



RiskMetrics Group

## ISS CORPORATE GOVERNANCE RATING

BASED UPON

“The Corporate Governance Principles of Turkey” issued by  
the Capital Markets Board of Turkey

RATING REPORT ON

# HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

RATING RELEASE DATE

24.09.2009

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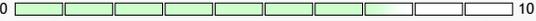
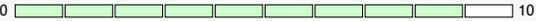
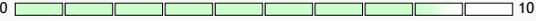
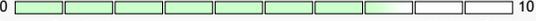
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## TABLE OF CONTENTS

<b>Rating Summary</b>	<b>4</b>
<b>Rating Methodology</b>	<b>5</b>
<b>Executive Rating Summary</b>	<b>6</b>
<b>Company Overview</b>	<b>9</b>
<b>Section 1 - Shareholders</b>	<b>10</b>
<b>Summary</b>	<b>10</b>
<b>1.1 Rights Of Shareholders</b>	<b>10</b>
1.1.1 Dividend And Voting Rights	10
1.1.2 Shareholders' Right To Obtain And Evaluate Information	11
1.1.3 Minority Rights	11
<b>1.2 General Meeting</b>	<b>12</b>
1.2.1 Invitation	12
1.2.2 Functioning	12
1.2.3 After The General Meeting	13
<b>Section 2 - Public Disclosure And Transparency</b>	<b>14</b>
<b>Summary</b>	<b>14</b>
<b>2.1 Disclosure Means</b>	<b>14</b>
2.1.1 Website	14
2.1.2 Annual Report	14
<b>2.2 Disclosure Procedures</b>	<b>15</b>
2.2.1 Information Policy	15
2.2.2 Public Disclosure	16
<b>2.3 Transparency Issues</b>	<b>16</b>
<b>Section 3 - Stakeholders</b>	<b>17</b>
<b>Summary</b>	<b>17</b>
<b>3.1 Participation To The Management</b>	<b>17</b>
<b>3.2 Company Policy</b>	<b>17</b>
3.2.1 Rights And Duties Of Stakeholders	17
3.2.2 Relation With Customers And Suppliers	18
<b>3.3 Employees And Social Responsibility</b>	<b>18</b>
<b>Section 4 - Board Of Directors</b>	<b>19</b>
<b>Summary</b>	<b>19</b>
<b>4.1 Board Of Directors</b>	<b>19</b>
4.1.1 Principles Of Activity, Duties, And Responsibilities Of The Board Of Directors	20
4.1.2 Structure	20
4.1.3 Functioning	21
4.1.4 Remuneration	22
<b>4.2 Board Committees</b>	<b>22</b>
4.2.1 In General	22
4.2.2 Audit Committee	22
4.2.3 Corporate Governance Committee	23
<b>4.3 Internal Control And Risk Management</b>	<b>23</b>
<b>4.4 Executives</b>	<b>24</b>
<b>Appendix</b>	<b>25</b>

## RATING SUMMARY

COMPANY INFORMATION		ICS RATING RESULTS	
 <p><b>Hürriyet</b> Hürriyet Medya Towers 34212 Günesli, Istanbul, TURKEY <a href="http://www.hurriyetkurumsal.com">http://www.hurriyetkurumsal.com</a></p>	<p>CHAIRMAN Mr. Aydın Doğan</p> <p>CEO Ms. Vuslat Dogan Sabanci</p> <p>CFO Mr. Ahmet Toksoy</p> <p>HEAD CORPORATE GOVERNANCE COMMITTEE Mr. Cem Kozlu</p>	<p><b>OVERALL SCORE</b> <span style="float: right;"><b>84.31%</b></span></p> <p>0  10 Lowest Standard <span style="float: right;">Highest Standard</span></p>	
	<p>INVESTOR RELATIONS</p> <p>Mrs. Suzi Apalaçi</p> <p>Phone: +90 212 449 60 30 Fax: +90 212 677 01 93</p>	<p><b>RESULTS BY CATEGORY</b></p> <p>Shareholders 0  10 Lowest Standard <span style="float: right;">Highest Standard</span></p> <p>Public Disclosures and Transparency 0  10 Lowest Standard <span style="float: right;">Highest Standard</span></p> <p>Stakeholders 0  10 Lowest Standard <span style="float: right;">Highest Standard</span></p> <p>Board of Directors 0  10 Lowest Standard <span style="float: right;">Highest Standard</span></p>	

### SUMMARY

ISS assigns confirms the rating score of 8.5 to Hürriyet. This rating reflects the good overall performance of the company regarding its current corporate governance structures. Despite the relatively high compliance of 84,31 % with the underlying Principles of the Turkish Capital Markets Board (CMB), the rating also indicates there is still room for improvement and further implementation of corporate governance mechanisms.

This rating report represents the second rating update after Hürriyet's first rating was released on 24 September 2007 and its first update on 24 September 2008. Hürriyet's initial evaluation resulted in a score of 8.0 (79.67%) and the first update in a score of 8.5 (83.21%).

Hürriyet scores particularly well on its *Disclosure and Transparency* standards.

It achieves a slightly lower result on its *Board of Directors* section.

### METHODOLOGY AT A GLANCE

ISS Corporate Services division (ICS) was first appointed by Hürriyet in May 2007 to review its current corporate governance structure to ensure that it was in line with Corporate Governance Principles developed by the Turkish Capital Markets Board (CMB). ICS conducted its analysis and rating throughout August and July 2007, 2008 and 2009. The rating is based on public information.

Correspondence with the company clarified and expanded upon the initial findings.

The Rating Report is based on information provided to ISS Corporate Services in September 2009. The result may be changed, suspended or withdrawn as a result of changes in or unavailability of such information.

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## RATING METHODOLOGY

### UNDERLYING REFERENCE

The corporate governance (CG) rating has been conducted by ISS' Corporate Services division based on the *Capital Markets Board (CMB) CG Principles (CMB Principles)*. As such, it differs in content and methodology from ISS' standard CG ratings that are based on ISS' own methodology.

With respect to global financial market developments the CMB of Turkey has defined CG principles in 2003, followed by an amendment in early 2005. The CMB Principles have been compiled in line with an approach to restructure and harmonise the country's capital market according to international standards. Created by a committee consisting of representatives of the CMB, the Istanbul Stock Exchange, the Turkish Corporate Governance Forum as well as participants from the academia and the private sector, the established CMB Principles represent a synthesis of various national and international regulations and codes (e.g. the *OECD Corporate Governance Principles*) on the one side and particular domestic considerations on the other side.

The CMB Principles are divided into four main sections:

- Shareholders
- Public Disclosure and Transparency
- Stakeholders
- Board of Directors

In addition to existing legislation, the Principles include provisions that go beyond legal obligation. Though the company is not obliged to fulfill these additional provisions, it has to fully apply a "comply or explain" approach. However, the Principles also contain certain recommendations, where a deviation does not have to be disclosed.

### THE RATING

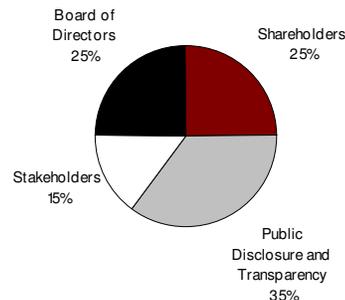
Based upon the CMB Principles, we identified more than 350 criteria to be included into the rating. Each single criterion has been examined thoroughly upon compliance by the company, on the basis of publicly available information. Additional information was

provided by the company upon request. "One-on-one" interviews with senior company representatives clarified and expanded upon the disclosures.

While in most instances a straightforward 0 (no) or 1 (yes) scoring approach has been applied, we also attributed a score of 0.5 points in some instances to acknowledge a partial fulfillment by the company or where due to the particularity of the holding structure of Doğan Yayın Holding the rating criteria could not be applied to the full extent. In order to reach the highest rating result, a company also has to comply with the recommendations put forward by the CMB Principles.

