

VESTEL ELEKTRONİK SANAYİ VE TİCARET AŞ
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Vestel Elektronik Sanayi ve Ticaret AŞ's ("the Company") Corporate Governance Principles Compliance Report for 2014 has been prepared in accordance with the new format presented in the Capital Markets Board of Turkey's (CMB) Bulletin dated 27 January 2014 and numbered 2014/2.

Corporate Governance related activities were initiated at Vestel Elektronik Sanayi ve Ticaret AŞ in late 2004. For the last seven years, the Company has been obtaining corporate governance rating services from ISS Corporate Services Inc. (ISS), a leading international rating agency, in order to have its relevant practices to be evaluated independently and the results to be shared with the public. In parallel with the "monitoring" studies carried out in early 2014, ISS increased our Company's Corporate Governance Rating to 9.09 (90.94%) on a scale of 10. This high score yet again confirms the importance Vestel Group attaches to corporate governance and its commitment to achieve further progress in this area. In parallel with being one of the pioneering companies that has adopted corporate governance practices in Turkey and the progress it has achieved so far in this field, Vestel Elektronik was also awarded with the "Best Corporate Governance, Turkey 2013" Prize by World Finance.

The breakdown of the Company's Corporate Governance Rating by sub-categories is as follows:

Sub-categories	Weight	Rating in 2014
Shareholders	0.25	9.33
Public Disclosure and Transparency	0.25	8.94
Stakeholders	0.15	9.09
Board of Directors	0.35	8.86
Total	1.00	9.03

- The Company has adopted the majority of the non-compulsory principles included among the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, which was in effect during 2014. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2014.
- The Company's "Dividend Distribution Policy" has been amended in line with the CMB's Communiqué on Dividends no. II-19.1 and then presented for the approval of shareholders at the 2013 Ordinary General Assembly Meeting and for the information of shareholders via the Public Disclosure Platform and the Company website.
- The Company's "Remuneration Policy for the Members of the Board of Directors and Executive Managers" has been amended within the framework of the Corporate Governance Principles appended to the CMB Communiqué on Corporate Governance no. II-17.1, and has been made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- The Working Principles of the Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been amended within the frame of the revised capital market legislation, and made available for the information of shareholders via the Public Disclosure Platform and the Company website.
- In order to achieve alignment with the Article 11 of the CMB Communiqué on Corporate Governance no. II-17.1, the names and contact information of the Company's Investor Relations Department Manager, who reports to the Company's Executive Committee Member in charge of Finance, and the member of the said Department as well as the election of the Investor Relations Department Manager as a member to the Corporate Governance Committee have been presented for the information of shareholders via the Public Disclosure Platform and the Company website.

- Under Article 10 of the CMB's Communiqué on Corporate Governance no. II-17.1 and Article 5 of the CMB's Communiqué Serial: IV-41 on the Principles to be Adhered to by Joint Stock Companies Subject to the Capital Market Law, the conclusion section of the report on the related party transactions exceeding the stipulated thresholds between the Company and its subsidiaries and their related parties has been made available for the information of shareholders via the Public Disclosure Platform and the Company website.

- Pursuant to the article 19 of the Capital Market Law no. 6362, limit of the donations to be made in 2014, as determined by the Board, was submitted to the approval of the General Assembly and was approved by the General Assembly.

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

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

- Due to the number of the members of the Board of Directors and the committee structuring requirements, some Board members serve on more than one committee.

- Pursuant to Article 4.6.5 of Corporate Governance Principles, remuneration and all other benefits provided to Board members and executive managers are publicly disclosed in the annual report. However, such disclosure is not made on an individual basis.

- No model or mechanism has been formulated for the stakeholders' participation in management. However, the independent Directors serving on the Board guarantee that not only the Company and the shareholders, but also all the stakeholders are represented in management.

- Currently, Ms. Selen Zorlu Melik is the only female member on the Board of Directors and increasing the ratio of the female Board members to the amount set forth by the Article no. 4.3.9 of the Corporate Governance Principles lies among the Company's medium-term targets.

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

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

Acknowledging the contributions of the Corporate Governance Principles to the Company, Vestel Elektronik Sanayi ve Ticaret AŞ's goals are to attain an even greater compliance with those principles with the involvement of all its employees and senior executives, and to reach the highest standards in the field of corporate governance. Our Company also continues with the necessary efforts to achieve compliance with the non-compulsory principles.

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Investor Relations Department is responsible for managing and maintaining the relations with the existing and potential shareholders, protecting and facilitating the use of the shareholder rights, increasing the investor awareness and market credibility of the Company, and carrying out the necessary works for ensuring compliance with the capital market legislation. The Department reports to Mr. Bekir Cem Köksal, Executive Committee Member in charge of Finance.

The Investor Relations Department submits a report on its activities to the Board of Directors at least once a year.

The Department submitted its Report on its 2014 Activities to the Board on 8 January 2015.

The Head of the Investor Relations Department is Serap Mutlu, a full-time employee of our Company who holds Capital Market Activities Advanced Level License (No: 201618) and Corporate Governance Rating Specialist License (No: 700906). She is also a member of the Corporate Governance Committee. In addition, Özgün Ünalı works as a member of the Department.

