

Corporate Governance Principles Compliance Report

1. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In parallel with the activities related to Corporate Governance commenced in 2005 at Vestel Beyaz Eşya San. ve Tic. A.Ş., corporate governance mechanisms started to be operated in line with the principles across the organization. In the first phase of these activities, a series of amendments were made to the Company's Articles of Association so as to be able to offer an egalitarian, accountable, responsible and transparent structure to the shareholders. These amendments served to grant the rights, which are enforced by very few companies although envisaged by the Corporate Governance Principles, to minority shareholders, while radical changes were made to the management structure in pursuit of "better governance". Following the revisions made to the Articles of Association, Corporate Governance practices were carried on with the establishment of Corporate Governance mechanisms at the Company. While the Board of Directors was vested with greater objectivity with the addition of independent members, it was aimed to further increase the effectiveness of corporate governance by setting up committees under the Board. In addition, the Company's disclosure policy was put into writing, and presented to the shareholders at the General Meeting. A website has been developed so as to achieve the maximum, simultaneous, accurate and complete public disclosure in line with Corporate Governance Principles.

Activities undertaken in 2012 with a view to further increasing the compliance of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. with the Corporate Governance Principles are summarized below:

- The Articles of Association were revised in parallel with CMB's Corporate Governance Principles and presented to shareholders at the General Meeting for the year 2011.
- Résumés of Board Members were included in the information document distributed prior to the General Meeting. The information document was shared with

the general public four weeks before the General Meeting via the Public Disclosure Platform and the Company's website.

- At the General Meeting for the year 2011, the independent members whose terms of office expired were replaced with new members. The statements of independence of the new independent members were collected.
- Upon the selection of Şule Cümbüş as Board Member, the structure of the Board of Directors has come to comply with the Corporate Governance Principles, Article 4.3.10.
- At the General Meeting for the year 2011, all the new Board Members were selected from among non-executive candidates.
- In line with the Corporate Governance Principles, Article 4.6.2, the "Remuneration Policy for Board members and Senior Managers" was set down in writing and submitted to shareholders at the General Meeting.
- In line with the Corporate Governance Principles, Article 1.3.11, "Company Donation and Charity Policy" was set down in writing and submitted to shareholders at the General Meeting.
- In line with the Corporate Governance Principles, Article 4.5.2, the Working Principles of the Corporate Governance Committee and Audit Committee were set down in writing, and shared with the general public via the Public Disclosure Platform and the Company website.
- In line with the Corporate Governance Principles, Articles 4.1.1, 4.2.3 and 4.2.4, from the first quarter of 2012 onwards, Zorlu Holding's Enterprise Risk Department embarked upon activities to detect the risks which could jeopardize the presence, development and continuity of Vestel Beyaz Eşya, to take action against the risks identified and to manage these risks. The Enterprise Risk Management Framework,

Policies & Procedures was issued and Vestel Beyaz Eşya's Corporate Risk Management Project was initiated.

- In line with the Corporate Governance Principles Articles 4.5.1 and 4.5.12, work started for the establishment of the Early Detection of Risk Committee at Vestel Beyaz Eşya.

- In line with the efforts to comply with the Turkish Commercial Code and Turkish Accounting Standards, the structure and tasks of the audit function under the Vestel Group of Companies was redefined. The audit function was divided into the two main categories of Internal Audit, and Financial and Tax Audit. Long established, the Internal Audit Department will from now on be responsible mainly for operational and compliance audits, and audits demanded by the management. Meanwhile, the Financial and Tax Audit Department will audit the accuracy of all financial statements (external reports and management reports), and give assurance to the Board of Directors in this area. In addition, the Information Technology audit under the Internal Audit function will also continue in 2013.

- ISO 50001 Energy Management System was established and certified.

- The Carbon Disclosure Project was joined, carbon footprint calculations were performed and presented to our investors.

In the implementation of Corporate Governance Principles, certain principles that do not conform with the Company's structure and that are regarded as potential obstacles against its activities were excluded. These principles and the reasons for opting not to comply therewith are summarized below:

- The definition of the appointment of a special auditor as an individual right in the Articles of Association: The right to demand the appointment of a special auditor is already granted by the Turkish Commercial Code, Article 438. Since the right has already been defined by legislation, it is not mentioned in the Articles of Association.

- Early Detection of Risk Committee: The duties, authorities and responsibilities set forth to Early Detection of Risk Committee are carried out by the Corporate Governance Committee. Work on the establishment of a separate Early Detection of Risk Committee is almost completed.

During the implementation of Corporate Governance Principles, the Company's Board of Directors, senior management and all employees supported the activities and participated in the studies held. With this widespread support, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. was able to establish its approach to management which is responsible, accountable, transparent and equitable toward its shareholders.

PART I- SHAREHOLDERS

2. INVESTOR RELATIONS UNIT

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. carries out its relations with shareholders through Vestel Group of Companies Investor Relations and Corporate Finance Department. Contact information for this department is as follows:

Department Director	: Figen Çevik
Department Manager	: Başak Dalga
Address	: Vestel Şirketler Grubu Zorlu Plaza 34310 Avcılar - İstanbul
Phone	: +90 (212) 456 22 00
Email	: yatirimci@vestel.com.tr

- The principal activities carried out by the Corporate Finance and Investor Relations Department and the conferences attended in 2011 on behalf of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. are summarized below:
 - Nearly 70 one-on-one meetings were held with investors and analysts.
 - During the reporting period, more than 80 questions were responded to by e-mail and about 90 by telephone.
 - The department participated in four conferences organized by brokerage houses.

3. SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

- During 2012, shareholders asked for various pieces of information from the Company on various issues, These were responded to via telephone, e-mail or mail, in writing or verbally, as demanded by investors. The answers to these demands were open, clear, and in detail, in accordance with the Company's disclosure policy, and all inquiries except those concerning trade secrets were given a satisfactory response.
- Material event disclosures made via Public Disclosure Platform (PDP) and Vestel Beyaz Eşya website were the tools used in 2012 for the disclosure of developments that might have an impact on the shareholders' exercise of their rights.
- The Company website launched in early 2007 in order to maximize the ability of shareholders to exercise their right to obtain information, all the information required by the CMB's Corporate Governance Principles is published on the corporate website. Updating and monitoring the website is the responsibility of the Investor Relations and Corporate Finance Department.
- The right to request the appointment of a special auditor is not laid out in the Articles of Association. Since this right is already granted to each shareholder of joint stock companies by the Turkish Commercial Code, Article 438, it is not mentioned specifically in the Articles of Association. The Company received no requests for the appointment of a special auditor in the reporting period.

4. INFORMATION ON GENERAL MEETINGS

- Vestel Beyaz Eşya held its ordinary General Meeting for 2011 at 10:00 AM on June 19, 2012 at the address of Zorlu Plaza, Avcılar-Istanbul.
- The invitation for the meeting including the meeting date and agenda has been made within due time as set out in the law and the Company's Articles of Association by being published in the Turkish Trade Registry Gazette issue 8076 dated May 25, 2012 and in the Milliyet newspaper and Dünya newspaper, both dated May 25, 2012, and also posted on the Company's website www.vestel.com.tr. To facilitate attendance to the General Meeting, announcements were published in these two Turkish newspapers with high circulation. In addition, all relevant information regarding the General Meeting including the announcement was posted on the corporate website.
- Before the General Meeting, the annual report, financial statements, Articles of Association as well as the General Meeting Information Document prepared as per CMB regulations were all made available for the inspection of shareholders at the Company's headquarters. All of this information was also published on the corporate website together with the General Meeting announcement and agenda.
- Prior to the General Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not demand adding any items on the meeting agenda.
- Out of 190,000,000 shares corresponding to the Company's total capitalization of TL 190,000,000.00, 156,816,942.00 shares representing TL 156,816,942 in capital were present in person at the meeting. The General Meeting convened with an attendance ratio of 82.54%. No proxy votes were cast.

- The Company's Articles of Association contain no provisions concerning the participation of stakeholders or the media at the General Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the General Meeting for 2011 and no other stakeholders or media representatives attended.
- Shareholders were allowed to ask questions at the General Meeting. All questions coming from shareholders were responded to in detail. Shareholders introduced no motions during the meeting.
- At the General Meeting, shareholders were informed about donations made to Mehmet Zorlu Foundation amounting to TL 1,588,613.59 made during the year 2011. The "Company Donation and Charity Policy" issued in compliance with CMB's Corporate Governance Principles was also submitted to the shareholders' approval in a separate agenda item at the General Meeting for the year 2011.
- The minutes of the General Meeting are made available for the examination of shareholders at the Company's headquarters. All announcements, documents, and other materials related to General Meetings are accessible to shareholders and to all other stakeholders on the corporate website.

5. VOTING RIGHTS AND MINORITY RIGHTS

- In the Articles of Association of Vestel Beyaz Eşya San. ve Tic. A.Ş., there is no privilege with respect to voting to any group or stakeholder.
- The Company does not have any subsidiaries. For this reason, there are no cross-shareholding interests and therefore no need to disclose the impact on General Meeting votes.
- According to the Articles of Association, the minority rights shall be exercised by the shareholders representing at least 5% of the paid-in capital.
- Minority shareholding interests are not represented in management. However, two independent members were elected to the Board of Directors to represent the interests of all shareholders and stakeholders, especially those of minority shareholders.

6. DIVIDEND RIGHTS

- There are no privileges concerning the participation in Company's profits in the Articles of Association. Each share of stock is entitled to an equal dividend.
- Each year, the Company's Dividend Distribution Policy is presented to the shareholders as a separate agenda item at the General Meeting. The Dividend Distribution Policy is also disclosed to the general public via the Company's website and annual report.
- In accordance with the dividend distribution policy established at the Board of Directors meeting held on March 19, 2007 and numbered 2007/8, the Company decided to distribute dividends corresponding to a minimum 25% of the distributable profit, including 2007 profit, in cash or in the form of bonus shares to the shareholders. The amount of dividends to be distributed shall be proposed by the Board of Directors each year at the Ordinary General Meeting depending on national and global economic conditions and the Company's growth plan.

- Despite the Company' dividend policy which stipulates the distribution of at least 25% of the net distributable profit as dividends (cash or bonus shares), due to the unfavorable market conditions in our primary market Europe and the ensuing need to increase the working capital, the participants of the General Meeting for 2011 unanimously decided to set aside the entire net distributable profit of TL 19,181,276 as reserve, and thus not to pay any cash dividends.