The weighting scheme to be applied to the four main sections was pre-determined by the CMB as outlined below:

#### Weighting Scheme



Further sub-weightings have been attributed to the sub-criteria according to ISS' own reference.

Based upon the scoring and adjusted weightings the overall rating result has been calculated. The result reflects the overall compliance of the company with the constituted CG rating criteria. Besides the overall assessment, results also have been calculated for each main section, providing a differentiated picture of the company's strengths and weaknesses.

The rating results are displayed as a percentage, thereby indicating the most accurate result, and as a numeric result on a scale from zero (lowest) to ten (highest) with half-point steps to provide nuanced results.

## EXECUTIVE RATING SUMMARY

Though the corporate governance (CG) structure and performance on the company level is of particular interest for shareholders, one should also acknowledge the CG situation on the country level. Despite the fact that the country level is not a part of the rating itself, we believe that an overview can enable investors to enhance their CG perspective and evaluation in a more holistic approach.

Turkey, as a promising emerging market and a candidate for future EU accession, is well aware of structural changes and the need for an ongoing development and harmonisation of its capital market legislation and has amended its legislation accordingly. Although Turkey can be considered as a latecomer in CG development, it has tried to speed up the progress since the year 2000. The overall legal framework regulating public companies in Turkey is determined by the Turkish Commercial Code, the Capital Markets Law, the Decree-law, Capital Markets Board (CMB) regulations, and *Istanbul Stock Exchange* (ISE) listing requirements and Central Registry Office (CRO) Rules. Focusing in particular on CG the CMB and the ISE can be observed as key players in promoting relevant regulations. They are supported by several other organisations such as the *Turkish Industrialists' and Businessmen's Association*, *Corporate Governance Association of Turkey*, *Corporate Governance & Sustainability Center* and the *Corporate Governance Forum of Turkey*. However, despite rapid process on the regulatory side to improve the legal and institutional framework, the necessary implementation on the companies' side remains dissatisfying. According to a special briefing on Turkey, conducted by *The Institute of International Finance* in July 2009, fiscal performance has deteriorated sharply, threatening to unsettle financial markets.

In the following, general aspects of Turkish CG practice are outlined.

### COUNTRY ROUNDUP

- Stock ownership within Turkish companies is often concentrated and characterized by the presence of a majority shareholder. In addition, holding structures, conglomerates, pyramid shareholding structures, and cross-shareholdings are quite common. Through these mechanisms Turkish families control a considerable amount of Turkish listed companies. Additionally one can also find shares containing multiple voting rights, thus preserving family control.
- Due to the influential holdings of the families, family members are often present on the boards of the holdings and subsidiaries or act as executives.
- Due to the limited free float, hostile takeovers appear to be rare, thus, weakening the market for corporate control. However, state ownership has declined significantly in line with massive privatization, but is still to be found in the energy, communication and mining industries. This has allowed foreign institutional investors to increase their holdings.
- Issued stocks in Turkey range from ordinary shares, to preference shares. Golden shares only exist in few state-owned companies. The two types of equity securities in Turkey are bearer and registered shares, whereby most of the shares traded at ISE belong to the former.
- Minority rights are granted to shareholders that own at least 5 % of the company's capital, providing them with the right to call an extraordinary General Meeting or to propose a shareholder proposal.
- In order to vote at a General Meeting, shareholders must either be present in person or can be represented by a proxy. Provisions do not contain postal or electronic voting possibilities as well as voting via a company representative, so called oriented proxy voting.
- Even though preemptive rights are granted by Turkish law at the first instance, companies can, through their articles of association, exclude preemptive rights in case of capital increases up to 100 % of their registered capital.
- Mandatory tender offer bid requirements exist according to different thresholds (e.g. increasing stake above 25 %)
- Disclosure of indirect or direct ownership in case various thresholds (e.g. 5, 10, 15, 20, 25, 1/3, 50, 2/3, and 75%) are passed.
- Beginning in 2008, listed companies have been urged to adopt IFRS accounting standards.
- Turkish companies have a single tier board structure.

- The CMB Principles outline rules that regulate the independence of board members, thereby also indicating that the board should be composed of at least 2 independent members and/or to at least one third.

### HURRIYET'S PERFORMANCE OVERVIEW

Referring to the company's score relative to, Hürriyet's overall rating result in excess of 84 % indicates a high compliance with the established rating criteria with respect to the CMB Principles. Transferred on the numeric rating scale, the company's result equals a 8.5 conveying that the company has good CG structures and performance. The rating further validates the score it attained in 2008 and reconfirms Hürriyet's efforts to live up to high standards of good corporate governance. However, the result also signals that there is still room to add momentum to the compliance with the CMB Principles. The result underlines the company's efforts to implement existing regulations and to follow best practice as suggested by the CMB.

Hürriyet is committed to the CMB guidelines since its publication in 2003. Already in that year, Hürriyet reviewed its practices and implemented pertinent CG mechanisms to comply with the principles.

At the 2006 Annual General Meeting (AGM) it was agreed to revise Hürriyet's Articles of Association (AoA) according to the CMB principles. The major matters concerned by the amendment were, among others, the company's capital; the shares nominal value; the board's independence; the rights of minority shareholders; the creation of a board's secretariat and committees (Audit and Corporate Governance Committee); or the introduction of rules related to the AGM.

Hürriyet has made significant efforts to ensure compliance with the CMB guidelines. In addition to the mandatory CG compliance report as part of its annual report, Hürriyet also established an Audit and Corporate Governance Committee. Considering these developments one can see evidence that Hürriyet is proactively pursuing good corporate governance practices.

Upon closer review of the single results of the four main components of the rating, Hürriyet performs well in all of them, though showing particular strength in its Public Disclosure and Transparency, but displays some weaknesses in Stakeholders and in Board of Directors issues. The latter mentioned sections slightly fall below the overall rating result.

### SHAREHOLDERS

With respect to shareholder issues, Hürriyet tries to adhere and pursue good practice as outlined by the CMB Principles. A dividend policy has been established and voting rights are defined sufficiently. The company only has registered shares. The General Meeting follows principles ensuring fair and equitable treatment. A Shareholder Relations Department is present in order to maintain a continuous communication with shareholders. As Hürriyet is controlled by a majority shareholder with a family background, this shareholder structure could potentially harm interests of minority shareholders. The company has not implemented cumulative voting procedures yet, and shareholders are not able to appoint special auditors on their behalf. However, the company may consider granting this right to shareholders in the future.

Moreover, in the event of a capital increase, the board can offer to the public shares remaining due to non-use of the rights of option, at a price per share above their nominal value. This is, however, a rather common practice in Turkey in connection with planned Secondary Public Offerings (SPO).

### PUBLIC DISCLOSURE AND TRANSPARENCY

Public Disclosure and Transparency issues are duly respected by Hürriyet. The company issued a disclosure policy and performs material disclosure through its website and its written disclosures. The AGM invitation was relayed on the main corporate website three weeks prior to the meeting. Other relevant information related to past AGM's was also provided.

The company has taken several measures to enhance its level of transparency. Its adherence to DYH's Code of Conduct and Editorial Principles and the Insider Trading list (with the people having potential access to confidential information), being proof of it. However, the concrete measures to avoid insider trading are not disclosed. While most suggestions of the CMB are respected, some minor deficiencies are identified on the rating report. The company takes measures to avoid insider trading and discloses a *list* of possible insiders. The audit company does not offer consulting services and is subject to regular rotation. Both conditions add up to ensure independence.

### STAKEHOLDERS

Stakeholders' issues are duly considered and respected by Hürriyet. While most CMB suggestions are followed,

some deficiencies are identified and examined within the rating report.

The company takes measures to address stakeholder's issues through the Investor Relations Unit or the corporate website.

The ethical rules applicable (DYH code of conduct and editorial principles) provide the essential rules that govern the relationships between the company and its different stakeholders.