Necessary information for the individuals working in the Investor Relations Department was announced on the Public Disclosure Platform (in Turkish: KAP) on 31 July 2014 and 29 December 2014.

In 2014, the Investor Relations Department performed the following tasks:

- Ensured that the records of correspondences between investors and the Company, and of other information and documents are kept in a healthy, secure and up-to-date manner; coordinated the transactions related with Merkezi Kayıt Kuruluşu AŞ (the Central Registry Agency) jointly with the Legal Affairs Department,
- Responded to the written and verbal information requests about the Company, except for confidential information and trade secrets that are not disclosed to the public, in a clear and timely manner and in line with the Company's Disclosure Policy, either face-to-face or using various communication means,
- In cooperation with the Legal Affairs Department, ensured that the Ordinary General Assembly Meeting during the reporting period was carried out in accordance with the legislation, Articles of Association, and other internal regulations,
- Developed ways that would facilitate shareholders' participation in the General Assembly Meeting and improve communication during the course of the meeting, prepared the necessary documents that will be utilized by the shareholders during the General Assembly Meeting and kept the Company website up-to-date, thereby enabling shareholders to obtain continuous and timely information about the Company,
- Monitored and supervised the fulfillment of the obligations arising from the capital market legislation, including all aspects of the corporate governance and public disclosure, coordinated the communication with the public, as well as the public disclosures required by the legislation; held meetings and conference calls with the investors and analysts, and participated in the conferences and roadshows organized by the brokerage houses.
- During 2014, Investor Relations Department attended 2 investor conferences and 1 roadshow organized by the brokerage houses and held a total of 78 meetings with the investors and analysts. Also, during the reporting period, the Department received nearly 80 questions via e-mail and phone and all of these questions were answered in full and on time.

2.2. Shareholders' Exercise of Their Right to Obtain Information

- During 2014, the Company received information requests from the shareholders on various issues. These queries were responded to via phone, e-mail or postal mail, in writing or verbally, further to the demands of the shareholders. The responses to these information requests were coherent, clear, and in detail, in accordance with the Company's Disclosure Policy, and all the inquiries except those related to trade secrets were responded to the satisfaction of the shareholders.
- During 2014, developments that might have an impact on the use of the shareholders' rights were disclosed to the investors through the material event disclosures made via the Public Disclosure Platform (PDP) and Vestel Elektronik Sanayi ve Ticaret AŞ's website.
- To facilitate the exercise of the shareholders' right to obtain information, the Investor Relations website was redesigned and its content was enriched in 2011, and thereby, it was ensured that domestic and international investors have a quick access to the highest amount of information within the shortest time, accurately, quickly, simultaneously, completely and comprehensibly. All the information required by the CMB's Corporate Governance Principles is included on the Company website. Updating and monitoring of the website are the responsibility of the

Investor Relations Department.

- The right to request the appointment of a special auditor is not laid out in the Company's Articles of Association. Since this right is already granted to each shareholder of joint stock companies by the Article 438 of the Turkish Commercial Code, it is not found necessary to further mention it specifically in the Articles of Association. The Company received no requests for the appointment of a special auditor during the reporting period.

2.3. General Assembly Meetings

- Vestel Elektronik Sanayi ve Ticaret AŞ held its Ordinary General Assembly Meeting for 2013 on April 22, 2014 at 10:00 a.m. at the Company's head office, which is located at the address of Zorlu Plaza, Avcılar, Istanbul.

- Invitation for the meeting, including the agenda, was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette No. 8537 and dated March 27, 2014 and in Dünya and Milliyet newspapers both dated March 27, 2014, and also by being posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu AŞ as well as on the Company's website at "www.vestelyatirimciiliskileri.com", by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Assembly, announcements were published in the Turkish dailies with high circulation and all the information concerning the Ordinary General Assembly, including the meeting invitation, was posted on the Company's website.

- Out of the 33,545,627,500 shares corresponding to the Company's total share capital of TL335,456,275.00, 21,177,426.8 shares corresponding to TL211,774,268 in capital were represented in person and 28,027,220,215.4 shares corresponding to TL280,272,202,154 in capital were represented by proxy in the meeting. The meeting quorum achieved in the General Assembly was 83.61%.

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

- Prior to the General Assembly Meeting, the shareholders, Capital Markets Board and/or other relevant public agencies and institutions did not request to add any items to the agenda.

- In accordance with the "Communiqué Regarding the Electronic General Assembly System to be Implemented in the General Assembly Meetings of Joint Stock Companies", published in the Official Gazette dated 29.08.2012 and numbered 28396, shareholders were granted the right to attend and cast vote at the General Assembly through an electronic medium.

- The Company's Articles of Association contain no provisions concerning the participation of stakeholders or the media at the General Assembly Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the 2013 General Assembly Meeting while there was no attendance either from the other stakeholders or the media.

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

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

- At the General Assembly Meeting, shareholders were informed about the total donations amounting to TL240,697.72 made to Mehmet Zorlu Foundation and various educational institutions during the year 2013.

Limit of the donations to be made in 2014 pursuant to the Article 19 of the Capital Market Law numbered 6362 was

submitted to the approval of the General Assembly.

