

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In parallel with the activities related to Corporate Governance commenced in 2004 at Vestel Elektronik San. ve Tic. A.Ş., corporate governance mechanisms started to be operated in line with the principles across the organization. For the last six years, the Company has been obtaining rating from ISS Corporate Services Inc. (ISS), a leading international rating agency, in order to have the relevant practices examined independently and to ensure its public disclosure. On the basis of the monitoring carried out in the first months of 2012, ISS Corporate Services Inc. (ISS) increased our Company's Corporate Governance rating of 8.83 (88.32%) on a scale of 10. This high score earned yet again attests to the importance attached at Vestel Group to corporate governance and to its commitment to achieve further progress in this department.

The efforts undertaken with a view to further improving compliance with Corporate Governance Principles at Vestel Elektronik San. ve Tic. A.Ş. in 2011 are summarized below.

- The Articles of Incorporation were revised and made available for the information of the investors.
- The Investor Relations website was redesigned to facilitate investors' access to information and the content has been widened.
- Structure and fields of duty of internal audit function in Vestel Group of Companies were revised within the framework of works of compliance to TCC and TAS. In this scope, Internal Audit function is divided into two main groups as Internal Audit, and Financial Audit and Tax Audit. Being long on service, Internal Audit department shall henceforth be responsible for only audit of business processes. On the other hand, Financial Audit and Tax Audit Department shall audit the authenticity of all financial statements (external reports and management reports) prepared by our Companies and give assurance to the Boards of Directors on this subject. In addition, it is aimed to start audit works on Information Technologies in 2012 in the scope of Internal Audit organization.

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

- Cumulative voting: The Company does not make use of the cumulative voting method. However, the representation to be provided by cumulative voting on the Board of Directors is achieved by the presence of independent members on the Board.
- Individual right to request appointment of a special auditor in the Articles of Incorporation: The right to request appointment of a special auditor is stipulated by Article 356 of the Turkish Commercial Code (TCC). Due to the fact that this right is vested in the shareholders by legislation and takes place among "optional" principles in the Corporate Governance Principles, it is not separately covered in the Company's Articles of Incorporation.
- The Company's Articles of Incorporation contain no provisions stipulating that material decisions such as "demergers and share exchanges, buying, selling, or leasing substantial amounts of tangible/intangible assets, or donation and grants, or

giving guarantees such as surety ship, mortgage in favor of third parties” are required to be taken at a General Meeting. The underlying reason is that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a General Meeting every time such a transaction takes place is considered to be impossible and so no such article has been included in the Articles of Incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.

These activities on the part of Vestel show its commitment to achieve compliance with Corporate Governance Principles and that it is aware of its responsibilities toward all its shareholders. Acknowledging the contributions that Corporate Governance Principles have already made to the Company, Vestel Elektronik San. ve Tic. A.Ş.’s goal is to attain even greater compliance with those principles with the involvement of all its employees and managers in the senior management.

PART 1- SHAREHOLDERS

1.1. INVESTOR RELATIONS UNIT

On May 17, 2005 Vestel Elektronik’s Board of Directors created an Investor Relations Unit for the purposes of effectively managing relations with investors and achieving uniformity in communication with investors and in publicly disclosed information. This unit, which reports to the Corporate Governance Committee that was set up in the early part of 2005 as stipulated in the Company’s Articles of Incorporation, plays an important role in the Company’s compliance with Corporate Governance Principles.

Information on the department that handles Vestel Elektronik San. ve Tic. A.Ş.’s relations with shareholders are presented below:

Department Director: Figen Çevik
Address: Vestel Şirketler Grubu Zorlu Plaza 34310
Avcılar – İstanbul
Phone : +90 212 456 22 00
E-Mail : yatirimci@vestel.com.tr

Main activities carried out by the Investor Relations and Corporate Finance Department in 2011 are summarized below:

- Nearly 100 one-on-one meetings were held with investors and analysts.
- During the reporting period about more than 100 questions were responded to by e-mail and about 100 by telephone.
- Participation in six conferences organized by brokerage houses.

Queries have been responded to verbally or in writing by phone, email or mail. In line with the Company’s disclosure policy, all queries have been answered clearly and all questions have been answered to the satisfaction of the investors, save for those related to trade secrets.

