

Corporate Governance Principles Compliance Report

1. Corporate Governance Principles Compliance Statement

The “Corporate Governance Principles Compliance Report” of our Company, in effect with Communiqué Serial IV, No: 56 of the CMB, has been reformed in line with CMB’s decision number 4/88 and dated February 1, 2012. This report will be presented to shareholders during the 2012 General Assembly.

In compliance with the Corporate Governance Principles published by the Capital Markets Board (CMB) during the 2012 operating year, ending December 31, 2012, our Company has a seven-member Board of Directors with executive and non-executive members and three independent members. As per Communiqué Serial IV, No: 56 of the CMB, our Board of Directors has one female member.

Of the three independent members, one will be the chairman of the Auditing Committee and another the chairman of the Corporate Governance Committee.

The chairman of the Board of Directors is also the general manager and CEO of the Company.

Our Board of Directors consists of five non-executive members (the Chairman, one Board of Directors Member, and three independent members) and two executive members (the General Manager and the Chief Financial Officer).

The Corporate Governance Committee focuses on public disclosures, transparency and the organization of the stakeholders and Board of Directors.

Accordingly, the Code of Ethics and Public Disclosure Policy are presented in the relevant section of this compliance report. In accordance with these principles, which are integral to public disclosure and transparency, pertinent information and documents are published in a timely manner on the Company’s website. One person is employed in the Investor Relations unit.

An Internal Auditing Department was established and internal auditors were hired according to a decision of the Board of Directors and recommendations of the Auditing Committee.

Both nationwide and regional corporate social responsibility projects are evaluated in line with our policy on corporate social responsibility. At the İhlas Group, our primary principle is based on the maxim, “Valuable people are those who serve others.” Accordingly, we perform all of our services for the greater ben-

efit of humanity, irrespective of religion, language, race, gender, or age.

Instances of non-compliance discussed in the report have been identified by the Corporate Governance Committee within the framework of these principles. However, the committee has complied with the majority of these principles and there are ongoing projects to ensure compliance with all of these principles. No conflicts of interest have resulted from non-compliance with these principles.

Prepared with the results of rating studies conducted by JCR Avrasya Derecelendirme A.Ş., the report has evaluated the Corporate Governance Principles Implementation within the scope of CMB regulations and determined the CMB Corporate Governance Principles Compliance Note as 7.68 and its outlook as stable. Digitized compliance values of the four main divisions were determined as follows:

- 7.27 for shareholders
- 8.05 for Public Disclosure and Transparency
- 7.07 for stakeholders
- 7.92 for Board of Directors and Managers.

SECTION I - SHAREHOLDERS

2. Shareholder Relations

Structured according to the CMB Corporate Governance Principles, the Corporate Governance Committee recommendations, and the Board of Directors decision, the Shareholder Relations department surveys and monitors all matters regarding exclusive public disclosures; responds to requests from investors, financial analysts, journalists, and people from similar industries; and actively utilizes the Company’s website for public disclosures.

Shareholders generally ask questions about the performance of stocks, the Company’s new investments, and the operations of subsidiaries.

The fundamental duties of the Shareholder Relations Department, as defined by Communiqué Serial IV, No: 41 on “Principles to be Followed by Firms under the Capital Markets Law” of the CMB, are as follows:

- a) To ensure healthy, reliable, and current records on shareholders are kept
- b) To answer shareholders’ written information requests regarding the Company, excluding confidential information not disclosed to the public that is regarded as being a trade secret



c) To ensure the General Assembly is held in line with the legislation in effect, the articles of association, and other internal regulations of the Company

d) To prepare the documents shareholders will use during the General Assembly

e) To record voting results and report results

f) To observe and monitor all issues related to public disclosure, including the Company's regulations and disclosure policy

Uğur Kurt was charged with fulfilling obligations stemming from the Capital Market legislation stated in paragraph 1 of Article 8 of the Communiqué Serial IV, No: 41 on "Principles to be Followed by Firms under the Capital Markets Law" of the CMB. He holds a Capital Market Activities Advanced Level License certificate.

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In 2012, 46 requests via email and phone were received from shareholders regarding the Company.

3. The Use of Shareholders Rights to Obtain Information

During 2012, shareholders' questions regarding the Company's activities and stock exchange performance have been answered in line with the relevant regulations. Information requests from shareholders are evaluated by the relevant departments, according to the law and the Articles of Association.

Developments affecting shareholders' use of rights are discussed in the Company Information Disclosure Policy.

Although the Articles of Association do not contain regulations regarding a special auditor, there have been no requests to appoint a special auditor for this reporting period or any previous reporting periods.

4. General Assemblies

The Ordinary General Assembly for 2011 fiscal year was held at 10:00 on Thursday, May 31, 2012, at the Company headquarters. The invitation to the meeting was announced with a Special Case Disclosure to the ISE on May 7, 2012 and published in is-

sue No. 8062, dated May 7, 2012 of the Turkish Trade Registry Gazette, and in the daily newspaper, Türkiye, Issue No. 15028, dated May 8, 2012 and in the daily newspaper, Dünya, in Issue No. 10573-9397, dated May 8, 2012, according to regulations and the Articles of Association.

The attendance quorum from the relevant articles of the Turkish Commercial Code was met, with 25.19 percent of stakeholders attending the meeting on May 31, 2012.

Prior to the meeting, shareholders were provided with the Board of Directors report, the auditors' report and the summary of the independent auditors report, the financial statements, and the profit distribution proposal for 2011 from the Company website. Also, the above information was shared with shareholders through the General Assembly Disclosure Document page on the website and the Public Disclosure Platform (KAP).

Shareholders did not present questions outside the agenda nor were any proposals submitted.

The Articles of Association do not include provisions that allow the General Shareholders Meeting to take important decisions on matters such as the divestiture, sale, purchase, or lease of assets. The Company's Board of Directors acts in accordance with current legislation and the Articles of Association for matters pertinent to non-divestiture of assets in order to perform the responsibilities outlined in the Articles of Association regarding purpose and subject.

The amendments of the following articles of the Company's Articles of Association, approved by the Turkish Prime Ministry Capital Markets Board and the Turkish Ministry of Industry and Technology General Directorate of Domestic Trade, were accepted by majority vote:

3. (Purpose and Subject), 4. (Company Headquarters and Branches), 6. (Description of Capital and Shares), 7. (Board of Directors), 10. (Term of the Board of Directors), 12. (Duties, Representation, and Binding Rights of the Board of Directors), 13. (Remuneration of the Board of Directors), 17. (General Assembly), 19. (Having a Commissioner Present at the Assembly), 20. (General Assembly and Decision Quorum), 24. (Declaration), 26. (Amendment of the Articles of Association), 27. (Annual Reports), 32. (Articles of Association to be Sent to the Ministry), 33. (Legal Provisions), 34. (Capital Markets Tools)

The announcement for the General Assembly is made at least three weeks prior to the date of the assembly, using all channels of communication, including electronic communication in addi-



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tion to the ways outlined by the law, in order to reach maximum number of shareholders possible.

Along with the General Assembly announcement and the notifications and disclosures the Company must report according to the law, the following areas are shared with the shareholders:

a) Total number of shares and voting rights, as well as privileged shares in the Company capital, if any, and the number of shares and voting rights representing each of the privileged share groups as of the date of the announcement,

b) Changes in the management and activities of the Company and/or the Company's subsidiaries and joint ventures that will affect the Company's activities significantly, and that have occurred in the past fiscal year or is planned to take place in the next fiscal year, the reasons for these changes, and Annual Reports and financial statements for the past two periods for all of the organizations partaking in these changes,

c) If the dismissal, change, or election of any Board of Directors members is on the General Assembly agenda, reasons are given for dismissal and/or change, and information on the Board of Directors member candidates,

d) Requests to put a topic on the agenda from shareholders, the CMB, and/or other public institutions and organizations,

e) If amending the articles of association is on the agenda, then the Board of Directors decision, as well as the former and updated version of the articles of association are shared.

