

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

CONTENTS

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PART II - SHAREHOLDERS

- 2.1. Investor Relations Department
- 2.2. Shareholders' Exercise of Their Right to Obtain Information
- 2.3. General Assembly Meetings
- 2.4. Voting and Minority Rights
- 2.5. Dividend Rights
- 2.6. Transfer of Shares

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

- 3.1. Corporate Website and Its Contents
- 3.2. Annual Report

PART IV - STAKEHOLDERS

- 4.1. Informing Stakeholders
- 4.2. Participation of Stakeholders in Management
- 4.3. Human Resources Policy
- 4.4. Code of Ethics and Social Responsibility

PART V - BOARD OF DIRECTORS

- 5.1. Structure and Composition of the Board of Directors
- 5.2. Working Principles of the Board of Directors
- 5.3. Number, Structure and Independence of the Board Committees
- 5.4. Risk Management and Internal Control Mechanisms
- 5.5. Company's Strategic Targets
- 5.6. Financial Benefits

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's ("the Company") Corporate Governance Principles Compliance Report for 2014 has been prepared in accordance with the new format presented in the Capital Markets Board of Turkey's (CMB) Bulletin no. 2014/2 dated 27 January 2014.

In parallel with the Corporate Governance practices commenced in 2005, corporate governance mechanisms started to be implemented at Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's line with the Principles. Within the scope of these activities, in the initial phase, a series of amendments were made to 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 by the Corporate Governance Principles though enforced by very few companies, while radical changes were made to the management structure in pursuit of "better governance". Following the revisions made to the Articles of Association, Corporate Governance practices were carried on with the establishment of Corporate Governance mechanisms at the Company. While the Board of Directors was vested with greater objectivity with the addition of independent members, committees were also set up under the Board with the aim of further increasing the effectiveness of corporate governance. In addition, the Company's Disclosure Policy was put into writing, and presented to the shareholders at the General Assembly Meeting. An investor relations website has been developed so as to achieve the maximum, timely, concurrent, accurate and complete public disclosure in line with the 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, which was in effect during 2014. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2014.

- The Company's "Dividend Distribution Policy" has been amended in line with the CMB's Communiqué on Dividends no. II-19.1 and then presented for the approval of shareholders at the 2013 Ordinary General Assembly Meeting and for the information of shareholders via the Public Disclosure Platform and the Company website.
- The Company's "Remuneration Policy for the Members of the Board of Directors and Executive Managers" has been amended within the frame of the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, and has been made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- The Working Principles of the Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been amended within the frame of the revised capital market legislation, and made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- In order to achieve alignment with the Article 11 of the CMB Communiqué on Corporate Governance no. II-17.1, the names and contact information of the Company's Investor Relations Department Manager, who reports to the Company's Executive Committee Member in charge of Finance, and the member of the said department as well as the election of the Investor Relations Department Manager as a member to the Corporate Governance Committee have been presented for the information of shareholders via the Public Disclosure Platform and the Company website.
- Under the Article 10 of the CMB's Communiqué on Corporate Governance no. II-17.1 and the Article 5 of the CMB Communiqué Serial: IV-41 on the Principles to be Adhered to by Joint Stock Companies Governed by the Capital Market Law, the conclusion section of the report on 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 numbered 6362, limit of the donations to be made in 2014, as determined by the Board, was submitted to the approval of the General Assembly and was approved by the General

Assembly.

In the implementation of the Corporate Governance Principles, certain principles that do not conform to the Company's structure and that are regarded as potential obstacles to its operations were 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 minority rights: Since the existing provisions on the appointment of a special auditor and minority rights in the Turkish Commercial Code are considered adequate, these rights are not separately stipulated by the Company's Articles of Association.
- Due to the number of the members of the Board of Directors and the committee structuring requirements, some Board members serve on more than one committee.
- Pursuant to Article 4.6.5 of Corporate Governance Principles, remuneration and all other benefits provided to Board members and executive managers are publicly disclosed in the annual report. However, such disclosure is not made on an individual basis.
- No model or mechanism has been formulated for the stakeholders' participation in management. However, 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.
- Currently, Ms. Şule Cümbüş serves as the only female member on the Board of Directors and increasing the ratio of the female members on the Board to the amount set forth by the Principle no. 4.3.9 of the Corporate Governance Principles lies among the Company's medium-term targets.
- A Directors & Officers Liability Policy has been purchased against the losses that the Company may sustain due to the Board members' faults in the performance of their duties; however, the sum does not exceed 25% of the Company's share capital.

Those principles that remain outside the scope of the currently implemented principles and that are not yet implemented have not led to any conflicts of interest between the stakeholders to date.

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

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Investor Relations Department is responsible for maintaining regular relations with the existing and potential shareholders, protecting and facilitating the use of the shareholder rights, increasing 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, Executive Committee Member in charge of Finance.

