

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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1. Statement of Compliance with Corporate Governance Principles

As per the decision dated 27.01.2014 and numbered 2/35 of the Capital Markets Board, Vestel Elektronik San. ve Tic. A.Ş.'s Corporate Governance Principles Compliance Report for 2013 is prepared in compliance with the format announced in the Capital Markets Board's Bulletin dated 01.02.2013 and numbered 2013/4, as stated in the Board's Bulletin numbered 2014/2.

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

The efforts undertaken to further improve compliance with Corporate Governance Principles at Vestel Elektronik San. ve Tic. A.Ş. in 2013 are summarized below.

- The Articles of Association were revised in parallel with the CMB and TCC legislations and submitted to the approval of the shareholders at the Ordinary General Assembly Meeting for the year 2012.
- In line with the Corporate Governance Principles, with the Board of Directors' decision dated 15.03.2013, Early Detection of Risk Committee was established and working principles of the Committee were submitted to the information of the shareholders via the Public Disclosure Platform and the Company website.
- Pursuant to the article 19 of the Capital Markets Law numbered 6362, limit of the donations to be made in 2013 was determined; such limit was submitted to the approval of the General Assembly and was approved by the General Assembly.
- "Internal Directive on the Principles and Procedures of Operation of the General Assembly" prepared pursuant to the "Regulation on the Procedures and Principles of General Assembly Meetings of Joint Stock Companies and the Representatives of the Ministry of Customs and Trade who will be Present at These Meetings", as published in the Official Gazette dated 28.11.2012, was posted on the Company website upon its approval at the Extraordinary General Assembly held on 27.03.2013.

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 its operations were excluded. These principles and the reasons for opting not to comply are summarized below:

- The definition of the appointment of a special auditor as an individual right in the Articles of Association: The right to demand the appointment of a special auditor is already granted

by Article 438 of the Turkish Commercial Code. Since this right is already stipulated by law, it was not deemed necessary to include it in the Company's Articles of Association.

These activities on the part of Vestel Elektronik San. ve Tic. A.Ş. show the Company's commitment to achieve compliance with Corporate Governance Principles and that it is aware of its responsibilities to all stakeholders. Acknowledging the contributions of the Corporate Governance Principles to the Company, Vestel Elektronik San. ve Tic. A.Ş.'s goal is to attain even greater compliance with those principles with the involvement of all its employees and senior executives.

PART I - SHAREHOLDERS

2. Investor Relations Department

- Vestel Elektronik maintains relations with shareholders via the Investor Relations Directorate of the Zorlu Group of Companies. Information regarding the Directorate is given below:

Department Director : Serap Mutlu
Department Manager : Başak Dalga
Address : Akmerkez 34337 Etiler – Istanbul

Phone : (212) 282 2810
E-mail : yatirimci@vestel.com.tr

- The main activities carried out by the Investor Relations Directorate on behalf of Vestel Elektronik San. ve Tic. A.Ş. in 2013 are summarized below:

- Nearly 10 one-on-one meetings were held with investors and analysts.
- During the relevant period, more than 60 questions were received via e-mail and about 80 by phone, these questions were answered in detail, at the earliest availability.

3. Shareholders' Exercise of Their Right to Obtain Information

- During the year 2013, shareholders requested information from the Company on various issues. These queries were responded to via telephone, e-mail or postal mail, in writing or verbally, further to the demands of the shareholders. The responses to these information requests were open, clear, and in detail, in accordance with the Company's disclosure policy, and all inquiries except those related to trade secrets were responded to the satisfaction of the shareholders.

- During the year 2013, developments that might have an impact on the shareholders' exercise of their rights were disclosed to the investors through the material event disclosures made via Public Disclosure Platform (PDP) and Vestel Elektronik San. ve Tic. A.Ş.'s website.

- To facilitate the exercise of the shareholders' right to obtain information, the Investor Relations website was redesigned and its content was enriched in 2011, and thereby, it was ensured that domestic and international investors have a quick access to the highest amount of information within the shortest time, accurately, quickly, simultaneously, completely and comprehensibly. All the information required by the CMB's Corporate Governance Principles is published on the corporate website. Updating and monitoring the website are the responsibility of the Investor Relations Directorate.

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

4. General Assembly Meetings

- Vestel Elektronik held its Ordinary General Meeting for 2012 on June 05, 2013 at 10:00 AM at the Company's head office, which is located at the address of Zorlu Plaza, Avcılar, Istanbul.

- Invitation for the meeting including the agenda was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette No. 8318 and dated May 13, 2013 and in Dünya newspaper dated May 13, 2013, and also posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. as well as on the Company's website at "www.vestel.com.tr", by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Meeting, announcements were published in one Turkish newspaper with high circulation and all the information concerning the Ordinary General Assembly including the meeting invitation was posted on the Company's website.

- Our Company's 2012 financial statements, Annual Report of the Board of Directors, independent external audit report and dividend distribution policy and general assembly information document, prepared in accordance with the regulations of the Capital Markets Board were kept available for examination by our shareholders at our Company's headquarters and on the Company's website at www.vestelyatirimciiliskileri.com, 3 weeks prior to the date of the General Assembly Meeting.