Another noteworthy issue is the existence of professional and personal training programs that in 2008 provided, in average, 5 days of training per person.

Furthermore, Hürriyet has a Human Resources policy, but does not foresee the participation of employees in BoD meetings. In 2008 a performance based compensation model was put in place.

#### **BOARD OF DIRECTORS**

The board of Hürriyet consists of nine members, comprising three executive and six non-executive members, of which three are independent. In order to support the work of the board, two committees have been established: the Corporate Governance Committee and the Audit Committee. Both committees are comprised of non-executive directors and both of them are headed by an independent director.

The board can be considered as actively involved in the company's development and performance and contributes to a material extent in setting up the vision and mission of the company.

Every board member is entitled to one vote without any privileges. Our assessment did not reveal issues that would question a good working atmosphere during board meetings. The company provides basic rules for the procedures for running the meetings in article 15 of the AoA. The remuneration structure of board members does not follow all CMB recommendations on the subject.

A secretariat has been established to support the work of board members and ensure proper communication.

The Executive Committee, which is in charge of the day-to-day management of the company, is composed of eight members, of which three are board members. There is no mention of a monthly report of the work performed by the executives as recommended by the CMB.

Compensation is not sufficiently explained in the company's public documents.

#### **FINAL REMARKS**

With the rating at hand, investors are enabled to evaluate the CG practice of Hürriyet according to their individual preference. On the whole, the established structures and mechanisms can be considered in line with the CMB Principles. Continuing the implementation of these principles and considering international best practice will further enhance CG practice at Hürriyet and lower potential risk factors for investors. As structural changes in the capital market of Turkey proceed and economic development remains on course, one can assume Turkey to become more and more attractive to foreign investors. However, existing holding structures and majority shareholdings could be seen as a threat to minority shareholders, discouraging investments. Thus, an extension of the free float paired with an amplified engagement by domestic and international shareholders, can be considered favorable, especially by foreign investors, in counterbalancing the fact that the majority shareholder is a holding company owned by the chairman's family.

A revised board compensation model with performance based elements would further improve Hürriyet's corporate governance practices.

## COMPANY OVERVIEW

Hürriyet (full name: “HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ”) was originally founded in 1948. It went public in 1992 and since then its shares trade on the Istanbul Stock Exchange. To date, the company’s free float amounts to 40% while 67% are held by DYH. In April 2006, the CMB carried a resolution that aims at assuring that all shares from a group traded on the Stock Exchange are converted into the same type. Following this regulation, Hürriyet decided at the AGM of 2006 on the conversion of all bearer shares into registered shares.

In addition to its core business of journalism, Hürriyet covers other fields of business such as printing, online services, and classified ads.

Through its subsidiaries and shareholdings Hürriyet is comprised of a network of 52 offices and 600 reporters in Turkey and abroad. The printing of the newspaper is done in Turkey and in Germany. It is the best selling newspaper in the Turkish language in Europe and one of the best selling newspapers on the continent.

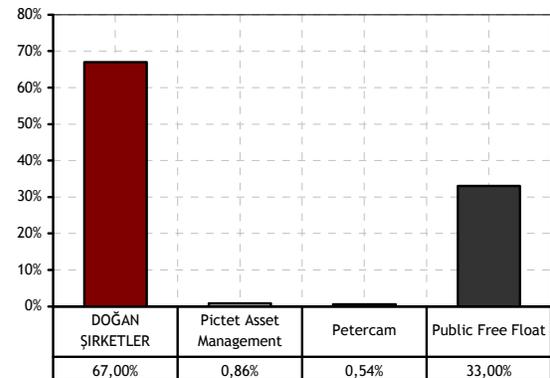
The company received a financial rating from Fitch in 2009 (last update as of 10 September 2009): long-term foreign currency credit score of B+ (Rating Watch Negative) and a long-term local currency credit score of B+ (Tur) (Rating Watch Negative).

**Table 1: Stock performance**

	TL
16.09.2009	1.24
52 Week High*	1.66
52 Week Low*	0.43
Average*	1.2537

\*One year / (Source: Bloomberg Sept 2009)

**Table 2: Shareholder Structure of DHY**



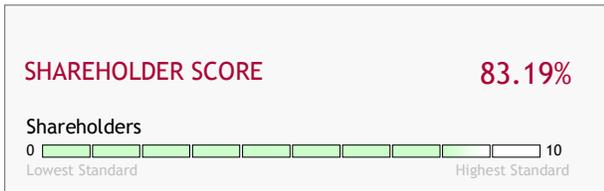
**Table 3: Key Financial Figures Hürriyet (in TL m)**

	2004	2005	2006	2007*	2008
Net Sales	473	585	632	897	998
Gross Profit	168	210	209	365	402
EBITDA	131	161	146	202	210
Net Profit	27	87	104	94	-38

(Source: Bloomberg & AR)

\* 2007 figures are restated due to some reclassifications made at 31.12.2008 mainly due to sales of Polland operations.

## SECTION 1 - SHAREHOLDERS



### 1 Summary

Hürriyet attains a good result of 8.5 in this category, in line with the overall rating score. A clear dividend policy is in place and voting rights are well defined. Each share is subject to the one share - one vote - one dividend principle. However, in the event of a capital increase, the board can offer to the public shares remaining due to non-use of the rights of option, at a price per share above their nominal value. An Investor Relations Unit is in place to enable shareholders to exercise their rights and obtain relevant information.

Minority rights are clearly defined. However, the right to request a special auditor is not granted and cumulative voting does not apply. The AGM's invitation, agenda and note including the proxy voting form were made available to shareholders and uploaded to the main page of the corporate website three weeks prior to the meeting. The AGM is run in a fair and efficient manner and shareholders are allowed to exercise their statutory rights.

#### 1.1 Rights of Shareholders

Governance Focus
+ Established dividend policy
+ Clearly defined voting rights
+ Proxy voting
+ No preferred stocks
+ Respect of one share - one vote - one dividend principle
+ Minority rights apply to shareholders owning at least 5 % of equity capital
± Sufficient information provided to shareholders
- No cumulative voting procedures
- Shareholders are not able to appoint a special auditor

#### 1.1.1 Dividend and Voting Rights

A *dividend policy* is established and accessible through the company's public documents and through the website, in English and Turkish. A consistent distribution policy is stated in the Articles of Association (AoA) and in the Corporate Governance Report, aiming at a balance between the interests of the shareholders and the company. As a proof of this, 50% of the distributable net profit is subject to allocation and was supplied to shareholders this year.

None of the company's shares incorporate special rights concerning the distribution of the company's profits. Each share is entitled to an equal dividend.

In the last AGM, it was decided by a majority of votes, as allowed by the Capital Market Regulations and Dividend Policy, not to distribute dividend and to add the undistributed amount that remains to extraordinary reserves.

The most important aspects of the dividend policy are made available on the website.

*Voting rights* are well defined in the company's AoA, ensuring equal and clear voting procedures.

According to the AoA, voting is exercised by show of hands, though closed ballots are mandatory if requested by 5% of shareholders represented at the AGM. There are no ceilings on the number of votes a shareholder might exercise during the meeting.

As the company has not issued any preferred stock class, each share is entitled to the one share - one vote - one dividend principle without any further privileges. The right to vote is automatically granted when the share is purchased, and no arrangements should be installed that would hinder this right or cause a delay in exercising voting rights, following the share acquisition. In the case of a capital increase, the board can offer to the public all and any shares remaining due to non-use of the rights of option, at a price per share above their nominal value, according to article 6 of the AoA.

Shareholders are enabled to exercise their proxy voting rights, through either another shareholder or a non-shareholder. Postal or electronic voting procedures are not yet permitted by law in Turkey. In compliance with the CMB guidelines, Hürriyet makes the electronic proxy form available on its website.

There are no provisions installed or included in the AoA that may impede the free transfer of shares by shareholders.

According to our analysis, we identified no provisions hindering the equitable treatment of shareholders.

