



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



30 July 2009

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Rating and Executive Summary

ARÇELİK A. Ş.

 **SAHA**
Corporate Governance Rating:

8.21

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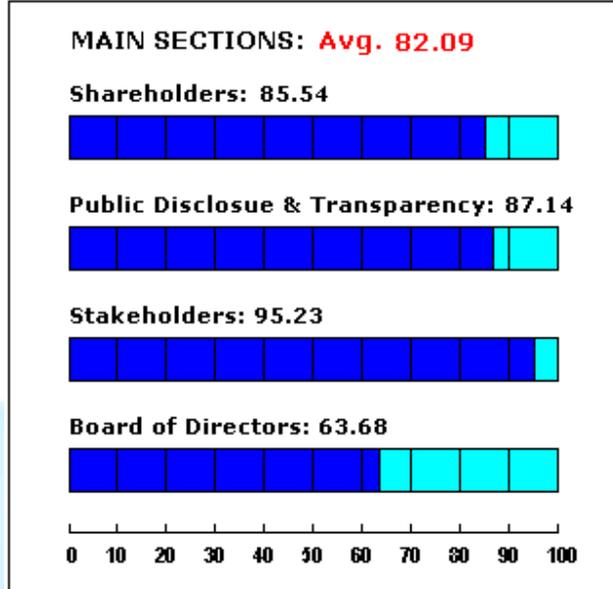
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EXECUTIVE SUMMARY



This report and the ratings assigned that measure the degree of Arçelik A.Ş.'s (Arçelik) compliance with the Corporate Governance Principles are the result of a detailed at sight examination of practices applied as well as a series of documentation and relevant material supplied by the company. The basis of our rating methodology is the Corporate Governance Principles published by the Capital Markets Board (CMB) which is discussed in detail on page 7 of the rating report.

Arçelik obtained an overall Corporate Governance rating of **8.21** as a result of these examinations. The details of this study are listed in the subsequent chapters of the rating report. We observed that Arçelik took the necessary steps to determine its governance risks and improved in setting up sound internal controls and management systems. There is still room, on the other hand, for improvements in order to fully comply with the CMB's Corporate Governance Principles.

Under the **Shareholders** heading, Arçelik scored **8.56** and is observed to take initiatives towards best practices and perform proactively beyond the country averages. Investor relations are carried out by the Finance and Accounting department and the shareholders' right to obtain and evaluate information is observed diligently. The processes of preparation for the general shareholders meeting, its conduct and publication of its results comply with the Principles to a good extent. However; shareholders do not have the right to request appointment of special auditors from the general shareholders' meeting, there is no enlargement of the scope of minority rights (beyond the required 5%) in the articles of association of

the company and cumulative voting system is not embraced. These are main areas under this heading that need improvement.

Arçelik attained **8.71** under the **Public Disclosure and Transparency** caption. There is a well organized, informative, and comprehensive website that broadly includes information listed in the "Corporate Governance Principles" pertinent to public disclosure. Public announcements are made via all communications channels and are in accordance with the CMB and ISE's rules and regulations. Information such as the company's ultimate individual shareholders as identified after being released from indirect or cross shareholding relationships, nevertheless, should be disclosed to public. Significant board decisions regarding the shareholders' rights should also be made public.

On the topic of **Stakeholders**, Arçelik broadly complies with the CMB Principles apropos company policy regarding stakeholders, protection of company assets, human resources policy, social responsibility, and relations with customers and suppliers and scored a well deserved **9.52**. Relations with stakeholders are at a very high and satisfactory level and there is no evidence of any infringements of their rights. The human resources policy is fully comprehensive and duly applied. Requests and needs of clients for company products and services are met diligently. The nature of the company's relationship with public authorities as well as NGOs is broad and pleasing.

In the domain of the **Board of Directors**, Arçelik's tally is **6.37**. The company has identified its vision, mission and strategic goals clearly and duly performs all its fundamental functions. Sound risk management and internal control mechanisms are in place and there is an active and efficient audit committee. Qualified and experienced executives work with principles of fairness, transparency, accountability, and responsibility. Nevertheless, lack of independent members in the board and therefore in committees is a potential risk factor for investors. Further risks emanate from the facts that there is no signed compliance and joint liability statement by board members, that there are no provisions in the Articles of Association defining procedures for shareholders or stakeholders to invite the board to convene, and that a corporate governance committee has not yet been established.

DISCLAIMER

This Corporate Governance Rating Report has been prepared by Saha Kurumsal Yönetim (SAHA Corporate Governance and Credit Rating Services, Inc.) and Arçelik A.Ş. based on information made available by Arçelik A.Ş. and according to the Corporate Governance Principles by the Turkish Capital Markets Board as amended on 2005.

This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the degree of sensitivity of a company to its shareholders' and stakeholders' rights, its commitment to public disclosure and transparency, and conduct and credibility of its board of directors.

The contents of this report and the final corporate governance rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site (www.saharating.com) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

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Corporate Governance in Turkey

Responding to the economic crisis of 2000-01, the Turkish authorities implemented measures to address the causes of financial and fiscal instability, facilitate a quick recovery and establish the conditions for further integration with the EU.

From the mid-1980s until after the economic crisis of 2000-01, economic conditions were difficult for companies. Thin markets, relatively few active institutional investors and an unpredictable macro-economic environment limited incentives for companies to adopt good corporate governance practices. More recently, however, the return of foreign investors, greater opportunities for Turkish companies to do business abroad and an increasing competition for foreign capital appear to be encouraging more companies to make good corporate governance practices a competitive advantage.

Turkey is a civil law country. The principal sources of general mandatory corporate governance standards are the joint stock companies' provisions in the TCC (Turkish Commercial Code), the CML (Capital Markets Law) and subordinate instruments published under the CML, generally in the form of CMB communiqués. The term "Capital Markets Law" is used to refer collectively to the CML and all of the compulsory subordinate instruments relating to the CML, including communiqués, regulations and CMB decisions of general application.

In late 2005, draft legislation based on a comprehensive package of reforms to the TCC developed by an expert Commission was tabled in Parliament. The parliament is considering the reforms and the amendments could come into force by mid 2008.

The corporate governance framework rests primarily upon a "public enforcement" model, with the Capital Markets Board (CMB) playing a leading role in setting corporate governance standards for publicly held companies, enforcing the applicable standards and fostering market integrity.

The ambitious, state-of-the-art and comprehensive CMB principles, adopted in 2003, are the principal source of non-binding corporate governance standards for publicly held companies. They were revised in 2005 to take into account revisions made to the OECD Principles in 2004. Listed companies must publish an annual Corporate Governance Compliance statement, disclosing which CMB principles have not been adopted and the reasons for not doing so.

Listed companies in the Istanbul Stock Exchange (ISE) who have obtained an overall corporate governance rating of 6 or above (out of 10) on their degree of compliance with the "Corporate Governance Principles" issued by the Capital Markets Board are included in the **ISE Corporate Governance Index** which has been active since August 31, 2007. In order to be included in the index, these companies have to be rated by a licensed (by the CMB) rating agency. Corporate governance rating grade of a company is granted upon the request of that company and revised or confirmed annually by the rating agency. Furthermore, the ISE encourages listed companies to obtain a rating by applying a 50% reduction on listing fees. The number of

companies included in the index has been increasing consistently since the inception of the index.

The corporate governance landscape in Turkey is characterized by concentrated ownership, often in the form of family-controlled, complex financial-industrial company groups such as holding structures and conglomerates, usually comprising both publicly held and privately held companies. State ownership has declined drastically thanks to the unwavering execution of a privatization policy.

Free floats are often low, pyramidal structures are common and there is a high degree of cross-ownership within the groups. Due to the limited free float, takeovers are rare. This obviously weakens the extent of corporate control over the market. Foreign institutional investors, however, are increasingly seen in the market, seeking to increase their share holdings in Turkish companies. Approximately 30% of ISE-listed companies have "floatation ratios" of less than 25% as of the end of 2006. This floatation ratio represents the percentage of a company's stock held by the Central Securities Depository (CSD) in Turkey.

Controlling shareholders often hold shares with nomination privileges and/or multiple voting rights. Family members often serve on the board and play a leading role in the daily management and strategic direction of publicly held companies. Preserving family control is the norm. A small number of families control a large number of the listed companies.

