

RISK MANAGEMENT SYSTEM

As part of the Board's commitment to Good Corporate Government Practices, COPEINCA has implemented a Risk Management System under the COSO ERM methodology.

COSO ERM is a risk management system model of worldwide acceptance that helps companies achieve their strategic objectives, operational efficiency and efficacy, confidence in their financial reports and compliance with local and foreign laws and regulations.

CONTROL ENVIRONMENT

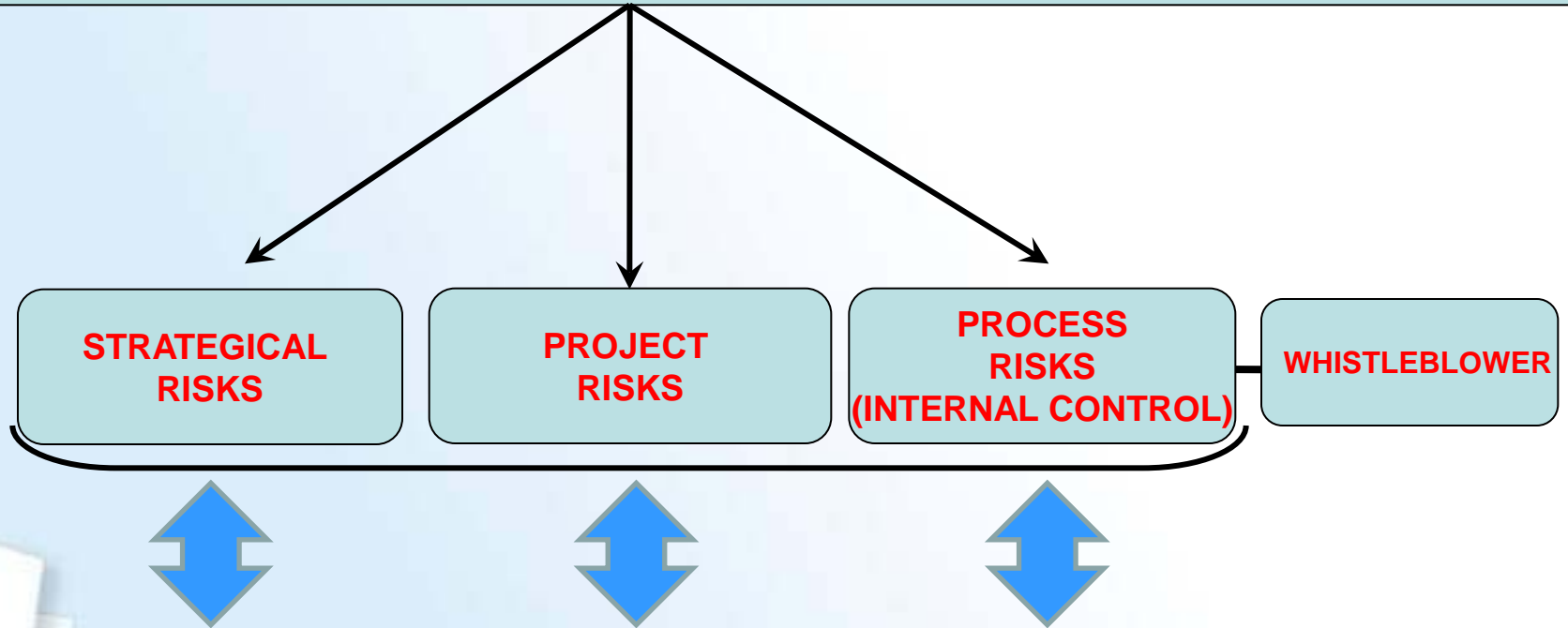
This is the basis of the Risk Management System and is the environment within which people carry out their activities and comply with their control responsibilities, setting the pace of the company's functioning and influencing the perception of employees with regard to control.

In order to develop a solid control environment within the company, we have to rely on various elements, some of which are:

- Mission, Vision and Values
- Business Principles
- Code of Good Corporate Government
- Audit Committee Statutes
- Risk Administration Manual
- Code of Conduct
- Internal Work Rules
- Risk Management Policy
- Whistleblower

The Whistleblower allows people to anonymously communicate unethical conduct that involves company collaborators or related third parties (suppliers, clients, etc.). For more information click [here](#).

