



Corporate Governance Rating Report

**aseisan**

**December 13, 2012**

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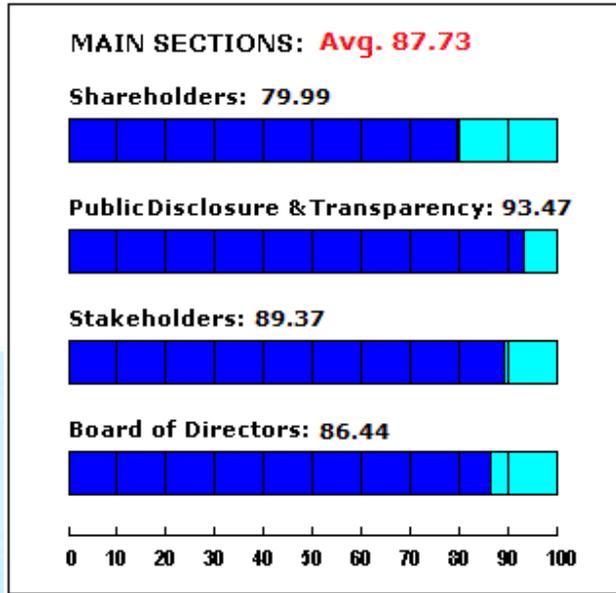
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## Rating and Executive Summary

### ASELSAN ELEKTRONİK SAN. VE TİC. A.Ş.

 **SAHA**  
Corporate Governance Rating:

**8.77**



## EXECUTIVE SUMMARY

This report on rating of Aselsan Elektronik San. Ve Tic. A.Ş.'s (Aselsan) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the company. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Aselsan is rated with **8.77** as a result of the Corporate Governance study done by SAHA. Details of this study are presented in the following chapters as main sections and sub-sections. We observe that Aselsan took the necessary steps to determine and manage its governance risks. There is still room, on the other hand, for improvements in order to fully comply with the CMB's Corporate Governance Principles.

Additionally, in accordance with the World Corporate Governance Index (WCGI) updated by SAHA on June 26, 2012, Aselsan takes place in Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at [http://www.saharating.com/liste\\_goster.asp?bolum=24&id=514](http://www.saharating.com/liste_goster.asp?bolum=24&id=514)

Aselsan is rated with **8.00** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. An Investor Relations and Affiliates Unit is established for this

purpose. All information is made available to the shareholders for the proper exercise of shareholders' rights. All procedures prior to the general shareholders' meeting, and the conduct of the meeting itself comply with the legislation, rules and regulations, and serves the best use of shareholder rights. The articles of association of the company is changed to fit the mandatory implementation of the principles. There is no upper limit or privileges on voting rights but there is the privilege of nominating the board of directors. There is a specific and consistent dividend policy of the company and it is disclosed to the public. On the other hand, there are areas for improvements like inexistence of shareholders' right to appoint an independent auditor, and the restrictions on transfer of shares.

Under the chapter **Public Disclosure and Transparency** where Aselsan attained **9.35**, information disclosed to the public is in a timely, accurate, and complete format, and the Investor Relations and Affiliates Unit has been authorized in this regard. There is a comprehensive disclosure policy where public announcements, including the information on the developments that are likely to affect the value of the capital market instruments of the company, are made in accordance with the legislation. The company's dividend policy, ethical rules, and the list of insiders are disclosed to the public. The company's web site is actively used for public disclosure. The content of the annual report is extensive. On the other hand, there is a limited amount of annual report disclosures about whether the corporate governance principles are applied or not; and there are deficiencies like the inexistence of the board of directors' signed declaration of intent, statement of responsibility, and their curriculum vitae.

On the topic of **Stakeholders**, Aselsan scored **8.94**. Relations with stakeholders are at a very high and satisfactory level and there is no evidence of any infringements of their rights. The human resources policy is fully comprehensive and duly applied. The nature of the company's relationship with public authorities is smooth and its environmental responsibility is at top level. However, the absence of a provision in the articles of association which support the participation of stakeholders in the management of the company and the inexistence of a trade union are the areas in need of improvement.

From the perspective of the principles regarding the **Board of Directors**, Aselsan's tally is **8.64**. There is a well communicated company mission and vision; and the board fulfills all duties regarding company needs. The company's ethical rules bind also the board of directors. There are three independent members on the board of directors, and no executive members. A remuneration policy for the members of the board of directors and senior management is established, adopted at the general shareholders' meeting, and disclosed to the public. An Audit Committee, a Corporate Governance Committee, and a Risk Management Committee are established from within the board of directors. All three committees are chaired by independent members of the board and the committee responsible of audit is composed entirely of independent members. The working procedures of the committees are defined and disclosed to the public on the corporate web site. The level of functionality of the committees will be closely monitored by SAHA during the new rating period. The most obvious area for improvement under this chapter is the lack of a provision in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene.

## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's Corporate Governance Principles released on July 2003, as revised on February 2005.

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

Within the Principles, "comply or explain" approach is valid. The implementation of the Principles is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the future should all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors:

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 350 code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.27).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

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

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

## Company Overview

<b>Aselsan Elektronik San. ve Tic. A.Ş</b>	
	<b>CHAIRMAN</b> Necmettin Baykul <b>GENERAL MANAGER</b> Cengiz Ergeneman
Mehmet Akif Ersoy Mahallesi, 296. Cadde, No:16, Yenimahalle, Ankara <a href="http://www.aselsan.com.tr">www.aselsan.com.tr</a>	<b>Investor Relations and Affiliates Unit</b> Aykan Üreten (Financing Director) Tel: (0312) 592 1270 <a href="mailto:ortaklar_servisi@aselsan.com.tr">ortaklar_servisi@aselsan.com.tr</a>

Aselsan was established as a joint stock company at the end of 1975 under the leadership of Land Forces Foundation. Currently operating under Turkish Armed Forces Foundation, Aselsan was established in order to engage principally in research, development, engineering, production, tests, assembly, integration and sales, after sales support, consultancy and trading activities, to provide and conduct all sorts of activities for project preparation, engineering, consultancy, service providing, training, contracting, construction, publishing, trading, operation and internet services regarding various software, equipment, system, tools, material and platforms in the fields of electrical, electronics, microwave, electro-optics, guidance, computer, data processing, encryption, security, mechanics, chemistry and related subjects within the army, navy, air force and aerospace applications to all institutions, organizations, companies and individual consumers.