The Investor Relations Department submits a report on its activities to the Board of Directors at least once a year. The Department submitted its Report on its 2014 Activities to the Board on 8 January 2015.

The Head of the Investor Relations Department is Gökçe Serim, a full-time employee of our Company who holds Capital Market Activities Level 3 License (No: 206912). He is also a member of the Corporate Governance Committee. In addition, Emine Özcan works as a member of the Department.

Necessary information for the individuals working in the Investor Relations Department was published on the Public Disclosure Platform (in Turkish: KAP) on 29 December 2014.

In 2014, the Investor Relations Department mainly carried out the following tasks:

- Ensured that the records of correspondences between investors and the Company, and of other information and documents are kept in a healthy, secure and up-to-date manner; coordinated the transactions related with Merkezi Kayıt Kuruluşu AŞ (the Central Registry Agency) jointly with the Legal Affairs Department,
- Responded to the written and verbal 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 Disclosure Policy, either face-to-face or using various communication means,
- 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,
- Developed ways that would facilitate shareholders' participation in the General Assembly Meeting and improve communication during the course of the meeting, prepared the necessary documents that will be utilized by the shareholders during the General Assembly Meeting and kept the Company website up-to-date, thereby enabling shareholders to obtain continuous and timely information about the Company,
- Monitored and supervised the fulfillment of the obligations arising from the capital market legislation, including all aspects of the corporate governance and public disclosure, coordinated the communication with the public, as well as the public disclosures required by the legislation; held meetings and conference calls with the investors and analysts, and participated in the conferences and roadshows organized by the brokerage houses.

2.2. Shareholders' Exercise of Their Right to Obtain Information

- During 2014, the Company received information requests from the shareholders on various issues. These queries were responded to via phone, e-mail or postal mail, in writing or verbally, further to the demands of the investors. The responses to these information requests were open, clear, and in detail, in accordance with the Company's Disclosure Policy, and all inquiries except those related to trade secrets were responded to the satisfaction of the investors.
- All information and documents necessary for the shareholders to duly exercise their right to obtain information were disclosed via the Public Disclosure Platform (PDP) and Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's website.
- To facilitate the exercise of the shareholders' right to obtain and review information, the Investor Relations website was redesigned and its content was enriched in 2011, and thereby, it was ensured that domestic and international investors have a quick access to the highest amount of information within the shortest time, accurately, quickly, simultaneously, completely and comprehensibly. All the information required by the CMB's Corporate Governance Principles is included on the corporate website. Updating and monitoring the website are the responsibility of the Investor Relations Department.
- The right to request the appointment of a special auditor is not laid out in the Company's Articles of Association. Since this right is already granted to each shareholder of joint stock companies by the Article 438 of the Turkish Commercial Code, it is not found necessary to further mention it specifically in the Company's Articles of Association. The Company received no requests for the appointment of a special auditor during the reporting period.

2.3. General Assembly Meetings

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ held its Ordinary General Assembly Meeting for the year 2013 on April 22, 2014 at 13:30 p.m. at the Company's head office, which is located at the address of Zorlu Plaza, Avclar, Istanbul.
- Invitation for the meeting, including the agenda, 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. 8537 and dated March 27, 2014 and in Dünya and Milliyet newspapers both dated March 27, 2014, and also by being posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu AŞ as well as on the Company's website at

“<http://vesbe.vestelyatirimciiliskileri.com>”, by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Assembly, announcements were published in the Turkish dailies with high circulation and all the information concerning the Ordinary General Assembly including the meeting invitation was posted on the Company’s website.

- Out of the 190,000,000 shares corresponding to the Company’s total share capital of TL190,000,000.00, 80 shares corresponding to TL80.00 in capital were represented in person, and 181,848,630 shares corresponding to TL 181,848,630.00 in capital were represented by proxy at the meeting. The meeting quorum achieved in the General Assembly as 90.75%.

- With the General Assembly Information Document and the announcement posted on the Company website, access was given to all sorts of information about the General Assembly in accordance with the Corporate Governance Principle no. 1.3.1, and the relevant documents were also made available in hard copy for the information of shareholders at the Company’s headquarters.

- Prior to the General Assembly Meeting, the shareholders, the 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 Regarding 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 General Assembly through an electronic medium.

- The Company’s Articles of Association contain no provisions concerning 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 General Assembly Meeting for 2013 and no other stakeholders or media representatives attended.

- It was ensured that the Board members who were related to the significant agenda items of the General Assembly, other related persons, officers who had responsibility in the preparation of the financial statements and auditors were present at the General Assembly Meeting so that they could provide the necessary information and answer the questions.

- Shareholders were allowed to express their opinions and pose questions under equal conditions at the General Assembly Meeting. The shareholders did not ask any questions during the meeting.

- At the General Assembly Meeting, shareholders were informed about the total donations amounting to TL49,094.86 made to various educational institutions during the year 2013.