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

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

- Out of 33,545,627,500 shares corresponding to the Company's total share capital of TL 335,456,275.00; 78,739.2 shares representing TL 782,392 in capital were present in person, and 27,437,675,089.9 representing TL 274,376,750.899 in capital were presented in proxy at the meeting. The General Assembly thus convened with an attendance ratio of 81.79%.

- The Company's Articles of Association contain no provisions concerning the participation of stakeholders or the media at the General Assembly Meeting. However, participation is possible provided that the Company is informed beforehand. Only shareholders attended the General Assembly Meeting for 2012 and no other stakeholders or media representatives attended.

- It was ensured that Board members who were related to the significant agenda items of the General Assembly, other related persons, officers who had responsibility in the

preparation of financial statements and auditors were present at the General Assembly Meeting so that they can provide necessary information and answer questions.

- Shareholders were allowed to express their opinions and pose questions under equal conditions at the General Assembly Meeting. All questions from the shareholders were responded to in detail. Shareholders introduced no motions during the meeting.

- At the General Assembly Meeting, shareholders were informed about the total donations amounting to TL 1,843,800, made to Mehmet Zorlu Foundation and various educational institutions during the year 2012.

- Limit of the donations to be made in 2013 pursuant to article 19 of the Capital Market Law numbered 6362 was determined and submitted to the approval of the General Assembly.

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

- Company's Extraordinary General Assembly Meeting was held on 27.03.2013, at 10:00 AM, at the Company's head office, located at of Zorlu Plaza Avclar, Istanbul.

- Invitation for the meeting including the agenda was made in due time as set out in the Law and the Company's Articles of Association, by being published in the Turkish Trade Registry Gazette issue 8217 dated March 05, 2013 and in Milliyet newspaper's issue dated March 05, 2013, Dünya newspaper's issue dated March 05, 2013 and also posted on the Public Disclosure Platform, E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. as well as the Company's website at "www.vestelyatirimciiliskileri.com", by announcing the day and agenda of the meeting. In order to facilitate attendance to the General Meeting, announcements were published in two Turkish newspapers with high circulation and access to any and all information concerning the Extraordinary General Assembly including the meeting invitation was ensured by being posted on the Company's website.

- Out of 33,545,627,500 shares corresponding to the Company's total share capital of TL 335,456,275.00; 27,375,180,077 shares representing TL 273,751,800.77 were represented at the meeting; out of these shares, 10,110 shares representing TL 101.1 in capital were present in person, and 27,375,070,077 shares representing TL 273,750,700.77 were represented in proxy at the meeting; and the General Meeting has convened with an attendance ratio of 81.64%.

- At the meeting, it was decided to elect Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. for the audit of both the accounts and operations of 2013 and to conduct the audit under Capital Market Law and the relevant legislations and the Turkish Commercial Code and the relevant legislations; and to accept the "Internal Directive on the Working Principles and Procedures of Vestel Elektronik Sanayi ve Ticaret A.Ş.'s General Assembly", which was announced on the Company's website at www.vestelyatirimciiliskileri.com, the Public Disclosure Platform and the E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. and submitted to the approval of the shareholders.

5. Voting Rights and Minority Rights

- All Vestel Elektronik San. ve Tic. A.Ş. shares enjoy the same rights. There is no privilege concerning the voting right. This is stipulated in the Company's Articles of Association.
- The Company's subsidiaries do not have any shareholding interests in Vestel Elektronik Sanayi ve Ticaret A.Ş. For this reason, there are no cross-shareholding interests and therefore, this issue was not put to vote at the General Assembly Meeting.
- Minority shareholders are not represented in management. However, two independent members were elected to the Board of Directors to represent the interests of all shareholders and stakeholders, especially those of minority shareholders.

6. Dividend Rights

- There are no privileges concerning the participation in Company's profits. Each share of stock is entitled to an equal dividend.
- Each year, the Company's Dividend Distribution Policy is presented to the shareholders as a separate agenda item at the General Assembly Meeting. The Dividend Distribution Policy is also disclosed to the public via the Company's website and the annual report.
- Since no profit will be distributed because of the net loss reported in the financial statements prepared in accordance with the Capital Market Law and related Communiqués, shareholders were informed about the loss at the Ordinary General Assembly meeting for 2012 by the reading out of the Board of Directors' resolution dated May 10, 2013 and numbered 2013/27.
- In accordance with the Dividend Distribution Policy approved at the Board meeting held on March 19, 2007, the Company shall distribute dividends corresponding to a minimum 25% of its distributable profit in cash or in the form of bonus shares to shareholders, in 2007 and the subsequent years, in accordance with the provisions of the Articles of Association. The amount of dividends to be distributed shall be proposed by the Board of Directors each year at the Ordinary General Assembly Meeting depending on domestic and global economic conditions and the Company's growth plan.

