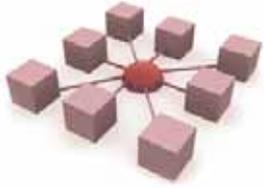




## CORPORATE SOCIAL RESPONSIBILITY REPORT

"We are conscious of our responsibilities and therefore strive to leave a better world behind for succeeding generations. Our corporate culture, values and ethical principles guide our way towards meeting these responsibilities."



# Corporate social responsibility concept

## 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.

As Arçelik consciously and consistently seeks to meet its responsibilities in close cooperation with its workforce and business partners, the Company is always guided by its corporate values and the motto of our founder, Vehbi Koç: As long as my country exists, so do I.

## 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 has been disclosed since 2004 in both the 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 2007 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 the Assistant General Manager in charge of the 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' either written or verbal inquiries for information concerning the Company, with the expressed exception of confidential information, either written or verbal, and trade secrets which are not disclosed to the public
- Ensuring that the General Shareholders 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 Shareholders 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 for information from academicians studying the Company and the industry
- Drafting Turkish and English versions of the Investors Relations page on the Company's website ([www.arcelikas.com](http://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 31 00 fatih.ebiclioglu@arcelik.com
Türkay Tatar	Finance Director +212 314 31 84 turkay.tatar@arcelik.com
Doğan Korkmaz	Treasury and Capital Markets Manager +212 314 31 95 dogan.korkmaz@arcelik.com
Pınar Atakol	Investor Relations Specialist +212 314 31 17 pinar.atakol@arcelik.com
Turhan Sari	Capital Markets Specialist +212 314 31 15 turhan.sari@arcelik.com

Fax: +212 314 34 90

In 2007, in order to provide detailed information on the Company to existing and prospective shareholders, the following actions were taken:

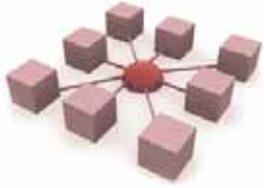
- Nine investor meetings were organized in Turkey and abroad
- More than 400 investors were interviewed in these meetings held at the Company Headquarters, and all their questions about the Company were answered
- Two meetings and two teleconferences were held to announce the financial results on quarter basis. The details of the special events were disclosed on the official website.

Eight press conferences were held in Turkey and abroad, and the public and investors were informed concerning 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 financial statements and up-to-date information on the Company is being offered on the official website both in Turkish and in English.



In 2007, shareholders' information requests were met verbally or in writing in compliance with the capital markets legislation and without discrimination against any shareholder or shareholder group. In 2007, necessary formalities were completed for 100 shareholders who were not able to receive their dividends and who have not participated in capital increases in previous years.

In addition to the explanations concerning important circumstances, financial reports and other essential information about the Company is sent out via electronic media with an electronic signature within the framework of the PAP (Public Announcement Project).

The Company concluded work to send required electronic data to the CMB and the ISE with electronic signatures. Also, financial statements and material disclosures filed with the CMB and the ISE were 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. 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 branch. Company operations are regularly audited by an independent auditor (Başaran Nas Yeminli Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers), as well as by internal auditors elected at the General Shareholders 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 2007, the Company held an Ordinary Meeting of Shareholders. The Company's 2006 operations were discussed at the General Shareholders Meeting held on April 3, 2007. Of the 39,996,000,000 outstanding shares, 34,243,802,122 (or 85.62%) were represented at the General Shareholders 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.

- The General Shareholders 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 Shareholders 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 Shareholders 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 Shareholders Meeting in a clear manner in order to avoid any misunderstanding.
- The announcement of the General Shareholders Meeting includes forms of proxy statements to be used by shareholders who want to be represented by proxy at the General Shareholders Meeting. These forms are also posted on the Company's website.
- Voting procedures are announced to shareholders electronically before the General Shareholders Meeting.
- In 2007, the Company received no requests from shareholders pertaining to the addition of an item to the Agenda.

Before the General Shareholders meeting, under the agreed pre-condition that, all the legal period for Beko Elektronik to obtain all the necessary permissions to raise the shares of Grundig Multimedia BV to 100% must be completed. All the necessary permissions from the Board of Capital Market and Commerce must be attained before the General Shareholders Meeting, for all the transactions will be completed to raise the Companies shares 100%, of the Grundig Multimedia BV to 100%. In 2008, we will vote to change the name of this enterprise to Grundig Elektronik Joint-Stock Company at the upcoming General Shareholders Meeting.

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 Shareholders 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 Shareholders 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 Shareholders 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 Shareholders 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 2007 General Shareholders Meeting was held at the Divan City Hotel, located at Mecidiyeköy, Istanbul, a popular meeting venue that allowed for the convenient participation of all shareholders. The invitation to the General Shareholders 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 Shareholders 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 2007 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 Shareholders 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 Shareholders Meeting cannot convene within the three months following the end of the financial period. The Company will discuss its 2007 operations at the General Shareholders Meeting to be held on April 3, 2008.