Regarding the fulfillment of duties described in paragraph (c), the Company should disclose the following information regarding the Board of Directors candidates to the public within one week following the General Assembly announcement: Curriculum Vitae, duties and responsibilities held in the last ten years, reasons for severance, nature of relationship with the Company and the Company's subsidiaries and their relevance, whether they are independent, and similar topics that can affect the Company if they are elected.

General Assembly agenda items are to be stated clearly in such a way that will not result in different interpretations. Phrases like "other" and "various" should be avoided in the agenda. Information to be shared prior to the General Assembly should be given with reference to the relevant agenda item.

The General Assembly should be organized so that it encourages the participation of shareholders, does not create inequality, and incurs minimal cost to attendees and shareholders. With this in mind the General Assembly is held at the location where the

majority of shareholders are located and it is stated as such in the Articles of Association.

In order to present the necessary information and respond to any questions, the Board of Directors members, other related persons, officers responsible for compiling financial statements, and auditors must be present at the General Assembly.

When preparing the agenda, the Board of Directors should take into consideration requests for topics to be included received in writing by the Shareholder Relations Department from shareholders. If the Board of Directors do not accept the inclusion of topics proposed by shareholders in the agenda, the topics that have been rejected and the reasons for not accepting them must be explained during the General Assembly.

The Chair of the General Assembly should try to ensure that topics on the agenda are conveyed in a subjective, clear, understandable, and detailed manner during the General Assembly. Shareholders are given equal opportunities to express their thoughts and ask questions. The Chair of the General Assembly ensures that all questions asked by shareholders during the General Assembly, given that answers do not involve dispensing trade secrets, are answered then and there. If the questions asked are not related to the agenda or if they are complex and comprehensive enough that they cannot be answered immediately, the Shareholder Relations Department should provide a written answer within 30 business days.

The Company should establish and submit its donation and aid policies for approval. Shareholders should be notified of the amounts of all donations and aid given made during the reporting period, as well as the benefactors, in line with the policy approved by the General Assembly. Also reported are any changes to the policy as a separate item in the agenda.

General Assemblies can be opened to the public, including the media and stakeholders. These attendees do not have the right to speak; a provision regarding this can be inserted into the Articles of Association.

5. Voting Rights and Minority Rights

VOTE: (Turkish Trade Registry Gazette, Issue No. 3821, published July 5, 1995)

Article 21: Shareholders or their proxies have one vote for each of the shares they have or represent at the Company's Ordinary and Extraordinary General Assemblies.

LIMITATIONS TO VOTING RIGHTS: (Turkish Trade Registry Ga-



zette, Issue No. 3821, published July 5, 1995)

Article 22: Shareholders cannot vote in the meetings on personal cases or circumstances related to themselves, their spouses, or relatives of Company employees.

Companies that have mutual ownership may cast their votes through representation provided that these votes lead to shareholder sovereignty; there were no requests to represent minority shares in management. The Articles of Association do not contain any cumulative voting procedures. The Articles of Association do not contain any cumulative voting procedures.

In the Company's Articles of Association there are no privileged voting rights. However, shareholders in Group A have the privilege to select the majority of the Board of Directors members.

6. Dividend Rights

The Company does not have any dividend privileges. The Company has declared its dividend policy to the public and shareholders during the General Assembly. It is included in the Annual Report. The dividend policy can be found on the Company website and the Public Disclosure Platform (KAP).

The Company's dividend policy is as follows:

Bearing in mind the sensitive balance between our shareholders' expectations and our Company's need for growth, planned investments, working capital, and profitability, the Company's dividend policy, which enables our investors to receive dividend income, for years after 2011 has been identified as follows:

a) Once the essential legal reserves according to the Turkish Commercial Code, Tax Procedure Law, Capital Markets Law, Capital Markets Board resolutions, and similar regulations, as well as the relevant articles of the Company's Articles of Association have been set aside, the distributable profit is identified.

b) Taking into consideration our Company's growth trend, profitability, strategic goals, investment projects, and funds needed for the working capital, the minimum payout ratios identified by the Capital Markets Board, in line with the Turkish Commercial Code, Tax Procedure Law, Capital Markets Law, Capital Markets Board resolutions, and similar regulations, as well as the relevant articles of the Company's Articles of Association, will be distributed.

Bearing our Company's profit distribution potential in mind, it is always possible for the Board of Directors to decide to distribute profits above the minimum payout ratio, and to submit this decision for approval at the General Assembly.

c) If a decision to distribute profits is made, the Company's Board of Directors decide on whether the distribution will be done in cash and/or in bonus shares. This decision will be subject to the approval of the General Assembly.

d) If, at the General Assembly, the Board of Directors propose not to distribute the profits, the reasons underlying this decision and how the profit will be used should be presented to the shareholders. Moreover, this must be included in the Annual Report, registration statements, and the circular.

e) There are no privileges in dividend distribution. Dividends are distributed equally to all existing shares, notwithstanding the date of issue or acquisition.

f) There are no articles in our Articles of Association regarding the distribution of dividends to managers and employees.

g) Once approved by the General Assembly, dividends will be paid out to shareholders on the date determined by the General Assembly, without exceeding the legal time frame and complying with regulations and Article 30 of the Company's Articles of Association.

h) The Company management will notify the public of all donations and aid given during the year and any additional payments planned to be made at the end of the year.

i) When distributing dividends, the Company management should seek a steady balance between the interests of shareholders and the interests of the Company.

According to Article 29 of the Company's Articles of Association regarding the determination and distribution of profits:

FORMERLY

PROFIT DISTRIBUTION

(Turkish Trade Registry Gazette, Issue No. 4720, published January 29, 1999)

Article 29:

Upon deducting the Company's common expenses and mandatory expenses such as various depreciation calculated at the end of the fiscal year, the remaining net profit shown on the annual balance sheet is distributed as follows:

Upon deducting the Company's common expenses and mandatory expenses such as various depreciation calculated at the end of the fiscal year, the remaining net profit shown on the annual balance sheet is distributed as follows:

Legal Reserves:



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a. Five percent is set aside as legal reserves. (Turkish Commercial Law, Article 466/1)

Financial Liabilities:

b. The amount for the current legal entity taxes for the Company is set aside.

Primary Dividend:

The primary dividends at a rate and an amount determined by the CMB are set aside from the remaining sum.

Secondary Dividends:

d. After the items in paragraphs a, b, and c above are deducted from the net profits, the General Shareholders Meeting is authorized to distribute all or part of the remaining sum as secondary dividends or recognize this sum on the balance sheet as end-of-quarter profits. (Turkish Commercial Code, Article 466/3 reserved.)

e. Unless reserves required by law and shareholder primary dividends are set aside according to the Articles of Association, no other reserves may be allocated and no profits may be carried over to the following year. In addition, members of the Board of Directors, officers, employees, or laborers may not receive shares from the profit, unless primary dividends are distributed. An application was submitted to the Capital Markets Board on February 14, 2013 to amend the Articles of Association. Amended texts for the relevant Articles are shown below.