- Limit of the donations to be made in 2014 pursuant to the Article 19 of the Capital Market Law numbered 6362 was determined and submitted to the approval of the General Assembly.

- The minutes of the General Assembly Meeting are made available for the examination of shareholders at the Company’s headquarters. All announcements, documents, and other materials related to the General Assembly meetings are accessible to shareholders and all other stakeholders on the Company website.

2.4. Voting and Minority Rights

- There is no privilege with respect to voting right to any group or shareholder in the Articles of Association of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ.

- 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.

- Minority shareholders are not represented in management. The Company’s Articles of Association do not contain any specific arrangement for shareholders representing less than one twentieth of the Company’s paid-in capital. However, two independent members were elected to the Board of Directors to represent the interests of all

shareholders and stakeholders, especially those of minority shareholders.

2.5. Dividend Rights

- There are no privileges in the Articles of Association concerning the participation in the Company's profits. Each share of stock is entitled to an equal dividend.
- Each year, the Company's Dividend Distribution Policy is presented to the shareholders as a separate agenda item at the General Assembly Meeting. The Dividend Distribution Policy is also disclosed to the public via the Company's website and the annual report.
- The Company's Dividend Distribution Policy, which has been put in place by the Board of Directors' decision no. 2007/8 dated 19 March 2007, has been amended in line with the CMB's Communiqué on Dividends no. II-19.1. The Policy was submitted for 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 corporate 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 national and global economic conditions, and the Company's growth and investment plans and financial position.

- At the 2013 Ordinary General Assembly Meeting, the Board of Directors' dividend distribution proposal dated 26 March 2014 was accepted and the decision was taken to commence dividend payments on 2 May 2014.

2.6. Transfer of Shares

The Company's Articles of Association contain no provisions restricting the transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and its Contents

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's corporate website was created 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.

The Company's website may be reached at "<http://vesbe.vestelyatirimciiliskileri.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 that 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 Merkezi Kayıt Kuruluşu AŞ (CRA) and announcements that are required to be made by the Company by law is accessible through e-Company Information Portal of the CRA.

- The website contains the required information stipulated in the CMB's Corporate Governance Principles and in the Turkish Commercial Code.
- 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 reports are prepared in view of 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, 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

- Stakeholders for the Company can be classified as employees, suppliers, finance institutions and the public.
- Stakeholders are regularly informed on matters concerning them within the framework of the Company's Public Disclosure Policy. Employees are informed via e-mails and the Intranet system. Furthermore, periodic inter-departmental meetings and periodic meetings for the employees are held.
- The Company's domestic and international sales are carried out by Vestel Ticaret AŞ, one of Vestel Group of Companies. Vestel Beyaz Eşya pays customer visits together with the Group's marketing company. Based on the assessments arising from these face-to-face contacts, customer satisfaction can be directly observed and complaints can be addressed onsite. When necessary, improvement work is carried out in line with the customer complaints received via this company or directly by Vestel Beyaz Eşya. Apart from these, periodic meetings are held with Vestel Ticaret AŞ to discuss the actions taken to meet customer expectations and to maximize the level of quality. At certain periods, the Company conducts customer satisfaction surveys.
- The stakeholders can report Company's transactions violating legislation or not compliant with ethical rules to the Corporate Governance Committee, the Audit Committee or the Investor Relations Department by accessing them via phone and/or e-mail.

4.2. Participation of Stakeholders in Management

- No model has been developed at the Company to include stakeholders in the Company's management. However, the two independent members on the Board safeguard and represent the interests of the shareholders and all the other stakeholders.
- The Executive Committee Member responsible for Human Resources represents the employees, one of the Company's largest stakeholder groups, on the Vestel Group Executive Board.
- In making important decisions with regard to the stakeholders, senior executives representing the stakeholders are invited to Board meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in Board of Directors and Executive Committee meetings at certain intervals so that they can provide their opinions first-hand.

4.3. Human Resources Policy

- The Company's human resources operations are managed by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Coordinator. The Department includes a Human Resources and Training Unit and an Industrial Relations Unit. Transactions related to the administrative affairs and recruitment functions are carried out under the direct supervision of the Human Resources Director. The Zorlu Holding Human Resources Coordinator is also a member of the Vestel Group's Executive Committee. Thus, providing information regularly to the management on any employee related issue is ensured.
- The Company's Human Resources Policy is set forth in writing and covers all issues related to hiring, promotion, dismissal, compensation, career planning, performance evaluation system, linking performance results to remuneration, and training policies. The employees have been informed of their job definitions and division of tasks, as well as performance and compensation criteria through the Human Resources Policy.

The 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 the Promotion Regulation, respectively.
- Vestel Group has in place a performance evaluation system that is based on individual performance, but is also

linked to departmental and company-wide results, and that 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 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 and a remuneration system has been established, which is updated in line with current conditions.
- Comprehensive training programs are being implemented for employees. While the training process is centrally handled for all Vestel 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 the training programs in line with their career planning and desires.
- 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 regularly planned and implemented each year in order to cultivate qualified managers.
- Two separate career improvement structures have been set up: promotion and horizontal advancement. The system is run at the 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 employees related to discrimination.

