



**“OUR CORPORATE
VALUES, ETHICAL
PRINCIPLES AND CODE OF
BUSINESS CONDUCT ARE
THE GUIDEPPOSTS THAT
HELP US MEET OUR
RESPONSIBILITIES”**

CORPORATE SOCIAL RESPONSIBILITY CONCEPT

Arçelik is aware that companies, as well as government agencies and NGOs, play a strategic role in the careful and sustainable use and development of the scarce global resources.

Within the framework of its corporate social responsibility philosophy, Arçelik embraces its responsibility for sustainable development, works on environmental and social issues, and fully complies with all applicable legislation, ethical principles and human rights precepts.

Guided by its corporate values and the motto of Founder Vehbi Koç, "Our most important asset is our people", the Company meets its responsibilities in close cooperation with its workforce and business partners.

CORPORATE GOVERNANCE CONCEPT

In meeting its responsibilities Arçelik is guided by its corporate values and corporate culture, ethical principles, good governance philosophy and code of business conduct.

In accordance with international business standards, the Company has adopted four principles of corporate governance, each of which creates trust between stakeholders and organizations: accountability, responsibility, transparency, and fair treatment. In the long run, these precepts are indispensable for the success and productivity of the Company.

The Company abides by the theorem that proper corporate governance is a must for maintaining the reliability and stability promised to stakeholders, especially to its investors. The Company's meetings with its corporate investors clearly demonstrate its successful performance in implementing corporate governance principles.

The Company not only capitalizes on business results and its sound financial structure to achieve its profitability targets, but also manages its "corporate reputation", an important asset created over many years.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

The reliability and creditworthiness of companies, and especially of publicly-traded companies, depends solely on the proper implementation of the "Corporate Governance Principles" which were adopted by the Capital Markets Board (CMB) on July 4, 2003 with decision No. 35/835 and announced to the public immediately thereafter. Arçelik has adopted these principles as a benchmark against which it measures its corporate governance quality. According to the CMB's decision No. 48/1588, adopted on December 10, 2004, companies listed on the Istanbul Stock Exchange (ISE) must disclose their compliance with corporate governance principles in their annual reports and on their websites, if any, starting from the year 2004. In accordance with this decision, Arçelik set up a task force to review its compliance with Corporate Governance Principles, and as a consequence of its studies new information is being disclosed in the 2006 Annual Report and on the Company's website. The task force is still reviewing issues which are not fully compliant. When the "OECD Corporate Governance Principles" published in 1999 were revised in 2004, the CMB updated its principles the same year to ensure consistency. Arçelik has developed its 2006 Corporate Governance Principles Compliance Report in line with the revised Corporate Governance Principles.

SECTION I: SHAREHOLDERS

2. Investor Relations Department

The Company manages its relations with shareholders through its Investor Relations and Subsidiaries Department, which reports to the Assistant General Manager in charge of Finance and Accounting. The main goal of the Company is to ensure that shareholders exercise their right to access information in a fair and reliable manner. Also, the Company ensures that shareholders exercise their rights in full and in the swiftest time possible. The main responsibilities of this department are as follows:

- ensuring shareholder data is kept and updated in a safe and reliable manner
- responding to shareholders' inquiries for written information concerning the Company, with the expressed exception of confidential information and trade secrets which are not disclosed to the public
- ensuring that the General Meeting is conducted in accordance with all applicable legislation, the Company's Articles of Association and other internal regulations
- drafting all necessary documents for the General Meeting
- recording voting results and sending the results to shareholders upon request
- observing and monitoring all kinds of issues regarding public disclosures, including applicable legislation and the Company's disclosure policy
- attending meetings held at the Company Headquarters as well as other national and international meetings arranged by various organizations to inform investors
- liaising with analysts assessing the Company
- responding to inquiries from undergraduate and graduate students and academics studying the Company and the industry
- drafting Turkish and English versions of the Investors Relations page on the Company's website (www.arcelikas.com), updating the page whenever necessary and ensuring simple on-line access to Company information for shareholders
- filing material disclosures with the ISE and the CMB pursuant to the CMB's Communiqué Serial VIII, No. 39
- following up amendments to the Capital Markets Law and other applicable legislation and reporting these to the relevant departments in the Company
- representing the Company at the CMB, the ISE and the Central Registry Agency