It is a common standard in Turkish listed companies, an official representative of the Ministry of Industry and Trade attends AGMs to oversee legal aspects. And in case of prior awareness of contentious issues an additional observer of the CMB would be present.

### **1.1.2 Shareholders' Right to Obtain and Evaluate Information**

A good level of information is provided to shareholders so that they can conveniently exercise their voting rights. The information regarding the AGM is provided in a timely manner, but this could be more complete. Some essential pieces of information are only disclosed during the meeting itself, like the names and details of the candidates to be elected to the board. Although the CMB principles do not provide any time-lines for the disclosure of such information, international investors would appreciate timely disclosure to adequately execute cross-border votes.

Shareholders are not permitted by the AoA to appoint a special auditor on their behalf, as suggested by the CMB principles. However, this right might be included in the Articles of Association in the near future, depending on changes in relevant legislation, according to the annual report.

The AoA contain provisions to disclose minimum information about board candidates to the shareholders, as well as the possibility to open the AGM to media members and interested parties.

The company established an Investor Relations Unit in order to assist shareholders in exercising their rights, easing access to information for shareholders, keeping

shareholders updated, and overseeing the company's information policy. This unit is also responsible for the website and works closely with the Corporate Governance Committee and under the supervision of the chairman of that committee.

IR Unit's main duties cover: keeping record of shareholders, updating the corporate website, responding to shareholders' requests, monitoring the AGM and preparing and attending investor meetings.

### **1.1.3 Minority Rights**

Minority rights, as stipulated by the AoA, are granted to shareholders owning (collectively) at least 5% of the equity capital. Those rights include raising a request to call an extraordinary meeting or requesting special agenda items. According to the Turkish Commercial Code, both aspects are up to the discretion of the board of directors, though shareholders can appeal to the court to decide on the AGM to convene.

In line with minority rights, the ability to appoint a special auditor is considered crucial, though this is only a recommendation by the CMB principles. Hürriyet does not grant this right, but, as mentioned before, the company might review its current policy in this respect. Cumulative voting procedures are not permitted by the company, but the advantages and disadvantages of this practice are assessed in view of changes in relevant legislation.

An interview with the company revealed that if shareholders' issues arise, the IR department channels these concerns directly to the CEO and these issues are also discussed in all of the Committees as it relates.

## 1.2 General Meeting

Governance Focus
+ Timely provision of information on agenda items
+ Sound execution of the General Meeting
+ Clear voting procedures
+ Board remuneration is determined by the General Meeting
+ No directors engaged in competitive activities with the company
± Information on candidates provided at the AGM
- Abbreviated information and some information provided at the AGM

### 1.2.1 Invitation

In the run-up to the AGM, shareholders are well informed by Hürriyet, but there is room for improvement. The announcement of the place and date of the AGM is posted on the website at least 21 days ahead of the meeting and there is information available at the headquarters. An additional document containing supplementary information on the agenda items is submitted to shareholders; however, we do not have information on when it was sent to shareholders or posted on the website. The agenda is prepared in a fair manner, clearly indicating each agenda item.

Nevertheless, there is still room for improvement: only abbreviated information is provided in all the AGM documents; some relevant information is provided to shareholders on the day of the meeting (e.g. the details of the candidates to the board).

The company provides additional information, e.g. the annual report and financial statements which are accessible three weeks prior to the meeting at the headquarters. Considering the administrative proceedings, voting procedures are set up in a clear and understandable manner and proxy forms are available in electronic form.

Shareholders that planned to attend the AGM were required to register their shares with the Central Registry Agency of Turkey (CRA) in the AGM 'Blocking List' by 5:00 p.m. on June 22, 2009. in accordance with the AGM Blocking Procedure of the CRA. Accordingly,

shareholders who failed to do that were not allowed to use their rights to speak and vote at the meeting.

### 1.2.2 Functioning

Hürriyet held its AGM on the 24th of June 2009, not in the three months following the end of its financial year. The reasons for the delay are not provided. However, it is common practice in Turkey that companies have their AGM's between April and June.

The agenda, invitation and the annual report and financial statements were made available to shareholders prior to the meeting, at the headquarters and on the website. Correspondence with the company revealed that before the AGM starts the chairman, if requested by the shareholders -though not required- can announce all the participants and their corresponding number of votes, including proxies.

Hürriyet is headquartered in Istanbul and this was the location of the AGM in 2009. This location can be considered as easily accessible to many shareholders.

Hürriyet's AGMs seem to be held in an appropriate way, apparently led in an unbiased manner by the chairman and overseen by an official representative of the Ministry of Industry and Trade (in his absence no decision can be taken, according to article 34 of the AoA), and thereby ensuring that all shareholders are able to exercise their statutory rights. According to the Corporate Governance report, shareholders are allowed to explain their views, ask questions and discuss related issues in a democratic environment.

The AGM functions as a forum to discuss the company's annual report and financial results. The appointed audit company is held responsible to be present in the auditorium.

The chairman of the meeting seems to ensure the equitable participation among shareholders and seems to lead the meeting in a fair and efficient manner, where each agenda item is voted upon separately and where there are no special privileges enjoyed by any shareholders.

Board members, auditors and other authorized and responsible persons attend the AGM to answer requests put forward by shareholders. And according to article

27 of the AoA, if any Company officer invited to a meeting cannot attend the meeting, the reasons of non-attendance of such officer will be declared by the Chairman of the General Assembly of Shareholders. According to the annual report, no new suggestions or questions on agenda items were raised by shareholders or their proxies.

The AoA enable the AGM (with a majority of 75%) to allow board members to be engaged in business with the company or competition against the company. In 2008, no board member, executive or controlling shareholder, including those who may have access to insider information, conducted business in the Company's line of business on their behalf.

Candidates to be elected to the board of directors are obliged to disclose a wide range of information covering nearly all aspects put forward by the CMB principles. These requests, which are also included in the company's AoA, comprise for example their level of education, previous board membership and experience, their financial status as well as independence considerations. All of this information was provided to the shareholders at the meeting.

Remuneration of the board members is subject to the AGM and is determined by shareholders. However, it does not seem that shareholders are given the opportunity to express their views and suggestions in relation to the remuneration policy applicable to key executives, which deviates from the suggestion of the CMB principles.

The AoA contains a provision (article 30) that clearly states which kind of business activities and statutory issues (e.g. changes of shares, acquiring assets exceeding more than 10% of the company's assets) require approval by the AGM.

The votes are tabulated and the result is announced in the AGM minutes. The details of the voting (number of votes for, against or the abstentions) are not disclosed.

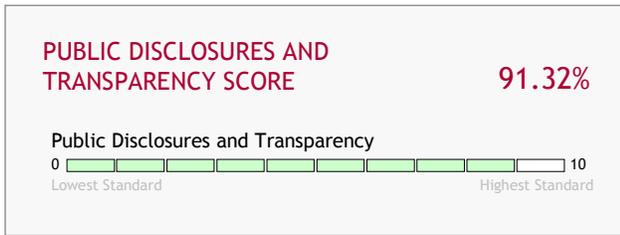
### **1.2.3 After the General Meeting**

As a follow-up to the meeting, minutes are made available for the examination by shareholders at the company's website, in a short but clear manner.

Information of the AGM for the last 5 years is available on the company's website.

There is no mention to the CMB recommendation that in cases where questions are raised by shareholders that cannot be answered immediately, the Investor Relations Unit is responsible to answer them within one week of the meeting. According to the annual report, no questions were put forward by shareholders at the AGM. In the event shareholders have questions, the company has promised to do its best to provide written answers to the queries.

## SECTION 2 - PUBLIC DISCLOSURE AND TRANSPARENCY



### 2 Summary

Hürriyet scores 9,0 in this category, outperforming the overall rating result. This reflects a very good flow of information between the company and investors and a high level of transparency.

A website for investors with a CG section has been set up. The annual report is reasonable in terms of form and content, but could be further improved, e.g. providing information on forecasts, or more complete information on executives.