4.4. Code of Ethics and Social Responsibility

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's Code of Ethics has been put down in writing and posted on the corporate website within the framework of the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics, which is formulated for the Company and its employees, is complied with in full.
- Within the scope of its social responsibility, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ takes part in the corporate social responsibility projects carried out by its parent company, Vestel Elektronik San. ve Tic. AŞ and Zorlu Holding AŞ. Zorlu Group, of which the Vestel Group of Companies is a member, took a major step in elevating its principles and values espoused since its foundation to global social responsibility dimension, 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 arising from its activities, and by manufacturing products that are compatible with the environment. Since June 2006, the Company has adhered to the RoHS (Restriction of the Use of Certain Hazardous Substances) Directive in the manufacturing of all of its products. Accordingly, it limited the use of the six heavy metals (lead, mercury, cadmium, chrome+6, PBB, PBDE) which are hazardous to the environment and human life in its products. To ensure that the Turkish people live in healthier environments, Vestel Beyaz Eşya bore the costs resulting from this compliance and started supplying products to the domestic market that conform to the RoHS Directive even before this regulation went into effect in our country.

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

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

- Take into account environmental factors when considering new products, projects and operations;
- Reduce the use of harmful materials in the product design and production processes, and search for less polluting materials;
- Undertake activities for waste reduction, reuse, recycling and recovery;
- Ensure savings of energy, water and natural resources by encouraging higher productivity and employment of new technology;
- Use recycled packaging material whenever feasible;
- Organize activities that raise and promote environmental awareness;
- Comply with the environmental legislation and administrative regulations in effect.

•Due to the environmental significance of energy efficiency from the point of preventing direct consumption of natural resources, ISO 50001 Energy Management System activities were integrated into the ISO 14001 Management System.

In addition, with a view to contributing to the effective use of natural resources and electricity, priority is given to the manufacture of A and A+ energy class products at Vestel plants, and research and development activities mainly focus on products that consume less electricity, water, detergent, and gas.

•Under the ISO 50001 Energy Management System that was certified in 2012, the Company is committed to:

- Using energy efficient and eco-friendly technologies for continuously improving its energy performance and ensuring economic and environmental sustainability,
- Continuously benchmarking the Company's energy performance with the best practices in the world and its peers for improvement and development,
- Making use of renewable energy sources,
- Cultivating a culture of participation and innovation among stakeholders for continuous improvements in energy saving,
- Achieving full compliance with legal requirements,
- Identifying energy efficiency improvement areas by regularly conducting internal and external energy efficiency studies,
- Ensuring that all employees play a role in the improvement of the Company's energy consumption performance,
- Raising energy efficiency awareness via training, seminars and posters,
- Encouraging creative ideas for the development and use of new technologies and modification of equipment and processes in order to optimize energy consumption.

•Within the scope of the Vestel Beyaz Eşya Sanayi ve Ticaret AŞ Integrated Management Systems Policy; Activities for raising environmental awareness include;

- Training all employees on the subject of environment and energy. In 2013, 7,286 people received training on environment and energy.
- Distributing booklets on environment and energy to all employees.
- Designing bi-monthly environmental awareness brochures which are placed on panels which employees can see and on panels behind the bathroom doors.

•Through the plastic cap collection campaign carried out at the Company as part of social responsibility and waste management efforts, wheelchairs were procured for the relatives of 40 employees in 2014.

•Through supporting the “White Goods Sector Hazardous Waste Guide” project, hazardous wastes in white goods sector were classified with the support of the Ministry of Environment and Urbanization, Marmara University and TÜBİTAK.

•An Environment Commission in Manisa Organized Industrial Zone, in which the Environmental Management Officer represents the Company, continues its environmental activities.

•Climate change is not only an ecological but also a social and economic threat. Vestel Beyaz Eşya Sanayi ve Ticaret AŞ views climate change as a significant risk for the world’s future and the sustainability of the Company, and carries out important projects in this context. For this reason, the Company carried out studies for the measurement and reduction of its carbon footprint and joined the Carbon Disclosure Project, which has been initiated to encourage companies, investors and governments to gather and share information, which could help the fight against the climate change threat. The Company aims to realize performance improvement by setting carbon-cutting targets by means of disclosing data about greenhouse gas emissions, climate change strategies and sustainable water consumption to the public and investors.