Aselsan commenced its production activities in Macunköy, Ankara facilities in early 1979. The company has been organized in four main divisions: The Communication and Information Technologies Division (HBT), Radar, Electronic Warfare and Intelligence Systems (REHİS), Defense Systems Technologies (SST) and Microelectronics, Guidance & Electro-Optics Division (MGEO) based on the investment and production requirements of projects carried out. The company carries out its manufacturing and engineering activities in Macunköy and Akyurt facilities and the headquarters is located in Macunköy, Ankara.

Aselsan held its initial public offering on May 21, 1990 with 15.46% and as of November 30, 2012 the company shares are traded on the Istanbul Stock Exchange (ISE) with a free float ratio of 15.30%.

<b>Aselsan Elektronik San. ve Tic. A.Ş. Capital Structure</b>		
Name	Share Amt. (TL)	Share %
Turkish Armed Forces Foundation	422,912,812.23	84.58%
Free Float	76,509,342.32	15.30%
Others	577,845.45	0.12%
<b>Total</b>	<b>500,000,000.00</b>	<b>100.00%</b>

The company shares are traded under "ASELS" code at the Istanbul Stock Exchange (ISE) and they are constituent of ISE All Shares (XUTUM), ISE Technology (XUTEK), ISE Dividend (XTMTU), ISE 100-30 (XYUZO), ISE 100 (XU100), ISE 50 (XU050), ISE National (XULUS), and ISE Ankara (XSANK).

The board of directors has shaped up as follows:

<b>Aselsan Elektronik San. ve Tic. A.Ş. Board of Directors</b>	
<b>Name</b>	<b>Title</b>
Necmettin BAYKUL	Chairman
Birol ERDEM	Vice Chairman
Osman Kapani AKTAŞ	Member
Ahmet ŞENOL	Member
Erhan AKPORAY	Member
Halil SARIASLAN	Independent Member
Lamia Zeynep ONAY	Independent Member
Cumhur Sait Şahin TULGA	Independent Member

There are no executive members on the board of directors.

Following the realization of the ordinary general shareholders' meeting on March 30, 2012, Aselsan completed all changes in its articles of association in compliance with the Capital Markets Board Corporate Governance Principles which was put into force on December 30, 2011.

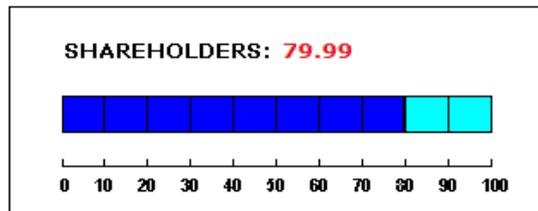
According to the Capital Markets Law and other legal legislations as well as the provisions of the articles of association, and as per the resolutions of the general shareholders' meeting, in the year 2012 TL 46,456,740 (TL 0.1975 per 1 TL share, 19.75% gross over capital) and (net TL 39,488,229 - TL 0.167875 per 1TL share, 16.7875% net over capital) of the profit for 2011 has been distributed to the shareholders as cash dividend.

With the vision of becoming one of the top 50 defense companies in the world, Aselsan grew steadily, becoming the 76th biggest global defense company. The company's consolidated net sales reached 900 million US Dollars in 2011 and registered a growth rate of 11% over the previous year.

Sales figures from the last five years show that Aselsan has increased its yearly revenue 2.5 times. In accordance with company policies Aselsan allocates 7% of its revenues to R&D. Aselsan is among the companies with the highest R&D expenditures in Turkey and the company is one of the largest R&D centers. The company carries out a large number of R&D projects with the leading universities and is considered as a pioneer in university-industry co-operation.

Among the total of 4,386 employees of the company there are 2,405 engineers, of whom 2,080 are R&D engineers.

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	There is an investor relations unit
+	Necessary information is offered to shareholders for a sound execution of their rights
+	General shareholders' meetings are conducted in compliance with the legislation
+	Information document relating to agenda items of the general shareholders' meeting is submitted to the shareholders on the corporate website
+	Remuneration policy submitted to general shareholders' meeting and disclosed to the public
+	No upper limits on voting rights
+	Required changes to the articles of association, necessary for compliance with the principles are realized
+	Specific, consistent, and publicly disclosed dividend policy
=	Only the newly elected board members' curriculum vitae presented to the general shareholders' meeting
-	No provision in the articles of association for shareholders to have the right to request appointment of special auditors from the general shareholders' meeting
-	Limitations on transfer of shares
-	Minority rights are not defined
-	Privilege of nominating the board of directors

In exercising shareholders' rights, legislation, articles of association and other in-house regulations are applied and necessary precautions to ensure use of such rights are adopted. An Investor Relations and Affiliates Unit is established for this purpose.

All information required to exercise shareholders' rights in a sound manner are made available to all shareholders. All necessary information is disclosed to the public on the company's web site. However, there is no provision in the articles of association that allows each shareholder to have the right to request from the general shareholder meeting that a special auditor is appointed for the examination and clarification of a specific material situation.

At Aselsan, utmost care is given to the exercise of minority rights. Nevertheless, there is no enlargement of the scope of minority rights (beyond the requirements of the Turkish Commercial Code and regulations relevant to public companies) in the articles of association of the company.

Procedures followed prior to the general shareholders' meeting as well as the conduct of the actual meeting are in compliance with the relevant legislation and regulations, and serve to enable shareholders to exercise their rights in a most efficient manner. Shareholders are provided with sufficient information prior and during the general shareholders' meeting.

Following the realization of the ordinary general shareholders' meeting on March 30, 2012, Aselsan completed all changes in its articles of association in compliance with the Capital Markets Board Corporate

Governance Principles which was put into force on December 30, 2011.

At Aselsan all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately. No ceilings are applied on the number of votes that a shareholder may exercise, yet the holders of group A shares possess voting privileges on nominations to the board of directors.

Company has a clearly defined and consistent dividend policy and it is disclosed to the public. This policy had been presented to the shareholders at the general shareholders' meeting and has taken place at the annual report. There has been a dividend distribution for the year 2011. Company does not provide for advance payment of dividends.

There is a provision in the articles of association which states that group A shares cannot be sold or transferred without the approval of the board of directors and; in the event all or some of them are sold and transferred to third persons without the approval of the board of directors, the board can, without stating any cause, refrain from registering such sale in the company books.

