

## Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

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### 1. Statement of compliance with corporate governance principles

In parallel with the activities related to Corporate Governance commenced in 2004 at Vestel Electronics Inc., corporate governance mechanisms started to be operated in line with the principles across the organization. For the last three years, the Company has been obtaining rating from ISS Corporate Services Inc. (ISS), a leading international rating agency, in order to have the relevant practices examined independently and to ensure its public disclosure. On the basis of the monitoring carried out in the first months of 2009, ISS Corporate Services Inc. (ISS) reviewed our Company's Corporate Governance rating of 8.5 (82.57%) on a scale of 10 and the rating remained unchanged at 8.5 (83.38%). This high score earned yet again attests to the importance attached at the Vestel Group to corporate governance and to its commitment to achieve further progress in this department. Another positive development with respect to Corporate Governance was the top place secured by our Company among publicly-held companies in Turkey in 2008 based on the results of the "Investor Relations Practices" survey conducted by Thomson Extel Surveys.

The efforts undertaken with a view to further improving compliance with Corporate Governance Principles at Vestel Electronics Inc. in 2008 are summarized below.

- The Public Disclosure Policy of the Vestel Group of Companies has been revised. Under the updated version, press statements to the printed and visual media and to data dissemination channels like Reuters, Bloomberg and Foreks etc. will be made only by the Chairman and Members of the Board of Directors and the Executive Committee. The revised Public Disclosure Policy was presented for the information of investors at the general meeting convened on 28 May 2008 and also posted on the Company's "Investor Relations" website.
- At the Corporate Governance Committee meeting held on 30 December 2008, a decision was passed to commence work for revising the Insider Trading Regulation.
- During 2008, the Internal Audit Department introduced a "risk-based approach to audit" with a view to strengthening the Internal Control System at the Vestel Group of Companies. In this context, all Internal Audit Department employees received training on this topic.

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

Cumulative voting: The Company does not make use of the cumulative voting method. However, the representation to be provided by cumulative voting on the Board of Directors is achieved by the presence of independent members on the Board.

Individual right to request appointment of a special auditor in the articles of incorporation: The right to request appointment of a special auditor is stipulated by Article 356 of the Turkish Commercial Code (TCC). Due to the fact that this right is vested in the shareholders by legislation and takes place among "optional" principles in the Corporate Governance Principles, it is not separately covered in the Company's articles of incorporation.

The Company's articles of incorporation contain no provisions stipulating that material decisions such as "demergers and share exchanges, buying, selling, or leasing substantial amounts of tangible/intangible assets, or donation and grants, or giving guarantees such as suretyship, mortgage in favor of third parties" are required to be taken at a general meeting. The underlying reason is that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a general meeting every time such a transaction takes place is considered to be impossible and so no such article has been included in the articles of incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.

These activities on the part of Vestel shows its commitment to achieve compliance with corporate governance principles and that it is aware of its responsibilities towards its shareholders no matter what the size of their stakes in the Company may be. Acknowledging the contributions that corporate governance principles have already made to the Company, Vestel Electronics Inc.'s goal is to attain even greater compliance with those principles with the involvement of all its employees and managers in the senior management.

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### PART I: SHAREHOLDERS

#### 2. Investor Relations Unit

- On 30 May 2005 Vestel Electronics' Board of Directors created a Corporate Finance and Investor Relations Unit for the purposes of effectively managing relations with investors and achieving uniformity in communication with investors and in publicly disclosed information. This unit, which reports to the Corporate Governance Committee that was set up in the early part of 2005 as stipulated in the Company's articles of incorporation, plays an important role in the Company's compliance with corporate governance principles.
- The officer in charge of the Corporate Finance and Investor Relations Unit is Figen Çevik.
- Corporate Finance and Investor Relations Unit can be contacted on a continuous basis through the corporate website and by its direct telephone on (0212) 422 01 07.
- The principal activities carried out by the Corporate Finance and Investor Relations Unit in 2008 were the following:
  - HSBC Investors' Forum, London
  - ING Investors' Conference, Antalya
  - UBS Investors' Conference, İstanbul
  - About 30 one-on-one meetings were held in addition to the above
- During the reporting period about 60 questions were responded to by e-mail and about 60 by telephone.
- All of the questions asked of the unit were carefully responded to verbally and/or in writing as appropriate and within the framework of the Company's public disclosure policy and in such a way as not to reveal any confidential information.