•Since 2011, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ensures sustainability by successfully implementing the TPM (Total Productive Maintenance) management system. TPM is a maintenance system, which targets zero equipment stoppage and zero quality defects in production systems. TPM is a maintenance management approach, which requires the participation of all employees in production and service processes, envisages autonomous maintenance, adopts a preventive approach rather than trouble-shooting and allows for the highest degree of equipment efficiency. Environmental gains through the TPM system approach may be listed as follows:

- Ensuring organization and order and reducing contamination with the 5S Approach,
- Improvement works with Kaizen approach,
- Zero failure, zero dissemination, energy saving and raw material saving with the Autonomous Maintenance approach,
- Reducing scrap and rework, therefore, reducing wastes,
- Increasing productivity and quality - continuous improvement.

In 2014, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ was given the Award for TPM Excellence, Category A by JIPM (Japanese Institute of Plant Maintenance).

•Vestel Beyaz Eşya Sanayi ve Ticaret AŞ’s Puzzle Refrigerator was granted the Energy Efficient Product Award at the MOSB (Manisa Organized Industrial Zone) Energy Efficiency Competition, which is one of the tangible results of the Company’s large-scale investments in eco-friendly products.

•Vestel Beyaz Eşya Sanayi ve Ticaret AŞ’s policy in relation to occupational health and safety is as follows:

The Company:

- Meets its legal obligations and administrative conditions toward employees and complies with the rules of the organizations to which it is a member,
- Achieves continuous improvement through incorporation of international standards, new technologies and employees’ recommendations in its practices,
- Devises and implements plans that will prevent potential occupational accidents and diseases by undertaking occupational health and safety risk analysis,

- Offers continuous training to employees to help them adopt the correct behavioral habits with regard to potential health and safety risks,
- Reviews the policy according to changing conditions so as to eliminate or minimize unsafe situations and unsafe acts at workplaces with a view to prevent or reduce occupational accidents; to regularly review working conditions and to take necessary actions with regard to problematic areas; and to secure funds for such actions,
- Adopts the principle of “the right work for the employee and the right employee for the work” in order to prevent or reduce accidents.
- During 2014, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ set up nursing rooms at various spots across the complex so as to make it possible for working mothers to care for and feed their children.
- With 24 design awards claimed in 2014 in Europe’s and the world’s most prestigious design competitions including, among others, Red Dot Awards, IF Design Awards, and Good Design, Vestel Beyaz Eşya Sanayi ve Ticaret AŞ increased the number of prizes garnered in competitions it has participated in since 2008 to 155. While the awards that are granted on the basis of various assessment criteria including ecology, functionality, ease of use, technology, innovation, ergonomics and design quality endorse the strong design capability of our Company, they also play a major role in promoting Turkish designs across the world. The Most Innovative Brand Award we received in 2012 and the Best Design Brand 2014/2015 Award we were given in the consumer durable goods category are highly important for the improvement of the national economy and for the endorsement of the quality of the Turkish products.
- At the 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 social responsibility initiatives that add value to society, pioneer new initiatives in this area, and raise social awareness by promoting 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. At the start of the social responsibility project development process, the Company first identifies areas in which the public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness that its displays in its other operations, never compromising its total quality approach.
- On the first day of the coalmine disaster that took place in the Soma district, both our employees and our Company spent their best efforts at and near the scene of the incident to meet the water and food needs of the survivors.
- On the back of an initiative it has launched in 2014 in cooperation with the Manisa Branch of ZİÇEV (Foundation for the Training and Protection of Mentally Handicapped Children), Vestel Beyaz Eşya Sanayi ve Ticaret AŞ contributes to raising funds for the Foundation and helps our children enjoy the “happiness of producing”.

PART V - BOARD OF DIRECTORS

5.1. Structure and Composition of 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 2014 Ordinary General Assembly Meeting	Chairman and Vice Chairman - Zorlu Group companies	-	Non-executive
Hacı Ahmet Kılıçoğlu	Vice Chairman	Until 2014 Ordinary General Assembly Meeting	Board Member - Vestel Elektronik San. ve Tic. AŞ and Zorlu Enerji Elektrik Üretim AŞ	Board Member Beşiktaş Futbol Yatırımları AŞ Board Member - Şeker	Independent

				Mortgage Finansman AŞ	
Olgun Zorlu	Board Member	Until 2014 Ordinary General Assembly Meeting	Board Member	-	Non-executive
Şule Cümbüş	Board Member	Until 2014 Ordinary General Assembly Meeting	Board Member	Chairperson - Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ	Non-executive
İzzet Güvenir	Board Member	Until 2014 Ordinary General Assembly Meeting	Executive Committee Member and Board Member	-	Non-executive
Ali Akın Tarı	Board Member	Until 2014 Ordinary General Assembly Meeting	Vice Chairman - Vestel Elektronik San. ve Tic. AŞ and Zorlu Enerji Elektrik Üretim AŞ	Board Member and Audit Committee Member - Dilerbank; Board Member - Diler Holding AŞ	Independent

Ahmet Nazif Zorlu

Chairman

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

Hacı Ahmet Kılıçoğlu

Vice Chairman

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree in Economics in 1977 and Master's degree in Economics in 1978 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. Mr. Kılıçoğlu is currently a Board Member at Beşiktaş Futbol Yatırımları Sanayi ve Ticaret AŞ and Şeker Mortgage Finansman AŞ.

