

VESTEL ELEKTRONİK SANAYİ VE TİCARET AŞ
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Corporate governance activities were initiated at Vestel Elektronik Sanayi ve Ticaret AŞ ("Company" or "Vestel Elektronik"), which takes utmost care to comply with the "Corporate Governance Principles" of the Capital Markets Board ("CMB") in late 2004. In order to have an independent evaluation of the Company's corporate governance practices and share the results with the public, the Company has been obtaining corporate governance rating services for the past nine years. Vestel Elektronik's Corporate Governance Rating has been improving steadily since its inclusion in the BIST Corporate Governance Index in 2007. Based on the corporate governance rating study conducted by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri AŞ (SAHA Corporate Governance and Credit Rating Services Inc.), which has been certified by the Capital Markets Board to perform Corporate Governance Rating assessment in accordance with the Corporate Governance Principles in Turkey, Vestel Elektronik's corporate governance rating was revised up to 9.36 (93.60%) out of a scale of 10 as of 22 February 2016. This high score yet again confirms the importance, which 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 which 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 in 2013.

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

| Sub-categories | Weight | Rating in 2016 (%) |
|------------------------------------|-------------|--------------------|
| Shareholders | 0.25 | 94.89 |
| Public Disclosure and Transparency | 0.25 | 97.10 |
| Stakeholders | 0.15 | 91.15 |
| Board of Directors | 0.35 | 91.23 |
| Total | 1.00 | 93.60 |

The Company's Corporate Governance Rating Reports can be accessed via the Company's website at www.vestelinvestorrelations.com.

Vestel Elektronik carries out its activities in compliance with the applicable regulations and the Capital Market Board's "Corporate Governance Principles". The Company has adopted the majority of the non-compulsory principles included among the Corporate Governance Principles appended to the CMB's Communiqué on Corporate Governance no. II-17.1. As briefly summarized below, the Company took the following actions in order to further improve its compliance with the Corporate Governance Principles in 2016.

- Vestel Elektronik was included in the BIST Sustainability Index, which includes the shares of the publicly traded companies on Borsa Istanbul ("BIST") with a high corporate sustainability performance, for the first time in November 2015. The Company also qualified for inclusion in the BIST Sustainability Index for the November 2016 - October 2017 period, following the evaluations conducted by the Borsa Istanbul in 2016.
- Under the Article 10 of the CMB's Communiqué on Corporate Governance, 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, the upper limit for the donations to be made in 2016, as proposed by the Board, was submitted to the approval of shareholders at the Annual

General Assembly Meeting and was approved by the General Assembly.

Reasons for the Corporate Governance Principles Which Are Not Implemented

In the implementation of Corporate Governance Principles, certain principles that do not conform to the Company's structure and that are regarded as potential obstacles to operations are 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 the minority rights:** Since the existing provisions in the Turkish Commercial Code on the appointment of a special auditor and minority rights are considered to be adequate, these rights are not separately stipulated in the Company's Articles of Association.
- Due to the number of the members of the Board of Directors and the committee formation requirements, some Board members serve on more than one committee.
- Pursuant to the Article 4.6.5 of Corporate Governance Principles, remuneration and benefits provided to Board members and executive managers are publicly disclosed in the Company's annual report. However, such disclosure is not made on an individual basis.
- Currently, Mrs. Selen Zorlu Melik is the only female member on the Company's Board of Directors and increasing the ratio of female Directors to the level set forth in the Article no. 4.3.9 of the Corporate Governance Principles lies among the Company's medium term targets.
- Although there is no provision in the Company's Articles of Association, the Chairman of the Board and the Chief Executive Officer are different individuals. No one in the Company has unlimited decision-making power.

The Company has not been exposed to any conflict of interests to date due to the non-mandatory principles which have not yet been implemented.

Acknowledging the contributions of the Corporate Governance Principles to the Company, Vestel Elektronik targets to attain a higher degree of compliance with those principles with the involvement of its employees and senior management and to reach the highest standards in the field of corporate governance. The Company fully complies with all the mandatory principles in the CMB's Corporate Governance Communiqué while also continuing its studies to ensure compliance with the non-mandatory 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, including first and foremost the rights to access and examine information, responding to information requests from the analysts and investors, raising 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, who is the Executive Committee Member in charge of Finance.

The Investor Relations Department presents a report on its activities to the Board of Directors at least once a year. The Department submitted its report on its 2016 activities to the Board on January 6, 2017.

The individuals in charge of the investor relations are as follows:

| Name | Duty | License |
|--------------------|--|---|
| Serap Mutlu | Investor Relations Director and Member of Corporate Governance Committee | Capital Market Activities Level 3 License (No: 201618) Corporate Governance Rating Specialist License (No: 700906) |
| Özgün Ünalı | Investor Relations Specialist | - |

Information relating to individuals working in the Investor Relations Department was announced on the Public Disclosure Platform (in Turkish: KAP) on July 31, 2014 and December 29, 2014.

The Investor Relations Department performed the following activities during 2016:

- Ensured that the records of correspondences between the Company and the investors, and of other information and documents are kept in a proper, 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 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 Public Disclosure Policy, either via face-to-face meetings or using various other communication means,
- Responded to information requests from the equity analysts covering the Company; ensured that the analyst reports on the Company were prepared in an accurate and complete manner and would introduce the Company in the best way to investors,
- 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,
- Prepared the necessary documents for the General Assembly Meetings, which would be presented to the information and review of the shareholders. All kinds of information and announcements which could affect the exercise of the shareholder rights were posted in a timely manner on the Company website for the information of shareholders,
- Maintained the Company website up-to-date, thereby enabling shareholders to access accurate, continuous and timely information about the Company,
- Following each reporting period, prepared an analytical study which compares the financial results and share price performance of the Company with those of its domestic peers and presented it to the upper management,
- Monitored and supervised the fulfillment of the obligations arising from the capital market legislation, including all aspects of corporate governance and public disclosure, followed up the related processes by making the necessary internal disclosures, monitored the public announcements made pursuant to the Company's Public Disclosure Policy and applicable legislation and coordinated the communication with the public,
- Held informative meetings with the analysts and domestic and international investors about the Company's operations, financial performance and other developments during the reporting period and participated in the conferences and roadshows organized by the brokerage houses.

Towards informing the shareholders and investors during 2016, Investor Relations Department:

- Attended 1 investor conference and 2 roadshows organized in Turkey and abroad by the brokerage houses,
- Held a total of 120 meetings with the investors and analysts either face-to-face or through teleconferences,
- Responded to nearly 200 enquiries received through e-mails and telephone calls in a timely fashion,
- Made a total of 63 material event disclosures within the scope of public disclosure under CMB regulations. All the material event disclosures were published simultaneously on the Company website.

2.2. Exercise of Shareholders' Rights to Obtain Information

- The Company's Articles of Association does not contain any provisions which eliminate or restrict the shareholders' rights to access and examine information which are recognized by the legislation.
- During the year the information requests received from the analysts and shareholders were responded to in a coherent clear and detailed manner in accordance with the Company's Public Disclosure Policy and if necessary after consulting with the most relevant person in the related subject matter and all the inquiries except those related to trade secrets were replied to the satisfaction of the shareholders. These queries were responded to via phone e-mail or postal mail in writing or verbally further to the demands of the shareholders.
- During 2016 developments that might have an impact on the exercise of the shareholders' rights were disclosed to the public through the material event disclosures made on the Public Disclosure Platform (PDP) and via the Company website. Material event disclosures and any information of interest to shareholders were also provided in English on the Company website to inform the international investors.
- To facilitate the exercise of the shareholders' rights to access and examine information which lie among the most essential rights of the shareholders the Company included all the information required by the CMB's Corporate Governance Principles on the corporate website and ensured that both domestic and international investors have an easy access to the highest amount of information within the shortest period of time in an accurate quick simultaneous complete and comprehensive manner. All the information required in the CMB's Corporate Governance Principles is included on the Company website. Updating and monitoring of the website are the responsibilities of the Investor Relations Department.
- The Company's Articles of Association does not contain any clauses which prohibit special audit. Since this right is already granted to each shareholder at joint stock companies by the Article 438 of the Turkish Commercial Code it was not deemed necessary to further stipulate it in the Articles of Association. The Company received no requests for the appointment of a special auditor during the reporting period. The Company's activities are periodically audited by an independent audit company which is appointed by the General Assembly upon the proposal of the Board of Directors.

