

## Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi 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 White Goods Inc., corporate governance mechanisms were started to be run across the Company in line with the said principles. In the first phase of these activities, a series of amendments were made to the Company's articles of incorporation 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 pursuance of "better governance". Following the revisions made to the articles of incorporation, Corporate Governance practices were carried on with the establishment of Corporate Governance mechanisms at the Company. While the Board of Directors was vested in greater efficiency with independent members, it was aimed to further increase the efficacy in management by the committees set up under the Board of Directors. In addition, the Company's disclosure policy was spelled out and put into writing, and presented to the participants at the general meeting. A website has been developed so as to achieve maximum, simultaneous, accurate and complete public disclosure in line with Corporate Governance Principles. As a result of relevant practices, Vestel White Goods Inc. ranked 13th in Accountability Rating 2008 for Turkey which analyzes only publicly available data of Turkey's top 50 companies on the basis of revenues. The survey was carried out for the second time in our country as a joint effort of AccountAbility, a UK-based think-tank, and the Corporate Social Responsibility Institute.

Activities undertaken in 2009 with a view to further increasing the compliance of Vestel White Goods Inc. with the Corporate Governance Principles are summarized below:

- All deficiencies in the Investor Relations website have been resolved, thus bringing the site into full alignment with the CMB Corporate Governance Principles; in the same vein, all information that investors might need to access have been added to the website.
- From 01 January 2009, a "Follow-up" process has been introduced in Internal Audit reports in order to monitor the risks that were shared with the Board of Directors. During the process that was also approved by the Audit Committee, process owners were expected to follow-up the risks indicated on the basis of the 4T approach; i.e. "Terminate", "Tolerate", "Treat", and "Transfer", using one or more of these elements in combination. Risk management approaches adopted and implemented accordingly have been regularly shared with the Board of Directors at appropriate intervals using follow-up reports.

In the implementation of Corporate Governance Principles, certain principles that do not conform to 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:

- Cumulative voting: The Company does not make use of the cumulative voting method. However, the representation to be provided by cumulative voting on the Board of Directors is achieved by the presence of independent members on the Board.
- Individual right to request appointment of a special auditor in the articles of incorporation: The right to request appointment of a special auditor is stipulated by Article 356 of the Turkish Commercial Code (TCC). Due to the fact that this right is vested in the shareholders by legislation and takes place among "optional" principles in the Corporate Governance Principles, it is not separately covered in the Company's articles of incorporation.
- The Company's articles of incorporation contain no provisions stipulating that material decisions such as "demergers and share exchanges, buying, selling, or leasing substantial amounts of tangible/intangible assets, or donations and grants, or giving guarantees such as surety ship, mortgage in favor of third parties" are required to be taken at a general meeting. The underlying reason is that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a general meeting every time such a transaction takes place is considered to be impossible and so no such article has been included in the articles of incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.

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 relevant efforts. With this huge support Vestel White Goods Inc. was able to establish its approach to management which is responsible, accountable, transparent and equitable towards its shareholders no matter what the size of their stakes in the Company may be.

### PART I- SHAREHOLDERS

#### 2- INVESTOR RELATIONS UNIT

Vestel White Goods Inc. 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:

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Department Director: Figen Çevik  
Address: Vestel Şirketler Grubu Zorlu Plaza 34310 Avcılar – İstanbul  
Phone: (212) 422 01 07 (direct)  
Email: yatirimci@vestel.com.tr

- The principal activities carried out by the Corporate Finance and Investor Relations Department and the conferences attended in 2009 on behalf of Vestel White Goods Inc. are summarized below:
- Nearly 30 one-on-one meetings were held with investors and analysts.
- During the reporting period about 90 questions were responded to by e-mail and about 120 by telephone.
- All these queries were responded to verbally and in writing by phone, email and post. The responses were made in a clear, intelligible and detailed manner to the satisfaction of investors within the framework of the Company's public disclosure policy and in such a way as not to reveal any confidential information.