Olgun Zorlu

Board Member

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

Şule Cümbüş

Board Member

(1976 - İstanbul) After graduating from Işık High School, Şule Cümbüş went to the USA to pursue her undergraduate studies. 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. For about six months she worked at Zorlu Holding's American subsidiary, Zorlu USA Textile. In 1999, she returned to Turkey to take office as a Management Trainee at Denizbank, and went on to serve in various departments of the bank. She became Executive Director at Anadolu Kredi Kartları AŞ, which was acquired in early 2002. In 2003, she was appointed as the General Manager of Linens Pazarlama. Having sat as a member on the boards of various companies under Zorlu Holding, Şule Cümbüş currently serves as a member of the Board of Directors of Vestel Beyaz Eşya and as the Chairperson of the Board of Directors of Z Gurme Restoran Gıda Sanayi ve Ticaret AŞ.

İzzet Güvenir

Board Member

(1955 - İzmir) İzzet Güvenir graduated from Istanbul Technical University, Department of Aeronautical Engineering in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the Manager of the Air Conditioner Plant. Mr. Güvenir was appointed 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 Russia as of July 1, 2011. He continues to serve as a Board Member at Vestel Beyaz Eşya.

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 of 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. Still serving in these positions, Mr. Tarı holds the titles of Certified Public Accountant and Independent Auditor.

The Chairman of the Executive Committee of our Company 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 the 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, he joined Vestel in 1988. Having held various managerial positions at Vestel since 1988, he served as the President of Vestel Dış Ticaret 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.

- Four of the six members of the Board are non-executive members and two are independent members.
- The Chairman of the Board and the Chairman of the Executive Committee are two different individuals: The Chairman of the Board is Ahmet Nazif Zorlu and the Vestel Group of Companies' Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the Ordinary General Assembly Meeting for 2013, two independent candidates were presented to the Nomination Committee. The Committee's report dated March 26, 2014 on whether these candidates fulfill the independence criteria was submitted to the Board of Directors. Upon a resolution by the Board of Directors dated March 26, 2014 and numbered 2014/7, it was decided that these candidates would be submitted to the approval of shareholders at the General Assembly, to become independent Board Members.

Statement of independence of the candidates is provided hereinbelow:

"I hereby acknowledge, commit and declare that I have read and understood the capital market legislation, the Company's Articles of Association, and the Capital Markets Board's Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, and that I meet all of the criteria required of Independent Board Members that are stipulated in the Principle no. 4.3.6 appended hereto within the framework of the applicable legislation."

- Board Members Hacı Ahmet Kılıçoğlu and Ali Akın Tarı are independent members who fulfill the CMB's Corporate Governance Principles pertaining to the independence criteria. No circumstances occurred during the reporting period to end the independence status of the independent members.
- No restrictions are imposed on Board Members' undertaking one or more duties outside the Company.
- 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 Board members. However, a policy has not yet been developed towards attaining this goal.

5.2. Working Principles of the Board of Directors

• Agendas for the Board meetings are determined by the Chairman and the 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 at the Company's headquarters as and when deemed necessary, and at least once a month. In order to increase attendance at the meetings, the meeting dates were determined and notified to the Board Members at the beginning of the year. As a result, Board Members were given the opportunity to shape their schedules according to the meeting dates. As another measure to increase attendance at the meetings, the following article was added to the Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."

• During 2014, the Board of Directors took 49 decisions in 33 meetings held. The meeting attendance rate was 97.28%, and 100% of the decisions were taken with the unanimous votes of the attendants.

• Invitations to the meetings are made by fax, and e-mail. In line with the Corporate Governance Principles, a secretariat has been set up within the Company that reports to the Board of Directors. This secretariat set up in the Vestel Group notifies Board Members of the meetings at least a week (seven days) in advance of the meeting date, and provides them with the agenda and documents related to the matters on the agenda.

• Differences of opinions arising at Board meetings and reasonable and detailed justifications for dissenting votes are entered into the records. The dissenting opinions and votes of the independent members are disclosed to the public. However, to date there has never been an instance of differing opinions by the independent or other members at

the Board meetings.

- No Board members, including the Chairman, have preferential voting rights or the right to veto Board decisions. Each member, including the Chairman, possesses an equal vote.

- A Directors & Officers Liability Policy has been purchased against losses which the Company may sustain due to the Board members' faults in the performance of their duties. However, the sum does not exceed 25% of the Company's share capital.

5.3. Number, Structure and Independence of the Board Committees

- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ established a Corporate Governance Committee, Early Detection of Risk Committee, and Audit Committee in line with the Capital Markets Board's Corporate Governance Principles. The duties assigned to the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.