All shareholders, including minority shareholders and foreign shareholders are treated equally.

### **1.1. Facilitating the Exercise of Shareholders' Statutory Rights:**

In exercising shareholders' rights; legislation, articles of association and other in-house regulations are applied and necessary precautions to ensure use of such rights are adopted. An Investor Relations and Affiliates Unit is established to be in charge of relations of the company with its shareholders. Ahmet Demir (Vice President/Chief Financial Officer), Aykan Üreten

(Financing Director), Pinar Çelebi (Treasury and Fund Management Manager), Bani Betül Gökçe (Senior Specialist), and Yücel Sezer (Specialist) serve in this unit.

The Investor Relations and Affiliates Unit make sure that shareholder records are kept up-to-date, secure, and properly; shareholders' written queries for information (excluding the information that is confidential and classified as trade secret) are replied to promptly; appropriate preparation is done to ensure that the general shareholders' meeting is conducted in accordance with the legislation, articles of association and other in-house regulations; documents to be used by the shareholders at the meeting are prepared; records of voting results are kept and all reports related to the resolutions of the general shareholders' meeting are sent to the shareholders; all issues concerning investor relations and public disclosure, including the related legislation and information policy of the company are supervised.

### **1.2. Shareholders' Right to Obtain and Evaluate Information:**

With regard to facilitating shareholder rights, all necessary information and documentation are available for and easily accessible by the shareholders. This information is submitted as complete, accurate and in a timely and diligent manner.

The company's obligation to inform shareholders also includes legal or commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial, administrative, supervisory or ownership related relationship. In order to broaden the scope of shareholders' right to obtain and evaluate information, any type of information that may affect the way in which shareholders exercise such

rights, are updated on a regular basis on electronic media.

On the other hand, there is no provision in the articles of association that allows each shareholder as an individual to have the right to request from the general shareholder meeting that a special auditor to be appointed for the examination and clarification of a specific material situation.

### **1.3. Minority Rights:**

Maximum care is given to the usage of minority rights. However, the articles of association of Aselsan do not contain any provisions that dictate any voting privileges. Provisions of the Turkish Commercial Code and public joint stock companies are duly applied.

### **1.4. The Right to Participate in the General Shareholders' Meeting:**

With the realization of the ordinary general shareholders' meeting on March 30, 2012, Aselsan completed all changes in its articles of association in compliance with the Capital Markets Board Corporate Governance Principles which was put into force on December 30, 2011.

The procedure, content, and the timing of invitation to the general shareholders' meeting allowed shareholders to acquire adequate information about the agenda items to be discussed prior to the meeting and enabled preparations thereto. The board prepared an informative document regarding the agenda items. In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders' meeting is performed through all means of communication available to the company 18 days in advance.

The following items were clearly indicated in all announcements prior to

the shareholder meeting: date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; should an amendment on the articles of association be discussed within the agenda, the old and new versions of the related provision/provisions of the articles of association as approved by the relevant authorities; the body inviting the general shareholders' meeting; the place where annual report, financial statements and other meeting documents can be examined. Commencing from the date of announcement of invitation for the general shareholders' meeting, financial statements and reports including the annual report; proposal for dividends; amended text of the articles of association and all other related documents pertaining to the agenda items were made available to all shareholders for examination purposes at the headquarters of the company and on its web site.

Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was easily associated with and related to the agenda items. Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Proxy forms were posted on the web site promptly and appropriately for those who would appoint a proxy for the general shareholders' meeting.

The location of the general shareholders' meeting was easily accessible and appropriate for the predicted attendance level of shareholders. The meeting did not lead to any discrimination among the shareholders, and took place with at least possible cost, and in the least complex manner. Agenda items were expressed in an unbiased and detailed

manner with a clear and concise method. Shareholders were provided with equal opportunities to express their opinions, and raise any questions, and a sound discussion environment was created.

The meeting served as a forum of shareholders in which the annual report and the company's performance indicators are discussed. The chairman conducted the meeting on fair grounds, and in an efficient manner that would enable shareholders to exercise their rights. The chairman of the meeting ensured that each question imposed by any of the shareholders was answered directly in the general shareholders' meeting.

Six out of eight board members, auditors, authorized persons who are responsible for preparing the financial statements and persons who are in a position to inform shareholders about peculiar agenda items participated in the meeting. The chairman of the meeting announced the justifications of the absentees.

The chairman of the meeting took all necessary precautions on voting methods which reflect the will of the majority. Each agenda item was voted separately, the votes were counted before the end of the meeting and results of voting were announced. The minutes of the meeting are made available to the shareholders in writing and in electronic media at all times.

Curriculum vitae of the independent board members elected were presented to the general shareholders' meeting. However, information on existing and other board members did not take place in the disclosure document and on the company's web site. Nevertheless, there is no clause in the articles of association which states the minimum amount of information to be given about the nominees.

At the meeting, shareholders were given the opportunity to present their views and suggestions on board members' and executives' wages and a remuneration policy on this regard is submitted to the general shareholders' meeting.

The written declaration of the external audit firm that during the audit process sufficient and appropriate resource was supplied to form an opinion, the financial statements constituted a source of the company's actual financial position, the performance and cash flow of the company is reflected in a true and fair manner in accordance financial reporting standards issued by the Capital Markets Board is read out to the shareholders.

Following the changes on the articles of association of the company and adoption of these changes at the general shareholders' meeting: Processes considered to be important for the implementation of the Corporate Governance Principles; any related party transactions of the company; the issuance of guarantees like pledges and mortgages in favor of a third person will be in compliance with the Capital Markets Board corporate governance principles and other provisions of the new Capital Markets Board Corporate Governance Principles entered into force on December 30, 2011; all decisions on mandatory actions which violate the principles adopted at the general shareholders' meeting will be void and considered to be contrary to the articles of association of the company.

#### **1.5. Voting Rights:**

At Aselsan each shareholder, including those domiciled abroad, is provided with the opportunity to exercise his/her voting rights in the most appropriate and convenient way. There is no upper limit on the number of

votes cast at the general shareholders' meeting. Right to vote is automatically granted once the share is acquired, and there are no arrangements that would postpone the exercise of the right to vote after a certain period following the acquisition of the share.

In line with the provisions of its articles of association, Aselsan is governed by a total of 9 board members. 6 of these members are elected among privileged group A shareholders who are representing Turkish Armed Forces Foundation (TAFF) or among candidates nominated by them, and the remaining 3 independent members are elected within the scope of the Capital Markets Board regulations.