7. Transfer of Shares

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

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

- Vestel Elektronik's Public Disclosure Policy has been formulated in line with the CMB's Corporate Governance Principles. In 2010, the policy was revised and approved by the Board of Directors. The revised disclosure policy was presented to the information of shareholders and participants at the 2009 Ordinary General Assembly Meeting held on May 26, 2010. The Company's disclosure policy has also been publicly disclosed on the Company's website.
- Vestel Elektronik's public disclosure policy addresses the following issues:

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

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

9. Corporate Website and Its Contents

- The Company has an active and easily accessible website. The website was set up to ensure that shareholders, stakeholders and the general public are kept informed in an open, clear and simultaneous fashion. Information presented on the website is regularly updated.
- The corporate website contains the required information as stipulated in CMB's Corporate Governance Principles.
- The website also features pages in English to provide information to international investors.
- The Company's website may be reached at "www.vestelyatirimciiliskileri.com". Furthermore, pursuant to the "Regulation on Websites to be Launched by Joint Stock Companies" and the 1st paragraph of article 1524 of the TCC, in accordance with the principles and procedures regarding the launching of a website, allocation of a section of this website to publishing the announcements that are required to be made by the company under the law and to information society services, our Company procures Central Database Service Provider support services from Merkezi Kayıt Kuruluşu A.Ş. (CRA) and announcements that are required to be made by the Company by law is accessible through e-Company Information Portal of the CRA.

10. Annual Report

- The annual report contains the required information stipulated in CMB's Corporate Governance Principles. Moreover, Board of Directors' Annual Report was 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 III - STAKEHOLDERS

11. Informing of Stakeholders

- Stakeholders are continuously informed in accordance with the Company's Public Disclosure Policy.
- Employees and management take part in periodic meetings held to keep employees actively informed about the Company. Attention is given to ensure two-way communication with information flowing upward to management from employees as well as downward from management to employees. The Company adheres to an "open door policy" to keep channels of communication open between management and personnel. In addition, employees are also kept continuously informed by means of the corporate intranet.
- Periodic meetings are held with customers and suppliers and all customers and suppliers are kept informed about Company-related issues that may be of concern to them. The Company regularly organizes meetings for its dealers in order to measure customer satisfaction. When deemed necessary, additional one-on-one and group meetings are also held.
- The stakeholders can report Company's transactions violating legislation or not compliant with ethical rules to the Corporate Governance Committee, Audit Committee or Investor Relations Department by accessing them via telephone and/or e-mail.

12. Participation of Stakeholders in Management

- No model has been developed to include stakeholders in the Company's management. However, the two independent members on the Board safeguard and represent the interests of all stakeholders as well as those of the Company's shareholders.
- The Executive Committee Member responsible for Human Resources represents the employees, one of the Company's largest stakeholder groups, on the Vestel Group Executive Board.
- In making important decisions with regard to the stakeholders, senior executives representing the stakeholders are invited to Board meetings to express their opinions.

13. Human Resources Policy

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

have been informed of their job definitions and division of tasks, as well as performance and compensation criteria through the Human Resources Policy.

- The Human Resources Unit is responsible for the development and implementation of this policy. This unit keeps track of employee-related entitlements, promotions, career progression, training, and disciplinary action. At regular intervals but not less than once a year, the Unit also conducts employee evaluations in line with specified performance criteria.
- Training programs are regularly conducted to improve employee productivity. Personnel may also attend external training programs.
- Vestel Technology Academy was founded mainly for Vestel Group's engineering staff. The Academy provides masters and PhD level educational opportunities to around 200 employees. Additionally, the "Management Training" and similar programs are regularly planned and implemented every year in order to cultivate qualified managers.
- All employees are treated equally and without any discrimination based on ethnic background, religion, language, race, gender, and the like whatsoever in all matters involving training, career development and promotion.
- There were no complaints received from employees related to discrimination. Measures are taken to prevent any practices that might cause discrimination among staff members and all personnel are treated equally without any distinctions.

14. Code of Ethics and Social Responsibility

- Vestel Elektronik San. ve Tic. A.Ş.'s Code of Ethics has been set forth in writing and published on the corporate website within the framework of the Public Disclosure Policy. Utmost care is taken to ensure that the Code of Ethics, which is formulated for Company, the Board Members, and the employees, is complied with in full.
- Vestel Elektronik San. ve Tic. A.Ş. undertakes social efforts in the form of contributions to services in education, sports and culture offered by Zorlu Holding, and as direct initiatives taken on by the Company under its social responsibility principle. Zorlu Group, of which Vestel Elektronik San. ve Tic. A.Ş. is a member, took a major step in bringing a global social responsibility dimension to the principles and values espoused since its foundation, by signing the United Nations Global Compact in 2007. Since signatory companies to the compact commit themselves to issuing annual progress reports outlining their activities and gains in this scope, in 2013 Vestel Elektronik San. ve Tic. A.Ş. published its progress report for the year 2012 on the website unglobalcompact.org via Zorlu Holding.
- In support of responsible and ethical business practices, the Company is a Class B member of SEDEX (Supplier Data Ethical Exchange), and a registered supplier with the BSCI (Business Social Compliance Initiative). In addition to the SEDEX and BSCI social responsibility audits, the Company also undergoes periodic FWC (Fair Working Conditions) and ICS (Initiative Clause Sociale) audits by independent audit firms.
- Assuming the responsibilities of being a global player in consumer electronics, Vestel Elektronik San. ve Tic. A.Ş. carries out environmental impact reviews of all its operations, production lines, and products. Vestel believes that it has a duty to be acutely aware of the health and safety of employees, customers, and the general public who may be affected by its operations, products, and services and to protect the environment and nature for the