#### 3. Shareholders' exercise of their right to obtain information

- Vestel Corporate Finance and Investor Relations Unit responded in detail to information requests received in 2008 within the frame of the disclosure policy. 40% of the requests for information were concerned with the Company's activities and financial performance; the remaining 60% were concerned with investments, stock price movements, general meetings, etc.
- For the purpose of facilitating the exercise of shareholders' important right to obtain information, the corporate website was continued to be improved in 2008 to give domestic and international investors quick access to as much timely, truthful, complete, and intelligible information as possible.
- A request to have a special auditor appointed is not provided for in the Company's articles of incorporation. Due to the fact that this right is stipulated by Article 356 of the TCC in respect of the minority shareholders holding 10% stake in the capital, it was deemed unnecessary to make a separate provision for this. The Company received no requests for the appointment of a special auditor in the reporting period.

#### 4. Information about general meetings

- Vestel Electronics held its ordinary general meeting for 2007 at 09:30 AM on 28 May 2008 at the address of Zorlu Plaza, Avcılar-İstanbul.
- Invitations to the meeting that also included the agenda were published, as required by law and the Company's articles of incorporation, in issue 7056 of the Turkish Trade Registry Gazette dated 06 May 2008 and in the 06 May 2008 issues of the newspapers Milliyet and Dünya, as well as on the corporate website at the address www.vestel.com.tr. In addition, shareholders (all of the Company's shares are issued in bearer certificates) that had previously entrusted one share to the Company were also notified of the meeting by registered mail within the legally prescribed time. To facilitate participation in the meeting, its announcements were published in the two newspapers with high circulations in Turkey. Convenient access to all information about the general meeting including the announcement was also provided on the corporate website.
- Only shareholders attended the meeting. There was no other stakeholder or media presence.
- Of the 15,909,988,696 shares corresponding to the Company's total capitalization of TL 159,099,886.96, 55.00% participated at the General Meeting where 8,326,396,544 shares representing TL 83,263,965.44 in capital were present in person and 424,467,300 shares representing TL 4,244,673 in capital were represented in proxy.
- Before the general meeting, the annual report and financial statements were made available for the inspection of shareholders at the Company's own headquarters and at those of Vestel Holding as well. All of this information was also published on the corporate website together with the general meeting announcement and agenda.
- Shareholders were allowed to ask questions at the general meeting. All questions coming from shareholders were responded to in detail. Shareholders introduced no motions during the meeting.

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- The Company's articles of incorporation contain no provisions requiring decisions of a highly important nature such as demergers or buying, selling, or leasing substantial amounts of assets and property to be taken at a general meeting. The reason for this is the fact that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a general meeting every time such a transaction takes place is not deemed to be possible and so no such article has been included in the articles of incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.
- The minutes of the general meeting were made available for the examination of shareholders at the Company's own headquarters and at those of Zorlu Holding as well. As a result of changes made in the corporate website, all announcements, documents, and other materials related to general meetings are now accessible to shareholders and to all other stakeholders.

### 5. Voting rights and minority rights

- All of Vestel Electronics Inc. shares enjoy the same rights. There are no special rights with respect to voting or dividends. This is stipulated in the Company's articles of incorporation.
- The Company's subsidiaries do not have any shareholding interests in Vestel Electronics Inc. For this reason, there are no cross-shareholding interests and therefore no need to disclose their impact on general meeting votes.
- Minority shareholding interests are represented by two independent members that have been elected to seats on the Board of Directors. By virtue of their ability to perform their duties completely independent of any outside influence, the independent members on the board protect represent the interests of all shareholders, including those of minority shareholders.
- The Company's articles of incorporation contain no provisions governing the cumulative voting method. The Company believes that the effect of cumulative voting on the Board of Directors is achievable by the presence of independent members on the board.

### 6. Dividend payment policy and timing

- None of the Company's shares incorporate special rights concerning the distribution of the Company's profits. Each share of stock is entitled to an equal dividend.
- The proposal for 2007-year profits was announced in article 8 of the agenda for the general meeting and it was unanimously passed by the participants at that meeting.
- The company did not distribute dividends due to the fact that there was no distributable profit since the Company's profit generated on 2007 activities was set-off to cover prior years' losses.
- In accord with the dividend distribution policy established in the Board of Directors meeting held on 19 March 2007, the Company decided to distribute dividends that are equal to minimum 25% of the distributable profit in cash or in the form of bonus shares to the shareholders, including 2006-year profits. The amount of dividends to be distributed shall be proposed depending on national and global economic conditions and the Company's growth plan by the Board of Directors each year at the general meeting. At the general meeting for 2007 held on 28 May 2008, the shareholders were informed that adherence to the said policy will be continued.