7. TRANSFER OF SHARES

- The Company's Articles of Association contain no provisions restricting the transfer of shareholding interests.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. DISCLOSURE POLICY

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s public disclosure policy has been formulated in line with the CMB Corporate Governance Principles. In 2010, the policy was revised and approved by the Board of Directors. The revised disclosure policy was presented for the information of shareholders and participants at the 2009 Ordinary General Meeting held on May 26, 2010. The Company's disclosure policy has also been publicly disclosed on the corporate website.

- The issues addressed by the Company's public disclosure policy are summarized below:
 - Ensuring that public disclosures are made in a complete, fair, accurate, timely, comprehensible manner and are made equally and easily accessible to all;

- Individuals authorized to handle the development, implementation and improvement of the disclosure policy and individuals responsible for public disclosures;
- Methods and tools of disclosure;
- Public disclosure of financial reports and authorized individuals;
- Public disclosure of material events and authorized individuals;
- Written/verbal statements-press releases-conferences and individuals authorized to make public disclosures;
- Disclosure of future-oriented information;
- Prohibited disclosure/quiet period;
- The website;
- Following up on news, rumors, and speculations;
- Criteria used in the designation of individuals with administrative responsibility;
- Confidentiality protection procedure for internal data.

- The Public Disclosure Policy has been developed and approved by the Board of Directors, which is the responsible body for its implementation, development and oversight. The monitoring and follow-up of all kinds of issues related to public disclosure is under the responsibility of executives in charge of financial management and reporting, and the Investor Relations Department. These executives perform their duties in close cooperation with Corporate Governance Committee, Audit Committee and Board of Directors.

9. THE CORPORATE WEBSITE AND ITS CONTENTS

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s corporate website was created in early 2007 for the purpose of assuring intelligible, clear and equitable public disclosure to shareholders, stakeholders and the public at large. The information posted on the website is constantly updated.
- The corporate website contains all the required information as stipulated in Article 2.2.2 of Section II of CMB's Corporate Governance Principles.
- The website also features pages in English so as to provide information to international investors.
- The website is accessible at www.vestel.com.tr.

10. ANNUAL REPORT

- The annual report contains all the information stipulated in Article 2.3.2 of section II of CMB's Corporate Governance Principles.

PART III: STAKEHOLDERS

11. KEEPING STAKEHOLDERS INFORMED

- Stakeholders in the Company can be classified as employees, suppliers, financing sources and the public.
- Stakeholders are regularly informed within the framework of the Company's public disclosure policy. Employees are informed by e-mails and also by the Intranet. Furthermore, periodic interdepartmental meetings and periodic meetings for the employees are held.
- The Company's domestic and foreign sales are handled by Vestel Ticaret A.Ş., one of the Vestel Group of companies. Vestel Beyaz Eşya pays customer visits in conjunction with the Group's

marketing company. Based on the assessments arising from these face-to-face contacts, customer satisfaction can be directly observed and complaints can be addressed onsite. When necessary, improvement work is carried out in line with the customer complaints received via this company or directly by Vestel Beyaz Eşya. Apart from these, periodic meetings are held with Vestel Ticaret A.Ş. to discuss the actions taken to satisfy customer expectations and to maximize the level of quality. At certain periods, customer satisfaction surveys are administered among end-consumers.

- The stakeholders can report to the Corporate Governance Committee or Audit Committee any Company transactions violating legislation or ethical rules by accessing the Investor Relations Unit via telephone and/or e-mail.

12. STAKEHOLDER PARTICIPATION IN MANAGEMENT

- No model has been developed to include stakeholders in the Company's management. However, the two independent members on the Board protect and represent the interests of all stakeholders as well as those of the Company's shareholders.
- The Executive Committee Member responsible for Human Resources represents the employees, one of the Company's largest stakeholder groups, at the Vestel Group's Executive Committee.
- In making important decisions with regard to the stakeholders, senior executives representing the stakeholders are invited to the Board of Directors meetings to express their opinions.

13. HUMAN RESOURCES POLICY

- The Company's human resources processes are managed by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Coordinator. The Department includes a Human Resources and Training Unit, and an Industrial Relations Unit. Transactions related to the administrative affairs and recruitment functions are carried out under the direct supervision of the Human Resources Director. The Zorlu Holding Human Resources Coordinator is a member of Vestel Group's Executive Committee; as well. Thus, providing information regularly to the management on any employee related issue is ensured.
- The Company's Human Resources Policy is set down in writing and covers all issues related to hiring, promotion, dismissal, compensation, career planning, performance evaluation system, linking performance results to remuneration, and training policies. The employees have been informed of their job definitions and division of tasks, as well as performance and compensation criteria through the Human Resources Policy.
- The Human Resources Policy addresses the following matters:
 - Criteria for hiring, promotion and dismissal are set down in writing. Details regarding hiring criteria are spelled out in the recruitment regulation, and those on promotion are in the promotion regulation.
 - Vestel Group has in place a performance appraisal system for the Group employees, which is based on individual performance but also relates to results obtained by the department and the Company, and which aims to contribute to the employees' individual and the organization's corporate development. Results from the performance appraisal system are utilized in remuneration, training and career development processes.