REVISION

CALCULATION AND DISTRIBUTION OF PROFITS:

Article 29:

A- Dividends

Company profit is determined based on the Turkish Commercial Code, Capital Markets Law, and internationally accepted accounting principles. It is the amount remaining in the annual balance sheet after the Company's general costs and sums that must be paid and set aside by the Company, such as depreciation and any mandatory taxes incurred by the Company's legal entity, are deducted from the income identified at the end of the fiscal year. Once accumulated loss from previous year is deducted from this amount, the balance is distributed as described below.

General Legal Reserves:

a) Five percent of the net profit, not to exceed one fifth of the paid capital, is set aside as legal reserves.

Primary Dividend:

b) If applicable, the sum of donations made during the year is

added to the remaining amount. Based on this amount, the primary dividend is set aside in line with the Turkish Commercial Code and the Capital Markets Law.

c) Once the above items have been deducted, the General Assembly has the right to decide to distribute the profit to Board of Directors members, employees, foundations established with various purposes, and similar persons and organizations.

Secondary Dividends:

d) After the items described in paragraphs (a), (b), and (c) above have been deducted from the net profit for the period, the General Assembly is authorized to set aside the remaining amount, partially or in full, as secondary dividends or as capital reserves, as per Article 521 of the Turkish Commercial Code.

General Legal Reserves:

e) As per the second paragraph of Article 519 of the Turkish Commercial Code, five percent of the amount decided to be distributed to shareholders and anyone else participating in the profits is deducted as profit share; then, one tenth of the remaining amount is added to the general legal reserves.

f) If the legal reserves, dictated by the law, are not set aside, and the dividends for shareholders outlined in the Articles of Association, are not set aside; no additional reserves can be set aside, profits cannot be rolled over to the next year or be distributed to the Board of Directors members or to partnership employees. Furthermore, unless the identified dividend is paid to the shareholders outlined in the Articles of Association, no other dividends can be distributed.

g) Dividends are distributed equally to all existing shares at the date of the dividend distribution, notwithstanding the date of issue or acquisition.

h) The General Assembly decides on how and when to distribute the profits, based on the proposal submitted by the Board of Directors. Provisions in the Capital Markets Law must be complied with.

The decision made by the General Assembly based on these Articles of Association to distribute profits is irreversible.

B. Dividend Advances

On the condition that it conforms with the Capital Markets Law and is authorized by the General Assembly, the Board of Directors can distribute dividend advances for the current year. The authority to distribute dividend advances given to the Board of Directors by the General Assembly is limited to the year in which it was issued. Unless the dividend advances from the previous



year are fully deducted, additional dividend advances or distribution of any dividends may not occur. The General Assembly has accepted unanimously not to distribute any dividends related to the 2011 accounts and to deduct the loss in question from profit in the following periods.

7. Transfer of Shares

The transfer of shares is described in the Company's Articles of Association as follows;

FORMERLY

TRANSFER OF SHARES:

(Turkish Trade Registry Gazette, Issue No. 3821, published July 5, 1995)

Madde 8:

In order for shares registered to shareholders to be transferred, the founding shareholders are given the option to buy the shares at their current value; if none of the founding shareholders buy the shares within a month, the shares may be sold to a third party. Any appropriation made to the contrary is invalid and will not be registered in the share ledger.

The items included in Article 8 apply in instances of pledging, seizure, or other similar rights pertinent to the shares. Preferential rights in Article 8 are reserved in the event of foreclosure sales. If these preferential rights are infringed, the administration commission is authorized to register the sale and transfer or transfer the rights to the share ledger.

However, the shares to be sold, transferred or inherited obligatorily due to seizures, foreclosures, inheritances, or the rights of others in kind arising from the application of Turkish laws, are first offered to Group A shareholders at the current market value. If no response is given to the offer within 30 days, the shares may be sold to third parties.

An application was submitted to Capital Markets Board on February 14, 2013 to amend the Articles of Association.

Amended texts for the relevant Articles are shown below:

REVISION

TRANSFER OF SHARES:

Article 8:

For the shares of Group A shareholders to be transferred, the shareholder who wishes to transfer their shares must apply to the Board of Directors. The Board of Directors first offer these shares to other shareholders in Group A at the share value of

the date of the application. If none of the shareholders in Group A purchase the shares within one month, the shares can be sold to third parties. Any appropriation made to the contrary is invalid and will not be registered in the share ledger.

Shares in Group B can be transferred freely, in line with the Turkish Commercial Code and the Capital Markets Law.

There are no provisions in the Company's Articles of Association that restrict the transfer of shares.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

Public Disclosure Principles and Tools

8. Disclosure Policy

The Company's disclosure policy has been announced to the public via the Public Disclosure Platform.

The execution of the public disclosure policy is under the authority and responsibility of the Board of Directors, which has appointed the executive director of Investor Relations and Financial Affairs for the coordination of the disclosure function.

Objective:

The objective of Ihlas Ev Aletleri İmalat San. ve Tic. A.Ş. (IHEVA) is to pursue a transparent and effective disclosure policy to inform shareholders in a simultaneous, complete, transparent, and accurate manner, according to related laws and the CMB Corporate Governance Principles. All information that is not classed as being a trade secret must be disclosed to the public by law. The objective of the disclosure policy is to share the Company's past performance, future expectations, strategies, targets and vision (not including trade secrets) with the public, related authorized entities, existing and potential investors, and shareholders through active and open communications.

In all the public disclosures, IHEVA complies with the CMB legislation and all ISE regulations. Moreover, IHEVA aims to implement the most effective communications policy according to the CMB Corporate Governance Principles.

Authority and Responsibilities:

IHEVA's Disclosure Policy has been established by the Board of Directors. At IHEVA, the pursuance, observance and development of the public disclosure policy is under the authority and responsibility of the Board of Directors, which has appointed the executive director of Investor Relations and Financial Affairs for



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the coordination of the disclosure function. Authorized persons fulfill their responsibilities in close cooperation with the Corporate Governance Committee, the Auditing Committee, and the Board of Directors.

Methods and Tools:

Information disclosures are made through various tools such as material events disclosures, financial statements and reports, Annual Reports, the Company website, presentations, investor meetings and information notes, and press releases. The key public disclosure methods and tools are as follows:

- Disclosures of material events forwarded to the ISE and international stock exchange markets where the Company is listed:
- Financial statements and their footnotes, independent audit reports and declarations periodically forwarded to the ISE and international stock exchanges where the Company is listed. These reports are also available on the Company's website. Annual reports and financial statements are periodically disclosed both in print and in electronic environments through the Company's website.
- Annual reports are presented to interested parties both in print and in electronic environments through the Company's website.
- Corporate Website: www.iea.com.tr
- Notices and announcements are published in the Turkish Trade Registry Gazette and national and local newspapers with high circulation. Also released as necessary are:
 - Press releases regarding important developments throughout the year with print and visual media,
 - Information on meetings and communications with investors and analysts, either in person or by phone, email, fax, and such.

Material Events Disclosures:

IHEVA's material events disclosures are prepared by the Investor Relations unit, under the supervision of the executive director of Financial Affairs. The disclosures are signed by signatory executives and announced according to CMB and ISE regulations. The Company takes the following measures to ensure the confidentiality of this information until the material events are disclosed to the public:

Great importance is placed on all Company employees' adherence to the rules on the use of insider information in order to

ensure that the balance between transparency and protection of the Company's interests is maintained. Various measures are taken to prevent the illegal use of insider information. Documented and disseminated throughout the Company, the "Code of Ethics" expressly states the conduct that must be adopted by IHEVA employees in their business practices.