At the General Shareholders 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 Shareholders 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 on individually. The General Shareholders Meeting is held under the supervision of a representative of the Ministry of Industry and Trade. The General Shareholders 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 Shareholders 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 Shareholders 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 Shareholders 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 Shareholders 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 Shareholders Meeting held on April 3, 2007, it was decided to distribute a 50% gross (42.621% net) dividend in accordance with the operating results of 2006. Dividends were distributed after May 14, 2007.

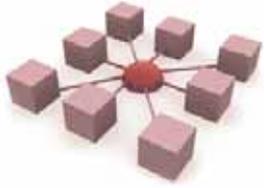
The Articles of the Association do not grant any privileges in relation to the distribution of dividends.

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 Shareholders 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 Shareholders 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 2007 in material disclosures were as follows:

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

\* F. Bülend Özaydınlı and Temel K. Atay are also members of the Audit Committee.

\*\* Robert was elected to the Audit Committee on November 7, 2007, following the resignation of F. Bülend Özaydınlı from the Board of Directors. Mr. Özaydınlı resigned voluntarily on October 18, 2007.

### Board of Auditors

Mert Ş. Bayram  
Serkan Özyurt

The members of the Board of Directors and Board of Auditors were selected at the Ordinary Meeting of Shareholders held on April 3, 2007.

### Management 2007 (December 31, 2007)

Aka Gündüz Özdemir	General Manager
Atilla İlbaş	Assistant General Manager-Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager - Finance and Accounting
Fredrik Ulf Janson	Assistant General Manager - International Marketing and Sales
Şirzat Subaşı	Assistant General Manager - Turkey Marketing and Sales
Ahmet İhsan Ceylan	Information Technologies Director
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
Hakan Turan	Product Director - Electric Motors
Hilmi Cem Akant	International Sales Director - Europe and Business Development
İhsan Somay	Accounting Director - Sales/Marketing
İsmail Hakkı Sağır	Product Director - Refrigerators
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 - Dishwashers
Serdar Sözeri	Consumer Services and Logistics Director
Sibel Kesler	Budget, Reporting and Analysis Director
Şemsettin Eksert	Product Director - Washing Machines
Şerife Füsün Ömür	Human Resources and Strategic Planning Director

## Management of Subsidiaries Abroad (December 31, 2007)

Brigitte Petit	Country Manager-France/Beko France S.A. General Manager
Clayton Witter	Country Manager-UK/Beko P.L.C. General Manager
İsmail Kürşat Coşkun	Country Manager-Italy/Arcelitalia S.R.L. General Manager
Kamil Uğur Kayalı	Country Manager-Romania/Arcic S.A. General Manager
Namık Koçer	Country Manager-Spain/Beko Electronics España S.L. General Manager
Orhan Sayman	Country Manager-Poland, Hungary, Czech Republic,Slovakia/Beko S.A., Beko Cesko S.R.O., Beko Magyarország 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 Electrical Appliances Co. Ltd. General Manager
Tevfik Adnan Tüfekçi	Country Manager-Russia/Beko LLC. and Beko Elektronik LLC General Manager
Zafer Üstüner	Country Manager-Germany/Beko Deutschland GmbH General Manager

## Appointments in 2007

Fredrik Ulf Janson - Assistant General Manager - International Marketing and Sales (Appointed as of June 27, 2007)

Hakan Turan - Product Director - Electric Motors (Appointed as of July 1, 2007)

Zafer Üstüner - Country Manager - Germany/Beko Deutschland GmbH General Manager (Appointed as of March 1, 2007)

Rauf Candan Oğuzkan Şatiroğlu - Country Manager - China Beko Electrical Appliances Co. Ltd. General Manager Rauf Candan Oğuzkan Şatiroğlu (Appointed as of October 1, 2007)

Tevfik Adnan Tüfekçi - Country Manager - Russia/ Beko LLC and Beko Elektronik General Manager (Appointed as of December 1, 2006)

## Resignations in 2007

Georg E. Lackner - Country Manager - Germany/Beko Deutschland General Manager (Resigned on February 28, 2007)

Mustafa Nadir Yalçınalp - Assistant General Manager - International Marketing and Sales (Resigned on June 26, 2007)

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 Finance Directorate 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.

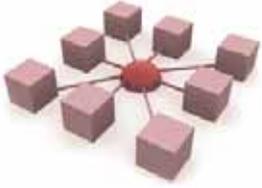
Dealings with securities issued by the Members of the Board of Directors, officers and shareholders who directly or indirectly hold at least a 5% interest in the Company in the preceding year are announced to the public in compliance with capital markets legislation and posted on the Company's website.

The Company prepares consolidated financial statements and accompanying notes in accordance with the CMB's Communiqué Series XI, No. 25 and the IFRS/IMS. 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 20 material disclosures. The ISE and/or the CMB did not request additional explanations with respect to the public disclosures made in 2007. 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.



## 10. The company's website and its contents

As required by CMB principles, the Company uses its website ([www.arcelikas.com](http://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 Finance Director 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 or another member of the Koç Group may profit by buying or selling shares of Arçelik using insider information.