- A work evaluation was performed using Hay Group's grade system criteria, thereby exposing the grading structure of the employees. A remuneration policy was set in view of this structure, and a wage system has been built which is managed through adjustments made in line with the current conditions.
- Employees are offered comprehensive training programs. The training process is handled centrally for all Vestel Companies and the whole process is carried out on the Intranet. The training programs are designed to provide the employees with the opportunity to move forward in their careers. The employees are given the chance to select training programs in line with their career planning and aspirations.
- "Vestel Technology Academy" was founded especially for the engineer staff of the Vestel Group. The Academy provides master's and PhD education opportunity to about 200 employees. Additionally, "Management Training" and similar programs are regularly planned and implemented every year in order to cultivate qualified managers.
- There are two different types of career advancement mechanisms, which are promotion and horizontal advancement. The system is run at intervals set out in the Company's guidelines.
- Employees are provided with orientation programs. The program for each department and position is devised individually, and presents differences in terms of duration and content.
- The corporate portal and the e-mail system are used for the purposes of periodic information provision to employees. Each unit holds internal meetings at certain intervals. These meetings are production meetings (every morning at the factories), every Monday (departmental meetings), happy hour gatherings (on Fridays), quality management meetings (bimonthly), budget meetings (monthly) and R&D new product meetings (monthly).

- All employees are treated equally and without any discrimination whatsoever (on the basis of ethnicity, language, religion, race, gender) in all matters involving training, career development, promotion, and the like.

- Measures are taken to prevent any practices that might cause discrimination among employees and all employees are treated equally without any distinctions being made among them. There were no complaints received from employees related to discrimination.

14. CODE OF ETHICS AND SOCIAL RESPONSIBILITY

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s Code of Ethics has been set down in writing and published on the corporate website within the framework of the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics formulated for the Company, for the Board Members, and for the employees is complied with in full.

- Within the scope of social responsibilities, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. joins the activities carried out by its parent company Vestel Elektronik San. ve Tic. A.Ş. and Zorlu Holding A.Ş. Zorlu Group, of which the Vestel Group of Companies is a member. The Group took a major step in bringing a global social responsibility dimension to the principles and values espoused since its foundation, by signing the United Nations Global Compact in 2007.

- As a responsible corporate citizen, Vestel Beyaz Eşya fulfills its obligations concerning reducing the environmental impact arising from its activities, and introducing products that are compatible with nature. Since June 2006, the Company has adhered to the RoHS (Restriction of the Use of Certain Hazardous Substances) directive in the manufacturing of all of its products. Accordingly, the use of six heavy metals (lead, mercury, cadmium, chrome+6, PBB, PBDE) posing threat to the living and the environment has been limited in the products. To ensure that the Turkish people live in healthier environments,

Vestel Beyaz Eşya bore the costs resulting from this implementation and started supplying the domestic market with products that conform to the RoHS directive, before this regulation went into effect in our country.

- Work in relation to WEEE (Waste of Electrical and Electronic Equipment directive) is in progress in parallel with RoHS efforts. According to this directive, each brand is responsible for the collection and recycling of the wastes of its own products. Our Company is carrying out the necessary preparations with a view to adhering to the WEEE directive in the most effective manner in coordination with the authorized governmental bodies.

- In accordance with its global environmental responsibility, our Company made it a principle ever since its foundation not to use in the products and production processes the chemicals that deplete the ozone layer or lead to global warming by creating greenhouse effect. In keeping with this philosophy, gases with very low ODP (ozone depletion potential) and GWP (global warming potential) levels are being used in the production of our refrigerators and air conditioners.

- With its environmental policy, Vestel Beyaz Eşya targets an approach that maintains and enhances the quality of life of its employees and customers. Under the environmental policy adopted, the Company pledges to:

- Take into account environmental factors when considering new products, projects and operations;
- Reduce the use of harmful materials in the product design and production processes, and investigate less contaminant materials;
- Take on activities for waste reduction, reuse, recycling and recovery;
- Ensure savings in energy, water and natural resources by encouraging increased productivity and employment of new technology;
- Use recycled packaging material whenever feasible;

- Organize activities that raise and promote environmental awareness;
 - Comply with the environmental legislation and administrative regulations in effect.
- Due to the environmental significance of energy efficiency from the point of preventing direct consumption of natural resources, ISO 50001 Energy Management System activities are integrated into the ISO 14001 Management System.

In addition, priority is given to the production of Class A and A+ products at Vestel plants with a view to contributing to the effective use of natural resources and electricity, and research and development activities are carried out heavily for products that consume resources such as electricity, water, detergent, and gas less.

- In 2012 Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. was certified by the Energy Management System which was founded in 2011. Under the Energy Management System, our Company is committed to:
- Using energy efficient and eco-friendly technologies for continuously improving our energy performance and ensuring economic and environmental sustainability,
 - Continuously comparing the Company's energy performance with the best practices in the world and its peers for improvement and development,
 - Making use of renewable energies,
 - Cultivating a culture of participation and innovation among stakeholders for continuous improvements in energy saving,
 - Achieving full compliance with legal requirements,
 - Identifying energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
 - Ensuring that all employees play a role in the improvement of the Company's energy consumption performance,

- Raising energy efficiency awareness via training, seminars and posters,
- Encouraging creative ideas for the development and use of new technologies and modification of equipment and processes in order to optimize energy consumption.

