



Corporate Governance Rating Report



**Hürriyet**

19 September 2017

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## Rating and Executive Summary

### Hürriyet Gazetecilik ve Matbaacılık A.Ş. (Hürriyet)

 SAHA  
Corporate Governance Rating:

**9.13**



MAIN SECTIONS: **Avg. 91.27**

Shareholders: 90.25



Public Disclosure & Transparency: 92.86



Stakeholders: 93.92



Board of Directors: 89.74



0 10 20 30 40 50 60 70 80 90 100

## EXECUTIVE SUMMARY

This report on rating of Hürriyet Gazetecilik ve Matbaacılık A.Ş.'s (Hürriyet) compliance with Corporate Governance Principles is prepared upon conclusions following detailed analysis of the Company. Our rating methodology (page 6) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

Hürriyet is rated with **9.13** as a result of the Corporate Governance study done by SAHA. The Company's corporate governance rating is revised as above in consideration with the importance given by Hürriyet to corporate governance principles, its willingness to carry out the continuous and dynamic process and improvements which had been initiated in this direction.

Furthermore, SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. Hürriyet is analyzed as a Turkish company and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on July 21, 2017 can be accessed at <http://www.saharating.com>.

Hürriyet is rated with **9.02** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. Hürriyet carries out the investor relations obligations through Shareholder Relations Unit. There is no upper limit or privileges on voting rights. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation, rules and regulations. There is a consistent dividend policy of the Company and it is disclosed to the public. There are no restrictions on transfer of shares. On the other hand, prescribed rate of minority rights for public joint stock companies (5%) is adopted as it is in the articles of association of the Company. In addition, even though the Company has established a policy on donations and grants, it has not yet submitted it to the general shareholders' meeting for approval.

Hürriyet attained **9.29** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site which includes all information listed in the "Corporate Governance Principles" pertinent to public disclosure. Public announcements are made via all communications channels and are in accordance with CMB and Borsa Istanbul A.Ş. (BIST) rules and regulations. However, the names of the Company's ultimate controlling individual shareholders as identified after being released from indirect or cross shareholding relationships between co-owners are not disclosed to the public. Company's web site is also prepared in English for international investors. Finally, benefits provided to board members and senior management is not listed on individual basis in the annual report.

On the topic of **Stakeholders**, Hürriyet scored **9.39**. Hürriyet guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is effectuated and disclosed to the public on the corporate web site. Models have been partially developed to support the participation of stakeholders in the management of the Company, but not included in the articles of association. The Company has a written human resources policy. There is no labor union in the Company. Hürriyet complies with quality standards concerning its goods and services and takes measures to ensure these standards. Specific guarantees are provided for this purpose. Code of ethics is publicly available through the Company's web site.

From the perspective of the principles regarding the **Board of Directors**, Hürriyet's tally is **8.97**. There is a well communicated Company mission and vision, and the board fulfills all duties regarding Company needs. Chairman of the board of directors and the chief executive officer is not the same person. The board consists of ten members, four of whom are independent. There is one executive member on the board of directors. CMB criteria are complied with and the opinion of the Corporate Governance Committee is received for the appointment of independent members who have each signed a declaration of independence. There are two female members on the board. Necessary changes on the articles of association were made to comply with the CMB regulations on related party transactions of a significant nature. Corporate Governance, Audit, and Early Detection of Risk Committees are established within the board of directors. The working principles of the committees are disclosed to the public. Our observations will continue in order to have a more precise view of the activities and the degree of functionality of the committees. Principles of remuneration of board members and senior executives are available on the Company's web site. The Company does not provide any loans or extend any credit to the board members or senior executives.

## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

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

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Company's governance practices in

future should be mentioned in the annual report and disclosed to public.