Staff members in charge of investor relations:

Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager - Finance and Accounting	+212 314 34 01	fatih.ebiclioglu@arcelik.com
Türkey Tatar	Finance Director	+212 314 31 84	turkey.tatar@arcelik.com
Çiğdem Ergüven	Investor Relations and Subsidiaries Manager	+212 314 31 13	cigdem.erguven@arcelik.com
Turhan Sarı	Investor Relations Specialist	+212 314 31 15	turhan.sari@arcelik.com
Baran Bülbül	Investor Relations Specialist	+212 314 31 17	baran.bulbul@arcelik.com

Fax: +212 314 34 90

In 2006, in order to provide detailed information on the Company to existing and prospective shareholders, the following actions were taken:

- seven investor meetings were organized in Turkey and abroad
- more than 400 investors were interviewed in these meetings held at the Company Headquarters, and all their questions about the Company were answered
- two meetings with analysts were held to announce 2005 year-end and 2006 first 6-month results; and the results of the first quarter of 2006 were announced to the analysts through teleconferencing
- five press conferences were held in Turkey and abroad, and the public and investors were informed on recent developments

3. The Use of Shareholders Rights to Obtain Information

The Company treats its shareholders equally regarding their rights to access and review information.

To ensure that shareholders are informed in a more reliable manner, the Company offers them electronic versions of its financial statements as well as other up-to-date information and documents in both Turkish and in English.

In 2006, requests for information by shareholders were handled either orally or in writing in compliance with the capital markets legislation and without discrimination against any shareholder or shareholder group. In 2006, necessary formalities were completed for 112 shareholders who were able neither to receive their dividends nor participate in capital increases in previous years.

The Company concluded work to send required electronic data to the CMB and the ISE with electronic signatures, all within the framework of the Public Announcement Project (PAP) conducted by Tübitak-Uzay UEKEA under the supervision and control of the Capital Markets Board. When launched, PAP will enable the Company to inform its shareholders in a quicker and more reliable manner. Also, financial statements and material disclosures filed with the CMB and the ISE are announced to shareholders on the Company's website, both in Turkish and in English.

Since the Company has become a member of the Central Registry Agency established for dematerialization of securities, Company shares traded on the ISE have been dematerialized, eliminating the need to print share certificates. The Company entered into an agreement with Yapı Kredi Menkul Değerler A.Ş. (former Koç Yatırım Menkul Değerler A.Ş.) for completion of shareholder formalities with the Central Registry Agency. This agreement enabled shareholders to collect their dividends, participate in capital increases and open accounts at any Yapı Kredi (former Koçbank) branch. Company operations are regularly audited by an independent auditor (PricewaterhouseCoopers) as well as by internal auditors elected at the General Meeting. The Company's Articles of Association do not contain any provisions concerning the appointment of a special auditor. During the reporting period, no request was made to the Company for the appointment of a special auditor.

4. Information on Shareholders' Meeting

In 2006, the Company held an Ordinary General Meeting. The Company's 2005 operations were discussed at the General Meeting held on April 5, 2006. Of the 39,996,000,000 outstanding shares, 34,105,280,671 (or 85.27%) were represented at the General Meeting. The meeting was attended by shareholders (in person or by proxy), stakeholders and media members. Also among participants were representatives of various brokerage houses and banks. Shareholders' questions were answered and at the end of the meeting shareholders requested to visit one of the production plants of the Company. Consequently, 51 shareholders visited the Çayırova Washing Machine Plant on May 25, 2006.

- The General Meeting is announced at least three weeks in advance, in accordance with applicable legislation. In an effort to reach the highest number of shareholders possible, the announcement is also published on the Company's website.
- All announcements comply with the Corporate Governance Principles.

- After the invitation to the General Meeting is announced, financial statements and reports, including the Annual Report, the proposal for dividend distribution, an informative document on the Agenda of the General Meeting, supplementary documents, the latest version of the Articles of Association and the text and justification of amendments to the Articles of Association, if any, are made available to shareholders at the Company's Headquarters and branches, as well as on the website.
- The Company drafts the Agenda of its General Meeting in a clear manner in order to avoid any misunderstanding.
- The announcement of the General Meeting includes forms of proxy statements to be used by shareholders who want to be represented by proxy at the General Meeting. These forms are also posted on the Company's website.
- Voting procedures are announced to shareholders electronically before the General Meeting.
- In 2006, the Company received no requests from shareholders pertaining to the addition of an item to the Agenda.

