



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report

VESTEL

23 February 2015

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Rating and Executive Summary

Vestel Elektronik Sanayi ve Ticaret A.Ş.

 SAHA
Corporate Governance Rating:

9.12



MAIN SECTIONS: **Avg. 91.24**

Shareholders: **94.89**



Public Disclosure & Transparency: **91.41**



Stakeholders: **89.06**



Board of Directors: **89.46**



0 10 20 30 40 50 60 70 80 90 100

EXECUTIVE SUMMARY

This report on rating of Vestel Elektronik Sanayi ve Ticaret A.Ş.'s ("Vestel") compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the company. Our rating methodology (page 6) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Vestel is rated with **9.12** as a result of the Corporate Governance study done by SAHA. The company's corporate governance rating has shaped up as above in consideration with the importance given by Vestel to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

Additionally, Vestel takes place in the World Corporate Governance Index (WCGI) published by SAHA on July 4, 2014. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at <http://www.saharating.com>.

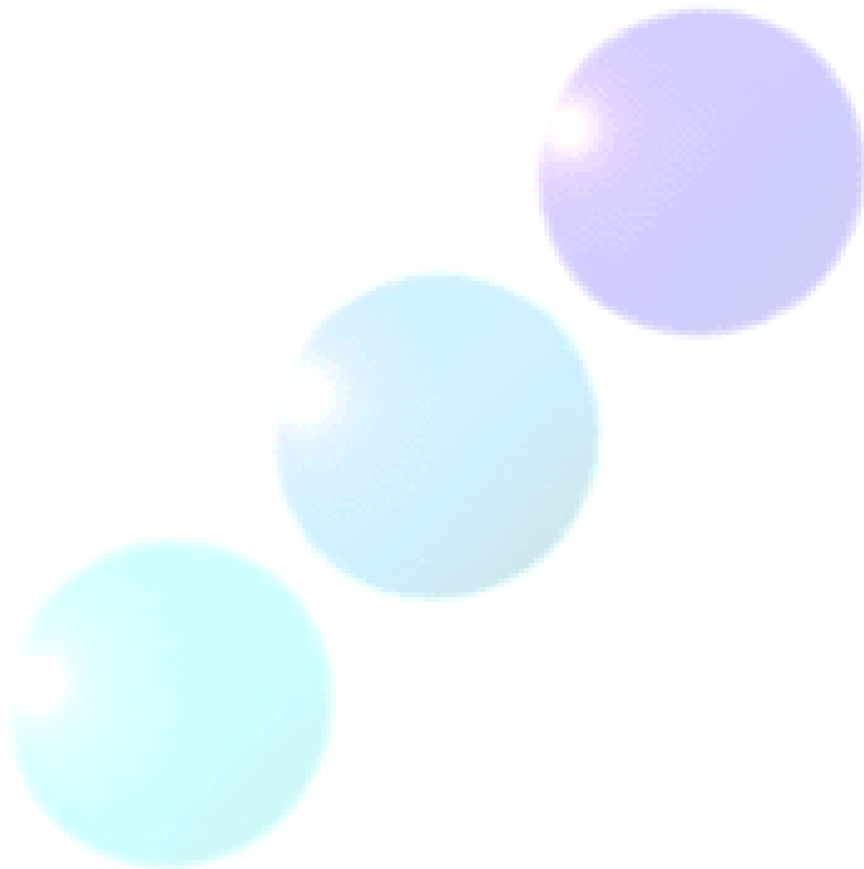
Vestel is rated with **9.49** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. Vestel carries out the investor relations obligations through "Investor Relations Department". All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a consistent dividend policy of the company and it is disclosed to the public. There are no restrictions on transfer of shares. On the other hand, the rate of minority rights in the company's articles of association is adopted as prescribed for public joint stock companies (%5). The company has constituted a policy on donations and grants and announced it to public on the corporate web site.

Vestel attained **9.14** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site that includes all information listed in the "Corporate Governance Principles" pertinent to public disclosure. Public announcements are made via all communications channels and are in accordance with CMB and Borsa Istanbul A.Ş. (BIST) rules and regulations. The annual report is comprehensive and informative. Ultimate controlling real person shareholders with a share higher than 5% in the company's capital structure are disclosed on the Public Disclosure Platform (KAP), but not included in the corporate web site. Benefits provided to board members and senior management are mentioned collectively in the annual report, but a list on an individual basis is essential as per the Principles. Incorporating the assessment of the board of directors on the effectiveness of the committees established within the board in the annual report remains as an area for improvement.

