope of the internal audit activities of the Company, the relations between the Internal Audit Presidency and the Board of Directors have been carried out through Audit Committee. A direct and continuous contact between Audit Committee and Internal Audit Presidency is present.

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CORPORATE GOVERNANCE COMMITTEE

Committee Members (January – June 2021)

Ercümend ARVAS	: Chairman / Independent Member of the Board of Directors
Salih KUL	: Member / Member of the Board of Directors
Celal Sami TÜFEKCI	: Member / Member of the Board of Directors
Pınar ÇELEBİ	: Member / Investor Relations Manager

Committee Members (June – December 2021)

Ercümend ARVAS	: Chairman / Independent Member of the Board of Directors
Yavuz ÇELİK	: Member / Member of the Board of Directors
Salih KUL	: Member / Member of the Board of Directors
Mustafa Murat ŞEKER	: Member / Member of the Board of Directors
Pınar ÇELEBİ	: Member / Investor Relations Manager

The main duties of the Corporate Governance Committee were set out in the “ASELSAN Corporate Governance Committee Work Directives” as follows:

- To carry out studies for the implementation of Corporate Governance Principles in the Company,
- To observe whether the Corporate Governance Principles have been implemented or not and if not implemented to determine the grounds for this and the conflicts of interest arising due to not complying with these principles and to make proposals for improving the status,
- To monitor the activities of the Investor Relations Department.

Corporate Governance Committee assembles every 3 months and in every situation when necessary. The meeting minutes are submitted to the Board of Directors.

The Corporate Governance Committee assembled 8 times within the activity year 2021 on dates, 25.01.2021, 29.03.2021, 26.04.2021, 27.04.2021, 24.05.2021, 16.06.2021, 26.07.2021 and 31.08.2021. The meeting minutes of the Committee may be reached on our website. The committee was active in 3 respective tasks in 2021:

i. Operations of Investor Relations Department:

Investor Relations Department have attended all the meetings in 2020 and performed secretariat procedures of the committee with regard to “ASELSAN Corporate Governance Committee Working Directive”. Information was provided to the committee about the activities of the Investor Relations Department in the Committee meetings.

In 2021, the subjects discussed and tasks carried by the Corporate Governance Committee within the context of the meetings are given below:

- Corporate Governance Committee Evaluation Report,
- Preparation of ASELSAN Corporate Governance Principles Compliance Report and the submission of the report to Board of Directors,
- Independent Board Members selection process,
- Corporate Governance Rating,
- Preparation of Corporate Governance Committee Evaluation Report and the submission of the report to Board of Directors,
- Receiving information about 2020 activities of the Corporate Governance Assistant General Management Directorates,
- Discussing Human Resources practices,
- Discussing the updates and changes related to the guidelines,
- Negotiating organizational structure changes and appointments.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2021

ii. Corporate Governance Rating:

The evaluation of corporate governance rating performed by SAHA Corporate Governance and Credit Rating Services were concluded during the last quarter of 11.12.2020, ASELSAN'S corporate governance rating grade, which had been as 9,29 over 10 on 11.12.2020, has increased to 9,35 as of 10.12.2021

Our Company's share has been listed in the corporate governance index since the date 14.12.2012, which it first entered the index. Rating reports can be accessed on the company website.

iii. Election of Independent Board Members

As given by Corporate Governance Principles, the responsibility of evaluating and reporting the nominations and their independency status is given to the Nomination Committee, in companies where this committee is not formed because of the structure of the Board of Directors, the responsibility is given to Corporate Governance Committee. Within this context, the evaluation of nominations was carried on by the Committee and the resulting nominee list was presented at the Board of Directors meetings on dates 27.04.2021 and 16.06.2021.

CMB has not stated any opposing opinions regarding the nominees' list and evaluation report which was submitted by the Board of Directors. The final list was submitted to shareholders' voting on General Assembly Meeting on 29.06.2021 and as a result, Ercüment ARVAS, Turan EROL and Nurşen SARI were elected as independent members to serve for 1 year.

EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

ASELSAN Board of Directors established the "Early Detection and Management of Risk Committee" with the resolution dated 10.04.2012 and numbered 720/1. The Committee executes as per the directive numbered ASY-01-066.

Committee Members (January – June 2021)

Turan EROL	: Chairman / Independent Member of the Board of Directors
Salih KUL	: Member / Member of the Board of Directors

Committee Members (June – December 2021)

Turan EROL	: Chairman / Independent Member of the Board of Directors
Yavuz ÇELİK	: Member / Member of the Board of Directors
Salih KUL	: Member / Member of the Board of Directors

In 2020 the Committee continued to identify the risks which prevent ASELSAN from reaching its goals; manage the risks in accordance with the company's risk-taking profile; report the risk activities; build risk aware decision mechanisms and internal control. Risks identified through risk management processes are prioritized depending on their probability and impact. It is ensured that important risks are monitored and reported. In this context, in 2021 the Committee held 6 meetings on 25.01.2021, 29.03.2021, 24.05.2021, 26.07.2021, 25.10.2021 and 27.12.2021.

Committee's activities are summarized below:

- "2020 Evaluation Report" was prepared and submitted to Board of Directors in January 2021.
- In 2021, a total of 6 Corporate Risk Evaluation Reports were prepared and submitted to the Board of Directors. In the reports;
 - Important risks of ASELSAN were evaluated and monitored. The risk classification, explanation, rating, strategy, owner/responsible, current control operations and relevant indicators and mitigating actions were included in the report.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2021

- Warning levels of benchmarks for risk indicators were determined and the risk indicators which divert from the benchmark and can signal the poor performance of a goal during the reporting period were also reported.
- Risk management chapters in the annual report and the other reports set by the legal authorities were prepared.

The secretariat formalities of the Committee were performed by Enterprise Risk and Process Management Department of Finance Directorate.

5.4. Risk Management and Internal Control Mechanism

In ASELSAN, the effectiveness of internal audit activities, corporate governance, risk management and internal control processes are improved and the Company contributes to the achievement of the Company's targets. The most important role of the internal audit activities, which is an important component of the internal control system, is the provision of assurance and consultancy services to the Audit Committee and the Board of Directors on the internal control system and enterprise risk management. The 3-year audit plan and work programs are prepared on a risk-based basis and the results of the audit are reported to the Audit Committee and regular meetings are held with the Committee. By the Internal Audit Department; compliance with legal regulations and company regulations, the application of ethical principles and the adequacy of controls to eliminate risks are evaluated.

5.5. Strategic Objectives of the Company

The Board of Directors is the top-level body to make strategic decisions and to execute and represent. As per the Articles of Association of the Company, the Board of Directors is responsible to determine the Strategic Plans and control its implementations.

Strategic Management Process is a part of Corporate Governance and is managed by the Chairman and CEO in the name of Board of Directors, following the approval of the ASELSAN Strategic Plan which is prepared with the coordination of Strategic Management Directorate. Reaching ASELSAN's long term goals and sustaining success can be achieved through environment friendly strategies.

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. Within this concept, annually updated 5-year Strategic Plan and 3-year Budgets are prepared. With this methodology, short- and medium-term targets are specified by considering long term goals. The operations to be carried out for these targets are executed by Sector Presidencies/Vice Presidencies and performance evaluations are made based on Balanced Scorecard method, which is widely used in the world.