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

2.4. Voting and Minority Rights

- All Vestel Elektronik Sanayi ve Ticaret AŞ shares are entitled to the same rights. There is no privilege concerning the voting right and this is stipulated in the Company's Articles of Association.
- The Company's subsidiaries do not have any shareholding interests in Vestel Elektronik Sanayi ve Ticaret AŞ. For this reason, there are no cross-shareholding interests and therefore, this issue was not put to vote at the General Assembly Meeting.
- Minority shareholders are not represented in management. The Company's Articles of Association do not contain any specific arrangements for the shareholders representing less than one twentieth of the Company's paid-in capital. However, two independent members were elected to the Board of Directors to represent the interests of all shareholders and stakeholders, especially those of the minority shareholders.

2.5. Dividend Rights

- There are no privileges concerning the participation in the Company's profits. Each share of stock is entitled to an equal dividend.
- Each year, the Company's Dividend Distribution Policy is presented to the shareholders as a separate agenda item at the General Assembly Meeting. The Dividend Distribution Policy is also disclosed to the public via the Company website and the annual report.
- The Company's Dividend Distribution Policy that has been put in place by the Board of Directors' resolution no. 2007/9 dated 19 March 2007 has been amended in line with the CMB Communiqué on Dividends no. II-19.1. The Policy was presented for the approval of shareholders at the 2013 Ordinary General Assembly Meeting, and was also made available for the information of shareholders on the Public Disclosure Platform and the corporate website.
- The Company's Dividend Distribution Policy, which has been accepted by the Board of Directors and disclosed on the Public Disclosure Platform, stipulates the ratio of dividend payouts which will be distributed in cash and/or in the form of bonus shares as minimum 25% of the net distributable profit, which will be reviewed by the Board each year depending on the national and global economic conditions, and the Company's growth and investment plans and financial position.
- In line with the Board of Directors' profit distribution proposal submitted to the 2013 Ordinary General Assembly Meeting, it was decided that dividend distribution cannot be made due to the fact that the Company posted a net loss in the amount of TL93,485,000 for the 2013 fiscal year according to the consolidated financial statements prepared in accordance with the International Accounting/Financial Reporting Standards pursuant to the CMB legislation and TL41,089,904 of net loss according to the statutory financial statements drawn up in accordance with the provisions of the Turkish Commercial Code and Tax Procedural Law; hence, dividend distribution did not take place.

2.6. Transfer of Shares

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

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and its Contents

- The Company has an active and easily accessible website. The website was set up to ensure that shareholders, stakeholders and the general public are kept informed in an open, clear and simultaneous fashion. Information

presented on the website is regularly updated.

- The address of the Company's website is "www.vestelyatirimciiliskileri.com". Furthermore, pursuant to the "Regulation on Websites to be Launched by Joint Stock Companies" and the 1st paragraph of the Article 1524 of the Turkish Commercial Code, in accordance with the principles and procedures regarding the launching of a website, allocation of a section of this website to publishing the announcements that are required to be made by the Company under the law and to information society services, our Company procures Central Database Service Provider support services from Merkezi Kayıt Kuruluşu AŞ (CRA) and announcements that are required to be made by the Company by law is accessible through e-Company Information Portal of the CRA.
- The Company's website contains the required information stipulated in the CMB's Corporate Governance Principles and the Turkish Commercial Code.
- The information on the website is also available in English in order to provide information to international investors.

3.2. Annual Report

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

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders

- Stakeholders are continuously informed in accordance with the Company's Public 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 the management and personnel. In addition, employees are also kept continuously informed via the corporate intranet system.
- Periodic meetings are held with the customers and suppliers and all customers and suppliers are kept informed about the 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 phone and/or e-mail.

4.2. Participation of Stakeholders in Management

- No model or mechanism has been formulated for the stakeholders' participation in management. However, the independent members serving on the Board of Directors guarantee that not only the Company and the shareholders, but also all the stakeholders are represented in management.
- 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 stakeholders, senior executives representing stakeholders are invited to Board meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in

Board of Directors and Executive Committee meetings at certain intervals so that they can provide their opinions first-hand.

4.3. Human Resources Policy

- The Company's human resources operations are managed by the Vestel Human Resources Department, which reports to the Zorlu Holding Human Resources Coordinator. The Department includes a Human Resources and Training Unit and an Industrial Relations Unit. Transactions related to the administrative affairs and recruitment functions are carried out under the direct supervision of the Human Resources Director. The Zorlu Holding Human Resources Coordinator is also a member of the Vestel Group's Executive Committee. Thus, providing information regularly to the management on any employee related issue is ensured.

- The Company's Human Resources Policy is set forth in writing and covers all issues related to hiring, promotion, dismissal, compensation, career planning, performance evaluation system, linking performance results to remuneration, and training policies. The employees have been informed of their job definitions and division of tasks, as well as performance and compensation criteria through the Human Resources Policy.

The following are implemented within the scope of the Human Resources Policy:

- Recruitment, promotion and dismissal criteria are documented in writing. Recruitment and promotion criteria are detailed in the Recruitment Regulation and the Promotion Regulation, respectively.

- Vestel Group has in place a performance evaluation system that is based on individual performance, but is also linked to departmental and company-wide results, and that is aimed at contributing to the individual development of employees and the corporate development of the organization. The outcomes from the performance evaluation system are used as input for remuneration, training and career development.