Turkish companies issue ordinary shares, preference shares, and non-voting shares. Golden shares only exist in few state-owned companies. Most of the shares traded at the ISE are bearer shares.

Shareholders who own at least 5% of the company's capital are granted minority rights. They can call an extraordinary General Shareholders' Meetings or propose agenda items. Shareholders must personally attend the General Shareholders' Meeting or they can be represented by a proxy.

The corporate environment in Turkey, however, is better positioned than many European countries to tackle corporate governance challenges ahead, because:

- the authorities have already adopted, or are introducing, high quality corporate governance standards (including audit standards);
- transparency has improved significantly, particularly in the area of financial reporting (listed companies are urged to adopt accounting standards which are almost identical to IFRS);
- a positive trend toward widespread implementation of a number of key corporate governance standards can be observed; and
- the authorities are now focusing their attention on monitoring implementation, identifying the remaining gaps and risk areas, focusing their resources on these risk areas and implementing institutional reforms as needed to strengthen supervisory, enforcement and remedial processes.

* Parts of this text uses the Pilot Study (Corporate Governance in Turkey) prepared and published by the OECD on 17 October 2006 as a resource. The full text of the study can be found at <http://www.sourceoecd.org/governance/9264028633>.

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's Corporate Governance Principles released on July 2003, as revised on February 2005.

The CMB based these principles on the leading work of The World Company, Organization of Economic Cooperation and Development (OECD) and the Global Corporate Governance Forum (GCGF), which has been established in cooperation with the representatives of these two organizations and private sector. Experts and representatives from the CMB, the Istanbul Securities Exchange and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose; additionally many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after the required evaluations. Accordingly, these Principles have been established as a product of contributions of all high-level bodies.

Within the Principles, "comply or explain" approach is valid. The implementation of the Principles is optional. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the company's governance practices in the future should all be included in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders and board of directors:

On the foundation of these Principles, SAHA Corporate Governance Rating methodology features over 350 code criteria. During the rating process, each criterion is evaluated on the basis of information provided by the company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.19).

In compliance with the CMB's directive and to reach an overall Corporate Governance Rating, SAHA allocates the following weights to the four main sections of the Principles:

Shareholders: **%25**
Disclosure and Transparency: **%35**
Stakeholders: **%15**
Board of Directors: **%25**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

Arçelik A.Ş.	
	CHAIRMAN Rahmi M. Koç GENERAL MANAGER Levent Çakıroğlu
Karaağaç Cad., No: 2-6 Sütlüce, 34445 İstanbul www.arcelikas.com.tr	Finance and Accounting Assistant General Manager Dr. Fatih Kemal Ebiçlioğlu Tel: (0212) 314 31 00 fatih.ebicioglu@arcelik.com

Arçelik was established in 1955 for the purpose of manufacturing, marketing and providing after sales services of a full range of durable household appliances, components, and consumer electronics products. Today, the company is the leading national white goods manufacturer and enjoys third place in Europe and sixth in the world in the same sector.

Arçelik's product range also includes small household appliances, built-in kitchen products, heating, ventilation and air conditioning units. Arçelik is a truly global company with over 18,000 employees; over 4,500 dealers and over 600 after sales service stations; 12 production facilities in Turkey, Romania, Russia, and China; 10 proprietary brand names; 32 international sales and marketing companies; and products and services reaching 280 million people in over 100 countries.

Arçelik's expansion picked up pace after 2000 and consequently, significant brand names were acquired in Germany, Austria, England, and Romania. Arçelik became the controlling shareholder of Beko Elektronik A.Ş., Europe's second largest TV manufacturer, after raising its stake to 72.46% in 2006. The following year, Beko Elektronik A.Ş. purchased 50% shares of Grundig Multimedia B.V. from Alba, making Arçelik the sole proprietor of the Grundig brand name which is one of the most recognized brand names in the sector, in Europe.

Arçelik's revenues reached 6,776 million TL in 2008. Half of this is generated via international sales. 2008 operating and net profit figures are 440 million TL and 40 million TL respectively. Approximately one third of the Company's TL 6,929 million balancesheet footing is shareholder's equity, amounting to TL 2,001 million, which is composed of the capital invested by the shareholders and funds raised as a result of operations.

Arçelik's corporate vision is to make Beko one of the most ten preferred brand names of the world in its sector. To this end, the company has become the leading technology and patent producer of the nation and aims to reach consolidated net sales of EUR 6 bln. in 2010 by growing at an average annual rate of 14% until 2011.

Arçelik's public shares have been trading at the Istanbul Stock Exchange (ISE) since 1986 (code: ARCLK.IS). ARCLK is a constituent of ISE National 30 (XU30), ISE National 50 (XU50), ISE National 100-30 (XYUZO), ISE National All Shares (XUTUM),

ISE National Industrials (XUSIN), ISE Metal Products, Machinery (XMESY), ISE Istanbul (XSIST) and now ISE Corporate Governance (XKURY) indices.

Arçelik's largest shareholder is the Koç Group (56.37%). The remaining 22.34% shares are owned by the Burla Group and 21.29% are free floating.

Arçelik A.Ş. Capital Structure		
Name	Share Amt. (TL)	Share %
Rahmi M. Koç	16,473,981.41	%2.44
Semahat Arsel	18,397,198.89	%2.72
Suna Kırac	17,542,403.22	%2.60
Mustafa V. Koç	6,177,178.49	%0.91
Ali Koç	6,175,838.51	%0.91
KOÇ FAMILY	64,766,600.53	%9.58
Koç Holding A.Ş.	273,742,027.02	%40.51
Koç Holding Emekli ve Yardım Sandığı Vakfı	34,721,920.43	%5.14
Temel Ticaret ve Yatırım A.Ş.	18,576,870.00	%2.75
Vehbi Koç Vakfı	893,043.15	%0.13
KOÇ GROUP COMPANIES	327,933,860.60	%48.53
KOÇ GROUP	392,700,461.12	%58.12
Teknosan Büro Mak. ve Levaz. Tic. San. A.Ş.	81,428,336.95	%12.05
Burla Ticaret ve Yatırım A.Ş.	50,571,663.05	%7.48
BURLA GROUP	132,000,000.00	%19.53
Public Shares	151,027,743.88	%22.35
OTHER	151,027,743.88	%22.35
Total	675,728,205.00	%100.00

The controlling shareholder, Koç Holding A.Ş.'s capital structure is as follows:

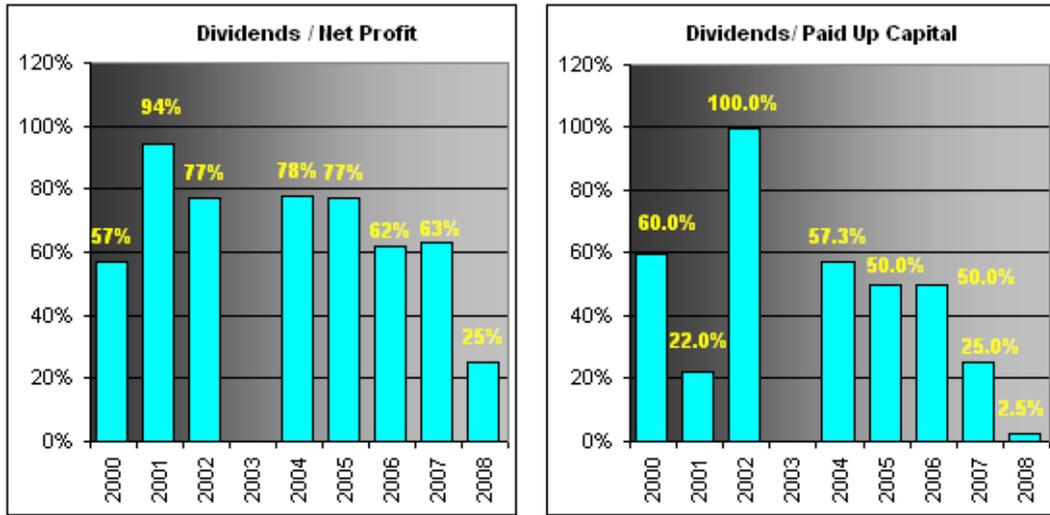
Koç Holding A.Ş. Capital Structure		
Name	Share Amt. (TL)	Share %
Semahat Arsel	154,947,202.01	%6.42
Rahmi M. Koç	126,311,080.93	%5.23
Suna Kırac	126,764,308.03	%5.25
Mustafa V. Koç	77,270,856.04	%3.20
M. Ömer Koç	67,730,350.22	%2.80
Y. Ali Koç	77,186,287.31	%3.20
İpek Kırac	46,557,669.87	%1.93
Temel Ticaret ve Yatırım A.Ş.	1,023,794,483.88	%42.39
Koç Holding Emekli ve Yardım Sandığı Vakfı	48,049,093.63	%1.99
Vehbi Koç Vakfı	172,767,009.37	%7.15
Rahmi M.Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Tic. A.Ş.	2,532,180.09	%0.10
Public Shares	491,230,478.61	%20.34
Total	2,415,141,000.00	%100.00

At the general shareholders' meeting of 25 March 2009, from the current year's profit, TL 9,999,000 was allocated to be distributed as dividends to shareholders, and the balance was retained as extraordinary reserves. The dividends were decided to be distributed as stock dividends, to be added to the capital.