2.3. General Assembly Meetings

- The Company's General Assembly meetings are held in compliance with the principles listed under the "General Assembly" heading of the Corporate Governance Principles.
- General Assembly meetings are held in a way not causing any inequality between the shareholders and enabling them to participate in the least costly manner as possible, in order to increase the participation.
- Vestel Elektronik held its Ordinary General Assembly Meeting for the year 2015 on April 26, 2016 at 10:30

am at the address of Raffles Istanbul Levazım Mahallesi, Kuru Sokak No: 2, Zorlu Center, 34340 Beşiktaş, Istanbul, in compliance with the Company's Articles of Association.

- Invitation for the meeting 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. 9044 and dated 31 March 2016, and in Dünya newspaper dated 31 March 2016, and also by being posted on the Public Disclosure Platform, E-General Assembly System of the Central Registry Agency and the Company's website at "www.vestelinvestorrelations.com", by announcing the date and the agenda of the meeting. In order to facilitate attendance to the General Assembly Meeting, announcements were published in a Turkish daily newspaper and with the General Assembly Information Document prepared in accordance with the Corporate Governance Principle no. 1.3.1, access was given to all the necessary information about the General Assembly Meeting, as well as to the information and announcements required by the regulations, and the relevant documents were also made available in hard copy for the examination of shareholders at the Company's headquarters. A sample power of attorney form was also made available for the use of the shareholders on the Company website.
- Out of the total 33,545,627,500 shares corresponding to the Company's total share capital of TL 335,456,275.00, 100,440 shares corresponding to TL 1,004.4 in capital were represented in person and 28,863,208,269.6 shares corresponding to TL 288,632,082.696 in capital were represented by proxy at the meeting. The meeting quorum achieved in the General Assembly was 86.04%.
- Prior to the Ordinary 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.
- The agenda of the meeting was prepared in such a way that, each proposal was given under a separate heading and the headings were expressed clearly and in a way that will not lead to different interpretations. The care was shown for the agenda to not to include phrases such as "other" and "various" and the information to be provided prior to the General Assembly Meeting was given with a reference to the related agenda items.
- 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 Ordinary General Assembly through an electronic medium.
- The Company's Articles of Association contains no provisions for 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 2015 Ordinary 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 independent auditor were present at the General Assembly Meeting so that they could provide the necessary information and answer the questions about the important subjects on the agenda.
- At the Annual General Assembly Meeting, agenda items were conveyed in a clear and coherent manner and shareholders were given the opportunity to express their opinions and pose questions under equal conditions. The shareholders did not pose any questions irrelevant to the agenda or so detailed that they could not be answered immediately during the meeting. Board members and senior managers provide the necessary responses to the questions coming from the shareholders at the General Assembly Meeting.
- At the General Assembly Meeting, shareholders were informed under a separate agenda item about the total donations of TL 335,311.44 made during the year 2015.
- The upper limit for the donations to be made in 2016 pursuant to the Article 19 of the Capital Market Law

numbered 6362 was submitted to the approval of the General Assembly.

- In 2016, there has not been any transaction which required the approval of the majority of the independent Board members for the Board of Directors to take a decision and where the decision was left to be resolved by the General Assembly.
- Within the knowledge of our Company, the controlling shareholders, Board members, executives with administrative responsibilities and their spouses and relatives by blood or marriage up to second degree did not conduct any material transaction which may lead to a conflict of interest with the Company or its subsidiaries and/or did not carry out a commercial business transaction which is in the same field of activity with the Company or its subsidiaries on behalf of themselves or for a third party or did not become an unlimited shareholder in another company which operates in the same field of activity with the Company or its subsidiaries during the year. There were also no transactions conducted by individuals who have access to the Company information in a privileged way on their behalf within the scope of the Company's field of activity.
- The minutes of the General Assembly Meeting and the list of attendees were disclosed to the public via the Public Disclosure Platform on the same day with the General Assembly Meeting. They are also made available for the examination of shareholders at the Company's headquarters. All the announcements, documents, and other materials related to the General Assembly Meetings are accessible to shareholders and all other stakeholders on the Company website.

2.4. Voting Rights and Minority Rights

- At Vestel Elektronik, the practices that impede the exercise of the right to vote are avoided and each shareholder, including the international shareholders, is given the opportunity to exercise his/her voting right in the easiest and most convenient way. In this context, according to the Article 21 of the Articles of Association titled the "Ordinary and Extraordinary General Assembly and Quorum", shareholders who are entitled to attend the Company's General Assembly Meetings are given the right to participate in these meetings via the electronic media as per the Article 1527 of the Turkish Commercial Code.
- All Vestel Elektronik 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. There is no provision in the Company's Articles of Association which prevents a non-shareholder from voting as a representative by proxy.
- The Company's subsidiaries do not have any shareholding interests in Vestel Elektronik. For this reason, there are no cross-shareholding interests and therefore, this issue was not put to vote at the General Assembly Meeting.
- The Company's Articles of Association does not contain any specific arrangements for the shareholders representing less than one twentieth of the Company's paid-in capital, apart from the rights given by the law. However, two independent members serve on the Board of Directors to represent the interests of all shareholders and stakeholders, particularly those of the minority shareholders.

2.5. Right to Dividends

- There is no privilege granted to shareholders regarding the distribution of dividends. Each share is entitled to an equal dividend.
- The Company's Dividend Distribution Policy which, has been put in place by the Board of Directors' resolution no. 2007/9 and dated 19 March 2007, has been amended in line with the CMB's Communiqué on Dividends no. II-19.1. The Policy was submitted to 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 Company website.

- The Company's Dividend Distribution Policy, which has been approved 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 domestic and global economic conditions and the Company's growth and investment plans and financial position.
- As per the Board of Directors' resolution numbered 2016/17 and dated 28 March 2016, a separate item was included in the agenda of the 2015 Ordinary General Assembly Meeting for informing the shareholders that no profit distribution will be made for the year 2015 despite the fact that the Company had recorded a TL 59,620,000.00 net profit in its 2015 consolidated financial statements prepared in accordance with the Turkish Accounting Standards pursuant to the CMB legislation and a TL 135,385,025.59 net profit in its statutory financial statements prepared under the provisions of the Tax Procedure Code, as there remains no distributable profit after offsetting the net profit for the year against the previous years' losses and therefore, no dividends were paid.
- Information required by the applicable legislation regarding the Dividend Distribution Policy and dividend distribution is provided in the annual report each year. Dividend Distribution Policy was also announced to the public through the Company website.