- Job evaluation has been performed according to the criteria of the Hay Group Grade system, and the employees were assigned to grades. The remuneration policy has been determined taking into consideration the said grading and a remuneration system has been established, which is updated in line with current conditions.

- Comprehensive training programs are being implemented for employees. While the training process is centrally handled for all Vestel Companies, the whole process takes place on the intranet. Training programs are developed in a comprehensive scope and in a manner to facilitate advancement of employees in their careers. Employees are provided the opportunity to choose the training programs in line with their career planning and desires.

- Vestel Technology Academy was founded mainly for Vestel Group's engineering staff. The Academy provides masters and PhD level educational opportunities to around 200 employees. Additionally, the "Management Trainee" and similar programs are regularly planned and implemented each year in order to cultivate qualified managers.

- Two separate career improvement structures have been set up: promotion and horizontal advancement. The system is run at the periods specified in the regulation.

- Employee orientation programs are being carried out. Individual programs are designed specifically for each department and position. The programs present differences in terms of duration and content.

- Periodic information provision to employees is carried out using the corporate portal and the e-mail system. Each unit holds internal meetings at certain intervals. These are production meetings (every morning at factories), departmental meetings (every Monday), happy hour gatherings (on Fridays), quality management meetings (once in every two months), budget meetings (every month), and R&D new product meetings (every month).

- All employees are treated equally and without any discrimination based on ethnic background, religion, language, race, gender, and the like whatsoever in all matters involving training, career development and promotion.

- Measures are taken to prevent any practices that might cause discrimination among employees and all personnel are treated equally without any distinctions. There were no complaints from employees related to discrimination.

4.4. Code of Ethics and Social Responsibility

- Vestel Elektronik Sanayi ve Ticaret AŞ's Code of Ethics has been set forth in writing and published on the Company website within the frame of the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics, which is formulated for the Company and the employees, is complied with in full.
- Under its social responsibility principle, Vestel Elektronik Sanayi ve Ticaret AŞ undertakes social efforts by both contributing to the social responsibility projects carried out by Zorlu Holding in the areas of education, sports and culture, and by undertaking projects on its own. Zorlu Group, of which Vestel Elektronik Sanayi ve Ticaret AŞ 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, in 2014 Vestel Elektronik Sanayi ve Ticaret AŞ published its progress report for the year 2013 on the website 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), ICS (Initiative Clause Sociale) and Walmart audits by the independent audit firms. Having successfully completed the SDP program of Walmart, Vestel Elektronik Sanayi ve Ticaret AŞ undertook a self-audit of its social responsibility commitments in 2014 and reported on the same to Walmart.
- Assuming the responsibilities of being a global player in consumer electronics, Vestel Elektronik Sanayi ve Ticaret AŞ carries out environmental impact reviews of all its operations, production lines, and products. Vestel believes that it has a duty to be acutely aware of the health and safety of its employees, customers, and the general public who may be affected by its operations, products, and services and to protect the environment and nature for the good of future generations. Vestel demonstrated its commitment to this area by obtaining TS-EN ISO 14001 Environmental Management System Certification in 1998. Vestel Elektronik Sanayi ve Ticaret AŞ has pledged itself to continuously improve its performance on environmental issues, prevent pollution, strictly obey all the environment-related laws, regulations, and administrative provisions, and allocate sufficient and appropriate resources in its efforts to:
 - Take environmental factors into account when evaluating projects for new products and operations;
 - Reduce the use of harmful materials in its product design and production processes and to search for the use of materials that are less polluting;
 - Reduce, reuse, recycle, and recover waste;
 - Ensure savings of energy, water and natural resources by promoting productivity increases and the use of new technologies;
 - Use recycled/recyclable packaging materials whenever feasible;
 - Conduct activities aimed at fostering environmental awareness.
- Vestel Elektronik Sanayi ve Ticaret AŞ fulfills its obligations as a responsible corporate citizen regarding the matters of reducing the environmental impact stemming from its activities and launching eco-friendly products to the market. 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, the use 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. Having shown sensitivity in order to enable the people of our country to live in a healthier atmosphere and born the costs required by these practices, even before the relevant regulation has entered into force in Turkey, the Company has begun to launch products that are in compliance with the RoHS Directive in the domestic market.