On 27 April 2009, the capital of the company was permitted by the CMB to be raised to TL 659,934,000, out of which TL 249,945,000 is in the form of cash and TL 9,999,000 is out of dividends. The registered capital of Arçelik is TL 1,500,000,000.

Afterwards, At the extraordinary general shareholders' meeting of 29 June 2009, merger of our Arçelik A.Ş. and Grundig Elektronik A.Ş. by transferring all assets and liabilities of Grundig Elektronik A.Ş. as of 31.12.2008 was approved and due to this merger, the paid up capital of the company increased to TL 675,728,205 from TL 659,934,000.

Dividend payment history of recent years is depicted below:



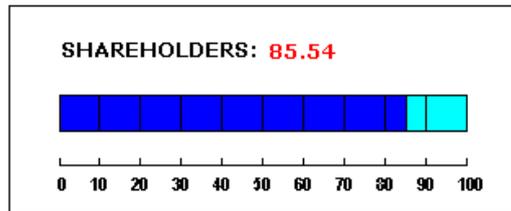
The Board of Directors of Arçelik shaped as follows as of 31.12.2008:

Arçelik A.Ş. Board of Directors	
Name	Title
Rahmi M. Koç	Chairman
Dr. Bülent Bulgurlu	Vice Chairman
Robert Sonman	Member
Mustafa V. Koç	Member
Semahat S. Arsel	Member
A. Gündüz Özdemir	Member
Temel K. Atay	Member
Mehmet Ömer Koç	Member
Ali Y. Koç	Member
Levent Çakıroğlu	Member & CEO

Selected financial figures of Arçelik are listed below:

Arçelik A.Ş. Selected Financial Figures (million €)						
	2008	2007	2006	2005	2004	2003
Net Sales	3,574	3,725	3,873	3,741	2,686	2,082
Gross Profit	28%	27%	26%	24%	25%	26%
EBITDA	9%	10%	9%	8%	11%	12%
Operating Profit	7%	8%	7%	5%	8%	8%
Net Profit	1%	2%	5%	4%	6%	5%
Total Assets	3,237	3,816	3,445	3,236	1,908	1,606
Current Assets	2,099	2,479	2,272	2,181	1,372	1,110
Short Term Liabilities	1,430	1,846	1,555	1,261	791	605
Total Equity	935	1,255	1,154	1,345	931	764
Cash from Operations	237	68	-85	194	108	202
Net Change in Cash & Cash Equivalents	194	235	156	185	1551	47
Capex	187	191	181	153	105	78

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	General shareholders' meetings are conducted in compliance with the CMB's rules and regulations
+	Dividend policy is defined
+	Equal treatment of shareholders
+	Preparation and disclosure prior to General shareholders' meetings are satisfactory
+	Voting rights are facilitated
+	No upper limit and no voting privileges
+	No limitations on the transfer of shares
=	Investor relations carried out by the Finance and Accounting dept.
-	Shareholders do not have the right to request appointment of special auditors from the general shareholders' meeting
-	Not all board members attend the general shareholders' meeting
-	No enlargement of the scope of minority rights (beyond the required 5%) in the articles of association
-	Lack of cumulative voting procedures

Argelik carries out its relations with shareholders via the "Finance and Accountings" unit.

Shareholder records are kept up-to-date, secure and properly; shareholders' written queries for

information (excluding the information that is confidential and classified as trade secret) are replied to promptly; appropriate preparation is done to ensure that the General Shareholders' Meeting is conducted in accordance with the legislation, the corporate statute and other in-house regulations; documents to be used by the shareholder at the Meeting are prepared; records of voting results are kept and all reports related to the resolutions of the general shareholders' meeting are sent to the shareholders; and necessary measures are taken to keep the information provided in the investor relations menu of the company's web site up-to-date and comprehensive.

All information required to exercise shareholders' rights in a sound manner is made available to all shareholders on the company's web site (www.arcelikas.com.tr). The information is submitted as complete, accurate and in a timely and diligent manner.

The company's obligation to inform shareholders includes legal or commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial, administrative, supervisory or ownership related relationship. However, shareholders do not have the right to request appointment of special auditors from the general shareholders' meeting.

There is no enlargement of the scope of minority rights (beyond the required 5%) in the articles of association of the company. However, it would be more appropriate if an enlargement of the scope of minority rights is attained through the regulations in the articles

of association, as recommended by the CMB's Corporate Governance Principles. Furthermore, there are no articles regarding the cumulative voting procedures in the articles of association.

The conduct of general shareholders' meetings poses no risk upon the rights of shareholders and complies with the relevant rules and regulations as well as with the Corporate Governance Principles published by the CMB.

Financial statements and reports including the annual report; informative documents prepared for the agenda items of the general shareholders' meeting, and all other related documents pertaining to the agenda items; final version of the articles of association; and in case an amendment in the articles of association is to be made amended version of the provision/provisions, together with the reasoning thereof are made available to all shareholders for examination purposes in the most convenient places.

Not all members of the board attend the general shareholders' meeting, however meetings are held in an efficient and fair way and in a manner that ensures the highest level of participation. Information submitted to the shareholders before the conduct of general shareholders' meeting is easily associated with agenda items. Agenda items are put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" are not used.

Proxy forms are posted on the web site promptly and appropriately for those who would appoint a proxy for the General shareholders' meeting. The board values shareholder views and opinions and endeavors to consider all requests about items to be placed on the agenda.

Procedures of voting are posted electronically within the articles of association of the company. However, these procedures were not announced at the beginning of the meeting. Like wise, The total number of votes to be cast by the shareholders during the meeting is not presented to the shareholders at the start of general shareholders' meeting.

As per the 334th and 335th items of the Turkish Commercial Code, board members obtained the permission from the general shareholders' meeting to enter into transactions with the company or to be involved in competition with the company, however, shareholders have not been informed if and how this permission is going to be exercised.

At Arçelik, each shareholder is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient way. There are no ceilings applied on the number of votes that a shareholder may exercise and there are no voting privileges. The articles of association of the company do not contain any provisions that prevent voting by use of a proxy who is not a shareholder. There are no obstacles on the voting of institutional and legal representatives.

The company has defined its dividend distribution policy in its articles of association. The dividend distribution policy is approved by the general shareholders' meeting and submitted to the public in the annual report. There are no privileges regarding the shareholders' rights to obtain dividends. Arçelik did not carry out any interim dividend payments so far although such provisions exist in the articles of association.

The articles of association of the company do not contain any provisions that impede the transfer of shares.

All shareholders, including minority shareholders and foreign shareholders are treated equally and we detected no incidence of shareholders acting with the intention of harming other shareholders and the company unless aimed at protecting their own justified interests.

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

Arcelik carries out its relations with shareholders via the Finance and Accounting department. This department is headed by Dr. Fatih Ebiçlioğlu and assisted by Trkay Tatar (Finance Director), Pınar Atakol (Investor Relations Specialist) and Turhan Sarı (Capital Market Specialist).

The department is responsible for the delivery of transparent, on-time, objective, accurate and consistent information flow to the market in order to contribute to the accurate evaluation of the company by the financial analysts and to ensure sustainable value creation.