Information that may be classified as trade secrets, which is acquired during the employment term and belongs to the Company (policy precludes anyone other than authorized parties to have knowledge of this information), is classified as "Company Information". All employees protect and do not release, either directly or indirectly, Company information during or after their employment periods.

Confirmation of News or Rumors:

If any news or rumors from media organizations contain any information that has already been made public in material events disclosures, registration statements, circulars, announcements approved by the Board of Directors, and financial statements, and does not provide any additional information, a material events disclosure is not required.

On the other hand, though the related official information may not require a material events disclosure, should the Company request an explanation of the news or rumor in question, this matter is brought forward by the executive director of Financial Affairs and made public through a material events disclosure.

If the news or rumor in question contain any issue that requires a material events disclosure according to the related official information, diligent attention is given to forwarding the required disclosure to the related stock exchange before the start of the opening session, no later than 09:00, without waiting for a warning, statement or request from the Board of Directors or the related stock exchange, to ensure that market transactions and sessions are not interrupted.

Public Disclosure of Financial Statements:

The financial statements of IHEVA are prepared according to the provisions specified by the CMB and disclosed to the public after having been audited independently according to the International Standards of Auditing (ISA). Before public disclosure, financial statements and their footnotes are submitted to the Board of Directors for approval with assent obtained from the Auditing Committee according to the Capital Markets Law. After the authorized persons have signed the accuracy statement,



then the financial statements and their footnotes and the independent auditing report are sent to the Public Disclosure Platform according to the Capital Markets Law and ISE regulations. The financial statements and their footnotes are retroactively accessible in the Investor section of IHEVA's website. Moreover, the Investor Relations unit prepares periodic presentations on information notes or financial data and ratios, and places them on the corporate website to ensure a better understanding of financial affairs.

Annual Report:

The content of the Annual Report is prepared according to international standards, Capital Markets legislation, and CMB Corporate Governance Principles. The Annual Report is then submitted for the approval of the Board of Directors. The Annual Report is made public on the corporate website.

Capital markets participants may obtain the printed version of the Annual Report in Turkish or English from the Investor Relations unit, if requested.

Appointment of Employees with Administrative Responsibilities:

Employees with access to internal information are given administrative responsibilities according to the scope of the information. However, managers and other staff members with detailed information on the Company's business activities and restricted information, in part or in full, are not considered as having access to internal information as defined above.

However, members of the Board of Directors, the general manager, some of the department directors, and upper management working in the headquarters who not only have detailed information on current business affairs but also on future plans are considered as being employees with access to internal information. A list of employees is prepared in line with these criteria and sent to the Capital Markets Board and the related stock exchanges, if requested, according to the applicable CMB communiqué.

The Company Website and Contents:

All mandatory information in the Company's corporate governance principles may be accessed on the Corporate, Human Resources, and Investor pages on IHEVA's website, www.iea.com.tr. Most of the information on the website is both in Turkish and English.

The main content of the website is as follows:

- Corporate Profile
- History
- Mission & Vision
- Quality Management
- Human Resources Policy
- Annual Reports
- Company Information Disclosure Policy
- Profit Distribution Policy
- Code of Ethics
- Corporate Social Responsibility
- List of Employees with Access to Internal Information
- Operations of Company Insiders
- Corporate Governance Principles Compliance Report
- Partnership Structure
- Preferred Shares
- Subsidiaries and Affiliates
- Board of Directors and Committees
- Senior Management
- Organization Chart
- General Shareholders Meeting
- Financial Information
- Material Events Disclosures
- Frequently Asked Questions
- Presentations
- Share Performance
- Articles of Association
- Trade Registry Information
- Registration statements
- Public Offering Circulars
- Share Information

Notices and announcements through the Turkish Trade Registry Gazette and daily newspapers:

According to the Capital Markets Law, Turkish Commercial Code and the Articles of Association, the announcements of the General Shareholders Meetings, capital increases, and dividend payments are announced through the Turkish Trade Registry Gazette as well as through daily newspapers. Questions or information requests in writing from the media on various developments and on general business affairs are reviewed and given either positive or negative responses.



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Meetings and Contacts with Investors and Analysts:

An Investor Relations unit has been established at IHEVA to maintain well-organized relations with both existing and potential shareholders, to answer investors' questions productively, and to work for the improvement of corporate values. Relations with shareholders are managed by this unit in coordination with the Executive Director of Financial Affairs.

Shareholders and analysts may also follow developments at IHEVA through the website regularly updated by the Investor Relations Unit, the information on the Public Disclosure Platform, as well as through direct contact, whether it be in person, by phone, or email.

Disclosures on Anticipatory Declarations:

Authorities of Ihlas Holding A.Ş. or IHEVA may release anticipatory declarations from time to time on information disclosure policies. The anticipatory declarations in written documents of the Company are released according to certain assumptions; therefore, investors must be advised that realized results may differ significantly from expected results in anticipatory declarations due to risks, uncertainties, and other factors.

9. The Company Website:

www.iea.com.tr

The Company website is used actively for public disclosures. The information posted on the website is constantly updated. As per provisions of relevant regulations, the information posted on the Company website is consistent with the information disclosed; it does not contain contradictory or inaccurate information. The address of the Company website is on the Company's letter head.

The Company website includes information on the trade registry, current status of shareholder and management structures, detailed information on privileged rights, dates and issue numbers of trade registry gazettes where amendments are published, the current version of the Articles of Association, material events disclosures, financial statements, Annual Reports, registration statements, public offering circulars, General Assembly agendas, attendance sheets and meeting minutes, and the voting by proxy form. Moreover, information on the Company's dividend policy, disclosure policy, donation and aid policy, transactions carried out with related parties, the Code of Ethics, remuneration policies for Board of Directors members, executive managers, and managers, as well as the Committees formed within the Board

of Directors, members and responsibilities of these Committees, and their work principles is also listed on the Company website. Information regarding the past five years can be found on the Company website.

Our website is also available in English for the benefit of our foreign investors. The Shareholder Relations Unit is responsible for updating, changing, and adding to the Corporate Governance and Investor Relations sections of the Company website.

10. Annual Report

The content of the Annual Report is prepared according to international standards, Capital Markets legislation, and CMB Corporate Governance Principles. The Annual Report is then submitted for the approval of the Board of Directors. The Annual Report is made public on the Company website.

Capital markets participants may obtain the printed version of the Annual Report in Turkish or English from the Investor Relations Unit, if requested.

Annual reports are prepared in detail, so that the public can access accurate and complete information on the activities of the Company.

