

VESTEL BEYAZ EŐYA SANAYİ VE TİCARET AŐ
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Corporate governance activities were initiated at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Company" or "Vestel Beyaz Eşya"), which takes utmost care to comply with the "Corporate Governance Principles" of the Capital Markets Board ("CMB") in 2005. Within the scope of these efforts, in the first stage, a series of amendments were made in the Company's Articles of Association in order to offer an equitable, accountable, responsible and transparent structure to shareholders. These amendments served to grant rights to minority shareholders, which are envisaged in the Corporate Governance Principles while radical changes were made to the management structure in pursuit of "better governance". The Corporate Governance practices were continued with the establishment of the corporate governance mechanisms within the Company. While the Board of Directors was vested with greater objectivity with the addition of independent members, committees were set up under the Board with the aim of further enhancing the effectiveness of corporate governance. In addition, the Company's Public Disclosure Policy was put into writing and submitted to the information of shareholders at the General Assembly Meeting. In line with the Corporate Governance Principles, an Investor Relations website was prepared to provide maximum amount of information to the public in a timely, simultaneous, accurate and complete manner.

Vestel Beyaz Eşya carries out its activities in compliance with the applicable regulations and the Capital Markets Board's "Corporate Governance Principles". The Company has adopted the majority of the non-compulsory principles included among the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance No. II-17.1. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2016.

- Vestel Beyaz Eşya voluntarily applied at the end of 2015 for inclusion in the BIST Sustainability Index, which comprises the shares of listed companies on Borsa Istanbul with a high corporate sustainability performance. As a result of the evaluations conducted by Borsa Istanbul AŞ during 2016, Vestel Beyaz Eşya was deemed qualified to be included in the Sustainability Index for the period of November 2016 to October 2017.
- Under the Article 10 of the CMB's Communiqué on Corporate Governance", the conclusion section of the report on the related party transactions exceeding the stipulated thresholds between the Company and its related parties has been made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- Pursuant to the Article 19 of the Capital Market Law No. 6362, the upper limit for the donations to be made in 2016, as proposed by the Board, was submitted to the approval of shareholders at the General Assembly Meeting and was approved by the General Assembly.

Reasons for the Corporate Governance Principles Not Implemented

In the implementation of Corporate Governance Principles, certain principles which do not conform to the Company's structure and which are regarded as potential obstacles to operations are excluded. These principles and the reasons for opting not to implement these are summarized below:

- **Granting shareholders the right to demand special audit and inclusion of an additional provision in the Company's Articles of Association for the minority rights:** Since the existing provisions in the Turkish Commercial Code on the appointment of a special auditor and minority rights are considered to be adequate, these rights are not separately stipulated in the Company's Articles of Association.

- Due to the number of the members of the Board of Directors and the committee formation requirements, some Board members serve on more than one committee.
- Pursuant to the Article 4.6.5 of Corporate Governance Principles, remuneration and benefits provided to Board members and executive managers are publicly disclosed in the Company's annual report. However, such disclosure is not made on an individual basis.
- Currently, Mrs. Şule Cümbüş is the only female member on the Company's Board of Directors and increasing the ratio of female Directors to the level set forth in the Article No. 4.3.9 of the Corporate Governance Principles lies among the Company's medium term targets.
- Although there is no provision in the Company's Articles of Association, the Chairman of the Company's Board of Directors and the Chief Executive Officer of Vestel Group of Companies, of which Vestel Beyaz Eşya is a member, are different individuals. No one in the Company has unlimited decision-making power.

The Company has not been exposed to any conflict of interests to date due to the non-mandatory principles which have not yet been implemented.

Acknowledging the contributions of the Corporate Governance Principles to the Company, Vestel Beyaz Eşya targets to attain a higher degree of compliance with those principles with the involvement of its employees and senior managers and to reach the highest standards in the field of corporate governance. The Company fully complies with all the mandatory principles in the CMB's Corporate Governance Communiqué while also continuing its studies to ensure compliance with the non-mandatory principles.

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Investor Relations Department is responsible for managing and maintaining the relations with the existing and potential shareholders, protecting and facilitating the use of the shareholder rights, including first and foremost the rights to access and examine information, responding to information requests from the analysts and investors, raising the investor awareness and market credibility of the Company and carrying out the necessary works for ensuring compliance with the capital market legislation. The Department reports to Mr. Bekir Cem Köksal, who is the Executive Committee Member in charge of Finance.

The Investor Relations Department presents a report on its activities to the Board of Directors at least once a year. The Department submitted its report on its 2016 activities to the Board on January 6, 2017.

The individuals in charge of the investor relations are as follows:

Name	Duty	License
Serap Mutlu	Investor Relations Director and Member of Corporate Governance Committee	Capital Market Activities Level 3 License (No: 201618) Corporate Governance Rating Specialist License (No: 700906)
Emine Özcan	Investor Relations Department Member	-

Information relating to individuals working in the Investor Relations Department was announced on the Public

Disclosure Platform (in Turkish: KAP) on December 29, 2014 and March 11, 2016.

The Investor Relations Department performed the following activities during 2016:

- Ensured that the records of correspondences between the Company and the investors, and of other information and documents are kept in a proper, secure and up-to-date manner; coordinated the transactions related with Merkezi Kayıt Kuruluşu AŞ (Central Securities Depository) jointly with the Legal Affairs Department,
- Responded to the information requests about the Company, except for confidential information and trade secrets that are not disclosed to the public, in a clear and timely manner and in line with the Company's Public Disclosure Policy, either via face-to-face meetings or using various other communication means,
- Responded to information requests from the equity analysts covering the Company; ensured that the analyst reports on the Company were prepared in an accurate and complete manner and would introduce the Company in the best way to investors,
- In cooperation with the Legal Affairs Department, ensured that the Ordinary General Assembly Meeting during the reporting period was carried out in accordance with the legislation, Articles of Association, and other internal regulations,
- Prepared the necessary documents for the General Assembly Meetings, which would be presented to the information and review of the shareholders. All kinds of information and announcements which could affect the exercise of shareholder rights were posted in a timely manner on the Company website for the information of shareholders,
- Maintained the Company website up-to-date, thereby enabling shareholders to access accurate, continuous and timely information about the Company,
- Made a total of 31 material event disclosures within the scope of public disclosure as per the CMB regulations. All of the material event disclosures were published simultaneously on the Company website,
- Following each reporting period, prepared an analytical study which compares the financial results and share price performance of the Company with those of its domestic peers and presented it to the upper management,
- Monitored and supervised the fulfillment of the obligations arising from the capital market legislation, including all aspects of corporate governance and public disclosure, followed up the related processes by making the necessary internal disclosures, monitored the public announcements made pursuant to the Company's Public Disclosure Policy and applicable legislation and coordinated the communication with the public,
- Held informative meetings with the analysts and domestic and international investors about the Company's operations, financial performance and other developments during the reporting period; and participated in the conferences and roadshows organized by the brokerage houses.

2.2. Exercise of Shareholders' Rights to Obtain Information

- The Company's Articles of Association does not contain any provisions, which eliminate or restrict the shareholders' rights to access and examine information, which are recognized by the legislation.
- During the year, the information requests received from the analysts and shareholders were responded to in a coherent, clear and detailed manner, in accordance with the Company's Public Disclosure Policy and if necessary, after consulting with the most relevant person in the related subject matter, and all the inquiries

except those related to trade secrets were replied to the satisfaction of the shareholders. These queries were responded to via phone, e-mail or postal mail, in writing or verbally, further to the demands of the shareholders.