- As part of its environmental awareness activities within the Integrated Management Systems Policy, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.:

1. Trains all employees on the subject of environment and energy.
 2. Distributes to all employees booklets on the environment and energy topics.
 3. Designs bi-monthly environmental awareness brochures on the panels where the employees can see and on the panels behind WC doors
 - "Let's Collect Bottle Tops One by One, Overcome the Obstacles Step by Step" campaign organized by Ege University, Faculty of Dentistry in the scope of social responsibility and waste management is supported within the Company. Wheel chairs were bought for the relatives of two employees with the collected plastic caps.
 - Through supporting the "White Goods Sector Hazardous Waste Guide" project, hazardous wastes in white goods sector are classified with the support of Ministry of Environment and Urbanism, Marmara University and TÜBİTAK.
 - An Environment Commission, in which Environmental Management Officer represents our Company, has been established within MOIZ. The commission continues its environmental activities.
- Climate change is not only an ecological but also a social and economic threat. Vestel Beyaz Eşya views climate change as a significant risk for the world's future and the sustainability of the Company, and carries out important projects in this context. For this reason, the Company carried out studies for the measurement and reduction of the carbon footprint and joined the Carbon Disclosure Project, which

has been initiated to encourage companies, investors and governments to collect and publish information which could help the fight against climate change threat. We plan to realize performance improvement by embracing carbon cutting targets by means of disclosing data about greenhouse gas emissions, climate change strategies and sustainable water consumption to the public and investors via CDP. CDP carries this mission onward and puts it into place with the purpose of accelerating the common actions against climate change.

- Vestel Beyaz Eşya achieves sustainability by successfully applying the Total Productive Maintenance management system since 2011. TPM is a maintenance system which targets zero equipment disruption and zero quality error in production systems. In production and service processes, TPM upholds the participation of all employees, introduces autonomous maintenance processes, adopts a preventive rather than a troubleshooting approach, and maximizes equipment efficiency. The TPM system approach has brought the following environmental gains to the Company:

- Maintaining order with the 5S approach and decreasing pollution,
- Achieving improvements through the Kaizen philosophy,
- Saving energy and raw materials, and decreasing breakdowns and waste with the eye gaze approach,
- Decreasing scrap and rework and thus waste,
- Boosting efficiency and quality - continuous development.

- Vestel Beyaz Eşya's washing machines were granted the Jury Special Award at the Industrial Energy Efficiency Project Competition organized by the Ministry of Energy and Natural Resources, General Directorate of Renewable Energies; Energy Efficient Product Award at the MOIZ Energy Efficiency Competition; "The Most Energy Efficient Product Award" at the Istanbul Chamber of Industry's Environmental Awards, all of which confirm the success of Company's large-scale investments in eco-friendly products.

- Vestel Beyaz Eşya's policy in relation to occupational health and worker safety is as follows:

- Satisfies its legal obligations and administrative conditions toward employees and the rules of organizations to which it is a member,
- Achieves constant improvement through incorporation of international standards, new technologies and employees' suggestions in its practices,
- Devises and implements plans that will prevent potential occupational accidents and diseases by undertaking occupational health and safety risk analysis,
- Offers constant training to employees to instill the correct behavioral habits with regard to potential health and safety risks,
- Generates the operational principle to review the policy according to changing conditions so as to eliminate or minimize unsafe elements and unsafe acts at workplaces with a view to prevent or reduce occupational accidents; to frequently review working conditions and to take necessary actions with regard to problematic areas; and to secure funds for such actions,
- Adopts the principles of fitness for work to the worker and of the worker to the work in order to prevent or reduce accidents.

- At Vestel, corporate development is synonymous with social development. Cognizant of this fact, the Company firmly supports all social responsibility projects which deliver value to the society, pioneers new initiatives in this field, and raises social awareness of its future-looking and eco-friendly products via the media communication.

- Vestel makes a point of ensuring that its social responsibility activities make concrete and sustainable contributions to the society, and accordingly chooses to support not short-lived but long-term projects which are set to create their own momentum in the future. As such, before embarking upon a social responsibility project, the Company first identifies areas in which the state's presence is insufficient or lacking. In the social responsibility projects it supports or organizes directly, Vestel never compromises its total quality approach and displays the same performance and meticulousness that its displays in its other operations.

- Vestel continued to give its support to education in 2012 by inaugurating the Vestel Beyaz Eşya Laboratory at the Diyarbakır Burhanettin Yıldız Technical and Industrial High School, under the "Occupational Training Partnership" agreement. As part of this agreement with Diyarbakır Burhanettin Yıldız Technical and Industrial High School, a training program was designed for authorized Vestel service centers. After the first stage of this program

jointly implemented by the high school's teachers and Vestel trainers, a total of 18 Vestel technicians received certification in "Electric House Appliances" and "Individual and Commercial Air Conditioning Systems".

- In line with the principle of mobilizing its resources for social development, Vestel has assumed the main sponsorship of or given strong support to noteworthy events. In 2012, the most important project sponsored by Vestel was the First Istanbul Design Biennial. The Company became the co-sponsor of the Biennial, and organized two different workshops with design students before the event started.

- Turkey's first interactive arts exhibition, "The Great Masters", organized under the main sponsorship of Vestel, brought together the masterpieces of the leading names of Italian Renaissance such as Michelangelo, Leonardo da Vinci and Raphael. Vestel not only gave sponsorship support to the event, but also provided interactive screens and digital displays to enhance art lovers' visit or experience.

- In September, the Company assumed the sponsorship of the Izmir leg of the "European Day of Science and Fun", organized simultaneously in 284 European cities, and featuring concerts, scientific experiments, exhibitions, round tables and educational games. In another contribution to the arts, the Company also sponsored a concert by the Berlin Philharmonic Orchestra.