There are no provisions in the articles of association of the company that prevent voting by use of a proxy who is not a shareholder. Legal representations are documented in writing. The board communicates with the institutional representatives and institutional representation is based on open ballot.

Voting was conducted through open ballot and by raising hands during the general shareholders' meeting and shareholders was informed of the voting procedure at the beginning of the meeting.

#### **1.6. Dividend Rights:**

Aselsan's dividend policy is clearly defined and disclosed to the public. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report. Concerning the company's dividend distribution, a balanced policy is followed between the interests of the shareholders and that of the company.

According to the Capital Markets Law and the other legal legislations as well as the provisions of the articles of association, and as per the resolutions of the general assembly, in the year 2012 TL 46,456,740 (TL 0.1975 per 1 TL share, 19.75% gross over capital) and (net TL 39,488,229 - TL 0.167875 per 1TL share, 16.7875% net over capital) of the profit for 2011 has been distributed to shareholders as cash dividend.

Company does not provide for advance payment of dividends.

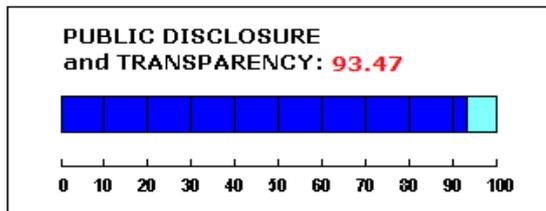
#### **1.7. Transfer of Shares:**

There is a provision in the articles of association which states that group A shares cannot be sold or transferred without the approval of the board of directors and; in the event all or some of them are sold and transferred to third persons without the approval of the board of directors, the board can, without stating any cause, refrain from registering such sale in the company books.

#### **1.8. Equal Treatment of Shareholders:**

All shareholders, including minority shareholders and foreign shareholders are treated equally.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Information policy disclosed to the public
+	Corporate Governance Compliance Report is disclosed to the public
+	Dividend policy disclosed in the annual report
+	Comprehensive web site, actively used for public disclosure
+	Financial statements comply with the legislation and international norms
+	Audit committee plays an active role in the selection of the external audit firm
+	List of insiders is disclosed to the public
+	The concept of trade secret is defined
=	Comprehensive and detailed annual report
-	There is limited clarification on principles not applied, however a signed declaration of the board members on this issue is not included in the annual report
-	No declaration of the board on status of internal control system
-	No mention of the curriculum vitae of the board members in the annual report
-	Significant decisions of the board of directors did not take place on company's website

Disclosed information of Aselsan is accurate, complete, comprehensible, interpretable, and easily accessible at low cost and prepared to aid the individuals and institutions in their decision-making, and presented equally. Investor Relations and Affiliates Unit staff is exclusively mandated to monitor and supervise all issues related to public disclosure.

The company have established a comprehensive information policy and disclosed it to the public. Any developments that may affect the value of Aselsan's capital market instruments are disclosed to the public without any delay and within the time period required by the current legislation. A comprehensive Corporate Governance Compliance Report takes place in the annual report. However, even though there is limited clarification whether or not the principles are properly applied, a signed declaration of the board members on this issue is not included in the annual report.

The dividend distribution policy and the ethical rules of Aselsan are included in the annual report and on its website, and disclosed to the public within the framework of the public information policy.

Company's website is configured to be actively used as a means of public disclosure. The site is rich in content and scope.

Aselsan's periodical financial statements and footnotes are prepared in accordance with the current legislation and international accounting standards. The annual report is prepared in detail to allow public access to a variety of information

about the activities of the company, but there are some missing items like the CVs of the board members and their statement of liability.

The external auditing of Aselsan is implemented in compliance with the legislation, and the audit committee plays an active role in the selection process of the external audit firm.

The scope of trade secret of the company is defined by its internal regulations. A list of the names of executives who can potentially possess price-sensitive information is prepared and disclosed to the public in the annual report. The company complies with CMB legislation and ISE regulations on the public disclosure of important events and developments.

### **2.1. Principles and Means for Public Disclosure:**

The public disclosure of Aselsan is realized in a timely manner, is accurate, complete, understandable, interpretable, allowing easy access with low cost, and available on equal basis to help the interested parties and organizations to come to a decision.

The Investor Relations and Affiliates Unit is assigned solely to monitor and supervise all issues pertaining to public disclosure. Investors, financial analysts, press members and similar groups are guided to this unit. In compliance with the transparency principle, the company accurately discloses its accounting policy and operational financial results to the public.

The company established its disclosure policy, presented to the shareholders at the general shareholders' meeting, and disclosed it to the public on its website.

The company's disclosure policy covers category of information to be disclosed

to the public; form and methods of disclosure; the method to be adopted in order to answer the questions submitted to the company; the type of information to be discussed at the general shareholders' meeting; and the principles applicable to disclose forward looking information.

Any developments that may affect the value of Aselsan's capital market instruments is disclosed to the public without any delay and within the time period required by the current legislation. Should there be a significant change in the financial status and/or operations of the company, or in case of an expectation of such a significant change in the financial status and/or operations in the future, the information is disclosed to the public, save for the relevant provisions of legislation. Any changes or new developments in the already disclosed information is regularly updated and disclosed to the public.

The Corporate Governance Compliance Report takes place in the annual report. However, there is limited clarification whether or not the principles are properly applied, and the reasons for any non-application. A signed declaration of the board members on this issue is not included in the annual report.

The dividend distribution policy and the ethical rules of Aselsan are included in the annual report and on its website, and disclosed to the public within the framework of the public disclosure policy.

Periodical financial statements, reports, and disclosed information do not consist of any exaggerated provisions or misleading information. Save for the provisions of the legislation, the preparation or revision of periodical financial statements are subject to a compliance audit by the external auditor. The audit and public

disclosure thereof is in compliance with the international standards.

Company's website is configured to be actively used as a means of public disclosure. It is easily accessible, user friendly, and comprehensive. It is made available in English for the use of foreign investors.

Information published on the company's website includes trade register information; detailed information about the shareholder and management structure; the final version of the company's articles of association together with date and numbers of the trade register gazettes in which amendments are published; publicly disclosed material information; annual reports, periodical financial statements, prospectuses and circulars; agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting; form for proxy voting at the general shareholders' meeting; and frequently asked questions including requests for information, and responses thereof.