2.6. Transfer of Shares

- The Company's Articles of Association does not contain any provisions restricting the transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website

- 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.
- Company's web address is "www.vestelinvestorrelations.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 which 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 (Central Securities Depository - CSD) and the announcements which are required to be made by the Company by law can be accessed through the e-Company Information Portal of the CSD.
- The Company's website contains the required information and documents stipulated in the CMB's Corporate Governance Principles and the Turkish Commercial Code.
- Majority of 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 individuals, institutions or interest groups that are related with the achievement of goals or activities of the Company, such as employees, creditors, clients, suppliers and various non-governmental organizations. The Company protects the rights of the stakeholders, which are set by the legislation and mutual agreements, in its transactions and operations. In cases where these rights are not protected by law and mutual agreements, utmost care is given to protect the rights of the stakeholders in good faith and within the Company means.
- Stakeholders are regularly informed about the matters related to them in accordance with the Company's Public Disclosure Policy.
- Employees and management hold periodic meetings which help employees to remain 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 employees. In addition, employees are kept continuously informed via the corporate portal and e-mails.
- To measure customer satisfaction, Vestel Elektronik regularly visits its dealers, which is one of its most important stakeholder groups. In addition to these visits, regional "Dealer Meetings" are organized and in these meetings the Company's strategy and vision are shared with the dealers and both sides exchange opinions. If necessary, additional meetings are held with the dealers either one-to-one or as a group.
- The Company also carries out face-to-face evaluation meetings with its domestic and international suppliers on a quarterly basis.
- The after-sales services of Vestel Group companies are carried out by the Vestel Customer Services General Directorate ("Vestel Customer Services"). The field organization of Vestel Customer Services consists of 354 authorized service points providing services throughout the country, 12 Central Services in 11 different provinces, a call centre and technical and field units. Vestel Customer Services promises a unique customer experience with its mission of providing services which are trusted and transforming expectations to pleasure and pleasure to appreciation. In line with this mission, Authorized Service Center Meetings are held every two years for the authorized service centers, which are divided into 4 regions and are managed regionally, with the participation of all authorized service providers and the Company's senior management. In these meetings where mutual feedback and opinions are exchanged, plans are made for the authorized service centers for the coming one year period and successful applications are awarded. In the years when these general meetings are not held, Regional Meetings are organized aimed at meeting the needs of the respective region. Within the scope of continuous communication with the authorized service centers, the General Manager of Vestel Customer Services sends them informative e-mails on a monthly basis about the matters on the agenda.
- The shareholders and investors are informed via specified means and in line with the Capital Market Law

and CMB regulations.

- In the event of any conflict of interest between the stakeholders or where a stakeholder is involved in more than one interest group, the Company pursues a balanced policy to the extent possible with the aim of protecting each individual right independently from each other.
- The stakeholders can report the Company's transactions violating legislation or not compliant with the ethical rules to the Corporate Governance Committee, the Audit Committee or the Investor Relations Department by accessing them via phone and/or e-mail.

4.2. Stakeholders' Participation in Management

- Models supporting the participation of stakeholders, primarily of the employees, in company management are developed in a manner not to hinder the activities of the Company. Besides, 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 Executive Committee.
- In making important decisions with regard to stakeholders, senior executives representing stakeholders are invited to the Board and Executive Committee meetings to express their opinions. Moreover, attention is paid to ensure that employees participate in the Board and Executive Committee meetings at certain intervals so that they can provide their opinions first-hand.
- Employees may convey their proposals which will add value to the Company and their complaints, if any, to the Human Resources Department through the "Vestel Suggestion and Improvement System" included in the Company's corporate portal. Moreover, the employees can share their suggestions for improving the quality, cost, occupational safety and efficiency in daily production processes and their innovative ideas with the management within the scope of the ("TPM") and Kaizen-Continuous Improvement activities, in which the participation of all employees is ensured, by using the kiosks located in different parts of the factories, via the web, through the "Suggestion and Appreciation Recognition System" located on the corporate portal or via the suggestion forms left in the suggestion boxes or in the autonomous maintenance boxes. The collected employee suggestions are evaluated by the TPM Office and the ideas which are deemed suitable for implementation are turned into a project and implemented in line with the Company's goals and strategies. In order to encourage employee to participation in the system, employees are rewarded for their ideas which are deemed eligible for being converted into a Kaizen or a project.
- In determining the Company's domestic sales strategy, the feedback received from the dealers and their views on market dynamics are taken into account. In addition to dealer visits and meetings, dinner meetings are held with the participation of the Company's senior management during the month of Ramadan. In these meetings, the dealers are given the opportunity to directly convey their views to the Company management. The dealers are also invited to campaign meetings organized by the Company's Sales and Marketing Departments every two months to design domestic sales campaigns, and their opinions and recommendations on existing campaigns are taken. Inspiration is taken from the successful campaigns locally implemented by the dealers and some of them can be extended to the national scale by the Company.
- Vestel Elektronik integrates the ideas and the feedback received from its dealers regarding its products into its production processes. In this context, factory visits are regularly organized for the dealers during which dealers are provided information about the new products to be launched. The feedback received from the dealers during these visits enables the Company to better understand the demands and needs

of the end-consumer and reflect them on its products.

- For Vestel Elektronik, the satisfaction of the dealers who are in direct contact with the end-consumer and represent the Company in the field is as important as customer satisfaction. In this context, satisfaction surveys are being conducted in order to measure the satisfaction of the dealers since 2016. In addition, the Dealer Communication Platform ("DCP" - web-based Intranet system) was established in order to allow the dealers to convey their suggestions, questions and requests directly to the related departments of the Company. Thanks to the DCP, Vestel Elektronik is able to take action on the feedback coming from its dealers promptly. In addition, the feedback received through the DCP is regularly shared with the senior management.
- Vestel Elektronik's purchasing department makes a presentation to the top management about the procurement processes of the relevant period at the end of each quarter. Feedback received from the suppliers, as well as their suggestions and expectations are conveyed in detail to the senior management through these presentations. Thanks to such presentation, a number of suppliers were encouraged to invest in Manisa where Vestel's production facilities are located.

The Company includes its suppliers into its product development and production processes. In this context, factory visits are organized for the new suppliers as well as for the sales and R&D teams of the existing suppliers, who want to see the production processes. These visits are aimed at demonstrating Vestel's production technology and quality practices to its suppliers. Information on a new product to be designed by the Company's R&D Department is shared with the suppliers who will provide the key components in the preliminary design stage, and some design revisions can be made to the products in response to the feedback coming from the suppliers. In addition, suppliers' views are taken into account in improving the production processes of the existing products.

The Company can make joint investment with the suppliers for specific components or can give a quantity guarantee to certain suppliers to ensure the continuity of their production. In addition, improvements can be made jointly with the suppliers in the production processes of some key components.

Vestel Elektronik attaches great importance to the satisfaction of its suppliers. Suppliers can communicate with the Company through the web-based supplier portal and the Supplier Life-Cycle Management (SCL) Module, which was launched in 2015 and can be accessed through this portal. The Company is currently working on a project in order to conduct a satisfaction survey on suppliers through the supplier portal. This project, which is targeted to be completed in the first quarter of 2017, will enable the domestic and international suppliers to convey their feedback and evaluations about the Company's purchasing practices to the Company through the portal.

For Vestel Elektronik, the development of suppliers is also of importance. Training programs are organized for the suppliers for them to effectively use systems such as the Supply Network Collaboration (SNC) and the Supplier Life Cycle Module, whose infrastructure was developed and implemented to improve the processes of suppliers within the scope of the Supply Chain Excellence Project. In addition, if needed by the Supply Chain Officers working at the Vestel's Far East office, immediate support is provided to the Company's overseas suppliers.

- Vestel Elektronik gives utmost care to the feedback coming from the authorized service centers. Each feedback which is directly received by the senior managers is meticulously assessed and necessary actions are taken. Authorized service centers can instantly access Service Operation Specialists through WhatsApp. Furthermore, they can convey any questions about the processes and systems by filling a form via the SAP CRM (Customer Relationship Management) System. Authorized service centers can also convey their suggestions and opinions to the Company by using the suggestion system named "Fikirler Fora" (Ideas Cast off). Authorized service centers share customers' feedback about the products with the Company. Such feedback is taken into account by the Company during both product development and

product improvement processes.

Setting out from the question of how an ideal authorized service centre should be, Central Services were established within Vestel Customer Services in order to provide a role model for the authorized service providers. The Central Services intervene in issues which cannot be solved by the authorized service centers in the field. The Central Services are also responsible for the coordination, training and supervision of the authorized service centers as well as for rapid supply of spare parts.