INTEGRATED RISK MANAGEMENT SYSTEM- (IRMS)



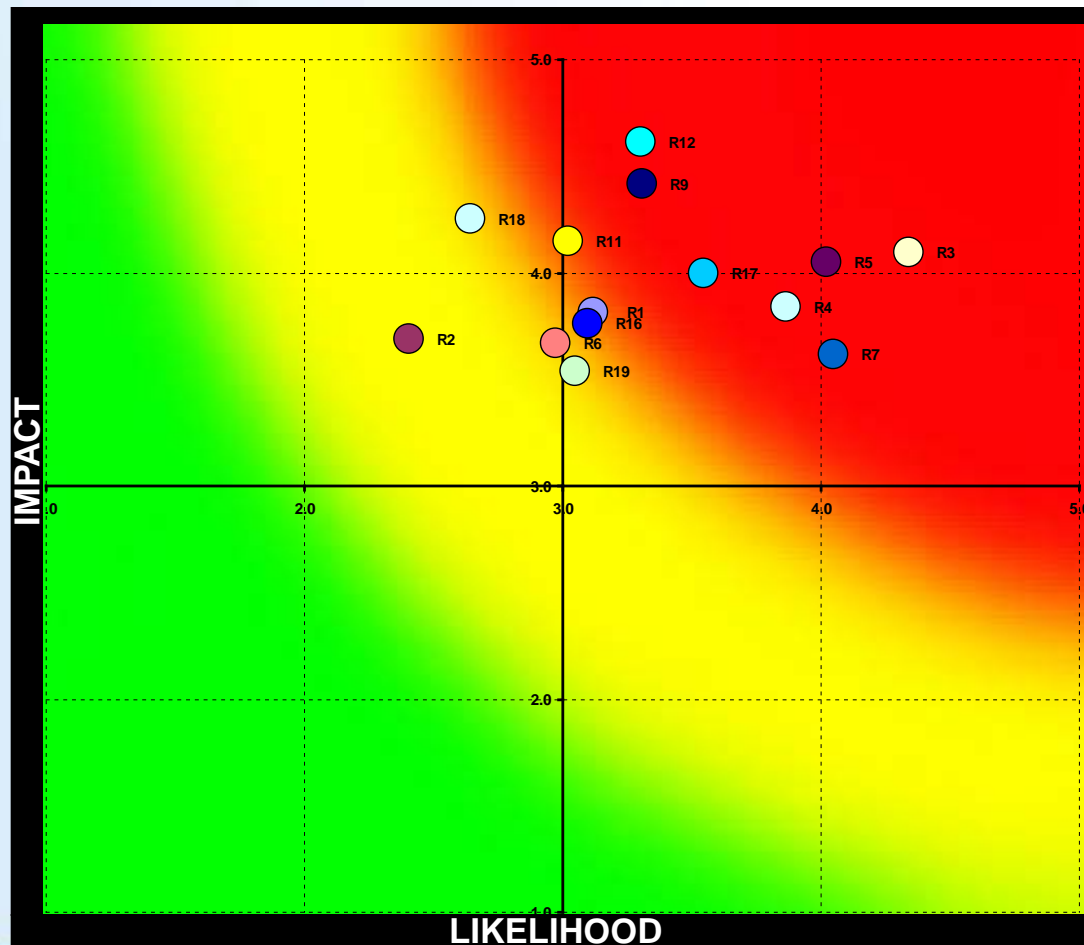
SOFTWARE



RISK EVALUATION

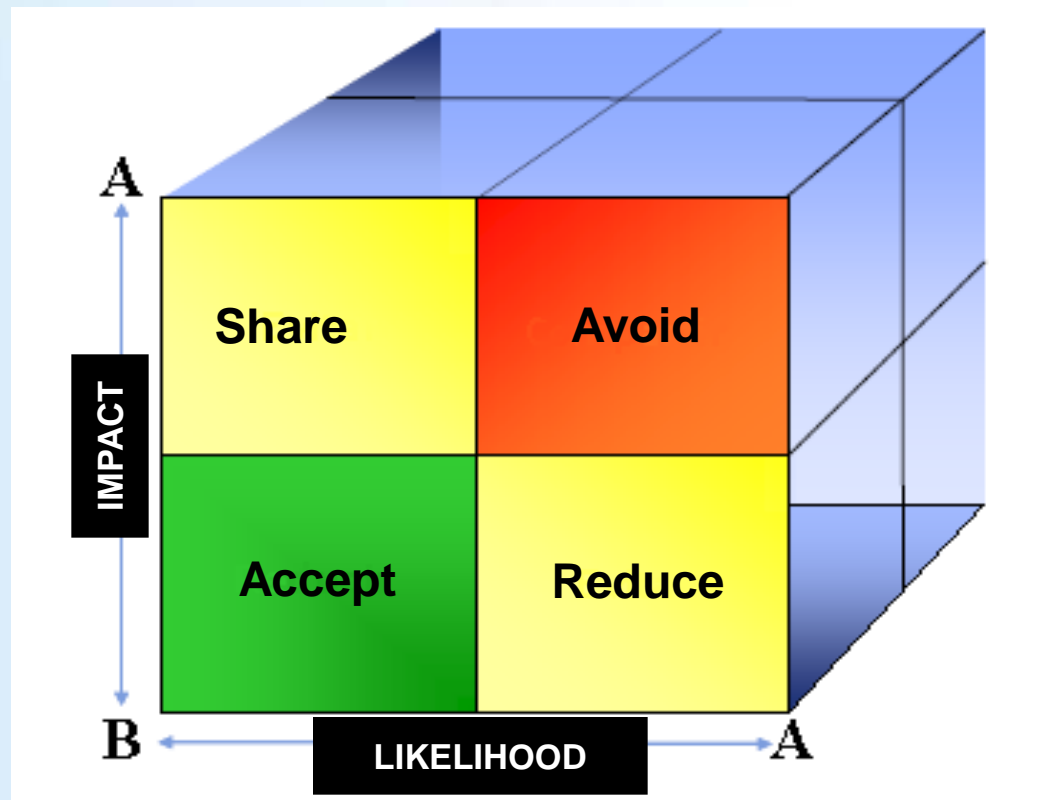
After evaluating the risks, these are presented, in the following risk matrix model :