### 7. Transfer of Shares

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

## PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company disclosure policy

- Vestel Electronics Inc.'s public disclosure policy has been formulated in line with CMB Corporate Governance Principles and was presented for the information of investors as an appendix to the annual report at the annual meeting for 2004. The said policy was revised and approved by the Board of Directors during 2008. Revised Disclosure Policy was presented for the information of shareholders and participants at the 2007 Ordinary General Meeting held on 28 May 2008. The disclosure policy has also been publicly disclosed on the corporate website.
- The issues addressed by the Company's public disclosure policy are summarized below:
  - The clarity, timeliness, and truthfulness of public announcements.
  - What information may be publicly disclosed.
  - The frequency and the ways in which information may be publicly disclosed.
  - Relations of company's Board members and managers with the media.

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- The effectiveness with which investors, shareholders, and other stakeholders are kept actively informed.
- Methods to ensure information flows within the Company.
- Meetings involving public disclosures.
- Matters to be discussed at general meetings.
- Principles governing publicly disclosed information about matters that may come up in the future.
- The Board of Directors has formulated and approved the Company's public disclosure policy. The Board of Directors is responsible for the oversight, review, and development of public disclosure policy.
- The Investor Relations Unit Director monitors and follows up on public disclosure policy.

#### 9. Disclosure of material events

- A total of 29 material event disclosures were made in 2008. Additional information was requested by the ISE concerning only two disclosures, which were provided immediately.
- All of the Company's material event disclosures made at stock exchanges outside the country are simultaneously made in Turkey as well. Similarly, material event disclosures made to ISE and CMB are simultaneously made to the appropriate stock exchanges abroad.
- All material event disclosures were made in time and the Company was not subjected to any sanctions on this account.
- The Investor Relations Unit is responsible for making material event disclosures.

#### 10. The corporate website and its content

- Vestel Electronics' corporate website was continued to be improved in 2008 in line with corporate governance principles. The corporate website contains all the information whose disclosure is stipulated in article 1.11.5 of section II of CMB Corporate Governance Principles. In addition, it also contains information that is not required by that article but which is deemed to be important from the standpoint of the Company's corporate governance principles.
- The Vestel corporate website is located at [www.vestel.com.tr](http://www.vestel.com.tr) and is continuously kept up to date.

#### 11. Disclosure of the Company's ultimate controlling shareholders

- The Company's shareholder structure is as follows:

Shareholders	% shareholding interest	Nominal value (TL)
Collar Holding BV	51.62	90,566,142,594
Publicly held	48.38	84,890,132,446
<b>Total</b>	<b>100.00</b>	<b>175,456,275,040</b>

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

#### 12. Public disclosure of those who may have access to insider information

- Information about the individuals who may have access to insider information about the Company is provided in the Company's corporate governance compliance report every year.
- Vestel is in complete compliance with rules governing insider trading as per capital market and related laws, regulations, and administrative provisions and takes all necessary measures to fulfill its responsibilities thereunder. For this purpose Vestel Electronics formulated an "Insider Trading Policy" and introduced it as a company regulation in early 2005. This policy has also been publicly disclosed on the corporate website.

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- The following is a list of the people who are in positions to have access to insider information about the Company:

Ahmet Nazif Zorlu	Chairman of the Board of Directors
Prof. Ekrem Pakdemirli	Vice Chairman of the Board of Directors
Emre Zorlu	Board Member
Dr. Yılmaz Argüden	Board Member
M. Cem Bodur	Board Member
Ömer Yüngül	Board Member & Chairman of the Executive Committee
Enis Turan Erdoğan	Board Member & Member of the Executive Committee
Şerif An	Statutory Auditor
Ahmet Günaydın Hızarcı	Statutory Auditor
Cem Köksal	Member of the Executive Committee
Cengiz Ultav	Member of the Executive Committee
Levent Hatay	Member of the Executive Committee
İzzet Güvenir	Member of the Executive Committee
İhsaner Alkım	Member of the Executive Committee
Necmi Kavuşturun	Member of the Executive Committee
Özer Ekmekçiler	Member of the Executive Committee
Sertaç Beller	General Manager (Vestel Electronics)
Alp Dayı	Assistant General Manager for Financial Affairs
Hamdiye Yalçın	Accounting Manager
Cem Kadırgan	Financial Affairs Coordinator
Deniz Gökçeler	Financial Affairs Specialist
Şeref Hamarat	Assistant General Manager for Planning & Logistics
Mehmet Salih Keskiner	Assistant General Manager for Production
Ender Yüksel	Assistant General Manager for Procurements
Raşit Çiloğlan	Budget Manager
Metin Salt	Assistant General Manager for R&D (Vestek)
Timur Tuncel	General Manager (Vestel Marketing)
Cemal Eren Ataman	Assistant General Manager (Vestel Marketing)
Ergün Güler	Assistant General Manager (Vestel Marketing)
Fatma Filiz Künüralp	Assistant General Manager (Vestel Marketing)
Serdar Anıl	Assistant General Manager (Vestel Marketing)
Fahriye Buket Kafalı	Assistant General Manager (Vestel Marketing)
Zafer Küçükates	Assistant General Manager (Vestel Marketing)
Gökhan Yıldırımlar	Accounting Manager (Vestel Marketing)
Ahmet Süha Erol	General Manager (Vestel Foreign Trade)
Seda Kaya	Assistant General Manager (Vestel Foreign Trade)
Ömer Hakan Kutlu	Assistant General Manager (Vestel Foreign Trade)
Akın Barbaros Birsen	Assistant General Manager (Vestel Foreign Trade)
Yılmaz Özkan	Accounting Manager (Vestel Foreign Trade)
Fiğen Çevik	Corporate Finance and Investor Relations Director
Başak Dalga	Corporate Finance and Investor Relations Specialist
Halil Turan	Technology Development and Industrial Design Manager
Hamza Cihan Sarı	Information Technology Director
İsmail Cın	Business Development and Project Manager
Coşkun Özkan	Internal Audit Manager
Emre Halit	Grant Thornton Independent Auditors
Gül Şahin	Grant Thornton Independent Auditors
Cengiz Avcı	Grant Thornton Independent Auditors
Sezen Mercanoğlu	Grant Thornton Independent Auditors
Necdet Beşir	Anlar Independent Auditors

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#### PART III: STAKEHOLDERS

##### 13. Keeping stakeholders informed

- Stakeholders are continuously informed within the framework of the Company's public disclosure policy.
- Employees and management take part in periodically held meetings for the purpose of keeping employees actively informed about the Company. Attention is given to two-way communication with information flowing upward to management from employees as well as downward from management to employees. The Company adheres to an "open door policy" to keep channels of communication open between management and personnel. In addition, employees are also kept continuously informed by means of the Company's corporate intranet.
- Periodic meetings are held with customers and suppliers and all customers and suppliers are kept informed about company-related issues that may be of concern to them. The Company regularly organizes meetings for its dealers in order to measure customer satisfaction. In situations where it is deemed to be necessary, additional one-on-one and group meetings are also held.

##### 14. Stakeholder participation in management

- Stakeholders do not take part in management however attention is given to having employees take part in Board of Directors meetings at regular intervals in order to have first-hand access to their opinions.
- No model has been developed to include stakeholders in the Company's management. Stakeholders do not participate in management. However the independent members on the board protect and represent the interests of all stakeholders as well as those of the Company's shareholders.

##### 15. Human resources policy

- The Company's human resources policy is set down in writing and covers all issues related to hiring, promotion, dismissal, compensation, training, career planning, and performance evaluation.
- The Human Resources Unit is responsible for the conduct and development of this policy. This unit keeps track of employee-related entitlements, promotions, career progression, training, and disciplinary action. At regular intervals but not less than once a year, the unit also conducts employee evaluations in line with specified performance criteria.
- Training programs are regularly conducted for the purpose of improving employees' productivity. Employees may also be sent to take part in extramural training programs.
- While there is no board member responsible for overseeing employee relations, individuals representing employees are invited to be present at board meetings at which issues affecting employees are to be decided on so that they may provide the board with information about the matter at hand.
- All employees are treated equally and without any discrimination whatsoever in all matters involving training, career development, promotion, etc.
- There were no complaints from employees concerning discrimination. Measures are taken to prevent any practices that might cause discrimination among employees and all employees are treated equally without any distinctions being made among them. The Human Resources Unit periodically conducts polls to measure employee satisfaction.