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

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.23).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

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

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

## Company Overview

| <b>Hürriyet Gazetecilik ve Matbaacılık A.Ş.</b>  |   |
|--|---|
|   | <b>Chairman of the Board</b><br>AHMET TOKSOY<br><b>Chief Executive Officer</b><br>ÇAĞLAR GÖĞÜŞ  |
| 100. Yıl Mahallesi, Matbaacılar Cad.,<br>No:78, 34204 Bağcılar, İstanbul<br><a href="http://www.hurriyetkurumsal.com">www.hurriyetkurumsal.com</a> | <b>Investor Relations Manager</b><br>Nihan Sena Hertaş<br>Tel: 0212 449 60 30<br><a href="mailto:nshertas@hurriyet.com.tr">nshertas@hurriyet.com.tr</a> |

Hürriyet holds an important place in Doğan Group's media activities and is one of the strong sector leaders not only in Turkey but in the whole region. Hürriyet is the owner of legal entities such as Hürriyet and Hürriyet Daily News newspapers, web sites such as Hurriyet.com.tr, radikal.com.tr, Hürriyet Emlak (real estate), Hürriyet Aile (family), Hürriyet Oto (automotive), Piyasanet and Bigpara (financial markets). The Company has also incorporated subsidiaries like Hürriyet Medya Basım (printing), Hürriyet Germany, Doğan Haber Ajansı (news agency), Yenibiriş İnsan Kaynakları (human resources), Yakala.co [Nartek] (on-line marketing), and Trader Media East Ltd.

Hürriyet was established in 1960 and registered in Turkey. It operates in the fields of journalism, printing, advertising, publicity and internet publishing. The Company has seven printing facilities in İstanbul, Ankara, İzmir, Adana, Antalya, Trabzon and Germany.

The Company shares are traded under "HURGZ" code at BIST National Market and Hürriyet is a constituent of BIST All Shares (XUTUM), BIST All Shares-100 (XTUMY), BIST National (XULUS), BIST Industrials (XUSIN), BIST Wood, Paper, Printing (XKAGT), BIST İstanbul (XSIST) and BIST Corporate Governance (XKURY) indices.

Non-distribution of dividend was decided at the general shareholders' meeting held on March 30, 2017 due to net operating loss for the period.

Hürriyet's capital structure as of the date of our report is as follows:

| <b>Capital Structure of the Company</b> |                          |                |
|---|--------------------------|----------------|
| <b>Shareholder</b>                      | <b>Share Amount (TL)</b> | <b>Share %</b> |
| Doğan Şirketler Grubu Holding A.Ş.      | 428,616,468              | 77.65          |
| Traded on BIST and Other                | 123,383,532              | 22.35          |
|   | <b>552,000,000</b>       | <b>100.00</b>  |

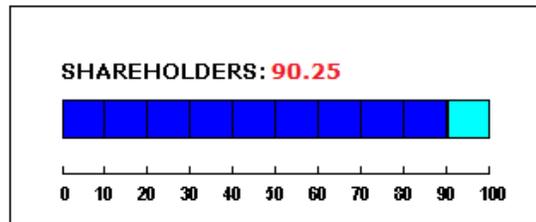
As of the date of the report, the board of directors is composed as follows:

| <b>BOARD OF DIRECTORS OF HÜRRİYET</b>  |   |
|--|---|
| <b>Name</b>                            | <b>Title</b>  |
| AHMET TOKSOY                           | Chairman  |
| BEATRICE MARIE E. CLERMONT<br>TONNERRE | Independent Member<br>Vice-chairman   |
| ÇAĞLAR GÖĞÜŞ                           | Executive Member  |
| VUSLAT SABANCI                         | Member  |
| SEDAT ERGİN                            | Member  |
| KAI GEORG DIEKMANN                     | Member  |
| FİKRET BİLA                            | Member  |
| GÜNDÜZ KÖSEMEN                         | Independent Member<br>Member of Audit, Corporate Governance and Early<br>Detection of Risk Committees |
| SEDAT GÜMÜŞOĞLU                        | Independent Member<br>Audit Committee Member  |
| DEĞERHAN USLUEL                        | Independent Member  |

Subsidiaries of the Company as of the date of the report are as follows:

| <b>Subsidiaries / Affiliates of the Company</b>                            |  |                     |
|--|--|---------------------|
| <b>Name</b>  | <b>Scope of Business</b>                 | <b>Relationship</b> |
| Yenibiriş İnsan Kaynakları<br>Hizmetleri Danışmanlık ve Yayıncılık<br>A.Ş. | Internet Publishing                      | Subsidiary          |
| Hürriyet Zweigniederlassung GmbH.  | Newspaper printing                       | Subsidiary          |
| Hürriyet Invest B.V.   | Investment                               | Subsidiary          |
| Doğan Media International GmbH.  | Distribution and<br>advertising services | Affiliate           |
| Glokal Dijital Hizmetler Pazarlama<br>ve Ticaret A.Ş.                      | Retail Trade                             | Subsidiary          |