Name	Position	Term of Office	Classification
Ahmet Nazif Zorlu	Chairman	1 year	Non-executive Member
Hacı Ahmet Kılıçođlu	Vice Chairman	1 year	Independent Member
Olgun Zorlu	Board Member	1 year	Non-executive Member
Şule Cümbüş	Board Member	1 year	Non-executive Member
İzzet Güvenir	Board Member	1 year	Non-executive Member
Ali Akın Tarı	Board Member	1 year	Independent Member

PART IV: THE BOARD OF DIRECTORS

15. STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS; INDEPENDENT BOARD MEMBERS

Ahmet Nazif Zorlu-Chairman of the Board

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family-owned textile business. He set up his first company, Korteks, in 1976. In the years that followed, he continued to undertake new investments in the textiles industry and founded Zorlu Holding in 1990. Mr. Zorlu purchased the rights to the Vestel trademark in 1994. He is currently the Chairman of the Board and Board Member of numerous Zorlu Group companies active in different sectors, including Vestel Beyaz Eşya and Vestel Elektronik.

Hacı Ahmet Kılıçođlu-Board Member

(1956 - Giresun) Hacı Ahmet Kılıçođlu received his bachelor's degree in economics in 1977 from the University of Essex and his master's degree in 1978. He started his professional career in 1979 at the Ministry of Industry and Technology and in 1980 became Assistant Specialist at Türkiye İş Bankası. After completing his military service, he worked in the private sector, before assuming administrative positions at the UNDP and F-16 project from 1984 onwards. In 1987, he took office at Türk Eximbank and served in various positions. He later served the bank as CEO and Board Member between 1998 and 2010, during which period he also worked as Board Member at the Turkish Banks Association. In 2001, Mr. Kılıçođlu was elected as the President of the The Berne Union. From 2008 until 2009, he worked as Consultant

to the President at the Islamic Development Bank. In 2010, he became Vice Chairman at Denizbank. Currently Mr. Kılıçođlu also serves as Board Member at Dođan Yayın Holding and Vice President at the Turkish Education Association.

Olgun Zorlu-Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom, Olgun Zorlu began his professional career in 1986 and gained managerial experience in Zorlu Group's textiles companies. He was appointed Board Member of Zorlu Holding in 1998. In addition, Mr. Zorlu continues to serve as a Board Member of Vestel Beyaz Eşya and Korteks Mensucat San. ve Tic. A.Ş.

Şule Cümbüş-Board Member

(1976 - İstanbul) After graduating from Işık High School, Şule Cümbüş went to the USA to pursue her undergraduate studies. In her first year, she studied business administration at Pepperdine University in Los Angeles, and in the following two years she was at New Jersey's Silberman College/Farleigh Dickinson University. For about six months she worked at Zorlu Holding's American subsidiary Zorlu USA Textile. In 1999, she returned to Turkey to take office as a Management Trainee at Denizbank, and went on to serve in various departments of the bank. In early 2002, she became Executive Director at the recently acquired Anadolu Kredi Kartları A.Ş. In 2003, she was appointed General Manager of Linens Pazarlama. Ms. Cümbüş has served as a Board Member in a number of Zorlu Holding companies.

İzzet Güvenir-Board Member

(1955 - İzmir) İzzet Güvenir graduated from Istanbul Technical University, Department of Aeronautical Engineering in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the Manager of the Air Conditioner Plant. Mr. Güvenir was appointed General Manager of Vestel Beyaz Eşya in 2000. He stepped down from his position as a Member of the Executive Committee responsible for White Goods and Vestel Russia as of July 1, 2011. He continues to serve as a Member of the Board of Vestel Beyaz Eşya.

Ali Akın Tarı-Board Member

(1943 - Koruköy) After graduating from Istanbul University, Faculty of Law, Ali Akın Tarı served as Public Accountant and later Chief Public Accountant at the Ministry of Finance, between 1972 and 1986. In 1986, he was appointed Vice President of the Board of Public Accountants and in 1989 Istanbul Group Head, a position he maintained until becoming a Board Member at the Banking Regulation and Supervision Agency in 2001. That same year, Mr. Tarı was also appointed Board Member of the Savings Deposit Insurance Fund. In 2004, when his term of office at Banking Regulation and Supervision Agency ended, he was appointed Undersecretary to the Minister at the Ministry of Finance, and remained at this post until 2007. Mr. Tarı left the public sector in 2007 of his own volition to become active in the private sector. In 2008, he became Board Member and Audit Committee Member at Dilerbank; in addition, he assumed the position of Board Member at Diler Holding in 2011. He continues to serve in these positions.

Enis Turan Erdoğan-Chairman of the Executive Committee

(1955 - Mersin) Enis Turan Erdoğan graduated from Istanbul Technical University, Department of Mechanical Engineering in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After serving in a number of different managerial positions for various firms in Turkey, he joined Vestel in 1988. Since 1988, he has served in various managerial positions at the Company, and was appointed Chairman of the Executive Committee of the Vestel Group of Companies as of January 1, 2013. Between 2002 and 2006, Mr. Erdoğan served as President of TURKTRADE (Turkish Foreign Trade Association). Additionally, he is the first Turkish citizen to be appointed Board Member to Europe's largest ICT Association, DIGITALEUROPE, a position he has held since 2010.