1.2. SHAREHOLDERS’ EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

Vestel Corporate Finance and Investor Relations Unit responded in detail to information requests received in 2011 within the frame of the disclosure policy. 70% of the requests for

information were concerned with the Company's operational and financial performance, 10% with share price, and the remaining 20% with investments, General Meetings, etc. Material event disclosures made via Public Disclosure Platform (PDP) and Vestel Elektronik's website were the tools used in 2011 for the disclosure of developments that might have an impact on the shareholders' exercise of their rights.

For the purpose of facilitating the exercise of shareholders' important right to obtain information, design of the corporate website was renewed and its content was improved in 2011 to give domestic and international investors quick access to as much timely, truthful, complete, and intelligible information as possible.

A request to have a special auditor appointed is not provided for in the Company's Articles of Incorporation. No need was felt to make a dedicated arrangement since this right is intended for minority shareholders owning 5% of the capital in publicly-held joint stock corporations pursuant to Article 11 of the Capital Market Law. The Company received no requests for the appointment of a special auditor in the reporting period.

1.3. INFORMATION ON GENERAL MEETINGS

Vestel Elektronik held its ordinary General Meeting for 2010 at 10:00 AM on May 26, 2011 at the address of Zorlu Plaza, Avcılar-İstanbul.

The invitation for the meeting including the meeting date and agenda has been made within due time as set out in the law and the Company's Articles of Incorporation by being published in the Turkish Trade Registry Gazette issue 7805 dated April 29, 2011 and in the Milliyet newspaper and Dünya newspaper, both dated April 29, 2011, and also posted on the Company's website www.vestel.com.tr. To facilitate attendance to the General Meeting, announcements were published in the two newspapers with highest circulation in Turkey. In addition, all relevant information regarding the General Meeting including the announcement was posted on the corporate website.

Only shareholders attended the meeting. There was no other stakeholder or media presence.

Out of 33,545,627,500 shares corresponding to the Company's total capitalization of TL 335,456,275.00; 25,227,004,608 shares representing TL 25,227,000.08 in capital were present in person at the meeting. The General Meeting convened with an attendance ratio of 75%.

Before the General Meeting, the annual report and financial statements were made available for the inspection of shareholders at the Company's headquarters. All of this information was also published on the corporate website together with the General Meeting announcement and agenda.

Shareholders were allowed to ask questions at the General Meeting. All questions coming from shareholders were responded to in detail. Shareholders introduced no motions during the meeting.

The Company's Articles of Incorporation contain no provisions requiring decisions of a highly important nature such as demergers or buying, selling, or leasing substantial amounts of assets and property to be taken at a General Meeting. The reason for this is the fact that the

nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a General Meeting every time such a transaction takes place is not deemed to be possible and so no such article has been included in the Articles of Incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.

The minutes of the General Meeting were made available for the examination of shareholders at the Company's headquarters. In the corporate website, all announcements, documents, and other materials related to General Meetings are accessible to shareholders and to all other stakeholders.

1.4. VOTING RIGHTS AND MINORITY RIGHTS

All of Vestel Elektronik San. ve Tic. A.Ş. shares enjoy the same rights. There are no special rights with respect to voting or dividends. This is stipulated in the Company's Articles of Incorporation.

The Company's subsidiaries do not have any shareholding interests in Vestel Elektronik San. ve Tic. A.Ş. For this reason, there are no cross-shareholding interests and therefore no need to disclose their impact on General Meeting votes.

The relevant stipulations regarding minority shareholders' interests (5%) have been incorporated in the Company's Articles of Incorporation as set out in the CMB's Corporate Governance Principles.

Minority shareholding interests are represented by two independent members that have been elected to seats on the Board of Directors. By virtue of their ability to perform their duties completely independent of any outside influence, the independent members on the Board protect and represent the interests of all shareholders, including those of minority shareholders.

The Company's Articles of Incorporation contain no provisions governing the cumulative voting method. The Company believes that the effect of cumulative voting on the Board of Directors is achievable by the presence of independent members on the Board.

1.5. DIVIDEND DISTRIBUTION POLICY AND TIMING

None of the Company's shares incorporate special rights concerning the distribution of the Company's profits. Each share of stock is entitled to an equal dividend.