- During 2016, developments that might have an impact on the exercise of shareholders' rights were disclosed to the public through the material event disclosures made on the Public Disclosure Platform (PDP) and via the Company website. Material event disclosures and any information of interest to shareholders were also provided in English on the Company website to inform the international investors.
- To facilitate the exercise of the shareholders' rights to access and examine information, which lie among the most essential rights of the shareholders, the Company included all the information required by the CMB's Corporate Governance Principles on the corporate website and ensured that both domestic and international investors have an easy access to the highest amount of information within the shortest period of time in an accurate, quick, simultaneous, complete and comprehensive manner. All the information required in the CMB's Corporate Governance Principles is included on the Company's website. Updating and monitoring of the website are the responsibilities of the Investor Relations Department.
- The Company's Articles of Association does not contain any clauses which prohibit special audit. Since this right is already granted to each shareholder at joint stock companies by the Article 438 of the Turkish Commercial Code, it was not deemed necessary to further stipulate it in the Articles of Association. The Company received no requests for the appointment of a special auditor during the reporting period. The Company's activities are periodically audited by an independent audit company which is appointed by the General Assembly upon the proposal of the Board of Directors.

2.3. General Assembly Meetings

- The Company's General Assembly meetings are held in compliance with the principles listed under the "General Assembly" heading of the Corporate Governance Principles.
- General Assembly meetings are held in a way not causing any inequality between the shareholders and enabling them to participate in the least costly manner as possible, in order to increase attendance.
- Vestel Beyaz Eşya held its Ordinary General Assembly Meeting for the year 2015 on April 26, 2016 at 13:30 at the address of Raffles Istanbul Levazım Mahallesi, Koru Sokak No: 2, Zorlu Center, 34340 Beşiktaş, Istanbul, in compliance with the Company's Articles of Association.
- Invitation for the meeting was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette No. 9044 and dated 31 March 2016, and in Dünya newspaper dated 31 March 2016, and also by being posted on the Public Disclosure Platform, E-General Assembly System of the Central Securities Depository and the Company's website at "<http://vesbe.vestelinvestorrelations.com>", by announcing the date and the agenda of the meeting. In order to facilitate attendance to the General Assembly Meeting, announcements were published in a Turkish daily newspaper and with the General Assembly Information Document prepared in accordance with the Corporate Governance Principle No. 1.3.1, access was given to all the necessary information about the General Assembly Meeting as well as to the information and announcements required by the regulations, and the relevant documents were also made available in hard copy for the examination of shareholders at the Company's headquarters. A sample power of attorney form was also made available for the use of the shareholders on the Company's website.
- Out of the total 190,000,000 shares corresponding to the Company's total share capital of TL 190,000,000.00, 121 shares corresponding to TL 121.00 in capital were represented in person and 184,001,592 shares corresponding to TL 184,001,592.00 in capital were represented by proxy at the

General Assembly Meeting. The meeting quorum achieved in the General Assembly was 96.84%.

- The agenda of the meeting was prepared in such a way that, each proposal was given under a separate heading and the headings were expressed clearly and in a way that will not lead to different interpretations. The care was shown for the agenda to not to include phrases such as "other" and "various" and the information to be provided prior to the General Assembly Meeting was given with a reference to the related agenda items.
- Prior to the Ordinary General Assembly Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not request to add any items to the agenda.
- In accordance with the "Communiqué on the Electronic General Assembly System to be Implemented in the General Assembly Meetings of Joint Stock Companies", published in the Official Gazette dated 29.08.2012 and numbered 28396, shareholders were granted the right to attend and cast vote at the Ordinary General Assembly through an electronic medium.
- The Company's Articles of Association contains no provisions for the participation of stakeholders or the media at the General Assembly Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the 2015 Ordinary General Assembly Meeting while there was no attendance either from the other stakeholders or the media.
- It was ensured that the Board members who were related to the significant agenda items of the General Assembly, other related persons and officers who had responsibility in the preparation of the financial statements as well as the independent auditor were present at the General Assembly Meeting so that they could provide the necessary information and answer the questions about the important subjects on the agenda.
- At the Annual General Assembly Meeting, agenda items were conveyed in a clear and coherent manner and shareholders were given the opportunity to express their opinions and pose questions under equal conditions. The shareholders did not pose any questions irrelevant to the agenda or so detailed that they could not be answered immediately during the meeting. Board members and senior managers provide the necessary responses to the questions coming from the shareholders at the General Assembly Meeting.
- At the General Assembly Meeting, shareholders were informed under a separate agenda item about the total donations amounting to TL 3,140,350.76 made during the year.
- The upper limit for the donations to be made in 2016 pursuant to the Article 19 of the Capital Market Law numbered 6362 was submitted to the approval of the General Assembly.
- In 2016, there has not been any transaction which required the approval of the majority of the independent Board members for the Board of Directors to take a decision and where the decision was left to be resolved by the General Assembly.
- Within the knowledge of our Company, the controlling shareholders, Board members, executives with administrative responsibilities and their spouses and relatives by blood or marriage up to second degree did not conduct any material transaction which may lead to a conflict of interest with the Company and/or did not carry out a commercial business transaction which is in the same field of activity with the Company on behalf of themselves or for a third party or did not become an unlimited shareholder in another company which operates in the same field of activity with the Company during the year. There were also no transactions conducted by individuals who have access to the Company information in a privileged way on their behalf within the scope of the Company's field of activity.
- The minutes of the General Assembly Meeting and the list of attendees were disclosed to the public via the Public Disclosure Platform on the same day with the General Assembly Meeting. They are also made

available for the examination of shareholders at the Company's headquarters. All the announcements, documents, and other materials related to the General Assembly Meetings are accessible to the shareholders and all other stakeholders on the Company website.

2.4. Voting Rights and Minority Rights

- At Vestel Beyaz Eşya, the practices which impede the exercise of the right to vote are avoided and each shareholder, including the international shareholders, is given the opportunity to exercise his/her voting right in the easiest and most convenient way. In this context, according to the Article 16 of the Articles of Association titled the "Ordinary and Extraordinary General Assembly and Quorum", shareholders who are entitled to attend the Company's General Assembly Meetings are given the right to participate in these meetings via the electronic media as per the Article 1527 of the Turkish Commercial Code.
- All Vestel Beyaz Eşya shares are entitled to the same rights. There is no privilege concerning the voting right and this is stipulated in the Company's Articles of Association. There is no provision in the Company's Articles of Association which prevents a non-shareholder from voting as a representative by proxy.
- The Company does not have any subsidiaries. For this reason, there are no cross-shareholding interests and therefore, this issue was not put to vote at the General Assembly Meeting.
- The Company's Articles of Association does not contain any specific arrangements for the shareholders representing less than one twentieth of the Company's paid-in capital, apart from the rights given by the law. However, two independent members serve on the Board of Directors to represent the interests of all shareholders and stakeholders, particularly those of the minority shareholders.

2.5. Right to Dividends

- There is no privilege granted to shareholders regarding the distribution of dividends. Each share is entitled to an equal dividend.
- The Company's Dividend Distribution Policy, which has been put in place by the Board of Directors' resolution No. 2007/8 and dated 19 March 2007, has been amended in line with the CMB's Communiqué on Dividends No. II-19.1. The Policy was submitted to the approval of shareholders at the 2013 Ordinary General Assembly Meeting, and was also made available for the information of shareholders on the Public Disclosure Platform and the Company website.
- The Company's Dividend Distribution Policy, which has been accepted by the Board of Directors and disclosed on the Public Disclosure Platform, stipulates the ratio of dividend payouts which will be distributed in cash and/or in the form of bonus shares as minimum 25% of the net distributable profit, which will be reviewed by the Board each year depending on the domestic and global economic conditions, and the Company's growth and investment plans and financial position.
- At the Ordinary General Assembly Meeting for the year 2015, Board of Director's proposal for dividend distribution, dated March 28, 2016 and numbered 2016/13, was accepted and decision was taken to commence the dividend payments on May 2, 2016.