## SECTION 1: SHAREHOLDERS



### SYNOPSIS

|   |  |
|---|--|
| + | Equal treatment of shareholders  |
| + | Unrestricted shareholder rights to review and receive information  |
| + | No upper limits or privileges on voting rights   |
| + | Voting rights are facilitated  |
| + | General shareholders' meetings are conducted in compliance with the legislation  |
| + | Specific and consistent dividend distribution policy   |
| = | Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital |
| = | Policy on donations and grants is established but not yet submitted to the general shareholders' meeting for approval  |
| - | An administrative fine has been applied as per CMB bulletin #2017/12   |

#### 1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The Company carries out the shareholder relations obligations through Investor Relations Department managed by Nihan Sena Hertaş and her staff.

Along with other units of the Company, the Investor Relations Department plays an active role in protecting and facilitating shareholders' rights and in particular

the right to obtain and review information, and its duties are as follows;

- To ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- To respond to the queries of the shareholders requesting written information on the Company.
- To ensure the general assembly meeting is held in compliance with the applicable legislation, articles of association and other Company by-laws.
- To prepare the documents that might be used by shareholders in the general shareholders' meeting.
- To supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Investor Relations Department submits a report to the board of directors at least once a year on its conducted activities.

Information and explanations that may affect use of shareholders' rights is available up to date on the corporate web site. Additionally, the manager of the Investor Relations Department is holder of licenses as stated in the Corporate Governance Principles Communiqué.

## **1.2. Shareholders' Right to Obtain and Evaluate Information:**

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders.

All kinds of information about the Company are provided in a complete, timely, honest, and diligent manner. Hürriyet received an individual administrative fine on October 17, 2012 concerning material disclosures

The Company has established a disclosure policy and submitted to the attention of shareholders at the general shareholders' meeting, and disclosed it to the public on the corporate web site.

## **1.3 Minority Rights:**

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the Company.

## **1.4. General Shareholders' Meeting:**

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held in 2017 is performed through all means of communication available to the Company in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included

information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined.

Besides, the Company has prepared a descriptive disclosure document on agenda items.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the annual report, financial statements and reports, and all other related documents pertaining to the agenda items are made available to all shareholders for examination purposes in convenient locations including the headquarters or branches of the Company, and the electronic media.

Shareholders are informed of the following issues via the corporate web site;

a. the total number of shares and voting rights reflecting the Company's shareholding structure as of the date of disclosure, information on there are no privileged share groups within the Company capital,

b. grounds for dismissal and replacement of board members, candidates' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Company and its related parties, whether they are independent or not, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of

the general shareholders' meeting was related to the agenda items.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions. The chairman made sure that each question is answered directly at the meeting provided that they do not constitute a trade secret.

Agenda of the general shareholders' meeting included the proposal for the permission to be granted to shareholders who have control of the management, members of the board of directors, managers with administrative responsibility, their spouses and up to second degree blood relatives to execute transactions and compete with the Company and/or its affiliates, to make a commercial business transaction for himself or on behalf of others or to join to another company dealing with the same type of commercial business as a partner with unlimited responsibility.

The members of the board of directors related with the issues of a special nature on the agenda, other related personality, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

The Company has established a policy on donations and grants but not yet submitted to the general shareholders' meeting for approval. Shareholders are informed, with a separate agenda item, on all donations effectuated during the period and the amount of benefits and beneficiaries at this meeting.

There is no provision in the articles of association of the Company allowing

the attendance of those including stakeholders and media with no voting rights.

General shareholders' meeting is attended by the representative of the external auditor.

### **1.5. Voting Rights:**

At Hürriyet, all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately. There are no voting privileges and the Company avoids applications that make it difficult to exercise voting rights.

### **1.6. Dividend Rights:**

The dividend policy of Hürriyet is clearly defined and disclosed to the public on the Company's web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report.

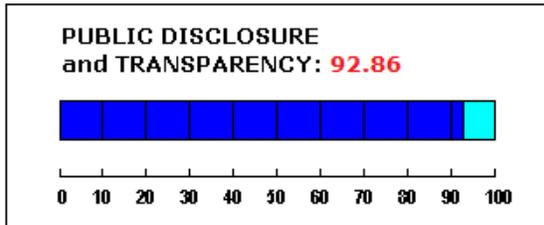
The Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and that of the Company.