- Four Board Members are non-executive members, and two are independent members.
- The Chairman of the Board and the Chairman of the Executive Committee are different individuals. The Chairman of the Board is Ahmet Nazif Zorlu and the Vestel Group of Companies' Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the General Meeting for 2011, two independent candidates were presented to the Nomination Committee. The report dated May 10, 2012 on whether these candidates fulfill the independence criteria was submitted to the Board of Directors. Upon a resolution by the Board of Directors dated May 18, 2012 and numbered 2012/29, it was decided that their names would be submitted to the approval of shareholders at the General Meeting, to become independent Board Members.

- Board Members Hacı Ahmet Kılıçoğlu and Ali Akin Tarı are independent members who satisfy CMB's Corporate Governance Principles pertaining to independence criteria. Nothing occurred during the reporting period that changed the independent status of the independent members.
- No restrictions are imposed on Board Members' undertaking one or more duties outside the Company.

16. WORKING PRINCIPLES OF THE BOARD OF DIRECTORS

- Agendas for Board meetings are determined in line with the requests of the Chairman and Members. Requests coming from Company management are also influential in determining meeting agendas.
- Article 16 of the Company's Articles of Association sets out that Board meetings will be held as and when deemed necessary, and at least once a month. In 2012, the Board held 26 meetings and attendance at these meetings reached 84%. In order to increase attendance at meetings, the meeting dates were determined at the beginning of the year and the Board Members were notified. As such, the Board Members were given the chance to shape their schedules according at the meeting dates. Also to increase attendance at meetings, the following article was added to the Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."
- Invitations to meetings are made by mail, fax, and e-mail. In line with Corporate Governance Principles, a secretariat has been set up within the Company that is responsible to the Board of Directors. This secretariat notifies Board members of meetings at least a week (seven days) in advance of the meeting date, and provides them with the agenda and documents related to the matters on the agenda.

- Differences of opinions arising at Board meetings and reasonable and detailed justifications for dissenting votes are entered into the record. Reasons for the dissenting opinions and votes of independent members are disclosed to the public. However, to date there has never been an instance of dissent by independent or other members at Board meetings.
- No Board members, including the Chairman, have preferential voting rights or the right to veto Board decisions. Each member, including the Chairman, possesses an equal vote.
- Upon a resolution of Vestel Beyaz Eşya San. ve Tic. A.Ş.'s Board of Directors dated October 17, 2012 and numbered 2012/33, the significance threshold requiring the approval of the Board of Directors in common and continuous asset, service and liability transfers between our Company and its related parties was set as 1% of the total assets or 1% of the net sales in the last 12 months shown in the latest financial statements disclosed to the public as per CMB regulations. Transactions exceeding this threshold were duly approved by the Board.
- In the accounting period ending on December 31, 2012, there were no related party transactions outside the scope of the Board of Directors resolution dated October 17, 2012 and numbered 2012/33, and/or significant transactions within the scope of Corporate Governance Principles Article 1.3.10.

17. NUMBER, STRUCTURE, AND INDEPENDENCE OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

- Vestel Beyaz Eşya San. ve Tic. A.Ş. established a Corporate Governance Committee and Audit Committee in line with Capital Markets Board's Corporate Governance Principles. The duties, authorities and responsibilities normally assigned to the Nomination Committee, Remuneration Committee and Early Detection of Risk Committee carried out by the Corporate Governance Committee. Work on the establishment of a separate Early Detection of Risk Committee is almost completed.
- The committee member Ali Akin Tari sits on more than one committee due to the limited number of Board Members and the requirements of the CMB's Corporate Governance Principles.

Audit Committee

- The Audit Committee was set up pursuant to Article 3 of CMB Communiqués serial X, No. 19 and is responsible for the effective oversight of all financial and operational activities. The objective of the Audit Committee which depends on the Board of Directors, is to oversight the functioning of the Company's accounting and reporting system, the audit and disclosure of the financial data, and the functioning and efficiency of the internal control system.
- Pursuant to the CMB's Communiqué on the Determination and Implementation of Corporate Governance Principles, the "Audit Committee Working Principles" were revised and approved at the Board of Directors meeting dated June 28, 2012. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Audit Committee is structured in accordance with Capital Markets Board Corporate Governance Principles and consists of two members.
- The head of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the selection process. The Head of the Audit Committee is ensured to have previously served in a similar position, having the knowledge and experience needed to analyze financial statements, and be versed in accounting standards, and otherwise be highly qualified.
- Both Audit Committee members were elected from among independent members. The Head of the Committee is Ali Akin Tari, and the other member is Hacı Ahmet Kılıçoğlu.
- The Audit Committee's Working Principles set forth that the Audit Committee must meet at least four times a year (once in each quarter). In keeping with this requirement, the Audit Committee met four times during 2012.
- The management secretariat is responsible for keeping records of the decisions made by the Committee, as well as the minutes of its meetings.

- The Committee carries out its activities in line with the working principles put into writing in detail. In 2012, the Audit Committee;
 - revised its working principles in line with the CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles,
 - monitored the Company's financial and operational activities,
 - oversaw existing and potential risks,
 - oversaw and approved the accuracy of financial statements, their compliance with the laws and transparency,
 - followed-up on the effectiveness and performance of the independent audit activity,
 - supervised the internal audit function and its effectiveness,
 - held meetings with independent auditors,
 - monitored the efficiency and adequacy of the internal control system,
 - assessed the findings obtained on the internal control system and reported on the same to the Board of Directors,
 - reviewed and approved internal control and internal audit reports.