Pursuant to article 12 of the Company's General Meeting agenda, the proposal for distribution of 2010 profits has been explained to the participants, which was approved unanimously by those present at the General Meeting.

Although profits had been determined in the financial statements being prepared according to the "Communiqué on Principles of Financial Reporting in Capital Markets Serial XI and No:29" and "Tax Procedure Law", losses from the previous years had appeared in the financial statements in which inflation adjustments had been made as of the date of 31.12.2003 in accordance with the Communiqué Serial XI and No: 21, and no profit remained as a result of deduction of 2010 earnings from these losses. Accordingly, it was decided unanimously by those present at the 2010 General Meeting that no profits be distributed.

In accordance with the dividend distribution policy established in the Board of Directors meeting held on March 19, 2007, the Company decided to distribute dividends that are equal to minimum 25% of the distributable profit in cash or in the form of bonus shares to the shareholders, including 2006-year profits. The amount of dividends to be distributed shall be proposed depending on national and global economic conditions and the Company's growth plan by the Board of Directors each year at the General Meeting.

1.6. TRANSFER OF SHARES

The Company's Articles of Incorporation contain no provisions restricting the transfer of shareholding interests. Article 6 specifically states that there are no restrictions on the transfer of shares in the Company.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. COMPANY DISCLOSURE POLICY

Vestel Elektronik San. ve Tic. A.Ş.'s public disclosure policy has been formulated in line with the CMB Corporate Governance Principles. The said policy was revised and approved by the Board of Directors in 2010. Revised disclosure policy was presented for the information of shareholders and participants at the 2009 Ordinary General Meeting held on 26 May 2010. The disclosure policy has also been publicly disclosed on the corporate website.

The issues addressed by the Company's public disclosure policy are summarized below:

- Ensuring that public disclosures are made in a complete, fair, accurate, timely, comprehensible manner and are made equally and easily accessible to all;
- Individuals authorized to handle the development, implementation and improvement of the disclosure policy and individuals authorized to make public disclosures;
- Methods and tools of disclosure;
- Public disclosure of financial reports and authorized individuals;
- Public disclosure of material events and authorized individuals;
- Written/verbal statements-press releases-conferences and individuals authorized to make public disclosures;
- Disclosure of future-oriented information;
- Prohibited disclosure/quiet period;
- The website;
- Following up on news, rumors, and speculations
- Criteria used in the designation of individuals with administrative responsibility;
- Confidentiality protection procedure for internal data.

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

2.2. DISCLOSURE OF MATERIAL EVENTS

A total of 61 material event disclosures were made in 2011. No additional information was requested by the ISE and CMB concerning the disclosures.

All material event disclosures were made in time and the Company was not subjected to any sanctions on this account.

The Investor Relations Unit is responsible for making material event disclosures.

2.3. THE CORPORATE WEBSITE AND ITS CONTENT

Vestel Elektronik's corporate website was continued to be improved in 2011 in line with Corporate Governance Principles. The corporate website contains all the information whose disclosure is stipulated in article 1.11.5 of section II of CMB Corporate Governance Principles. In addition, it also contains information that is not required by that article but which is deemed to be important from the standpoint of the Company's Corporate Governance Principles.

Information on the website is regularly updated. Within this scope, Investor Relations website was redesigned in 2011 in order to facilitate investor's access to information and in addition, its content was extended.

Website is accessible at www.vestel.com.tr

2.4. DISCLOSURE OF THE COMPANY'S ULTIMATE CONTROLLING SHAREHOLDERS

The shareholder structure of the Company is as follows:

SHAREHOLDERS	SHAREHOLDING INTEREST (%)	NOMINAL VALUE (TL)
Collar Holding B.V.	64.41	216,053,592
Collar Holding B.V. (Publicly held)	10.40	34,901,128
Others (Publicly held)	25.19	84,501,555
TOTAL	100.00	335,456,275

Collar Holding BV, the principal shareholder in the Company, is wholly owned by Ahmet Nazif Zorlu.