In 2006, in order to become more competitive and better develop its consumer electronics business, Arçelik increased its share in its subsidiary Beko Elektronik from 22.36% to 72.46%. The main rationale behind this transaction included reinforcing the existing coordination between the two companies, improving the effectiveness of the decision-making process and establishing better communication between production units and the market. This decision will both improve management efficiency and increase productivity and cost-savings through a restructuring of the domestic and international businesses.

The Company does not plan any significant change in its management and operational organization in the near future. Any such change will be disclosed to the public in accordance with applicable legislation.

The Company holds its General Meetings at a minimum cost to its shareholders. In this manner, the Company is also committed to implement the simplest procedures so as not to create any inequality among shareholders. To facilitate the participation of shareholders living in Turkey and abroad in the General Meeting, the one-week timeframe stated in the announcements is sometimes shortened. Also, all necessary documents are translated into English to inform foreign shareholders on the General Meeting and its Agenda. These documents are sent via the banks that conduct the custody and settlement transactions of such shareholders.

The Company takes care to hold its General Meeting in the Istanbul city center in order to maximize and facilitate participation of shareholders. The Company monitors any fluctuations in the number of participants over the years and chooses the venue according to the estimated number of participants. The 2006 General Meeting was held at Divan Hotel, located at No. 2 Cumhuriyet

Cad., Elmadağ, Taksim, Istanbul, a popular meeting venue that allowed for the convenient participation of all shareholders. The invitation to the General Meeting is announced by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law and the Company's Articles of Association. The decision by the Board of Directors to convene the General Meeting is announced to the public via disclosures filed with the ISE and the CMB.

CMB and the ISE regulations require disclosure of financial statements within 14 weeks after the end of the financial period. However, Arçelik discloses its financial statements well before this deadline. The 2006 year-end financial statements were disclosed at the end of the 10th week. Following the disclosure of operational results, the Company starts its preparations for the General Meeting, and upon completion of the necessary legal procedure, the meeting is convened. However, due to the timeframe specified for the completion of this process, the General Meeting cannot convene within the three months following the end of the financial period. The Company will discuss its 2006 operations at the General Meeting to be held on April 3, 2007.

At the General Meeting, agenda items are communicated to shareholders in a manner that is detailed, objective, and comprehensible. These agenda items are discussed with shareholders, affording them equal opportunity to make any queries and share their views. Shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the Company's directors and officers.

Any shareholder who holds an access card to the General Meeting is entitled to make comments on the Company's operations, request information from Company management, and receive answers to his/her questions. Shareholders' votes on agenda items are entered into the Minutes of the Meeting. Each agenda item is voted individually. The General Meeting is held under the supervision of a representative of the Ministry of Industry and Trade.

The General Meeting has authorized the Board of Directors to purchase, sell and lease material assets, as well as to make donations and grants. The Company's Articles of Association include relevant provisions permitting such authorization.

The Minutes of the General Meeting are posted on the Company's website and are also made available to shareholders at the Company Headquarters. Shareholders are provided with a copy of the Minutes upon request.

5. Voting Rights and Minority Rights

The Company announces voting procedures to shareholders at the beginning of all General Meetings. It avoids implementing procedures that would make voting difficult and provides each shareholder, even those living abroad, the opportunity to exercise his/her voting right in the simplest and most convenient way.

The Company's Articles of Association do not provide for any voting privileges. Each share has a single vote. Shareholders do not include any legal entity that is a subsidiary of Arçelik. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

Minority shareholders attend the General Meetings and comprise the Company's management in the same manner as the holders of majority shares. The Articles of Association do not provide for cumulative voting.

6. Dividend Policy and Deadline for Dividend Distribution

Pursuant to the Corporate Governance Principles, the Company adopts a dividend policy, which seeks a balance between the interests of the shareholders and the interests of the Company.

