

Risk Management, Internal Control System and Internal Audit Activities

RISK MANAGEMENT

The scope of Enterprise Risk Management activities to be implemented at companies under the Yaşar Group organization and their operating procedures and principles are set out within the frame of a Regulation. In addition, the framework of risk management activities, risk management duties and responsibilities, processes, reports, confidence procedures and risk management terminology have been created.

The company began implementing “Enterprise Risk Management” as a systematic process whereby risks are defined, analyzed, controlled and monitored. This method is capable of minimizing the costs incurred in relation to contingencies that result negatively, as well as their impact upon the company’s asset values.

Risk Management Policy of the Company

The company’s Board of Directors has adopted risk management strategies that will minimize the impact and probability of risks, which might affect the stakeholders in the company and particularly the shareholders; accordingly, the Board of Directors makes sure that necessary actions are taken.

Activities of the Early Detection of Risk Committee

The company’s Board of Directors decided that the Corporate Governance Committee shall function as the Early Detection of Risk Committee to advise and make suggestions to the Board of Directors for the purposes of early detection of risk and creation of an efficient risk management system.

The Committee oversees the conduct of enterprise risk management activities, which are aimed at the creation of the prioritized risk inventory within the frame of risk management policies and procedures, determination of appropriate risk strategies, taking of necessary actions and monitoring the outcomes. The Committee also provides the necessary guidance in these aspects.

Future Risks Regarding Sales, Productivity, Income Generation Capacity, Profitability, Debt/Equity Ratio and Similar Matters

Under the risk management policy and procedures adopted across the Group, work is underway to create the risk inventory for all of the company’s activities and to take necessary actions.

Along the line,

- the company’s risk exposure is classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,
- existing controls for material risks are reviewed with respect to their design and implementation, and optimum strategies and actions are identified,
- results of the action taken are followed up, and
- results and possible developments are reported to related units and assessed.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

A control is described as any implementation aimed at eliminating an event that will adversely affect the achievement of the company’s goals, or at mitigating their impact and probability. The internal control system is composed of the definitions of standards for business processes, policies and procedures, job descriptions, and authorization structures. In this frame, the management has set up all control systems, including those that prevent/identify and improve, for efficient and productive conduct of the company’s business.

The internal control systems established at the company are intended to ensure the efficiency and effectiveness of operations, reliability of the financial reporting system, compliance with legal regulations, and they seek to provide assurance in these aspects. These control systems also protect the company’s assets, reputation and profitability.

The oversight of the company’s accounting system, public disclosure of financial information, independent audit and the operation and efficiency of the internal control system is basically fulfilled by the Audit Committee set up by the company’s board of directors. When fulfilling this function, the Audit Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

Under the internal audit activities, the company evaluates the effectiveness of the existing risk management system, and the adequacy, effectiveness and efficiency of the internal control system, and also makes proposals for their improvement. In addition, the processes of determining and implementing the necessary actions for relevant determinations and proposals are monitored closely.