good of future generations. Vestel demonstrated its commitment to this area by obtaining TS-EN ISO 14001 Environmental Management System Certification in 1998. Vestel Elektronik San. ve Tic. A.Ş. has pledged itself to continuously improve its performance on environmental issues, prevent pollution, strictly obey all environment-related laws, regulations, and administrative provisions, and allocate sufficient and appropriate resources in its efforts to:

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

Vestel Elektronik A.Ş. San. ve Tic. A.Ş. fulfills its obligations as a responsible corporate citizen regarding the matters of reducing the environmental impact stemming from its activities and launching eco-friendly products to the market. The Company has been producing all of its products in compliance with the RoHS directive (Restriction of the Use of Certain Hazardous Substances Directive) since June 2006. Accordingly, usage of six heavy metals (lead, mercury, cadmium, Chromium+6, PBB, PBDE) in products which may have hazardous effects on living creatures and nature has been restricted. Having shown sensitivity in order to enable the people of our country to live in a healthier atmosphere and born the costs required by these practices, even before the relevant regulation has entered into force in Turkey, the Company has begun to launch products that are in compliance with the RoHS Directive in to the domestic market.

In parallel with RoHS studies, it carries out EU WEEE (Waste of Electrical and Electronic Equipment Directive) studies. Pursuant to this Directive, each brand is responsible for the collection and recycling of the wastes produced by its own products. The Company coordinates with the relevant governmental organs and continues its preparations for implementing the domestic WEEE regulation in the most effective fashion.

Apart from the said 2 main directives concerning products, the Company also fully complies with other EU and domestic directives and regulations.

- Vestel Elektronik San. ve Tic. A.Ş. takes advantage of energy efficiency opportunities and systematically implements various projects related to this area. The Company's main policy is to reach a high level of production with low energy consumption. In light of this approach, the Company reviews the energy consumption of its production processes and strives to obtain better results in terms of productivity and quality.

Under the Environmental Management System, the Company manages energy consumption and related processes in tandem with the Total Productive Maintenance (TPM) model, corporate business plans and the key performance indicators methodology. The Company ensures sustainability by successfully implementing the TPM management system. TPM is a maintenance system, which targets zero equipment stoppage and zero quality defects in production systems. TPM is a maintenance management approach, which requires the participation of all employees in production and service processes, envisages autonomous maintenance, adopts a preventive approach rather than trouble-shooting and allows for the

highest degree of equipment efficiency. Environmental gains through the TPM system approach may be listed as follows:

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

Vestel Elektronik A.Ş. has successfully completed the first phase of TPM management system and on January 11, 2013, become eligible for receiving the "TPM Excellence Award".

Senior executives regularly monitor and assess the relevant performance results. The Company has assigned an energy officer and energy management representative to ensure that the Energy Management System is operated efficiently. Our factory passed all the required audits in 2012 and obtained TS EN 50001 Energy Management System Certification and ensures its sustainability.

Main energy improvement projects realized in 2013 include the following:

- 16,473 kwh/year of energy saving was achieved with the project to replace the UV light bulbs in L-15 and L-16 lines at the Main Factory.
- 628,000 m3/year of saving was achieved with the project concerning the prevention of air consumption during stand-by for injection machines.
- 72 tons/year of vapor saving was achieved with the project concerning the elimination of vapor leakage in mold wedges.
- 210 tons/year vapor saving was achieved with the project concerning the elimination of vapor leakage in right and left molds.
- 120 tons/year of vapor saving was achieved with the project concerning the elimination of vapor leakage in ERL-1270 machine.
- 32,400 kwh/year of energy saving was achieved with the project concerning the deactivation of P1.2 pump in the ES600/4 injection machine.
- 37% of improvement (increased from 10 bar-178C to 15 bar-198C) was achieved with the project concerning the improvement of cycling time by reducing heating times by increasing the quality of the vapor used in heating of Plastic Injection Molds.
- 74,014 m3/year of improvement was achieved with the project concerning the prevention of RR air leakage.
- 868,455 Kcal/year of saving was achieved with the project concerning the prevention of heat loss in the non-insulated valves in the Main vapor line.
- 214.695 kwh/year of energy saving was achieved with the Energy Saving Project.
- 1,218,240 kwh/year of saving was achieved with the project concerning the controlling of the engine cycle numbers in Engel Injection machines with the usage of inverter.
- Usage of Led fixtures instead of Fluorescent fixtures, which was started in 2012, has also continued wherever possible in 2013. This practice will be extended to all other sections of Vestel Elektronik San. ve Tic. A.Ş. within a plan.