##### 16. Relations with customers and suppliers

- The Company conducts regular meetings with its customers and suppliers concerning the marketing and sale of its goods and services. A Customer Communications Center has also been set up to deal with customers' problems and resolve them without delay. This center operates as a help desk and seeks to resolve problems that customers may have and refers any problem that cannot be resolved by the center to an appropriate company officer to be dealt with.
- The utmost importance is given to quality control to ensure the satisfaction of customers and suppliers and tight quality checks are made to achieve this. As is the case with the ISO 14001 system, the ISO 9000 system is also based on the principle of voluntary participation. This system is playing an important role in the changeover to Total Quality Management and represents the first step in that direction. Vestel regards Total Quality Management as being important to increasing the quality of life.
- Customer satisfaction is measured at regular intervals and corrective action is taken to resolve issues and deal with dissatisfaction when it occurs.
- In keeping with its TS-EN ISO 9001 certification, Vestel employs a quality management system that governs all processes and subprocesses from customer demand and market research to design, production, and after-sales services for the purpose of maximizing customer satisfaction at the highest level. As a company whose products' certified standards make the products fully capable of competing in world markets with their, Vestel is making an increasing effort to be the best player in the world league among its employees, customers, dealers, and suppliers.

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### 17. Social responsibility

- Vestel Electronics Inc. undertakes social efforts in the form of contributions to services in education, sports and culture offered by Zorlu Holding, and as direct initiatives taken on by the company within the frame of social responsibility principle. The Zorlu Group, which also covers Vestel Electronics Inc., signed the United Nations Global Compact in 2007, an initiative that represents a major step taken towards leveraging the principles and values espoused ever since its foundation to global social responsibility platform.
- Taking the responsibilities made incumbent upon it by its goal of being a world player in the consumer electronics sector, Vestel Electronics Inc. carries out environmental impact reviews of all its operations, production lines, and products. Vestel believes that it has a duty to be mindful of the health and safety of the employees, customers, and general public who may be affected by its activities, products, and services and to protect the environment and nature for the good of future generations. Vestel demonstrated the importance of this by being awarded its TS-EN ISO 14001 Environmental Management System Certificate in 1998. The Company has pledged itself to continuously improve its performance on environmental issues, to prevent pollution, to strictly obey all environment-related laws, regulations, and administrative provisions, and to allocate sufficient and proper resources in its efforts to:
  - Take environmental factors into account when evaluating new product projects and operations
  - Reduce the use of harmful materials in its product design and production processes and to investigate the use of materials that are less polluting
  - Reduce waste and wherever possible reuse, recycle, and recover resources that have been used
  - Make the most economical use possible of energy, water, and natural resources through productivity increases and by encouraging the use of new technologies
  - Use recycled/recyclable packaging materials whenever feasible
  - Conduct activities aimed at fostering environmental awareness.

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

- During 2005 the Company was not the target of any suit concerning damage to the environment.

### Part IV: The Board of Directors

#### 18. Structure and composition of the Board of Directors; non-executive board members

Name	Position	Age	Term of office	Classification	Educational background	Previous Experience
Ahmet Nazif Zorlu	Chairman	64	1 year	Non-executive	Primary School	
Ekrem Pakdemirli	Vice Chairman	69	1 year	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül University
Emre Zorlu	Board Member	24	1 year	Non-executive	University	Served successively in various capacities in Zorlu Group companies
Ömer Yüngül	Board Member	53	1 year	Executive	University	Vestel White Goods (General Manager)
Enis Turan Erdoğan	Board Member	53	1 year	Executive	University	Ekinciler Holding
Recep Yılmaz	Board Member	50	1 year	Independent	University	- Chief Consultant to the Prime Minister
Argüden						- Chairman of Erdemir
M. Cem Bodur	Board Member	47	1 year	Non-executive	University	Ekinciler Holding (Finance Officer)

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- Five of the board's seven members are non-executive members and two are executive members.
- The chairman of the board and the chief executive officer are different individuals. The chairman of the board is Ahmet Nazif Zorlu and the chief executive officer is Ömer Yüngül.
- Board members Ekrem Pakdemirli and Yılmaz Argüden are independent members who satisfy CMB corporate governance principles pertaining to independence criteria. Nothing occurred during the reporting period that changed the independent status of the independent members.
- No restrictions are imposed on board members' undertaking one or more duties outside the company.