The Company has determined its dividend policy as follows: "To the extent permitted by applicable legislation and our investment requirements, long-term average dividends proposed at the General Meeting by the Board of Directors should not be less than 50% of the annual distributable profit of the Company." The Company's dividend policy is announced in the Annual Report and on the website.

The Company distributes its profit in accordance with the Turkish Commercial Code and the Capital Market Law and within statutory time limits. At the General Meeting held on April 5, 2006, it was decided to distribute a 50% gross (45.053% net) dividend in accordance with the operating results of 2005. Dividends were distributed after May 15, 2006.

The Articles of the Association do not grant any privileges in relation to the distribution of dividends.

According to the Company's Articles of Association, the Board of Directors may distribute dividends in advance, provided that such action has been authorized by the General Meeting and fulfills the requirements of the Capital Market Law and the CMB's applicable regulations. The authority to distribute dividends in advance, granted to the Board of Directors by the General Meeting, is limited to the year when such authorization was issued.

7. Transfer of Shares

The Company's Articles of Association do not include any provisions whereby the transfer of shares by shareholders is complicated or restricted.

SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Information Disclosure Policy

The Company issues material disclosures to disclose information that is required or desired to be shared with the public. The Annual Report specifies the individuals who are responsible for making such disclosures.

Any development which may influence the Company's securities is disclosed to the public without delay and within the statutory time limits. Any consequent changes and developments regarding such disclosures are also announced immediately.

Public disclosures are made using the channels required by applicable legislation. In addition to these channels, the Company also effectively utilizes data distribution companies, the media and its website for such disclosures.

The directors and officers of the Company, the managers of subsidiaries abroad and appointments and resignations disclosed in 2006 in material disclosures were as follows:

Board of Directors 2006

Rahmi M. Koç	Chairman
Dr. Bülent Bulgurlu*	Vice Chairman
Robert Sonman	Member
Mustafa V. Koç	Member
Semahat S. Arsel	Member
F. Bülend Özyaydın	Member
Temel K. Atay*	Member
M. Ömer Koç	Member
A. Gündüz Özdemir	Member

Board of Auditors

Serkan Özyurt
Mert Ş. Bayram

*Dr. Bülent Bulgurlu and Temel K. Atay are also members of the Audit Committee. Board members are elected every year at the Ordinary General Meeting as described in the Articles of Association. All members started their term on April 5, 2006.

Management 2006 (December 31, 2006)

Aka Gündüz Özdemir	General Manager
Atilla İlbaş	Assistant General Manager - Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager - Finance and Accounting
Mustafa Nadir Yalçınalp	Assistant General Manager - International Marketing and Sales
Şirzat Subaşı	Assistant General Manager - Turkey Marketing and Sales
Ahmet İhsan Ceylan	Information Technologies Department
Ahmet Sakızlı	Product Planning and Coordination Director
Ali Tayyar	Accounting Director - Headquarters/Plants
Cemal Can Dinçer	International Sales Director - Non-European Markets
Dr. Cemil İnan*	Research and Development Director
Dilek Temel	Corporate Relations Coordinator
Ercüment Gülşen*	Beko Sales Director
Ferhat Erçetin	Purchasing Director
Hilmi Cem Akant	International Sales Director - Europe and Business Development
İhsan Somay	Accounting Director - Sales/Marketing
İsmail Hakkı Sağır	Product Director - Refrigerator
Koral Boro*	Arçelik Sales Director
Mehmet Savaş	Product Director - Cooking Appliances
Melis Mutuş	Corporate Communications Coordinator
Murad Şahin	Marketing Director
Mustafa Türkay Tatar	Finance Director

Reyhan Tamsöz*	Supply Chain Change Coordinator
Salih Arslantaş	Product Director - Dishwasher
Serdar Sözeri	Consumer Services and Logistics Director
Sibel Kesler	Budget, Reporting and Analysis Director
Şemsettin Eksert*	Product Director - Washing Machine
Şerife Füsün Ömür	Human Resources and Strategic Planning Director

Management of Subsidiaries Abroad (December 31, 2006)