- Independent board members Ali Akın Tarı and Hacı Ahmet Kılıçoğlu serve in more than one committee due to the number of the Board Members and the requirements of the committee structures under the CMB's Corporate Governance Principles.

- Committee meetings are held at frequencies stipulated by the legislation, as and when deemed necessary, or upon a request from any member.

- The Committees' activities and working principles are publicly disclosed on the Company's website.

Audit Committee

- The Audit Committee was set up pursuant to Article 3 of the CMB Communiqué Serial X, No: 19 and is responsible for the effective oversight of the Company's financial and operational activities. The objective of the Audit Committee, which reports to the Board of Directors, is to oversee the functioning of the Company's accounting system, the independent audit and public disclosure of the financial data, and the functioning and efficiency of the Company's internal control and internal audit system.

- Pursuant to the CMB's Communiqué on Corporate Governance Principles no: II-17.1, the "Audit Committee Working Principles" were revised and approved at the Board of Directors' meeting dated March 27, 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.

- The Audit Committee is structured in accordance with the Capital Markets Board's Corporate Governance Principles and consists of two members.

- The Head of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the selection process. The Head of the Audit Committee is ensured to have previously served in a similar position, have the knowledge and experience needed to analyze financial statements, be versed in accounting standards, and otherwise be highly qualified.

- Both Audit Committee members were elected from among the independent Board members. The Head of the Committee is Ali Akın Tarı, and the other member is Hacı Ahmet Kılıçoğlu.

The distribution of duty in the Committee is as follows as per the decision taken in the Company's Board meeting held on 22 April 2014:

Committee members	Duty	Status
Ali Akın Tarı	Head of the Committee	Independent Board Member
Hacı Ahmet Kılıçoğlu	Member of the Committee	Independent Board Member

- In principle, the Audit Committee shall meet at least four times a year, being once in each quarter.
- The Board of Directors' secretariat is responsible for keeping the records of the decisions made by the Committee, as well as the minutes of its meetings.
- The Committee carries out its activities in line with the working principles put into writing in detail.

In 2014, the Audit Committee carried out the following functions:

- monitor the Company's financial and operational activities,
- oversee and approve the accuracy and the conformity of the annual and interim financial statements, which will be disclosed to the public, to the accounting principles employed by the Company,
- selection of the independent audit firm, preparation of the independent audit agreement, and initiation of the independent audit process,
- follow up the effectiveness and performance of the independent audit activity,
- supervise the operation and efficiency of the internal control and internal audit system,
- assess the findings obtained on the internal control system and report these to the Board of Directors, and
- review and approve the internal control and internal audit reports.

Corporate Governance Committee

•The Corporate Governance Committee is established to monitor the Company's compliance with the CMB's Communiqué on Corporate Governance Principles, to carry out studies for improvement and to make proposals to the Board of Directors.

•Pursuant to the CMB's Communiqué on Corporate Governance Principles no: II-17.1, the "Corporate Governance Committee Working Principles" were revised and approved at the Board of Directors' meeting dated March 27, 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.

•The Corporate Governance Committee is composed of at least three members, including two non-executive Board Members and the Investor Relations Department Manager. The Head of the Committee is Ali Akın Tarı, an independent Board member, and the other members are Olgun Zorlu and Gökçe Serim.

Committee members	Duty	Status
Ali Akın Tarı	Head of the Committee	Independent Board Member
Olgun Zorlu	Member of the Committee	Non-executive Board Member
Gökçe Serim	Member of the Committee	Investor Relations Department Manager

- In principle, the Committee should hold at least two meetings annually to ensure effective performance of its duties.
- The activities carried out by the Corporate Governance Committee in 2014, in accordance with its working principles put into writing in detail, are presented below:
 - Propose improvements on corporate governance practices to the Board of Directors in order to achieve compliance with the CMB Communiqué on Corporate Governance no. II-17.1; conduct and supervise the necessary work for alignment with the legislation,
 - Oversee the activities of the Investor Relations Department,
 - Make proposals pertaining to the structure and effectiveness of the Board of Directors,
 - Determine and monitor the principles, criteria and practices to be applied in the remuneration of the Board of Directors and executives with administrative responsibility, taking into consideration the Company's long-term targets,

- Present proposals to the Board of Directors in relation to the remuneration to be provided to the Board members and executives with administrative responsibility taking into consideration the extent of the fulfillment of the remuneration criteria.

Early Detection of Risk Committee

•The Early Detection of Risk Committee was set up with the Board’s decision dated March 15, 2013 in order to identify the risks which could jeopardize the Company’s existence, development and continuity and to take measures to counter and manage these risks in line with the Turkish Commercial Code, Articles of Association and CMB’s Communiqué on Corporate Governance Principles.