Hürriyet publishes a public disclosure policy on its website and in the corporate governance compliance report. The Investor Relations Unit is responsible for its implementation.

Hürriyet also discloses the Ethical Rules it applies: DYH's code of conduct and its Editorial Principles.

#### 2.1 Disclosure Means

Governance Focus
+ Website in Turkish and English version
+ Website provides valuable information for investors, including documents for download
+ Board members and members of the Audit committee signed the annual report
± The annual report provides fair information, though can be improved
± Website contains and archives information disclosed to the public

##### 2.1.1 Website

Hürriyet has created a specific website for Investor Relations. It easily allows shareholders to access information on the company. Notwithstanding, the company still has room for improvement. Foreign investors can access an English version of the website. The content is structured in a sound manner, where

investors find relevant documents (e.g. annual reports, audit reports, analyst presentations) available for download.

Examined in more depth, it contains much of the information suggested by the CMB principles, e.g. information about the shareholder structure and the management, the articles of association or annual reports, financial statements and an FAQ section. There is a corporate governance section that includes information on shareholders and stakeholders, the public disclosure policy of Hürriyet, and information on the Board of Directors.

The minutes of important board meetings are not available.

In reference to the AGM the website contains relevant information for shareholders. This includes the agenda, informative documents, the participants list and the minutes for the last AGMs.

As a means of communication the use of the website is also subject to and incorporated in the company's disclosure policy.

##### 2.1.2 Annual Report

Overall, the annual report is prepared in a reasonable way according to the content provided and information relevant to investors.

It includes the signature of the Chairman, CEO and CFO in order to explicitly indicate that the financial statements truly reflect the current financial status as well as that the company acts in accordance with the related legislation. The audit report is only signed by external auditors.

There is a risk management mechanism in place and an explanation of the different types of risks encompassed (interest rate, currency, credit, etc) is provided.

The information on the opinion of a rating agency about the company is disclosed in the annual report.

While the annual report provides basic elements, there is still room for improvement to cover more items, as outlined by the CMB principles. Issues that could be added are: the opinion of the audit firm about the internal audit, a statement referring to how the company prevents conflicts of interest between the company and related companies offering investment, consulting and auditing services, as well as future forecasts.

Hürriyet demands individual independence statements of its independent board members.

According to the annual report for 2008, no fines have been levied against Hürriyet as a result of legislative practices. However, the financial periods between 2003 and 2006 of the Company, have been inspected by the Revenue Administration Department of the Turkish Ministry of Finance. And as a result, the company made a provision of 15.209.000 TL in its financial statements dated June 30, 2009 pursuant to the “precautionary principle”. We did not factor this into our rating update but the outcome of the process, that is now ongoing, could potentially impact subsequent ratings.

## 2.2 Disclosure Procedures

GOVERNANCE FOCUS
+ Disclosure policy is established and covers material disclosure aspects
+ Forward looking information is handled reasonably
+ Ethical rules are disclosed
+ Audit company is subject to regular rotation and does not provide any consulting services
+ Independence statements issued by independent board members
± The company doesn't disclose measures to prevent insider trading but discloses a list of insiders
- No disclosed declaration of the board stating that all disclosure principles are duly kept is provided

### 2.2.1 Information Policy

An information policy was developed by Hürriyet. It is disclosed to the public and is permanently accessible through the company's website. The disclosure policy aims at providing the necessary information to the public. To underscore its relevance, the BoD introduces, develops and monitors the public disclosure policy. The Corporate Governance Committee informs the Board of Directors, the Executive Board, the Audit Committee and the Financial Affairs Director on issues related to the disclosure policy and makes suggestions as needed. A “Capital Markets and Corporate Governance Unit” was set up at the Holding level (DYH) to monitor and supervise all issues related to public disclosures. The CEO, the CFO, the Investor Relations Director will respond the questions raised by third parties.

The disclosure policy covers scope, forms, frequency and methods of disclosure, informs about the company's authorized persons regarding public disclosure, and outlines how the company deals with investors, among others. Hürriyet may make public statements concerning its forward looking statements. This information must be associated with the company's financial results, and only the CEO and the CFO are authorized to make such disclosures.

The company stated its adherence to the following principles: all amendments of the disclosure policy should be presented to the AGM; public disclosures are prepared in close cooperation with the related parties as required. The lists of the ultimate controlling shareholders and of the persons with access to insider information are disclosed on the annual report and on the corporate website.

### 2.2.2 Public Disclosure

After reviewing the public disclosure of Hürriyet no major issues could be found, that would harm investors' interests. However, there is room for improvement. The responsibility for public disclosure is clearly defined and is mainly assigned to high level personnel, usually to the board of directors or senior key executives. The executives responsible for public disclosures, with the authority to sign official documents are Mr. Ahmet Toksoy, CFO of Hürriyet, and Mr. Halil Özkan, head of the financial affairs department of Hürriyet. A publicly available declaration by the board on whether or not the principles are duly followed is missing.

An Investor Relations Unit has been set up with the responsibility for publicly disclosing all information about the company. The unit, managed by Suzi Apalaçi, has been established to manage relationships between the company and its shareholders and to ensure that shareholders can fully exercise their right to information.

Within the scope of its public disclosure the company publicly announces its dividend policy. Financial statements are disclosed in line with legislation and international accounting standards. As current legislation does not allow companies to grant shares to employees as a means of incentive compensation, the company does not provide disclosure on this aspect.

Hürriyet's shares are traded on the Istanbul Stock Exchange in Turkey.

When announcing forward looking information to the market the company states that it will provide underlying statistical data and avoid exaggerated or misleading information. Only the CEO and the CFO are authorized to make such disclosures. Due to the nature of forward looking information and the implied

uncertainty, the company reviews its given predictions and assumptions and will disclose revised information about the company's projections together with the reasons for the changes. As mentioned before, the principles applicable to forward looking information are included in the disclosure policy of the company.

### 2.3 Transparency Issues

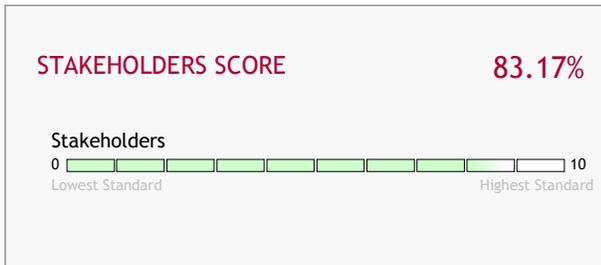
Transparency issues cover ethical behavior, insider trading rules, and the functions of the external audit.

To ensure a high degree of transparency Hürriyet discloses its Ethical Rules to the public. The company adheres to the "Values" it has announced on its website and annual report, as well as the "Editorial Principles" and the Code of Conduct of DYH.

In order to prevent insider trading, a list of executives who have access to information that might affect the price of the Company's securities, as well as a list of all other persons and institutions that provide services for the Company are publicly disclosed on the website and in the annual report. Hürriyet states that all necessary measures and precautions are being taken to prevent insider trading. However, these measures are not explained.

Since the appointed audit company (currently PriceWaterhouseCoopers) does not provide any consulting services, it can be considered as independent from having other business interests that may impede the objectivity of the auditing services. As the audit company should be subject to regular rotation, the AoA as amended in 2006 states that Hürriyet may work with the same independent auditor for no more than five years.

## SECTION 3 - STAKEHOLDERS



### 3 Summary

Hürriyet scores a result of 8.5 in this category.

Hürriyet identifies its readers, advertising clients and employees as its main stakeholders. Some reference is made to other stakeholders, such as the environment, suppliers, and society as a whole.

Stakeholders do not take part in the management of the company. However, the company is in permanent contact with them according to the Corporate Governance Compliance Report.