5.6. Financial Rights

Remuneration procedures for Board of Directors Members and Managers with Executive Responsibility, which are set in written form in accordance with the Corporate Governance Principles, are published on our Company's website.

Monthly remunerations provided to our Members of the Board of Directors are determined by the General Assembly and no other benefits are granted apart from the monthly remuneration. Pursuant to the resolution taken at the 46th Ordinary General Assembly held on 29.06.2021, the Members of the Board of Directors are paid TL 4.500,- per month. As for the determination of the financial rights of the board members, no reward system is applied to reflect the Company performance and which is based on the performance of the Members of the Board of Directors.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2021

Statement of Independence

TO THE BOARD OF DIRECTORS OF ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.
ANKARA

Date: 27/04/2021

With respect to the corporate governance principle numbered 4.3.6 of the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, in order for me to be selected as an Independent Board Member of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (Company), I hereby agree, represent and undertake that I;

- k) do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,
- l) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- m) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- n) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- o) am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,
- p) am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- q) am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- r) have not conducted membership of board of directors more than a term of six years in the last ten years,
- s) am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- t) have not been registered and announced as a board member representing a legal entity.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,


Ercüment ARVAS

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT 2021

Statement of Independence

TO THE BOARD OF DIRECTORS OF ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.
ANKARA

Date: 27/04/2021

With respect to the corporate governance principle numbered 4.3.6 of the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, in order for me to be selected as an Independent Board Member of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (Company), I hereby agree, represent and undertake that I;

- k) do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,
- l) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- m) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- n) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- o) am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,
- p) am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- q) am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- r) have not conducted membership of board of directors more than a term of six years in the last ten years,
- s) am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- t) have not been registered and announced as a board member representing a legal entity.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,


Turan EROL

Statement of Independence

TO THE BOARD OF DIRECTORS OF ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.
ANKARA

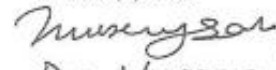
Date: 15.06.2021

With respect to the corporate governance principle numbered 4.3.6 of the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, in order for me to be selected as an Independent Board Member of ASELSAN Elektronik Sanayi ve Ticaret (Company), I hereby agree, represent and undertake that I;

- k) do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,
- l) have not been a shareholder (5% and more), an employee at an administrative level to take upon significant duty and responsibilities or member of board of directors within the last five years in companies that the corporation purchases or sells goods or service at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the time period when the corporation purchases or sells services or goods,
- m) have professional education, knowledge and experience in order to duly fulfill the duties assigned for being an independent board member,
- n) will not be serving as a full time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,
- o) am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,
- p) am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- q) am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,
- r) have not conducted membership of board of directors more than a term of six years in the last ten years,
- s) am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,
- t) have not been registered and announced as a board member representing a legal entity.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,


Dr. Nurgün Sarı

APPENDIX-1

APPENDIX-1	Compliance					Explanation
CORPORATE GOVERNANCE COMPLIANCE REPORT	Yes	Partial	No	Exempted	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2-Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X	-	-	-	-	
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1-Management did not enter into any transaction that would complicate the conduct of special audit.	X	-	-	-	-	
1.3. GENERAL ASSEMBLY						
1.3.2-The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X	-	-	-	-	
1.3.7-Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	-	-	-	-	X	
1.3.8-Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X	-	-	-	-	
1.3.10-The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X	-	-	-	-	
1.3.11-The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	-	X	-	-	-	The General Assembly meeting is not open to the media.

CORPORATE GOVERNANCE COMPLIANCE REPORT	Compliance					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4. VOTING RIGHTS						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X	-	-	-	-	
1.4.2-The company does not have shares that carry privileged voting rights.	X	-	-	-	-	
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	-	-	-	-	X	
1.5. MINORITY RIGHTS						
1.5.1-The company pays maximum diligence to the exercise of minority rights.	X	-	-	-	-	
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.	-	-	X	-	-	Utmost attention is paid for the execution of minority rights in our Company and the provisions of Turkish Code of Commerce and the relevant legislation regarding minority rights are applied as is.
1.6. DIVIDEND RIGHT						
1.6.1-The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X	-	-	-	-	
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X	-	-	-	-	
1.6.3-The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X	-	-	-	-	
1.6.4-The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X	-	-	-	-	

CORPORATE GOVERNANCE COMPLIANCE REPORT	Compliance					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.7. TRANSFER OF SHARES						
1.7.1-There are no restrictions preventing shares from being transferred.	-	-	X	-	-	The transfer of the nominated Group A shares representing majority part of the capital and which are not traded in Borsa İstanbul has been restricted with the provision of article 6 of the Articles of Association stating “As the company operates in security and defense sector, Group A shares shall not be sold or transferred without the consent of the Board of Directors; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records”.
2.1. CORPORATE WEBSITE						
2.1.1-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X	-	-	-	-	
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X	-	-	-	-	
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X	-	-	-	-	
2.2. ANNUAL REPORT		-	-	-	-	
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X	-	-	-	-	
2.2.2-The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X	-	-	-	-	

CORPORATE GOVERNANCE COMPLIANCE REPORT	Compliance					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1-The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X	-	-	-	-	
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	X	-	-	-	-	
3.1.4-A whistleblowing programme is in place for reporting legal and ethical issues.	X	-	-	-	-	
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X	-	-	-	-	
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	-	X	-	-	-	Although the mechanisms that enable the participation of stakeholders in the management of the company are built, they are not included in the Articles of Association.
3.2.2-Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X	-	-	-	-	
Compliance						

CORPORATE GOVERNANCE COMPLIANCE REPORT

	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.3. HUMAN RESOURCES POLICY						
3.3.1-The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X	-	-	-	-	
3.3.2-Recruitment criteria are documented.	X	-	-	-	-	
3.3.3-The company has a policy on human resources development, and organises trainings for employees.	X	-	-	-	-	
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X	-	-	-	-	
3.3.5-Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	-	X	-	-	-	Although there is an employee representative practice in our company, there is no union organization.
3.3.6-Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X	-	-	-	-	
3.3.7-Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X	-	-	-	-	
3.3.8-The company ensures freedom of association and supports the right for collective bargaining.	-	X	-	-	-	Establishment of associations by employees about social responsibility, social activities, etc. is encouraged and there is no regulation regarding the recognition of the right to collective bargaining agreements.
3.3.9-A safe working environment for employees is maintained.	X	-	-	-	-	

Compliance

CORPORATE GOVERNANCE COMPLIANCE REPORT	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X	-	-	-	-	
3.4.2-Customers are notified of any delays in handling their requests.	X	-	-	-	-	
3.4.3-The company complied with the quality standards with respect to its products and services.	X	-	-	-	-	
3.4.4-The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X	-	-	-	-	
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1-The Board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X	-	-	-	-	
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X	-	-	-	-	
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1-The Board of Directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X	-	-	-	-	
4.1.2-The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X	-	-	-	-	