The Vestel Service Academy, established within the Vestel Customer Services, provides applied specialist and development trainings on products to authorized service technicians who are in direct contact with the customers. Technicians participating in trainings carried out in Manisa are allowed to visit Vestel City, the Company's manufacturing complex, and are informed about the Company's production processes and products. Trainings are regularly provided to the employees of the authorized service centers in training halls located in the Central Services. In addition, visits are made to the authorized service centers, where the development area is identified, by the Central Service customer representatives or technicians, and customized trainings are provided on related topics. Regular online trainings provided from the live broadcast studio allow the technicians of the authorized service centers to rapidly access up-to date technical information.

"Stakeholder Perception Surveys" are conducted once a year by an independent research company to obtain and evaluate the feedback received from all the stakeholder groups. In this context, a Service Satisfaction Survey is also conducted for the authorized service centers. In this survey, the feedback on the topics such as the authorized service centers' commitment to the Vestel Customer Services, training, the infrastructure and electronic systems used, communication with the Central Services, spare parts support, call center processes are collected. On the other hand, through a customer satisfaction survey conducted annually by an independent research company, the quality of services which customers obtain from the authorized service centers is also questioned.

- Vestel Elektronik pays utmost attention to the monitoring and evaluation of the customers' suggestions and complaints. In this context, after-service satisfaction surveys are conducted with the customers and satisfaction messages are sent via phone in order to instantly measure the customer satisfaction.

In addition to surveys and visits, customers can also communicate their complaints and suggestions to Vestel Customer Services through the 7/24 serving Vestel Call Center, the corporate website or CapCanlı (Live) Support line which provides direct access to customer representatives through a mobile application, social media accounts, WhatsApp application, vmh@vestel.com.tr and via the dealers and service points. All suggestions and complaints are handled by Vestel Customer Services' complaint management system, which is certified by the ISO 10002 Customer Satisfaction Management System Certificate. Incoming complaints are recorded and followed by the complaint tracking number. Evaluation and resolution of the complaints and communication of solutions and feedback to and from the customers are undertaken in line with the standards of the system. In order to prevent complaints and to ensure customer satisfaction, projects intended to eliminate the root causes of complaints as well as improvement studies are carried out. The system is intended to be constantly improved via the conduct of trainings, system audits, complaint management and satisfaction analyses.

In order to provide customers an exceptional experience that goes beyond mere satisfaction, calls that are finalized with an expression of thanks are followed. Further improvement activities are taken so as to ensure quality service and sustainability of the Company's success.

4.3. Human Resources Policy

- The Company's human resources operations are carried out by the Vestel Human Resources Department,

which reports to the Zorlu Holding Human Resources Group. The Directorate was structured under 4 main organizations including Industrial Relations Directorate, Recruitment and Talent Management Directorate, Training and Personnel Development Directorate and Administrative Affairs Directorate. The Head of Zorlu Holding Human Resources Group is also a member of the Executive Committee of the Vestel Group of Companies which ensures regular provision of information on employee related matters the top management.

- The Company's Human Resources Policy is set forth in writing and covers all the 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 about their job descriptions and division of tasks, as well as the 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 Promotion Regulation, respectively.
 - Vestel Group has in place a performance evaluation system which is based on individual performance, but is also linked to departmental and company-wide results, and 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 an 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 system and a remuneration system has been established, which is updated in line with the changing conditions.
 - Comprehensive training programs are held for employees. While the training process is centrally handled for all the Vestel Group of 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 training programs in line with their career plans and needs.
 - Vestel Technology Academy was founded mainly for Vestel Group's engineering staff. The Academy provides masters and PhD level educational opportunities to around 300 employees. Additionally, the "Management Trainee" and similar programs are planned and implemented on a yearly basis in order to cultivate qualified managers.
 - Two separate career development structures have been set up: promotion and horizontal advancement. The system is run at 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 which might cause discrimination among employees and

all personnel are treated equally without any distinctions. There were no complaints from the employees related to discrimination.

4.4. Code of Ethics and Social Responsibility

- Vestel Elektronik's Code of Ethics has been set forth in writing and published on the Company website pursuant to the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics, which is formulated for the Company, the Board and the employees, is complied with in full.
- Under its social responsibility principle, Vestel Elektronik undertakes social efforts by contributing to the social responsibility projects carried out by Zorlu Holding in the areas of education, sports and culture, as well as by undertaking projects on its own. Zorlu Group, of which Vestel Elektronik 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 the value created in this scope, in 2016 Vestel Elektronik published its progress report for the year 2015 on the unglobalcompact.org website 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 Social) and Walmart Social Responsibility audits by the independent audit firms.
- Within the scope of the Supply Chain Excellence Project, the Code of Ethics was also added to the Company's procurement website to share Vestel Elektronik's Code of Ethics with the Company's suppliers and to encourage suppliers to also adopt these rules. Also in 2016, in accordance with Vestel's commitment to a non-conflict supply chain, in order not to supply the certain metals (Gold, Tin, Tungsten, Tantalum) used in its products from Conflict-Affected and High-Risk Areas, where there are violations of human rights, the compliance commitments of suppliers in this direction have begun to be collected by making addition to the SLC (Supplier Lifecycle) System in order to inform and warn the Company's business partners in the supply chain.
- Assuming the responsibilities of being a global player in consumer electronics and household appliances, Vestel Elektronik carries out environmental impact reviews of its operations, production lines, and products. The Company 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 Elektronik demonstrated its commitment to this area by obtaining the TS-EN ISO 14001 Environmental Management System Certification in 1998. The Company has pledged itself to continuously improve its performance on environmental issues, prevent pollution, strictly obey all the environment-related laws, legislation, and administrative regulations, and allocate sufficient and appropriate resources in its efforts to:
 - Take environmental factors into account in the evaluation of new products, projects and operations,
 - Reduce the use of hazardous substances in products and production processes, and seeking substances with less polluting properties,
 - Reduce, reuse, recycle, and recover waste,
 - Ensure savings of energy, water and natural resources by supporting productivity increases and use of new technologies,
 - Use recycled/recyclable packaging materials wherever feasible,

- Organize events aimed at fostering environmental awareness.
- Within the scope of its environmental applications, the Company's "Nano Chrome Coating" system, used in the production of smartphones and televisions won an award in the Process Category in the European Commission's European Business Awards for the Environment, which was held in cooperation with the Regional Environmental Centre ("REC") and the Union of Chambers and Commodity Exchanges of Turkey ("TOBB") in 2016. Vestel represented our country in Europe as Turkey's "most sustainable and innovative" company and won the Second Prize in the Process Category in the 2016-2017 European Commission's European Business Awards for the Environment, which was held following the Turkish award ceremony.
- 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.

Compliance with National and International Legislation Related to the Environment and Energy

- The Company closely monitors its compliance with all the mandatory regulations throughout a product's life cycle. Legal compliance issues are dealt with in accordance with both ISO 14001 Environmental Management System and ISO 50001 Energy Management System standards. In order to safeguard the human and environmental health and safety, Vestel Elektronik has established many procedures on the basis of the mandatory regulatory requirements and Management Systems Policy and ensures that its operations abide strictly by such procedures and requirements.

The Company also fully complies with the following EU laws and regulations applicable to its industry:

- WEEE (Waste of Electrical and Electronic Equipment) Directive,
- RoHS - (Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment),
- Ecodesign Framework Directive for Energy-Related Products,
- REACH - Regulation of the Registration, Evaluation, Authorization and Restriction of Chemicals,
- Regulation on Energy Efficiency and Increasing Efficiency in the Use of Energy and Energy Resources.

Energy Efficiency

- Vestel Elektronik capitalizes on 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 Environment and Energy Management Systems, 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 equipment breakdown, less dissemination, saving of energy and raw materials with the Autonomous Maintenance approach,
- Reducing scrap and rework, therefore, reducing waste,
- Increasing efficiency and quality and achieving continuous improvement.