### 3- SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

- During 2009, information requests on various topics were received from the shareholders and stakeholders. The breakdown of the content of these queries is presented below:
- 10% on share price
- 20% on various topics
- 70% on operational and financial performance.

All of these queries were responded to as quickly and in as much detail as possible.

- The Company website was developed in early 2007 and for the purpose of maximizing the ability of shareholders to exercise their important right to obtain information, all of the information set out in relation to the website by the CMB's Corporate Governance Principles were posted on the website. The Investor Relations and Corporate Finance Unit is responsible for the updating and monitoring of the website.
- Vestel White Goods website and disclosure of material events have been the tools used in 2009 for the disclosure of developments that might have an impact on the shareholders' exercise of their rights.
- A request to have a special auditor appointed is not provided for in the Company's articles of incorporation. Due to the fact that this right is stipulated by Article 356 of the TCC in respect of the minority shareholders holding 10% stake in the capital, it was deemed unnecessary to make a separate provision for this. The Company received no requests for the appointment of a special auditor in the reporting period.

### 4- INFORMATION ABOUT GENERAL MEETINGS

- Vestel White Goods Inc. held its general meeting for 2008 at 11:00 AM on 27 May 2009 at the address of Zorlu Plaza, Avcılar-Istanbul.
- The invitation for the meeting covering the meeting date and agenda was, as required by law and the Company's articles of incorporation, published in the Turkish Trade Registry Gazette issue 7303 dated 04 May 2009 and on Milliyet and Dünya newspapers dated 04 May 2009, as well as on the corporate website at www.vestel.com.tr. In addition, shareholders (all of the Company's shares are issued in bearer certificates) that had previously entrusted one share to the Company were also notified of the meeting by registered mail within the legally prescribed time. To facilitate attendance to the general meeting, announcements were published in the two newspapers with highest circulation in Turkey. In addition, all relevant information regarding the general meeting including the announcement was posted on the corporate website.
- Apart from the shareholders, the stakeholders and media representatives did not attend the general meeting.
- Out of 190,000,000 shares corresponding to the Company's total capitalization of TL 190,000,000, 138,070,521 shares representing TL 138,070,521 in capital were present in person at the meeting. The General Meeting convened with an attendance ratio of 72.67%. No proxy votes were cast.
- Prior to the general meeting, the annual report, financial statements, and the articles of incorporation were made available for the inspection of shareholders at the Company's headquarters and at the head office of the Holding. All this information was also published on the corporate website together with the general meeting announcement and agenda.
- 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.

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- The Company's articles of incorporation contain no provisions requiring material decisions such as demergers or buying, selling, or leasing substantial amounts of assets and property to be taken at a general meeting. The reason for this is the fact that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a general meeting every time such a transaction takes place is not deemed to be possible and so no such article has been included in the articles of incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.
- The minutes of the general meeting were made available for the examination of shareholders at the Company's own headquarters and at those of Vestel Holding. Additionally, all announcements, documents, and other materials related to general meetings are now accessible to shareholders and to all other stakeholders at the Company's website.

### 5- VOTING RIGHTS AND MINORITY RIGHTS

- Vestel White Goods Inc.'s articles of incorporation provide no privileges for the voting rights of any class or shareholder.
- The Company does not have any subsidiaries. For this reason, there are no cross-shareholding interests and therefore no need to disclose their impact on general meeting votes.
- The Company's articles of incorporation were amended so as to incorporate the arrangements relating to minority shareholders (5%) as contained in the CMB's Corporate Governance Principles.
- Minority shareholders and stakeholders are not represented in the management. However, two independent members serve on the Board of Directors to ensure equal representation of minority shareholders primarily, and of all shareholders and stakeholders.
- The Company's articles of incorporation contain no provisions governing the cumulative voting method. The Company believes that the effect of cumulative voting on the Board of Directors is achievable by the presence of independent members on the board.