#### 19. Qualifications of board members

- The minimum qualifications required of members of the Board of Directors coincide with those stipulated in articles 3.1.1, 3.1.2, and 3.1.5 of section IV of the CMB's corporate governance principles.
- At the annual general meeting for 2004, the Company's articles of incorporation were amended so that the minimum qualifications required of members of the Board of Directors are spelled out in them. (Article 12)
- To date there has been no need for a training or compliance program for board members. If such a program does become necessary, it will be carried out by the Corporate Governance Committee.

#### 20. Mission, vision, and strategic goals of the Company

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

Mission: To conquer the world with technology products

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

- The Board of Directors approves the strategic goals formulated by company management. Ideas pertaining to the Company's strategic goals may be suggested by both board members and company managers. The board is certain to consult management on the goals it formulates. Goals formulated by management are first debated among management and then submitted to the Board of Directors, which approves them at its discretion. Managers are also invited to attend meetings at which strategic goals are discussed. Work to implement these goals as quickly as possible is begun immediately. Performance in achieving these goals is measured at quarterly intervals and on the basis of the Company's year-end results.
- Once a year the Board of Directors convenes to conduct an annual review and assessment of the degree to which the Company has accomplished its objectives and of its activities in light of previous performance. In the conduct of this review and assessment, the Board of Directors debates the degree to which objectives have been accomplished, the effectiveness of the Company's activities, past performance, and the Company's strategies. A Vestel executive responsible for business evaluation also sends the Executive Committee a monthly performance report.

#### 21. Risk management and internal control mechanisms

- The Vestel Board of Directors has created a risk management mechanism within the Company to measure existing and potential risks and to deal with them. Embodied in this mechanism are controls that have been developed so as to identify the maximum risks to which the Company may become exposed in aggregate as well as on an individual unit basis and to take such measures as are needed for them. The Vestel Electronics Inc. Board of Directors is responsible for the creation and reliable operation of a risk management and internal control mechanism that will minimize the impact of risks on the Company.
- The Company's internal control system oversees all matters related to finance, operations, and compliance and it assesses the measurement of risk at regular intervals and determines the level that it is at. The entire mechanism is also reviewed at regular intervals and any defects that might impair its effectiveness are corrected as soon as possible. In the conduct of these activities, Vestel also employs its SAP system as an effective operational program.

#### 22. Authorities and responsibilities of board members and executives

- The authorities and responsibilities of board members are spelled out in the Company's articles of incorporation and are published on the Company's corporate website.

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#### 23. Principles of activity of the Board of Directors

- Agendas for board meetings are determined in line with the requests of the chairman and other members. Requests coming from company management are also influential in determining meeting agendas.
- As stipulated in article 16 of the articles of incorporation, the Board of Directors must meet at least twelve times a year. The board met a total of 12 times during the reporting period. The overall rate of attendance at these meetings was 90%. To encourage attendance at meetings the following rule was added to the articles of incorporation: "A member of the Board who does not take part in three consecutive meetings shall be deemed to have resigned his seat."
- Invitations to meetings are made by mail, fax, and e-mail. In line with corporate governance principles, a secretariat has been set up within the Company that is responsible to the Board of Directors. This secretariat notifies board members of meetings at least a week (seven days) in advance of the meeting date, providing them with the agenda and documents related to the matters on the agenda.
- A board resolution requires that differences of opinions arising at board meetings and reasonable and detailed justifications for dissenting votes be entered into the record; however to date there has never been an instance of this. The minutes taken by the board's secretariat also include any questions that members ask and the responses that are made to them.
- Board members are personally present at board meetings that will vote on the issues stipulated in article 2.17.4 of section IV of CMB's corporate governance principles as requiring the actual attendance of board members at meetings.
- No board members, including the chairman, have preferential voting rights or the right to veto board decisions. Each member, including the chairman, possesses an equal vote.

#### 24. Prohibition on doing business or competing with the Company

- One of the items included on the agenda of each year's general meeting and voted on by the shareholders pursuant to articles 334 and 335 of the Turkish Commercial Code is concerned with Vestel Board of Directors members doing business and competing with the Company.
- No board member did any business or competed with the Company in 2008.
- As required by corporate governance principles, in the event of any violation of the prohibition on board members' doing business or competing with the Company, the potential conflicts of interest will be publicly disclosed.