- In parallel with RoHS studies, the Company carries out EU WEEE (Waste of Electrical and Electronic Equipment Directive) studies. Pursuant to this Directive, each brand is responsible for the collection and recycling of the wastes produced by its own products. The Company coordinates with the relevant governmental bodies and continues its preparations for implementing the domestic WEEE regulation in the most effective fashion.
- Apart from the said two main Directives concerning the products, the Company also fully complies with and fulfills the requirements of other EU and domestic directives and regulations.
- The Company's environmental practices were awarded various prizes in 2014. These are, in order, the First Prize in Manisa Organized Industrial Zone Environmentally Sensitive Facility Competition, First Prize in the İstanbul Chamber of Industry Environment Friendly Application Category, and ÇEVKO (Environmental Protection and Packaging Waste Recovery and Recycling Foundation) Green Point Industry Encouragement Prize.
- Vestel Elektronik Sanayi ve Ticaret AŞ takes advantage of energy efficiency opportunities in its operations and systematically implements various projects related to this area. The Company's main policy is to reach a high level of production with low energy consumption. In light of this approach, the Company reviews the energy consumption of its production processes and strives to obtain better results in terms of productivity and quality.
- 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. TPM is a maintenance system, which targets zero equipment stoppage and zero quality defects in production systems. TPM is a maintenance management approach, which requires the participation of all employees in production and service processes, envisages autonomous maintenance, adopts a preventive approach rather than trouble-shooting and allows for the highest degree of equipment efficiency. Environmental gains through the TPM system approach may be listed as follows:
 - Ensuring organization and order and reducing contamination with the 5S Approach,
 - Improvement works with the Kaizen approach,
 - Less failures, less dissemination, energy saving and raw material saving with the Autonomous Maintenance approach,
 - Reducing scrap and rework, therefore, reducing wastes,
 - Increasing productivity and quality - continuous improvement.
- Vestel Elektronik Sanayi ve Ticaret AŞ has successfully completed the first phase of the TPM management system and on January 11, 2013, became eligible for receiving the "TPM Excellence Award". At the end of 2014, the Company successfully passed the consistent TPM commitment audit for the TPM Excellence Award.
- Senior executives regularly monitor and assess the relevant performance results. The Company has assigned an energy officer and energy management representative to ensure that the Energy Management System is operated efficiently. Our factory passed all the required audits in 2012 and obtained TS EN 50001 Energy Management System Certification and ensured its continuity in 2014. Nearly 20 energy saving projects were conducted in 2014 which served to saving approximately 5,000,000 kWh of energy/year.
- Also during the reporting period, the project for increasing the efficiency of process energy through enhancing the steam quality used in the production of unpainted/cosmetic plastic parts used in the manufacturing of LED TV units received the First Prize in the Industrial Energy Efficiency Project Competition organized by the Turkish Ministry of Energy and Natural Resources. In addition, the project for "Increasing Energy Efficiency in Plastic Injection Machinery Using Variable Speed Drivers" became entitled to receive support (up to 30% grant) upon the assessment of the Ministry of Energy and Natural Resources General Directorate of Renewable Energy.
- Climate change is not only an environmental but also a social and economic threat. Vestel Elektronik Sanayi ve

Ticaret AŞ considers climate change as an important risk for both the future of the world and the sustainability of the Company and carries out crucial projects in this regard. Within this context, the Company carried out studies regarding the measurement and reduction of its carbon footprints and participated in the Carbon Disclosure Project. In 2014, Vestel Elektronik Sanayi ve Ticaret AŞ published its carbon emissions data on the Carbon Disclosure Project (CDP) website, cdproject. As is known, CDP is an initiative, which was started in 2000, to encourage companies, investors and governments to collect and share emissions-related data that could help in the fight against climate change. The companies from Turkey, which responded to CDP are also rated according to the CDP's methodology, with the support of Ernst & Young Turkey.

- 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.
- At the Vestel Group of Companies ("Vestel"), of which Vestel Elektronik is a part, corporate development is equivalent to social development. With this approach, the Company will continue to firmly support the corporate social responsibility initiatives that add value to society, pioneer new initiatives in this area, and raise the social awareness by promoting its future oriented and eco-friendly products.
- Vestel does its utmost to ensure that its corporate social responsibility activities deliver concrete and sustainable benefits to society. As a result, the Company chooses to support long-term projects. At the start of the social responsibility project development process, the Company first identifies areas in which public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness that it displays in all of its operations, never compromising its total quality approach.

PART V - BOARD OF DIRECTORS

5.1. Structure and Composition of the Board of Directors

Board of Directors

Member	Duty	Term of Office	Other Positions Held Within the Group	Positions Held Outside the Group	Status
Ahmet Nazif Zorlu	Chairman	Until 2014 Ordinary General Assembly Meeting	Chairman and Vice Chairman - Zorlu Group companies	-	Non-executive
Ali Akın Tarı	Vice Chairman	Until 2014 Ordinary General Assembly Meeting	Board Member - Vestel Beyaz Eşya San. ve Tic. AŞ, Vice Chairman - Zorlu Enerji Elektrik Üretim AŞ	Board Member and Audit Committee Member - Dilerbank; Board Member - Diler Holding	Independent
Selen Zorlu Melik	Board Member	Until 2014 Ordinary General Assembly Meeting	Deputy President - Zorlu Energy Group; Board Member - Zorlu Group companies	-	Non-executive
Mehmet Emre Zorlu	Board Member	Until 2014 Ordinary General Assembly Meeting	Board Member - Zorlu Group companies	-	Non-executive

Mümin Cengiz Ultav	Board Member	Until 2014 Ordinary General Assembly Meeting	Executive Committee Member and Board Member	Chairman - the Technology Development Foundation of Turkey (TTGV), Founding Member - Turkish Informatics Foundation (TBV) and Türkiye Bilişim Vakfı ve Unix Users Foundation	Non-executive
Hacı Ahmet Kılıçoğlu	Board Member	Until 2014 Ordinary General Assembly Meeting	Vice Chairman - Vestel Beyaz Eşya San. ve Tic. AŞ, Board Member - Zorlu Enerji Elektrik Üretim AŞ	Board Member - Beşiktaş Futbol Yatırımları, Board Member - Şeker Mortgage Finansman	Independent

