

# **RULES OF PROCEDURES OF THE EARLY DETECTION OF RISK AND RISK MANAGEMENT COMMITTEE**

## **1. ESTABLISHMENT**

At the Board Meeting of our company dated 01.10.2012, Early Detection of Risk and Risk Management Committee was established with the purposes of providing advice and consultancy for the Board of Directors regarding early detection of risk and establishment of an effective risk management system as per the provisions set forth by Turkish Commercial Code No 6102 made effective as of 01.07.2012 and Volume: IV No: 56 Communiqué on Designation and Implementation of Corporate Governance Principles issued and made effective by the Capital Markets Board as of 30.12.2011.

## **2. PURPOSE**

Advising and consulting the Board of Directors on early detection and assessment of strategic, operational, financial and other risks which may endanger the existence, development or continuity of the company, determination of possible effects and likelihood of such risks, management of them as per the company's corporate risk-taking profile, reporting, taking the necessary measures regarding the risks detected, consulting the decision-making mechanisms, establishment and integration of an effective internal control system.

## **3. TASKS AND RESPONSIBILITIES**

Tasks of Early Detection of Risk and Risk Management Committee are;

- Definition and assessment of current and potential risk elements which may prevent achievement of company's objectives within the Enterprise Risk Management (ERM) system, definition of principles regarding the management of risks as per the company's risk-taking profile, providing that decision-making mechanisms are used,
- Definition of risks which will be taken by the company, managed, shared or removed based on the calculations on likelihood and effects,
- Integration of risk management and internal control systems with the Company's corporate structure,
- Review of risk management systems, audit of compliance of the applications by the departments responsible for risk management with the committee decisions,
- Early detection of liquidation and warning the Board of Directors and making recommendations on possible precautions,
- Performance of other tasks which are/may be assigned to the Committee by CMB regulations and Turkish Commercial Code.

The Committee will submit its assessments and recommendations on the aforementioned issues verbally or in writing to the Board of Directors.

#### **4. STRUCTURE OF THE COMMITTEE AND MEMBERSHIP CRITERIA**

- Early Detection of Risk and Risk Management Committee consists of minimum two members. Chairman of the Committee will be selected among the independent members of the Board of Directors. Chief executive officer/general manager cannot be assigned to the committee.
- Both members in case the committee consists of two members and majority of the members in case the committee consists of more than two members will be selected among the Board Members who are not assigned to executive tasks. When necessary, experts who are not Board Members can also be appointed to the committee.
- When the new members of the Board of Directors are selected at the ordinary general assembly, they will determine the members of the Early Detection of Risk and Risk Management Committee based on the assignment term of the Board of Directors. The old members of the committee will continue to be assigned until a new one is selected.
- Resources and support required by the Committee to fulfill its responsibilities will be provided by the Board of Directors. The Committee can invite the managers to ask for their opinions as necessary.
- The Committee will take the opinions on independent experts regarding the activities as necessary. The Company will cover the expenses related with the consultancy services required by the Committee.

#### **5. COMMITTEE SUB GROUPS**

Early Detection of Risk and Risk Management Committee can establish sub work groups consisting of committee members and/or other experts with sufficient experience on corporate risk management as necessary, with the purposes of ensuring the efficiency of its works.

#### **6. MEETINGS**

- The Committee will conduct meetings with a frequency as required by its assigned tasks.
- The decisions by the Committee are considered as recommendations to the Board of Directors and the Board of Directors is the final decision-maker.
- The Committee will ensure that the Board of Directors is informed regarding the issues related with its assigned position.
- Meeting and decision quorum is the absolute majority of the committee members.
- The meetings will be conducted at the company headquarters or any other location easily accessible by the committee members.

#### **7. REPORTING PROCEDURES**

Committee decisions will be recorded in a book which will be kept by the Committee.

The minutes of the meeting will include the following as a prerequisite:

- Date and time of the meeting
- Detailed information on the issues discussed at the meeting
- Decisions made

Decisions deemed required by the Committee will be submitted to the Board of Directors.

Board of Directors' secretariat will be responsible for preparation and bookkeeping of the reports. The minutes of the meeting will be submitted to the information of Committee Members and archived.

## **8. EFFECTIVENESS**

These rules of procedures for the Early Detection of Risk and Risk Management Committee have been approved by the Board Decision dated 01.10.2012. The Board of Directors is authorized to revise and update these rules of procedures as necessary.