#### 25. Code of ethics

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

#### 26. Number, structure, and independency of committees established by the Board of Directors

- The Vestel Electronics Inc. Board of Directors has set up a corporate governance and appointments committee and an audit committee in line with Capital Markets Board corporate governance principles.

## Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

### Corporate Governance Compliance Report

#### The Audit Committee

• The Audit Committee was set up by a Board of Directors resolution dated 17 May 2005 pursuant to article 3 of CMB Communiqué X:19. This committee is responsible for the effective oversight of all financial and operational activities. The Audit Committee is structured in accordance with Capital Markets Board corporate governance principles and consists of at least two members. To ensure the independence of the committee, it has been decided to choose its head from among the Company's independent board members. In addition to independence, attention is also given to the possession of specific qualifications when choosing the committee head. The head of the Audit Committee should have previously served in a similar position, should have the knowledge and experience needed to analyze financial statements, should be versed in accounting standards, and otherwise be highly qualified. These issues have been included in the Company's articles of incorporation (Articles 35 and 36.)

• Ekrem Pakdemirli serves as the head of the Audit Committee and he has been elected from among independent members. The other member of the committee is Cem Bodur, a non-executive Board member.

- The Company's articles of incorporation set forth that the Audit Committee must meet at least four times a year (at least once in each quarter). The management secretariat is responsible for keeping records of the decisions taken by the Committee, as well as the minutes of its meetings.
- The Committee carries out its activities in line with the operating principles put into writing in detail.

#### Corporate Governance and Appointments Committee

• Based on the Board of Directors resolution dated 17 May 2005, Vestel Electronics Inc. set up a Corporate Governance Committee in line with the CMB's Corporate Governance Principles Communiqué. The Committee is responsible for monitoring the Company's compliance with corporate governance principles and for making proposals to the Board of Directors in relation to appointments to be made at the Company.

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

- Attention is paid to ensure that the qualifications of the Committee members comply with those required of the Board members as set forth in the Corporate Governance Principles.
- The Corporate Governance Committee is required to meet at least three times a year.
- The Committee carries out its activities in line with the operating principles put into writing in detail. The activities carried out by the Corporate Governance and Appointments Committee in 2008 are presented below:
- Establishing corporate governance principles across the Company,
- Offering recommendations pertaining to the structure and effectiveness of the Board of Directors,
- Evaluation of the structures and operation of the Committees and making recommendations about the same,
- Structuring the Investor Relations Unit and coordinating its activities.

## Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

### 27- Financial benefits provided to the Board of Directors

- The attendance fees to be received by the members of the Board of Directors and the statutory auditors are determined every year by the General Assembly.
- Vestel Board of Directors members are being paid TL 60,000 as of June 2008, commensurate with the practices of the peer companies in the sector. Statutory Auditors are paid an annual fee of TL 2,580.
- The Company has not extended any loans or credits to any Board member or executive.

### Profit Distribution Policy and Proposal

In line with a resolution passed at a meeting of the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş. held at the company headquarters on 19 March 2007, it was decided to distribute at least 25% of the company's net distributable profits (including its 2006-year profit) to shareholders in accordance with the dividend policy specified by the board either as a cash payment or in the form of shares of stock. The amount of dividend to be paid is proposed by the Board of Directors at the ordinary general meeting of shareholders that is held every year on the basis of national and international economic conditions and the company's growth plans.

#### Profit distribution proposal for the 01 January 2008-31 December 2008 fiscal year

The Board of Directors of the firm of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi was convened by chairman Ahmet Nazif Zorlu at the company's headquarters on 29 April 2009. The items on the agenda were discussed and the following resolutions were passed.

It is unanimously resolved by the members of the Board of Directors taking part in the meeting as follows:

To inform our shareholders at the Ordinary General Meeting that no dividends will be paid out due to the fact that the company posted loss on its activities in 2008 fiscal year both with respect to the Tax Procedural Law and Capital Market Law legislation,

Although the financial statements prepared in accordance with tax laws and Capital Markets Board Communiqué XI:25 concerning accounting standards in capital markets show a profit, as a result of the emergence of prior-year losses in the company's financial statements on account of inflation adjustments made as of 31 December 2003 in accordance with CMB Communiqué XI:21 and due to the need to set those losses off against 2007-year profits, no distributable profit remains and for that reason it has been decided to recommend to the general assembly that no dividend be paid.