### 6- DIVIDEND DISTRIBUTION POLICY AND TIMING

- The Company's articles of incorporation provide no privileges concerning the distribution of profits. Each share of stock is entitled to an equal dividend.
- In accord with the decision passed at the Vestel White Goods Inc. Board of Directors meeting held on 02 May 2008 at the Company headquarters, the Company decided to distribute dividends that are equal to minimum 25% of the distributable profit in cash or in the form of bonus shares to the shareholders, including 2007-year profits in line with the dividend policy set by the Company's Board of Directors. The amount of dividends to be distributed shall be proposed depending on national and global economic conditions and the Company's growth plan by the Board of Directors each year at the general meeting.
- During the Company's 2008 general meeting, the profit distribution proposal for 2008 covered in item 8 of the agenda was explained to the participants, which was unanimously approved at the general meeting, and the profit distribution was carried out within the legally prescribed period of time.

### 7- TRANSFER OF SHARES

- The Company's articles of incorporation contain no provisions restricting the transfer of shareholding interests. Article 7 specifically states that "there are no restrictions on the transfer of shares in the Company to any third party within the framework of the provisions of the Turkish Commercial Code".

## PART II- PUBLIC DISCLOSURE AND TRANSPARENCY

### 8- COMPANY DISCLOSURE POLICY

- Vestel White Goods Inc.'s public disclosure policy has been formulated in line with CMB Corporate Governance Principles. The said policy was revised and approved by the Board of Directors during 2008. Revised Disclosure Policy was presented for the information of shareholders and participants at the 2007 Ordinary General Meeting held on 28 May 2008. The disclosure policy has also been publicly disclosed on the corporate website.
- The issues addressed by the Company's public disclosure policy are summarized below:
  - The clarity, timeliness, and truthfulness of public disclosures.
  - The frequency and the ways in which information may be publicly disclosed.

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- Contents of the meetings to be held with, and disclosures to be made to, investors
  - Content of the disclosure on general meetings
  - Disclosure of material events
  - Disclosures to be made to the media and press
  - Arrangements concerning insider trading
  - Disclosure on dividend distribution
  - Persons authorized to make disclosures
  - Contents of disclosure sources (website and annual reports)
  - Periods during which disclosure is prohibited
  - Disclosures to be made regarding future matters
- The Board of Directors has formulated and approved the Company's public disclosure policy. The Board of Directors is responsible for the review, effectiveness and development of public disclosure policy. The Investor Relations and Corporate Finance Department monitors and follows up on public disclosure policy.

### 9- DISCLOSURE OF MATERIAL EVENTS

- A total of 7 material event disclosures were made in 2009 pursuant to CMB regulations. No additional information was requested by the ISE concerning disclosures.
- Vestel White Goods Inc.'s shares are not quoted on any overseas stock exchange.
- No delays occurred in any material event disclosures made to date, and all such disclosures were made in time.
- The Investor Relations Unit is responsible for making material event disclosures.

### 10- THE CORPORATE WEBSITE AND ITS CONTENT

- Vestel White Goods Inc.'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 corporate website contains the basic information whose disclosure is stipulated in article 1.11.5 of section II of CMB Corporate Governance Principles.
- The information posted on the website is constantly updated.
- The website is accessible at [www.vestel.com.tr](http://www.vestel.com.tr)

### 11- DISCLOSURE OF THE COMPANY'S ULTIMATE CONTROLLING SHAREHOLDER(S)

- The shareholder structure of Vestel White Goods Inc. is as follows:

SHAREHOLDERS	% SHAREHOLDING INTEREST	SHARE VALUE (TL)	NUMBER OF SHARES
Vestel Electronics Inc.	68.526312	130,199,992.0	130,199,992.0
Ahmet Nazif Zorlu	0.000001	1.0	1.0
Olgun Zorlu	0.000001	1.0	1.0
Şule Zorlu	0.000001	1.0	1.0
Ömer Yüngül	0.000001	1.0	1.0
Bekir Cem Köksal	0.000001	1.0	1.0
Enis Turan Erdoğan	0.000001	1.0	1.0
Ekrem Pakdemirli	0.000001	1.0	1.0
Recep Yılmaz Argüden	0.000001	1.0	1.0
Quoted on the ISE	31.473684*	59,800,000.0	59,800,000.0
<b>TOTAL</b>	<b>100.000000%</b>	<b>190,000,000.0</b>	<b>190,000,000.0</b>

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- Vestel Electronics holds a stake of 4.1%.
- 74.69% stake in Vestel Electronics Inc., the Company's principal shareholder, is owned by Collar Holding BV, which is wholly-owned by Ahmet Nazif Zorlu.