The company's website emphasized the announcement of the planned general shareholders' meetings, agenda items, other information, documents and reports on the agenda items and information on methods of participation in the general shareholders' meetings. On the other hand, minutes of important board meetings which may affect the value of capital market instruments of the company are not listed on the company's web site.

Company's web address is printed on its letterhead. The criteria regarding the use of its website are included in the company's disclosure policy. However, the disclosure policy document of Aselsan does not include provisions regarding the obligation to inform shareholders about legal or

commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial, administrative, supervisory or ownership related relationship.

## **2.2. Public Disclosure of Relations Between the Company and Its Shareholders, The Board of Directors and Executives:**

In case shareholding or voting right percentage of an individual or group reaches, exceeds or falls below the percentages of total share capital or voting rights, such information is disclosed immediately by the company.

The Turkish Armed Forces Foundation has the largest share at Aselsan's capital with 84.58%. Since the ratio of the company's publicly traded shares is 15.30%, there is no ultimate controlling individual shareholder or shareholders to be disclosed to the public. Also the company does not have any cross-shareholdings with the Turkish Armed Forces Foundation or any other company.

## **2.3. Periodical Financial Statement and Reports in Public Disclosure:**

Periodical financial statements and footnotes of Aselsan are prepared in accordance with the current legislation and international accounting standards and applied accounting policies are included in the footnotes of the financial statements.

The footnotes of the periodical financial statements include all off-balance sheet transactions including contingent claims, all liabilities and operational results that would affect future financial status, liquidity of the company, investment expenditures, investment sources, all factors that would affect the future relations of Aselsan with other natural persons and

legal entities which are not within the scope of consolidation.

The annual report is prepared in detail to allow the public reach to a variety of information about the activities of the company. The annual report includes information about the scope of activities of the company; information about the sector and the company's position in the sector; its financial status; its capital, ownership, and management structure; the company's strategy; information on R&D, innovation, technology, human resources, quality and risk management, productivity; occupational health and safety and environmental information; about its dividend distribution policy; and the corporate governance compliance report.

However, despite the existence of a resolution that the financial statements exactly reflects company's financial status and fully complies with the legislation, a declaration of the board of directors on this matter is not incorporated in the annual report. The annual report also does not include board of directors' declaration about the status of internal control system and the curriculum vitae of the board members.

#### **2.4. Functions of External Audit:**

The agreements and modus operandi with DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Deloitte) which is appointed by Aselsan as their independent auditors comply with the CMB legislation.

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi, its auditors and other related staff do not provide consultancy services to Aselsan to which they

provide external auditing services within the same period, either in return for a fee or free of charge.

There are no legal disputes between the independent auditors and the company. The audit committee played an active role in the selection process of the audit firm.

#### **2.5. The Concept of Trade Secret and Insider Trading:**

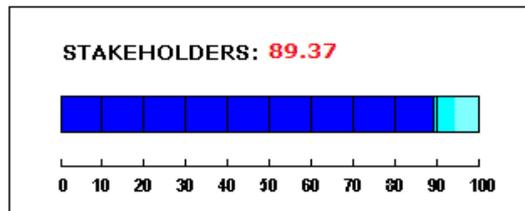
Aselsan has incorporated the definition of information that falls within the scope of trade secret in its document of Company Security Directives. A list of the names of executives and other persons who can potentially possess price-sensitive information is prepared and disclosed to the public in accordance with the information policy in the annual report.

#### **2.6. Significant Events and Developments That Must Be Disclosed to the Public:**

Aselsan complies with the CMB regulation and the rules and regulations of the ISE in disclosure of significant developments.

All developments listed in the Corporate Governance Principles of the CMB are immediately disclosed to public via the "Material Events Disclosures".

## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient human resources policy
+	Enhanced sense of social responsibility and its applications
+	Documented high level of quality standards
+	Code of ethics disclosed to the public
-	No provision in the articles of association regarding the participation of stakeholders in the management of the company
-	No trade union in the company

The corporate governance framework of Aselsan recognizes the rights of stakeholders established by law or through any other mutual agreement.

The company's corporate governance structure allows the employees and all stakeholders to convey their concerns about legal and unethical transactions to the management.

The encouragement of participation of the stakeholders in the management of the company is not acknowledged in the articles of association. However, participation of stakeholders in management is supported as long as it does not impede the activities of the company. Through the "Employee Representation" mechanism a platform is created where the employer and the employees exchange their views.

Company officials declare that neither the board of directors nor any of the executives took any actions that would cause the company assets lose value and lead to the deliberate loss for stakeholders.

Aselsan have a documented and comprehensive human resources policy. In this context; hiring, promotions, remuneration, awarding, layoffs, leaves, disciplinary procedures, rights, duties and responsibilities, and other personal rights of the employees are defined in writing.

In order to meet the needs of customers completely and to meet the requirements of quality standards, a quality system documented with quality handbook, directives, quality plans, standards, auditing and test directives and foresight implemented operations has been designed and the company received the necessary certificates and documents. Under the scope of trade secret, information on customers and suppliers are treated as confidential.

Aselsan's code of ethics was documented in writing and published on the corporate website. In addition, to achieve the integration and development of ethical principles with in-house applications; an Ethical Committee is formed to provide a common knowledge and to meet the needs of assessment, orientation, counseling, and advice.

Aselsan is sensitive to the environment, the region, and to the social studies supporting and leading to the benefit of the public. Accordingly, a variety of projects,

contributions and events are carried out.

### **3.1. Company Policy Regarding Stakeholders:**

The corporate governance framework of Aselsan recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the company would preserve the interest of stakeholders under good faith principles and within the capabilities of the company, without permitting any damage to the brand image.

Stakeholders are informed adequately on company policies and procedures. Employees are informed on intranet and through employee manuals and informative presentations. Strategic alliances and approved suppliers policy is followed for the suppliers and they are informed over the internet and visited regularly.

Aselsan acts as a pioneer in overcoming and solving any possible conflicts and disputes that may arise between the company and its stakeholders and a solution-focused approach is adopted. There has been no case of legal prosecution.

The company's corporate governance structure allows all stakeholders, including employees, to freely communicate their concerns about any illegal or unethical practices to the management.