RISK MAP



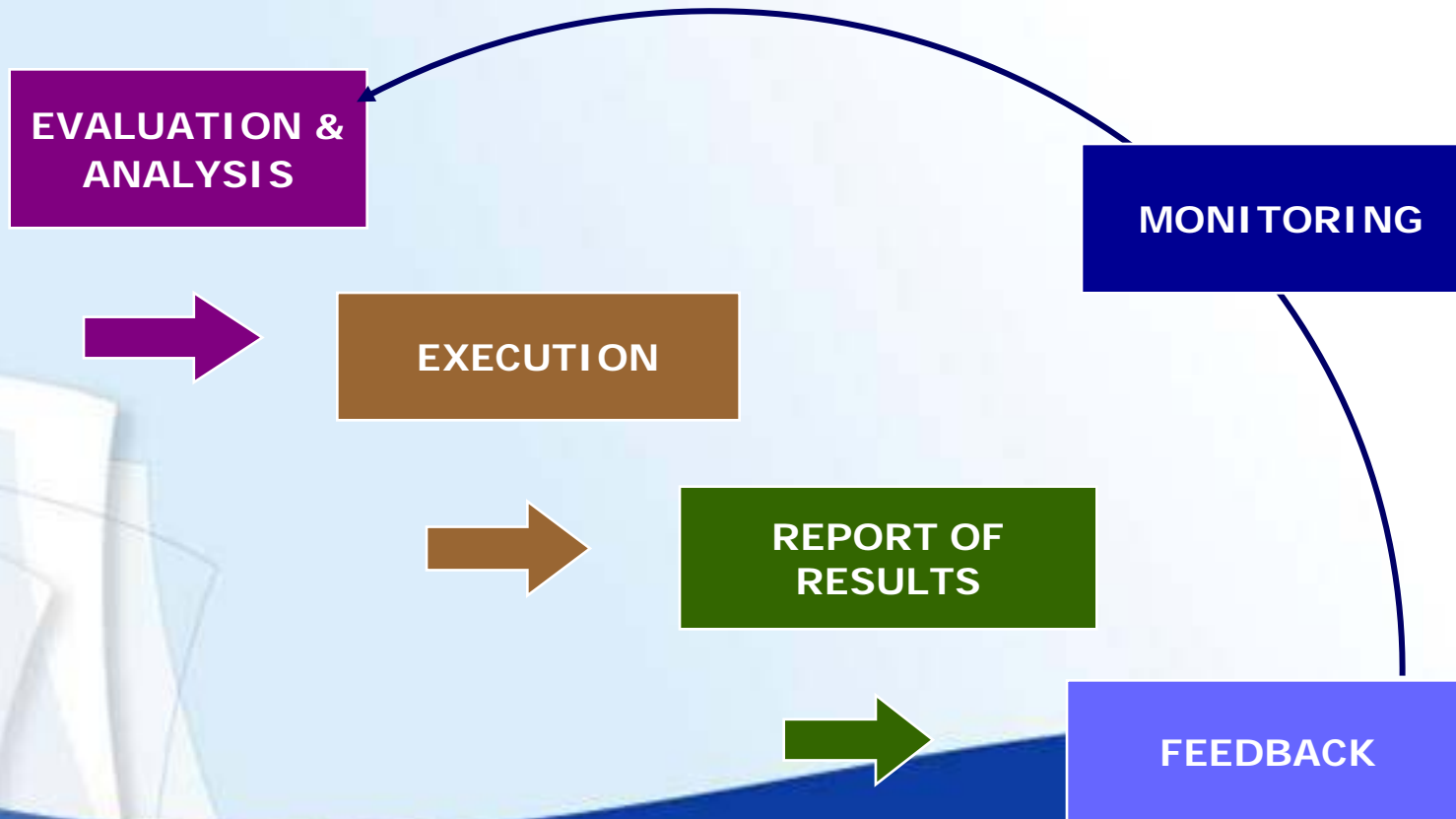
RESPONSE TO THE RISK

Once the risks have been evaluated management decides how to respond to them. This response may be to avoid, reduce, share or accept the risk.