Brigitte Petit	Country Manager-France/Beko France S.A. General Manager
Clayton Witter	Country Manager-UK/Beko P.L.C. General Manager
Georg E. Lackner*	Country Manager-Germany/Beko Deutschland GmbH General Manager
İsmail Kürşat Coşkun	Country Manager-Italy/Arcelitalia S.R.L. General Manager
Kamil Uğur Kayalı	Country Manager-Romania/Arctic S.A. General Manager
Namık Koçer	Country Manager-Spain/Beko Electronics Espana S.L. General Manager
Orhan Sayman	Country Manager-Poland, Hungary, Czech Republic, Slovakia/Beko S.A., Beko Cesko S.R.O., Beko Magyarorszag K.F.T., Beko Slovakia S.R.O. General Manager
Osman Diyarbekirli	Country Manager-Austria/Elektra Bregenz A.G. General Manager
Rauf Candan Oğuzkan Şatiroğlu*	Country Manager-China/Beko Shanghai Trading Co. General Manager
Tevfik Adnan Tüfekçi	Country Manager-Russia/Beko L.L.C. General Manager

*Appointments in 2006

Arçelik Sales Director - Koral Boro (February 1, 2006)

Beko Sales Director - Ercüment Gülşen (February 1, 2006)

Country Manager-Germany/Beko Deutschland GmbH General Manager - Georg E. Lackner (March 15, 2006)

Country Manager-China/Beko Shanghai General Manager - Rauf Candan Oğuzkan Şatiroğlu (April 1, 2006)

Supply Chain Change Coordinator - Reyhan Tamsöz (October 1, 2006)

R&D Director - Dr. Cemil İnan (November 1, 2006)

Product Director- Washing Machines - Şemsettin Eksert (November 1, 2006)

Resignations in 2006

Arçelik Sales Director - Oktay Sokullu (retired on January 20, 2006)

Product Director, Washing Machines - Cemal Şeref Oğuzhan Öztürk (appointed General Manager of Beko Elektronik A.Ş. on October 20, 2006)

The Company posts Turkish and English versions of all material disclosures concurrently on its website.

Any questions asked of the Company by third parties are handled either by the Company's senior management or by officers of the Investor Relations and Subsidiaries Department under the supervision of senior management, depending on the nature of the question. Upon the disclosure of its financial statements, the Company also posts presentations on its website prepared to facilitate evaluations by analysts of results.

Dealings with securities issued by the Members of the Board of Directors, officers and shareholders who directly or indirectly hold at least a 5% interest in the Company in the preceding year are announced to the public in compliance with capital markets legislation and posted on the Company's website.

The Company prepares consolidated financial statements and accompanying notes in accordance with the CMB's Communiqué Series XI, No. 25 and the IFRS. These financial statements and notes are disclosed to the public after being audited by an independent auditor.

Annual Reports are prepared in compliance with securities legislation, the CMB regulations and Chapter 2, Article 3.2.2 of the CMB's Corporate Governance Principles.

9. Disclosure of Material Events

During the reporting period, the Company made 22 material disclosures. The ISE and/or the CMB did not request additional explanations with respect to the public disclosures made in 2006. Since the Company does not have any securities listed on foreign stock exchanges, it is not required to make any material disclosures other than those made to the ISE and the CMB. The Company made all its material disclosures in due time, and therefore the CMB did not impose any sanctions.

SECTION III: STAKEHOLDERS

10. The Company's Website and Its Contents

As required by CMB principles, the Company uses its website (www.arcelikas.com) to ensure effective and rapid interaction with investors and continuous communication with shareholders. All information listed in Chapter 2, Article 1.11.5 of the CMB Corporate Governance Principles is available on the website. The Company prepares its website in both Turkish and English and in the form and content specified by CMB principles. The Investor Relations and Subsidiaries Department is responsible for developing the content of the website, updating information and making other additions. The Company is continuously working to offer better service through its website.

11. Disclosure of the Company's Ultimate Controlling Individual Shareholder / Shareholders

There are no special circumstances which might influence investors in the event the names of the individuals who are the ultimate controlling shareholders of the Company are disclosed. Since the public already knows that members of the Koç family are ultimate controlling shareholders, no separate calculation or disclosure has been made.

12. Disclosure on Insiders

In order to maintain the balance between transparency and the Company's interests, the Company ensures that all employees observe the rules regarding the use of insider information. The Company takes all necessary measures to prevent the use of insider information. The "Code of Business Conduct" distributed to the entire Company describes how all Arçelik employees are expected to behave in business life.