On the topic of **Stakeholders**, Vestel scored **8.91**. Vestel guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. The company has an efficient and comprehensive human resources policy. Models have been developed to support the participation of employees in the management of the company, but no action has been taken for the participation of stakeholders. Code of ethics is publicly available through the corporate web site. Various social responsibility and sustainability projects are implemented. However, a written compensation policy for the employees is not effectuated and implementations are carried out within the framework of the existing legislation.

From the perspective of the principles regarding the **Board of Directors**, Vestel's tally is **8.95**. There is a well communicated company mission and vision, and the board fulfills all duties regarding company needs. Chairman of the board of directors and the general manager is not the same person. The board consists of six members, with two independent and no executive members. Each member is entitled to a single vote. CMB criteria are complied with for the appointment of independent members who have each signed a declaration of independence. There is one female member on the board. The company has not prepared a policy or set a timetable to reach the Corporate Governance Principles' advisory target of 25% female board membership rate. Corporate Governance, Audit, and Early Detection of Risk Committees are established within the board of directors. The working principles of the committees are disclosed to the public. Our observations will continue in order to have a more precise view of the activities and the degree of functionality of the committees. Principles of remuneration of board members and senior executives are available on the corporate web site. Losses that may be incurred by the company as a result of not performing the executives' duties duly are insured. Remuneration of

board members and managers with administrative responsibility as well as benefits provided is mentioned collectively in the annual report. As far as principles are concerned a list on an individual basis is essential.



Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

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

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in future should be mentioned in the annual report and disclosed to public.

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

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.25).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

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

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

Company Overview

| Vestel Elektronik Sanayi ve Ticaret A.Ş. | |
|---|---|
| VESTEL | Chairman of the Board Ahmet Nazif Zorlu |
| | Chairman of the Executive Committee Enis Turan Erdoğan |
| Levent 199 Büyükdere Cad. No:199 34394 Şişli- İstanbul www.vestel.com.tr www.vestelyatirimciiliskileri.com | Investor Relations Department Serap Mutlu Tel: (0212) 456 2200 Fax: (0212) 422 0203 yatirimci@vestel.com.tr |

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi ("Vestel") and its subsidiaries ("Companies") mainly conduct activities related to consumer electronics and white goods manufacturing and trading. Since its participation to the Zorlu Group in 1994, Vestel's mission is to create products that reflect the changes and innovations in the technology field. Today the company is one of the world's leading manufacturers in home appliances, white goods, and digital products segments.

As of 30 September 2014 Vestel Group of Companies consisted of 22 companies, 15 of which are based abroad. The Group continues to take strong and decisive steps thanks to its sustainable growth. Vestel is among Turkey's best-known and prestigious 10 brands and leads the sector with its service quality, and with products meeting customer expectations.

Vestel's manufacturing facilities are located in Manisa, Turkey and in Russia. Founded on an area of 1.1 million square meters, Vestel City is the largest industrial complex in Europe in a single location. This provides the company efficiency, effectiveness and cost advantages thanks to the economies of scale.

Other main factors which lead the company in competition are competence of flexibility in production, logistic advantages over its competitors in the Far East with its proximity to Europe, and relatively lower unit labor costs compared to Europe.

Deloitte's' "Global Powers of Consumer Products" report places Vestel among the "World's Largest 250 Consumer Goods Companies".

The company shares are traded under "VESTL" ticker at Borsa Istanbul and Vestel is a constituent of BIST NATIONAL MARKET, BIST Corporate Governance, BIST Metal Products, Machinery, BIST Industrials, BIST All Shares, BIST National, BIST 100, BIST 100-30 and BIST 50 indices.

Company's registered share capital is TL 1,000,000,000.-(one billion) and this share capital is divided into 100,000,000,000 (one hundred billion) bearer shares, each with a nominal value of 1 Kuruş. The registered capital ceiling permission given by the Capital Markets Board is valid between 2012 and 2016 (5 years). Even if the permitted registered capital ceiling is not achieved at the end of 2016, in order for the board of directors to be able to pass a decision on capital increase after 2016; it must be authorized by the general shareholders' meeting for a new period, by obtaining permission from the Capital Markets Board for the previously permitted ceiling or a new ceiling. In case of failure to get such authorization, the company shall be deemed as having left the registered capital system.