The Company pays the utmost attention to ensuring that the Annual Report contains information on at least the following topics:

- Area of activity
- The industry in which the Company is active, as well as the Company's position in the industry
- The Company's financial status and analysis and evaluation of activity results
- Evaluation of the rating Company, if available
- Detailed explanation of foreseeable risks related to the Company's activities
- Duties and responsibilities, duties outside the Company, and Curriculum Vitae of managers and Board of Directors members and also information regarding their compliance with the rules set forth by the Company regarding positions held external to the Company
- Distribution of roles among Board of Directors members and their duties and rights
- Duties of managers and Board of Directors members held outside the Company and the declaration of independence from Board of Directors members
- Committee members of the Board of Directors committees, meeting frequency, work principles, on-going activities, and the



Board of Directors' evaluation of committee efficiency

- Number of Board of Directors meetings during the year, and the participation of the Board of Directors members at these meetings
- Explanations on any administrative sanctions and fines given to the Company or the members of the Board of Directors due to non-conformance with legal provisions, if any
- Changes to any laws that may affect Company activities significantly
- Important suits filed against the Company and possible outcomes
- Any conflict of interest between the Company and any organizations from which it receives services like investment consultations or Company ratings and any precautions taken to prevent these conflicts of interest
- Reciprocal shareholdings exceeding five percent
- The Company's corporate social responsibility activities related to employees' social rights, vocational education, and any other activities that have a social or environmental impact
- In order for shareholders with majority shares, Board of Directors members, executive managers, and the spouses and relatives by blood or marriage up to second degree of these persons to compete or perform actions that may result in a conflict of interest with the Company or any of its subsidiaries, the General Assembly must approve these actions before hand
- The Company's profit distribution policy
- If the Board of Directors proposes to not distribute profits to the General Assembly, information on the reasons underlying this proposal along with the use of the profit is given
- The existence, running, and efficiency of internal controls and internal audits
- Justification of why the Chairman of the Board of Directors also holds the position of Chief Executive Officer or General Manager, as applicable
- The Board of Directors is responsible for ensuring that the Company reaches the operational and financial goals predefined and disclosed to the public. If these goals are not achieved then reasons are given
- Remuneration and all other benefits provided to Board of Directors members and executive managers

SECTION III - STAKEHOLDERS

11. Company Policy Regarding Stakeholders

Stakeholders will be notified of relevant issues upon request, according to the law and the Articles of Association.

Accordingly, employees, suppliers, dealers, and after sales technical service employees are notified of relevant issues regularly and frequently through training seminars and newsletters, all of which contribute to establishing synergy within the Company. The rights of the Company stakeholders are preserved according to law and relevant contracts.

Our Company is obliged to go to any lengths to fulfill customer satisfaction in the marketing of goods and services.

Accordingly,

- Suggestions and complaints from end consumers, relevant non-government organizations or public organizations are prioritized on our agenda while solutions for customer satisfaction are created for goods and services purchased by consumers.
- Our products comply with international and national quality standards according to TSE, SGS, UL, TÜV, KEMA KEUR, NMI, and NSF, among others. Our products bear the CE symbol that certifies compliance with mandatory health, safety, environmental, and consumer protection laws. They are offered to consumers as safe-to-use products that are not harmful to human health nor jeopardize the safety of plants, animals, or the environment, when used as intended.
- Necessary precautions are taken in inter-Company procedures to prevent products that are below standard from passing through our manufacturing process and quality control system; and to compensate for and repair goods and services that are below standard. Furthermore, we have implemented joint measures with suppliers to ensure that their suppliers comply with these standards.
- Additionally, goods and services that fall below standard despite all precautionary measures are repaired and re-compensated. Hence, although the minimum legal period for a warranty is two years, all of our appliances come with three year warranties.

12. Participation of Stakeholders in Management

Extensive weekly quality meetings are attended by teams from production, supply, after sales service, and management. Stakeholders are encouraged to participate in management by examining the quality of products and the after sales services.



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Stakeholders are also encouraged to participate in evaluating the latest developments of ongoing projects.

We anticipate the establishment of models that encourage the participation of stakeholders (primarily Company employees) in management without impeding operations. With this in mind, we have taken steps towards the effective involvement of employees in management by providing them with training seminars. These seminars are conducted by experts in areas that include learning about the Company, developing learning skills, dealing with change, human relations, and business, among others. Our vocational education activities for employees are ongoing.

13. Human Resources Policy

Based on the belief that investment in people is always rewarded, our Company's human resources policy aims to create a productive, knowledgeable, and optimally-performing team, open to continuous improvement.

Moreover, our Company's Board of Directors adopts and implements the following principles in full, as per the CMB Corporate Governance Principles, Section III, Article 4:

- Providing equal opportunities for employees
- Informing employees of their employee rights, career and Company opportunities
- Providing a safe work environment for employees
- Having no discrimination between employees and preventing maltreatment in the workplace

As part of our human resources policy, Mr. Mustafa Salih Yazıcı acts as the human resources representative and manages employee relations.

There have been no specific complaints from employees with regard to discrimination.

On December 22, 2010, the Board of Directors evaluated a draft study prepared by the Human Resources unit on revising the existing personnel guidelines and drawing up an updated set of guidelines, defining such matters as appointments, promotion, advancement, reward, motivation and punishment (warnings, termination of employment, etc.) and including them in the guidelines. This study has been incorporated into the Company Quality Manual and put it into force as of the date of decision.

14. Code of Ethics and Social Responsibility

The Company's Code of Ethics has been disclosed to the public

via the website.

Code of Ethics

Our Board of Directors proposes that the Company must show that capital markets are reliable above all else; thus, the Code of Ethics is extremely important. However, the precedence of the law, and thus the need to be an advocate of the law, must come first in the principles.

Moreover, members of our Board of Directors propose that the Company's general manager, chief financial officer, and accounting and finance department managers must do the following:

1. Provide complete, fair, accurate, timely, and clear information in all reports and documents disclosed to the public and submitted to the regulators of capital markets where the Company is registered
2. Act in compliance with all laws, regulations, and principles to which the Company and its shareholders are bound
3. Act according to the letter and spirit of these principles of ethics and strive to establish a corporate culture that sets the foundation for compliance with laws and Company policies in all business activities of the Company

Furthermore, individuals who may be considered as having inside knowledge must maintain the confidentiality of information included in financial statements not disclosed to the public according to the Code of Ethics.

A member of the Board of Directors may not disclose confidential information or information with trade secret status regarding the Company to the public.

Our employees:

- Are honest, reliable, ethical individuals who care about moral values and who do not compromise these values under any circumstance
- Perform their responsibilities in Company departments or units in a disciplined, attentive, dedicated and objective manner while abiding by the confidentiality principles for the benefit of the Company
- Fulfill their responsibilities to the best of their abilities in order to help increase Company profitability and market share
- Act, speak, and dress reasonably and properly
- Interact with others, both within and outside the Company, in a courteous, proper, modest, active, and positive manner; manifesting these characteristics in all relationships





- Abide by laws, professional principles, and relevant legislation
- Evaluate different opinions, points of views, and suggestions in an open minded manner to find a middle ground and to decide upon the most effective, sound, and applicable decisions for the Company
- Forego all types of illegal activities
- Refrain from engaging in behavior that is contrary to justice, sincerity, integrity, reliability and social responsibility principles
- Cooperate with other employees towards common goals by communicating with them in a respectful and considerate manner while conducting their duties
- Are obliged to decline offers for personal profit immediately, and report them to relevant authorities and their superiors
- Are obliged to decline gifts from existing or potential customers and suppliers, aside from at conventions

As a manufacturing Company, it is the common goal of management and all of our employees to remain up to date with global quality standards, to produce green and energy efficient products, to design ergonomic products that ease the everyday lives of people, and to manufacture quality products rather than to control quality.

Checking Compliance with the Code of Ethics

- The employees must take the requisite measures to prevent the violation of the Code of Ethics in any way.
- The employees must report any situation where they suspect that violation of the Code of Ethics has occurred to executives or the Internal Auditing Manager.
- The Internal Auditing Department ensures accordance with the Code of Ethics, policies and procedures of the Company in cooperation with the Legal (or Company lawyers), Accounting-Finance, Human Resources and other departments.
- The Internal Auditing Manager reports directly to the Audit Committee and offers an independent opinion.

Sanctions to be Enforced in the Event of a Violation of the Code of Ethics As investigating a violation of the Code of Ethics is a delicate matter requiring expertise, it is the responsibility of the Audit Committee.