Vestel Elektronik has successfully completed the first phase of the TPM Management System and on 11 January 2013, became eligible for receiving the "TPM Excellence Award". At the end of 2014, the TPM Excellence Award continuity audit was successfully completed and the Company received the Award for Excellence in TPM Commitment. The Company also successfully passed the preliminary evaluation in the TPM Special Award category in 2016. Vestel Beyaz Eşya Sanayi ve Ticaret AŞ, a subsidiary of the Company, was handed the "TPM Excellence" Award an account of its TPM activities simultaneously carried out at its refrigerator, washing machine, dishwasher, air conditioner and oven production plants. As the first company in the household appliances sector deemed worthy of this award with 5 separate factories at the same time, Vestel Beyaz Eşya notched up a worldwide success.

Senior executives regularly monitor and assess the relevant performance results. The Company has assigned an energy officer and an energy management representative to ensure that the Energy Management System is operated efficiently. The Company passed the required audits in 2012 and obtained the TS EN 50001 Energy Management System Certificate and ensured its continuity in 2016.

Energy saving activities which were undertaken in 2016 are given below under their main headings:

- Prevention of idle operation of air curtain,
- Hot runner control module application,
- Insulating the Chiller pipe fitting whose insulation has failed,
- Prevention of air leak,
- Surrounding the cooling tower with panels,
- Increasing the vacuum volume of vacuum pump motors,
- Steam saving in the production of front cab for LED TVs.

Climate Change

- Climate change is not only an environmental but also a social and economic threat. Vestel Elektronik considers climate change as an important risk for both the future of the world and sustainability of the Company and carries out pivotal projects in this regard. The Company initiated studies for the measurement and reduction of its carbon footprint and participated in the Carbon Disclosure Project. In 2015, Vestel Elektronik published its carbon emissions data on the Carbon Disclosure Project's (CDP) website. As is known, CDP is an initiative, which was initiated in 2000, to encourage companies, investors and governments to collect and share emissions-related data which could help in the fight against climate change. The companies from Turkey which responded to CDP are also rated according to CDP's methodology, with the support of Ernst & Young Turkey. In CDP's 2015 evaluation, Vestel Elektronik's carbon disclosure score was raised from 89 to 95. In 2016, within the scope of the CDP's renewed scoring

methodology, the Company issued statements in the Climate Change, Water Program and Supply Chain modules and respectively earned scores of B in the Climate Change module (the average score in the module was C), B- in the Water Program module (the average score was B-), and B in the Supply Chain module (the average score was D).

Sustainability

- Environmental awareness and sustainability are the most important elements of Vestel Elektronik's vision. Due to the rapid change in social, economic and environmental factors in the world, the increasing strain on natural resources creates a threat for damaging the natural structure. Vestel Elektronik is aware that the sustainability of its success is possible only if it adheres to a fully-responsible approach in the design of its products. Considering this fact, Vestel Elektronik allocates a considerable amount of funds to research and development activities; for both reducing the energy consumed by its products and for the development of new environmentally friendly and recyclable materials which will be used in its products. Issues such as less power consumption, reliability for long product life, elimination of hazardous chemicals, use of recyclable materials, reducing the variety in the use of materials and less use of raw materials, etc. are considered to be the main factors in the design of its products. Considering that the Company has annual production capacities of 15 million units in electronics and digital products and 9 million units in household appliances, improving the design of a product will create a chain reaction in improving the environmental impacts in the supply chain, during the production and use of the product and at the end of the life cycle of the product, by reducing energy consumption, fuel consumption, transport-based carbon emissions and decreasing the use of packaging, etc. and thus, Vestel Elektronik has been constantly increasing the resources allocated to this matter.
- Vestel Elektronik has been included in the BIST Sustainability Index from 2 November 2015, as a result of the evaluations conducted by Borsa Istanbul on the Company's practices in the area of sustainability. BIST Sustainability Index is comprised of the publicly traded companies with a high rating on corporate sustainability performance. Vestel Elektronik was deemed eligible for inclusion in the BIST Sustainability Index again for the November 2016 - October 2017 period, as a result of the assessments conducted by Borsa Istanbul in 2016. Information related to sustainability issues can be found on the Company's website at www.vestelinvestorrelations.com.
- At Vestel Group of Companies ("Vestel"), of which Vestel Elektronik is a member, 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. Prior to developing social responsibility projects, the Company first identifies the areas in which public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness which it displays in all of its operations, never compromising its total quality approach.
- Many projects are carried out at Vestel, where the greatest care is shown for the disabled citizens at every opportunity. These projects are summarized below:
 - With the "Equal Chance" Project carried out at the Electronics Factory, it was aimed to create employment for individuals who are hearing and visually impaired following various training programs. Within the scope of the project which started with 11 people on 5 May 2015, the number of disabled personnel reached 139 as of the end of the year. In this context, production lines in the areas where

the disabled people were to work were customized specifically for them. In addition, "Basic Sign Language Education" was launched with the Celal Bayar University Continuous Education Center on 22 December 2015 to improve the lives of people with disabilities who were employed through this project, to increase the awareness of employees without disabilities and to strengthen their communication with each other. A total of 49 Vestel employees, including 28 in the 1st group and 21 in the 2nd group, participated in this training program and received their certificates.

- The Company stands by disabled citizens, not only by creating jobs, but also assisting them in their daily life. As such, one battery driven and 43 manual wheelchairs were provided to 44 disabled citizens.
- A total of 237 disabled citizens were employed at Vestel in the past year, including 103 at Vestel Beyaz Eşya, taking the total number of disabled employees working at Vestel up to 418.
- With the "Accessibility Project" initiated by Vestel to improve accessibility for the disabled in every area, from its products and factories to its customer services and stores, Vestel aims to undertake the transformation which will make life easier for people from all walks of life. The Accessibility Project, which is being carried out as a 360-degree project, aims to ensure that all the products manufactured by Vestel, all working environments, including the production plants, and all communication channels are easily accessible for the disabled individuals. Within the scope of the project, televisions and household appliances produced by Vestel can be managed from mobile phones and tablets through voice commands and household appliances have become easily usable for the visually impaired thanks to the service kits prepared with the Braille alphabet, which are placed on the control panels of the household appliances. Vestel televisions may be controlled with voice commands and the voice feedback mobile application thanks to the "accessibility mode", offered by the Company's smartphone, the Venus V3 5040 model. In addition, small household appliances can be controlled through voice. With the Accessibility Project, audio manuals and promotional videos were developed for the disabled. In addition, a project was initiated to create a visual call centre for the hearing impaired.
- Within the scope of the Company's "Accessibility Project", No Obstacles Hackathon (Engelsiz Hackathon) was held together with the Young Guru Academy ("YGA") on May 7-8 2016. Within the scope of the competition, Vestel Elektronik offered to provide R&D and manufacturing support to the selected products which provide concrete solutions to meet the daily needs of the visually impaired. Vestel provided its know-how and opened the doors of Vestel City to YGA entrepreneurs for the implementation of the WeWALK Smart Walking Stick project, developed by the group which won the 1st place in the competition with the "Obstacle Detection Glass" project. The initial design and production of the WeWalk Smart Walking Stick were undertaken at Vestel City. The industrial design, software and hardware design and prototype studies for the product were also carried out with YGA's volunteer engineers at Vestel City. Developed with the Technology Mobile application support to increase the freedom of movement for the visually impaired and to make life easier for them, the WeWALK Smart Walking Stick has the features of obstacle detection, telephone integration and an open platform. All mobile applications can be integrated into the WeWALK Smart Walking Stick, which can connect to the user's mobile phone via Bluetooth to enable the visually impaired user to access a wide range of services such as navigation and transportation through the walking stick without needing to touch his/her mobile phone. The smart walking stick WeWALK was chosen the "Social Innovation of the Year" at the Innovation Summit held by the Turkish Exporters Assembly. WeWALK qualified to compete in the finals of the "Best Wearable Mobile Technology" category at the Global Mobile Awards 2017, which is among the sector's most important awards worldwide and organized within the scope of the GSMA Mobile World Congress.
- Vestel Elektronik deems contributing to the development of social life in the field of sports as one of its social responsibilities. With this understanding, Vestel became the name sponsor of the Sultans League - the highest league of women's volleyball in Turkey - for the 2016-2017 and 2017-2018 seasons and the

main sponsor for the Turkish National Volleyball Teams within the scope of the cooperation undertaken with Turkey's Volleyball Federation ("TVF"). Vestel Elektronik also assumed the official sponsorship of "Factory Volleyball", which are the TVF Volleyball Schools which shape the future of Turkish Volleyball and enable hundreds of athletes to grow.