"Proprietary information" is defined as any information which is accessed by employees while working for the Company, and as any information which should not be known by anyone other than on a "need-to-know" basis, as well as that which can be considered a trade secret. All employees must protect proprietary information during and after their employment, and must refrain from using such information directly or indirectly. No Arçelik employee may profit by buying or selling shares of Arçelik or another member of the Koç Group using insider information.

In the event officers of the Company, who have access to information which might influence the value of securities, deal in the Company's outstanding securities, such transactions are disclosed to public. These disclosures are also posted on the Company's website.

The Annual Report contains a list of officers who have access to information which might influence the value of the Company's securities.

13. Informing Stakeholders

The stakeholders of Arçelik include third parties who have a direct relationship with the Company. Stakeholders are invited to meetings whenever it is necessary or are informed using telecommunication channels. The Company believes that cooperation with stakeholders is in its best interests in the long run and respects and protects the rights of stakeholders as specified in applicable legislation, agreements and by mutual understanding. The Company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions. The Company's most important stakeholder group is comprised of its 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 has around 5,000 suppliers and organizes "Supplier Days" to communicate its targets and strategies.

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 October of 2006, MESS and the Turkish Metal Union signed a collective agreement for the period covering September 1, 2006 to August 31, 2008.

14. Participation of the Stakeholders in the Management

Mechanisms and models supporting 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 the "Dealer Meetings".

15. Human Resources Policy

While confidently taking steps to achieve its vision, Arçelik is committed to continuing its successful performance through relying on its core value: "Our most important capital is our people". In this regard, the Company is guided by its shared values and code of business ethic, as well as its firm conviction that human resources policies that are compatible with strategies guarantee

a promising future. Arçelik defined its human resources (HR) policies in 2006 and communicated these to its employees in Turkey and abroad, along with its shared values and business ethic codes published in several languages. The basic principles of these policies are as follows:

- The Company's human resources systems and practices maintain the balance between the global and the local. As a company operating on a global basis, local legislations, practices and needs are respected. Should any HR policy and practices conflict with local legislation, local legislation will prevail.
- All HR policies are aligned with Arçelik's business strategies.
- All HR processes and applications should support and respect the protection of internationally proclaimed human rights. This principle brings non-discrimination and equal employment opportunity philosophy in the organization. Arçelik does not discriminate on the basis of ethnic origin, race, nationality, disability, political view, religious beliefs, age, gender or sexual orientation.
- Fairness, consistency and reliability are the basis of all HR applications.
- Aiming continuous improvement of HR standards, the Company systematically and periodically review them and revise HR processes regarding latest improvement and feedback provided.
- The Company attitude is to protect personal information and to ensure the confidentiality of this information.

Guided by the above principles, the Company aims towards the following in its human resources practices:

- Industrial relations with employees covered by a collective agreement are managed through workplace representatives. The objective is to ensure cooperation between the employer and employees, as well as to maintain a harmonious and peaceful working environment and help solve problems according to applicable legislation and the collective agreement.
- Arçelik is committed to meet all relevant national standards for health and safety in order to generate a hygienic, ergonomic, and safe environment.
- Existing and future personnel requirements of Arçelik are met through a sound recruitment and selection process. The aim is to establish a mutually beneficial employment opportunity between employee and the Company. In the recruitment process Arçelik provides equal opportunities for all candidates who have the appropriate training, knowledge, skills, competencies and experience required by the job.
- Training and development approach aims to reinforce the improvement of the Company and the individual performance through continuous development. All training and development activities should be coherent with Company strategies and objectives and also should cover work requirements, current and future individual needs.

- Arçelik believes that personal success is a must for organizational success. Keeping this in mind, Arçelik uses various development management systems to continuously develop employees' performance.
- Remuneration management approach is defined within the framework of a fair and competitive employment policy.
- For the purpose of encouraging the desired conduct and behavior that will facilitate the fulfillment of Company goals, augment the sense of loyalty, motivation and efficiency or lead to adoption of better practices and applications, Arçelik assesses and recognizes any achievements, inventions and/or suggestions that will yield benefits and saving a quantitative nature.