Latest status of the issued share capital distribution of Vestel is given below.

| Capital Structure | | |
|--------------------------------|--------------------|---------------------|
| Shareholder | Amount (TL) | Percentage % |
| Zorlu Holding A.Ş. | 216,053,592 | 64.41 |
| Zorlu Holding A.Ş (Free Float) | 44,047,712 | 13.13 |
| Other (Free Float) | 75,354,971 | 22.46 |
| Total | 335,456,275 | 100.00 |

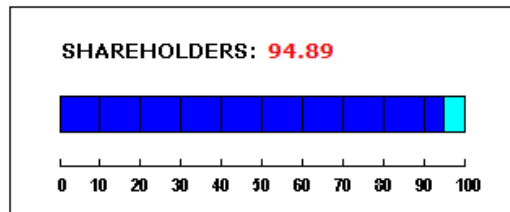
According to the Central Registry Office (MKK) data dated 30 January 2015, the free float rate of the company to the capital is 35.59%.

The board of directors of Vestel is composed as follows:

| Vestel Board of Directors | |
|----------------------------------|--|
| Name | Title |
| Ahmet Nazif Zorlu | Chairman of the Board |
| Ali Akın Tan | Vice-chairman Independent Board Member Audit Committee Chairman Corporate Governance Committee Chairman |
| Selen Zorlu Melik | Board Member Early Detection of Risk Committee Member |
| Mehmet Emre Zorlu | Board Member Corporate Governance Committee Member |
| Mümin Cengiz Ultav | Board Member |
| Hacı Ahmet Kılıçoğlu | Independent Board Member Audit Committee Member Early Detection of Risk Committee Chairman |

Chairman of the Board or Vice-chairman is selected from among independent members as per the company's articles of association.

SECTION 1: SHAREHOLDERS



SYNOPSIS

| | |
|---|--|
| + | Equal treatment of shareholders |
| + | Unrestricted shareholder rights to review and receive information |
| + | Voting rights are facilitated |
| + | General shareholders' meetings are conducted in compliance with the legislation |
| + | No share privileges |
| + | No restrictions on transfer of shares |
| + | Policy on donations and grants approved at the general shareholders' meeting and disclosed to public |
| + | A specific and consistent dividend distribution policy established |
| = | Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital |

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

An Investor Relations Department is established in order to carry out shareholder relations activities. The department manager, Ms. Serap Mutlu is the holder of Capital Market Activities Advance Level and Corporate Governance Rating Specialist licenses. Ms. Mutlu is also a member of the Corporate Governance Committee.

The Investor Relations Department plays an active role in protecting and facilitating shareholders' rights and in

particular the right to obtain and review information. The department fulfills the following duties:

- Ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- Respond to the queries of the shareholders requesting written information on the company.
- Ensure that the general shareholders' meeting is held in compliance with the applicable legislation, articles of association and other company by-laws.
- Prepare the documents that might be used by shareholders in the general shareholders' meeting.
- Supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

The main activities carried out by the Investor Relations Department on behalf of the company are summarized below:

- 78 one-on-one meetings were held with investors and analysts.
- During the relevant period, around 80 questions were received via e-mail and by phone. Questions received by phone were answered simultaneously and e-mail questions were replied to in detail, at the earliest availability.
- 2 conferences and 1 roadshow were participated abroad.

Information and explanations that may affect use of shareholders' rights are

available and up to date on the corporate investor relations web site.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders and no such demand was received within the reporting period.

All kinds of information about the company required by the legislation are provided in a complete, timely, honest, and diligent manner and there is no fine or warning received in this regard.

The company has constituted a disclosure policy and submitted it to the attention of general shareholders' meeting and disclosed it to public on the corporate web site.

1.3 Minority Rights:

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the company.

1.4. General Shareholders' Meeting:

Due to the date of the contract signed with Vestel, SAHA was not present at the general shareholders' meeting. Assessment on the meeting is based on relevant minutes and declarations of the company.