Furthermore, in order to ensure the efficient use of natural resources and electricity, as of the end of 2013, the ratio of A and higher class products was increased to 97%, whereas, ratio of A+ and higher class products was increased to more than 50%. Priority is given to the production of energy-efficient products and intensive research and development activities are continuously carried out for products that use less electrical energy.

- Climate change is not only an environmental but also a social and economic threat. Vestel Elektronik San. ve Tic. A.Ş. considers climate change as an important risk for both the future of the world and the sustainability of the company and carries out crucial projects in this regard. Therefore, the Company carried out studies regarding the measurement and reduction of carbon footprints and participated in the Carbon Disclosure Project. In 2013, Vestel Elektronik San. ve Tic. A.Ş. published its carbon emissions data on the Carbon Disclosure Project (CDP) website cdproject. As is known, CDP is an initiative, which was started in 2000, to encourage companies, investors and governments to collect and share emissions-related information that could help in the fight against climate change.
- The companies, which responded to CDP from Turkey are also rated according to the CDP's methodology, with the support of Ernst & Young Turkey. In 2013, a total of 39 companies responded to CDP from Turkey. In 2013, our Company has raised its Carbon Disclosure rating to 80, from 75 in 2012.
- As for biodiversity, the green space surrounding Vestel facilities covers an area of about 40,000 m2 and the Company plans to further expand these green areas. This space is currently home to around 110 different species of plants and trees.
- At the Vestel Group of Companies ("Vestel"), of which Vestel Elektronik is a part, corporate development is equivalent to social development. With this approach, the Company firmly supports social responsibility initiatives that add value to society, pioneers new initiatives in this area, and raises social awareness by promoting its future oriented and eco-friendly products.
- Vestel does its utmost to ensure that its corporate social responsibility activities deliver concrete and sustainable benefits to society. As a result, the Company chooses to support long-term projects. At the start of the social responsibility project development process, the Company first identifies areas in which the public support is insufficient or lacking. In the social responsibility initiatives it undertakes, Vestel demonstrates the same high performance and meticulousness that it displays in its other operations, never compromising its total quality approach.
- Vestel has assumed the technology sponsorship of Contemporary Istanbul, held between November 7-10, which is the most extensive international contemporary art fair in Turkey. In the fair, which was held for the 8th time this year, works of pioneering artists of the World have been exhibited by Vestel technology. At the fair, Vestel has supported art by providing nearly 200 products, from televisions to tablets, laptops to sound systems and headphones, projectors to kiosks. Vestel has also brought together Candaş Şişman and Ozan Türkkan, who are among the most famous digital artists in Turkey and NOHlab and OUCHHH, who are among the leading artist groups, for the first time at Contemporary Istanbul.
- Vestel has assumed the Video Art sponsorship of Mamut Art Project, which is established to enable independent artists to display their works and for the early discovery of promising artists. Young artists exhibited their video works through Vestel screens. Furthermore, visitors experienced Vestel's interactive screens technologies at the Vestel booth that was set up at the exhibition area. Being the first exhibition held in Turkey in this arena during May 16-19, Mamut Art Project has brought together art lovers with 40 artists who were given approximately 10 meter squares of personal area.

- Vestel was the main sponsor of IFCA (International Funboard Class Association) Children, Teenagers and Adults World Championship, organized during July 1 – 6, 2013 in İzmir Alaçatı. Nearly 150 people, majority of whom were from abroad, participated in the competitions held in 3 different categories; namely, Children, Teenagers and Adults. The Championship brought together many sportsmen from many countries, including France, Greece, Italy, Portugal and Holland.

PART IV - THE BOARD OF DIRECTORS

15. Structure and Composition of Board Of Directors

Member	Duty	Term of Office	Type of Membership
Ahmet Nazif Zorlu	Chairman	1 year	Non-executive member
Ali Akın Tarı	Vice-Chairman	1 year	Independent member
Selen Zorlu Melik	Board Member	1 year	Non-executive member
Mehmet Emre Zorlu	Board Member	1 year	Non-executive member
Mümin Cengiz Ultav	Board Member	1 year	Non-executive member
Hacı Ahmet Kılıçoğlu	Board Member	1 year	Independent member

Ahmet Nazif Zorlu - Chairman of the Board

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

Ali Akın Tarı - Vice Chairman

(1943 - Koruköy) Ali Akın Tarı graduated from Istanbul Law Faculty before starting his career as a Tax Inspector in 1972 at the Ministry of Finance, where he went on to serve as Chief Tax Inspector, Vice-President of the Tax Inspectors Board and Group Head of the Istanbul Tax Inspectors Board. He was appointed as a Board Member of the Banking Regulation and Supervision Agency in 2001 and also elected as a Board Member of the Saving Deposits Insurance Fund in the same year. He left 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 became a member of the Board of Directors and the Audit Committee of Dilerbank in 2008 and has continued to serve as a member of the Board of Directors of Dilerbank since 2011.