16. Information on Relations with the Clients and Suppliers

Customer and supplier satisfaction is a high priority and an indispensable target at Arçelik. Customer satisfaction is carefully monitored and reported regularly. The Company attaches great importance to maintaining the confidentiality of information related to its customers and suppliers, which are classified as trade secrets. In today's highly competitive environment, Arçelik believes that its customers are its business partners. Therefore, the ever-expanding hi-tech Arçelik Call Center directly handles all kinds of inquiries, problems and proposals of customers, seven days a week until 24:00 every day and when necessary, informs the relevant departments. Capitalizing on the advantage of its high technology, the Arçelik Call Center offers numerous communication channels for its customers. In addition to phone and e-mail, it is also possible to access the Center via fax and regular mail. The Center responds to the majority of requests immediately. By handling customer requests promptly and conducting customer satisfaction surveys to collect feedback from the field, the Arçelik Call Center is enabling the Company to seize developmental opportunities. In so doing, it is continuously raising the bar in terms of service quality.

17. Social Responsibility

The Company considers corporate social responsibility as an indispensable part of its core business. Within the framework of its corporate social responsibility philosophy, Arçelik assumes responsibility for protecting the environment and reducing the consumption of natural resources in its production and product development processes. Moreover, consistent with the "sustainable development principle", 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.

The Company discloses its corporate social responsibility policies and efforts in the relevant section of its Annual Report and also on its website.

SECTION IV: BOARD OF DIRECTORS

18. The Structure and Composition of Board of Directors and Independent Members

The Board of Directors of Arçelik is composed of nine members. The Company's Articles of Association allows for the General Manager to serve on the Board of Directors. Mr. A. Gündüz Özdemir acts as an Executive Board Member. Following the election of the Board of Directors by the General Meeting the Chairman and Vice Chairman of the Board are elected. In the event of any vacancy on the Board, Article 315 of the Turkish Commercial Code applies.

Pursuant to Articles 334 and 335 of the Turkish Commercial Code, the Chairman and members of the Board seek the consent of the General Meeting in order to directly or indirectly engage or own shares in any business which is similar to the business of the Company.

The Company's Board of Directors does not have an independent member. All Directors have worked in various sectors for many years and are experienced in the business of the Company. The Company benefits much from the knowledge and experience of its Directors. The Directors are able to voice their opinions openly, free from any influence. The Company has affiliates and subsidiaries operating in various industries. Believing that Directors' participation in the management of related companies would serve the interests of the Company, Directors are not subject to any rules or restrictions regarding the assuming of other tasks outside the Company.

19. Qualifications of Board Members

The structure of the Company's Board of Directors ensures maximum efficiency and effectiveness. Directors are qualified pursuant to Chapter 4, Articles 3.1.1, 3.1.2 and 3.1.3 of the CMB Corporate Governance Principles. However, the Company's Articles of Association do not include any provisions in this regard.

20. The Mission, Vision and Strategic Goals of the Company

The Company's vision is "to possess one of the ten most preferred global brands in our sector by the year 2010". Its strategic goal is "to obtain a 2% market share in the global domestic appliances market with the Beko brand".

The vision, mission, core values and strategies of the Company are disclosed in the Annual Report and on the corporate website, and are announced through other communication channels such as information meetings, statements, etc.

The strategies and goals determined in line with the Company's vision and mission are evaluated by the Board of Directors.

Pursuant to the Company's Articles of Association, the Board of Directors meets regularly. In these meetings, the goals and activities of the Company are discussed, taking into account the performance in previous periods. The existing status of the Company is reviewed and new goals and strategies are developed when necessary.

21. Internal Control and Risk Management Mechanism

Financial risks of the Company are managed by the Treasury and Risk Management Department reporting to the Assistant General Manager responsible for Finance and Accounting. Also, in order to create a reliable internal control mechanism, an Internal Audit Department has also been established reporting to the Assistant General Manager responsible for 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.

22. Authority and Responsibilities of the Members of the Board Directors and Executives

The powers and duties of the Company's Board of Directors are defined clearly in the Articles of Association. Powers are listed in detail for the list of authorized signatures. These documents are filed with competent authorities and also posted on the Company's website.