Compliance

CORPORATE GOVERNANCE COMPLIANCE REPORT	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The Board of Directors documented its meetings and reported its activities to the shareholders.	X	-	-	-	-	
4.2.2-Duties and authorities of the members of the Board of Directors are disclosed in the annual report.	X	-	-	-	-	
4.2.3-The Board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X	-	-	-	-	
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X	-	-	-	-	
4.2.5-The roles of the Chairman and Chief Executive Officer are separated and defined.	X	-	-	-	-	
4.2.7-The Board of Directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X	-	-	-	-	
4.2.8-The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X	-	-	-	-	
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	-	X	-	-	-	There is 1 female member in the Board of Directors, but a target was not set to keep the female member ratio at a minimum of 25%. There is no written Company policy regarding this issue.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X	-	-	-	-	
	Compliance					
CORPORATE GOVERNANCE COMPLIANCE REPORT	Yes	Partial	No	Exempted	Not Applicable	Explanation

4.4. BOARD MEETING PROCEDURES

4.4.1-Each board member attended the majority of the board meetings in person.	X	-	-	-	-	
4.4.2-The Board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X	-	-	-	-	
4.4.3-The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X	-	-	-	-	
4.4.4-Each member of the board has one vote.	X	-	-	-	-	
4.4.5-The Board has a charter/written internal rules defining the meeting procedures of the board.	X	-	-	-	-	
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X	-	-	-	-	
4.4.7-There are limits to external commitments of board members. Shareholders are informed of Board members' external commitments at the General Shareholders' Meeting.	-	X	-	-	-	There are no limitations for the members of the Board of Directors regarding them to carry duties outside the company, except the duties that are subject to prohibition of competition.

4.5. BOARD COMMITTEES

4.5.5-Board members serve in only one of the Board's committees.	-	-	X	-	-	The independent members take part in more than one committee because the number of independent members is 3.
4.5.6-Committees have invited persons to the meetings as deemed necessary to obtain their views.	X	-	-	-	-	
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.	-	-	-	-	X	
4.5.8-Minutes of all committee meetings are kept and reported to board members.	X	-	-	-	-	

CORPORATE GOVERNANCE COMPLIANCE REPORT	Compliance					Explanation
	Yes	Partial	No	Exempted	Not Applicable	

4.6. FINANCIAL RIGHTS

4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	-	X	-	-	-	The Board of Directors holds a performance evaluation meeting to evaluate whether it fulfills its responsibilities effectively, and the results are not disclosed to the public.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X	-	-	-	-	
4.6.5-The individual remuneration of Board members and executives is disclosed in the annual report.	-	-	X	-	-	The remuneration of the members of the board of directors and senior managers are given as a sum.

CORPORATE GOVERNANCE INFORMATION FILLINGS

1. SHAREHOLDERS

1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organised by the company during the year

In 2021, during the pandemic the world went through, a total of 121 meetings were held with investors, most of which were online as in 2020.

1.2. Right to Obtain and Examine Information

The number of special audit request(s)

-

The number of special audit requests that were accepted at the General Shareholders' Meeting

-

1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)

<https://www.kap.org.tr/en/Bildirim/938040>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time

<https://www.kap.org.tr/en/Bildirim/938040>

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9

-

The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)

-

The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)

<https://www.kap.org.tr/en/Bildirim/938040>

The name of the section on the corporate website that demonstrates the donation policy of the company

Investor Relations > Corporate Governance > Policies

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved

<https://www.kap.org.tr/en/Bildirim/944948>

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting

-

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any

The representatives of the Independent Audit Company attended the general assembly meeting.

1.4. Voting Rights

Whether the shares of the company have differential voting rights

No

In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.

-

The percentage of ownership of the largest shareholder

74,20%

1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association

No

If yes, specify the relevant provision of the articles of association

-

1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy

Investor Relations > Corporate Governance > Policies

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend

-

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends

-

CORPORATE GOVERNANCE
INFORMATION FILLINGS
General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
29/06/2021	0	80,44%	0,01%	80,43%	Investor Relations > Corporate Governance > General Assembly	Investor Relations > Corporate Governance > General Assembly Documents	Article 11	88	https://www.kap.org.tr/en/Bildirim/944948

CORPORATE GOVERNANCE INFORMATION FILLINGS

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations > Corporate Governance
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	-
List of languages for which the website is available	Turkish, English

2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.

a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the Board of directors and executives conducted out of the company and declarations on independence of board members	The information on the duties of the members of the board of directors and executives conducted out of the company is under Article 3/a of the Report of Board of Directors. Declarations on independence of board members are end of the Annual Report > Corporate Governance Principles Compliance Report.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Independency title.
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	The information is in the Annual Report > Corporate Governance Principles Compliance Report > Principles of Activity of the Board of Directors title.
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	The information is under Article 7 of the Report of Board of Director.
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	The information is under Financial Information Note 15 and at the same time under Article 9 of the Report of Board of Directors.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	None.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	The information is under Article 3/b of the Report of Board of Directors.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	The information is in the Annual Report > Corporate Governance Principles Compliance Report > Ethical Rules and Social Responsibility title.

CORPORATE GOVERNANCE INFORMATION FILLINGS

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations > Corporate Governance > Policies
The number of definitive convictions the company was subject to in relation to breach of employee rights	The information is under Article 9 of the Annual Report of Board of Directors.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	CEO
The contact detail of the company alert mechanism.	Chairman, President and CEO Prof. Dr. Haluk GÖRGÜN Phone Number: (0312) 592 60 00 Address: ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Mehmet Akif Ersoy Mahallesi İstiklal Marşı Caddesi No: 16 06200 Yenimahalle ANKARA, TURKEY

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	It was regulated by internal directives and it is not open to the public.
Corporate bodies where employees are actually represented	None.

3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	None.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Career > Being Part of Our Team
Whether the company provides an employee stock ownership program	There isn't an employee stock ownership program.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Career > Our Human Rights Policy
The number of definitive convictions the company is subject to in relation to health and safety measures	The information is under Article 9 of the Annual Report of Board of Directors.

3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations > Corporate Governance > Ethical Principles
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Investor Relations > Corporate Governance > Sustainability
Any measures combating any kind of corruption including embezzlement and bribery	Investor Relations > Corporate Governance > Policies

CORPORATE GOVERNANCE INFORMATION FILLINGS

4. BOARD OF DIRECTORS-I

4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	22/02/2022
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	It was resolved at the meeting of the Board of Directors of our Company, held on 29.06.2021 that; Haluk GÖRGÜN shall be appointed as the Chairman of the Board of Directors, Alpaslan KAVAKLIOĞLU shall be appointed as the Vice Chairman and Yavuz ÇELİK and Mustafa Murat ŞEKER shall be appointed as the Executive Directors. The details regarding the context of the authorities are included in the articles of association.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	12
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	The information is under Article 3/b of the Annual Report of Board of Directors.
Name of the Chairman	Prof. Dr. Haluk GÖRGÜN
Name of the CEO	Prof. Dr. Haluk GÖRGÜN
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	None.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	https://www.kap.org.tr/en/Bildirim/955062
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None.
The number and ratio of female directors within the Board of Directors	1/9