Since there was no profit reported on legal records for the fiscal year, a non-distribution of dividend was approved by a majority vote at the ordinary general shareholders' meeting.

### **1.7. Transfer of Shares:**

Neither the articles of association of the Company nor any resolutions adopted at the general shareholders' meeting contain any provisions that impede the transfer of shares which are publicly traded.

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



### SYNOPSIS

|   |  |
|---|--|
| + | There is a Shareholder Relations Unit  |
| + | Comprehensive disclosure policy, disclosed to public on the corporate web site       |
| + | Comprehensive web site, actively used for public disclosure                          |
| + | Annual report complies with the legislation, comprehensive and informative           |
| + | Important events and developments disclosed in accordance with the legislation       |
| + | English version of the web site for international investors                          |
| + | Remuneration policy established and disclosed to public on the corporate web site    |
| + | Dividend distribution policy publicly disclosed on the corporate web site            |
| - | List of ultimate controlling individual shareholders are not disclosed to the public |

#### 2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the Company's web site includes; trade register information,

information about latest shareholder and management structure, information on inexistence of any privileged shares, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's articles of association, publicly disclosed material information, annual reports, periodical financial statements, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Company, frequently asked questions including requests for information, questions and notices, and responses thereof.

In this context, information on at least the last five years can be reached on the web site.

The Company's shareholding structure; the names, amount and rate of the shares held by the Company's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is not disclosed to the public along with the privileges they hold and also not updated bi-annually as per the minimum requirement.

With the exception of material disclosures and footnotes, in accordance with the Capital Markets legislation, the Company also discloses financial statements on PDP (Public Disclosure Platform) and simultaneously in English.

The information contained on the web site exists also in English (exactly same with the Turkish content) for the benefit of international investors.

The Company's web site also includes; investor presentations, working principles of the committees, important board decisions under the heading of material disclosures, the vision/mission of the Company established by the board, information on capital increases and dividend payments, disclosure area, general shareholders' meeting internal guidelines, social responsibility activities, information on senior management, financial data, main ratio analysis, timetable on events/developments which considers investments, and the human resources policy.

## **2.2. Annual Report:**

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the Company and it covers information such as;

- a. period covered by the report, the title of the Company, trade register number, contact information,
- b. the names and surnames of the chairman, members and executive members involved in the management and supervisory boards during the covered period, their limits of authority, tenure of office (with start and end dates),
- c. the sector in which the Company operates and information on its position in the sector,
- d. qualifications of the printing facilities, capacity utilization rates, general explanations related to sales volume and price, sales conditions and yearly developments, productivity rates and causes of significant changes compared to previous years,

- e. progress on investments, the eligibility status on incentives, and to what extent,
- f. changes and justifications on the articles of association during the period,
- g. Corporate Governance Principles Compliance Report,
- h. information on related party transactions,
- i. other issues not included in the financial statements, but are beneficial for users,
- j. the Company's organization, capital and ownership structure and any changes in the related accounting period,
- k. all benefits provided to staff and workers, information on number of personnel,
- l. explanation on privileged shares and their amount,
- m. information on board members' transactions with the Company on their behalf or someone else within the framework of permission granted by general shareholders' meeting along with their activities within the scope of restraint of trade,
- n. research and development activities,
- o. dividend distribution policy,
- p. basic ratios on the financial position, profitability and solvency,
- q. the Company's financing resources and risk management policies,
- r. information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the matters specified in the legislation, following issues also took place in the annual report:

- a. external duties of board members and executives,
- b. members of the committees within the board and number of meetings held,

- c. the number of board meetings held during the year,
- d. changes in legislation which could significantly affect the Company's operations,
- e. major court cases against the Company and possible consequences,
- f. information on direct contributions to capital ratio with cross shareholding investments in excess of 5%,
- g. benefits and vocational training of employees, and other Company activities that give rise to social and environmental results,
- h. rating results.

However, benefits provided to board members and senior executives are mentioned collectively, but best application of Corporate Governance Principles dictate that this information is given on an individual basis. Also the participation rate of the members to the board meetings and assessment of the board of directors on the efficiency of the committees should also be included in the annual report.