Selen Zorlu Melik - Board Member

(1975 - Trabzon) Selen Zorlu Melik is a graduate of Uludağ University, Faculty of Economic and Administrative Sciences, Department of Business Administration. She started her professional career in 1998 at Denizbank. After an internship at Denizbank's Bursa Branch, she participated in the Management Training (MT) program of the same bank in 1999. After assuming various positions at the Denizbank Head Office, she participated in the Marketing Certificate Program at the University of California at Berkeley in 2001. In 2002, Ms. Zorlu Melik started to work at the Korteks Yarn Factory and became Board Member in 2004. Since 2005, she has served as Vice President of the Zorlu Energy Group, Board Member at Zorlu Enerji Elektrik Üretim A.Ş., and Board Member at various Zorlu Group companies. As of April 2012, Mrs. Zorlu Melik acts as Deputy President of Zorlu Energy Group.

Mehmet Emre Zorlu - Board Member

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

Mümin Cengiz Ultav - Board Member

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

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 in 1979 at the Ministry of Industry and Technology. 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 assumed administrative positions at the United Nations Development Program (UNDP) and the F-16 project. He then took office at Türk Eximbank 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 has been serving as a Board Member at the Turkish Banks Association for 12 years and was also elected as the President of the World EximBanks Union (The Berne Union). He also served as Consultant to the President at the Islamic Development Bank and Vice Chairman at Denizbank. Having been appointed as Board Member at Zorlu Enerji Elektrik Üretim A.Ş. in 2013, Mr. Kılıçoğlu also serves as Board Member at Vestel Elektronik, Vestel Beyaz Eşya and Doğan Yayın Holding in addition to his Vice Presidency position at the Turkish Education Association.

Enis Turan Erdoğan – Chairman of the Executive Committee

(1955 - Mersin) Enis Turan Erdoğan graduated from Istanbul Technical University, Department of Mechanical Engineering in 1976 and completed a master's degree in Production Management at Brunel University in the UK in 1979. After serving in a number of different managerial positions for various firms in Turkey, he joined Vestel in 1988. Since 1988, he has served in various managerial positions at the Company, and was appointed as the Chairman of the Executive Committee of the Vestel Group of Companies as of January 1, 2013. Between 2002 and 2006, Mr. Erdoğan served as President of TURKTRADE (Turkish Foreign Trade Association). Additionally, he is the first Turkish citizen to be appointed as Board Member to Europe's largest ICT Association, DIGITALEUROPE, a position he has held since 2010.

- Four of the six members are non-executive members and two are independent members.
- The Chairman of the Board and the Chairman of the Executive Committee are two different individuals: The Chairman of the Board is Ahmet Nazif Zorlu and the Vestel Group of Companies' Chairman of the Executive Committee is Enis Turan Erdoğan.

- Prior to the General Assembly Meeting for 2012, two independent candidates were presented to the Nomination Committee. The report dated May 09, 2013 on whether these candidates fulfill the independence criteria was submitted to the Board of Directors. Upon a resolution by the Board of Directors dated May 10, 2013 and numbered 2013/26, it was decided that their names would be submitted to the approval of shareholders at the General Assembly, to become independent Board Members.

Declarations of independence of the candidates are provided hereinbelow:

"I hereby accept, undertake and declare that I have read and understood the Capital Markets Board's Corporate Governance Principles contained in the Capital Markets Legislations, Company's Articles of Association and the Communiqué Serial: IV, No: 56 regarding the Determination and Implementation of Corporate Governance Principles of the Capital Markets Board, as amended by of the Communiqué Serial: IV, No: 57 Capital Markets Board, and that, in accordance with the said legislation, I carry all of the criteria for Independent Board Membership, as listed exhaustively under article 4.3.7 of the Capital Markets Board's Communiqué on Corporate Governance Principles."

- Board Members Hacı Ahmet Kılıçoğlu and Ali Akın Tarı are independent members who fulfill CMB's Corporate Governance Principles pertaining to independence criteria. No circumstances occurred during the reporting period to change the independence status of the independent members.
- No restrictions are imposed on Board Members' undertaking one or more duties outside the Company.

16. Working Principles of the Board of Directors

- Agendas for Board of Directors meetings are determined in line with the requests of the Chairman and Board Members. Requests coming from Company management are also influential in setting meeting agendas.
- Article 16 of the Company's Articles of Association sets out that Board meetings shall be held as and when deemed necessary, and at least once a month. In order to increase attendance at the meetings, the meeting dates were determined at the beginning of the year and the Board Members were notified. As a result, Board Members were given the opportunity to shape their schedules according to the meeting dates. As another measure to increase attendance at meetings, the following article was added to the Articles of Association: "The Board membership of a Board Member who fails to participate in three consecutive meetings without the Board's permission is deemed to be null and void."
- The Board adopted a total of 58 resolutions during the year; and attendance rate for these meetings reached 93%.
- Invitations to the meetings are made by postal mail, fax, and e-mail. In line with Corporate Governance Principles, a secretariat has been set up within the Company that reports to the Board of Directors. This secretariat notifies Board Members of the meetings at least a week (seven days) in advance of the meeting date, and provides them with the agenda and documents related to the matters on the agenda.
- A Board resolution requires that differences in opinion arising in the Board meetings and reasonable and detailed justifications for dissenting votes be entered into the record;

however, to date, there has never been such an instance at the Company's Board meetings. The minutes taken by the Board's secretariat also include any questions that members pose and the responses that are made to them.