- The Internal Auditing Manager submits regular reports of any violations, and any corrective and preventive actions taken, to the Audit Committee.

- If allegations regarding employees are criminal, the Committee acts in cooperation with the Legal Department or Company lawyers and conducts the investigation jointly with them.

The email address etik@iea.com.tr, forwarded to the Audit Committee, was created to allow our stakeholders, consisting of shareholders, customers, suppliers and personnel, to report transactions not conforming to the legal or ethical values of our Company.

Disciplinary Penalties

- In case of violation of the Code of Ethics, our Company will make an effort to determine the most appropriate disciplinary penalty for the violation, within the framework of the Personnel Guidelines.
- Generally, a warning letter will be sent for a first-time and non-indictable offense.
- With more serious violations, penalties such as issuing a letter of caution and termination of the employment contract may be considered.
- Disciplinary penalties are not restricted solely to cases of violation of the Code of Ethics. There are also penalties for other matters; these are included in the Personnel Guidelines.

Corporate Social Responsibility

Our Company complies with laws and regulations pertaining to public health, the environment, the consumer, and the Code of Ethics when supporting economic development and working towards our goal to improve the quality of life. Our Company employs no child workers, prevents all types of forced labor and labor under pressure and is non-discriminatory in the recruitment and employment processes.

Our Company promotes an approach of prevention before damage in environment-related matters.

Our Company follows environmental, regional, and public social projects and anticipates leading in this area through supporting appropriate projects.

Our Company separates waste at its source according to the Packaging Waste Regulation and contributes to recycling by giving packaging waste to licensed companies.

In order to spread a more effective environmental responsibility, our Company has a packaging waste certification contract with Consumer and Environmental Education Foundation (TÜKÇEV) to raise public awareness about decreasing packaging waste at



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its source, collecting and recycling packaging waste, environmental issues, developing environmental sensitivity, developing projects and training activities regarding recycling.

There was no damage to the environment during this period. Our Company had no activities that required an environmental impact evaluation report.

We have sponsored the Career Summit, held on Wednesday June 20, 2012, where participants shared their experiences with young individuals. Among the participants were, **Suat Kılıç**, Minister of Youth and Sports, **A. Mücahid Ören**, Vice Chairman of the Board of Directors of İhlas Holding, **Ferit Şahenk**, Chairman of the Board of Directors of Doğu Holding and Garanti Bankası, **Vedat Akgiray**, Chairman of the Capital Markets Board, **Hüseyin Avni Mutlu**, Governor of Istanbul, **Süreyya Ciliv**, Chief Executive Officer of Turkcell, **Murat Akgiray**, Chairman of the Board of Directors of Bimeks, Medya Derneği Başkanı ve Karikatürist **Salih Memecan**, Cartoonist and President of the Media Association, and **Sadık Söztutan**, Sports Columnist at Türkiye Gazetesi.

SECTION IV – BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

The description of the Board of Directors in Article 7 of the Articles of Association of our Company is as follows.

“Administration and operations of the Company will be executed by a Board of Directors, whose number of members can range from five to eleven. Each of the members will be selected by the General Assembly.

Main criteria, election, term of duty, work principles, areas of responsibility, and so on are performed according to the provisions stated in the Turkish Commercial Code, Capital Markets Law, and other related laws.

The number and qualifications of independent members allowed on the Board of Directors is determined based on corporate governance regulations stated in the Capital Markets Law. Establishment of committees, responsibilities of these committees, and their work principles are composed in line with the provisions of the Turkish Commercial Code, Capital Markets Law, and regulations related to corporate governance in the Capital Markets Law, as well as other laws.”

As stated above, our Company’s Board of Directors includes executive and non-executive members; more than half of the

members are non-executives. The chairman of the Board of Directors is not the General Manager. Our Board of Directors consists of seven members, three of whom are independent.

The table below lists the names, responsibilities, and terms of duty of the members of the Board of Directors elected at the General Assembly held on May 31, 2012.

Name Surname	Title	Date Elected	Term of Duty
Abdullah Turalı	Chairman of the Board of Directors	31.05.2012	31.05.2015
Sedat Kurucan	Vice Chairman of the Board of Directors and General Manager	31.05.2012	31.05.2015
Mehmet Küsmez	Member of the Board of Directors and Chief Financial Officer	31.05.2012	31.05.2015
H.Alev Volkan	Member of the Board of Directors	31.05.2012	31.05.2015
Tolga Sönmez	Member of the Board of Directors	31.05.2012	31.05.2015
Salman Çiftçi	Member of the Board of Directors	31.05.2012	31.05.2015
Ahmet Olgun	Member of the Board of Directors	31.05.2012	04.03.2013
A. Murat Memioğlu	Member of the Board of Directors	04.03.2013	31.05.2015

Pending the approval of the first General Assembly, Murat Memioğlu has been elected to replace Ahmet Olgun, who resigned from his duty on March 4, 2013, for the remainder of Ahmet Olgun’s term of duty. With Board of Directors decision number nine dated April 19, 2012, the role of Nomination Committee has been given to the Corporate Governance Committee. With decision number four dated May 2, 2012, the Committee has nominated three independent members. The Committee has informed the Board of Directors that the these candidates fulfill the criteria set forth in Article 4.3.7 of Communiqué Serial IV, No: 56 of the Capital Markets Board and that they have the necessary technical education, experience, and knowledge to fulfill their roles as required. This issue has been presented to the shareholders during the General Assembly held on May 31, 2012, and their approval has been sought. There were no circumstances in the 2012 operating period that jeopardized the independence of the independent members of the Board of Directors in any way. The responsibilities carried out by the members of the Board of Directors outside the Company are regulated by the Turkish Commercial Code with no additional restrictions.

Curriculum Vitae and independence statements of the Board



of Directors Members are as follows:

Abdullah Turalı, Chairman of the Board of Directors

Elected on May 31, 2012 for a three-year term, until the General Assembly to be held at the end of the third year. Jointly authorized to represent and bind the Company.

Abdullah Turalı, born in Kırklareli in 1956, graduated from Istanbul Vefa High School and then from the Economics Faculty at Istanbul University in 1982. He worked at the Ministry of Labor Employment Agency's Istanbul branch office between 1977 and 1982. From 1994, Abdullah Turalı has held the position of manager in various departments at Ihlas Holding A.Ş. Currently he is the chairman of the Board of Directors of Ihlas Home Appliances.

Abdullah Turalı also serves as the Vice Chairman of the Board of Directors of Ihlas Pazarlama A.Ş., Ihlas Pazarlama Yatırım Holding A.Ş., Ihlas Madencilik A.Ş., Detes Enerji Uretim A.Ş., Bisan Bisiklet Moped Otomotiv San.Tic A.Ş., Bisiklet Pazarlama San.ve Tic. A.Ş. He is a member of the Board of Directors of Kristal Kola and Meşrubat Sanayi ve Ticaret A.Ş., Ihlas Meşrubat A.Ş., and Armutlu Tatil ve Turizm İşletmeleri A.Ş., and General Manager of Mir İç ve Dış Ticaret Maden San.Ltd. Şti.

Sedat Kurucan, Vice Chairman of the Board of Directors and General Manager

Elected on May 31, 2012 for a three-year term, until the General Assembly to be held at the end of the third year. Jointly authorized to represent and bind the Company.