In addition to the methods of invitation in the legislation and in order to

ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on 22 April 2014 is performed through all means of communication available to the company on 27 March 2014 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Besides, the company has prepared a descriptive disclosure document on agenda items.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the annual report, financial statements and reports, and all other related documents pertaining to the agenda items along with the dividend distribution proposition are made available to all shareholders for examination purposes in convenient locations including the headquarters of the company, and the electronic media.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the corporate web site;

- a. the total number of shares and voting rights reflecting the company's shareholding structure as of the date of disclosure, privileged share groups within the company capital, voting rights and nature of such privileges,
- b. information about the fact that there were no changes in management

and activities of the company and its subsidiaries in the previous fiscal year, or planned for the upcoming fiscal period which can significantly affect the company operations,

c. grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the company and its related parties, whether they are independent or not, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. Minutes of the meeting show that there were no questions asked in this regard.

Shareholders were informed of board members' activities engaged in within the scope of Article 395 and 396 of the Turkish Commercial Code.

The members of the board of directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements and representatives of the external audit company were present to give necessary information and to answer questions at the general shareholders' meeting.

There were no agenda items for approval due to a lack of consent of

the majority of independent board members.

The company has established a policy on donations and grants and submitted it to the latest general shareholders' meeting for approval. Shareholders were informed of donations made within the reporting period and the upper limit for the upcoming period was approved.

Stakeholders and media are allowed to attend the general shareholders' meetings with no voting rights, but no such mention is included in the articles of association.

1.5. Voting Rights:

All shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately.

There are no voting privileges at Vestel.

1.6. Dividend Rights:

The dividend policy of Vestel is clearly defined and disclosed to public on the corporate web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

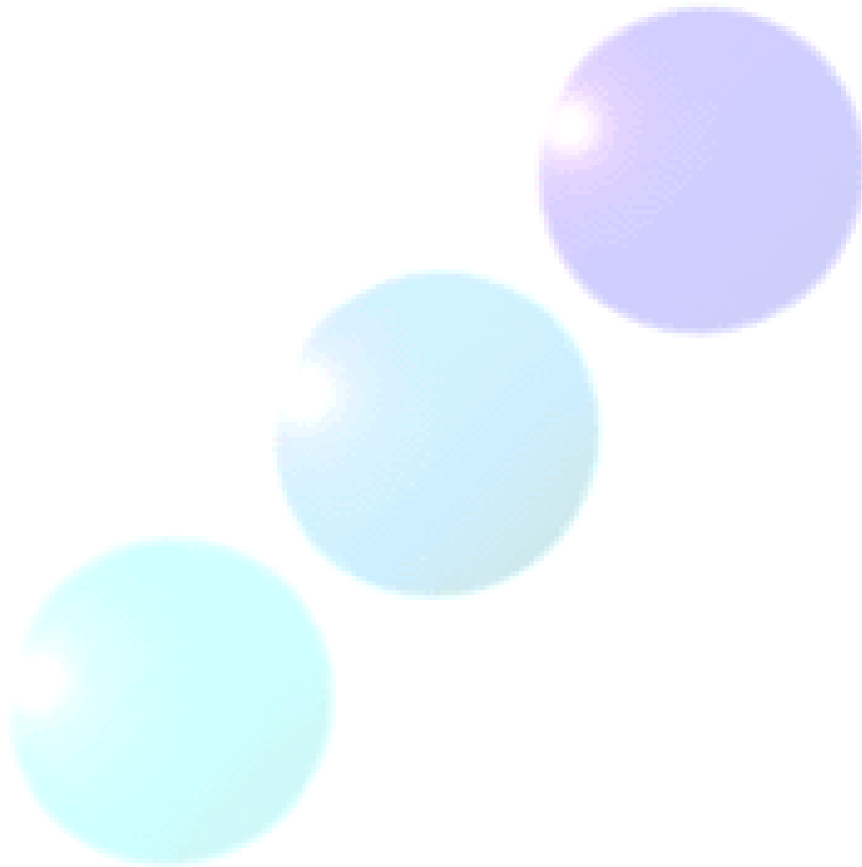
The company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and those of the company.

Shareholders were informed at the general shareholders' meeting that no profit will be distributed because of the net loss reported on the financial statements of 2013.

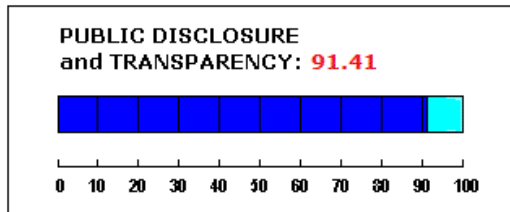
The articles of association of the company contain a provision on advance dividend payments.