2.6. Transfer of Shares

- The Company's Articles of Association does not contain any provisions restricting the transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website

- Vestel Beyaz Eşya's website was developed in early 2007. The website was set up to ensure that shareholders, stakeholders and the general public are kept informed in an open, clear and simultaneous fashion. Information presented on the website is regularly updated.
- Company's web address is <http://vesbe.vestelinvestorrelations.com/>. Furthermore, pursuant to the "Regulation on Websites to be Launched by Joint Stock Companies" and the 1st paragraph of the Article 1524 of the Turkish Commercial Code, in accordance with the principles and procedures regarding the launching of a website, allocation of a section of this website to publishing the announcements which are required to be made by the Company under the law and to information society services, our Company procures Central Database Service Provider support services from Central Securities Depository ("CSD") and the announcements which are required to be made by the Company by law can be accessed through the e-Company Information Portal of the CSD.
- The Company's website contains the required information and documents stipulated in the CMB's Corporate Governance Principles and the Turkish Commercial Code.
- Majority of the information on the website is also available in English in order to provide information to international investors.

3.2. Annual Report

- The Company's annual and interim reports are prepared in accordance with the Turkish Commercial Code and associated legislation, the Capital Market legislation, and hence, Corporate Governance Principles, and in sufficient detail to give the public access to complete and accurate information about the Company's operations and activities. Moreover, the Board of Directors' Annual Report is prepared in accordance with the provisions of the "Regulation Regarding the Determination of the Minimum Contents of the Companies' Annual Reports", published in the Official Gazette dated 28.08.2012 and numbered 28395.

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders

- The stakeholders of the Company can be classified as employees, suppliers, customers, financial institutions and the public.
- The Company protects the rights of the stakeholders, which are set by the legislation and mutual agreements in its transactions and operations. In cases, where these rights are not protected by law and mutual agreements, utmost care is given to protect the stakeholders' rights in good faith and within the Company means.
- Stakeholders are regularly informed about the matters related to them in accordance with the Company's Public Disclosure Policy. Employees are informed via e-mails and the corporate portal. Also, periodic inter-departmental meetings as well as periodic meetings are held for the employees.
- The Company's domestic and international sales are carried out by Vestel Ticaret AŞ ("Vestel Ticaret"), which is the sales and marketing arm of the Vestel Group of Companies. Vestel Beyaz Eşya pays regular visits to customers together with Vestel Ticaret. Thanks to these one-on-one meetings, customer

satisfaction can be directly observed and complaints can be addressed on site. Improvement activities are carried out when necessary or in line with the customer complaints received either directly by Vestel Beyaz Eşya or through Vestel Ticaret. Apart from these, periodic meetings are held with Vestel Ticaret to discuss the actions taken to meet the customer expectations and to maximize the level of quality. At certain intervals, customer satisfaction surveys are conducted.

- The shareholders and investors are informed via specified means and in line with the Capital Market Law and CMB regulations.
- In the event of any conflict of interest between the stakeholders, or where a stakeholder is involved in more than one interest group, the Company pursues a balanced policy to the extent possible with the aim of protecting each individual right independently from each other.
- The stakeholders can report Company's transactions violating legislation or not compliant with the ethical rules to the Corporate Governance Committee, Audit Committee or the Investor Relations Department by accessing them via phone and/or e-mail.

4.2. Stakeholders' Participation in Management

- Models supporting the participation of stakeholders, primarily of the employees, in company management are developed in a manner not to hinder the activities of the Company. Besides, the independent members serving on the Board of Directors guarantee that not only the Company and the shareholders, but also all the stakeholders are represented in management.
- The Executive Committee Member responsible for Human Resources represents the employees, one of the Company's largest stakeholder groups, on the Executive Committee.
- Employees may convey their proposals which will add value to the Company and their complaints, if any, to the Human Resources Department through the "Vestel Suggestion and Improvement System" included on the Company's corporate portal. Moreover, the employees can share their suggestions for improving the quality, cost, occupational safety and efficiency in daily production processes and their innovative ideas with the management within the scope of the Total Productive Maintenance ("TPM") and Kaizen-Continuous Improvement activities, in which the participation of all employees is ensured, by using the kiosks located in different parts of the factories, via the web, through the "Suggestion and Appreciation Recognition System" located on the corporate portal or via the suggestion forms left in the suggestion boxes or in the autonomous maintenance boxes. The collected employee suggestions are evaluated by the TPM Office and the ideas which are deemed suitable for implementation are turned into a project and implemented in line with the Company's goals and strategies. In order to encourage employee to participation in the system, employees are rewarded for their ideas which are deemed eligible for being converted into a Kaizen or a project.
- In making important decisions with regard to stakeholders, senior executives representing stakeholders are invited to the Board and Executive Committee meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in the Board and Executive Committee meetings at certain intervals so that they can provide their opinions first-hand.
- Vestel Beyaz Eşya, which works with both domestic and international suppliers, conducts face-to-face meetings with its domestic suppliers every three months and with its foreign suppliers at least twice a year. The Company obtains the feedback and opinions of its suppliers during these meetings, and informs its suppliers of the latest market developments. Following the visits, reports are prepared regarding the results of the meetings and these are shared with the relevant departments. Feedback from the suppliers,

especially regarding the investments, is shared with the senior management and, if necessary, meetings may be held with the participation of the senior management on the relevant issue. As a result of such discussions, many leading suppliers of the industry were encouraged to invest in Manisa where Vestel Beyaz Eşya's production facilities are located.

- The Company organizes "Technology Days" with its suppliers. Through these events, participants get acquainted with the latest innovations and technologies used in the sector. Suppliers may access the Company's purchasing department whenever they wish by e-mail or phone, in addition to the company visits and meetings.
- The Company includes its suppliers in its product development and production processes. In this context, factory visits are organized for the new suppliers as well as for the sales and R&D teams of the existing suppliers, who want to see the production processes. Information on a new product to be designed by the Company's R&D Department is shared with the suppliers who will provide the key components in the preliminary design stage, and some design revisions can be made to the products in response to the feedback coming from the suppliers. In addition, suppliers' views are taken into account in improving the production processes of the existing products.
- Vestel Beyaz Eşya attaches great importance to the satisfaction of its suppliers. In this context, in order to measure the satisfaction of suppliers, a Survey and Suggestion Section, which is accessible to all suppliers, was created on the Purchasing Portal of the Company. The 360 degree evaluation system was taken into consideration in the design of the survey. All domestic and international suppliers may convey their feedback about Vestel Beyaz Eşya's purchasing practices to the Company via the Survey and Suggestion Section. According to the results of the surveys conducted so far, the suppliers have not reported any problems in areas such as reaching purchasing staff or conveying their demands.
- For Vestel Beyaz Eşya, the development of its suppliers is also of great importance. In this context, the Company's suppliers are evaluated on annual basis by the Management Systems and Customer Relations Department within the scope of TPM activities. Progress is made with the selected companies in line with the "Supplier Development Education System Road Map". Within the scope of this study, the targets of suppliers and the actions to be taken are determined, and evaluations are conducted and based on the results specific trainings are provided to suppliers.