- No Board members, including the Chairman, have preferential voting rights or the right to veto Board decisions. Each member, including the Chairman, possesses an equal vote.
- Upon a resolution of Vestel Elektronik San. ve Tic. A.Ş.'s Board of Directors dated October 17, 2012 and numbered 2012/65, the significance threshold requiring the approval of the Board of Directors in common and continuous asset, service and liability transfers between our Company and its related parties was set as 0.5% of the total assets or 0.5% of the net sales in the last 12 months shown in the latest financial statements disclosed to the public as per CMB regulations. Accordingly, transactions exceeding this threshold were approved by the Board.
- In the accounting period ending on December 31, 2013, there were no related party transactions outside the scope of the Board of Directors resolution dated October 17, 2012 and numbered 2012/65, and/or significant transactions within the scope of the Article 1.3.10 of the Corporate Governance Principles.

17. Number, Structure and Independence of Committees Established by Board of Directors

- The Company established a Corporate Governance Committee, Early Detection of Risk Committee, and Audit Committee in line with Capital Markets Board's Corporate Governance Principles. The duties assigned to the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.
- Committee members Ali Akın Tarı and Hacı Ahmet Kılıçoğlu sit on more than one committee due to the number of Board Members and in accordance with the committee structure requirements of the CMB's Corporate Governance Principles.

Audit Committee

- The Audit Committee was set up pursuant to Article 3 of CMB Communiqué Serial X, No: 19 and is responsible for the effective oversight of all financial and operational activities. The objective of the Audit Committee, which reports to the Board of Directors, is to oversee the functioning of the Company's accounting and reporting system, the audit and disclosure of the financial data, and the functioning and efficiency of the internal control system.
- Pursuant to the CMB's Communiqué on the Determination and Application of Corporate Governance Principles, the "Audit Committee Working Principles" were revised and approved at the Board of Directors meeting dated June 28, 2012. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Audit Committee is structured in accordance with Capital Markets Board's Corporate Governance Principles and consists of two members.
- The Head of the Committee was elected from among the independent members of the Board and certain criteria were taken into account in the selection process. The Head of the Audit Committee is ensured to have previously served in a similar position, have the

knowledge and experience needed to analyze financial statements, and be versed in accounting standards, and otherwise be highly qualified.

- Both Audit Committee members were elected from among the independent members. The Head of the Committee is Ali Akin Tari, and the other member is Hacı Ahmet Kılıçoğlu.
- In principle, the Audit Committee shall meet at least four times a year, being once in each quarter.
- The Board of Directors' secretariat is responsible for keeping records of the decisions made by the Committee, as well as the minutes of its meetings.
- The Committee carries out its activities in line with the working principles put into writing in detail. In 2013, the Audit Committee has:
 - monitored the Company's financial and operational activities,
 - monitored existing and potential risks,
 - oversaw and approved the accuracy of financial statements, their compliance with applicable laws and transparency,
 - followed-up on the effectiveness and performance of the independent audit activity,
 - supervised the internal audit function and its effectiveness,
 - held meetings with independent auditors,
 - monitored the efficiency and adequacy of the internal control system,
 - assessed the findings obtained on the internal control system and reported to the Board of Directors, and
 - reviewed and approved internal control and internal audit reports.

Corporate Governance Committee

- The Corporate Governance Committee is established to monitor the Company's compliance with the CMB's Communiqué on Corporate Governance Principles, to carry out studies for improvement and to make proposals to the Board of Directors.
- Pursuant to the CMB's Communiqué on the Determination and Application of Corporate Governance Principles, the "Corporate Governance Committee Working Principles" were revised and approved at the Board of Directors meeting dated June 28, 2012 and numbered 2012/48. The revised version of the working principles was disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Corporate Governance Committee is composed of at least two non-executive Board Members. The Head of the Committee is Ali Akin Tari, an independent member, and the other member is Mehmet Emre Zorlu.
- In principle, the Corporate Governance Committee is required to meet at least three times a year.
- The activities carried out by the Corporate Governance Committee in 2013, in accordance with its working principles put into writing in detail, are presented below:
 - undertaking efforts to comply with CMB's Communiqué on the Determination and Application of Corporate Governance Principles,
 - reviewing the activities of the Investors Relations Department and presenting recommendations in this context,
 - identifying and assessing suitable Board Member candidates,

- offering recommendations pertaining to the structure and effectiveness of the Board of Directors,
- evaluating the performance of Board Members and senior executives.