### 12- PUBLIC DISCLOSURE OF THOSE WHO MAY HAVE ACCESS TO INSIDER INFORMATION

- Vestel White Goods Inc. achieved compliance with the Capital Markets Law and applicable legislation with respect to insider trading, and also formulated an insider trading policy to be implemented across the Company.
- The list of the personnel with regular access to internal data is prepared by the Investor Relations Directorate pursuant to CMB's Communiqué Serial VIII No.54 and updated whenever there is a change. The individuals recorded in the list are re-notified in writing by obtaining their signature on the subject of obligations defined in the relevant legislation and the sanctions applicable in case of abusive use and improper distribution of such data. The individuals in the list are not authorized to disclose the internal data to other parties, including their family members, before its official release to public; they cannot make comments and declare opinion on the undisclosed internal data relating to Company's shares. If an opinion is declared or disclosure is made to the third parties about the internal data, the Company shall immediately make a material event disclosure on the subject.

## PART III- STAKEHOLDERS

### 13- KEEPING STAKEHOLDERS INFORMED

- Stakeholders in the Company can be classified as employees, suppliers, financing sources and the public. The Company's overseas sales are handled by Vestel Foreign Trading Inc. (VFT), a Vestel Group company, and domestic sales by Vestel Durable Goods Marketing (VM), again a Vestel Group company.
- Vestel White Goods takes on customer visits predominantly in the domestic market via VM and VFT. Based on the assessments arising from these face-to-face contacts, customer satisfaction can be directly observed and complaints can be addressed on location. As and when necessary, improvement work is undertaken, and in line with the customer complaints received via these companies or directly by Vestel White Goods, improvement work is carried out. In addition to these, periodic meetings are held with VFT and VM to discuss the actions taken to satisfy customer expectations and to maximize the level of quality. At certain periods, customer satisfaction surveys are administered at these two companies, and with end-consumers via these companies.
- Stakeholders are periodically informed about company-related issues that may be of concern to them. Employees are informed by emails and also by the Intranet. Furthermore, periodic interdepartmental meetings and periodic meetings for the employees are held. Stakeholders are kept informed within the framework of the Company's disclosure policy.

### 14- STAKEHOLDER PARTICIPATION IN MANAGEMENT

- There is no model designed to involve stakeholders in the management. However, making up one of the major component of stakeholders, the employees are represented by three members that serve on the management as well as on the Executive Committee of Vestel Group. In addition, senior executives are invited to Board of Directors meeting to present information.
- Two independent members serving on the Board of Directors represent the shareholders and other stakeholders in the management.
- The member of the Executive Committee responsible for Human Resources represents the group of employees at the Executive Committee of Vestel Group.

### 15- HUMAN RESOURCES POLICY

- The Company's human resources policy is set down in writing and covers all issues related to hiring, promotion, dismissal, compensation, career planning, performance measurement system, reflection of performance results on compensation, and training policies.
- The Human Resources Unit is organized as Administrative Affairs and Human Resources Unit. The unit is responsible for the formulation, development, and monitoring of HR policies. In addition, Zorlu Holding HR Department monitors and supports HR-related work. Zorlu Holding HR Officer also serves on the Executive Committee of Vestel Group. This enables continuous information flow from the employees to the management about all matters.