4.3. Human Resources Policy

- The Company's human resources operations are carried out by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Group Head. The Directorate was structured under 4 main organizations including Industrial Relations Directorate, Recruitment and Talent Management Directorate, Training and Personnel Development Directorate and Administrative Affairs Directorate. The Head of Zorlu Holding Human Resources Group is also a member of the Executive Committee of the Vestel Group of Companies, which ensures regular provision of information on employee related issues to management.
- The Company's Human Resources Policy is set forth in writing and covers all the 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 about their job descriptions and division of tasks, as well as the performance and compensation criteria through the Human Resources Policy.
- The following are implemented within the scope of the Human Resources Policy:

- Recruitment, promotion and dismissal criteria are documented in writing. Recruitment and promotion criteria are detailed in the Recruitment Regulation and Promotion Regulation, respectively.
- Vestel Group has in place a performance evaluation system which is based on individual performance, but is also linked to departmental and company-wide results, and is aimed at contributing to the individual development of employees and the corporate development of the organization. The outcomes from the performance evaluation system are used as an input for remuneration, training and career development.
- Job evaluation has been performed according to the criteria of the Hay Group Grade system, and the employees were assigned to grades. The remuneration policy has been determined taking into consideration the said grading system and a remuneration system has been established, which is updated in line with the changing conditions.
- Comprehensive training programs are held for the employees. While the training process is centrally handled for all the Vestel Group of Companies, the whole process takes place on the intranet. Training programs are developed in a comprehensive scope and in a manner to facilitate advancement of employees in their careers. Employees are provided the opportunity to choose training programs in line with their career plans and needs.
- Vestel Technology Academy was founded mainly for Vestel Group's engineering staff. The Academy provides masters and PhD level educational opportunities to around 200 employees. Additionally, the "Management Trainee" and similar programs are planned and implemented on a yearly basis in order to cultivate qualified managers.
- Two separate career development structures have been set up: promotion and horizontal advancement. The system is run at periods specified in the regulation.
- Employee orientation programs are being carried out. Individual programs are designed specifically for each department and position. The programs present differences in terms of duration and content.
- Periodic information provision to employees is carried out using the corporate portal and the e-mail system. Each unit holds internal meetings at certain intervals. These are production meetings (every morning at factories), departmental meetings (every Monday), happy hour gatherings (on Fridays), quality management meetings (once in every two months), budget meetings (every month) and R&D new product meetings (every month).
- All employees are treated equally and without any discrimination based on ethnic background, religion, language, race, gender and the like whatsoever in all matters involving training, career development and promotion.
- Measures are taken to prevent any practices that might cause discrimination among employees and all personnel are treated equally without any distinctions. There were no complaints from the employees related to discrimination.

4.4. Code of Ethics and Social Responsibility

- Vestel Beyaz Eşya's Code of Ethics has been set forth in writing and published on the Company website

pursuant to the Public Disclosure Policy. The employees were informed about the Company's Code of Ethics. Utmost care is taken to ensure that the Code of Ethics, which is formulated for the Company, the Board and the employees, is complied with in full.

- Within the scope of its social responsibility, Vestel Beyaz Eşya takes part in the corporate social responsibility projects carried out by its parent company, Vestel Elektronik Sanayi ve Ticaret AŞ and Zorlu Holding AŞ. Zorlu Group, of which Vestel Beyaz Eşya is a part, 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.
- Vestel Beyaz Eşya fulfills its obligations as a responsible corporate citizen by reducing the environmental impact of its activities, and by manufacturing products which are compatible with the environment. The Company has been manufacturing all its products in compliance with the RoHS (Restriction of the use of certain Hazardous Substances) Directive since June 2006. Accordingly, the Company restricted the use of six heavy metals (lead, mercury, cadmium, chromium+6, PBB, PBDE), which are hazardous to the environment and human life in its products. To ensure that Turkish people live in a healthier environment, Vestel Beyaz Eşya bore the costs resulting from the compliance and started supplying products to the domestic market which conform to the RoHS Directive even before the regulation went into effect in Turkey.
- Parallel to its RoHS efforts, the Company also carries out works in relation to WEEE (Waste of Electrical and Electronic Equipment) Directive. According to this Directive, each brand is responsible for the collection and recycling of wastes related to its products. Vestel Beyaz Eşya is carrying out the necessary preparations with a view to adhering to the WEEE Directive in the most effective manner in coordination with the related governmental bodies.
- In accordance with its global environmental responsibility, Vestel Beyaz Eşya made it a principle ever since its foundation to not to use in its products and production processes the chemicals which deplete the ozone layer or lead to global warming by creating a 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 refrigerators and air conditioners.
- With its environmental policy, Vestel Beyaz Eşya targets an approach which protects 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 its products and production processes, and search for less polluting materials,
- Undertake activities for the reduction, reuse, recycling and recovery of waste,
- Ensure savings of energy, water and natural resources by promoting higher productivity and use of new technology,
- Reduce the consumption of natural resources by using materials which can be recycled,
- Lower environmental pollution to the lowest possible level by developing environmental awareness among all employees through training programs,

- Continuously develop its environmental policy in line with the new objectives and targets determined every year,
 - Research and implement greenhouse gas emission reduction methods,
 - Develop water usage projects which will ensure water savings,
 - Comply with the environmental legislation and administrative regulations in effect.
- Due to the environmental significance of energy efficiency for preventing direct consumption of natural resources, ISO 50001 Energy Management System activities were integrated into the ISO 14001 Management System.

In addition, in order to achieve efficient use of natural resources and electricity, priority is given to the manufacture of A++ and A+++ energy class products at Vestel Beyaz Eşya and research and development activities mainly focus on the development of products, which consume less electricity, water, detergent and gas.

- Under its ISO 50001 Energy Management System, which was certified in 2012, Vestel Beyaz Eşya is committed:
 - To the use of energy efficient and environmentally friendly technologies to continuously improve its energy performance and to ensure economic and environmental sustainability,
 - To benchmark the Company's energy performance with the best practices in the world and with those of its peers for continuous improvement and development,
 - To use renewable energy resources,
 - To cultivate a culture of participation and innovation among stakeholders for continuous improvement in energy saving,
 - To ensure full compliance with the legal requirements,
 - To identify energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
 - To ensure the participation of all employees in achieving the Company's energy consumption targets,
 - To raise energy efficiency awareness via training, seminars and visual posters,
 - To support creative ideas for the modification, replacement and improvement of equipment and processes in order to optimize energy consumption.
- Within the scope of the Company's Integrated Management Systems Policy:
 - Environmental awareness leaflets are placed on the panels and behind the bathroom doors which can be seen by the employees. The leaflets are changed on a bi-monthly basis.

- Within the scope of social responsibility and waste management, 1 battery driven and 43 manual wheelchairs were provided to the relatives of the Company's 44 employees with the plastic lid collection campaign carried out within the Company in 2016.
- Environmental activities are carried out within TÜRKESD (White Goods Manufacturers' Association of Turkey) through the Environmental Commission, in which the Company's Environment Unit participates on behalf of the Company.
- 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 sustainability of the Company, and undertakes important projects in this context. For this reason, the Company carried out studies for the measurement and reduction of its carbon footprint and joined the Carbon Disclosure Project ("CDP"), which has been initiated to encourage companies, investors and governments to gather and share information to help the fight against the threat of climate change. The Company aims to improve its performance by setting carbon-cutting targets by means of disclosing data on its greenhouse gas emissions, climate change strategies and sustainable water consumption to the public and the investors via the CDP.
- Vestel Beyaz Eşya has been successfully implementing the Total Productive Maintenance (TPM) Management System since 2011, and thus, has been progressing in line with its improvement targets each year. The TPM offers an approach which targets zero losses in production and support processes, and requires the involvement of all employees, supports a proactive approach and strives to maximize the effectiveness of the equipment. Under TPM, continuous improvement activities are carried out in all areas and environmental efforts are also supported by the TPM activities.