1.7. Transfer of Shares:

Neither the articles of association of the company nor any decisions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares.



SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

| | |
|---|--|
| + | Disclosure policy disclosed to public on the corporate web site |
| + | Comprehensive web site, actively used for public disclosure |
| + | Annual report complies with the legislation, comprehensive and informative |
| + | Important events and developments disclosed in accordance with the legislation |
| + | Real person shareholders with a share higher than 5% within the capital structure are disclosed on KAP |
| + | English version of the web site for international investors |
| + | Remuneration policy established and disclosed to public on the corporate web site |
| + | Dividend distribution policy disclosed to public via corporate web site |
| = | Benefits provided to board members and senior executives are mentioned collectively in the annual report |
| - | No assessment of the board on the effectiveness of the committees in the annual report |

2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the

information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the corporate web site includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the company's articles of association, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the company, frequently asked questions, and responses thereof.

In this context, information on at least the last five years can be reached on the web site.

The company's shareholding structure; the names, amount and rate of the shares held by the company's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public through the Public Disclosure Platform. However, this information is not included on the corporate web site.

The information contained on the web site exists also in English for the

benefit of international investors and is identical to the Turkish content.

The company's web site also includes; the donation policy, working principles of the committees, material disclosures, important board resolutions under the heading of news, the vision/mission of the company established by the board, information on dividend payments and capital increases for the last 5 years, general shareholders' meeting internal guidelines, social responsibility activities, information on senior management, financial data, main ratio analysis, web site privacy/security policy, timetable on events and developments which may interest investors, and the human resources policy.

2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the company and it covers information such as;

- a. period covered by the report, the title of the company, trade register number, contact information,
- b. the names of the chairman and members serving on the committees and the board within the reporting period,
- c. the sectors in which the company's subsidiaries operate and information on their position in these sectors,
- d. qualifications of the company's business units, general explanations related to their activities and performances, and yearly developments,
- e. progress on investments, the eligibility status on incentives,
- f. Corporate Governance Principles Compliance Report,
- g. information on related party transactions,

- h. other issues not included in the financial statements, but are beneficial for users,
- i. the company's organization, capital and ownership structure,
- j. information on external duties of the board members, with intra/out Group distinction and within the scope of permission granted at the general shareholders' meeting,
- k. research and development activities,
- l. the dividend distribution policy,
- m. basic ratios on the financial position, profitability and solvency,
- n. the company's financing resources and risk management policies.

In addition to the matters specified in the legislation, following information was also given in the annual report:

- a. external duties of board members and executives,
- b. declaration of independence of the related board members,
- c. members of the committees within the board, meeting frequency and working principles of the committees,
- d. the number of board meetings held during the year and participation rate of the members,
- e. major court cases against the company and possible consequences,
- f. information on the fact that there is no cross shareholding in excess of 5% of the capital,
- g. benefits and vocational training of employees, and other company activities that give rise to social and environmental results,
- h. rating results,
- i. application status of the corporate governance principles as required by the CMB communiqué.

On the other hand, benefits provided to board members and senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this

information is given on an individual basis. Additionally, assessment of the board of directors on the effectiveness of the committees, changes and justifications thereof on the articles of association during the reporting period, and benefits provided to staff and workers along with information on number of personnel are not included in the annual report.

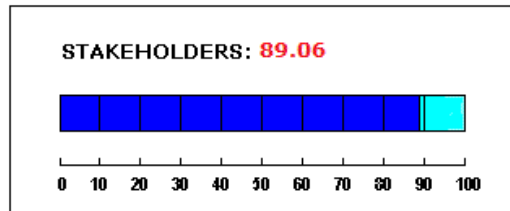
2.3. External Audit:

The external audit of the company is conducted by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers group with a worldwide experience.