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- The HR 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. There are two types of promotion mechanisms at the Company: vertical and horizontal.
  - A new performance appraisal system has been introduced during the report period for the Vestel 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. By the revised version, measurement methods became more objective.
  - Employees are kept informed periodically by Intranet and email systems. Each unit holds internal meetings at certain periods. 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).
  - 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 them 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.
  - 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.
  - An employee satisfaction survey (expectation-findings survey) is administered in order to measure employee satisfaction level. The survey is carried out annually and its results are evaluated duly.
  - The Company formulated performance criteria to enhance efficiency and measure the performances of employees. Due to the presence of different function groups in the Company, separate criteria have been identified and applied for each group. Performance criteria are developed in two different groups of criteria: subjective and objective. Reflection of performance measurement outcomes on compensation is also incorporated into this system.
  - All employees are treated equally and without any discrimination whatsoever (on the basis of ethnicity, language, religion, race, gender, etc.) in all matters involving training, career development, promotion, etc.
  - There were no complaints from employees concerning discrimination. 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.

### 16- RELATIONS WITH CUSTOMERS AND SUPPLIERS

- The only customers of Vestel White Goods Inc. are Vestel Foreign Trading Inc. and Vestel Durable Goods Marketing Inc. which undertake the marketing and sales of the Company's products. Therefore, the marketing and sales activities of goods and services are under the responsibility of these two companies that are under the Group umbrella.

### 17- SOCIAL RESPONSIBILITY

- Within the scope of social responsibilities, Vestel White Goods Inc. joins the activities carried out by its parent company Vestel Electronics and Zorlu Holding. The Zorlu Group, which also covers Vestel Group of Companies, signed the United Nations Global Compact in 2007, an initiative that represents a major step taken towards leveraging the principles and values espoused ever since its foundation to global social responsibility platform.
- As a responsible corporate citizen, Vestel White Goods fulfills its liabilities concerning reducing the environmental impact arising from its activities, and introducing products that are compatible with the nature. Since June 2006, the Company adheres 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 living things and the environment has been limited in the products. Displaying its sensitivity to ensure that the Turkish people living in healthier environments, Vestel White Goods 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 force 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.

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- With its environmental policy, Vestel White Goods targets an approach that maintains and enhances the quality of life of its employees and customers. Under the light of the environmental policy adopted, the Company pledges to:
  - take into account the environment factor when considering new products, projects and operations;
  - reduce the use of harmful materials in the product design and production processes, and investigate into 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 force.
- The Company holds ISO 14001 Environmental Management System certification.

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 the resources such as electricity, water, detergent, gas etc. less.

- Vestel White Goods' policy in relation to the environment, occupational health and safety is as follows:
  - Satisfies its legal obligations and administrative conditions towards 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,
  - Espouses the principles of fitness of work to the worker and of the worker to the work in order to prevent or reduce accidents.

### PART IV- BOARD OF DIRECTORS

#### 18- STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS AND INDEPENDENT MEMBERS

Name	Position	Age	Term of office		Educational Classification	Previous background Experience
Ahmet Nazif Zorlu	Chairman	65	1 year	Non-executive	Primary School	
Ekrem Pakdemirli	Vice Chairman	70	1 year	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül University
Olgun Zorlu	Board Member	44	1 year	Non-executive	University	Served successively in various Zorlu Group companies
Ömer Yüngül	Board Member	54	1 year	Executive	University	Vestel White Goods (General Manager)
Enis Turan Erdoğan	Board Member	54	1 year	Executive	University	Ekinciler Holding
Recep Yılmaz Argüden	Board Member	51	1 year	Independent	University Minister	- Chief Consultant to the Prime Minister - Chairman of Erdemir
Bekir Cem Köksal	Board Member	42	1 year	Executive	University	Vestel Electronics Financial Affairs Officer

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- Four of the board's seven members are non-executive members and three are executive members.
- The chairman of the board and the chief executive officer are different individuals. The chairman of the board is Ahmet Nazif Zorlu and the chief executive officer of Vestel Group of Companies is Ömer Yüngül.
- Board members Ekrem Pakdemirli and Yılmaz Argüden are independent members who satisfy CMB 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.