The Company's environmental gains through the TPM System approach can be listed as follows:

- Maintaining an orderly organization through the 5S methodology, thus reducing pollution and the sources of pollution,
- Improvement activities carried out in the processes, which will affect the environment and energy use, through the Kaizen approach,
- Saving energy and raw materials and reducing the incidence of breakdowns and scatter through the autonomous maintenance approach,
- Reducing scrap and rework, and thus, waste,
- Continuous improvement activities to increase efficiency and quality.

Vestel Beyaz Eşya was granted the "TPM Excellence Award" by the Japan Institute of Plant Maintenance (JIPM) in recognition of its Total Productive Maintenance practices carried out simultaneously at its refrigerator, washing machine, dishwasher, air conditioner and cooking appliances plants. As the first company in the world to win this award with its 5 facilities at the same time in the white goods sector, Vestel Beyaz Eşya notched up a worldwide success.

- The framework of Vestel Beyaz Eşya's Occupational Health and Safety Policy is as follows:
The Company;

- Fulfills the legal obligations and administrative requirements towards its employees and complies with the rules of the organizations of which it is a member,
 - Ensures continuous improvement by incorporating the international standards, new technologies and employees' suggestions to its practices,
 - Prepares and implements plans to prevent work accidents and occupational diseases by conducting occupational health and safety risk analyses,
 - Provides continuous training to employees to help them adopt the right behavioral habits with regard to potential health and safety risks,
 - Eliminates or minimizes unsafe conditions and unsafe acts in the workplace in order to prevent or reduce occupational accidents, review working conditions on a regular basis and take necessary measures with regard to problematic areas, provide resources for these measures and review the policy in accordance with the changing conditions,
 - Adopts the principle of "the right work for the right employee" in order to prevent or reduce accidents.
- In 2014, Vestel Beyaz Eşya has established breastfeeding rooms for working mothers in many parts of the campus in order for them to provide child care and feeding.
 - At Vestel Group of Companies ("Vestel"), of which Vestel Beyaz Eşya is a part, corporate development is equivalent to social development. With this approach, the Company will continue to firmly support the corporate social responsibility initiatives which add value to society, pioneer new initiatives in this area, and raise the social awareness via promotion of its future oriented and eco-friendly products.
 - Vestel does its utmost to ensure that its corporate social responsibility activities deliver concrete and sustainable benefits to society. As a result, the Company chooses to support long-term projects. Prior to developing social responsibility projects, the Company first identifies the areas in which public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness which it displays in all of its operations, never compromising its total quality approach.
 - Many projects are carried out at Vestel, where the greatest care is shown for the disabled citizens at every opportunity. These projects are summarized below:
 - On the back of an initiative launched in 2014 in cooperation with the Manisa Branch of ZİÇEV (Foundation for the Training and Protection of Mentally Handicapped Children), Vestel Beyaz Eşya both contributes to fund raising for the Foundation and helps children enjoy the "happiness of producing" by providing them with employment and past time activities.
 - Within the scope of "I am part of life" project, aiming to support young people with Down syndrome and with mental disabilities and to include them in work life by offering them job opportunities at Vestel, 4 young people have been employed at Vestel; two with down syndrome and two with mental disabilities.
 - Vestel does not only consider employment for the handicapped, but also tries to make their lives

easier. For this purpose, the Company distributed wheelchairs to 44 handicapped citizens.

Within the last one year, 103 individuals with disabilities have been employed at Vestel Beyaz Eşya, raising the total number of employees with disabilities to 172.

PART V - BOARD OF DIRECTORS

5.1. Structure and Composition of the Board of Directors

Member	Duty	Term of Office	Other Positions Held Within the Group	Positions Held Outside the Group	Status
Ahmet Nazif Zorlu	Chairman	Until 2016 Ordinary General Assembly Meeting	Chairman and Vice Chairman - Zorlu Group Companies	-	Non-executive
Hacı Ahmet Kılıçoğlu	Vice Chairman	Until 2016 Ordinary General Assembly Meeting	Board Member -Vestel Elektronik San. ve Tic. AŞ and Zorlu Enerji Elektrik Üretim AŞ	Board Member - Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Doğan Gazetecilik AŞ and Doğan Holding	Independent
Olgun Zorlu	Board Member	Until 2016 Ordinary General Assembly Meeting	Board Member	-	Non-executive
Şule Cümbüş	Board Member	Until 2016 Ordinary General Assembly Meeting	Board Member	Chairman of the Board - Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive
İzzet Güvenir	Board Member	Until 2016 Ordinary General Assembly Meeting	-	-	Non-executive
Ali Akın Tarı	Board Member	Until 2016 Ordinary General Assembly Meeting	Vice Chairman - Vestel Elektronik San. ve Tic. AŞ, Vice Chairman - Zorlu Enerji Elektrik Üretim AŞ	Board Member and Audit Committee Member - Dilerbank, Board Member - Diler Holding	Independent

Ahmet Nazif Zorlu – Chairman

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family owned textiles business in Denizli, Babadağ. He opened his first textile store in Trabzon, later in 1970 Mr. Zorlu moved the Company's headquarters to Istanbul and laid the foundations of Zorlu Holding with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks in 1976 and gathered all of his companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Ahmet Zorlu opened the door to new lines of business for Zorlu Holding. Zorlu's entrepreneurialism, which began with the textile industry, went on to manifest itself in more companies operating in a wide range of industries, such as household appliances, electronics, energy, property development, metallurgy, and defense.

With a keen interest in civil society organizations, Ahmet Zorlu is a member of the Board of Directors of the Foreign Economic Relations Board, the Turkish Industry and Business Association, the Education and Culture Foundation of the Society of Denizli, the Babadağ Industry and Business Association, and the Turkish Home Textile Industrialists and Businessmen Association. Ahmet Zorlu is the founder of Mehmet Zorlu Education, Health, Culture, and Solidarity Foundation (MZV) and carries out his social responsibility projects through MZV since its foundation in 1999. MZV has built many schools and provides scholarships to a large number of students. Ahmet Zorlu also attaches great importance to the social efforts aimed to boost the Turkish business world's influence abroad. Accordingly, he was awarded the Royal Spanish Order of Civil Merit by King Juan Carlos I of Spain in 2007 for his contribution to developing and strengthening the relations between Spain and Turkey.

Hacı Ahmet Kılıçoğlu – Vice Chairman

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree and a Master's degree in Economics from the University of Essex. He started his professional career at the Ministry of Industry and Technology in 1979. In 1980 he became an Assistant Specialist at Türkiye İş Bankası and after working in the private sector for a couple of years, Mr. Kılıçoğlu held administrative positions at the United Nations Development Program (UNDP) and the F-16 project. He then took office at Türk Eximbank in 1987, where he worked in various positions. He later served as the CEO of the bank and as a Board Member between 1998 and 2010. He also served as a Board Member at the Banks Association of Turkey between 1998 and 2010 and was elected as the President of the World EximBanks Union (The Berne Union) in 2001. Mr. Kılıçoğlu also served as a Consultant to the President at the Islamic Development Bank between 2008 and 2009 and as a Vice Chairman at Denizbank in 2010. In addition to his position as a Board Member at Vestel Beyaz Eşya, Mr. Kılıçoğlu also serves as a Board Member at Vestel Elektronik and Zorlu Enerji, which are Zorlu Group Companies. He is also a Board Member at Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Doğan Gazetecilik AŞ and Doğan Holding AŞ.