2.5. PUBLIC DISCLOSURE OF THOSE WHO MAY HAVE ACCESS TO INSIDER INFORMATION

Vestel is in complete compliance with rules governing insider trading as per capital market and related laws, regulations, and administrative provisions and takes all necessary measures to fulfill its responsibilities thereunder. For this purpose Vestel Elektronik formulated an "Insider Trading Policy" and introduced it as a company regulation in early 2005. This policy has also been publicly disclosed on the corporate website.

The list of the personnel with regular access to internal data is prepared by the Investor Relations Directorate pursuant to CMB's Communiqué Serial VIII No.54, sent to the Central Dematerialized System (CDS) and updated in CDS whenever there is a change. The individuals recorded in the list are re-notified in writing by obtaining their signature on the subject of obligations defined in the relevant legislation and the sanctions applicable in case of abusive use and improper distribution of such data. The individuals in the list are not authorized to disclose the internal data to other parties, including their family members, before its official release to public; they cannot make comments and declare opinion on the undisclosed internal data relating to Company's shares. If an opinion is declared or disclosure is made to the third parties about the internal data, the Company shall immediately make a material event disclosure on the subject.

PART III: STAKEHOLDERS

3.1. KEEPING STAKEHOLDERS INFORMED

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

Employees and management take part in periodically held meetings for the purpose of keeping employees actively informed about the Company. Attention is given to 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 Company's 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. In situations where it is deemed to be necessary, additional one-on-one and group meetings are also held.

3.2. STAKEHOLDER PARTICIPATION IN MANAGEMENT

Stakeholders do not take part in management however attention is given to having employees take part in Board of Directors meetings at regular intervals in order to have first-hand access to their opinions.

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

3.3. HUMAN RESOURCES POLICY

The Company's human resources policy is set down in writing and covers all issues related to hiring, promotion, dismissal, compensation, training, career planning, and performance evaluation.

The Human Resources Unit is responsible for the conduct and development of this 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 for the purpose of improving employees' productivity. Employees may also be sent to take part in extramural training programs.

An academy under the name of "Vestel Technology Academy" was founded especially for the engineer staff of the Vestel Group. Academy provides Master and PhD education opportunity approximately to 200 employees. Additionally, "Management Trainee" and similar programs are regularly planned and implemented every year in order to cultivate qualified managers.

While there is no Board Member responsible for overseeing employee relations, individuals representing employees are invited to be present at Board Meetings at which issues affecting employees are to be decided on so that they may provide the Board with information about the matter at hand.

All employees are treated equally and without any discrimination whatsoever in all matters involving training, career development, promotion, etc.

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

3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS

The Company conducts regular meetings with its customers and suppliers concerning the marketing and sale of its goods and services. A Customer Communications Center has also been set up to deal with customers' problems and resolve them without delay. This center operates as a help desk and seeks to resolve problems that customers may have and refers any problem that cannot be resolved by the Center to an appropriate Company officer to be dealt with.

The utmost importance is given to quality control to ensure the satisfaction of customers and suppliers and tight quality checks are made to achieve this. As is the case with the ISO 14001 system, the ISO 9000 system is also based on the principle of voluntary participation. This system is playing an important role in the changeover to Total Quality Management and represents the first step in that direction. Vestel regards Total Quality Management as being important to increasing the quality of life. Vestel Elektronik San. ve Tic. A.Ş. addresses Supplier Quality Management on a worldwide scale. The manufacturing processes of the suppliers are subjected to strictest controls to guarantee that suppliers ensure the targeted quality constantly, and periodic audits are conducted at the suppliers to this end.

Customer satisfaction is measured at regular intervals and corrective action is taken to resolve issues and deal with dissatisfaction when it occurs. To this end, periodic "after-sales service and quality meetings" are held with our external customers.

In keeping with its TS-EN ISO 9001 certification, Vestel employs a quality management system that governs all processes and sub-processes from customer demand and market research to design, production, and after-sales services for the purpose of maximizing customer satisfaction at the highest level. As a company whose products' certified standards make the products fully capable of competing in world markets with their, Vestel has become a good player in the world league among its employees, customers, dealers, and suppliers.

3.5. SOCIAL RESPONSIBILITY

Vestel Elektronik San. ve Tic. A.Ş. 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 within the frame of social responsibility principle. Zorlu Group, which also covers Vestel Elektronik San. ve Tic. A.Ş., signed the United Nations Global Compact in 2007, an initiative that represents a major step taken toward leveraging the

principles and values espoused ever since its foundation to global social responsibility platform.