### 19- QUALIFICATIONS OF BOARD MEMBERS

- The minimum qualifications required of members of the Board of Directors coincide with those stipulated in articles 3.1.1, 3.1.2, and 3.1.5 of section IV of the CMB's corporate governance principles.
- The minimum qualifications required of members of the Board of Directors are spelled out in Article 8 of the Company's articles of incorporation and are implemented.
- To date there has been no need for a training or orientation program for board members. If such a program does become necessary, it will be carried out by the Corporate Governance Committee.

### 20- MISSION, VISION AND STRATEGIC GOALS OF THE COMPANY

- The mission, vision, goals and core values of the Vestel Groups are publicly disclosed on the corporate website.

Mission: To conquer the world with technology products

Vision: To be the world's most powerful technology and production group in the sector

- The Board of Directors approves the strategic goals formulated by company management. Ideas pertaining to the Company's strategic goals may be suggested by both board members and company managers. The board is certain to consult management on the goals it formulates. Goals formulated by management are first debated among management and then submitted to the Board of Directors, which approves them at its discretion. Managers are also invited to attend meetings at which strategic goals are discussed. Work to implement these goals as quickly as possible is begun immediately. Performance in achieving these goals is measured at quarterly intervals and on the basis of the Company's year-end results.
- At least once a year the Board of Directors convenes to conduct an annual review and assessment of the degree to which the Company has accomplished its objectives and of its activities and performance.

### 21- 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 has been formulated employing the SAP system.
- The Vestel White Goods Inc. Board of Directors is responsible for the creation and reliable operation of a risk management and internal control mechanism that will minimize the impact of risks on the Company.
- The Company's internal control system oversees all matters related to finance, operations, and compliance and it assesses the measurement of risk at regular intervals and determines the level that it is at. The entire mechanism is also reviewed at regular intervals and any defects that might impair its effectiveness are corrected as soon as possible. In the conduct of these activities, Vestel also employs its SAP system as an effective operational program.

### 22- AUTHORITIES AND RESPONSIBILITIES OF BOARD MEMBERS AND EXECUTIVES

- The authorities and responsibilities of board members are spelled out in article 11 of the Company's articles of incorporation.



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### 23- PRINCIPLES OF ACTIVITY OF THE BOARD OF DIRECTORS

- In principle, agendas for board meetings are determined by the chairman and other members. However, requests coming from company management are taken into consideration in determining meeting agendas.
- As stipulated in article 10 of the articles of incorporation, the Board of Directors must meet at least once a month and when it is deemed necessary. The Board met a total of 25 times during 2009. The overall rate of attendance at these meetings was 88%. To increase attendance at meetings, meeting dates were set and notified to the members at the start of the year. In addition, in order to encourage attendance at meetings the following rule was added to the articles of incorporation: "A member of the Board who does not take part in three consecutive meetings shall be deemed to have resigned his seat."
- Invitations to meetings are made by mail, fax, and e-mail. In line with corporate governance principles, a secretariat that has been set up within the Vestel Group notifies board members of meetings at least a week (seven days) in advance of the meeting date, providing them with the agenda and documents related to the matters on the agenda.
- In principle, in matters where difference of opinions are voiced by the members at a Board meeting, reasonable and detailed justifications for dissenting votes must be entered into the record. In addition, justifications for dissenting votes relating to matters in which independent members voiced different opinions are publicly disclosed. However, to date there has never been an instance of difference of opinions either on the part of independent or other members.
- Board members are personally present at board meetings that will vote on the issues stipulated in article 2.17.4 of section IV of CMB's corporate governance principles as requiring the actual attendance of board members at 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.

### 24- PROHIBITION ON DOING BUSINESS OR COMPETING WITH THE COMPANY

- One of the items included on the agenda of each year's general meeting and voted on by the shareholders pursuant to articles 334 and 335 of the Turkish Commercial Code is concerned with Vestel Board of Directors members doing business and competing with the Company. In addition, article 11 of the Company's articles of incorporation stipulates that such approval can be decided with the consent of 3/4 of the attendants at the general meeting.
- No board member did any business with the Company in 2009, nor were there any matters that might lead to competition with the Company or any conflict of interest.