Olgun Zorlu – Board Member

(1965 - Trabzon) Upon completing his higher education in textiles and business administration in the UK, Mr. Olgun Zorlu began his professional career in 1986. He started to serve in managerial positions at various Zorlu Group companies in 1988 and managed their foreign market research and business development operations. Mr. Zorlu started serving as a Board Member at Zorlu Holding in 1998. In addition to his board membership at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, Mr. Zorlu has also been serving as a Board Member at Zorlu Holding and various other Zorlu Group companies.

Şule Cümbüş – Board Member

(1976 - Istanbul) After graduating from Işık High School, Şule Cümbüş pursued her undergraduate studies in the USA. She studied business administration at the Pepperdine University in Los Angeles in her first year and

at New Jersey's Silberman College/Farleigh Dickinson University in the following two years. She worked at Zorlu Holding's American subsidiary, Zorlu USA Textile, for about six months. 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 for two years. She became a Board Member at Anadolu Kredi Kartları AŞ, which was acquired in early 2002. In 2003, she was appointed as the General Manager of Linens Pazarlama. Mrs. Cümbüş has been serving as a Board Member in various Zorlu Group companies, and continues to serve as a Board Member at Vestel Beyaz Eşya and as the Chairman of the Board at Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ.

İzzet Güvenir – Board Member

(1955 - Izmir) İzzet Güvenir graduated from the Department of Aeronautical Engineering at Istanbul Technical University 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 as the 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 CIS on 1 July 2011. He continues to serve as a Board Member at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ.

Ali Akın Tarı – Board Member

(1943 - Koruköy) After his graduation from the Istanbul Law Faculty, Ali Akın Tarı served as a Tax Inspector and as a Chief Tax Inspector at the Ministry of Finance between 1972 and 1986. He was appointed as the Vice-President of the Tax Inspectors Board in 1986 and Group Head of the Istanbul Tax Inspectors Board in 1989, and continued to serve in this position until he was appointed as a Board Member of the Banking Regulation and Supervision Agency in 2001. He was also elected as a Board Member to the Savings Deposit Insurance Fund in the same year. He left his position at the Banking Regulation and Supervision Agency when his period of duty expired in 2004, and was appointed as a Consultant for the Ministry of Finance. Mr. Tarı served in this position until 2007, when he voluntarily left his position in the public sector to work in different areas in the private sector. Mr. Tarı became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008; in addition to this position, he was appointed as a member of the Board of Directors of Diler Holding in 2011. Besides his position as a Board Member at Vestel Beyaz Eşya, Mr. Tarı also serves as a Board Member at Vestel Elektronik and Zorlu Enerji.

The Chairman of the Executive Committee is Enis Turan Erdoğan.

Enis Turan Erdoğan – Chairman of the Executive Committee

(1955 - Mersin) Enis Turan Erdoğan graduated from the Department of Mechanical Engineering at Istanbul Technical University in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After serving in managerial positions for various firms in Turkey, Mr. Erdoğan joined Vestel in 1988. Having held various managerial positions at Vestel since 1988, he served as the President of Vestel Foreign Trade and a member of the Executive Committee of Vestel Elektronik until 2013. Turan Erdoğan was appointed as the Chairman of the Executive Committee of the Vestel Group of Companies on January 1, 2013. Mr. Erdoğan served as the President of TURKTRADE (Turkish Foreign Trade Association) for two periods between 2002 and 2006 before being the first Turkish citizen to be appointed as a Board Member of Europe's largest ICT Confederation, DIGITALEUROPE, a position which he held between 2010 and 2014.

- The Company's Board of Directors is structured to provide the highest level of efficiency and effectiveness. The Company pays utmost attention to compliance with the Capital Market Law and CMB regulations in this area.
- The Board of Directors has the powers and duties set forth in the relevant articles of the Turkish

Commercial Code and the Article 11 of the Company's Articles of Association.

- Vestel Beyaz Eşya's Board of Directors consists of 6 members. Four of the six members of the Board are non-executive members and two are independent members. In accordance with the CMB's Communiqué on Corporate Governance, there are two independent Directors on the Board who can perform their duties without being influenced.
- There are no restrictions with respect to the Board members taking up other duty or duties outside the Company, but the regulations set forth in the Corporate Governance Principles are complied with in this regard.
- 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 Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the General Assembly Meeting for the year 2015, two independent Board member candidates were presented to the Corporate Governance Committee, which also fulfills the duties of the Nomination Committee. The candidates for the independent board membership submitted their written statement of independence within the framework of the legislation, Articles of Association and the independence criteria set forth in the Corporate Governance Communiqué to the Corporate Governance Committee at the time of their nomination. The Committee submitted its assessment reports on whether these candidates fulfill the independence criteria to the Board of Directors on March 24, 2016. Upon a resolution by the Board of Directors dated March 28, 2016 and numbered 2016/9, it was decided that these candidates would be submitted to the approval of shareholders at the General Assembly to become independent Board members. The Board's proposal was approved by the shareholders at the 2015 General Assembly Meeting held on April 26, 2016. Information on the independent Board member candidates was disclosed to the public with the General Assembly Information Document published together with the General Assembly invitation.

Statement of independence of the independent board member candidates is provided herein below:

"I hereby declare that, I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ within the scope of the criteria stipulated in the legislation, the Company's Articles of Association and the Capital Markets Board's Communiqué on Corporate Governance No. II-17.1, and in that regard;

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with significant duties and responsibilities, nor have I/we individually or jointly held more than 5% of the share capital or voting rights or privileged shares in or established a material business relationship with the same,
- b) Within the last five years, I have not been a shareholder (5% and more) or held an executive position with significant duties and responsibilities or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,

- c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,
- d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,
- e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,
- f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflicts of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,
- g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,
- h) I have not served as a Board member on the Company's Board of Directors for more than 6 years within the last ten years,
- i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,
- j) I am not registered and declared on behalf of the legal entity which is elected as a board member."

- Board Members Hacı Ahmet Kılıçoğlu and Ali Akın Tarı are independent members who fulfill the independence criteria envisaged in the CMB's Corporate Governance Principles. No circumstances occurred during the reporting period to end the independence status of the independent Board members.
- Currently, one female member serves on the Company's Board of Directors, and it is among the Company's medium-term targets to reach the minimum 25% ratio set in the Corporate Governance Principles for the female Directors. However, a policy has not yet been devised towards achieving this goal.

5.2. Operating Principles of the Board of Directors

- The gathering procedures and frequency of Board meetings are set forth in the Company's Articles of Association.
- Agendas for the Board meetings are determined by the Chairman and Board Members. Requests coming from the Company management are also taken into account when setting the meeting agendas.
- Article 10 of the Company's Articles of Association stipulates that Board meetings shall be held as and when deemed necessary, and at least once a month. The Board of Directors shall be convened by the Chairman of the Board or the Deputy Chairman when the Chairman is not available. Any member may request from the Chairman to call the Board for a meeting. In order to increase the attendance at the meetings, the meeting dates are determined and notified to the Board Members at the beginning of the

year. As a result, Board Members are given the opportunity to adjust their schedules according to meeting dates. As another measure to increase attendance at the meetings, the following article was added to the Company's 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."