- Vestel Elektronik became the sponsor of the Turkey Event organized by Destination Imagination ("DI"), which is the world's largest event devoted to creativity, teamwork and solution development and which aims to help children resolve the problems they will face in real life and to develop the skills they can use throughout their lives, in Kuşadası. Within the scope of the activities carried out by the Company throughout the event, Vestel offered children the opportunity to exhibit their creativity through a variety of fun games and applications. Of the 2,000 children who participated in the DI Turkey Event, the 39 children who presented the best television designs qualified to participate in the event to be held in the USA by the DI.

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 2016 Ordinary General Assembly Meeting | Chairman and Vice Chairman - Zorlu Group Companies | - | Non-executive |
| Ali Akın Tarı | Vice Chairman | Until 2016 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 2016 Ordinary General Assembly Meeting | Board Member - Zorlu Group Companies | - | Non-executive |
| Mehmet Emre Zorlu | Board Member | Until 2016 Ordinary General Assembly Meeting | Board Member - Zorlu Group Companies | - | Non-executive |
| Olgun Zorlu | Board Member | Until 2016 Ordinary General Assembly Meeting | Board Member - Zorlu Group Companies | - | Non-executive |
| Hacı Ahmet | Board | Until 2016 | Vice Chairman - Vestel | Board Member - | Independent |

| | | | | | |
|------------------|--------|-----------------------------------|---|---|--|
| Kılıçođlu | Member | Ordinary General Assembly Meeting | Beyaz Eşya San. ve Tic. AŞ. Board Member - Zorlu Enerji Elektrik Üretim AŞ | Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Dođan Gazetecilik AŞ and Dođan Holding | |
|------------------|--------|-----------------------------------|---|---|--|

Ahmet Nazif Zorlu - Chairman

(1944 - Denizli) Ahmet Nazif Zorlu began his professional career in a family owned textiles business in Denizli, Babadađ. He opened his first textile store in Trabzon, later in 1970 Mr. Zorlu moved the Company's headquarters to Istanbul and laid the foundations of Zorlu Holding with his brother, Zeki Zorlu. Ahmet Zorlu set up his first company, Korteks in 1976 and gathered all of his companies under the roof of Zorlu Holding in 1990. Acquiring Vestel in 1994, Ahmet Zorlu opened the door to new lines of business for Zorlu Holding. Zorlu's entrepreneurialism which began with the textile industry went on to manifest itself in more companies operating in a wide range of industries, such as household appliances, electronics, energy, property development, metallurgy and defense.

With a keen interest in civil society organizations, Ahmet Zorlu is a member of the Board of Directors of the Foreign Economic Relations Board, the Turkish Industry and Business Association, the Education and Culture Foundation of the Society of Denizli, the Babadađ Industry and Business Association, and the Turkish Home Textile Industrialists and Businessmen Association. Ahmet Zorlu is the founder of Mehmet Zorlu Education, Health, Culture, and Solidarity Foundation (MZV) and carries out his social responsibility projects through MZV since its foundation in 1999. MZV has built many schools and provides scholarships to a large number of students. Ahmet Zorlu also attaches great importance to the social efforts aimed to boost the Turkish business world's influence abroad. Accordingly, he was awarded the Royal Spanish Order of Civil Merit by King Juan Carlos I of Spain in 2007 for his contribution to developing and strengthening the relations between Spain and Turkey.

Ali Akın Tarı - Vice Chairman

(1943 - Koruköy) After his graduation from the Istanbul Law Faculty, Ali Akın Tarı served as a Tax Inspector and 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 to the Banking Regulation and Supervision Agency in 2001. Ali Akın Tarı was also elected as a Board Member to the Savings Deposit Insurance Fund in addition to being a Board Member of the Banking Regulation and Supervision Agency 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. Besides his position as a Board Member at Vestel Elektronik, Mr. Tarı also serves as a Board Member at Vestel Beyaz Eşya and Zorlu Enerji.

Selen Zorlu Melik - Board Member

(1975 - Trabzon) Selen Zorlu Melik graduated from the Faculty of Economics and Administrative Sciences, Department of Business Administration at Uludađ 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. Selen Zorlu Melik currently serves as a Board Member in numerous companies within the Zorlu Group in addition to being a Board Member at Vestel Elektronik.

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. Mehmet Emre Zorlu is a member of the Young Presidents' Organization (YPO), the Young Businessmen Association of Turkey (TÜGİAD) and Endeavor Turkey.

Olgun Zorlu - Board Member

(1965 - Trabzon) After graduating from university in the United Kingdom with degrees in Textile and Business Administration, Mr. Olgun Zorlu began his professional career in 1986. He has started to serve in managerial positions at various Zorlu Group companies in 1988 and managed their foreign market research and business development operations. Mr. Zorlu began serving as a Board Member at Zorlu Holding in 1998. In addition to his Board membership at Vestel Elektronik, Mr. Zorlu also serves as a Board member at Zorlu Holding and various other Zorlu Group companies.

Hacı Ahmet Kılıçoğlu - Board Member

(1956 - Giresun) Hacı Ahmet Kılıçoğlu graduated with a Bachelor's degree and Master's degree in Economics 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. In addition to his position as a Board Member at Vestel Elektronik, Mr. Kılıçoğlu also serves as a Board Member at Vestel Beyaz Eşya and Zorlu Enerji, which are Zorlu Group Companies. He is also a Board Member at Şeker Mortgage Finansman AŞ, Şekerbank Kıbrıs Ltd., Doğan Gazetecilik AŞ and Doğan Holding AŞ.

The Chairman of the Executive Committee is Mr. Enis Turan Erdoğan.

Enis Turan Erdoğan - Chairman of the Executive Committee

(1955 - Mersin) Enis Turan Erdoğan graduated from the Department of Mechanical Engineering at 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, Mr. Erdoğan 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 1 January 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.

- The Company's Board of Directors is structured to provide the highest level of efficiency and effectiveness. The Company pays utmost attention to compliance with the Capital Market Law and CMB regulations in this area.
- The Board of Directors has the powers and duties set forth in the relevant articles of the Turkish Commercial Code and the Article 17 of the Company's Articles of Association.
- Vestel Elektronik's Board of Directors consists of 6 members. Four of the six members of the Board are non-executive members and two are independent members. In accordance with the CMB's Communiqué on Corporate Governance, one third of the Board is comprised of independent Directors who can perform their duties without being influenced.
- The Chairman of the Board and the Chairman of the Executive Committee are different individuals: The Chairman of the Board is Mr. Ahmet Nazif Zorlu and Chairman of the Executive Committee is Mr. Enis Turan Erdoğan.
- There are no restrictions with respect to the Board members taking up other duty or duties outside the Company, but the regulations set forth in the Corporate Governance Principles are complied with in this regard.
- Prior to the General Assembly Meeting for the year 2015, two independent board member candidates were presented to the Corporate Governance Committee, which also fulfills the duties of the Nomination Committee. The candidates for the independent board membership submitted their written statements of independence within the framework of the legislation, Articles of Association and the independence criteria set forth in the Corporate Governance Communiqué to the Corporate Governance Committee at the time of their nomination. The Committee submitted its assessment reports on whether these candidates fulfill the independence criteria to the Board of Directors on March 24, 2016. Upon a resolution by the Board of Directors dated March 28, 2016 and numbered 2016/13, it was decided that these candidates would be submitted to the approval of shareholders at the General Assembly to become independent Board members. The Board's proposal was approved by the shareholders at the 2015 General Assembly Meeting held on April 26, 2016. Information on the independent Board member candidates was disclosed to the public with the General Assembly Information Document published together with the General Assembly invitation.