### **2.3. External Audit:**

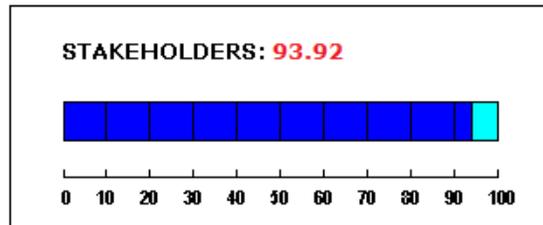
The external audit of the Company is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

There has not been a situation during the reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared that there has been no legal conflict between the Company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge

during the audit period. Neither a consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

## SECTION 3: STAKEHOLDERS



### SYNOPSIS

|   |  |
|---|--|
| + | Measures to safeguard stakeholders' rights are facilitated   |
| + | Efficient human resources policy   |
| + | Strict quality standards for goods and services  |
| + | Stakeholders' views are taken on important decisions   |
| + | Code of ethics disclosed to the public   |
| + | Measures are taken to ensure customer satisfaction on sale of goods / services   |
| + | Company is socially and environmentally sensitive and respectful   |
| + | Written compensation policy for employees established and disclosed to the public on the corporate web site  |
| = | No provision in the articles of association regarding the participation of stakeholders in the management of the Company despite the existence of certain incentive models |
| - | No labor union   |
| - | Fine imposed by the CMB  |

### 3.1. Company Policy Regarding Stakeholders:

Hürriyet recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the Company protects the interest of stakeholders under good faith principles and within the capabilities of the Company. Effective and expeditious compensation is provided in case of violation of the rights.

The web site of the Company is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The corporate governance structure of the Company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions.

In addition, a written compensation policy is established and disclosed to the public.

### 3.2. Stakeholders' Participation in the Company Management:

Hürriyet has developed models for stakeholders, particularly employees to participate in management without impeding the operations of the Company and they are included in the Corporate Governance Compliance Report. However these models and mechanisms are not included in the articles of association.

### **3.3. Company Policy on Human Resources:**

The primary function of the Company's human resources policy is based on training and improvement perspective focusing on supporting employees' and Company's performance with the principle of continuous development in parallel with corporate vision and business goals. While planning current and future development needs of the employees, internal resources are used efficiently and productively in line with the business requirements. The Company has a written human resources policy determined in accordance with the corporate strategies, common values and business ethics. Its principles are listed below:

The Company offers equal opportunity to persons with the same qualifications in recruitment and career planning. Succession plans are put in place in order to prevent operational impediments if/when a manager resigns. All recruitment criteria have been detailed in writing.

Employees are treated equally with regard to their rights. Training programs are organized and training policies are developed to enhance the knowledge, skills, and conduct of personnel.

Meetings are organized for personnel to give them information and share opinions about the Company's financial position, compensation, career planning, training, health and similar topics.

Job descriptions, distribution of duties, performance and rewarding criteria are shared with employees. In determining compensation and other benefits offered to personnel, Hürriyet takes productivity measures into account.

The Company does not discriminate among its employees in terms of their

race, religious belief, language or gender, and takes precautions to protect employees against all kinds of physical, emotional or spiritual abuse. On the other hand, there is no labor union at Hürriyet.

### **3.4. Relations with Customers and Suppliers:**

Hürriyet is taking all necessary precautions to attain customer satisfaction in the sales and marketing of its products and services. Suppliers are evaluated and selected on the basis of their ability to provide quality products. Selection, evaluation and re-evaluation criteria are in place.

The Company receives annual order predictions from its customers and production is scheduled to meet this demand. Order forecasts are revised on a monthly basis in order to eliminate supply disruptions. Necessary mechanisms to ensure ongoing customer demand are in place.

Satisfaction of customers and suppliers is the Company's primary and indispensable goal and customer satisfaction is reported and monitored regularly. Care is also taken on the confidentiality of all trade secret data and information on customers and suppliers.

### **3.5. Ethical Rules & Social Responsibility:**

Ethical rules of the Company are disclosed to the public on the corporate web site.

The Company carries out its social responsibility projects together with its employees with high social sensitivity and in line with its corporate structure and synergy with all institutions within.

With its “No to Domestic Violence” campaign, Hürriyet is targeting to raise public awareness, to create social awareness, to achieve behavioral changes, and to contribute by providing solutions to the problems in the eyes of the politicians.