- The Board of Directors convenes with absolute majority and resolves with the majority of those present at the meetings.
- During 2016, the Board of Directors passed 39 decisions in 32 meetings held. The meeting attendance rate was 100%, and all the decisions were passed with the unanimous votes of the attendants.
- Invitation to the meetings is made via e-mail at least 7 days before the meeting. The secretariat, which has been set up within the Company to report to the Board of Directors, provides the Board Members with the agenda and the documents related to the matters on the agenda, together with the invitation.
- Reasonable and detailed justifications for dissenting votes are required to be entered into the records on matters for which there were differing opinions at the Board meetings. The dissenting opinions and votes of the independent board members are disclosed to the public. However, to date there has never been an instance of differing opinions by the independent members or the other members at the Board meetings.
- No Board Member, including the Chairman, has a preferential voting right or the right to veto the Board's decisions. Each member possesses an equal vote.
- The Board decisions relating to all kinds of related party transactions of the Company are taken with the approval of the majority of the independent board members in accordance with the Corporate Governance Principles.
- Zorlu Holding AŞ, the indirect controlling shareholder of the Company, has purchased a Directors & Officers Liability Policy to cover the losses which may be suffered due to the wrongful acts of the Board members in the execution of their duties. The Policy covers Zorlu Group Companies including Vestel Beyaz Eşya. The total annual liability limit of the policy exceeds 25% of Vestel Beyaz Eşya's share capital.

5.3. Number, Structure and Independence of the Board Committees

- In order to help the Board of Directors to perform its duties and responsibilities more effectively, a Corporate Governance Committee, an Early Detection of Risk Committee and an Audit Committee have been set up, all three of which report directly to the Board. Owing to the nature of the Board structure, the Company has not set up a separate "Remuneration Committee" or a "Nomination Committee", the duties of which are performed by the Corporate Governance Committee.
- As per the Corporate Governance Principle No. 4.5.3, all members of the Audit Committee and the chairmen of the other committees are elected from among the independent members of the Board. In accordance with the Principles, the Chief Executive Officer does not serve on the committees.
- The independent board members, Mr. Ali Akın Tarı and Mr. Hacı Ahmet Kılıçoğlu serve on more than one committee due to the number of the Board Members and the committee formation requirements in accordance with the CMB's Corporate Governance Principles.
- Committees convene at intervals stipulated by the legislation and the related Committee's working principles or upon a request from a member. The Committees' activities and meeting minutes are presented to the Board of Directors.
- All kinds of resources and support are provided by the Board of Directors to the committees to enable them to perform their duties. Committees can invite individuals who are deemed to be necessary to their

meetings in order to obtain their views.

- Duties, working principles and the members of the Committees are determined by the Board of Directors and are publicly disclosed on the Public Disclosure Platform and the Company website.

Audit Committee

- The Audit Committee was set up for the effective oversight of the Company's financial and operational activities pursuant to the Article 3 of the CMB's Communiqué Serial X, No. 19. The Committee is responsible for the supervision of the Company's accounting system, public disclosure of the financial information, independent auditing and the operation and efficiency of the Company's internal control and internal audit system.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Audit Committee" were revised and approved at the Board of Directors' meeting dated March 27, 2014. The revised version of the working principles was disclosed to the shareholders via the Public Disclosure Platform and the Company website.
- The Audit Committee is structured in accordance with the Capital Markets Board's Corporate Governance Principles and comprises two members.
- The Chairman of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the election process. The Chairman of the Audit Committee is ensured to have served in a similar position previously, have the knowledge and experience needed to analyze financial statements and be versed in accounting standards.
- Both Audit Committee members were elected from among the independent Directors. The Chairman of the Committee is Mr. Ali Akın Tari, and the other member is Mr. Hacı Ahmet Kılıçoğlu.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 27 April 2016:

Committee Members	Duty	Status
Ali Akın Tari	Chairman of the Committee	Independent Board Member
Hacı Ahmet Kılıçoğlu	Member of the Committee	Independent Board Member

- In principle, the Audit Committee shall convene at least four times a year, being once in each quarter.
- The Committee convened 6 times in 2016.
- The Board of Directors' secretariat is responsible for keeping the records of the decisions made by the Committee, as well as the minutes of the meetings.
- The Audit Committee can obtain independent expert opinions on matters which it deems necessary with regard to its activities. The costs of consultancy services required by the Audit Committee are borne by the Company.
- The Committee carries out its activities in line with the working principles put into writing in detail.

- In 2016, the Audit Committee performed the following functions:
 - Supervision and approval of the accuracy and conformity of the annual and interim financial statements, which will be disclosed to the public, with the accounting principles employed by the Company,
 - Election of the independent audit firm, preparation of the independent audit contract and initiation of the independent audit process,
 - Following up of the effectiveness and performance of the independent audit activity,
 - Supervision of the operation and efficiency of the internal control and internal audit system,
 - Conducting studies on the efficiency and adequacy of the internal control system and reporting its evaluations to the Board of Directors,
 - Review and approval of the internal control and internal audit reports.

Corporate Governance Committee

- The Corporate Governance Committee was established to monitor the Company's compliance with the CMB's Corporate Governance Principles, carry out studies for improvement and make proposals to the Board of Directors in order to improve the implementation of corporate governance practices.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Corporate Governance Committee" were revised and approved at the Board of Directors' meeting dated 27 March 2014. The revised version of the working principles was disclosed to the shareholders via the Public Disclosure Platform and the Company website.
- The Corporate Governance Committee is composed of at least three members, including two non-executive Board Members and the Investor Relations Manager. The Chairman of the Committee is Mr. Ali Akin Tari, an independent Board member.
- Corporate Governance Committee also fulfills the duties of the Nomination Committee and the Remuneration Committee.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 27 April 2016:

Committee Members	Duty	Status
Ali Akin Tari	Chairman of the Committee	Independent Board Member
Olgun Zorlu	Member of the Committee	Non-executive Board Member
Serap Mutlu	Member of the Committee	Investor Relations Director

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of

its duties. Corporate Governance Committee convened 3 times in 2016.

- The activities carried out by the Corporate Governance Committee in 2016, in accordance with its working principles put into writing in detail, are presented below:
 - Proposing improvements in corporate governance practices to the Board of Directors to enhance compliance with the CMB's Communiqué on Corporate Governance No. II-17.1; conducting and supervising the necessary works for alignment with the legislation,
 - Overseeing the activities of the Investor Relations Department,
 - Preparing the evaluation reports on the independence of the independent Board member candidates for submission to the Board of Directors.

Early Detection of Risk Committee

- The Early Detection of Risk Committee was established in order to identify the risks which could threaten the existence, development and continuity of the Company, take the necessary measures against these risks and undertake risk management activities in line with the Turkish Commercial Code, Articles of Association and CMB's Communiqué on Corporate Governance. The Committee continues its activities with regard to the early detection of threats which may have negative consequences on the development and continuity of the Company and manage the risks effectively by developing action plans against such threats.
- Pursuant to the CMB's Communiqué on Corporate Governance No. II-17.1, the "Working Principles of the Early Detection of Risk Committee" were revised and approved at the Board of Directors' meeting dated 27 March 2014. The revised version of the working principles was disclosed to the shareholders via the Public Disclosure Platform and the Company website.
- The Early Detection of Risk Committee is composed of at least two Board members. In case the Committee has only two members, both of them, and in case it has more than two members, the majority of them, must be non-executive Board members. The Chairman of the Committee is the independent Board member, Mr. Hacı Ahmet Kılıçoğlu. The other member is Mrs. Şule Cümbüş.
- Early Detection of Risk Committee submits a report to the Board of Directors once in every two months.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 27 April 2016:

Committee Members	Duty	Status
Hacı Ahmet Kılıçoğlu	Chairman of the Committee	Independent Board Member
Şule Cümbüş	Member of the Committee	Non-executive Board Member

- The Early Detection of Risk Committee convenes as frequently as necessitated for the efficiency of its activities and in principle at least three times a year. The Committee held 6 meetings in 2016 and presented 6 risk reports to the Board of Directors.