### **3.2. Stakeholders' Participation in the Company Management:**

The participation of the stakeholders in the management of the company is not acknowledged in the articles of association. However, participation of stakeholders in management is

supported as long as it does not impede the activities of the company.

In the company there is an "Employee Representation" platform in which 45 currently employed personnel participate, with the purpose of enabling communication between the personnel and management, to provide guidance in social activities, and to exchange their views.

The minutes of periodical meetings held with the representatives of the employees are communicated to all personnel on the employee representative's page of the company intranet. These issues are also regulated in the Employee Representation Document.

### **3.3. Protection of Company Assets:**

Company officials declare that neither the board of directors nor any of the executives have been involved in any instances which would cause company assets lose value and lead to the deliberate loss for stakeholders.

### **3.4. Company Policy on Human Resources:**

Aselsan have a documented and comprehensive human resources policy. In this context, in line with the company's vision, mission, and principles; hiring, promotions, remuneration, awarding, layoffs, leaves, disciplinary procedures, rights, duties and responsibilities, and other personal rights of the employees are defined in writing and these criteria are abided by.

All the rights provided to employees are treated fairly. Education policies are formed and training programs are carried out to enhance their knowledge, skills and experience.

Four million US Dollars were allocated for personnel training in 2011 and a

total of 105,000 hours of domestic and foreign training programs were provided.

Meetings are conducted with the employees to inform them on issues such as company's financial position, salary, career, education, health care, and to exchanges views. Employee representation play a major role in this context with 45 employee representatives; 12 of which representing the engineers, 3 representing the administrative personnel, 20 representing the technical personnel, 4 representing the office personnel, and 3 representing the workers.

The decisions taken in relation to the employees or the developments concerning the employees are reported to them and trade unions are consulted on decisions of this nature. Employees are also informed of their job descriptions and the distribution of tasks along with performance and reward criteria.

In order to assess, appreciate and award its employees' great success, in 2011 Aselsan put into practice a performance management system for an evaluation in 360 degrees where goals evaluated on an individual and team basis as well. Accordingly, advanced studies are applied for all of the human resources practices to reach the exemplary international standards.

Productivity is taken into consideration on determining compensation and other benefits, and required evaluations are implemented within the performance management system. Necessary measures are taken in order to prevent race, religion, language, and sex discrimination among the employees and to protect the employees against any physical, spiritual and emotional mistreatments in the company. There has not been

any complaint of discrimination in 2011.

### **3.5. Relations with Customers and Suppliers:**

In order to meet the needs of customers completely and to meet the requirements of quality standards, a quality system documented with quality handbook, directives, quality plans, standards, auditing and test directives and foresight implemented operations has been designed.

Within this scope Aselsan was granted with Republic of Turkey Ministry of National Defense Industrial Quality Assurance Level Certificate, Undersecretary for Ministry of National Defense Industrial Safety and Project Quality Compliance Certificates, SCAMPI v1.3 Capability Maturity Model Integration 3 Certificate, Accreditation Certificate from the Turkish Accreditation Agency, Turkish Standards Institution TS EN ISO 9001:2008 Quality Management System Certificate, ISO 14001:2004 Environmental Management System Certificate, and OHSAS 18001:2007 Occupational Health and Safety Assessment Series Certificate.

The company has adopted a quality management system aiming to keep the highest level of customer satisfaction, effectively manage customer feedback, use the resources efficiently by eliminating the processes which are not value-added, and for timely delivery.

For the purpose of procuring the materials and software that are used in the products, as well as the services received regarding such products from reliable suppliers, so that possible quality issues would be reduced, the suppliers are checked for their technical, commercial and quality efficiency and capacity. The results of such assessments are communicated

to the supplier firm, and suppliers who meet the required conditions are contracted.

Under the scope of trade secret, information on customers and suppliers are treated as confidential, classified under appropriate confidentiality levels, and treated according to such classification. Within the directives that apply, guarantees are provided to ensure that no unfair advantages are obtained from customers and suppliers.

### **3.6. Ethical Rules:**

Aselsan's code of ethics was documented in writing and published on the company website. In addition, to achieve the integration and development of ethical principles with in-house applications; an Ethical Committee is formed to provide a common knowledge and to meet the needs of assessment, orientation, counseling, and advice.

### **3.7. Social Responsibility:**

Aselsan acts sensitively towards all pioneered and supported social and community projects for the sake of environment, community or general public. The company has not so far been exposed to any accusation or sanction relating to environmental protection, nor has it been sued in connection therewith. Ultimate attention is shown to compliance of the financed projects with the applicable laws and regulations pertaining to environmental and public health.

The company has good relations with public administrations. Company authorities have declared that they have received no fine/warning from CMB and/or ISE in 2012.

There have been no other legal disputes and/or conflicts between the

company and customers, auditors, banks, public authorities, tax administrations, and any other applications where the company is held liable has been declared and no sanctions have been affected.

Maximum attention is given to environmental aspects and public health, so that the projects funded by the company are appropriate with the relevant legislation. As a result of work carried out in accordance with environmental laws and environmental awareness Aselsan received TSE EN ISO 14001:2004 Environmental Management System certificate.