Born in 1960 in Ordu, Kurucan completed his primary education in Ordu, his middle education at the Bursa Mustafakeleşme Middle School and completed high school at the Çanakkale-Gökçeada Atatürk Teacher's High School. Kurucan graduated as a mechanical engineer in 1982 from Istanbul Technical University, Faculty of Mechanical Engineering. He has completed his masters education on gas turbines in Eskişehir Osman Gazi University. Kurucan worked at the Air Forces Command, Eskişehir Airplane Engine Maintenance Factory, for six years, followed by eleven-year tenure at the Eskişehir TUSAŞ F16 Engine Factory, on Contract and Quality Matters under the responsibility of the U.S. Ministry of Defense. He resigned in 1999, and assumed senior management duties at Ihlas Pazarlama and IHEVA, Ihlas Holding companies. He is married and has two children. He is fluent in English and has a fundamental

knowledge of French. Sedat Kurucan is a member of the Board of Directors of Ihlas Pazarlama Yatırım Holding A.Ş.

Mehmet Küsmez, member of the Board of Directors and Chief Financial Officer

Elected on May 31, 2012 for a three-year term, until the General Assembly to be held at the end of the third year. Jointly authorized to represent and bind the Company.

Born in 1970 in Karabük, Küsmez completed his primary through high school education there and graduated from Karabük Demir Çelik High School in 1987. He has worked at IHEVA since 1990, with middle and senior executive duties in the Accounting, Finance and Planning Departments. He has been a member of the Board of Directors since 2001 and has also served as Chief Financial Officer since 2004. He is married with two children.

H. Alev Volkan, member of the Board of Directors

Born in 1952, H. Alev Volkan studied at the Istanbul Economic and Commercial Sciences Academy. She has worked as a public officer at Haseki Hospital between 1970 and 1976. From 1976 to 1994 Volkan worked as Chief of Cost Accounting and Accounting Manager, respectively, at Penyelüks Hasan Gürel Kombine Tekstil İşletmeleri A.Ş. She resigned and began working at Ihlas Holding A.Ş. in February of 1994. H. Alev Volkan has Capital Market Activities Advanced Level License and Corporate Governance Rating Expertise License certificates. Currently, she is working as Assistant Financial Affairs Coordinator, Capital Markets Law Compliance and Corporate Governance Applications Manager at Ihlas Holding A.Ş.

Tolga Sönmez, independent member of the Board of Directors

Born in 1973 in Ankara, Tolga Sönmez began studying in the Economics Department of the Faculty of Economics and Administrative Sciences at Anadolu University in 1992 and graduated in 1996. Afterwards, Sönmez went to London and finished the Banking and Finance Certificate Program at London Guildhall University. In 1997, he began his career as a Finance Specialist at Ihlas Holding A.Ş. In 2002, Tolga Sönmez transferred to FFK Fon Finansal Kiralama A.Ş., Ülker Group's subsidiary in leasing. Sönmez left his position as Finance Manager at FFK Fon Finansal Kiralama A.Ş. in 2008 and worked as Finance Manager for Baklavacı Güllüoğlu A.Ş. until March 2011. Currently, he is working as Financial Affairs Coordinator at Boer Electronics. Sönmez



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is married and has one daughter. Tolga Sönmez has participated in many seminars nationwide and internationally. He has also taken the stand as speaker at the Finance Summit organized by the Finance Club of Middle Eastern Technical University.

Salman Çiftçi, independent member of the Board of Directors

Born in Sivas in 1971, Salman Çiftçi began studying in the Economics Department of the Faculty of Economics and Administrative Sciences at Uludağ University in 1989 and graduated in 1993. Same year, Çiftçi began working as an Accounting Specialist in Bank Accounting at Ihlas Holding A.Ş. Then, in 1996, he transferred to BKR Işık Yeminli Mali Müşavirlik A.Ş as Tax Auditor. He left this position in 1997 to become Assistant Accounting Manager, and later Accounting Manager, at Ihlas Hayat Sigorta A.Ş. In 2004, he became the Financial Affairs Manager at JFK Hospital, a foreign-partnered institution. In 2011, Çiftçi began working at his current position as Group Accounting Manager at German Hospitals Group, also a foreign-partnered institution. Salman Çiftçi is a certified Independent Accountant and Financial Advisor; and has certificates related to the new Turkish Commercial Code and SME IFRS. Çiftçi is also married and has two children.

Ahmet Olgun, independent member of the Board of Directors

Ahmet Olgun was born in Istanbul in 1979. He completed his elementary school and middle school education in Bursa. In 2001, he graduated from the Electronic Engineering department at Uludağ University. Upon completing his military service as an English teacher, Olgun started his career as a Product Manager at LG Electronics Inc. Turkey branch. Between 2007 and 2008, he worked as the Technical Services Manager in Sony Ericsson Mob. Com. AB Turkey branch. Since 2009, he has been working as the Technical Service Manager for Telpa Telekomünikasyon Tic. A.Ş. Olgun has resigned from his duty as of March 4, 2013.

A. Murat Memioğlu, independent member of the Board of Directors

Born in Istanbul on February 9, 1977, Murat Memioğlu studied at Denizli Anadolu High School and Izmir Y. Science High School. He graduated holds a Computer Engineering degree from Yıldız Technical University. Memioğlu has been developing CRM, ERP,

e-Commerce, internet and intranet applications, data mining, and various financial systems integration projects for the last 16 years. Having worked at various companies in the informatics industry and managed multiple projects, Memioğlu is working as an Information Technologies manager at a leading e-commerce Company. Murat Memioğlu speaks advanced English and basic German.

Pending the approval of the first General Assembly, Murat Memioğlu has been elected to replace Ahmet Olgun, who resigned from his duty on March 4, 2013, for the remainder of Ahmet Olgun's term of duty.

STATEMENT OF INDEPENDENCE

I hereby declare that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with Ihlas Ev Aletleri İmal. San. ve Tic. A.Ş. or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares in the Company, directly or indirectly, are involved in the management or equity of the Company;

For the past five years, I have not been employed or held role as a Board of Directors member at any of the companies that have executed some or all of the Company's activities and operations within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company;

For the past five years, I have not been employed, owned shares, or held a role as a Board of Directors member at any of the companies that have procured a significant level of services and products to the Company;

I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken. May 2, 2012 **Tolga Sönmez**

STATEMENT OF INDEPENDENCE

I hereby declare that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with Ihlas Ev Aletleri İmal. San. ve Tic. A.Ş. or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares



in the Company, directly or indirectly, are involved in the management or equity of the Company; For the past five years, I have not been employed or held role as a Board of Directors member at companies that have executed some or all of the Company's activities and organization within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company; I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken. May 2, 2012 **Salman Çiftçi**

STATEMENT OF INDEPENDENCE

I hereby declare that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with İhlas Ev Aletleri İmal. San. ve Tic. A.Ş. or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares in the Company, directly or indirectly, are involved in the management or equity of the Company;

For the past five years, I have not been employed or held role as a Board of Directors member at companies that have executed some or all of the Company's activities and organization within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company; I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken. May 2, 2012 **Ahmet Olgun**

STATEMENT OF INDEPENDENCE

I hereby declare that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with İhlas Ev Aletleri İmal. San. ve Tic. A.Ş. or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares in the Company, directly or indirectly, are involved in the management or equity of the Company;

For the past five years, I have not been employed or held role as a Board of Directors member at companies that have executed

some or all of the Company's activities and organization within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company; For the past five years, I have not been employed or held role as a Board of Directors member at any of I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken. May 2, 2012 **A. Murat Memioğlu**

16. Operating Principles of the Board of Directors

Matters regarding the manner and frequency of Board of Directors meetings, meeting and decision quorum, method of objection to Board decisions, and the validity of Board decisions are carried out within the framework of Turkish Code of Commerce provisions.