- The activities carried out by the Committee in 2016, in line with the working principles put into writing in detail, are presented below:
 - High risk evaluation was carried out and risk inventory was prepared containing strategic, financial and operational risks which are critically important for the Company.
 - Risks were evaluated in two different ways, namely, with (residual risk) and without (inherent risk) taking into account the efficiency performance of the existing control and precaution measures.
 - Inherent and residual risks contained in the risk reports were evaluated based on the 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
 - Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
 - As a result of these assessments, it was seen that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic Risks.
 - As a result of the risk inventory and risk management analyses, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks which may jeopardize the Company's existence, development and continuity and adoption of the necessary measures against the detected risks and management of risk.

These reports were as follows:

- The Turkish and Global Consumer Electronics Retail Market,
 - The LCD Panel Market,
 - The Evaluation of Vestel Beyaz Eşya's Financial Performance for the Year 2015,
 - The Evaluation of Risk Management Systems of Consumer Electronics Companies,
 - The Impact of Brexit on the Global and Turkish Economy & Brexit Risk Management,
 - The Evaluation of the Year 2016 in terms of Product Recalls.
- Risks and action plans are recorded into and followed-up through the SAP GRC (Governance, Risk and Compliance) System by the Enterprise Risk Management Department.

5.4. Risk Management and Internal Control Mechanism

- Zorlu Holding Enterprise Risk Management Department was founded in 2012 with the purpose of early detecting the risks which may jeopardize the existence, development and continuity of Vestel Beyaz Eşya, taking the necessary measures against these risks, and managing the risks in a centralized manner. The Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework, which are applicable to all Zorlu Group companies, form the basis for the Group's risk management activities.
- The Company makes intensive use of information technologies and uses the SAP system to secure internal control. Through the SAP system, all the integrated business processes in the Company are carried out/registered on the information systems, thus granting increased speed and productivity to the

business. Efficient use of these systems allows employees and managers to easily access all sorts of information and reports that concern them in line with their authorities. Vestel Beyaz Eşya employs the SAP GRC (Governance, Risk and Compliance) system to monitor the risks which the Company is exposed to.

- The Company's internal control systems are evaluated with a risk-focused approach by taking into account the risks which are identified through the risk management analysis and/or during the internal control activities and by taking into account the related actions for risk mitigation. During the course of its activities carried out in line with its vision and mission, the Company may become exposed to risks related with the strategic goals, financial position, operational activities, legislation, occupational health and safety, and protection of assets and reputation. In order to accurately define and manage these risks, Zorlu Holding Enterprise Risk Management philosophy is summarized below:
 - Incorporating risks into the decision-making mechanisms by establishing risk awareness and risk culture throughout the Company,
 - Collaborating to reveal the risks and opportunities that may have an impact on the Company's targets based on a shared perception,
 - Defining and evaluating risks according to their impact and probability,
 - Proactively managing these risks through the best actions taken in accordance with the risk appetite.
- Founded on 15 March 2013, the Early Detection of Risk Committee is involved in the early detection of risks which could jeopardize the existence, development and continuity of the Company, implementation of the necessary measures against the identified risks, and management of risks for the purposes of achieving compliance with the Article 378 of the Turkish Commercial Code No. 6102 and for coordinated risk management.
- The Internal Audit Department reviews the efficiency and effectiveness of these systems at certain intervals in accordance with the approved annual plans and reports the results to the Board of Directors for necessary action. As in other Zorlu Group Companies, the effectiveness and efficiency of these systems are reviewed by the Internal Audit Department within the Zorlu Holding General Directorate of Audit and Internal Control through the audit activities carried out in line with the risk-based annual audit program. The annual audit program is approved by the Board of Directors and the findings are reported to the Board.
- Periodical meetings are held between the Internal Audit Department and the Audit Committee, where planned and actual audits during the year are evaluated and the findings are shared. At these meetings, necessary action plans and follow-up results for these actions as well as plans for the following period are also reviewed.

5.5. Strategic Targets of the Company

- In addition to managing and representing the Company with a rational and prudent risk approach which optimizes the balance between growth, risk and return and which observes the Company's long-term interests, the Board of Directors is also responsible for achievement of the Company's pre-set financial and operational targets.

- The Board of Directors or the management may formulate opinions on the Company's strategic targets.
- The Board of Directors always seeks the opinions of the managers on the targets they set. The targets set by the managers are first discussed at the relevant management level, then presented to the Board of Directors and finally approved by the Board. Managers can be invited to the meetings on strategic targets. Actions to achieve the approved targets are initiated as soon as possible; the results are regularly monitored throughout the year by the managers and reported to the Board of Directors.
- The Board of Directors holds an evaluation meeting at least once a year in order to review the Company's operational performance and degree of target achievement.

5.6. Financial Benefits

- The Company's Remuneration Policy for the Board Members and Executive Managers, which has been accepted by the Board of Directors' decision dated 18 May 2012 and made available for the information of shareholders on the Company website pursuant to the Corporate Governance Principles, was amended in line with the new Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance, and was publicly disclosed on 26 March 2014 on the Public Disclosure Platform and was also made available for the information of shareholders via the Company website.
- The attendance fees to be paid to Board members are determined each year at the General Assembly Meeting. The fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience. Also comparisons are made with the attendance fees paid by the peer companies in the industry.
- Vestel Beyaz Eşya's Board members were paid a total gross sum of TL 111,000.00 as an attendance fee in 2016, commensurate with the practices of the peer companies in the sector. The amounts for 2017 will be decided at the 2016 Ordinary General Assembly Meeting. No other benefits are provided to Board members.
- There is no rewarding scheme based on the performance measurement for the Board members.
- The Company does not use payment plans such as dividends, stock options or payment options based on the Company's performance in the remuneration of the independent Board members.
- The salaries of Vestel Beyaz Eşya's Executive Managers are determined by the Board of Directors. In addition, Executive Managers may be entitled to bonus payments at the end of the year, in line with the Company's financial performance and their respective contribution to this performance. The amounts of such bonus payments are determined by the Board of Directors. The "Senior Executive Remuneration Policy" is determined in accordance with the size of the Company's production and sales activities, the extensiveness of its operations, existence of international operations, the number of employees, the level of knowledge required to manage the operations, the characteristics of the sector, the competitive environment, and the level of salaries paid by the peer companies.
- Remunerations provided to the Company's Chairman, Board Members and Executive Managers are disclosed in the footnotes of the financial statements and in the annual report on a cumulative basis. In this regard, the total amount of remunerations paid to the above during the 12 months ending on 31 December 2016 was TL 6,023 thousand (01.01-31.12.2015: TL 5,534 thousand).
- During 2016, the Company did not lend money or make credit available to any Board Member or Executive Manager, did not extend the maturity of the existing loans nor improved conditions, did not lend any credit via a third party under the name of a personal loan or grant any guarantee such as surety

in their favor.