Statement of independence of the independent board member candidates is provided herein below:

"I hereby declare that, I am a candidate for assuming the role of an "Independent Member" on the Board of Directors of Vestel Elektronik Sanayi ve Ticaret AŞ within the scope of the criteria stipulated in the legislation, the Company's Articles of Association and the Capital Markets Board's Communiqué on Corporate Governance no. II-17.1, and in that regard;

- a) Within the last five years, no employment relationship has been established between me, my spouse and my relatives by blood or marriage up to second degree and the Company, the affiliated companies which the Company controls the management of or has material influence over, shareholders who control the management of or have material influence over the Company and legal entities which these shareholders control the management of, in an executive position with significant duties and responsibilities, nor have

I/we individually or jointly held more than 5% of the share capital or voting rights or privileged shares in or established a material business relationship with the same,

b) Within the last five years, I have not been a shareholder (5% and more) or held an executive position with significant duties and responsibilities or served as a Board member in any company from or to which the Company purchases or sells a significant quantity of products or services based on the agreements made during the periods these products or services were sold or purchased including particularly those companies which provide auditing (including tax audit, legal audit and internal audit), rating and consultancy services to the Company,

c) I have the professional education, knowledge and experience necessary to duly carry out the duties which I shall assume due to my position as an independent Board member,

d) I will not be working as a full time employee at any public institution or organization after being elected as a Board member with the exception of working as a faculty member at a university provided that this is in compliance with the relevant legislation,

e) I am deemed to be a resident in Turkey according to the Income Tax Law dated 31 December 1960 and numbered 193,

f) I have strong ethical standards, professional reputation and experience which will allow me to make positive contributions to the operations of the Company, to protect my neutrality in case of conflict of interest between the Company and the shareholders and to decide independently by taking into consideration the rights of the stakeholders,

g) I will be able to dedicate a sufficient amount of time to the affairs of the Company in a manner to follow up the conduct of the Company activities and to duly perform the duties I shall assume,

h) I have not served as a Board member on the Company's Board of Directors for more than 6 years within the last ten years,

i) I am not serving as an independent board member at more than three companies whose management is controlled by the shareholders controlling the Company and Company management and at more than five companies which are traded on the stock exchange,

j) I am not registered and declared on behalf of the legal entity which is elected as a board member."

- Board Members Mr. Hacı Ahmet Kılıçoğlu and Mr. Ali Akın Tarı are independent members who fulfill the independence criteria envisaged in the CMB's Corporate Governance Principles. No circumstances occurred during the reporting period to end the independence status of the independent board members.
- 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 Directors. However, a policy has not yet been formulated towards reaching this goal.

5.2. Operating Principles of the Board of Directors

- The gathering procedures and frequency of Board meetings are set forth in the Company's Articles of Association.
- Agendas for the Board meetings are determined by the Chairman and Board Members. Requests coming from the Company management are also taken into account when setting the meeting agendas.
- Article 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. The Board of Directors shall be convened by the Chairman of the Board or the Deputy Chairman when the Chairman is not available. Any member may

request from the Chairman to call the Board for a meeting.

- In order to increase the attendance at the meetings, the meeting dates are determined and notified to the Board Members at the beginning of the year. As a result, Board Members are given the opportunity to adjust their schedules according to meeting dates. As another measure to increase attendance at the meetings, the following article was added to the Company's 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."
- The Board of Directors convenes with absolute majority and resolves with the majority of those present at the meetings.
- During 2016, the Board of Directors passed 54 decisions in 44 meetings held. The meeting attendance rate was 100%, and all the decisions were passed with the unanimous votes of the attendants.
- Invitation to the meetings is made via e-mail at least 7 days before the meeting. The secretariat which has been set up within the Company to report to the Board of Directors, provides the Board Members with the agenda and documents related to the matters on the agenda, together with the invitation.
- Reasonable and detailed justifications for dissenting votes are required to be entered into records on matters for which there were differing opinions at the Board meetings. The dissenting opinions and votes of the independent board members are disclosed to the public. However, to date there has never been an instance of differing opinions by the independent members or the other members at the Board meetings.
- No Board member, including the Chairman, has a preferential voting right or the right to veto the Board's decisions. Each member possesses an equal vote.
- The Board decisions relating to all kinds of related party transactions of the Company are taken with the approval of the majority of the independent board members in accordance with the Corporate Governance Principles.
- Zorlu Holding AŞ, the main shareholder of the Company, has purchased a Directors & Officers Liability Policy to cover the losses which may be suffered due to the wrongful acts of the Board members in the execution of their duties. The Policy covers Zorlu Group Companies including Vestel Elektronik. The total annual liability limit of the policy exceeds 25% of Vestel's share capital.

5.3. Number, Structure and Independence of the Board Committees

- In order to help the Board of Directors to perform its duties and responsibilities more effectively, a Corporate Governance Committee, an Early Detection of Risk Committee and an Audit Committee have been set up, all three of which report directly to the Board. Owing to the structure of the Board, the Company has not set up a separate "Remuneration Committee" or a "Nomination Committee", the duties of which are performed by the Corporate Governance Committee.
- As per the Corporate Governance Principle no 4.5.3, all members of the Audit Committee and the chairmen of the other committees are elected from among the independent members of the Board. In accordance with the Principles, the Chief Executive Officer does not serve on the committees.
- Committee members Mr. Ali Akın Tarı and Mr. Hacı Ahmet Kılıçoğlu serve on more than one committee due to the number of the Board Members and the committee formation requirements in accordance with the CMB's Corporate Governance Principles.
- Committees convene at intervals stipulated by the legislation and the related Committee's working principles or upon a request from a member. The Committees' activities and meeting minutes are presented to the Board of Directors.
- All kinds of resources and support are provided by the Board of Directors to the committees to enable

them to perform their duties. Committees can invite individuals who are deemed to be necessary to their meetings in order to obtain their views.

- Duties, working principles and the members of the Committees are determined by the Board of Directors and are publicly disclosed on the Public Disclosure Platform and the Company website.

Audit Committee

- The Audit Committee was set up for the effective oversight of the Company's financial and operational activities pursuant to the Article 3 of the CMB's Communiqué Serial X, No: 19. The Committee is responsible for the supervision of the Company's accounting system, public disclosure of the financial information, independent auditing and the operation and efficiency of the Company's internal control and internal audit system.
- The Audit Committee can seek the opinions of independent experts on matters which it deems necessary with regard to its activities. The costs of the consultancy services required by the Audit Committee are borne by the Company.
- Pursuant to the CMB's Communiqué on Corporate Governance no: II-17.1, the "Working Principles of the Audit Committee" 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 comprises two members.
- The Chairman of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the election process. The Chairman of the Audit Committee is ensured to have served in a similar position previously, have the knowledge and experience needed to analyze financial statements and be versed in accounting standards.
- Both Audit Committee members were elected from among the independent Directors. The Chairman of the Committee is Mr. Ali Akın Tari, and the other member is Mr. Hacı Ahmet Kılıçoğlu.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 27 April 2016:

| Committee Members | Duty | Status |
|-----------------------------|---------------------------|--------------------------|
| Ali Akın Tari | Chairman of the Committee | Independent Board Member |
| Hacı Ahmet Kılıçoğlu | Member of the Committee | Independent Board Member |

- In principle, the Audit Committee shall convene at least four times a year, being once in each quarter. The Committee convened six times in 2016.
- 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 2016, the Audit Committee performed the following functions:
 - Monitoring of the Company's financial and operational activities,
 - Supervision and approval of the accuracy and conformity of the annual and interim financial statements, which will be disclosed to the public, with the accounting principles employed by the Company,
 - Election of the independent audit firm, preparation of the independent audit contract and initiation of

the independent audit process,

- Following up of the effectiveness and performance of the independent audit activity,
- Supervision of the operation and efficiency of the internal control and internal audit system,
- Conducting studies on the efficiency and adequacy of the internal control system and reporting its evaluations to the Board of Directors,
- Review and approval of the internal control and internal audit reports.