### 25- CODE OF ETHICS

- Vestel White Goods' code of ethics has been written up and published on the corporate website within the framework of its public disclosure policy. The employees have been informed on the code of ethics. Utmost care is given to ensure that the code of ethics formulated for the Company, its board members, and its employees is complied with.

### 26- NUMBER, STRUCTURE, AND INDEPENDENCY OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

- The Vestel White Goods Inc. Board of Directors has set up a corporate governance and appointments committee and an audit committee in line with Capital Markets Board corporate governance principles.
- No committee member serves on more than one committee.
- The principles relating to the Audit Committee are as follows:
  - The Audit Committee was set up by a Board of Directors resolution dated 23 March 2006 pursuant to article 3 of CMB Communiqué X:19. This committee is responsible for the effective oversight of all financial and operational activities.
  - The Audit Committee is structured in accordance with Capital Markets Board corporate governance principles and consists of at least two members.
  - The head of the committee has been selected from among the Company's independent board members and attention is also given to the possession of specific qualifications. The head of the Audit Committee should have previously served in a similar position, should have the knowledge and experience needed to analyze financial statements, should be versed in accounting standards, and otherwise be highly qualified.

## Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Principles Compliance Report

- The head of the Audit Committee is Ekrem Pakdemirli, an independent board member. The other member is Bekir Cem Köksal.
- The Audit Committee meets at least four times a year (once in each quarter) and this is stipulated in the articles of incorporation (Article 35). Accordingly, the Audit Committee met four times during 2009.
- The minutes and decisions of the Audit Committee are recorded and archived by the secretariat.
- The committee carries out its activities in accordance with detailed working principles that have been written up. The activities of the Audit Committee in 2009 were as follows:
  - Monitoring the Company's financial and operational activities,
  - Overseeing existing and potential risks,
  - Oversight and approval of the financial statements' compliance with laws and their transparency,
  - Monitoring the effectiveness and performance of the independent audit,
  - Oversight of the internal audit function and its efficiency,
  - Holding meetings with independent auditors,
  - Monitoring the effectiveness and adequacy of the internal control system,
  - Assessment of the findings obtained on the internal control system and reporting thereof to the Board of Directors,
  - Examination and approval of the reports on internal control and internal audit.
- Corporate Governance and Appointments Committee:
  - The Corporate Governance and Appointments Committee was set up by a Board of Directors resolution dated 23 March 2006 pursuant to the CMB Communiqué on Corporate Governance Principles. This committee is responsible for monitoring the Company's compliance with corporate governance principles and for making recommendations to the Board of Directors concerning company appointments.
  - The Committee consists of 2 individuals selected from amongst the Board members. The head of the Corporate Governance Committee is Yılmaz Argüden, who has been elected from amongst non-executive members. The other member is Olgun Zorlu.
  - The Corporate Governance and Appointments Committee is required to meet at least three times a year.
  - The committee carries out its activities in accordance with detailed working principles that have been written up. The activities carried out by the Committee in 2009 consisted of:
    - Establishing corporate governance principles throughout the Company,
    - Developing recommendations pertaining to the structure and effectiveness of the Board of Directors,
    - Structuring the Investor Relations Unit and coordinating its activities.

### 27- FINANCIAL BENEFITS PROVIDED TO THE BOARD OF DIRECTORS

- The attendance fees to be paid to the members of the Board of Directors and to the statutory auditors are determined every year at the general meeting.
- As of June 2009, the members of the Vestel White Goods Board of Directors were being paid TL 60,000 (gross) a year in total, which is commensurate with precedents in the sector. The statutory auditors were being paid TL 2,640 a year each. The amounts for the year 2010 will be decided at the 2009 ordinary general meeting. No other benefits are granted to the Board members.
- There are no performance measurement and performance-based rewarding scheme for the Board members.
- The Company has extended no loans or credit to any Board member or manager, nor has it lent money under the name of personal loans through a third party or given any guarantees such as surety ship in their favor.