

# HOLDING FUNCTIONS

## THE INTERNAL AUDIT GROUP

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Following some major corporate failures recently, two important issues have been added to the agenda of corporate management-Corporate Governance and Internal Audit. The market value of companies will be highly dependent on how successful they are at adopting and implementing sound corporate governance principles. The internal audit function is an imperative and indivisible function of these principles, the heart of which emphasizes fairness, transparency and accountability.

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The Internal Audit Department also conducts operational audits and enhances internal processes helping to ensure efficiency, cost savings and effectiveness in all Doğan Holding ventures.

## THE STRATEGY GROUP

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The Strategy Group in Doğan Holding consists of four departments: Strategy and Business Development, Human Resources, Information Technology and Investor Relations. The key objective of the Strategy Group is to establish a strong link between these four departments to provide the strategic foundation of the conglomerate.

The work of the Strategy and Business Development Department facilitates the initial assessment of commercial and social projects and formulates strategies during the implementation stage. This Department also incorporates the task of life stage management for Holding businesses. The degree of change taking place in every industry today is dramatic. Whether it is in such areas as improvement orientation, restructuring, re-strategizing, operational quality enhancement or others, each of these involve major changes which, if badly managed, can produce catastrophic results. Although risk is inevitable in the process of change, a significant amount of anxiety and anguish can be avoided by having a solid plan beforehand. Therefore, the Holding's efforts serve to assist its subsidiaries in successfully managing major change and diversification processes. Within this framework, the Department's practice supports the analysis of long and medium range projects such as high-tech investments, licensing agreements, strategic partnerships, as well as divestitures, privatization projects, acquisitions and mergers.

The Human Resources Department is charged with the task of collaborating with bright graduates and MT candidates seeking key positions within the diverse structure of Doğan Holding. It is imperative for the Holding's HR specialists to maximize each employee's talents and to facilitate linking their personal qualifications and capabilities with targeted business strategies. Performance evaluation and measurement also play a crucial role in sustaining their professional growth potential. Starting from the very first day, the recruitment process captures the desired strengths of candidates and provides the Holding with a variety of fresh ideas. In return, the HR Department analyzes the nature and character of the candidates and presents their ideas toward a sustainable career path.

The complementary nature of the conglomerate's activities is strengthened through the integration of its IT Department into several inter-organizational operations.

The effective usage of Information Technology empowers management in assessing and evaluating business opportunities while positioning the Holding at the cutting edge through significant achievements in operations and application composition. The overall process within the Holding is carried out by the implementation of tailored, state-of-the-art application software generated by the Department's programmers.

Institutional investors, Doğan Holding's largest source of long-term capital, tend to concentrate their stock holdings in entities with whose financial position they are most familiar. In order to keep these investors current, it is essential to provide them with regular and timely financial reports, as well as a convenient forum for their analysts to obtain information and receive answers to all of their questions. In an era of shrinking margins, CEO's have fewer resources, time and staff available to perform the function of investor relations. Hence, Doğan Holding's Investor Relations Department allocates a considerable amount of time and energy to information sharing.

It is the aim of the Investor Relations Department to achieve an appropriate valuation of Holding stocks within the Capital Market.

The Department has set out to gain lasting stockholder trust and increase transparency while obliterating any informational irregularities and reducing share price volatility.

Doğan Holding works toward these objectives through continuous, open and targeted dialogue with all capital market participants. With regard to capital market professionals, the focus is on fund managers, investment fund, pension fund and insurance analysts, as well as banks/brokers and their sales and research teams. In accordance with the Holding's objectives, management uses all available communication tools, including financial reports, analyst meetings, road shows and conferences. The Holding's IR website, where the same information is made available to all target groups simultaneously, is particularly significant in this respect.

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Finance, the primary engine contributing to the growth of an organization, is now at the forefront of the corporate agenda due largely to recent and scandalous major corporate failures in both Europe and the US. Hence, good corporate governance and transparency are key elements in building strong relationships with investors and clients based on trust and an accurate flow of financial information-maxim number one for Doğan Holding.

Market value, among other factors, is directly linked to the financial performance of a company. This in turn entails risk management in its broadest sense and effective financial coordination between the companies of the Holding. The efficient management of funds, considering projected cash flows and debt structure, is one of the key elements in the coordination between Doğan Holding companies. Such close coordination and a developed MIS, coupled with an effective information flow between the companies and the Finance Group, are the main factors behind value added asset-liability management and have vastly contributed to the success of Doğan Holding. The utilization of debt and/or capital markets, in order to obtain low cost long-term financing or acquisition interests of the Holding, not only enables smooth organic growth but also boosts the competitive position of business interests, in both domestic and international markets.

The strategy of the Finance Group is to continue assessing and covering possible financial risk in the Holding's diverse businesses. Enhancing the intra-Holding flow of financial reporting and accurate MIS will further improve decision-making and financial control. Once again, transparent and timely presentation of the Holding's financials to its shareholders and accountability will be the prime directives in the Finance Group's work.