Ahmet Nazif Zorlu

Chairman

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

Ali Akın Tarı

Vice Chairman

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

Selen Zorlu Melik

Board Member

(1975 - Trabzon) Selen Zorlu Melik graduated from the Faculty of Economics and Administrative Sciences, Department of Business Administration at Uludağ University. She began her professional career at Denizbank in 1998. Following her internship at the Denizbank Bursa Branch, she joined the Management Trainee Program at the same bank in 1999. After working in a number of positions at the Denizbank head office, Mrs. Zorlu Melik attended a

Marketing Certificate Program at the University of California, Berkeley, USA in 2001. She subsequently started to work at the Korteks Yarn Plant in 2002 and became a Board Member of the same Company in 2004. She has been serving as the Deputy President of the Zorlu Energy Group, as a Board Member of Zorlu Enerji Elektrik Üretim AŞ and also as Board Member at several Zorlu Group companies since 2005. Since April 2012, Mrs. Zorlu Melik has been acting as the Deputy President of Zorlu Energy Group.

Mehmet Emre Zorlu

Board Member

(1984 - Istanbul) Mehmet Emre Zorlu graduated from the Department of Electrical and Electronics Engineering at Koç University in 2006. He went on to complete a master's degree in Innovation and Technology Management from the University of Essex in the United Kingdom in 2007 and 2008. Mr. Zorlu began working at the Vestel Group of Companies in 2009. In addition to his position as a Board Member at Vestel Elektronik, Mr. Zorlu also serves as a Board Member at Zorlu Holding and its affiliated companies.

Mümin Cengiz Ultav

Board Member

(1950 - Eskişehir) Mümin Cengiz Ultav graduated from Middle East Technical University with BSc and MSc degrees in Electronics Engineering. He began his professional career at the International Philips Institute and subsequently served in the IT and R&D departments of various electronics companies in Turkey and abroad. Mr. Ultav joined Vestel in 1997 as the President responsible for Technology. He stepped down from his position as a Member of the Executive Committee responsible for Strategic Planning and Technology on June 30, 2011. Mümin Cengiz Ultav currently serves as a Board Member at Vestel Elektronik Sanayi ve Ticaret AŞ.

Hacı Ahmet Kılıçoğlu

Board Member

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree in Economics in 1977 and Master's degree in Economics in 1978 from the University of Essex. He started his professional career at the Ministry of Industry and Technology in 1979. In 1980 he became an Assistant Specialist at Türkiye İş Bankası and after working in the private sector for a couple of years, Mr. Kılıçoğlu held administrative positions at the United Nations Development Program (UNDP) and the F-16 project. He then took office at Türk Eximbank in 1987, where he worked in various positions. He later served as the CEO of the bank and as a Board Member between 1998 and 2010. He also served as a Board Member at the Banks Association of Turkey between 1998 and 2010 and was elected as the President of the World EximBanks Union (The Berne Union) in 2001. Mr. Kılıçoğlu also served as a Consultant to the President at the Islamic Development Bank between 2008 and 2009 and as a Vice Chairman at Denizbank in 2010. Mr. Kılıçoğlu is currently a Board Member at Beşiktaş Futbol Yatırımları Sanayi ve Ticaret AŞ and Şeker Mortgage Finansman AŞ.

The Chairman of the Executive Committee of our Company is Enis Turan Erdoğan.

Enis Turan Erdoğan

Chairman of the Executive Committee

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

- Four of the six members of the Board are non-executive members and two are independent members.
- The Chairman of the Board and the Chairman of the Executive Committee are two different individuals: The Chairman of the Board is Ahmet Nazif Zorlu and the Vestel Group of Companies' Chairman of the Executive Committee is Enis Turan Erdoğan.
- Prior to the General Assembly Meeting for 2013, two independent candidates were presented to the Nomination Committee. The Committee's report dated March 26, 2014 on whether these candidates fulfill the independence criteria was submitted to the Board of Directors. Upon a resolution by the Board of Directors dated March 26, 2014 and numbered 2014/9, it was decided that these candidates would be submitted to the approval of shareholders at the General Assembly, to become independent Board Members.

Statement of independence of the candidates is provided hereinbelow:

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

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

5.2. Working Principles of the Board of Directors

- Agendas for the Board meetings are determined by the Chairman and the Board Members. Requests coming from the Company management are also taken into account when setting the meeting agendas.
- Item 16 of the Company's Articles of Association stipulates that Board meetings shall be held as and when deemed necessary, and at least once a month. In order to increase attendance at the meetings, the meeting dates were determined and notified to the Board Members at the beginning of the year. As a result, Board Members were given the opportunity to shape their schedules according to the meeting dates. As another measure to increase attendance at the meetings, the following article was added to the Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."
- During 2014, the Board of Directors passed 65 decisions in 43 meetings held. The meeting attendance rate was 98.21%, and 100% of the decisions were passed with the unanimous votes of the attendants.
- Invitations to the meetings are made via postal mail, fax, and e-mail. In line with the Corporate Governance Principles, a secretariat has been set up within the Company that reports to the Board of Directors. This secretariat notifies Board Members of the meetings at least a week (seven days) in advance of the meeting date, and provides them with the agenda and documents related to the matters on the agenda.
- Reasonable and detailed justifications for dissenting votes are required to be entered into the records on matters for which there were differing opinions at the Board meetings; however, there has never been such an instance to date. The minutes taken by the Board's secretariat also include any questions posed by the members and the responses received.
- No Board members, including the Chairman, have preferential voting rights or the right to veto Board decisions.