The department is adequately staffed in terms of number, structure and experience. The staff is observed to be dedicated and committed to proper application of corporate governance principles and best practices.

Shareholder records are kept up-to-date, secure and properly; shareholders' written queries for information (excluding the information that is confidential and classified as trade secret) are replied to promptly; appropriate preparation is done to ensure that the general shareholders' meeting is conducted in accordance with the legislation, the corporate statute and other in-house regulations; documents to be used by the shareholder at the meeting are prepared; records of voting results are kept and all reports related to the

resolutions of the general shareholders' meeting are sent to the shareholders; and necessary measures are taken to keep the information provided in the investor relations menu of the company's web site up-to-date and comprehensive.

1.2. Shareholders' Right to Obtain and Evaluate Information:

With regard to facilitating shareholder rights, all necessary information and documentation are available for and easily accessible by the shareholders. Shareholders are provided with information such as the identity and responsibility of shareholder relations staff, timing and other details related to the general shareholders' meeting, voting and minority rights, and procedures to be followed for the transfer of shares. Access to this kind of information is provided via the company's web site (www.arcelikas.com.tr), telephone, e-mail and personal visits and submitted as complete, accurate and in a timely manner.

Furthermore, the company's obligation to inform shareholders includes legal or commercial relationships with other enterprises or individuals with whom there is a direct/indirect managerial, administrative, supervisory or ownership related relationship. In this scope, information about the nature of any relationship between the company and the company's board members, shareholders, and affiliated companies is provided in the periodic financial statements as well as the annual report.

In the articles of association, however, there is no provision that allows individual shareholders the right to request from the general shareholders' meeting the appointment of a special auditor for the examination and clarification of a specific material situation.

1.3. Minority Rights:

Arçelik recognizes minority rights in its articles of association at 5%, which is what the current legislation requires. However, it would be more appropriate if an enlargement of the scope of minority rights is attained through the regulations in the articles of association, as recommended by the CMB's Corporate Governance Principles.

The articles of association of the company do not allow the execution of cumulative voting procedures which will make it possible for minority shareholders to appoint their representatives to the board. These are main areas under this heading that will need improvement.

On the positive front, there are no provisions to apply certain ceilings on the number of votes a shareholder might exercise and no obstacles to the implementation of voting rights of foreign investors are present. Proxy forms are announced for those domestic and international shareholders who will appoint a proxy for the meeting and these forms are also made available for use to shareholders on electronic media.

1.4. The Right to Participate in the General Shareholders' Meeting:

Prior to the general shareholders' meeting, holders of registered shares are recorded in the company's share ledger in order to ensure attendance of real shareholders at the general shareholders' meeting. The board prepared and disclosed to public the necessary documents regarding the agenda items.

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the general shareholders'

meeting was performed through all means of communication available to the company and was published in two newspapers that enjoy nationwide circulation as well as on the company's web site. The announcement was made 3 weeks in advance in accordance with CMB's Corporate Governance Principles.

All announcements prior to the shareholder meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting together with all necessary informative documents; the old and new versions of the related provisions of the articles of association as approved by the relevant authorities; the body inviting the general shareholders' meeting; and the place where annual report, financial statements and other meeting documents can be examined.

Commencing from the date of announcement of invitation for the general shareholders' meeting, financial statements and reports including the annual report; proposal for dividends; informative documents prepared for the agenda items of the general shareholders' meeting, and all other related documents pertaining to the agenda items; final version of the articles of association; amended version of the provisions, together with the reasoning thereof were made available to all shareholders for examination purposes in the most convenient places including at the headquarters or branches of the company and also in electronic form.

Arçelik is prompt in disclosing information regarding all operational and management changes which were realized in the previous accounting period to the Istanbul Stock Exchange (ISE) as well as the public, via the "disclosure of special events" and via

its web site within the time period required by the current legislation.

Information submitted to the shareholders before the conduct of general shareholders' meeting was easily associated with agenda items. Such information consisted of references and citations pertaining to the agenda items to be discussed. Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used.

Proxy forms were posted on the web site promptly and appropriately for those who would appoint a proxy for the general shareholders' meeting.

The board values shareholder views and opinions, endeavors to consider all requests about items to be placed on the agenda, and strives to achieve the highest level of attendance.

The location of the general shareholders' meeting that SAHA rating specialists have attended in person was easily accessible and appropriate for the attendance of all shareholders. In addition, the company made every effort to predict the possible number of attendance prior to the meeting. The conduct and execution have been appropriate, fair, and efficient and the meeting did not lead to any discrimination among the shareholders. Some board members, an auditor, those who were involved in the preparation of periodical financial statements, and persons who are in a position to inform shareholders about peculiar agenda items were present at the meeting. The chairman of the meeting did not announce the reasons of absence of those board members who did not attend to the shareholders attention.

Procedures of voting are posted electronically within the articles of

association of the company. Voting was conducted through open ballot and by raising hands during the general shareholders' meeting. However, the voting procedure was not announced at the beginning of the meeting. Likewise, the total number of votes to be cast by the shareholders during the meeting is not determined and classified and subsequently presented to the shareholders at the start of the meeting.

As per the 334th and 335th items of the Turkish Commercial Code, board members obtained the permission from the general shareholders' meeting to enter into transactions with the company or to be involved in competition with the company, however, shareholders have not been informed if and how this permission is going to be exercised.

The chairman conducted the meeting on fair grounds, and in an efficient manner that would enable shareholders to exercise their rights. The chairman of ensured that each question imposed by any of the shareholders was answered directly in the general shareholders' meeting. The meeting served as a forum of shareholders in which the annual report and company's performance indicators were discussed.

Each agenda item was voted separately, votes were counted and results were announced before the end of the meeting. The minutes of the meeting are available to the shareholders in writing and in electronic media at all times.

The general shareholders' meeting that SAHA experts attended accredited two new board members. Personal information about the existing board members are posted on the company's web site as well as in the annual report, however, the shareholders at the general shareholders' meeting

were not provided with the information about the new members.

Shareholders were not informed about the other companies on which each candidate fulfils a duty as a board member and exclusively on whether or not in-house regulations in that respect are observed. Similarly, minimum requirements for disclosure of information about the candidates are not stated in the articles of association of the company.

During the general shareholders' meeting, the audit firm explained in writing whether or not the financial statements and other financial reports such as capital adequacy table comply with the current principles and standards; the statements and reports truly and completely reflect the real status of the company; and whether or not there are any issues hindering the independence of the external auditor company.

Although the minutes of previous meetings prove that such decisions are duly adopted in the general shareholders' meetings, the fact that the articles of association of the company do not include a provision to maintain that decisions, regarding the division and allocation of shares which changes the capital and management structure of the company and the composition of the company's assets; the sale, purchase or lease of tangible/intangible assets or grants in significant amounts are adopted in the general shareholders' meeting is an area that Arçelik should work on.

1.5. Voting Rights:

At Arçelik, each shareholder is provided with the opportunity to exercise his/her voting right in the most appropriate and convenient way. There are no ceilings applied on the number of votes that a shareholder may exercise during the general

shareholders' meeting. The right to vote is automatically granted once the share is acquired. The articles of association of the company do not contain any provisions that grant any voting privileges. Similarly, there are no provisions that prevent voting by use of a proxy who is not a shareholder in the articles of association.

The certificate of authority did designate the representative who is entitled to exercise the right to vote. Legal representations were also documented in writing.

Article 28 of the articles of association of the company stipulates that in case of beneficial ownership, voting right would belong to the beneficial shareholder.

There are no obstacles on the voting of institutional and legal representatives. "One share, one vote" principle is duly observed at the general shareholders' meeting.

1.6. Dividend Rights:

Arçelik's dividend policy is clearly defined and disclosed to public. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

In the last general shareholders' meeting, the board proposed and shareholders accepted to distribute approximately 25% of the annual profit as bonus shares and add the rest to primary reserves.

There are no privileges exercised on dividend rights. The company's dividend distribution policy (defined in article 39 of the articles of association) is constituted to balance the interests of the shareholders as well as the company.

Arçelik did not carry out any interim dividend payments although such provisions exist in the articles of association.

1.7. Transfer of Shares:

The public shares of the company (22,35 %) float freely and without any limits, and transfer of shares of the controlling shareholders have no limitations dictated by the articles of association of the company.