To take these initiatives under assurance, the Company is a Class B member of SEDEX (Supplier Data Ethical Exchange), and a registered supplier with the BSCI (Business Social Compliance Initiative). Further, the Company undergoes FWC (Fair Working Conditions) audits on an annual basis.

Taking the responsibilities made incumbent upon it by its goal of being a world player in the consumer electronics sector, Vestel Elektronik San. ve Tic. A.Ş. carries out environmental impact reviews of all its operations, production lines, and products. Vestel believes that it has a duty to be mindful of the health and safety of the employees, customers, and general public who may be affected by its activities, products, and services and to protect the environment and nature for the good of future generations. Vestel demonstrated the importance of this by being awarded its TS-EN ISO 14001 Environmental Management System Certificate in 1998. The Company has pledged itself to continuously improve its performance on environmental issues, to prevent pollution, to strictly obey all environment-related laws, regulations, and administrative provisions, and to allocate sufficient and proper resources in its efforts to:

- Take environmental factors into account when evaluating new product projects and operations;
- Reduce the use of harmful materials in its product design and production processes and to investigate the use of materials that are less polluting;
- Reduce waste and wherever possible reuse, recycle, and recover resources that have been used;
- Make the most economical use possible of energy, water, and natural resources through productivity increases and by encouraging the use of new technologies;
- Use recycled/recyclable packaging materials whenever feasible;
- Conduct activities aimed at fostering environmental awareness.

The underlying objective and approach of Vestel's environment policy are to protect and improve the quality of life of its employees and customers.

Within the frame of the policies and targets that are mentioned, the Company achieved the following results at year-end 2011 on a year-on-year basis:

- 17% decrease in electricity consumption,
- 24% decrease in water consumption,
- 26% decrease in heating energy consumption,
- 24% decrease in hazardous waste formation,
- 12% decrease in packaging waste formation,
- 13% decrease in waste formation,
- 36% decrease in varnish consumption,
- 42% decrease in plastic raw material consumption.
- 3% decrease in paint consumption.

Approximately 110 different kinds of plants and trees are maintained and kept on the existing green area of 40,000 square meters, which is planned to be further expanded.

No lawsuits were lodged against the Company in 2011 on account of environmental damage.

PART IV: THE BOARD OF DIRECTORS

4.1. STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS; NON-EXECUTIVE BOARD MEMBERS

NAME	POSITION	AGE	TERM OF OFFICE	CLASSIFICATION
Ahmet Nazif Zorlu	Chairman	68	1 year	Non-executive Member
Ekrem Pakdemirli	Vice Chairman	73	1 year	Independent Member
Olgun Zorlu	Board Member	47	1 year	Non-executive Member
Mehmet Emre Zorlu	Board Member	28	1 year	Non-executive Member
Recep Yılmaz Argüden	Board Member	54	1 year	Independent Member
Ömer Yüngül	Board Member	57	1 year	Executive Member
Enis Turan Erdoğan	Board Member	55	1 year	Executive Member
Mümin Cengiz Ultav	Board Member	62	1 year	Non-Executive Member

Six of the Board's eight members are non-executive members and two are executive members.

The Chairman of the Board and the Chief Executive Officer are different individuals. The Chairman of the Board is Ahmet Nazif Zorlu and the Chief Executive Officer is Ömer Yüngül. Board members Ekrem Pakdemirli and Recep Yılmaz Argüden are independent members who satisfy CMB Corporate Governance Principles pertaining to independence criteria. Nothing occurred during the reporting period that changed the independent status of the independent members.

No restrictions are imposed on Board members' undertaking one or more duties outside the Company.

4.2. QUALIFICATIONS OF BOARD MEMBERS

The minimum qualifications required of members of the Board of Directors coincide with those stipulated in articles 3.1.1, 3.1.2, and 3.1.5 of section IV of the CMB's Corporate Governance Principles.

At the Annual General Meeting for 2004, the Company's Articles of Incorporation were amended so that the minimum qualifications required of members of the Board of Directors are spelled out in them. (Article 12)

To date there has been no need for a training or compliance program for Board members. If such a program does become necessary, it will be carried out by the Corporate Governance Committee.