CORPORATE GOVERNANCE INFORMATION

Composition of Board of Directors

Name, Surname of Board Member	Whether Executive Director Or Not	Whether Independent Director Or Not	The First Election Date To Board	Link to PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not
Haluk GÖRGÜN	Executive	Not independent	15/03/2017	-	Not considered	-	Yes
Alpaslan KAVAKLIOĞLU	Non-executive	Not independent	26/04/2019	-	Not considered	-	Yes
Ercüment ARVAS	Non-executive	Independent	31/03/2016	https://www.kap.org.tr/en/Bildirim/943154	Considered	No	Yes
Yavuz ÇELİK	Non-executive	Not independent	19/06/2020	-	Not considered	-	Yes
Turan EROL	Non-executive	Independent	19/06/2020	https://www.kap.org.tr/en/Bildirim/9431540	Considered	No	Yes
Mehmet Fatih KACIR	Non-executive	Not independent	26/04/2019	-	Not considered	-	Yes
Salih KUL	Non-executive	Not independent	26/04/2019	-	Not considered	-	Yes
Nurşen SARI	Non-executive	Independent	29/06/2021	https://www.kap.org.tr/en/Bildirim/943154	Considered	No	Yes
Mustafa Murat ŞEKER	Non-executive	Not independent	29/06/2021	-	Not considered	-	Yes

CORPORATE GOVERNANCE INFORMATION FILLINGS

4. BOARD OF DIRECTORS-II

4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	15
Director average attendance rate at board meetings	93%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	At least 3 days prior
The name of the section on the corporate website that demonstrates information about the board charter	It was regulated by internal directives and it is not open to the public.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	There are no limitations for the members of the Board of Directors regarding them to carry duties outside the company, except the duties that are subject to prohibition of competition.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented.	The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Independency title.
Link(s) to the PDP announcement(s) with the board committee charters	The working principles of the committees are not disclosed on PDP, yet they are presented at the end of the Annual Report.

Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	-	Nurşen SARI	Yes	Board member
Audit Committee	-	Ercüment ARVAS	No	Board member
Audit Committee	-	Turan EROL	No	Board member
Corporate Governance Committee	-	Ercüment ARVAS	Yes	Board member
Corporate Governance Committee	-	Yavuz ÇELİK	No	Board member
Corporate Governance Committee	-	Salih KUL	No	Board member
Corporate Governance Committee	-	Mustafa Murat ŞEKER	No	Board member
Corporate Governance Committee	-	Pınar ÇELEBİ	No	Not board member
Committee of Early Detection of Risk	-	Turan EROL	Yes	Board member
Committee of Early Detection of Risk	-	Yavuz ÇELİK	No	Board member
Committee of Early Detection of Risk	-	Salih KUL	No	Board member

CORPORATE GOVERNANCE INFORMATION FILLINGS

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Interdependency title.
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Interdependency title.
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	The duties of the nomination committee is carried by the Corporate Governance Committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	The information is in the Annual Report > Corporate Governance Principles Compliance Report > Number of Committees Formed in the Board of Directors with Their Structures and Interdependency title.
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	The duties of the remuneration committee is carried by the Corporate Governance Committee.
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	The information is given under Article 6 of the Report of Board of Directors.
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Investor Relations > Corporate Governance > Policies title.
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	The information is given under Article 3/a of the Report of Board of Directors.

Composition of Board Committees-II

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee	-	100%	100%	15	16
Corporate Governance Committee	-	80%	20%	8	12
Committee of Early Detection of Risk	-	100%	33%	6	7

A. General Principles

A1. Strategy, Policy and Goals

Maintaining its place since the inception of the Sustainability Index by Borsa Istanbul in 2014, ASELSAN takes the utmost care so as to fully comply with the principles in the Framework for Compliance with Sustainability Principles, which was announced within the scope of the amendment made on October 2, 2020 in the Capital Markets Board's Corporate Governance Communiqué numbered II-17.1.. Continuing its activities in this field with the aim of continuous improvement, ASELSAN's compliance with the sustainability principles is presented below.

ASELSAN believes that growth will be achieved not only in economic and institutional but also in social and environmental fields with the awareness of our impact and responsibilities, and makes maximum efforts to carry out its activities within this framework. With the awareness of its responsibility for sustainable life, it accepts environmental, social and corporate governance issues as our priority and discloses its efforts for the benefit of our country, society and future generations.

In this context, the basis of the work is "to carefully monitor the sustainability programs developed in the national and international arena and to create the sustainability added value at the highest level", which is also included in the company policies.

ASELSAN revised its business strategy and sustainability understanding in 2021, taking into account the needs of all its stakeholders, in the face of developing and changing needs, with the strength we derive from our vision that emphasizes "trustworthy, sensitive to the environment and people", and our commitment to "take into account the expectations of the relevant parties" in our policies. Our short, medium and long-term goals and all ASELSAN's family members, customers, investors, suppliers, universities, industry and civil society organizations will center on the sustainability understanding, the details of which will be shared in the 2021 Sustainability Report as a separate report and/or Carbon Emissions Report. Working on business strategies, risks and opportunities with a wide range of stakeholders such as community organizations, public institutions, society, future generations and entrepreneurs. It is considered that the issue of sustainability is a path that needs to be strongly advanced not only at ASELSAN, but also with our stakeholders such as our customers, investors, suppliers and society. With the devoted support and valuable opinions of all relevant parties, it is anticipated that many studies will be undertaken that will add value to ASELSAN's sustainability journey.

The list of policies prepared by ASELSAN on sustainability and announced to the public on its website is given below:

- Dividend policy
- Disclosure policy
- Anti-Bribery and Anti-Corruption policy
- Tax policy
- Remuneration policy
- Compensation policy
- Stakeholders policy
- Donation and aid policy
- Information security policy
- Quality policies
- Supply policies

- Conflict minerals policy
- Integrated management system policy
- Water policy
- Personal Data Protection and processing policy
- Personal Data Protection Data storage and disposal policy

A2. Implementation/Monitoring

Sustainability Delegates consisting of 50 people representing different functions within the company, have been determined under the leadership of the Corporate Management Vice President for the coordination of ASELSAN's efforts on sustainability. Sustainability Delegates will play a leading role in raising awareness within the company regarding important and priority sustainability issues that fall under their duties and responsibilities, and will contribute to the management of the issues addressed with a more holistic approach and reporting of sustainability performance.

In 2021, the first Sustainability Workshop was held with the participation of Senior Management and Sustainability Delegates, where the importance of sustainability was emphasized and activities that would accelerate the work that has been going on for years at ASELSAN were discussed in this context. Within the scope of the Sustainability Workshop, the working groups consisting of the main topics of environment, society and corporate governance, including the Sustainability Delegates, discussed what needs to be done to maximize ASELSAN's compliance with the Capital Markets Board and Borsa Istanbul regulations, as well as for ASELSAN stock to be included in international sustainability indices.

In the Sustainability Workshop, the areas that ASELSAN is open to improvement in sustainability, the responsibilities of these areas and the short-term targets are determined as follows.