Corporate Governance Committee

- The Corporate Governance Committee is established to monitor the Company's compliance with the CMB's Communiqué on Corporate Governance Principles, to make proposals to the Board of Directors and to realize improvements in this area.
- Within the scope of the CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles, "Corporate Governance Committee's Operating Principles" were revised and approved at the Board of Directors meeting dated June 28, 2012. The revised version of the working principles was shared with the shareholders via the Public Disclosure Platform and the corporate website.
- The Corporate Governance Committee is composed of at least two non-executive Board Members. The head of the Committee is Ali Akın Tari, an independent member, and the other member is Olgun Zorlu.
- The Corporate Governance Committee is required to meet at least three times a year. In keeping with this requirement, the Corporate Governance Committee met three times during 2012.
- The Committee carries out its activities in line with the working principles put into writing in detail. The activities carried out by the Corporate Governance Committee in 2012 are presented below:
 - Activities to comply with CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles,
 - Revision of the Committee's working principles in line with CMB's Communiqué on the Determination and Implementation of the Corporate Governance Principles,
 - Review of the activities of the Investors Relations Unit and presenting recommendations in this context.
 - Determination and assessment of convenient Board Member candidates,
 - Recommendations pertaining to the structure and effectiveness of the Board of Directors,
 - Evaluation of the performances of Board Members and senior managers,
 - Efforts to detect the risks which could jeopardize the existence, development and continuity of the Company, adopting measures to counter these risks and managing these risks,
 - Review of the risk management system,
 - Formulation of the Remuneration Policy of the Board Members and Senior Managers as per the Corporate Governance Principles.

18. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

- The Company's Board of Directors has created a risk management and internal control mechanism within the Company to measure existing and potential risks and to deal with them. The Company's internal control mechanism and risk management are rendered applicable on the SAP system which is an ERP solution. Reporting to the Board of Directors, the Risk Management Department focuses on the current and future risks that may threaten the Company. As part of the internal control system, the Internal Audit Department also reports directly to the Board of Directors, and assesses periodically the efficiency and effectiveness of these control systems and assures the Board via the Audit Committee.
- Vestel Beyaz Eşya Board of Directors is responsible for forming and duly reinforcing a risk management and internal control mechanism meant to detect the risks which could jeopardize Vestel Beyaz Eşya's existence, development and continuity, take the necessary measures against these risks, and manage risks.
- The Company's internal control systems, which generate risk management analysis and/or (with) internal control activities, are evaluated with a risk-focused approach regarding risk reducing actions. The risk management system identifies financial, operational and compliance-related risks, measures risks periodically and determines their level, while the internal control systems manage these risks. The efficiency and effectiveness of these systems are periodically reviewed by the Internal Audit Department according to annually approved plans, and reports are provided to the Board of Directors for the adoption of the necessary measures.

19. THE COMPANY'S STRATEGIC TARGETS

- Vestel Group's mission, vision, objectives and values are disclosed to the public via the website.

Mission: Conquering the world with our technological products

Vision: Becoming the world's strongest production and technology group in our sector

- The Board of Directors approves the strategic targets identified by the managers. Opinions on the Company's strategic targets can be formulated by the Board of Directors or managers. The Board of Directors always asks for the opinions of managers on the targets it sets. The targets set by the managers are first discussed at the concerned management level, then presented to the Board of Directors and finally approved by the Board of Directors. Managers can be invited to the meetings on strategic targets. Action to achieve the approved targets is taken as soon as possible. The degree of target attainment is measured according to actual results, in financial reporting periods and at the end of the year.
- Each year, the Board of Directors holds at least one assessment meeting to review the Company's degree of attaining its targets, operations and past performance.

20. FINANCIAL BENEFITS

- As stipulated in the Capital Markets Board's Corporate Governance Principles, the "Remuneration Policy for Board Members and Senior Executives" was set down in writing, approved at the Board of Directors meeting dated May 18, 2012 and disclosed to shareholders via the corporate website.
- The attendance fees to be received by the members of the Board of Directors are determined every year at the General Meeting. This fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.
- Board of Directors members of Vestel Beyaz Eşya San. ve Tic. A.Ş. were paid a total gross sum of TL 85,000.00 as an attendance fee in 2012, commensurate with the practices of the peer companies in the sector. The amounts for 2013 will be decided at the 2012 Ordinary General Meeting. No other benefits are provided to the Board of Directors members.
- There is no rewarding scheme based on performance measurement for the Board Members.
- The salaries of Vestel Beyaz Eşya San. ve Tic. A.Ş.'s Senior Executives are determined by the Board of Directors. Senior Executives may also be paid year-end bonuses as approved by the Board of Directors, according to their contribution to the Company's financial performance. The "Senior Executive Remuneration Policy" is determined in accordance with the extent of the Company's production and sales activities; the penetration of its operations; its operations abroad; the number of employees, subsidiaries and their weight; the know-how required to run corporate operations; the characteristics of the sector; the competitive environment; and the level of salaries paid in peer companies.
- The financial benefits provided to the Company's Chairman, Board Members, general manager, general coordinators and assistant general managers are outlined in the foot notes of the financial statements. In this regard, the total salaries and fees paid during the 12 months ending on December 31, 2012 was TL 2,308 thousand (01.01.2011-31.12.2011: TL 2,557 thousand).
- The Company has extended no loans or credit to any Board Member or manager, nor has it lent money under the name of any personal credit means through a third party or given any guarantees such as suretyship in their favor.