Hürriyet adheres to DYH's Code of Conduct and Editorial Principles. Both regulations provide the essential framework of rules to be applied in the relationships between the company and its stakeholders. However, compensation in case of violation of rights is only foreseen for advertisers and there are no concrete measures in place to avoid conflicts of interest.

A Human Resources policy is in place. Although being rather comprehensive, some aspects, such as performance based compensation are not covered.

Governance Focus
+ Companywide human resources policy
+ Employee rights are warranted
+ An Investor Relations Unit and the website to inform investors are in place
+ Code of Ethics (DYH) governing the company-wide relationships
+ Performance based compensation model
- No integral model to include stakeholders on the management

### 3.1 Participation to the Management

Stakeholders do not take part in the management. However, in order to take into account the stakeholders' opinions in the management of the company, as recommended by the CMB principles, some actions are in place, for example: the management is encouraged to join NGOs formed by stakeholders and shareholders are continuously informed through the Investor Relations Unit and the corporate website. According to the annual report, feedback received from stakeholders is evaluated and submitted to senior management, to assist the development of solutions and policies. To date, no comprehensive model has been set up to include stakeholders in the Company's management. Notwithstanding, customers can give their feedback to Hürriyet using different channels such as the website or the reader representative. In addition to it, advertisers can contact the company's add department.

According to the Corporate Governance Compliance Report, Hürriyet is in constant contact with its stakeholders. Direct representation of the employees at board level, as suggested by the CMB principles, does not exist.

### 3.2 Company Policy

#### 3.2.1 Rights and Duties of Stakeholders

Hürriyet recognizes the rights of employees and customers explicitly in the Code of Ethics and in the Social Responsibility chapter in the annual report. An AR section entitled "Social Responsibility and Environmental Activities" provides information on some of Hürriyet's social initiatives, the environmental actions and the social donations is provided.

The company only foresees compensation in case of violation of the rights of the advertisers but not of other stakeholders. According to correspondence with the company, in the event of the publication of incorrect news, the company immediately apologizes and corrects the mistake in consecutive issues. In addition, if the company's lawyers agree that there was a violation of rights, a written response from the person who was the subject of the news will be published.

There is a declaration of intentions pertaining to the recognition rights of all its stakeholders to have equal, complete, timely, and quick access to information concerning the company, but there is no specific information provided about stakeholders' rights.

Hürriyet manifests its intention to avoid conflicts of interest, but does not establish concrete measures in order to do so and does neither explain how potential disputes between the company and the stakeholders are resolved

### 3.2.2 Relation with Customers and Suppliers

According to the Corporate Governance report, Hürriyet takes a great effort to ensure readers and advertisers satisfaction and takes the quality of its publications and its social responsibilities very seriously. As a proof of this, the company publishes and puts into practice Doğan Yayın Holding's Core Principles and Hürriyet's Editorial Principles. Additionally, Hürriyet adheres to the universal journalism guidelines and to the Atatürk's principles (rule of law, democracy, secularity, independence, freedom and respect of human rights).

Compensation is provided to advertisers when their advertisements are not published according to their requests.

### 3.3 Employees and Social Responsibility

Hürriyet has defined a written human resources policy that aims at recruiting people with superior knowledge and skills, adaptable to the company's culture and with a high sense of ethics, honesty, coherence and openness. It has still opportunities to improve its human resources policy.

The company ensures that equal opportunities are provided to people with similar qualifications. While, according to the company, no cases of discrimination have been reported, the explicit mechanisms to avoid such instances remain unclear.

Professional and personal training was provided to 274 employees, who received 32,525 hours of training. Over the year, in average 4.94 days of training was provided per person. There are no regular sessions organized to inform all employees about the company's financial capability, training, or health, amongst others. However, an online platform called Hürform has been

introduced to ensure a transparent and rapid daily information with employees.

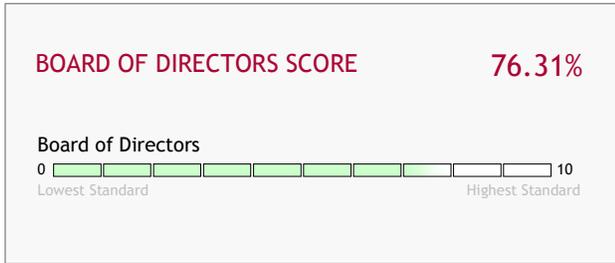
As mentioned before, Hürriyet adheres to DYH Code of Conduct. This code contains the main core values of DYH, the main responsibilities of its employees, core guidelines in respect of customer, supplier, and public authority relations, as well as other aspects. Additionally and attributed to the responsibility that media companies take over in society, DYH also issued Broadcasting and Publishing Principles that should provide guidance to its business activities as a media company. Hürriyet adheres to those as well.

With respect to performance based compensation, the company revised in 2008 its 360-degree performance evaluation system. All job descriptions were revised accordingly, new competencies were attributed and performance indicators to measure the job's output were assigned to each position.

The company provides enhanced information on its social responsibility activities within its annual report as well as on its website. Some examples relate to waste paper, gas emissions and environmental and health protection.

The annual report contains more information on the social responsibility activities of Hürriyet in a section called 'Social Responsibility and Environmental Activities'.

## SECTION 4 - BOARD OF DIRECTORS



### 4 Summary

Hürriyet scores 7,5 in this category. Though the compliance is still fairly good, there is opportunity for improvement.

There are nine members on the BoD, three executives (ED) and six non-executives (NED), of whom three are independent. The AoA describes clearly the duties of the board members.

The suggested separation of the chairman and CEO positions is respected. However, both persons are members of the Dogan family.

Each board member has one vote without any privileges. Attendance at board meetings is encouraged by Hürriyet with a new rule that imposes resignation on members who do not attend three consecutive meetings. However, no information on attendance rates is provided.

The remuneration policy could be further improved in order to comply with the CMB principles: there is no performance-based incentive scheme and no different model for ED and NED disclosed.

Two committees are in place to support the work of the board: Audit Committee and CG Committee. Both committees are headed by an independent director. The charters for the Audit and CG committee can be found on the website, with information on their composition and duties.

There are risk management and internal control systems in place. A risk management section has been included in the website.

An Executive Committee is responsible of the day-to-day running of the company. It consists of eight members, three of whom are board members.

### 4.1 Board of Directors

Governance Focus
+ The board plays an active role in the company's strategic planning
+ Majority of the board is composed of EDs
+ One third of board members are independent
+ The independent directors provide a signed statement of independence
+ Each board member is entitled to one vote
+ Secretariat has been established to support the board
+ Training can be offered to new board members
+ Company does not lend money to board members or executives
± No mention of training to new board members, but there is a compliance program
± Shareholders can request the board to call a general meeting, but decision comes from the board
- No performance based compensation

#### 4.1.1 Principles of Activity, Duties, and Responsibilities of the Board of Directors

According to the undertaken examination, the board of directors fulfills its duties with diligence and meets its responsibilities to a high degree.

As stated in the AoA, the board defines the mission and vision and is thereby leading the company. According to the annual report, the Board of Directors (BoD) reviews continuously its position in the market and defines new targets and strategies responding to changing conditions.

There is no specific mention of measures in place to encourage employees to work for the company over a long period of time. The role of the board in settling disputes between the company and the shareholders or in ensuring the effective exercise of shareholders rights are among its duties according to the AoA.

The concrete mechanisms used to keep the board members informed are not explained, except for the possibility that managers may be invited to take part in meetings of the board to explain matters that are on the agenda so that board members become better informed about specific issues.

The information on the attendance of board members to the meetings is not disclosed. The agenda of the meetings is prepared by the CEO and sent to the rest of board members for their comments and suggestions that will be incorporated in the final draft of the agenda.

Overall, the AoA contain clear rules describing the activities and duties of board members. Board members in theory have no restrictions before accepting outside duties. Nevertheless, as suggested by the CMB principles the AoA provide guidance to the issue of board members engaging in business or competitive activities with the company. Accordingly, such activities have to be approved by three-fourths of the company's shareholders at the AGM. The annual report states that no board member engaged in any business or competed with the company in 2008.