Early Detection of Risk Committee

- The Early Detection of Risk Committee was set up in line with the Turkish Commercial Code, Articles of Association and CMB's Communiqué on Corporate Governance Principles, in order to identify the risks which could jeopardize the Company's existence, development and continuity, to take measures to counter and manage these risks, with a Board of Directors resolution dated March 15, 2013.
- The working principles of the Committee have been disclosed to shareholders via the Public Disclosure Platform and the corporate website.
- The Early Detection of Risk Committee is composed of at least two Board Members. In case the Committee has only two members, both of them, and in case it has more than two members, the majority of them, must be non-executive Board Members. The Head of the Committee is the independent Board Member Hacı Ahmet Kılıçoğlu. The other member of the Early Detection of Risk Committee is Selen Zorlu Melik.
- In 2013, Early Detection of Risk Committee has convened three times and submitted the required risk reports to the Board of Directors.
- The activities carried out by the Committee in 2013, in line with the working principles put into writing in detail, are presented below:
 - Process-based risk inventory is prepared and opinions and evaluations of risk owners are obtained.
 - As a result of the risk inventory and risk management researches, risk reports were prepared and submitted to the Committee in order to ensure early detection of risks that may jeopardize the Company's existence, development and continuity, adoption of necessary measures regarding the detected risks and management of risk.
 - 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.
 - Risks are evaluated in two different ways, namely, with (residual risk) and without (natural risk) taking into account the efficiency performance of the existing control and precaution activities.
 - Natural and residual risks contained in risk reports are evaluated based on the 4-tier scale (Acceptable, Acceptable with Control, Undesired, Unacceptable).
 - 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.
 - In relation to sector risk, risks of firms operating in the electronics sector were also reported to the Committee.
 - Risks, which could be digitalized under the SAP GRC (Governance, Risk and Compliance) System, were started to being monitored by being identified as CRIs (Critical Risk Indicators).

18. Risk Management and Internal Control Mechanism

- In order to early detect the risks that could jeopardize Vestel Elektronik's existence, development and continuity, to take the necessary measures against these risks, and to manage risks, a Risk Management Department was established under Zorlu Holding. The Company's Board of Directors authorized the Corporate Risk Management Department to define current and potential risks, and to determine policies to counter these risks.
- The Company's internal control systems, which generate risk management analysis and/or (with) internal control activities, are evaluated with a risk-focused approach regarding risk reducing actions. The risk management system identifies the risks concerning 9 main headings determined based on COSO risk taxonomy, measures risks periodically and determines their level, monitors these risk levels through the SAP GRC System, while the internal control systems manage these risks. The efficiency and effectiveness of these systems are periodically reviewed by the Internal Audit Department according to annually approved plans, approvals are given at certain levels and reports are provided to the Board of Directors for the adoption of the necessary measures.

19. Company's Strategic Targets

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

Mission: Conquering the world with our technological products

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

- The Board of Directors approves the strategic targets set by the Senior Executives. The Board of Directors or the Senior Executives may formulate opinions on the Company's strategic targets. The Board of Directors always seeks the opinions of managers on the targets they set. The targets set by the managers are first discussed at the relevant management level, then presented to the Board of Directors and finally approved by the Board. Managers can be invited to the meetings on strategic targets. Action to achieve the approved targets is taken as soon as possible. The degree of target achievement is measured according to actual results in financial reporting periods and at the end of the year.
- Each year, the Board of Directors holds a couple of assessment meetings to review the Company's degree of achieving its targets, operations and past performance. At these meetings, the Board of Director's degree of attaining its targets, efficiency of operations and past performances and Company strategies are discussed.

20. Financial Benefits

- As stipulated in the Capital Markets Board's Corporate Governance Principles, the "Remuneration Policy for Board Members and Senior Executives" was put into writing, approved at the Board of Directors meeting dated May 18, 2012 and disclosed to shareholders via the corporate website.
- The attendance fees to be received by the members of the Board of Directors are determined every year at the General Assembly Meeting. This fee is determined according to the Board Member's status (whether independent or executive), responsibilities, seniority, know-how, skills and experience.

- Vestel Elektronik San. ve Tic. A.Ş.'s Board members were paid a total gross sum of TL 90,000.00 as an attendance fee in 2013, commensurate with the practices of peer companies in the sector. The amounts for 2014 will be decided at the 2013 Ordinary General Assembly. No other benefits are provided to Board members.
- There is no rewarding scheme based on performance measurement for the Board Members.
- The salaries of Vestel Elektronik San. ve Tic. A.Ş.'s senior executives are determined by the Board of Directors. In addition, senior executives may be entitled to bonus payments at year-end, in line with the Company's financial performance and their respective contribution to this performance. The amounts of such bonus payments are determined by the Board of Directors. The "Senior Executive Remuneration Policy" is determined in accordance with the size of the Company's production and sales activities; the extensiveness of its operations; existence of international operations; the number of employees, subsidiaries and their weight in total operations; the level of knowledge required to maintain operations; the characteristics of the sector; the competitive environment; and the level of salaries paid at peer companies.
- The financial benefits provided to the Company's Chairman, Board Members, general manager, general coordinators and assistant general managers are outlined in the footnotes of the financial statements. In this regard, the total salaries and fees paid during the 12 months ending on December 31, 2013 was TL 17,137 thousand (01.01-31.12.2012: TL 12,647 thousand).