4.3. MISSION, VISION, AND STRATEGIC GOALS OF THE COMPANY

Vestel Group's mission, vision, objectives, and values are publicly disclosed on the corporate website.

Mission: To conquer the world with technology products

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

The Board of Directors approves the strategic goals formulated by Company management. Ideas pertaining to the Company's strategic goals may be suggested by both Board members and Company managers. The Board is certain to consult management on the goals it formulates. Goals formulated by management are first debated among management and then submitted to the Board of Directors, which approves them at its discretion. Managers are also invited to attend meetings at which strategic goals are discussed. Work to implement these goals as quickly as possible is begun immediately. Performance in achieving these goals is measured at quarterly intervals and on the basis of the Company's year-end results.

Once a year the Board of Directors convenes to conduct an annual review and assessment of the degree to which the Company has accomplished its objectives and of its activities in light of previous performance. In the conduct of this review and assessment, the Board of Directors debates the degree to which objectives have been accomplished, the effectiveness of the Company's activities, past performance, and the Company's strategies.

4.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISMS

The Board of Directors of Vestel has created a risk management mechanism within the Company to measure existing and potential risks and to deal with them. Embodied in this mechanism are controls that have been developed so as to identify the maximum risks to which the Company may become exposed in aggregate as well as on an individual unit basis and to take such measures as are needed for them. The Board of Directors of Vestel Elektronik San. ve Tic. A.Ş. is responsible for the creation and reliable operation of a risk management and internal control mechanism that will minimize the impact of risks on the Company.

The Company's internal control system oversees all matters related to finance, operations, and compliance and it assesses the measurement of risk at regular intervals and determines the level that it is at. The entire mechanism is also reviewed at regular intervals and any defects that might impair its effectiveness are corrected as soon as possible. In the conduct of these activities, Vestel also employs its SAP system as an effective operational program.

"Zorlu Holding Inc. Internal Audit Department Risk-Based Internal Audit Approach" has been brought to fruition and presented to senior management, which sanctioned the same, during 2011. The senior management is kept constantly informed on risk management and internal controls through a systematic audit methodology. Internal Audit Department primarily makes identifications, suggestions and guidance on the subjects of effectiveness and efficiency of risk management processes, reliability and quality of the practices and data used, proper execution of the policies, procedures and limit mechanisms.

4.5. AUTHORITIES AND RESPONSIBILITIES OF BOARD MEMBERS AND EXECUTIVES

The authorities and responsibilities of Board members are spelled out in detail under article 17 of the Company's Articles of Incorporation.

4.6. PRINCIPLES OF THE ACTIVITY OF THE BOARD OF DIRECTORS

Agendas for Board meetings are determined in line with the requests of the Chairman and other members. Requests coming from Company management are also influential in determining meeting agendas.

Article 16 of the Company's Articles of Incorporation sets out that Board meetings will be held as and when deemed necessary, and at least once a month. The Board met a total of 36 times during the reporting period. The overall rate of attendance at these meetings was 87%.

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

A Board resolution requires that differences of opinions arising at Board meetings and reasonable and detailed justifications for dissenting votes be entered into the record; however to date there has never been an instance of this. The minutes taken by the Board's secretariat also include any questions that members ask and the responses that are made to them.

Board members are personally present at Board meetings that will vote on the issues stipulated in article 2.17.4 of section IV of CMB's Corporate Governance Principles as requiring the actual attendance of Board members at meetings.

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

4.7. PROHIBITION ON DOING BUSINESS OR COMPETING WITH THE COMPANY

One of the items included on the agenda of each year's General Meeting and voted on by the shareholders pursuant to articles 334 and 335 of the Turkish Commercial Code is concerned with Vestel Board of Directors members doing business and competing with the Company.

No Board member did any business or competed with the Company in 2011.

As required by Corporate Governance Principles, in the event of any violation of the prohibition on Board members' doing business or competing with the Company, the potential conflicts of interest will be publicly disclosed.

4.8. CODE OF ETHICS

Vestel's code of ethics has been written up and published on the corporate website within the framework of its public disclosure policy. The utmost care is given to ensure that the code of ethics formulated for the Company, its Board members, and its employees is complied with.