In addition, in 2011, Hürriyet launched a new social responsibility initiative and led the drive for establishment of the Rightful Women Platform. Vuslat Sabancı spearheaded the project to bring together thousands of people from 41 non-governmental organizations, academia, the media, the business community, the legal profession and civil society.

The Company complies with ethical rules and regulations on the environment, consumers and public health, and shows respect to internationally recognized human rights.

The Company has received an individual administrative fine during the year for its material disclosures.

### **3.6. Sustainability:**

The Company is sensitive to environment and social needs in all areas in which it operates. Its responsibility understanding on “sustainable development” is the basis of Hürriyet’s “Corporate Social Responsibility” approach.

The Environmental Control Unit operates in Hürriyet's printing houses and offices. In addition, through an Environmental Consultancy Service, studies are conducted to mitigate the effects of production and operation on the environment and to improve the level of environmental awareness among employees.

Recycled paper accounts for 28% of the paper consumed at the Hürriyet facilities. Production at the facilities

creates industrial waste water which is sent to special wastewater collection channels. After physical treatment (coarse grids, oil filters, sand catchers), the industrial waste water is gradually mixed with household waste water produced at the same facilities; later it is treated biologically.

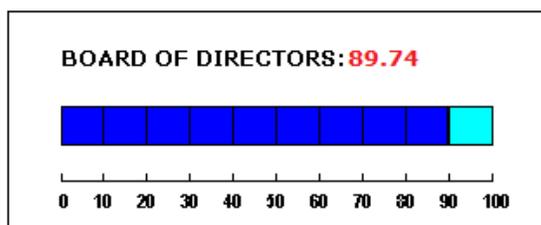
After biological treatment, the treated water is (after being disinfected with chlorine) discharged into appropriate environments from discharge points approved by official agencies.

The Company has an automated heating and cooling system. In addition, use of sensor faucets and sensor lighting is continuously increased to reduce the consumption of water and electricity. Electricity and water consumption is monitored and reported by the related staff and loss and leakage rate is decreased. Architecture of the printing facilities allows the use of day light as much as possible. There is no study on re-usage of energy yet. Targets on water and energy consumption, reduction of printing defects and efficient use of production inputs are identified and related policies are included in the annual budget planning.

Hürriyet carries out studies in line with environmental protection and proper use of resources complying with sustainability policies and all regulations and laws on environmental protection.

## SECTION 4: BOARD OF DIRECTORS

### SYNOPSIS



|   |   |
|---|---|
| + | The Company's vision, mission and strategic goals are defined   |
| + | The board works efficiently and staffed with qualified members  |
| + | Four independent members on the board   |
| + | Audit, Corporate Governance and Early Detection of Risk Committees are established  |
| + | Principles of remuneration of board members and senior executives are established and disclosed to the public   |
| + | Conduct of the board meetings is specified by the company's internal regulations and indicated in the articles of association                               |
| + | Existence of a regulation on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly. |
| = | The level of functionality and effectiveness of the committees will be monitored further  |
| = | Two female board members  |
| - | The Board of Directors does not have a 25% female member target and no policy towards this goal   |

#### 4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage the Company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of the Company. The board administers and represents the Company within these parameters.

The board of directors has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance.

The board also oversees that Company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

#### 4.2. Principles of Activity of the Board of Directors:

Board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report. The board of directors established various internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the committees. In this context, the board reviews the effectiveness of risk management and

internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report. Chairman of the board and chief executive officer/general manager's executive powers are clearly separated.

The board of directors plays a leading role in maintaining effective communication between the Company and the shareholders and settling any disputes which may arise. The board works in close coordination with the Shareholder Relations Unit in this context.

In addition, there is a regulation on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly. However the policy amount does not exceed 25% of the Company's capital.

#### **4.3. Structure of the Board of Directors:**

The Company's board of directors is composed of ten members and one of them is executive. Among the non-executive board members there are four independent members who have the ability to execute their duties without being influenced under any circumstances.

The Corporate Governance Committee have prepared a report on the candidates proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and submitted this assessment as a report to the board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within

the framework of the legislation, articles of association, and the CMB criteria.

There are two female members on the board. Only Hürriyet has not prepared a policy or set a timetable to reach the Corporate Governance Principles' advisory target of minimum 25% female membership rate on the board of directors.