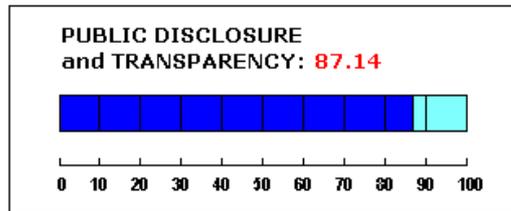
1.8. Equal Treatment of Shareholders:

As a result of our examinations of the conduct, execution and minutes of the general Shareholders' meetings, the articles of association, and interviews with company officials, we have no reason to doubt the equitable treatment of shareholders.

Arçelik officials, during the rating process, have also declared that the board, executives, shareholders who are controlling the management, or other persons, who would have the privilege to retrieve various kinds of information, do not perform any activities on their own behalf which coincide with the activities of the company.

We did not come across to a sign of any shareholder acting with the intention of harming other shareholders and the company unless aimed at protecting his/her own justified interest.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive web site, actively used for public disclosure
+	Dividend policy disclosed in the annual report
+	Periodical financial statements comply with rules and regulations
+	Relations and modus operandi with independent auditors comply with rules and regulations
+	Disclosure about developments that may affect the value of the company complies with the legislation
+	Attendance list and minutes of the general shareholders' meeting are posted on the company's website
=	List of ultimate controlling individual shareholders after being released from indirect or cross shareholding relationships between co-owners disclosed to public, but not in annual report
-	Corporate Governance Compliance Report does not include reasons of lacking implementation
-	Remuneration of executives not disclosed to public
-	Annual report lacking audit firm's opinion about the internal control system

The company has three authorized managers responsible for the use and operation of the Public Disclosure Platform (KAP).

The company's information policy which is disclosed to public duly performs the function of providing accurate, complete, comprehensive, and easily interpretable information to shareholders and stakeholders. Special events circulars are timely and regular.

Arçelik's web site is almost perfect in terms of content, accessibility, and user friendliness.

Information about payments to executives in cash such as salary, bonuses, and other regular and irregular payments; however, are not disclosed to public.

Although all transactions performed on the company's capital market instruments by board members, executives and shareholders, who directly or indirectly own 5% of the company's capital, are disclosed regularly, the company's ultimate controlling individual shareholder or shareholders, as identified after being released from indirect or cross shareholding relationships between co-owners, are not displayed in the annual report in a table format.

Arçelik's periodical financial statements are prepared in accordance with the legislation as well as international accounting principles. Annual reports contain information about the scope of activities of the company; the organization, capital, ownership and management structure of the company; financial status and operation results. However, the report does not have any entries regarding the rating agency's opinion about the company; durable goods sector in general; a macro analysis of foreseeable risk factors regarding

future operations; the internal control system and the list of ultimate controlling individual shareholders after being released from indirect or cross shareholding relationships between co-owners.

The external audit firm chosen by the company is an independent and experienced audit company and the audit procedure fully complies with the current legislation.

2.1. Principles and Means for Public Disclosure:

Finance and Accounting department is responsible for public disclosure tasks. Investors, financial analysts, press and other interested parties requesting information are directed to this unit. Three staff is authorized at first level to use and operate the KAP (Public Disclosure Platform).

Arçelik accurately discloses its accounting policy and operational financial results to the public. The company has prepared a collective set of written principles to be used in the public disclosure and information policy of the company. This information policy is disclosed to the public and presented to the shareholders at the general shareholders' meeting.

Curriculum vitae and structural organization of the board of directors as well executives, scope of activities and the corporate structures of the company and legal or commercial relationships with other enterprises or individuals are duly disclosed to public. Social rights and salary system for employees are also disclosed; however, remuneration, bonuses and other benefits offered to executives are not disclosed to public.

Unilateral declaration of the board, which covers information about whether or not the corporate

governance principles are being properly applied, is included in the annual report together with the pertinent compliance report. The reasons for those principles that are not applied, however, are not incorporated in the report. The dividend policy of the company is defined in detail in the articles of association and announced to public on the company's web site and in the annual report. Arçelik's ethical rules within the scope of its public information policy are also disclosed to public on the company's web site.

Arçelik's annual report does not include detailed information about the foreseeable risk factors regarding future operations.

The company's information policy aims to inform all shareholders and stakeholders about all company activities in a fair, transparent and comprehensible manner. There is a clause in the information policy stating that, other than regular press meetings, ad-hoc press releases about significant developments may be sent to media institutions.

The company's website is actively used for disclosure purposes. It is all-inclusive, secure and easily accessible. The English version of the web site is equally comprehensive. The letterhead of the company does not include the address of the web site of the company. The site is configured and designed so as to include all the information that is disclosed to the public by the company.

The web site includes trade register information; detailed information about the shareholder and management structure; the final version of the company's Articles of Association together with publicly disclosed material information; annual reports, periodical financial statements, agendas of the general

shareholders' meetings and list of participants and minutes of the general shareholders' meeting; form for proxy voting at the general shareholders' meeting. On the other hand, minutes of important board meetings which may affect the value of capital market instruments of the company are not listed on the company's web site. Provisions for the disclosure of the nature of legal and commercial relationships between the company and third party persons and companies that the company is related to in terms of capital, management or audit should also be included in the company's information policy.

2.2. Public Disclosure of Relations between the Company and Its Shareholders, the Board of Directors and Executives:

Although no such changes were affected in recent history, Arçelik authorities have officially declared that, in case shareholding or voting right percentage of an individual or group reaches, exceeds or falls below the thresholds of 5%, 10%, 25%, 33%, 50% and 66,67% of total share capital or voting rights, the company employs policies to disclose such information immediately. Arçelik's disclosure policies are in compliance with the CMB and ISE rules and regulations.

The company's ultimate controlling individual shareholder or shareholders are disclosed to the public, as identified after being released from indirect or cross shareholding relationships between co-owners. Nevertheless, Arçelik's capital structure is not presented in a table format that would include the names of the ultimate controlling individual shareholder/s (names of the real personalities), amount and proportion of their shares and such a table is not incorporated into the annual report and notes to the financial statements.

On the other hand, commercial and non-commercial transactions between the company and companies, where board members, executives and shareholders, who either directly or indirectly own at least 5% of the company's capital, possess at least 5% and more of shareholding or having the control of the latter are disclosed to public as per the CMB and ISE legislation.

2.3. Periodical Financial Statement and Reports in Public Disclosure:

The periodical financial statements and their notes are prepared in accordance with the existing legislation and international accounting standards and applied accounting policies are also included in the footnotes of the financial statements. The footnotes of the periodical financial statements include all off-balance sheet transactions including contingent claims, all liabilities and operational results that would affect future financial status, liquidity of the company, investment expenditures, investment sources, all factors that would affect the future relations of the company with other real persons and legal entities which are not within the scope of consolidation.

As part of its listing requirements in the ISE, Arçelik duly discloses information that is not included in the periodical financial statements or notes to the financial statements, such as shareholders' transactions on the company's shares, in the "disclosure of special events" published by the ISE.

Company officials declared that Arçelik's annual report is signed by the responsible board members, auditors and executives.

Arçelik's annual report includes information about the scope of activities of the company; board of directors' evaluation and analysis of

financial status and operation results; level of achievement of the planned operations; and an analysis of significant transactions carried out during the preceding year with the group companies and other related persons and institutions.

Similarly; information about changes in the organization, capital, ownership and management structure of the company; financial statistics and charts; commercial and non-commercial transactions between the company and companies, where board members, executives and shareholders, who either directly or indirectly own at least 5% of the company's capital; the dividend policy; function of the general shareholder's meetings; shareholder rights and the Principles that refer to the exercise of these rights are included in the annual report.

Nonetheless, the audit firm's opinion about the internal control system of the company; the sector in which the company operates and the company's status within this sector; a macro analysis of foreseeable risk factors regarding future operations and the company's ultimate controlling individual shareholder or shareholders, as identified after being released from indirect or cross shareholding relationships between co-owners are not incorporated in the annual report.