4.9. NUMBER, STRUCTURE, AND INDEPENY OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

The Board of Directors of Vestel Elektronik San. ve Tic. A.Ş. has set up a Corporate Governance Committee and an Audit Committee in line with Capital Markets Board Corporate Governance Principles.

The Audit Committee

The Audit Committee was set up by a Board of Directors resolution dated May 17, 2005 pursuant to article 3 of CMB Communiqué X:19. This committee is responsible for the effective oversight of all financial and operational activities. The Audit Committee is structured in accordance with Capital Markets Board Corporate Governance Principles and consists of at least two members. To ensure the independence of the committee, it has been decided to choose its head from among the Company's independent Board members. In addition to independence, attention is also given to the possession of specific qualifications when choosing the Committee Head. The Head of the Audit Committee should have previously served in a similar position, should have the knowledge and experience needed to analyze financial statements, should be versed in accounting standards, and otherwise be highly qualified. These issues have been included in the Company's Articles of Incorporation (Article 35)

Ekrem Pakdemirli serves as the Head of the Audit Committee and he has been elected from among independent members. The other member of the Committee is Mehmet Emre Zorlu, a non-executive Board member.

The Company's Articles of Incorporation set forth that the Audit Committee must meet at least four times a year (at least once in each quarter) (Article 36). In keeping with this requirement, the Audit Committee met four times during 2011.

The management secretariat is responsible for keeping records of the decisions taken by the Committee, as well as the minutes of its meetings.

The Committee carries out its activities in line with the operating principles put into writing in detail. In 2011, the Audit Committee;

- monitored the Company's financial and operational activities,
- oversaw existing and potential risks,
- oversaw and approved the accuracy of financial statements, their compliance with the laws and transparency,
- followed-up on the effectiveness and performance of the independent audit activity,
- supervised the internal audit function and its effectiveness,
- held meetings with independent auditors,
- monitored the efficiency and adequacy of the internal control system,
- assessed the findings obtained on the internal control system and reported on the same to the Board of Directors,
- reviewed and approved internal control and internal audit reports.

Corporate Governance Committee

Based on the Board of Directors resolution dated 17 May 2005, Vestel Elektronik San. ve Tic. A.Ş. set up a Corporate Governance Committee in line with the CMB's Corporate Governance Principles Communiqué. The Committee is responsible for monitoring the Company's compliance with Corporate Governance Principles and for making proposals to the Board of Directors in relation to appointments to be made at the Company.

Recep Yılmaz Argüden serves as the Head of the Corporate Governance Committee, and he has been elected from among independent members. The other member of the Committee is Olgun Zorlu, a non-executive Board member.

Attention is paid to ensure that the qualifications of the Committee members comply with those required of the Board members as set forth in the Corporate Governance Principles. The Corporate Governance Committee is required to meet at least three times a year. In keeping with this requirement, the Corporate Governance Committee met three times during 2011.

The Committee carries out its activities in line with the operating principles put into writing in detail. The activities carried out by the Corporate Governance Committee in 2011 are presented below:

- Establishing Corporate Governance Principles across the Company,
- Offering recommendations pertaining to the structure and effectiveness of the Board of Directors,
- Evaluation of the structures and operation of the Committees and making recommendations about the same,
- Reviewing the activities of the Investors Relations Unit and presenting recommendations in this context.

4.10. FINANCIAL BENEFITS PROVIDED TO THE BOARD OF DIRECTORS

The attendance fees to be received by the members of the Board of Directors and the statutory auditors are determined every year by the General Assembly.

Board of Directors members of Vestel Elektronik San. ve Tic. A.Ş. were paid a total gross of TL 77,000 as attendance fee in 2011, commensurate with the practices of the peer companies in the sector. Statutory Auditors are paid an annual fee of TL 2,640.00 gross. The amounts for 2012 will be decided at the 2011 Ordinary General Meeting. No other benefits are provided to the Board of Directors members.

There is no rewarding scheme based on performance measurement for the Board members. The Company has extended no loans or credit to any Board member or manager, nor has it lent money under the name of personal loans through a third party or given any guarantees such as suretyship in their favor.