The agenda of Board of Directors meetings consists of matters decided in the previous meeting to be discussed again in the next board meeting, and matters determined by the senior management of the Company. Any board member may add other items to the agenda by notifying senior management. Matters that need to be discussed by the board are communicated to the Board of Directors secretariat and collected in order to draw up the agenda for the next meeting.

The Board of Directors holds an ordinary meeting at least once a month; however, members of the Board of Directors may convene in extraordinary situations and make decisions on important matters on the agenda. The Chairman, Vice Chairman and each board member is entitled to call the Board to meeting and/or add matters he/she wishes discussed to the related meeting, by notifying all other members at least one (1) day before the meeting. Invitations for these meetings are communicated by mail or telephone by the Board of Directors secretariat.

The Board of Directors secretariat is operated by an expert reporting to the Chairman of the Board of Directors. All questions posed and all matters discussed during meetings are recorded in the meeting minutes. Members of the Board of Directors attend all the meetings as a principle. However, for important matters pertaining to activities of the Company, all members of the Board of Directors are expected to be present at these meetings in person. The following agenda items can only be approved by



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members of the Board of Directors who are present, in person, at the Board of Directors meeting:

- Determining areas of activity of the Company
- Matters related to calling the General Assembly to ordinary/extraordinary meeting and organization of the meeting
- Finalizing the yearly activity report
- Electing the Chairman of the Board of Directors, an acting Chairman and appointing new members
- Establishing or terminating administrative units
- Appointing or dismissing the Chief Executive Officer/General Manager
- Establishing committees
- Determining the dividend policy of the Company and the term profit amount to be paid out
- Capital increases or decreases
- All members of the Board of Directors, including the Chairman, have one vote and no member has a weighted vote right.

During 2012, the Board of Directors held 23 meetings; all of which were attended by all members.

No administrative sanctions or fines were given to the Board of Directors due to non-conformance with legal provisions.

Questions and opinions have been submitted by Board of Directors Members during the Board of Directors meetings; they are not recorded but a final decision is recorded for all items.

The Articles of Association do not grant weighted voting rights or veto rights to any of the Board of Directors members.

There are no transactions with related parties or material transactions; nor are there any decisions regarding these transactions unapproved by independent members of the Board of Directors.

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

An auditing committee and a corporate governance committee have been established within the Board of Directors according to corporate governance principles. The committees consist of two members; the chairmen are independent members of the Board while the others are non-executive members of the Board. Members of the Board of Directors cannot be on more than one committee.

In line with Article 4.5.1 Communiqué Serial IV, No: 56 on "Determination and Application of Corporate Governance Principles" of the Capital Markets Board, it was decided during the

Board of Directors meeting on April 19, 2012 that the roles of "Nomination Committee", "Early Detection of Risk Committee", and "Remuneration Committee" will be undertaken by the Corporate Governance Committee.

Duties and work principles of the Committees were accepted by the Board of Directors decision number nine dated April 19, 2012, and are carried out according to these procedures.

Role distribution and qualifications of the Committee members are as follows:

Corporate Governance Committee Chairman: Murat Memioğlu (Computer Engineer, Independent Member)

Corporate Governance Committee Member: H.Alev Volkan (Assistant Financial Affairs Coordinator, Board of Directors Member)

Auditing Committee Chairman: Salman Çiftçi (Financial Advisor, Independent Member)

Auditing Committee Member: Tolga Sönmez (Financial Advisor, Independent Member)

The Auditing Committee met five times during the 2012 fiscal year, which ended on December 31, 2012. The proposal decision from these meetings was adopted by the Board of Directors.

The Corporate Governance Committee met six times during the 2012 fiscal year, which ended on December 31, 2012. The proposal decision from these meetings was adopted by the Board of Directors.

18. Internal Control and Risk Management Mechanism

The Company's internal control structure links the organization's goals, risks identified, and control activities. Furthermore, it is focused on minimizing all types of risks that may prevent the group from reaching its goals. Thus, the elements of internal control are gathered under three groups.

1- Control Environment

Opinions and approaches of Management

Organizational structure of the Company

Functions of the Board of Directors and the Auditing Committee

Distribution of authorities and responsibilities

Management's monitoring methods

Company's human resources policies, procedures, employee structure and status

External factors

2- Accounting System

Company's accounting system and infrastructure

Whether recorded transactions exist



Whether transactions were executed in line with the given authority
 Whether transactions have been recorded
 Whether transactions have appreciated appropriately
 Whether transactions were recorded in the right accounts
 Whether transactions were recorded on time
 Whether transactions were shown appropriately in statements and reports
 Whether an appropriate account plan exists for operational activities
 Existence of accounting guidelines that adequately explain how the accounts work
 An effective budgeting system, a cost accounting system that has been organized according to operations and a document flow mechanism that records transactions

3- Control Procedures

Segregation of duties principle
 Authorization in accordance with activities and operations
 Coherence of documents and records
 Physical control over assets and records
 Independent controls related to performance
 The internal auditing structure of the group consists of auditing by internal auditors who are under the control of the Internal Auditing Committee. A risk evaluation process exists in order to detect and evaluate obstacles that may arise in the Group's efforts to achieve its goals while conducting internal auditing activities.
 Elements of the risk evaluation process are as follows:
 Determining goals and objectives
 Determining the level of risk tolerance
 Determining controls
 Evaluating controls
 Improving controls
 Continuous observation

19. Strategic Goals of the Company

The Board of Directors is the Company's highest body for strategic decision making, representation, and execution (management). When making and executing decisions, the Board of Directors aims to maximize the Company's market value. With this in mind, the Board of Directors executes the Company operations in such a way that shareholders can yield a steady, long-term profit. While doing this, they maintain the delicate balance between the shareholders and the Company's growth needs.

20. Financial Rights

As per decision number 10, dated April 20, 2012, a "Policy for the Remuneration of Board of Directors Members and Executive Managers" has been established in line with Communiqué Serial IV, No: 56 of the CMB. This issue has been an item on the agenda of the 2011 General Assembly. Furthermore, it has been disclosed to the public through a material events disclosure, and can be found on the Company website.

The Company does not lend money to any member of the Board or the executive managers nor does it provide them with loans or credit. There has been no credit extended under personal credit by means of a third party nor has the Company provided any warranties or guarantees.

Remuneration Policy for Board of Directors Members and Executive Managers

Remuneration of the Board of Directors members are done according to provisions outlined in the Turkish Commercial Code, Capital Markets Law, and relevant regulations.

Remunerations of the Chairman and members of the Board of Directors is determined by the Corporate Governance Committee. They become effective after the approval of the General Assembly.

The determination of remunerations takes into account the time the individuals will spend in meetings, for preparations before and after the meetings, and for fulfilling their duties. Moreover, the attendance fee for each meeting is determined by the General Assembly.

If the Board member has a role in execution as well, then, considering the financial status of the Company and the general market conditions, an additional payment may be made. Although these criteria are used for determining the remuneration of independent members of the Board of Directors as well, it is taken into account that the level of remuneration will enable these members to maintain their independence.

The purpose of the remuneration policy is to ensure that remuneration brings out knowledge, skills, abilities, contribution, performance, and scale of responsibilities. Furthermore, the policy aims to increase employees' motivational and engagement level by creating competitiveness in the market and a compensation balance both internally and externally, so that the Company can attain the workforce necessary for it to achieve its goals.