The curriculum vitae of the company's board members and executives and their duties and responsibilities within the company are incorporated in Arçelik's annual report. However, remuneration, bonuses and other benefits offered to these persons; other regular and irregular payments; payments not made in cash, such as houses or cars whose proprietorship bestowed and/or allocated for use, and all the stakes; criteria that define such payments and stakes are listed neither

in the annual report nor in any other medium.

2.4. Functions of External Audit:

The external audit firm chosen by Arçelik (Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a PricewaterhouseCoopers member company) is an independent and international audit company.

The nomination and election process of the audit firm starts with a short list proposal from the accounting department to the audit committee and ends with the committee's choice being presented and approved by the general shareholders' meeting.

The operations of the audit firm and the contents of the contract signed with them are in compliance with the legislation.

Independent audit contract is devised in accordance with the CMB rules and regulations and sent to the CMB upon confirmation. Although there is no evidence of any contrary application, it is worth noting that independent auditors have not been contractually provided with immunity against risks due to legal proceedings emanating from the company's operations.

There has been no legal conflict between the company and the external audit firm. Similarly, the company authorities during the rating process officially declared that the audit firm, auditors and other related staff working for them are not permitted to provide consultancy services to the company within the same period of auditing services.

2.5. The Concept of Trade Secret and Insider Trading:

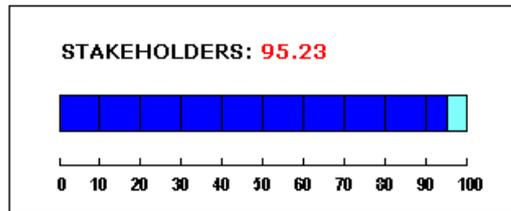
Arçelik has incorporated the definition of information that falls within the scope of trade secret in its internal book of rules and regulations. Necessary measures and precautions are defined in the company's "human resources policies, shared values and business ethic codes" document. Nevertheless, a list of the names of executives and other persons/institutions who provide services to the company, and who can potentially possess price-sensitive information is not prepared and disclosed to public in accordance with the information policy.

2.6. Significant Events and Developments That Must Be Disclosed to the Public:

Arçelik fully complies with the rules and regulations of the CMB and ISE in terms of public disclosure.

Any significant change in the management and capital structure of the company, and affiliated companies; any increase or decrease of more than 25% in the share price of the company within the last 5 days; changes in the articles of association or internal regulations; the rating agencies' grades assigned to the company's creditability and issuance of shares, any changes that may take place thereafter are regularly disclosed to public.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Active trade union
+	Comprehensive and efficient human resources policy
+	Strict quality standards in company products and services
+	Good relations with regulatory authorities
+	Efficient after sales customer support
=	Provisions facilitating the participation of stakeholders in the management of the company in place, but not incorporated in the Articles of Association

With regard to relations between the company and all related public and private parties (stakeholders) other than shareholders and the board of directors, over 40 sub-sections have been analyzed under the following headings:

- Company policy,
- Participation in the company management,
- Protection of company assets,
- Human resources policy,
- Relations with customers and suppliers,
- Ethical rules and
- Social responsibility.

Our conclusions are particularly positive with respect to company policy about stakeholders, protection

of company assets, human resources policy, ethical rules and relations with customers and suppliers.

The dominant factor that influenced our conclusions is that the company acts with goodwill and within the capabilities of the company in cases that are related to the protection of stakeholders' rights when these rights are either regulated or not regulated by the legislation.

The ethical rules of the company is prepared, submitted to the general shareholder meeting for information and disclosed to the public on the company web site.

Arçelik is highly considerate of its social responsibilities. Activities of NGOs and initiatives concerning education, environment, athletics, and arts and culture are supported.

We have detected no evidence of negligence or wrong doing either by the board or the top management that caused the company assets loose value and led to a deliberate loss for stakeholders.

3.1. Company Policy Regarding Stakeholders:

Arçelik's ownership is dominated by the KOÇ group of Turkey that operates in a wide spectrum of industrial, commercial, and financial businesses. Due to its substantial size and prominent corporate identity, Arçelik possesses consistent and advanced policies regarding the rights of stakeholders as well as relations with the private sector.

During the rating process, we did not detect any significant or frequent

incidences where stakeholders' rights which are regulated by the current legislation and contracts have been violated. Arçelik's corporate governance practices guarantee and preserve these rights.

Strict quality standards in company products and services are applied. Substandard products and services are replaced or compensated within the relevant legislative measures and additional guarantees are provided if necessary.

Arçelik acts as a pioneer in overcoming and solving any possible conflicts and disputes that may arise between the company and its stakeholders. In case the rights of the stakeholders are not regulated by the relevant legislation, the company preserves the interest of stakeholders under good faith principles and within the capabilities of the company, without permitting any damage to the brand image.

All customer requests and grievances are filed, monitored and assessed. To this end, customer satisfaction surveys are conducted and targets and performance criteria are revised according to the obtained results.

The web site of the company (www.arcelikas.com.tr) is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The Company believes that cooperation with stakeholders is beneficial in the long run and respects and protects the rights of stakeholders as specified in applicable legislation, agreements and by mutual understanding. The corporate governance structure of the company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

Arçelik's most important stakeholder group consists of more than 4,500 dealers. The Company holds regular Dealer Meetings to inform its dealers of its policies, targets and economic developments, as well as to get their feedback and hear their concerns. The Company also has around 3,500 suppliers and with the meetings held with the suppliers, inspections held at suppliers' sites and via the suppliers' portal, the company shares with its suppliers the business results of the previous year as well as Arçelik's strategies, policies and goals.

3.2. Stakeholders' Participation in the Company Management:

Although no such provisions are incorporated in the articles of association of the company, mechanisms and models supporting the participation of stakeholders, and especially of employees, in the company's management have been developed without impeding the operations of the company. Stakeholders are encouraged to participate in management through various channels such as proposals or surveys, which do not delay Company operations. Arçelik consults with and obtains the consent of the labor union with regard to changes in working conditions, the working environment and the rights of workers. Dealers are encouraged to participate in the company's management through Dealer Meetings.

Relationships with employees working under Collective Agreements are conducted with union representatives. As an employer, Arçelik is a member of MESS (Turkish Metal Industrialists' Union) while its blue-collar workers are registered with the Turkish Metal Union. In December of 2008, MESS and the Turkish Metal Union signed a collective agreement for the period covering September 1, 2008 to August 31, 2010.

During the rating process, we did not come across to any incidence of any incentives and privileges granted to stakeholders regarding the review of the management and operations of the company and/or any information which is classified as trade secret being used so as to violate the equal opportunity among different groups of stakeholders.

3.3. Protection of Company Assets:

The company pays due attention to the protection of company assets as its ISE (Istanbul Stock Exchange) listing and shareholder structure dictate stringent care and adherence to rules and regulations.

Neither the board nor any of the executives of Arçelik have been involved in any actions that caused the company assets loose value and led to deliberate loss for stakeholders.

3.4. Company Policy on Human Resources:

With respect to country specific standards, the company has a well established Human Resources policy that ensures equal opportunities, social rights and sound career planning. On the job training and personnel promotion schemes as well as relations with the trade union are of high standards.

Arçelik employs a comprehensive and efficient human resources policy of which the fundamentals are:

- As a company operating on a global basis, to have a global / local balance to the human resources systems and applications;
- To integrate all human resources systems and align them with the Koç Group policies and human resources applications;

- To install human resources and applications that support and respect the protection of internationally proclaimed human rights and exercise non-discrimination and equal employment opportunity principles within the organization;
- To base all human resources applications on fairness, consistency, and reliability;
- To focus all human resources applications on creating a “win-win” situation between the company and the individual employee;
- To systematically and periodically review human resources standards in order to aim continuous improvement;
- To protect personal information and preserve confidentiality;
- To hold managers at all levels responsible for consistently applying and supporting human resources policies and applications together with the human resources departments;

Arçelik has a detailed and comprehensive recruitment policy that defines appropriate criteria. In the recruitment and selection process, equal opportunities are provided for all candidates who have the appropriate training, knowledge, skills, competencies and experience required by the job. All candidates are assessed using defined recruitment procedures.

The company treats all employees fairly in terms of training and career planning and strives to install training policies to improve their knowledge, skills and competencies.