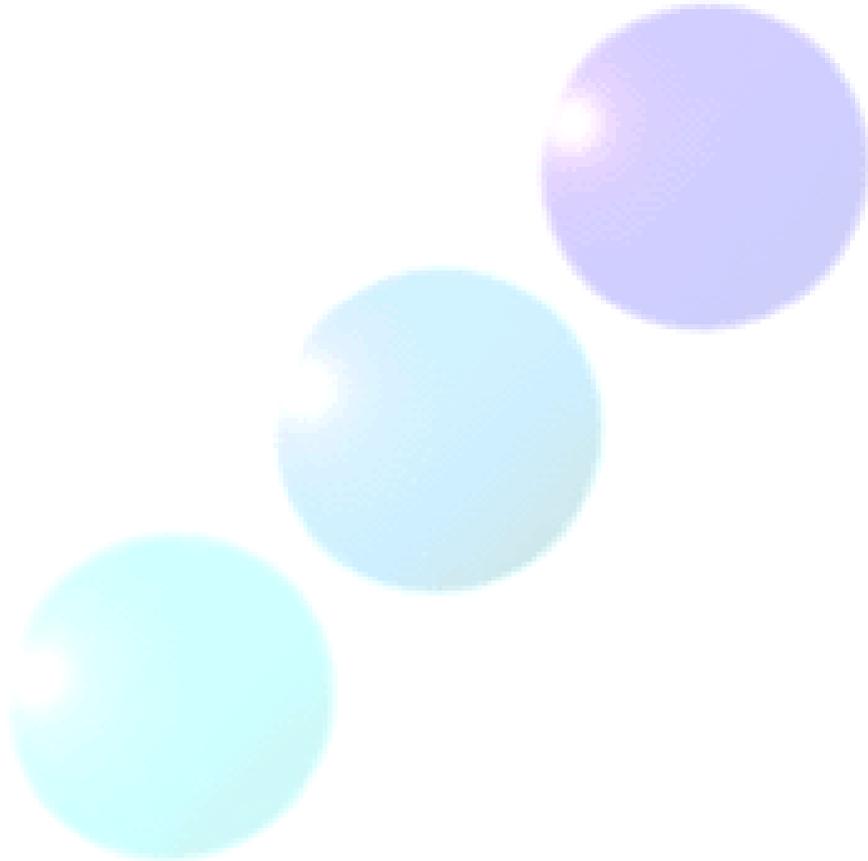
At Aselsan, greenhouse gas emissions are regularly calculated and monitored with reference to TS ISO 14064 and the Green House Protocol. The company has been certified for the ISO 14001 Environmental Management System and the OHSAS 18001 Occupational Health and Safety Assessment Series. With these certifications, the Environment and Occupational Health related practices at Aselsan are conducted systematically. Inventories on carbon emissions, natural gas consumption, the usage of refrigerants, transportation activities and production processes are generated and carbon emissions are calculated.

In addition, in order to increase the environmental awareness of staff, annual training and exercises are carried out.

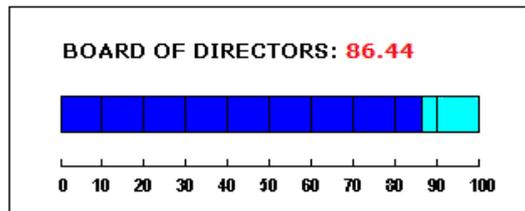
The company attaches great importance to projects in the field of education within the framework of social responsibility. Efforts were made to build schools in earthquake-ravaged regions where education was impeded. Schools were built and equipped in the city of Muzafferabad-Pakistan, as well as in the Turkish cities of Erzincan and Adapazari. Significant improvements were made to the existing status of

two primary schools in Ankara, one in Macunköy and the other in Akyurt. Furthermore, a new school at Erciř, Van started teaching in 2012.

Additionally, faculty and rehabilitation center received donations and within the past five years, Aselsan have collaborated with over 20 universities in more than 150 projects.



## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The company's vision, mission and strategic goals are defined
+	The board works efficiently and staffed with qualified members
+	No executive members on the board, three independent members
+	Audit, Corporate Governance, and Risk Management Committees established
+	Working principles of the committees identified and disclosed to the public
+	Board of directors have operating directives
=	Ethical principles should be clearly stated to bind also the members of the board of directors
=	Functionality of the newly established committees to be monitored in the upcoming rating period
-	No provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene

The board of directors of Aselsan has defined the vision and mission of the company and disclosed it to the public on the corporate web site. Board of directors approves the strategic goals constituted by the executives.

The board of directors' duties and responsibilities are clearly defined in

the articles of association of the company in consistence with its functions and beyond any doubt. Members of the board are jointly liable should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general shareholders' meeting, but they do not have a written declaration in this context.

The ethical principles of the company dictate that the employees cannot indulge in pressures that would serve against the interests of the shareholders, accept any material gains, and disclose company information that is confidential and/or trade secret. However, the ethical principles should be clearly stated to also bind the members of the board of directors.

The board of directors fulfills all its tasks duly and meetings take place with sufficient participation and intervals. Processes for the invitation, and the preparation of the board of directors for a meeting allows all members of the board to be fully prepared, and it is incorporated in the board's operating directives. Another area for improvement is the absence of provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene.

As stipulated by the change in the articles of association, board members could not participate to board of directors meetings which concern their personal interest, or the interest of their spouses and relations up to third degree blood relatives.

There are no executive members on the board of directors of the company and the chief executive officer and chairman of the board is not the same person. There are three independent members on the board, and they have signed a declaration of independence.

There is no loan, credit, surety or collateral granted to the members of the board by the company. A remuneration policy for the members of the board of directors and senior management is established, adopted at the general shareholders' meeting, and disclosed to the public.

An Audit Committee, a Corporate Governance Committee, and a Risk Management Committees are established from within the board of directors. All three committees are chaired by independent members of the board and the committee responsible of audit is composed entirely of independent members. There are no executive members of the board on the committees. The working procedures of the committees are defined and disclosed to the public on the corporate web site.

#### **4.1. Fundamental Functions of the Board of Directors:**

The board of directors of Aselsan has defined the vision and mission of the company and disclosed it to the public on the corporate web site. Board of directors approves the strategic goals constituted by the executives.

The board of directors effectively revises the company's level of success in achieving its goals, operations and past performance. In this context, the company's operations, approved annual financial and business plans, and compliance with current legislation and international accounting standards in the accountancy of operational results of the company are audited, and the degree of accuracy of the

company related financial information is observed.

The board established internal control and risk management mechanisms that are appropriate for the company to minimize adverse effects of the risks that company may face, which would also negatively affect the shareholders and stakeholders. The board also takes all necessary measures for sound functioning of such mechanisms implemented.

The board of directors has formed Audit, Corporate Governance, and Risk Management Committees to perform tasks in a sound manner.

The board of directors assesses whether the executives are well qualified to suit the demands of their positions and seeks measures that would encourage the qualified employees to work for the company over a long period of time. As the board of directors deems appropriate, it may terminate the employment of executives and may, without delay, appoint new executives to replace the former.

Similarly, the board of directors closely monitors and supervises whether or not the company's operations comply with the relevant legislation, articles of association, and in-house regulations and policies, and act as a pioneer in resolving and settling disputes that may arise between the company and shareholders.

#### **4.2. Principles of Activity and Duties and Responsibilities of the Board of Directors:**

The board of directors' duties and responsibilities are clearly defined in the articles of association of the company in consistence with its functions and beyond any doubt, so as to be distinguished from the responsibilities of individual board

members, executives, and the general shareholders' meeting. Within this framework, duty and responsibility of each board member and executives are clearly defined, included in the annual report of the company, and disclosed to the public thereby.