There has not been a situation during the reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared by the company officials that there has been no legal conflict between the company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

| | |
|---|--|
| + | Measures to safeguard stakeholders' rights are facilitated |
| + | Efficient Human Resources policy |
| + | Stakeholders' views are taken on important decisions that concern them |
| + | Code of ethics disclosed to the public |
| + | Company is socially and environmentally sensitive and respectful |
| + | A written donation policy established and disclosed to public on the corporate web site |
| + | Social responsibility projects implemented |
| = | No provision in the articles of association regarding the participation of stakeholders in the management of the company despite the existence of certain incentive models |
| - | An employee compensation policy is not established |

3.1. Company Policy Regarding Stakeholders:

Vestel recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the company protects the interest of stakeholders under good faith

principles and within the capabilities of the company. Effective and expeditious compensation is provided in case of violation of the rights.

Stakeholders are continuously informed within the framework of the company's disclosure policy.

Employees and management take part in periodic meetings held to keep employees actively informed about the company. Attention is given to ensure two-way communication with information flowing upward to management from employees as well as downward from management to employees. The company adheres to an open door policy to keep channels of communication open between management and personnel. In addition, employees are also kept continuously informed by means of the corporate intranet.

Periodic meetings are held with customers and suppliers and all customers and suppliers are kept informed about company-related issues that may be of concern to them. The company regularly organizes meetings for its dealers in order to measure customer satisfaction. When deemed necessary, additional one-on-one and group meetings are also held.

The stakeholders can report company's transactions violating legislation or not compliant with ethical rules to the Corporate Governance Committee, Audit Committee or Investor Relations Department by accessing them via telephone and/or e-mail.

Nevertheless, a written compensation policy for the employees is not effectuated and implementations are

carried out within the framework of existing legislation.

3.2. Stakeholders' Participation in the Company Management:

No model has been developed to include stakeholders in the company's management. However, the two independent members on the board safeguard and represent the interests of all stakeholders as well as those of the company's shareholders.

The Executive Committee Member responsible for Human Resources represents the employees, one of the company's largest stakeholder groups, 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.

On the other hand, such models and applications are not included in the articles of association.

3.3. Company Policy on Human Resources:

The company's human resources processes are managed by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Coordinator. The department consists of Human Resources and Training Unit, and an Industrial Relations Unit. Transactions related to the administrative affairs and recruitment functions are carried out under the direct supervision of the Human Resources Director. The Zorlu Holding Human Resources Coordinator is a member of Vestel Group's Executive Board as well. 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 this policy.

The "Human Resources Unit" is responsible for the development and implementation of the human resources policy. This unit keeps track of employee-related entitlements, promotions, career progression, training, and disciplinary action. At regular intervals but not less than once a year, the unit also conducts employee evaluations in line with specified performance criteria.

Training programs are regularly conducted to improve employee productivity. Personnel may also attend external training programs.

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 every year in order to cultivate qualified managers.

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.

There were no complaints received from employees related to discrimination. Measures are taken to prevent any practices that might cause discrimination among staff members

and all personnel are treated equally without any distinctions.

3.4. Relations with Customers and Suppliers:

Vestel has taken all necessary precautions to attain customer satisfaction in the sales and marketing of its products and services.

Vestel launched the "Central Service" project to play a key role in achieving excellence in aftersales services and in attaining 100% customer satisfaction. This structure is established to ensure that all authorized service centers and their personnel will offer standardized services, with the aim of maximizing customer satisfaction.

Central Services are also planned to be responsible for the monitoring of the field performances of the products that will be shortly released to the market, as such they are expected to be the supporter of R&D units in field testing. By storing spare parts in their own warehouses, Central Services will contribute to the shortening of the spare parts' lead time by supporting the main spare parts warehouse located in Manisa.

The Call Center serving under the General Directorate of Customer Services consist of solution and communication centers. A team of 375 people was constituted within this context.

Within the framework of protection of trade secrets, care is taken on the confidentiality of information about customers and suppliers.

3.5. Ethical Rules & Social Responsibility:

Vestel's code of ethics has been set forth in writing and published on the corporate web site within the framework of the public disclosure

policy. Utmost care is taken to ensure that the code of ethics, which is formulated for company, the board members, and the employees, is complied with in full.

Vestel undertakes social efforts in the form of contributions to services in education, sports and culture offered by Zorlu Holding, and as direct initiatives taken on by the company under its social responsibility principle. Zorlu Group, of which Vestel is a member, took a major step in bringing a global social responsibility dimension to the principles and values espoused since its foundation, by signing the United Nations Global Compact in 2007. Since signatory companies to the compact commit themselves to issuing annual progress reports outlining their activities and gains in this scope, Vestel published its progress report on the web site "unglobalcompact.org" via Zorlu Holding.