Corporate Governance Committee

- The Corporate Governance Committee was established to monitor the Company's compliance with the CMB's Corporate Governance Principles, carry out studies for improvement and make proposals to the Board of Directors in order to improve the implementation of corporate governance practices.
- Pursuant to the CMB's Communiqué on Corporate Governance no: II-17.1, the "Working Principles of the Corporate Governance Committee" were revised and approved at the Board of Directors' meeting dated 27 March 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 Manager. The Chairman of the Committee is Mr. Ali Akin Tari, an independent Board member.
- Corporate Governance Committee also fulfills the duties of the Nomination Committee and the Remuneration Committee.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 27 April 2016:

| Committee Members | Duty | Status |
|--------------------------|---------------------------|-----------------------------|
| Ali Akin Tari | Chairman 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 Director |

- In principle, the Committee convenes at least twice a year in order to ensure the effective performance of its duties. Corporate Governance Committee convened 3 times in 2016.
- The activities carried out by the Corporate Governance Committee in 2016, in accordance with its working principles put into writing in detail, are presented below:
 - Proposing improvements in corporate governance practices to the Board of Directors in order to enhance compliance with the CMB's Communiqué on Corporate Governance no. II-17.1; conducting and supervising the necessary works for the alignment with the legislation,
 - Overseeing the activities of the Investor Relations Department,
 - Preparing the evaluation reports on the independence status of the independent Board member candidates for submission to the Board of Directors,
 - Carrying out the activities related with the Corporate Governance Rating.

Early Detection of Risk Committee

- The Early The Early Detection of Risk Committee was established in order to identify the risks which could

threaten the existence, development and continuity of the Company, take the necessary measures against these risks and undertake risk management activities pursuant to the Turkish Commercial Code, Articles of Association and CMB's Communiqué on Corporate Governance. The Committee continues its activities with regard to the early detection of threats which may have negative consequences on the development and continuity of the Company and manage the risks effectively by developing action plans against such threats.

- Pursuant to the CMB's Communiqué on Corporate Governance no: II-17.1, the "Working Principles of the Early Detection of Risk Committee" were revised and approved at the Board of Directors' meeting dated 27 March 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 Chairman of the Committee is the independent Board member, Mr. Hacı Ahmet Kılıçoğlu. The other member is Mrs. Selen Zorlu Melik.
- Early Detection of Risk Committee submits a report to the Board of Directors once in every two months.

The structure of the Committee and membership information are as follows as per the decision taken in the Company's Board meeting on 27 April 2016:

| Committee Members | Duty | Status |
|-----------------------------|---------------------------|----------------------------|
| Hacı Ahmet Kılıçoğlu | Chairman of the Committee | Independent Board Member |
| Selen Zorlu Melik | Member of the Committee | Non-executive Board Member |

- The Early Detection of Risk Committee convenes as frequently as necessitated for the efficiency of its activities and in principle at least three times a year. The Committee held 6 meetings in 2016 and presented 6 risk reports to the Board of Directors.
- The activities carried out by the Committee in 2016, in line with the working principles put into writing in detail, are presented below:
 - High risk evaluation was carried out and risk inventory was prepared containing strategic, financial and operational risks which are critically important for the Company.
 - 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 measures.
 - 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 Risks.
 - As a result of the risk inventory and risk management analyses, 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 adoption of the necessary measures against such risks and management of risk.

These reports were as follows:

- The Turkish and Global Consumer Electronics Retail Market,

- The LCD Panel Market,
 - The Evaluation of Vestel Elektronik's Financial Performance for the Year 2015,
 - The Evaluation of Risk Management Systems of Consumer Electronics Companies
 - The Impact of Brexit on the World and Turkish Economy & Brexit Risk Management,
 - The Evaluation of the Year 2016 in terms of Product Recalls.
- Risks and action plans are recorded into and followed-up through the SAP GRC (Governance, Risk and Compliance) System by the Enterprise Risk Management Department.

5.4. Risk Management and Internal Control Mechanism

- Zorlu Holding Enterprise Risk Management Department was founded in 2012 with the purpose of early detecting the risks which may jeopardize the existence, development and continuity of Vestel Elektronik, taking the necessary measures against these risks, and managing the risks in a centralized manner. The Zorlu Holding Risk Policy and Procedure and Enterprise Risk Management Framework, which are applicable to all the Zorlu Group companies, form the basis for the Group's risk management activities.
- 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 employs the SAP GRC (Governance Risk Compliance) system to monitor the risks which the Company is exposed to.
- The Company's internal control systems are evaluated with a risk-focused approach by taking into account the risks which are identified through the risk management analysis and/or during the internal control activities and by taking into account the related actions for risk mitigation. During the course of its activities carried out in line with its vision and mission, the Company may become exposed to risks related with the 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 Enterprise Risk Management philosophy is summarized below:
 - Incorporating risks into the decision-making mechanisms by establishing risk awareness and risk culture throughout 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,
 - Proactively managing these risks through the best actions taken in accordance with the risk appetite.
- Founded on 15 March 2013, the Early Detection of Risk Committee is involved in the early detection of risks that could jeopardize the existence, development and continuity of the Group companies, implementation of the necessary measures against these risks, and management of risks for the purposes of achieving compliance with the Article 378 of the Turkish Commercial Code No. 6102 and for 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. As in other Zorlu Group Companies, the effectiveness and efficiency of these systems are reviewed by the Internal Audit Department within the Zorlu Holding General Directorate of

Audit and Internal Control through the audit activities carried out in line with the risk-based annual audit program. The annual audit program is approved by the Board of Directors and the findings are reported to the Board.

- Periodical meetings are held between the Internal Audit Department and the Audit Committee, where planned and actual audits during the year are evaluated and the findings are shared. At these meetings, necessary action plans and follow-up results for these actions as well as plans for the following period are also reviewed.

5.5. Strategic Targets of the Company

- In addition to managing and representing the Company with a rational and prudent risk approach which optimizes the balance between growth, risk and return and which observes the Company's long-term interests, the Board of Directors is also responsible for achievement of the Company's pre-set financial and operational targets.
- 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 the 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. Actions to achieve the approved targets are initiated as soon as possible; the results are regularly monitored throughout the year by the managers and reported to the Board of Directors.
- The Board of Directors holds an evaluation meeting at least once a year in order to review the Company's operational performance and degree of target achievement.

5.6. Financial Benefits

- The Company's Remuneration Policy for the Board Members and Executive Managers, which has been approved 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, 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 paid to the members of the Board of Directors are determined each year at the General Assembly Meeting. The fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience. Also comparisons are made with the attendance fees paid by the peer companies in the industry.
- Vestel Elektronik's Board members were paid a total gross sum of TL 111,000.00 as an attendance fee in 2016, commensurate with the practices of the peer companies in the sector. The amounts for 2017 will be decided at the 2016 Ordinary General Assembly Meeting. No other benefits are provided to Board members.
- There is no rewarding scheme based on the performance measurement for the Board members.
- The Company does not use payment plans such as dividend, stock options or payment options based on the Company's performance in the remuneration of the independent Board members.
- The salaries of Vestel Elektronik's Executive Managers are determined by the Board of Directors. In addition, Executive Managers may be entitled to bonus payments at the end of the year, 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 manage the operations, the characteristics of the sector, the competitive environment, and the level of salaries paid by the peer companies.

- Remunerations provided to the Company's Chairman, Board Members and Executives Managers are disclosed in the footnotes of the financial statements and in the annual report on a cumulative basis. In this regard, the total amount of remunerations paid to the above during the 12 months ending on 31 December 2016 was TL 26,318 thousand (01.01-31.12.2015: TL 25,448 thousand).
- During 2016, the Company did not lend money or make credit available to any Board Member or Executive Manager, did not extend the maturity of the existing loans nor improved conditions, did not lend any credit via a third party under the name of a personal loan or grant any guarantee such as surety in their favor.