- It has been decided that the ASELSAN 2021 Sustainability Report, which will be published as a separate report in the first half of 2022, will be prepared in accordance with the Global Reporting Initiative (GRI) standards, and work is progressing in this direction. The contents to be included in the ASELSAN 2021 Sustainability Report will be created in accordance with the basic principles in the GRI Sustainability Reporting Standards.
- Considering our stakeholders in ASELSAN's current sustainability reports, the contents of the topics such as supply chain management, quality management, product safety, customer health and safety, energy management are enriched in the ASELSAN 2021 Sustainability Report and internal practices are made more visible.
- Concrete efforts will be allocated to be included in international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices, etc.) as well as Borsa Istanbul Sustainability Index.
- Studies have been initiated regarding the creation of ASELSAN's Human Rights Policy and its disclosure to the public on the corporate website.
- In the ASELSAN 2021 Sustainability Report, the topics that will receive assurance services have been analyzed and determined, meetings have been held with the institutions providing assurance services, and work has been initiated to obtain an assurance report.

A3. Reporting

ASELSAN attaches importance to the continuity of its communication with all its stakeholders, and accordingly, it shares important information for stakeholders in a direct and concise manner through its sustainability reports, annual reports, corporate website and investor relations website.

Every year, ASELSAN announces its Sustainability Report to the public both on its website and on the Public Disclosure Platform. Although the report covers the developments that took place in the relevant activity period, it expresses a period of 1 year.

In 2021, there are no lawsuits filed and/or concluded against ASELSAN on environmental, social and corporate governance issues.

A4. Verification

ASELSAN will receive assurance services from an independent institution for the titles determined in the 2021 Sustainability Report.

Greenhouse gas emission management is carried out in line with ASELSAN ISO 14064 and ISO 14001 standards. In order to reduce the effects of the global climate change committed in the Environmental Management System policy and to monitor and report the greenhouse gas emissions in a transparent manner, the emission sources in the ASELSAN campuses are determined and the greenhouse gas emissions are calculated, reported and verified by an independent firm every year.

B. Environmental Principles

Being aware of the need to protect the environment it interacts with in order to leave a more livable world to future generations, ASELSAN pays attention to the most effective management of environmental impacts, responsible use of resources, development of environmentally friendly business processes and environmental impact assessments in its activities and operations.

In line with the sensitivity of ASELSAN to environmental management, employees are provided with online environmental trainings on a regular basis every year. In 2021, a total of 845 employees were given online training on environmental protection. At the same time, drills are carried out in order to understand what needs to be done in case of chemical leakage and spillage in line with the ISO 14001 Environmental Management System Standard and legal regulations, and to ensure that the personnel are prepared in advance for such environmental accident situations. ASELSAN, which wants to include not only its employees but also the entire value chain in its development journey, has produced an informative short- film on occupational safety, environment and climate change issues for the delegations. Every delegation that comes to ASELSAN campuses is shown this film, and ASELSAN's perspective on these issues is tried to be reflected.

ASELSAN, which considers the targeted economic, environmental and social performance with the sustainability approach it adopts in its activities, also in the global supply chain formed by thousands of registered suppliers, builds its cooperation with its suppliers within the framework of compliance with the laws, human rights and defined corporate ethical rules. ASELSAN sets the Environmental Management and Occupational Health and Safety Management standards in advance regarding the measurement and evaluation of its suppliers and acts in accordance with these standards in their selections.

The main issues that ASELSAN questions in order to measure and evaluate the suppliers; it has been determined within the scope of compliance with ASELSAN targets and policies, Environmental Management, Occupational Health and Safety Management standards and labor laws, in line with the Company's supply chain policies and international standards, accompanied by technological infrastructure, qualified personnel, comprehensive quality system and strong financial structure.

ASELSAN carries out its activities related to environmental management in accordance with all environmental laws and regulations and in line with international standards. Obtaining, updating and renewing the permits, licenses and documents required for environmental issues for facilities and activities are carried out by the Environmental Officer. The Environmental Officer also prepares a monthly evaluation report and reports the environmental status of the facility to the facility manager. At the end of each year, an Environmental Performance Report containing the previous year's work is prepared and presented to the senior management.

As a result of the Company's sensitivity towards environmental compliance, there were no violations or penalties in 2021 within the scope of the Environmental Law and related regulations.

According to the information included in the CDP report that ASELSAN announces every year together with the Sustainability Report, our Company's Chairman, President and CEO is defined as the person responsible for carrying out sustainability activities. In addition, the company monitors and measures the incentives it offers for

the management of environmental issues, with the Chairman, President and CEO and Corporate Management Vice President, with balanced score cards.

ASELSAN aims to be a responsible manufacturer by considering environmental problems on a global scale and includes this issue in its strategic goals. It strategically prefers to use carbon-friendly technologies in its production. It also benefits from smart digital solutions, electric vehicles and solar energy. In addition, studies have been completed to meet the requirements for rail transportation, electric vehicles and wind energy, which are designed and served in the civil field.

ASELSAN sees its suppliers as one of the most important links of the value chain, which directly contributes to the quality of the products/services it offers and thus to the success of its operations and plays a decisive role in its competitiveness. While realizing the economic growth and technological development targets with every stakeholder in the supply chain, ensuring the spread of environmental awareness where all resources are used respectfully and in moderation; it is aimed to raise awareness on social issues such as employment, equality, security, education and health and to protect ethical values. ASELSAN's supply chain, which carries out its project-based activities through signed contracts, plays a role in the execution of all activities from the signature stage of the projects to the process after their delivery to the customer.

ASELSAN has positioned all individuals, institutions and companies that directly or indirectly affect and are affected by its activities on the stakeholder map. Providing great support to stakeholder participation in the realization of business continuity and operational excellence targets, the Company has included customers, employees, investors, suppliers/subcontractors, universities, sector organizations and non-governmental organizations, public institutions, society and future generations in its stakeholder map.

ASELSAN accelerates its corporate development by collaborating with all sectoral and non-governmental organizations operating in the defense industry sector. ASELSAN, which is a member of the leading local and international organizations of the defense industry sector, provides representation in domestic and foreign sectoral organizations through its executives and employees, as well as its Senior Management. However, the company is not a member of any non-governmental organization related to environmental issues.

Greenhouse gas emission management at ASELSAN is carried out in line with ISO 14064 and ISO 14001 standards. In order to reduce the effects of the global climate change committed in the Environmental Management System policy and to monitor and report the greenhouse gas emissions in a transparent manner, the emission sources in the ASELSAN campuses are determined and the greenhouse gas emissions are calculated, reported and verified by an independent firm every year. In this context, internal and external audits were carried out within the framework of the ISO 14064 standard for 2021 data.

ASELSAN is committed to “determining climate change risks and managing them in the light of legislation, monitoring and reporting greenhouse gas emissions in order to reduce the effects of global climate change, carefully monitoring the national and international sustainability programs developed for the environment, and creating the added value for sustainability at the highest level”. is doing.

ASELSAN's carbon emission targets are set in line with the strategies determined by the Senior Management, and a Greenhouse Gas Management Plan is prepared and implemented in order to achieve the targets. Periodic review of the practices within the scope of the Management Plan and coordination of improvement works are carried out by the Climate Change Unit and CDP Representatives.