In support of responsible and ethical business practices, the company is a Class B member of SEDEX (Supplier Data Ethical Exchange), and a registered supplier with the BSCI (Business Social Compliance Initiative). In addition to the SEDEX and BSCI social responsibility audits, the company also undergoes periodic FWC (Fair Working Conditions) and ICS (Initiative Clause Social) audits by external audit firms.

3.6. Sustainability:

Vestel carries out environmental impact reviews of all its operations, production lines, and products. As a result of awareness of health and safety of employees, customers, and the general public who may be affected by its operations, products, and services, the company obtained TS-EN ISO 14001 Environmental Management System Certification in 1998.

The company has been producing all of its products in compliance with the RoHS directive (Restriction of the Use of Certain Hazardous Substances Directive) since June 2006. Accordingly, usage of six heavy metals (lead, mercury, cadmium, Chromium+6, PBB, PBDE) in products which may have hazardous effects on living creatures and nature has been restricted.

In parallel with RoHS studies, Vestel carries out EU WEEE (Waste of Electrical and Electronic Equipment Directive) studies.

Under the Environmental Management System, the company manages energy consumption and related processes in tandem with the Total Productive Maintenance (TPM) model, corporate business plans and the key performance indicators methodology. The company ensures sustainability by successfully implementing the TPM management system. Vestel has successfully completed the first phase of TPM management system and on January 11, 2013, became eligible for receiving the "TPM Excellence Award".

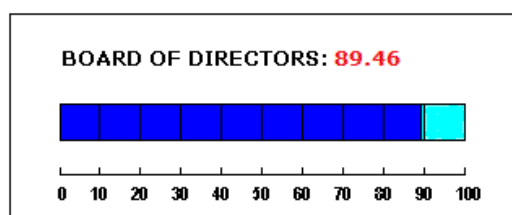
Furthermore, the company has assigned an energy officer and energy management representative to ensure that the Energy Management System is operated efficiently. Vestel passed all the required audits in 2012 and obtained TS EN 50001 Energy Management System Certification and ensures its sustainability.

In 2013, Vestel published its carbon emissions data on the Carbon Disclosure Project (CDP) website, named cdproject. CDP is an initiative, which was started in 2000, to encourage companies, investors and governments to collect and share emissions-related information that could help in the fight against climate change. The companies, which

responded to CDP from Turkey are also rated according to the CDP's methodology, with the support of Ernst & Young Turkey. In 2013, a total of 39 companies responded to CDP from Turkey. In 2013, Vestel has raised its Carbon Disclosure rating to 80, from 75 in 2012.

As for biodiversity, the green space surrounding Vestel facilities covers an area of about 40,000 m² and the company plans to further expand these green areas. This space is currently home to around 110 different species of plants and trees.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

| | |
|---|---|
| + | The company's vision, mission and strategic goals are defined |
| + | The board works efficiently and staffed with qualified members |
| + | Two independent members on the board |
| + | Audit, Corporate Governance, and Early Detection of Risk Committees are established and functional |
| + | Principles of remuneration of board members and senior executives established and disclosed to public |
| + | Each member has a right to a single vote |
| + | Meeting/decision quorums are included in the articles of association |
| + | One female member on the board |
| = | Any potential losses incurred by the company and third parties as a result of misconduct by executives are insured, but not with an amount exceeding 25% of the company's capital |
| - | No policy established, no target or timing set for a minimum 25% female board membership rate |
| - | Remuneration and benefits provided to board members and to managers with administrative responsibility is not explained on |

individual basis

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage the company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the company. The board administers and represents the company within these parameters.

The board of directors has defined the company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

4.2. Principles of Activity of the Board of Directors:

Board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report. The board of directors established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the

committees. In this context, the board reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report. Chairman of the board and general manager's executive powers are actually separated, but this separation is not documented in the articles of association.

There is no individual in the company who has unlimited authority to take decisions on his/her own.

The board of directors plays a leading role in maintaining effective communication between the company and the shareholders and settling any disputes which may arise and works in close coordination with the Corporate Governance Committee and "Investor Relations Department".

Losses incurred by the company as a result of possible misconduct by the board members are insured, but not with an amount exceeding 25% of the company's capital.