23. Principles of Activity of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors meets as required by the business of the Company. The Board must meet at least four times a year. The Board convenes upon the request of the Chairman, or two Members. Reasons for any dissenting opinion or vote are recorded in the Minutes of Board meetings. Detailed reasons for dissenting votes are disclosed to the public. However, no such disclosure was made in 2006, since no dissenting opinion was voiced at Board meetings.

The Agenda of a Board Meeting includes issues that are reported by the relevant departments to the Company officers and directors and require a Board decision according to the Articles of Association. A meeting agenda is also prepared when any Director informs the senior management of the Company of a material issue which requires a Board decision.

Issues requested to be discussed at the Board Meeting are compiled and consolidated by the Assistant General Manager in charge of Finance and Accounting.

Arçelik has assigned the Assistant General Manager in charge of Finance and Accounting to determine the Agenda of the Company's Board Meetings, to prepare Board decisions made pursuant to Article 330/II of the Turkish Commercial Code, to inform the Directors and provide communication. Board Meetings are held at the Company Headquarters or at a convenient place in the city where the Headquarters are located.

24. Prohibition of Carrying Out Transactions with the Company and Prohibition of Competing with the Company

Although there is no rule restricting any Director from dealing or competing with the Company, no Director is doing so at the present time.

25. Ethical Rules

Arçelik aims to be a symbol of reliability and esteem towards its partners, dealers, side-industry collaborators and customers and always respects the laws. Arçelik Group as a whole, with its employees, shareholders, dealers and other business partners is fully aware of its responsibilities to society, the environment, customers and business partners, and these responsibilities constitute the fundamental principles of its business ethics.

Arçelik business ethics are a part of daily work life. Therefore, the Company has documented and communicated its business ethic codes in order to ensure that Arçelik employees, at all levels, understand, accept and comply with the business ethics during the performance of their duties. Arçelik's Code of Business Conduct primarily includes the following principles:

- To avoid conflict of interest at Arçelik, the Code of Conduct describes expected behaviors of employees in relation to their commercial investments, business activities, gifts and invitations, business activities of relatives, employment by suppliers, etc.
- While collecting information about competitors in order to achieve the goals and strategies of the Company, employees must be aware of Arçelik's values and business ethics.
- Protecting commercial secrets is extremely important to protect the Company's future success and, therefore, the job security of its employees.
- Arçelik respects intellectual property rights and its employees comply with all legal requirements when using any article, invention, work, etc. owned by someone else. No books or other intellectual works owned by someone else are used by Arçelik without payment of appropriate royalties.
- The Company is committed to comply with all laws and regulations pertaining to its products and operations.
- Internal audits are conducted to ensure that operations are managed adequately by comparing them with policies and procedures.

- Arçelik business principles require respecting for others, not using alcohol and unprescribed drugs in the workplace and during working hours, ensuring workplace security, supporting a peaceful working environment and treating everyone equally without discrimination.

If an employee is uncertain of any aspect of the Arçelik business ethics, the tools and chain of authority to be consulted is defined. If commitment to Arçelik business ethics is violated, the Company disciplinary procedure will be used, if appropriate, after a thorough investigation has taken place.

26. Number, Structure and Independency of Committees Established by the Board Of Directors

The Company has set up an Audit Committee to ensure that the Board of Directors fulfills its duties and responsibilities in a reliable manner. The Audit Committee is composed of two members. In 2006, the Board elected Dr. Bülent Bulgurlu and Mr. Temel Kamil Atay to serve on the Audit Committee. The Audit Committee operates regularly in compliance with Capital Markets Legislation and the CMB's Corporate Governance Principles. The members of these committees are not independent members. The Company plans to set up a "Corporate Governance Committee" in the future and is committed to acting in line with applicable legislation and regulations to be issued by the CMB.

27. Remuneration of the Board of Directors

Pursuant to the Articles of Association, the rights to be granted to Directors are determined at the General Meeting. At the General Meeting of April 5, 2006, the shareholders decided to pay a salary to the Directors. According to this decision, the Chairman and Members of the Board will be paid a monthly gross salary of TRY 1,150. Executive members also receive remuneration based on their performance. Directors and Officers are not allowed to borrow or receive loans other than advance payments granted in compliance with the Company's internal procedures. No surety is granted in favor of Directors and Officers.