Energy Consumption	Unit	2017	2018	2019	2020
A) Nonrenewable Fuel Purchased and Consumed (Natural Gas + Diesel)	MWh	52.295	45.285	47.213	56.507
B) Nonrenewable Electricity Purchased	MWh	80.110	82.430	81.730	88.169
TOTAL NONRENEWABLE ENERGY CONSUMPTION	MWh	132.405	127.715	128.943	144.676

In line with the greenhouse gas emission management plan, which is included in ASELSAN's Sustainability Report every year and updated annually for the CDP Climate Change reporting, Scope 1 and 2 aims to reduce the emission intensity by 64.12% compared to the base year until 2022, based on unit turnover.

	Scope 1	Scope 2	Scope 3
2016	11.999	38.651	5.124
2017	12.420	35.983	15.811
2018	10.738	37.663	15.000
2019	14.148	37.786	15.661
2020	14.690	42.320	14.170

- ASELSAN's emission value per unit between January 1, 2020 and December 31, 2020 has been determined as 0,0035 tCO₂E/1.000 TRY.
- Considering that the emission intensity calculated for 2019 is 0.0040 tCO₂e/1000 TRY, an improvement of 11.3% was achieved in 2020 compared to the previous year.
- For the base year 2016, the emission intensity was calculated as 0.0136 tCO₂e/1000 TRY. In this context, a 74.02% decrease is observed in Scope 1 and Scope 2 greenhouse gas unit emissions

Information about 2021 will be included in the ASELSAN 2021 Sustainability Report.

In line with the responsible and effective management of the resources it uses, ASELSAN received the strong support of the Senior Management in the implementation process of the ISO 50001:2018 Energy Management System, which is a management approach that considers the conscious and efficient use of energy in its activities. In this context, it received the ISO 50001:2018 Energy Management System Certificate in April 2021 for Macunköy, Akyurt and Gölbaşı Campuses and all energy sources, without any major or minor finding. Energy management activities are carried out on the basis of processes/production, purchasing processes and in parallel with other integrated management systems. Within the scope of Strategic Activities related to ASELSAN Strategic Plan, the targets of reducing energy intensity are provided by the units responsible for the management of the existing

energy infrastructure in the campuses. In this direction, efficiency studies are carried out, especially on energy-consuming resources, and the data obtained are evaluated through analyzers and software systems.

ASELSAN's 2021 Energy Targets, determined by the 2021 EnYS (Energy Management System) Management Review meeting, are listed below.

- 2% improvement in Aselsan's total electricity consumption on the basis of Energy Performance Indicator.
- 2% improvement in Aselsan total natural gas consumption on the basis of Energy Performance Indicator.
- 0.5% improvement in Aselsan total diesel consumption on the basis of Energy Performance Indicator.

In line with the determined targets, Energy Performance Indicators of energy consumption are checked monthly and necessary actions are taken in case of deviation from the target. In addition, ASELSAN's studies on renewable energy continue.

C. Social Principles

C1. Human Rights and Employee Rights

ASELSAN constantly updates its Human Resources Management Policy in order to protect its strong employer brand and strengthen the employee experience. While managing its qualified human resources, ASELSAN focuses on ensuring full compliance with all laws and regulations regulating business life, providing modern employment and working conditions, supporting personal development and increasing business performance. ASELSAN's human resources management policy consists of principles that aim to create a fair, respectful and transparent working environment and are based on compliance with the Universal Declaration of Human Rights, International Labor Organization (ILO) Conventions to which the Republic of Turkey is a party, and Turkish Labor and Social Security legislation.

ASELSAN's Human Resources Management Policy is made available to all stakeholders on the Company's corporate website. According to this policy, ASELSAN aims to treat people fairly and without prejudice, to promote diversity in the workplace and throughout society, and to protect human dignity.

With the understanding of "decent work" that ASELSAN has adopted, it is to offer equal opportunities to all its employees, regardless of religion, language, race, gender, ethnicity, age, disability and political opinion. It is one of the principles that ASELSAN attaches great importance to, approaching its employees, who are at the beginning of the value chain, without any discrimination during their entire working period, starting from the recruitment process.

At ASELSAN, the remuneration policy is applied to all employees with the same approach and equal denominator, regardless of contract type, gender and disability. Within the growing ASELSAN team, the number of disabled personnel deemed appropriate by law to be included in the staff is carefully monitored.

In ASELSAN, which carries out all its activities on the basis of full compliance with the laws, the equal opportunity approach that prevents and prevents discrimination before the law is always applied, and this issue is integrated into the strategic relations with suppliers and customers. ASELSAN takes all the decisions regarding its employees; regardless of race, religion, language, sect or any belief, gender, mental or physical disability, age, cultural or social class differences. ASELSAN expects its approach in this matter from all its stakeholders, especially its strategic business partnerships and suppliers. ASELSAN did not experience any discrimination in terms of religion, language, race, gender, ethnicity, age, disability or political opinion in 2021.

ASELSAN expects its approach in this matter from all its stakeholders, especially its strategic business partnerships and suppliers. ASELSAN did not experience any discrimination in terms of religion, language, race, gender, ethnicity, age, disability or political opinion in 2021. ASELSAN Human Resources Directorate bases its activities on diversity and equal opportunity practices in its area of responsibility, and developments in this regard are reported to the Corporate Management Vice Presidency.

At ASELSAN, measures are taken along the value chain to observe minority rights/equal opportunities. At ASELSAN, measures are taken along the value chain to observe minority rights/equal opportunities.

Necessary notice and complaint mechanisms exist in order to ensure that employees are not discriminated due to their individual differences. The establishment and operation of these mechanisms is a matter followed by the Senior Management, and is managed by the Ethical Principles Board, which includes managers from different business units and employee representatives under the Corporate Governance Vice Presidency. If any employee is exposed to discrimination for any reason, it has the right to apply directly to the ASELSAN Ethical Principles Board, with sensitivity to personal confidentiality.

Ensuring a balance between the work life and private life of its employees, who are its most valuable resource, increasing their health, welfare and working motivation is among the main priorities of ASELSAN. Active studies are carried out at ASELSAN in order to ensure employee loyalty and to measure it continuously. Employees' satisfaction with respect to both their loyalty values and Human Resources practices is measured with the annual Employee Satisfaction Survey. On the other hand, meetings where employees and managers come together are held in order to operate an effective feedback mechanism. By evaluating the feedback received from the employees, actions that are expected to contribute to sustainable success are implemented.

The Occupational Health and Safety Management System has been managed at ASELSAN since 2009, within the scope of ISO 45001:2018 Occupational Health and Safety Management System Standard, in compliance with the requirements of the Occupational Health and Safety Law No. 6331. As a result of the work carried out since July 2018 and the external audit carried out by the international certification body in June 2019, the transition to the "ISO 45001:2018 Occupational Health and Safety Management System" published by the international standardization organization has been made. With this study, ASELSAN has maintained its leadership in Occupational Health and Safety studies by becoming one of the first companies in Turkey to adopt the "ISO 45001:2018 Occupational Health and Safety Management System".