Hürriyet does not apply a recommendation put forward by the CMB Principles, envisioning that before board

members start commencing their work, they are to declare compliance with all necessary internal and external regulations.

An official declaration confirming the careful supervision and preparation of financial statements is provided by the board, the Audit Committee and the responsible financial officers in the annual report.

Turkish Law foresees the joint liability of the board. In accordance with this, the AoA states that the BoD should perform and carry out its duties in accordance with the provisions of the Capital Markets Law, Turkish Commercial Law and the AoA.

There are no sanctions foreseen for employees that obstruct the flow of information to board members, apart from the ones foreseen in Turkish Labor Law.

#### 4.1.2 Structure

The board of Hürriyet is composed of nine members of whom three are executive (ED) and six are non-executive (NED) directors.

The suggested separation of the chairman of the board and the CEO is followed, but there are several family members on the board: the chairman, Aydin Dogan, the CEO, Vuslat Dogan Sabanci and member M. Ali Yalçındağ. DYH holds 67% of Hürriyet's shares. This underscores the strong family ownership common in Turkey.

Having three independent members on the Board, Hürriyet complies with the suggested proportion of one-third. The CG statement declares that the directors have to comply with the criteria put forward by the CMB guidelines.

According to the Corporate Governance Compliance report, three directors are independent: Cem Kozlu, Kai Diekmann<sup>1</sup> and Hakkı Hasan Yılmaz.

The annual report states that Cem M. Kozlu, Kai Diekmann, and Hakkı Hasan Yılmaz have submitted

<sup>1</sup> It is worth mentioning that Kai Diekmann's independence might be questionable to some extent, as 'Axel Springer, the biggest media organization in Germany, acquired 25% of Dogan TV shares which is a member of Dogan Yayin Holding (DYH), that, as mentioned before, owns 65,02% of Hürriyet. Diekmann is board member of Bild, a newspaper of Axel-Springer.

their independence statements to the Chairman of the Board of Directors of the Company. In order to fully comply with the CMB guidelines, Hürriyet may consider providing more detailed information on the independence criteria of board members or make these independent statements available to shareholders.

Appointed board members at Hürriyet seem to be highly qualified and show a high level of knowledge and experience, reflected in long-lasting career backgrounds. Hürriyet's board can draw on a wealth of expertise in the industry sector but also other areas as law, public sector, and business. The oldest member is 73 years old and the youngest 38. Gender diversity is limited with one woman and eight men. All board members have received education at the university level.

The company takes into consideration the qualifications of its board members. The annual report states that every new board member participates in a compliance program that includes an information folder and the attendance to meetings organized by the Secretariat of the Board.

In reference to the election of the board members, Hürriyet does not permit cumulative voting, but it will be assessed by the board in view of changes in the legislation.

**Table 4: Board Structure**

Name	ED / NED	Independence
Mr. Aydın Doğan (Chairman)	NED	No
Ms. Vuslat Dogan Sabanci (Vice Chairwoman)	ED	No
Mr. Mehmet Ali Yalçındag	NED	No
Mr. Ertugrul Özkök	ED	No
Mr. Soner Gedik	NED	No
Mr. Ahmet Toksoy	ED	No
Mr. Hakkı Hasan Yılmaz	NED	Yes
Mr. Cem Kozlu	NED	Yes
Mr. Kai Diekmann	NED	Yes

#### 4.1.3 Functioning

Executives have to attend the meetings whenever necessary and requested. In case of dissenting votes the dissenting board members have to disclose the reasons that will be recorded in the minutes. Each

board member is entitled to one vote without any preferential voting or veto rights. There is no mention of the chairman having a casting vote.

All board members must be present at board meetings that will vote on the issues stipulated in article 2.17.4 of section IV of CMB principles, related to important company's operations such as the establishment of committees, the dividend policy or the decrease or increase of capital.

In order to ensure adequate preparation, the agenda and relevant documentation are provided to board members at least seven days in advance. The way these documents are delivered to board members is not disclosed. A board secretariat has been established in order to prepare and assist the board meetings as well as to ensure convenient access to information for board members. According to information provided by the board members, the agenda is prepared by the CEO and sent to all board members so that they can propose changes to it.

There is no information on the attendance rates at board meetings. Nevertheless, the company has introduced a rule to the AoA to encourage attendance: "A member of the board who does not take part in three consecutive meetings shall be deemed to have resigned his seat."

The BoD must meet at least twelve times a year; it has taken a total of 58 decisions during 2008. Some of them have been adopted without board members being physically present.

The board and majority decision quorum are both stated in the AoA: the board shall convene in the presence of at least one more than half the number of its membership, decisions shall be taken by a majority of the meeting's participants.

Board meetings appear to be conducted in an open manner. There is a clear definition of the duties of the board and its secretariat; article 15 of the AoA provides basic rules about the procedures for running the meetings.

Deviating from the CMB guidelines, meeting and travel expenses are reimbursed to board members without

any restriction. Board meetings appear to be conducted in an efficient manner.

#### 4.1.4 Remuneration

Currently Hürriyet's board compensation is solely composed of a monthly fee of 7,500YTL (3,400 € approx.) for the Chairman, 6,500YTL (2,950 € approx.) for the Vice Chairman, 5,000YTL (2,300 € approx.) for the rest and 5,000, USD (3,500 €) for the independent board members. No additional attendance or committee membership fees, as suggested by the CMB principles, are paid. The compensation is discussed and determined by the AGM, in theory providing material power to the shareholders. According to the CG statement, the remuneration is calculated taking into account the salary of the CEO, and the time board members will spend for the meetings, its preparation and the duties assumed.

**Table 6: Board Compensation**

Position	Compensation (per month, in YTL)
Chairman	7500
Vice-Chairman	6500
Member	5000
Independent Member	5000 Usd
*according to a decision by the General Meeting 2009	

Hürriyet does not offer performance based incentive schemes, as proposed by the CMB principles. While the CMB Principles do not indicate a difference between ED and NED in terms of remuneration, one should keep in mind that international best practice suggests that performance-based incentive schemes should be granted to ED only. ED only get a monthly fee of 5,000 YTL (2,300 €).

In line with performance-based incentives the CMB principles also recommend accountability of the board members according to the company's level of success. Within this scope the board should declare possible deviations in the results within the annual report, conduct a self-assessment and a performance evaluation.

To avoid conflicts of interest Hürriyet strictly adheres to the principle not to grant loans in any way to board members or executives.

## 4.2 Board Committees

Governance Focus
+ Two committees have been established
+ Audit Committee oversees external audit appointment and audit execution
+ Corporate Governance Committee deals with Corporate Governance issues proactively
+ Majority of the committees members are NED
+ Committees are headed by independent board members

### 4.2.1 In General

The board of Hürriyet has established two board committees to support its work and ensure an effective and efficient work flow.

There is an Audit Committee (AC) and a Corporate Governance Committee (CGC). In addition to it, there is an Executive Committee.

Both Hakkı Hasan Yılmaz, head of the Audit Committee and Cem Kozlu, head of the Corporate Governance Committee, are independent.

According to the CMB Law, each committee should be composed of at least two members. The former has two members and the latter four.

Both committees also fulfill the CMB suggestion to be composed of a majority of NEDs.

**Table 7: Committee Overview**

Committee	No. of Members	Independent Chairman*	No. of NED
Audit	2	Yes	2
Corporate Governance	3	Yes	2
*according to the status "Independent Board Member"			

The work of each committee is closely related to the board, as the results of the committee meetings are summarized in the minutes along with special reports and communicated to the board afterwards.

### 4.2.2 Audit Committee

The Audit Committee oversees the financial and operational activities of the company. In doing so the committee should be supported by the board and be

enabled to access all necessary information. It met four times in 2008.