In order to ensure that the board members perform their duties fully, they are provided with easy access to all kinds of information in a timely manner. If deemed necessary, executives attend to the board of directors meetings. In accordance with the legislation, board members are jointly liable should they intentionally or unintentionally fail to properly perform their duties assigned to them by legislation, the articles of association and the general shareholders' meeting resolutions. On the other hand, members of the board have no written declaration that they will comply with the legislation, articles of association, in-house regulations and policies, and in case of incompliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders.

We did not come across to any presumptions that members of the board indulged in pressures that would serve against the interests of the shareholders, accepted any material gains, and disclosed company information that is confidential and/or trade secret. All necessary measures are taken to ensure that all employees abide thereby. Board of directors included these matters in the "Ethical Principles" of the company. However a provision like; "these principles are binding for all employees of the company, **including the board of directors**" would have been in the context of the principles of best practice in corporate governance.

Board members also adopted requisite measures in order to ensure that

confidential information does not flow out of the company by other company employees. During the rating process, we came across to no occurrences of any members of the board exploiting confidential and publicly unavailable information in favor of him/her, or others; providing information or extending news or making comments that are false, untrue, misleading, and unfounded information about the company.

The members of the board of directors devote sufficient time to the company's affairs. A provision in Aselsan's articles of association states that if the board members take on additional duties outside the company the Turkish Commercial Code, Capital Markets Law, the Capital Markets Board's corporate governance arrangements and other relevant provisions of the legislation will be respected. On the other hand, as submitted to the general shareholders' meeting, board members are not authorized to engage in activities that may cause a conflict of interest or compete with the company.

The board of directors adopts a separate decision to approve the periodical financial statements and annual report of the company. Beyond its basic functions and in accordance with opinions and suggestions of the committees, the board of directors approves the annual budget and business plans of the company, prepares the annual report and finalizes the same for presentation at the general shareholders' meeting; ensures that the general shareholders' meeting is conducted in accordance with the legislation and the company's articles of association; fulfills the general shareholders' meeting decisions; controls the company's material expenditures in the balance sheet; approves the career plans and remuneration of executives, determines policies for shareholders,

stakeholders and their public relations; determines the information policy and the ethical rules of the company; determines the working principles of the committees; and ensures them to work effectively and efficiently.

First meeting of the board of directors was held following the general shareholders' meeting and without any delay. In principle, each member of the board attends all meetings. The board of directors convenes on regular basis as planned in advance, frequently enough and without any delay.

All resolutions of the board meetings are recorded in the meeting minutes. Procedures for invitation of the members of the board to the meeting and organization thereto are designed so as to allow the board members to be properly prepared for such meetings, and these procedures are regulated in the operating directives of the board of directors.

There are no provisions in the articles of association defining procedures for shareholders or stakeholders to invite the board to convene, however the board of directors meeting and decision quorum are included in the articles of association.

A secretary provides information to and engages in communication between members of the board of directors, and also a rapporteur is assigned to carry out the necessary work. At the same time rapporteur records the resolutions of the meeting, and when doing so, he must observe the provisions of Article 78 of Turkish Commercial Code on the Book of Resolutions and of Article 330 on the resolutions of the board of directors. Accordingly, the reporter ensures the specification of the date and number of the resolution, the names and surnames of those who has attended, the names and surnames of those who

has not attended as well as their justifications for absence, the meeting agenda, suggestions for and discussions on the agenda, the text of the resolution, and if any, the dissenting opinions are entered in the resolution book and the signature of the attending members are affixed under it.

As stipulated by the change in the articles of association, board members could not participate to board of directors meetings which concern their personal interest, or the interest of their spouses and relations up to third degree blood relatives.

#### **4.3. Formation and Election of the Board of Directors:**

In election of the board members, both the qualifications imposed by the applicable laws and the qualifications specified in the Corporate Governance Principles are sought for. The board of directors is composed of directors bearing these qualifications so as to derive the maximum benefits and efficiency from them. The persons nominated for the board of directors are expected not only to bear the said qualifications, but also to be well-equipped so as to own the basic know-how about the operations within the fields of business of the company and about the relevant applicable laws and regulations, and the related provisions are incorporated in the articles of association of the company.

There are no executive members on the board of directors of Aselsan. Executive directors do not serve on the executive committee and no member of the executive committee serves on the board of directors.

The board includes three independent members, which is at least 1/3<sup>rd</sup> of the board, who have the ability to execute their duties without being influenced under any circumstances and they

have signed a statement of independency.

#### **4.4. Remuneration of the Board of Directors:**

Aselsan's board members receive TL 2,000 per month as attendance fee which is determined by the general shareholders' meeting. There is no loan, credit, surety or collateral granted to the members of the board by the company.

A remuneration policy for the members of the board of directors and senior management is established, adopted at the general shareholders' meeting, and disclosed to the public on the corporate web site. There is no remuneration policy reflecting the performance of the members of the board of directors and associating it with that of the company's. As understood from the Corporate Governance Committee's minutes of the meeting, there is no such a run for it yet.

#### **4.5. Number, Structure and Independence of the Committees Established by the Board of Directors:**

In accordance with the present conditions and requirements, and to achieve the fulfillment of board of directors' duties and responsibilities in a sound manner, an Audit Committee, a Corporate Governance Committee, and a Risk Management Committee is established from within the board of directors of Aselsan. All three committees are chaired by independent members of the board and the committee responsible of audit is composed entirely of independent members. There are no executive members of the board on the committees.

All committee records are documented and recorded. The working procedures

of the committees are defined in written and disclosed to the public. The frequency of the committee meetings and the level of functionality will be monitored by SAHA during the next rating period.

#### **4.6. Executives:**

The executives of Aselsan ensure that the company conducts its business within the framework of its mission, vision, goals, strategies, and policies. They act in accordance with the financial and operational plans of the company as approved by the board of directors each year, they are adequately authorized to perform their duties, and have the required professional qualifications in order to perform the assigned duties. The executives do not exploit company related confidential and publicly unavailable information in favor of himself/herself or others. Furthermore, Aselsan officials have declared that none of the executives have been convicted of non-conformity with the capital market legislation and the Turkish Commercial Code. On the other hand, provisions dictating that executives should compensate the losses incurred by the company and the third parties as a result of not performing their duties duly, have not been included in company rules and regulations.

## Rating Definitions

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

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

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