Arçelik’s career management processes provide benefits to the

company and to employees by using a "win-win" approach. Since the group is a global company, career opportunities may occur in different locations and/or functions. Therefore flexibility is a positive attribute in career development. International job vacancies are communicated between human resources departments and/or country managers. In the decision making process of promotions, transfers and rotations, the potential development, performance and career objectives of employees are considered. To give equal opportunities to all employees, equitable appraisal methods (such as performance management system, development centers, 360 degree appraisal system) are preferred to define potential of people by appraising their competencies and skills.

Arçelik's training and development approach aims to reinforce the improvement of the company and the individual performance through continuous development. All training and development activities are coherent with company strategies and objectives and also cover work requirements, current and future individual needs. Organizational and individual training and development plans are prepared with effective participation of managers and employees. With the purpose of continuous development, several types of tools such as on-the-job training, training programs, coaching, job enrichments, and task force projects are presented regarding different needs.

Performance and remuneration criteria are defined in writing and communicated to the employees. The degree of achievement of personal targets is the basis that defines these criteria. To this end, performance appraisals and performance monitoring interviews are conducted at least once

a year and results are reflected on the development plans and remuneration management of the employees.

Due to Arçelik's status as a truly global company, its human resources approach also conforms with global norms. It complies and respects the laws and customs of the countries in which it operates. As an indication of its commitment to its employees, Arçelik conducts fact-finding surveys to meet the requirements of the Global Compact principles and SA 8000 (Social Accountability) Standard. Improvements are implemented in order to meet the expectations of employees and to create a healthier and safer working environment.

In 2005, Arçelik became one of the first signatories of the Code of Conduct issued by CECED. This treatise ensures that companies demonstrate a sustainable performance in meeting the requirements of international conventions on working conditions (including minimum employment age, working hours, occupational health and safety, collective agreements) and those regarding environmental laws and standards. Companies that sign the Code of Conduct encourage their suppliers to comply with these principles as well.

Arçelik conducts training activities in order to develop and increase the awareness in occupational health and safety issues. To this end, in 2008, the total training time amounted to 43,200 hours.

3.5. Relations with Customers and Suppliers:

We observe that Arçelik has taken all necessary precautions to attain customer satisfaction in the sales and marketing of company products and services.

To this end, Arçelik has documented its Quality Management System so as to comply with the requirements of international ISO 9001 standards and implements necessary improvements continuously. As per the goals of quality systems and six sigma applications, Arçelik has set up the Central Calibration Laboratory and received accreditation from TÜRKAK (Turkish Accreditation Agency) in 2008.

In order to provide its customers with a high level and modern service, to ensure that communication lines between the company and customers are open and healthy, to evaluate and reply to customer demands and complaints in a timely manner, and to maximize customer satisfaction, Arçelik operates a Call Center, 7 days a week and 24 hours a day. When necessary, the Call Center informs the relevant departments of the company.

Arçelik Call Center, the recipient of numerous awards, in line with international corporate strategic goals, started to provide before- and after-sales service in German to its customers in Austria.

In 2008, the Consumer Service Department, operating under Consumer Services Directorate, brought field services to consumers with 619 authorized services under 13 regional offices, a vehicle fleet of 5.600 and around 12.000 personnel, 6.000 of which are technical personnel. Technical personnel are trained and certified by the Technical Services and Training Unit under the Consumer Services Department. The authorized services made 11 million service visits.

The company places great emphasis on meeting and guaranteeing certain quality standards for products and services. Products and services that fail to meet these standards are

compensated for in line with the relevant consumer protection laws. If they desire, the consumers can purchase additional warranty periods for their products.

3.6. Ethical Rules:

Arçelik has prepared an ethical code, disclosed it to public on its web site, and submitted to the shareholders' attention at the general assembly.

Processes to be applied in case of unethical personnel behavior and acts against operational rules and regulations are determined in the internal personnel and discipline codes in detail.

3.7. Social Responsibility:

Company officials confirmed that there were no major conflicts with the tax office, regulatory authorities and other government organizations in recent years and no serious sanctions imposed. Four in-house lawyers are employed and legal services are also obtained from outside the company when necessary. International group companies also employ an in-house lawyer each.

Consistent with the principle of sustainable development, the company pays careful attention to meeting social needs and fully complies with all applicable laws and ethical principles and observes human rights in all its operations. Arçelik's scope of activities and initiatives can be grouped until four distinct headings: environment, social responsibility, art and culture and athletics.

Arçelik is committed to protecting the environment and ecological balance at every stage of its production activities, as well as ensuring the sustainability of natural resources. To this end, the company strives to manufacture environmentally friendly and energy

efficient products. Moreover, in order to raise social awareness over the issue, Arçelik supports various NGO initiatives such as:

- The "Don't Waste Your Water" campaign of 2007 sponsored by TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) to which the company has been a founding member since its establishment. The purpose of this campaign was to raise public attention on the water shortage plight and to encourage people to redouble their personal efforts to save water.
- The "10 Billion Oaks Campaign" of 2008 which was started by the TEMA Foundation in cooperation with the Ministry of Forestry. Arçelik sponsored a forest which consisted of 250 hectares planted with 2.5 million oak acorns.

The company also sponsors the *Green Screen Project* started by NTV in 2008 with the aim of increasing public awareness and knowledge on the environmental problems and opened a web site that reports on environmental issues and initiatives.

In an effort to produce and launch environment-friendly products, with energy and water efficiency, Arçelik supported the "En-Ver" (Energy Efficiency) project, a joint venture between the Turkish Government's Ministry of Energy and Natural Resources and Koç Group. En-Ver project aims to change consumers' behaviors by raising public awareness in energy efficiency promoting more eco-friendly life style and thus saving energy.

The basis of Arçelik's corporate social responsibility approach is developing and implementing projects to improve social standards and find solutions for

sustainable development. Amongst these, the company cooperates with organizations such as the Vehbi Koç Foundation, Turkish Education Volunteers Foundation, Mother Child Education Foundation, and Private Sector Volunteers Association to support education related projects and initiatives.

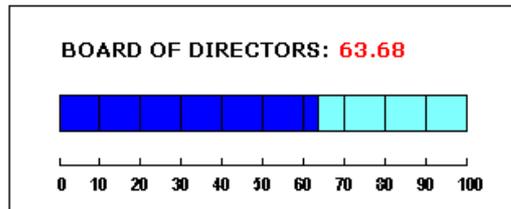
Set up by Arçelik employees within the framework of social responsibility, Arçelik Volunteer Teams support various activities aimed at increasing the social and cultural awareness of students enrolled at the schools covered by the Standing United for Education with Arçelik program and aims to educate new generations that look at the country's future with confidence.

In 2008, as part of the "For My Country" project focused on the environment issue, the "For My Country Forest" was established with 700,000 saplings planted in seven regions of Turkey, with the support of the Ministry of Environment and Forestry and the Tema Foundation. In this project, a total of 212,509 saplings were planted with participation from Arçelik employees, authorized dealers and services.

Arçelik employees, authorized dealers and service agents support the social responsibility project entitled "Vocational Education, A Top Matter for the Nation" initiated by Koç Holding in 2006 with the purpose of transforming the young generation in Turkey into a qualified work force and contributing to developing trained and qualified personnel in the industrial and service sectors.

In addition to its support for education, the company undertook the sponsorship of the Turkish Basketball League for four years through its Beko brand.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	The company's vision, mission and strategic goals are clearly defined
+	The board is staffed with effective and highly qualified members
+	No executive members on the board except the CEO
+	CEO and Chairman positions are separately chaired
+	Audit committee established and working
-	No independent board members
-	Cumulative voting rights not in effect
-	No corporate governance committee
-	No signed compliance and joint liability statement by board members
-	No provisions in the Articles of Association defining procedures for shareholders or stakeholders to invite the board to convene

The board of directors has clearly defined the vision and mission of the company and is staffed by highly qualified, experienced members maintaining high moral standards. The board is overseeing that company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

The board has established internal control and risk management

mechanisms that are appropriate for the company to minimize adverse effects of the risks that the company may face, which would also negatively affect the shareholders and stakeholders. The board has also taken necessary measures for sound functioning of these mechanisms.

The board approves the annual budget and business plans of the company, ensures that the general shareholder meeting is conducted in accordance with the legislation and the company's articles of association, approves the career plans and remuneration of executives, determines the information policy and ethical rules of the company, and discloses the same to public.