4.3. Structure of the Board of Directors:

The company's board of directors is composed of six members and none of them are executive. There are two independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee has prepared a report on the candidates proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria, and submitted this assessment as a report to the board for its approval. CMB criteria are

complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There is one female member on the board. The company has not yet prepared a policy or set a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female board membership rate.

4.4. Conduct of the Meetings of the Board of Directors:

Board meetings take place with sufficient frequency. The board adopted a total of 58 resolutions during the year; and attendance rate for these meetings reached 93%. In order to increase attendance at the meetings, the meeting dates were determined at the beginning of the year and the board members were notified. 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 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."

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the general manager. Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date.

Each member is entitled to a single vote.

The board of directors meetings and decision quorums are included in the articles of association of the company.

There are no limitations on external duties of the board members.

Shareholders are informed of external duties of the board members through the general shareholders' meeting, annual report and the Corporate Governance Compliance Report.

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Audit, and Early Detection of Risk Committees are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the committees, their working principles, and members are designated by the board of directors and disclosed to public on the corporate web site.

All members of the Audit Committee are elected from among the independent board members. Also the chairmen of the Corporate Governance and early Detection of Risk Committees are elected among the independent board members. The Corporate Governance Committee has three members, while the other committees are composed of two members each. The chairman of the board and the general manager are not on the committees. With the exception of "Investor Relations Department Manager" who serves on the Corporate Governance Committee as per corporate governance principles, there are no other executive members on the committees.

All necessary resources and support needed to fulfill the tasks of the committees are provided by the board of directors. Committees can invite

any manager as they deem necessary to their meetings and obtain their views.

The frequency of committee meetings is sufficient, all activities are documented and records are kept. Reports containing information about the activities and the resolutions of the meetings are submitted to the board of directors.

Audit Committee supervises the operation and efficiency of the company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the company regarding company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them, notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, after taking the opinion of responsible managers of the company and the external auditor, notifies the board in writing on whether the annual and interim statements disclosed to the public are in accordance with the company's accounting principles, true and accurate. The committee has convened six times during the course of reporting period.

Audit Committee members possess the qualifications listed in the Corporate Governance Principles communiqué.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the audit committee to the board.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully

implemented by the company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the "Investor Relations Department".

The Corporate Governance Committee carries out the duties of the Nomination Committee and Remuneration Committee, since they are not established. The proposals for independent board membership candidacy are evaluated by taking into consideration whether the candidates possess the criteria for independence under the applicable legislation and these assessments are documented.

Creation of a transparent system for identification, evaluation and training of suitable candidates for the board of directors and determination of policies and strategies in this respect as well as regular evaluation of the structure and productivity of the board of directors and submission of its recommendations to the board members on changes that can be implemented on these matters have all been designated as the responsibilities of the committee in its charter. We will continue observing the level of functionality and efficacy of the committee regarding such responsibilities.

A remuneration policy determining the basis and fundamentals for remuneration of board members and executives with administrative responsibility is established and disclosed to public on the corporate web site.

Revising, changing and re-evaluation of principles, criteria and applications on remuneration, and submission of the views to the board in the

upcoming reporting periods and when necessary, will be closely monitored by us.

The Early Detection of Risk Committee carries out its tasks towards early detection of risks which may jeopardize the company's assets, its development and progression, and measures taken to mitigate and manage those risks. It reviews risk management systems and finalizes relevant reports.

4.6. Remuneration of the Board of Directors and Senior Management:

The board of directors explained in the annual report whether the operational and financial targets disclosed to the public are met or not.

The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders as a separate item in the general shareholders' meeting held on 19 June 2012. A remuneration policy prepared for this purpose can be found on the corporate web site.

Stock options or performance based payments are not included in the remuneration package of the independent board members. Their remuneration is designated at a level to maintain their independence.

Vestel does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives have the required professional qualifications in order to perform the assigned duties. The executives comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There have been no cases where the executives used confidential and non-public company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the company's affairs, and provided unfair advantage.

Losses incurred by the company as a result of possible misconduct by the members of the board of directors are insured.

Remuneration of executives is consistent with the company's ethical values, inner balance, and strategic objectives, and it is not associated with the company's short-term performance.

Remuneration of board members and managers with administrative responsibility as well as benefits provided are mentioned collectively in the annual report. Full implementation of Corporate Governance Principles dictates reporting on an individual basis.

Rating Definitions

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

DISCLAIMER

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

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