•Pursuant to the CMB’s Communiqué on Corporate Governance Principles no: II-17.1, the “Early Detection of Risk Committee Working Principles” were revised and approved at the Board of Directors’ meeting dated March 27, 2014. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate 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 Head of the Committee is the independent Board Member Hacı Ahmet Kılıçoğlu. The other member is Şule Cümbüş.

The distribution of duty in the Committee is as follows as per the decision taken in the Company’s Board meeting held on 22 April 2014:

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

•The Early Detection of Risk Committee held 6 meetings in 2014 and presented the necessary risk reports to the Board of Directors.

•The activities carried out by the Committee in 2014, in line with the working principles put into writing in detail, are presented below:

- Process-based risk inventory was prepared and opinions and evaluations of risk owners were obtained.
- 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 activities.
- Inherent and residual risks contained in 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.
- As a result of the risk inventory and risk management researches, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks that may jeopardize the Company’s existence, development and continuity, and the adoption of necessary measures regarding the detected risks and management of risk.

These reports are as follows:

- Summary of the World Economic Forum Global Risks 2014
- Vestel Key Risk Indicators Report

- Insurance Solutions for Vestel Group Companies
 - Fraud Risk Survey
 - Receivables Risk Early Warning Signals
 - Vestel Group of Companies OHS Risk Assessment Obligation
- On the SAP GRC (Governance, Risk and Compliance) System, part of the digitizable risks are expressed and followed-up in the form of KRIs (Key Risk Indicators). Work is ongoing for the others.
- Threshold values have been revised for some key risk indicators.

5.4. Risk Management and Internal Control Mechanism

•Zorlu Holding Corporate Risk Management Department began its operations in the first quarter of 2012 with the purpose of early diagnosing the risks that may jeopardize the existence, development and continuity of the Company, taking the necessary actions against the identified risks, and centrally managing the risks. Within this scope, Zorlu Holding Risk Policy and Procedure and Corporate Risk Management Framework that will be applicable to all the Zorlu Group companies were prepared and shared with the related units.

•Vestel Beyaz Eşya 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/recorded 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. SAP GRC (Governance Risk Compliance) is used as the system that covers and monitors all 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 internal control activities and by taking into account the related risk reducing actions. During the course of the activities carried out in line with the Company's vision and mission, the Company may become exposed to risks related with 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 Corporate Risk Management philosophy is summarized below:

- Incorporating risks into the decision-making mechanisms by establishing risk awareness and risk culture in the operations of 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,
 - Using Key Risk Indicators to follow up the risks that have been identified and prioritized,
 - Measuring and reporting key risk indicators that give warnings and all other risks, taking into consideration the control points,
 - Proactively managing these risks through optimum actions taken in accordance with the risk appetite.
- Based on the Board of Directors' decision dated 15 March 2013, the Company's Early Detection of Risk Committee was set up and its Functions and Working Principles were accepted. The Committee works to early diagnose the factors that could jeopardize the existence, development and continuity of the Company, to take the necessary actions and implement the remedies, and to manage the risk for the purpose of achieving compliance with the Article 378 of the Turkish Commercial Code no. 6102 and of 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.

5.5. Company's Strategic Targets

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

Mission: Conquering the world with our technological products

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

- The Board of Directors approves the strategic targets set by the management. 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 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. Action to achieve the approved targets is taken as soon as possible. The degree of target achievement is measured according to the actual results in the financial reporting periods and at the end of the year.
- The Board of Directors holds a number of evaluation meetings during the year to review the Company's degree of attaining its targets, operations and past performance.

5.6. Financial Benefits

- The Company's Remuneration Policy for the Members of the Board of Directors 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 within the frame of the Corporate Governance Principles appended to the CMB Communiqué on Corporate Governance no. II-17.1, and was made available for the information of shareholders via the Public Disclosure Platform and the corporate website.
- The attendance fees to be received by the members of the Board of Directors are determined each year at the General Assembly Meeting. This fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.
- Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's Board members were paid a total gross sum of TL95,000.00 as an attendance fee in 2014, commensurate with the practices of the peer companies in the sector. The amounts for 2015 will be decided at the 2014 Ordinary General Assembly. No other benefits are provided to Board members.
- There is no rewarding scheme for the Board Members based on performance measurement.
- The salaries of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ's senior executives are determined by the Board of Directors. In addition, senior executives may be entitled to bonus payments at year-end, 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, subsidiaries and their weight in total operations, the level of knowledge required to maintain operations, the characteristics of the sector, the competitive environment, and the level of salaries paid at the peer companies.
- The financial benefits provided to the Company's Chairman, Board Members, general manager, general coordinators and assistant general managers are outlined in the footnotes of the financial statements. In this regard, the total salaries and fees paid during the 12 months ending on December 31, 2014 was TL4,108 thousand (01.01-31.12.2013: TL 3,493 thousand).
- During 2014, the Company did not lend money to any Board member or senior executive, nor did it extend any credit via a third party under the name of a personal loan or grant any guarantee such as surety in their favor.