Focusing on human capital in all of its operations and activities, ASELSAN provides a safe working environment for its employees by considering their health and safety in this direction. Suitable and reliable working conditions provided by the Company. It is designed within the framework of occupational health and safety culture along with legal obligations. Occupational health and safety studies are carried out with high importance within the framework of the Integrated Management System (IMS) Policy determined by the Senior Management. The aim of the occupational health and safety studies carried out within the scope of the Integrated Management System Policy is to minimize the risks by eliminating the dangers that may arise due to various reasons in the workplace environment, thus ensuring the safety of the employees and the work environment as well as the workplace.

In the activities carried out by ASELSAN, the principle of full compliance with the Personal Data Protection Law No. 6698, secondary legislation and the fundamental opinions and policy decisions of the Personal Data Protection Board is observed. In this context, ASELSAN fulfills the necessary disclosure obligation with the Illumination Text and its annexes on the Protection of Personal Data. The procedures and principles applied to the protection of personal data at ASELSAN are regulated through the "ASELSAN Personal Data Protection and Processing Policy and ASELSAN Personal Data Retention and Disposal Policy" and announced on ASELSAN's website with Turkish and English texts.

ASELSAN Information Security and Business Continuity Policies are made available to all stakeholders on the Company's corporate website.

ASELSAN Ethical Principles, Values and Codes of Conduct are regularly reviewed and updated in order to create working environments in accordance with ethical principles, which are based on honesty, integrity and business discipline, to prevent unethical behaviors, to raise awareness of ethical values and to integrate ethical principles with practices. Ethical principles enable the creation and preservation of a working environment where ASELSAN employees treat each other with courtesy, sincerity and tolerance, and where everyone shares their views with an open mind. Employees act responsibly with the mutual trust provided, not only taking care of their own interests as individuals, but also the long-term interests of the society they are a part of, the company they work for and their stakeholders.

Particular attention is paid to the selection of new employees who will join the ASELSAN Family among candidates who tend to act in line with ASELSAN's core values and ethical principles. Every employee joining the ASELSAN Family is included in the orientation program, where they undergo a comprehensive training process on the ASELSAN Ethical Principles, Values and Codes of Conduct and ASELSAN Ethical Principles Directive, value and code of conduct certificate is given to them as a booklet and employees undertake to act in accordance with ethical principles in the ASELSAN Working Undertaking. In the processes following the orientation, an environment is provided that encourages all ASELSAN employees to internalize ethical principles and to always apply these principles in their daily business lives. While all ASELSAN employees can apply to the Ethical Principles Board through the Ethics Principles Help Desk, external applications can also be received through the e-mail address etik@aselsan.com.tr. ASELSAN Ethical Principles Committee regularly announces the applications to the Board and the related Board evaluations to all ASELSAN employees in order to raise awareness about ethical principles and values. The report on the work of the Ethical Principles Committee, the applications and the measures taken with the evaluations is presented at the Board of Directors meeting in January every year.

ASELSAN Ethical Principles Board, which was established within the scope of ASELSAN's corporate structure and management system, consists of seven members. Among the members of the board, chaired by the Corporate Management Vice Presidency, there are two ASELSAN employees, who are determined by voting by the employees, in addition to the representatives from the Internal Audit Department, Supply Chain Management Vice Presidency, Legal Counsel and Human Resources Directorate. In addition to obtaining information from the Board, all ASELSAN employees are able to convey to the Board the behaviors they think are contrary to ethical principles. Behaviors contrary to ethical principles are immediately evaluated by the Board, and the relevant measures are implemented within the knowledge and contribution of the Senior Management.

ASELSAN Social Innovation Leaders (ASIL) Solidarity Association, acting with the awareness of social responsibility, aims to reach every individual in need inside and outside the institution, to be by their side in their desperation and to show that ASELSAN does not only produce technology that gives confidence, but also gives value, was established in November 2019. The main fields of activity of ASIL Association are; in addition to providing humanitarian aid in education, health, family and natural disasters, it organizes campaigns periodically and reaches those in need through these campaigns. Since its establishment, it has been providing support to scientific projects, schools in need, children waiting for coats and boots, as well as taking responsibility in case of disasters and epidemics faced by the country, and delivering urgent needs to the necessary places in a short time. ASIL Association sent 1 water basket and 10 nozzles to the fire areas for forest fires that occurred throughout the country during the year and deeply saddened us all. In addition, 1 mobile ambulance was sent to Palestine by ASIL Solidarity Association for the Palestinian people.

Within the scope of training activities; providing an area for students to receive education by building schools in areas in need, creating computer classes and libraries in order to meet the educational needs of students, bringing design skill workshops to schools and delivering robotic coding sets, stationery and exam preparation sets to students in order to support the development of students. In addition, with the "Alimhane Project", the first of which was implemented in Ankara Science High School, it is aimed to prepare students with high potential for engineering with a model that will enable them to develop their projects together by giving them a sense of achievement together.

The kindergarten in Kurucaova village of Malatya's Doğanşehir District, which was destroyed in the earthquake, was rebuilt and started education as ASELSAN kindergarten.

Within the scope of health activities; medicine, surgery, treatment, prosthesis and health equipment needs of families in need are met. Families in need are evaluated by teams, needs are clarified through one-on-one meetings with hospitals and doctors, and relief efforts are carried out in order of priority. From these families; the hand and foot prostheses of 2 patients who needed emergency prosthesis implantation were made, the surgery costs of 3 patients whose operations were delayed due to lack of financial means were covered, the necessary devices for our disabled children were delivered to the families, and the drug costs for our patients who could not

take their medications were covered by ASIL. During 2021, a total of 3,500 families, who could not meet their needs due to financial difficulties, were extended help.

Within the scope of family activities; food boxes containing basic foods for families in need, food cards to meet market needs during holidays, zakat distribution within the scope of Ramadan Feast, clothing for children, boots and coats to be used in winter months, and basic household items for the continuation of life at home are provided. Distributions are delivered directly to families by professional teams. During the Ramadan Feast of 2021, food aid was given to 2,800 families, zakat aid to 250 families and clothing aid to 1,000 of our children during the Eid-al-Adha. In addition, on cold winter days, with the support of ASELSAN personnel, coats and boots were delivered to 250 children in need. ASiL Solidarity Association will work hard to reach many families in need with the belief and support of its participants and will continue to add "Hope for the Future, Value for Life".

Volunteer teams consisting of ASELSAN personnel work in order to carry out all these activities. Anyone who wishes, especially ASELSAN personnel and suppliers in the ASELSAN ecosystem, can donate to ASiL Solidarity Association via the ASiL website (www.asildernegi.com.org).

ASELSAN aims to contribute to the society by supporting institutions, while making projects to increase social opportunities for the welfare of the society and scientific activities for the development of the society. In this direction, the Donation and Aid Policy was created and shared on the ASELSAN website. Cash donations and aid can be made to institutions, establishments, foundations and associations engaged in scientific research and development activities, institutions established for social purposes and similar organizations, the construction of structures such as schools and health facilities, which are of public benefit, and other works that may be deemed beneficial by the Company. Every year, one-year donation plans and the upper limit of donation amounts are determined at the General Assembly meetings, and donations are made by the decision of the Board of Directors. ASELSAN has not and is not involved in activities supporting political parties, politicians or political candidates. No political donations were made in 2021.