Each member on the board has one vote and there are no executive members on the board other than the CEO. However, minimum conditions required for candidates for board membership positions are not listed in the articles of association if the company.

Company officials confirm that none of the board members is indulged in any transaction and/or form of competition with the company.

An audit committee from within the board of directors is established to take all necessary measures in order to ensure that internal and external auditing are carried out adequately and transparently, to supervise whether or not periodic financial statements and its footnotes are prepared in accordance with the current legislation and international accounting standards, and to manage the relations and processes that involve the external audit firm.

The executives of Arçelik are qualified and experienced and working with principles of fairness, transparency, accountability, and responsibility. They are suitably endowed with the necessary amount of authority. The executives obey the legislation, articles of association of the company, in-house regulations and policies while performing their duties.

There are, however, no independent board members. Therefore, the audit committee does not contain an independent member either. The facts that there is no corporate governance committee and that cumulative voting system is not embraced by the company are other areas that are open for improvement.

Similarly, before commencing work, members of the board have not declared in writing that they will comply with the legislation, articles of association, in-house regulations and policies, and in case of incompliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders.

4.1. Fundamental Functions of the Board of Directors:

The board of directors of Arçelik has defined the corporate mission as follows: "In line with values, goals and strategies of Koc Group are to develop, produce, present and service products which meet our customers' needs beyond their expectations, ease home life, are easily purchased and used, and are reliable and to grow and develop continuously in target markets with shareholders' satisfaction by providing customer loyalty and satisfaction while using resources effectively."

The board is overseeing that company activities are managed in compliance with the legislation, articles of association of the company, internal

procedures and established policies and monitoring the degree of accuracy of the company related financial information. It effectively revises the company's level of success in achieving its goals, operations and past performance and fulfils its task to develop new strategies.

The board assesses whether the executives are well qualified to suit the demands of their positions and seeks measures that would encourage qualified employees to work for the company over a long period of time. As the board deems appropriate, it terminates the employment of executives and appoints new executives to replace the former without delay.

The board of directors of Arçelik has established an internal control and risk management mechanism that is appropriate for the company to minimize adverse effects of the risks that the company may face, which would also negatively affect the shareholders and stakeholders. The board also takes all necessary measures for sound functioning of such mechanisms. To this end, the management of financial risks is the responsibility of the Treasury and Capital Markets Department and financial risks are screened and reported by the Risk Management Department formed within the structure of the Finance Directorate. To create a reliable internal control mechanism, an Internal Audit Department has been established and it reports to the Assistant General Manager of Finance and Accounting. Related departments are responsible for determining and reporting financial and operational risks. The Audit Committee continuously monitors the functioning and effectiveness of the system and, when necessary, informs the Board of Directors of any problems and proposed solutions with respect to the internal control mechanism.

4.2. Principles of Activity and Duties and Responsibilities of the Board of Directors:

Beyond its basic functions, the board approves the annual budget and business plans of the company; ensures that the general shareholders' meeting is conducted in accordance with the legislation and the company's articles of association; and approves the career plans and remuneration of executives. The board has also determined the information policy and ethical rules of the company and disclosed the same to public.

Similarly, the board has determined policies concerning shareholders, stakeholders, and public relations and took all required measures to assure that the organization of the company meets environmental conditions.

Nevertheless, before commencing work, members of the board did not declare in writing that they will comply with the legislation, articles of association, in-house regulations and policies, and in case of non-compliance, that they would be jointly liable to compensate the loss accrued to the shareholders and stakeholders.

The board's duties and responsibilities are clearly defined in the articles of association of the company in consistency with its functions and beyond any doubt so as to distinguish from the authorities and responsibilities of individual board members, executives and general shareholders' meeting. Authority and responsibility for each board member and committees are clearly defined.

We found no evidence of any members of the board exploiting confidential and publicly unavailable information in favor of himself/herself or others; providing information or extending news or making comments that are false, untrue, misleading, and

unfounded information about the company.

The board of directors of Arçelik convened a total of 4 times during the year 2008. We would like to emphasize that the CMB Corporate Governance Principles dictate the boards to meet at least once a month.

Each member on the board has one vote.

In the "Human Resources Policies, Shared Values and Business Ethic Codes" document that constitute the ethical rules of the company, contain articles dictating that employees should not accept direct or indirect gifts offered to them and that they should protect company assets. However, we did not come across to any provisions that prohibit members of the board from indulging in pressures that would serve against the interests of the shareholders and accepting any material gains.

Any behavior by the company employees that would obstruct flow of information to the board are subject to sanctions including warnings and termination of employment contracts. The principles in this respect are clearly defined in internal regulations and can be found in written format in Arçelik's human resources policies.

Documents and information about the agenda items of the board meetings are submitted to the members of the board for inspection at least seven days in advance. In case such timing cannot be complied with, utmost attention is given in to providing equal information flow to each of the board members. The means for delivering the documents for the board meeting are incorporated in the company's internal regulations. The articles of association of the company, however, do not contain any provisions regarding the procedures for invitation

of the board members for a meeting by shareholders and stakeholders. Similarly, a secretariat is not established under the responsibility of the board chairman in order to serve the board and to keep documents related to the board meetings in order.

4.3. Formation and Election of the Board of Directors:

None of the Board members have been convicted or sentenced of non-conformity with the capital markets legislation or the Turkish penal code. All members are qualified and experienced persons maintaining high moral standards and fully capable of endorsing the required tasks to direct the company. Nevertheless, general rules in this respect are not incorporated in the articles of association of the company.

There are no executive members on the board other than the chief executive officer. The board chairman and the chief executive officer is not the same person.

The board does not comprise independent members who have the ability to execute their duties without being influenced under any circumstances. This and the fact that a cumulative voting system is not embraced by the company are important areas that are open for improvement.

4.4. Remuneration of the Board of Directors:

Arçelik officials confirm that the company did not lend money or extend any credits to a member of the board or the executives. As per the articles of association of the company, compensation for the members of the board is determined by the general assembly. At the latest general shareholders meeting, members of the

board were approved to receive compensation on a monthly basis.

Apart from this, no other payments are affected to the members of the board as an incentive remuneration which is based upon the performance of the members of the board in connection with the performance of the company.

4.5. Number, Structure and Independence of Committees Established by the Board of Directors:

An audit committee in charge of supervision of the financial and operational activities of the company is established from within the board. Since there are no independent members on the board, the audit committee is also not chaired by an independent member. The audit committee took all necessary measures in order to ensure that internal and external auditing are carried out adequately and transparently. The audit committee also supervises the execution and efficiency of the accounting system of the company, disclosure of financial information to the public, external audit of the company and internal control system thereof.

The audit committee supervises whether or not periodic financial statements and its footnotes are prepared in accordance with the current legislation and international accounting standards and declares its opinion to the board in writing upon receiving the opinion of the independent audit firm.

Appointment of the external audit firm and the services to be provided thereby are submitted to the board upon the preliminary approval by the audit committee. Prior to appointment of the external audit firm, however, the audit committee does not report

whether or not there exist any issues that may jeopardize independence of the audit company.

A corporate governance committee is not established in order to monitor the company's compliance with the corporate governance principles and perform improvement studies and offer any possible suggestions to the board.

4.6. Executives:

The executives perform their duties in a fair, transparent, accountable and reliable manner. They ensure that the company conducts its business within the framework of its mission, vision, goals, strategies and policies and act in accordance with the financial and operational plans of the company as approved by the board each year.

The executives are authorized to perform their duties and have the required professional qualifications in order to perform the assigned duties. During the rating process, we came across to no incidence of any executives exploiting company related confidential and publicly unavailable information in favor of themselves or others. Company officials confirm that there no executives who have been convicted of non-conformity with the capital markets legislation and/or the Turkish Penal Code. On the other hand, employment agreements do not indicate that the executive may not be permitted to work for a competitor of the company in case the executive renounces from his/her duty, to protect the interests of the company for a certain period of time.

Company officials also confirm that the executives obey the legislation, articles of association, in-house regulations and policies while performing their duties; and submit a report regarding the conformity of the performed works with these to the

board periodically. The potential losses to be incurred by the company and third persons as a result of not performing their duties duly are covered by directors and officers insurance.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.