It is the task of the AC to ensure that all internal and external audit activities are carried out adequately and transparently. It advises the board in appointing the external audit company and attends the appointing process. This includes, amongst others, a statement on the independence of the audit company. According to Hürriyet's CG statement, the AC scrutinizes the effectiveness and adequacy of the internal control system and the risk management system. It is also responsible that measures are taken in order to ensure that internal control is transparent. Furthermore, the AC takes care of the company's financial disclosure. Internally, the AC is also responsible for evaluating the audit system and for responding to complaints and suggestions put forward by any member of the company.

The external audit firm is invited to the meetings of evaluation of the financial statements if the committee members consider that its presence could help clarify issues. It shall meet at least four times a year according to the AoA.

The charter of the AC is available in Turkish and English.

**Table 8: Audit Committee Composition**

Name	Board Member	NED	Independence
Mr. Hakkı Hasan Yılmaz	Yes	Yes	Yes
Mr. Soner Gedik	Yes	Yes	No

#### 4.2.3 Corporate Governance Committee

It is the main purpose of the CGC to monitor the company's compliance with CG principles. It met six times in 2008.

The committee seems to pursue its tasks actively as demonstrated in the mandatory CG compliance report that forms part of the annual report. As suggested by the CMB, it is headed by an independent board member.

**Table 9: Corporate Governance Committee Composition**

Name	Board Member	NED	Independence
Mr. Cem Kozlu	Yes	Yes	Yes
Mr. Murat Dogu	No	Yes	No
Mr. Hakkı Hasan Yılmaz	Yes	Yes	Yes

Core responsibilities of the committee during 2008 have been: to determine the compliance with CG principles, to develop recommendations on the appointments, structure and effectiveness of the BoD, to evaluate the structures and functions of the committees and make recommendations on it, and to organize and coordinate the Investor Relations Unit, amongst others.

There is compliance with the recommendation that the CEO cannot be a member of the CGC.

The charter of the CGC is available in Turkish and English.

#### 4.3 Internal Control and Risk Management

Hürriyet's BoD has defined and implemented a risk management mechanism and an internal control system. There is an Internal Control Department that, amongst other activities, aims at improving the efficiency of the risk management and creating an effective internal control mechanism.

For instance a brief examination of Hürriyet's main risks coming from the financial instruments is provided in the annual report (liquidity, foreign, credit, currency risks). According to information provided by the company, in 2008, Hürriyet's existing internal audit practices were reviewed and efforts were made to improve it. The control and reliability of monthly financial statements were tested; end-of-period physical inventory counts were carried out and the results were reported.

DYH's Internal Audit Department performed an audit covering all regional offices and printing facilities of the Company and an action plan was prepared on the basis of the resulting audit report. Changes in legislation were monitored and agreements binding the Company were reviewed in an attempt to reduce risk.

Further, it is a duty of the board to oversee whether or not the company complies with the relevant legislation, AoA, in-house regulations and policies. Our analysis did not reveal any instance that the board would fail to fulfill this duty in an adequate manner. The company's website also features a section related to risk management and internal control, but it does not contain much information.

#### 4.4 Executives

Governance Focus	
+	Reporting to the Board of Directors
-	Not liable for company's losses caused by a violation of their duties
-	No distinction between ED and NED in the definition of responsibilities
-	Operational performance monthly report not provided

The day-to-day running of the company is assigned to the Executive Committee.

The Executive Committee is composed of eight members,

The composition of the Executive Committee is found on the website and on the AR. Its duties are not stated in Hürriyet's public documents. It is stated that the chairman of the committee has to inform the Board of Directors about the works of the committee. No distinctions are made between ED and NED in terms of responsibilities or compensation, according to the company documents. However, correspondence with the company revealed that compensation to executives is linked to the EBITDA and to costs.

There is no mention to the monthly report of the performed works by the executives, as recommended by the CMB.

**Table 10: Composition of the Executive Committee**

Name	Position / Function	Board Member
Ms. Vuslat Dogan Sabanci	CEO	Yes
Mr. Ertugrul Özkök	Editor-in-Chief	Yes
Mr. Ahmet Toksoy	Chief Financial Officer	Yes

Ms. Ayse Sözeri Cemal	Chief Advertising Officer	No
Mr. Ahmet Dalman	IT Coordinator	No
Mr. Ahmet Özer	Chief Internet Officer	No
Mr. Temuçin Tüzecan	Corporate Communications Coordinator	No
Mr. Enis Berberoğlu	Editor	No
Mrs. Ayçin Bayraktaroğlu	Chief Marketing Officer	No

There is no provision that executives are to compensate losses that occur as a result of not performing their duties properly.

The CEO of Hürriyet is Vuslat Dogan Sabanci, who is also a member of the International Press Institute Board of Directors.

Up to now non-competition clauses have not been allowed under Turkish law. So, Hürriyet cannot fulfill the recommendation of the CMB Principles that suggest including such provision into the employment contract.

## 5 Appendix

### DETAILED SHAREHOLDER STRUCTURE

The following tables provide an overview of Hürriyet's shareholder's structure. The first one displays the majority shareholder Dogan Yayin Holding A.S. and the free float. The second one shows the holding of mutual funds as part of the free float.

**Table 11: Biggest shareholders of HÛRRIYET**

Shareholder	Shares held (in million) <sup>3</sup>	% of Capital
Dogan Yayin Holding	367,416	66.56
Pictet Asset Management	3.938	0.86
Petercam	2.5	0.54
Metropolitan Life Ins	1.444	0.31
Pioneer Investments	1	0.22
Barclays Global Fund	0.979	0.21
Nomura Asset Management	0.827	0.18
Westlb Capital management	0.8	0.17

Source: Bloomberg (Sept 2009)

**Table 12: Main Shareholders of HÛRRIYET**

Shareholder	Shares held YTL (in million)	% of Capital
Dogan Yayin Holding	367,416	66,56
Doğan Şirketler Grubu	61,200	11,09
Free float	123,384	22,35

Source: company's website (Sept 2009)

## BOARD OVERVIEW

Table 13: Board of Directors

Name	Age	First Appointment	Position	Executive / Non-Executive Director	Independence	Member of Executive Committee	Committees	
							CGC	AC
Mr. Aydin Dogan (Chairman)	73		Chairman	NED	No			
Mr. Mehmet Ali Yalçindag	45	1996	Deputy Chairman	NED	No			
Ms. Vuslat Dogan Sabanci	38	1996	Member	ED	No	X		
Mr. Ertugrul Özkök	62	1986	Member	ED	No	X		
Mr. Soner Gedik	51	1989	Member	NED	No			X
Mr. Hakkı Hasan Yılmaz	52	2008	Member	NED	Yes		X	X
Mr. Ahmet Toksoy	50	2008	Member	ED	No	X		
Mr. Cem Kozlu	n/i	2005	Member	NED	Yes		X	
Mr. Kai Diekmann	n/i	2005	Member	NED	Yes			

CGC=Corporate Governance Committee / AC=Audit Committee

## EXECUTIVE COMMITTEE OVERVIEW

Table 14: Executive Committee

Name	Age	First Appointment	Position	Function	Board Membership
Ms. Vuslat Dogan Sabanci	38	1996	Chairman	CEO	X
Mr. Ertugrul Özkök	62	1986	Member	Editor-in-Chief	X
Mr. Ahmet Toksoy	50	1989	Member	Chief Financial Officer	X
Ms. Ayşe Sözeri Cemal	n/i	1992	Member	Chief Advertising Officer	
Mr. Ahmet Özer	n/i	2008	Member	Chief Internet Officer	
Mr. Ahmet Dalman	n/i	2008	Member	IT Coordinator	
Mr. Temuçin Tüzecan	n/i	2006	Member	Corporate Communications Coordinator	
Mr. Enis Berberoğlu	n/i	2008	Member	Editor	
Mrs. Ayçin Bayraktaroğlu	n/i	2008	Member	Chief Marketing Officer	

Source : AR 2008