Being aware of the need to protect the environment with which it interacts in order to leave a more livable world to future generations, which it sees as its stakeholders, ASELSAN pays attention to the most effective management of environmental impacts, responsible use of resources, development of environmentally friendly business processes and environmental impact assessments in its activities and operations. With the Environmental Policy determined by the Senior Management, which prioritizes sustainability, it clearly expresses its commitment to effectively manage the environmental aspects and related environmental impacts arising from its activities.

In line with the sensitivity of ASELSAN to environmental management, employees are given regular training on ESG policies and practices every year. In addition, the IMS Basic Book was prepared in order to inform them about the environmental management culture, and it was presented to all newly recruited employees in the start-up kits given by the Human Resources Directorate.

C2. Stakeholders, International Standards and Initiatives

ASELSAN has positioned all individuals, institutions and companies that directly or indirectly affect and are affected by its activities on its stakeholder map. Providing great support to stakeholder participation in the realization of business continuity and operational excellence targets, the Company has included customers, employees, investors, suppliers/subcontractors, universities, sector organizations and non-governmental organizations, public institutions, society and future generations in its stakeholder map.

The definitions, operation and performance of the ASELSAN Quality Management System have been verified and documented by internal and external audits in 2021. Our compliance with ISO 10002 Quality Management: Customer Satisfaction standard has been approved by accredited institutions and is checked periodically. ASELSAN's quality policy for each sector presidency and statements regarding customer satisfaction within these policies are submitted for the information of all stakeholders on the Company's corporate website.

Notifications can be made, tracked and reported by our customers through the Customer Relationship Management (CRM-Web-based failure notification platform) system in order to meet system and device failure

notifications or on-site intervention service requests regarding customer complaint management and resolution. Our customers are also given training on the use of this system.

ASELSAN prioritizes its activities in the field of sustainability by taking into account the suggestions and expectations of different stakeholder groups, especially employees. It explains these activities through a communication based on mutual interaction with all its stakeholders, from its employees to investors, within the framework of transparency and accountability principles through the Sustainability Report, which it has brought to the attention of its stakeholders.

ASELSAN maintains its sustainability activities by observing national and international reporting standards. ASELSAN is the first company to participate in the CDP Climate Change study among defense industry companies in Turkey and is among the important defense industry leaders in the world in climate change management with the scores it has received. In 2021, CDP Water Reporting was carried out for the first time and A- score was obtained. ASELSAN 2021 Sustainability Report will be prepared in accordance with the GRI Standards and will be made available to all stakeholders on the Company's corporate website.

Within the scope of Borsa İstanbul's official letter announced on Borsa İstanbul's official website on 16 July 2021 and sent to our company via electronic correspondence, a change was made in the methodology for determining the companies to be included in the BIST Sustainability Index. Borsa İstanbul has been notified of the request to be subject to the new assessment to be carried out. The questions on the interface called ESG Contributor Tool of Refinitiv, which is the company that will evaluate the companies to be included in the index, were answered, and a link was given to the publicly available information as a reference. Relevant areas will be actively changed during the year as improvements and updates become available.

ASELSAN was invited for the first time in 2021 as one of the 12 companies selected from Turkey in the global sustainability assessment conducted by Standard & Poor's (S&P) every year. In order to answer the questions in the survey and to be included in the Dow Jones Sustainability Index, efforts were made to prepare the data, to create the content in the Sustainability Report, to answer the questions with a common mind, and the Corporate Sustainability Assessment survey was completed at the end of July 2021. According to the results announced on 12 November 2021, ASELSAN received 43 points out of 100. Although ASELSAN is not included in the sustainability indices created by S&P for Dow Jones with its score, it continues its efforts in this area.

D. Corporate Governance Principles

Paying attention to the sensitivity of the sector in which it operates, ASELSAN keeps the basic principles of corporate governance such as fairness, transparency, responsibility and accountability, accelerating its stable growth and protecting the interests of stakeholders at the center of its activities. It continues its efforts without slowing down to ensure full compliance with corporate governance and legal regulations in order to carry its leadership in the national platform to the international arena.

ASELSAN works to comply with the principles in the main headings of shareholders, public disclosure and transparency, stakeholders and the Board of Directors, within the scope of the Corporate Governance Principles implemented by the Capital Markets Board (CMB) since 2003.

ASELSAN carries out its corporate governance approach as a continuous and dynamic process with the impetus given by being included in the Borsa İstanbul Corporate Governance Index in 2012. As a result of the improvements made in this context, according to the assessment made by SAHA Corporate Management and Credit Rating A.Ş., the corporate governance rating of ASELSAN, which was 9.29 out of 10 in 2020, increased to 9.35 in 2021. ASELSAN Corporate Governance Principles Compliance Reports are shared on the corporate website and within the scope of annual activity reports.

ASELSAN acts together with its stakeholders in the determination of measures and strategies in the field of sustainability and gives priority to practices that will benefit its stakeholders.

ASELSAN strives to raise awareness about the issue and importance of sustainability. 125 teams that uploaded their projects to the system through the talent gate participated in the competition, which was organized with the cooperation of ASELSAN under the leadership of the Presidential Human Resources Office and started with the main idea of mobilizing technology for a livable world. The Future of Water Project Competition Award Ceremony held at ASELSAN Akyurt Facilities was broadcast live on ASELSAN's official Youtube account, the Presidential Human Resources Office's official twitter account and its digital platform YTNK.TV. A technical tour was held at ASELSAN Akyurt Facilities on the day of the ceremony for the 6 teams that made it to the finals, and the top three teams qualified for a half-day sustainability training organized by ASELSAN.

In 2021, together with the companies determined from the supplier ecosystem and water, energy, diesel etc. monitoring of consumption, energy consumption per personnel, etc.; indicators were followed and planned studies were carried out within the scope of CDP. More companies will be included in the process in 2022. In addition, CDP trainings will be given to companies and awareness raising activities will be carried out.

At ASELSAN, prevention of conflicts of interest, professional management of relations with stakeholders and fulfillment of all legal obligations are at the core of the values that make up the corporate culture. Considering bribery and corruption as one of the most dangerous moral threats to society, ASELSAN not only clearly defines its relations with customers, but also shares its communication methods with them on its corporate website. Within the scope of the policy, ASELSAN acts with a 'zero tolerance' approach to bribery and corruption, and it is aimed to carry out activities in a fair, honest, legal and ethical manner. In addition, the tax policy, which is a declaration that the principle of honesty is prioritized in terms of taxation, is also available on the corporate website of the Company.

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.
SIGNATURE SECTION OF ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD
BETWEEN 1 JANUARY – 31 DECEMBER 2021

Prof. Dr. Haluk GÖRGÜN
Chairman of the Board of
Directors and CEO

Alpaslan KAVAKLIOĞLU
Vice Chairman of the Board of
Directors

Prof. Dr. Ercüment ARVAS
Member of the Board of
Directors

Yavuz ÇELİK
Member of the Board of
Directors

Prof. Dr. Turan EROL
Member of the Board of
Directors

Mehmet Fatih KACIR
Member of the Board of
Directors

Salih KUL
Member of the Board of
Directors

Dr. Nurşen SARI
Member of the Board of
Directors

Mustafa Murat ŞEKER
Member of the Board of
Directors