Each member, including the Chairman, possesses an equal vote.

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

5.3. Number, Structure and Independence of the Board Committees

- The Company established a Corporate Governance Committee, Early Detection of Risk Committee, and Audit Committee in line with the Capital Markets Board's Corporate Governance Principles. The duties assigned to the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.
- Committee members Ali Akin Tari and Hacı Ahmet Kılıçoğlu serve on more than one committee due to the number of the Board Members and the committee structure requirements in accordance with the CMB's Corporate Governance Principles.
- Committee meetings are held at frequencies stipulated by the legislation, as and when deemed necessary or upon a request from any member.
- The Committees' activities and working principles are publicly disclosed on the Company website.

Audit Committee

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

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

Committee members	Duty	Status
Ali Akin Tari	Head of the Committee	Independent Board Member
Hacı Ahmet Kılıçoğlu	Member of the Committee	Independent Board Member

- In principle, the Audit Committee shall meet at least four times a year, being once in each quarter.
- The Board of Directors' secretariat is responsible for keeping the records of the decisions made by the Committee, as well as the minutes of the meetings.

- The Committee carries out its activities in line with the working principles put into writing in detail.

In 2014, the Audit Committee performed the following functions:

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

Corporate Governance Committee

- The Corporate Governance Committee is established to monitor the Company’s compliance with the CMB’s Communiqué on Corporate Governance Principles, to carry out studies for improvement and to make proposals to the Board of Directors in this regard.
- Pursuant to the CMB’s Communiqué on Corporate Governance Principles no: II-17.1, the “Corporate Governance Committee Working Principles” were revised and approved at the Board of Directors’ meeting dated March 27, 2014. The revised version of the working principles was disclosed to the shareholders via the Public Disclosure Platform and the Company website.
- The Corporate Governance Committee is composed of at least three members, including two non-executive Board Members and the Investor Relations Department Manager. The Head of the Committee is Ali Akin Tari, an independent member, and the other members are Mehmet Emre Zorlu and Serap Mutlu.

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

Committee members	Duty	Status
Ali Akin Tari	Head of the Committee	Independent Board Member
Mehmet Emre Zorlu	Member of the Committee	Non-executive Board Member
Serap Mutlu	Member of the Committee	Investor Relations Department Manager

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

Directors and executives with administrative responsibility by taking into consideration the Company's long-term targets,

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

Early Detection of Risk Committee

- The Early Detection of Risk Committee was set up with the Board's decision dated March 15, 2013 in order to identify the risks which could jeopardize the Company's existence, development and continuity and to take measures to counter and manage these risks in line with the Turkish Commercial Code, Articles of Association and CMB's Communiqué on Corporate Governance Principles.
- Pursuant to the CMB's Communiqué on Corporate Governance Principles no: II-17.1, the "Early Detection of Risk Committee Working Principles" were revised and approved at the Board of Directors' meeting dated March 27, 2014. The revised version of the working principles was disclosed to the shareholders via the Public Disclosure Platform and the Company website.
- The Early Detection of Risk Committee is composed of at least two Board Members. In case the Committee has only two members, both of them, and in case it has more than two members, the majority of them, must be non-executive Board Members. The Head of the Committee is the independent Board Member Hacı Ahmet Kılıçoğlu. The other member is Selen Zorlu Melik.

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

Committee members	Duty	Status
Hacı Ahmet Kılıçoğlu	Head of the Committee	Independent Board Member
Selen Zorlu Melik	Member of the Committee	Non-executive Board Member

- The Early Detection of Risk Committee held 7 meetings in 2014 and presented the necessary risk reports to the Board of Directors.
- The activities carried out by the Committee in 2014, in line with the working principles put into writing in detail, are presented below:
 - Process-based risk inventory was prepared and opinions and evaluations of risk owners were obtained.
 - Risks were evaluated in two different ways, namely, with (residual risk) and without (inherent risk) taking into account the efficiency performance of the existing control and precaution activities.
 - Inherent and residual risks contained in the risk reports were evaluated based on the 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
 - Sector and company based risks contained in the risk reports were grouped under 9 main risk headings (External Environment, Operational, Authorization, Information Technology and Technology, Honesty/Integrity, Financial, Process/Operational, Reporting and Strategic) according to COSO (The Committee of Sponsoring Organizations of the Treadway Commission) risk taxonomy.
 - As a result of these assessments, it was seen that risks were generally gathered under the main headings of External Environment, Operational, Financial and Strategic.
 - As a result of the risk inventory and risk management researches, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks which may jeopardize the Company's existence,

development and continuity and the adoption of necessary measures regarding the detected risks and management of risk. These reports are as follows:

- o Summary of the World Economic Forum Global Risks 2014
 - o Vestel Key Risk Indicators Report
 - o Global Economic Risks in relation to the Consumer Electronics Sector
 - o Insurance Solutions for Vestel Group Companies
 - o Fraud Risk Survey
 - o Receivables Risk Early Warning Signals
 - o Vestel Group of Companies OHS Risk Assessment Obligation
- On the SAP GRC (Governance, Risk and Compliance) System, part of the digitizable risks are expressed and followed-up in the form of KRIs (Key Risk Indicators). Work is ongoing for the others.
 - Threshold values have been revised for some key risk indicators.