Public announcements are made in case any administrator of the Company, who holds knowledge that can affect the value of the capital market instruments, trade the shares of the company. Such information is also announced on our official web site.

The list of top management who have access to any knowledge that affects the value of the capital means of the markets takes place in Annual Report.

## Section III: Stakeholders

### 13. Informing stakeholders

The stakeholders of Arçelik include third parties who have a direct relationship with the Company. Stakeholders are invited to meetings whenever necessary or are informed using telecommunication channels. The Company believes that cooperation with stakeholders is beneficial in the long run and respects and protects the rights of stakeholders as specified in applicable legislation, agreements and by mutual understanding. The 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 consists of more than 4,500 dealers. The Company holds regular "Dealer Meetings" to inform its dealers of its policies, targets and economic developments, as well as to get their feedback and hear their concerns. The Company 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 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 asset 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 that 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 prevails.
- 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 into the organization. Arçelik does not discriminate on the basis of ethnic origin, race, nationality, disability, political views, religious beliefs, age, gender or sexual orientation.
- Fairness, consistency and reliability are the basis of all HR applications.
- Aiming at continuous improvement of HR standards, the Company systematically and periodically reviews them and revises 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 meeting 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 relationship between the 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. The training and development approach aims to reinforce the improvement of the Company and individual performance through continuous development. All training and development activities should be consistent 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 the performance of its employees.

The 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 a 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 savings of a quantitative nature.

## 16. Information on relations with the clients and suppliers

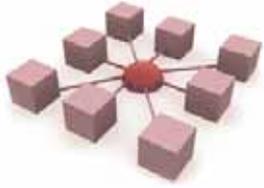
Customer and supplier satisfaction is a high priority and an indispensable target at Arçelik. Customer satisfaction is carefully monitored and reported regularly. The Company attaches great importance to maintaining the confidentiality of information related to its customers and suppliers, which are classified as trade secrets. In today's highly competitive environment, Arçelik believes that its customers are its business partners. Therefore, the ever-expanding high-tech Arçelik Call Center directly handles all kinds of inquiries, problems and proposals of customers, seven days a week from 08:00 to 24:00 and when necessary, informs the relevant departments. Capitalizing on the advantage of its latest 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. The Arçelik Call Center won first prize in "Best Technology Usage" category in the "Call Center Awards Ceremony" held by IMI Conferences.

Under the scope of the Company's Directory of Logistic and Consumer Services, 12,000 personnel, 6,500 of whom are technicians, provide assistance at the 627 authorized service centers, which are under 13 regional administrations, and with a car park capacity for 5,500 vehicles.

Arçelik's Authorized Service Centers provide 11 million services for all the Company's brands. Arçelik personnel faithfully deliver after sales services and follow-up to ensure that products sold are appropriately utilized, contributing to the success and superiority of the Company.

## 17. Social responsibility

The Company considers corporate social responsibility 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 allow 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 Shareholders 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 Shareholders 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, 3.1.3 and 3.1.5 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 mission;  
In line with values, goals and strategies of Koç Group;

- To develop, produce, present and service products which meet our customers' needs beyond their expectations, ease home life, are easily purchased and used, and are reliable;
- To grow and develop continuously in the target markets with shareholders' satisfaction by providing customer loyalty and satisfaction with using resources effectively.

Vision;

To become one of the top 10 brands of the world in its sector until 2010 with Beko brand.

The main corporate strategic targets of our Company are as follows:

- To exceed consolidated net sales of EUR 6 bln. in 2010 with an annual growth of 12% in the 2008 - 2012 period
- To maintain group profitability above industry average and create economic profit
- To keep the leading market position in Turkish market.
- To reach 2% global market share in 2010 with Beko brand
- To possess the capability to develop products, which will differentiate from competitors and deliver benefits to consumers.
- To achieve at least 50% of total consolidated net sales from international sales

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 continuously 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

At Arçelik the management of financial risks is the responsibility of the Treasury and Capital Markets Department and financial risks are screened and reported by the Risk Management Department formed within the structure of the Finance Directorate. 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 of 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 2007, since no dissenting opinion was voiced during 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 to provide communication. Board Meetings are held at the Company Headquarters or at a place in the city conveniently located near Headquarters.

### 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. Rules of ethics

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

Arçelik's business ethics are a part of the daily working life of the Company. 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 these business ethics during the performance of their duties. Arçelik's Code of Business Conduct 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 critical in ensuring the Company's future success and, ultimately, 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 respect for others, avoiding the use of alcohol and illegal drugs in the workplace and during working hours, ensuring workplace safety and security, creating a peaceful working environment and treating everyone equally without discrimination.

If an employee is uncertain of any aspect of Arçelik's business ethics, the tools and chain of authority to be consulted is clearly defined. In the event of any violation of these business ethics following a proper and thorough investigation, Company disciplinary measures will be employed.

### 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 2007, the Board elected Mr. F Bülend Özaydınlı (replaced by Mr. Robert Sonman on November 7, 2007) 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 Shareholders Meeting. At the General Shareholders Meeting of April 3, 2007, 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 1.265 TRY. 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.