#### **4.4. Conduct of the Meetings of the Board of Directors:**

Ordinary board meetings take place with sufficient frequency and board members also convene upon any extraordinary situation and negotiate and render resolutions on critical agenda issues.

Chairman of the board of directors sets the agenda for board meetings in consultation with other members and the chief executive officer. All board members attended the meetings.

Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. Each member of the board has a right to one vote.

The conduct of the board of directors meetings is defined in internal regulations and meeting and decision quorums have been included in the articles of association of the Company.

Company officials declared that the board members allocate necessary time for the Company's affairs. In addition, for the purpose of protecting, observing, monitoring, guiding and supervising the interests of the shareholders of the Company, board members can serve on the boards of subsidiaries, affiliates and jointly controlled entities. The members of the board are also allowed to take on

additional duties at public benefit associations, foundations, organizations and institutions involved in philanthropic or scientific research and development activities, universities, training, and similar institutions. Any other tasks are subject to the approval of the board of directors within the guidelines.

#### **4.5. Committees Established Within the Board of Directors:**

Corporate Governance, Audit, and Early Detection of Risk Committees are established from within the board of directors in order to fulfill its duties and responsibilities.

Functions of the committees, their working principles, and its members are designated by the board of directors and disclosed to the public on the Company's web site.

All members of the Audit Committee and the chairmen of the all three committees are elected among the independent board members. The chief executive officer is not on the committees. There are no executive members on the committees. Care is taken to avoid appointment of a board member on multiple committees.

All necessary resources and support needed to fulfill the tasks of the committees are provided by the board of directors. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

The frequency of committee meetings is sufficient. The Corporate Governance Committee is established in order to determine whether or not corporate governance principles are being fully implemented by the Company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of

imperfect implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the shareholder relations unit.

In line with the new corporate governance principles published on January 3<sup>rd</sup> 2014, Investor Relations Department manager must be a member of the Corporate Governance Committee. Hürriyet adapted to the principle in question.

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Company regarding Company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them, immediately notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the Company and the external auditor notifies the board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Company's accounting principles, true and accurate.

Audit Committee members possess the qualifications mentioned in the Corporate Governance Principles communiqué.

The annual report contains information on working principles of the audit committee and number of written notices given to the board of directors in the fiscal year. However, meeting resolutions are not included.

The external audit of the Company is conducted by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik

A.Ş. The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the audit committee to the board and ends with the board's choice being presented and approved at the general shareholders' meeting.

The Corporate Governance Committee is established in order to determine whether or not corporate governance principles are being fully implemented by the Company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of imperfect implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the shareholder relations unit.

The Early Detection of Risk Committee reviews risk management systems at least once a year. However, in order to assess the degree of efficiency and functionality of this committee, further observations are needed to be able to have a more robust view whether the committee can achieve early identification of risks that may jeopardize the Company's existence and continued development, whether it can implement the necessary measures identified with the associated risks, and whether it performs any studies to manage such risks.

The Corporate Governance Committee carries out the duties of the Nomination Committee and Remuneration Committee, since they are not established yet. It has made its proposal on suitable candidates for the board of directors, on creation of a transparent system of evaluation and training, on determination of the relevant policies and strategies, and their remuneration principles.

However; we could not get sufficient information to have a solid opinion on assessing the degree of efficiency and functionality of the committee, particularly with regard to its reviews on the structure and efficiency of the board of directors, whether the committee submits its recommendations to the board members on changes that can be done on these matters; whether it ensures that a system with regards to the principles and practices regarding career planning and rewarding of the board members is implemented; and by taking into account the degree of achievement of the criteria, whether it makes proposals to the board on remuneration of the board members and senior executives.

#### **4.6. Remuneration of the Board of Directors and Senior Management:**

The principles of remuneration of board members and senior executives has been documented in writing and submitted to the shareholders as a separate item in the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on the corporate web site. Stock options or performance based payments are not included in the remuneration package of the independent board members.

The Company does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives have the required professional qualifications in order to perform the assigned duties.

The executives comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There have been no cases where the executives used confidential and non-public Company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage.

There is an insurance policy on compensation for losses incurred by the Company, and third parties, as a result of not performing the executives' duties duly.

Remuneration of the executives is based on market conditions and determined according to their qualifications, and proportional to their contributions to the performance of the Company.

Orientation process for newly appointed managers is determined in writing in the Company's internal regulations.

## Rating Definitions

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

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

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