5.4. Risk Management and Internal Control Mechanism

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

- The Company makes intensive use of information technologies and uses the SAP system to secure internal control. Through the SAP system, all the integrated business processes in the Company are carried out/registered on the information systems, thus granting increased speed and productivity to the business. Efficient use of these systems allows employees and managers to easily access all sorts of information and reports that concern them in line with their authorities. Vestel Elektronik uses the SAP GRC (Governance Risk Compliance) as the system that covers and monitors all the risks which the Company is exposed to.

- The Company's internal control systems are evaluated with a risk-focused approach by taking into account the risks which are identified through risk management analysis and/or during internal control activities and by taking into account the related risk reducing actions. During the course of the activities carried out in line with the Company's vision and mission, the Company may become exposed to risks related with strategic goals, financial position, operational activities, legislation, occupational health and safety, and protection of assets and reputation. In order to accurately define and manage these risks, Zorlu Holding Corporate Risk Management philosophy is summarized below:

- Incorporating risks into the decision-making mechanisms by establishing risk awareness and risk culture in the operations of the Company,
- Collaborating to reveal the risks and opportunities that may have an impact on the Company's targets based on a shared perception,
- Defining and evaluating risks according to their impact and probability,
- Using Key Risk Indicators to follow up the risks that have been identified and prioritized,
- Measuring and reporting key risk indicators that give warnings and all other risks, taking into consideration the control points,
- Proactively managing these risks through the best actions taken in accordance with the risk appetite.

- Based on the Board of Directors' decision dated 15 March 2013, the Company's Early Detection of Risk Committee was set up and its Functions and Working Principles were accepted. The Committee works to early diagnose the factors that could jeopardize the existence, development and continuity of the related companies, to take the

necessary actions and implement the remedies, and to manage the risk for the purposes of achieving compliance with the Article 378 of the Turkish Commercial Code no. 6102 and of coordinated risk management.

- The Internal Audit Department reviews the efficiency and effectiveness of these systems at certain intervals in accordance with the approved annual plans, and reports the results to the Board of Directors for necessary action.

5.5. Company's Strategic Targets

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

Mission: Conquering the world with our technological products

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

- The Board of Directors approves the strategic targets set by the management. The Board of Directors or the management may formulate opinions on the Company's strategic targets. The Board of Directors always seeks the opinions of managers on the targets they set. The targets set by the managers are first discussed at the relevant management level, then presented to the Board of Directors and finally approved by the Board. Managers can be invited to the meetings on strategic targets. Action to achieve the approved targets are initiated as soon as possible. The degree of target achievement is measured according to the actual results in the financial reporting periods and at the end of the year.

- The Board of Directors holds a number of evaluation meetings during the year to review the Company's degree of attaining its targets, operations and past performance. At these evaluation meetings, the Board of Director's degree of attaining its targets, efficiency of operations, past performances and Company strategies are discussed.

5.6. Financial Benefits

- The Company's Remuneration Policy for the Board Members and Executive Managers, which has been accepted by the Board of Directors' decision dated 18 May 2012 and made available for the information of shareholders on the Company website pursuant to the Corporate Governance Principles, was amended in line with the new Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1, and was publicly disclosed on 26 March 2014 via the Public Disclosure Platform and was also made available for the information of shareholders via the Company website.

- The attendance fees to be received by the members of the Board of Directors are determined each year at the General Assembly Meeting. This fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.

- Vestel Elektronik San. ve Tic. AŞ's Board members were paid a total gross sum of TL95,000.00 as an attendance fee in 2014, commensurate with the practices of the peer companies in the sector. The amounts for 2015 will be decided at the 2014 Ordinary General Assembly. No other benefits are provided to Board members.

- There is no rewarding scheme based on the performance measurement for the Board Members.

- The salaries of Vestel Elektronik Sanayi ve Ticaret AŞ's senior executives are determined by the Board of Directors. In addition, senior executives may be entitled to bonus payments at year-end, in line with the Company's financial performance and their respective contribution to this performance. The amounts of such bonus payments are determined by the Board of Directors. The "Senior Executive Remuneration Policy" is determined in accordance with the size of the Company's production and sales activities, the extensiveness of its operations, existence of international operations, the number of employees, subsidiaries and their weight in total operations, the level of knowledge required to maintain operations, the characteristics of the sector, the competitive environment, and the level of salaries paid by the peer companies.

- The financial benefits provided to the Company's Chairman, Board Members, general manager, general coordinators and assistant general managers are outlined in the footnotes of the financial statements. In this regard, the total salaries and fees paid during the 12 months ending on December 31, 2014 was TL19,433 thousand (01.01-

31.12.2013: TL17,137 thousand).

- During 2014, the Company did not lend money to any Board member or senior executive, nor did it extend any credit via a third party under the name of a personal loan or grant any guarantee such as surety in their favor.