CONTROL ACTIVITIES (MITIGATION PLANS)

The execution of the mitigation plan is the second important phase of a Risk Management System; the objective is to mitigate the risks with a solid and continuous base. It can be illustrated as follows:



CONTROL ACTIVITIES

MITIGATION PLAN STRUCTURE

MONITORING

EVALUATION & ANALYSIS

- Description of identified risk
- Identify objectives affected by the risk
- Define mitigation strategy
- Set-up actions to mitigate the risk
- Resource and facilities requirements

EXECUTION

- Assign person responsible for execution of plan
- Implementation timetable
- Execute the mitigation plan

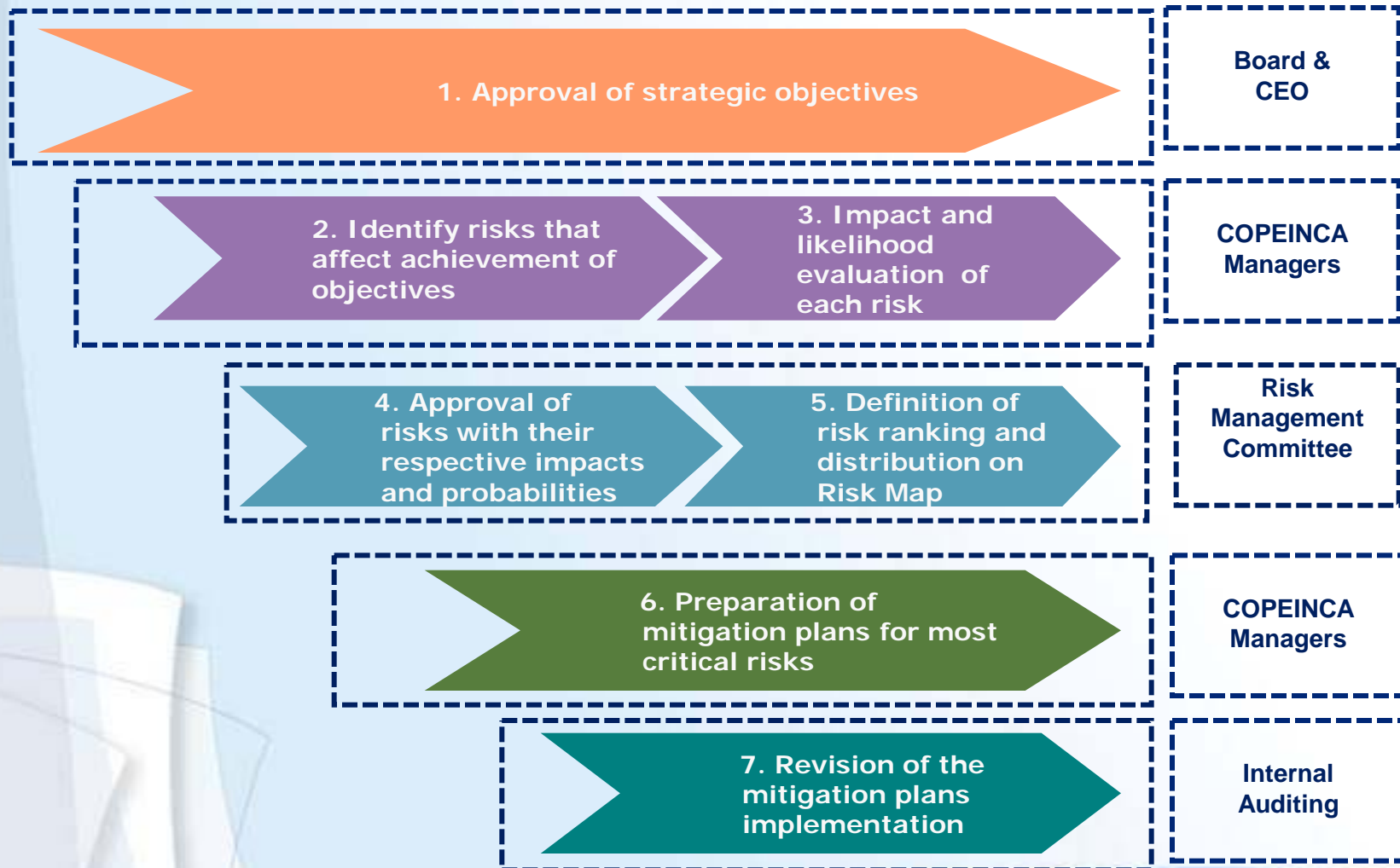
REPORT OF RESULTS

- Set-up alert indicators and records of analysis and results

FEEDBACK

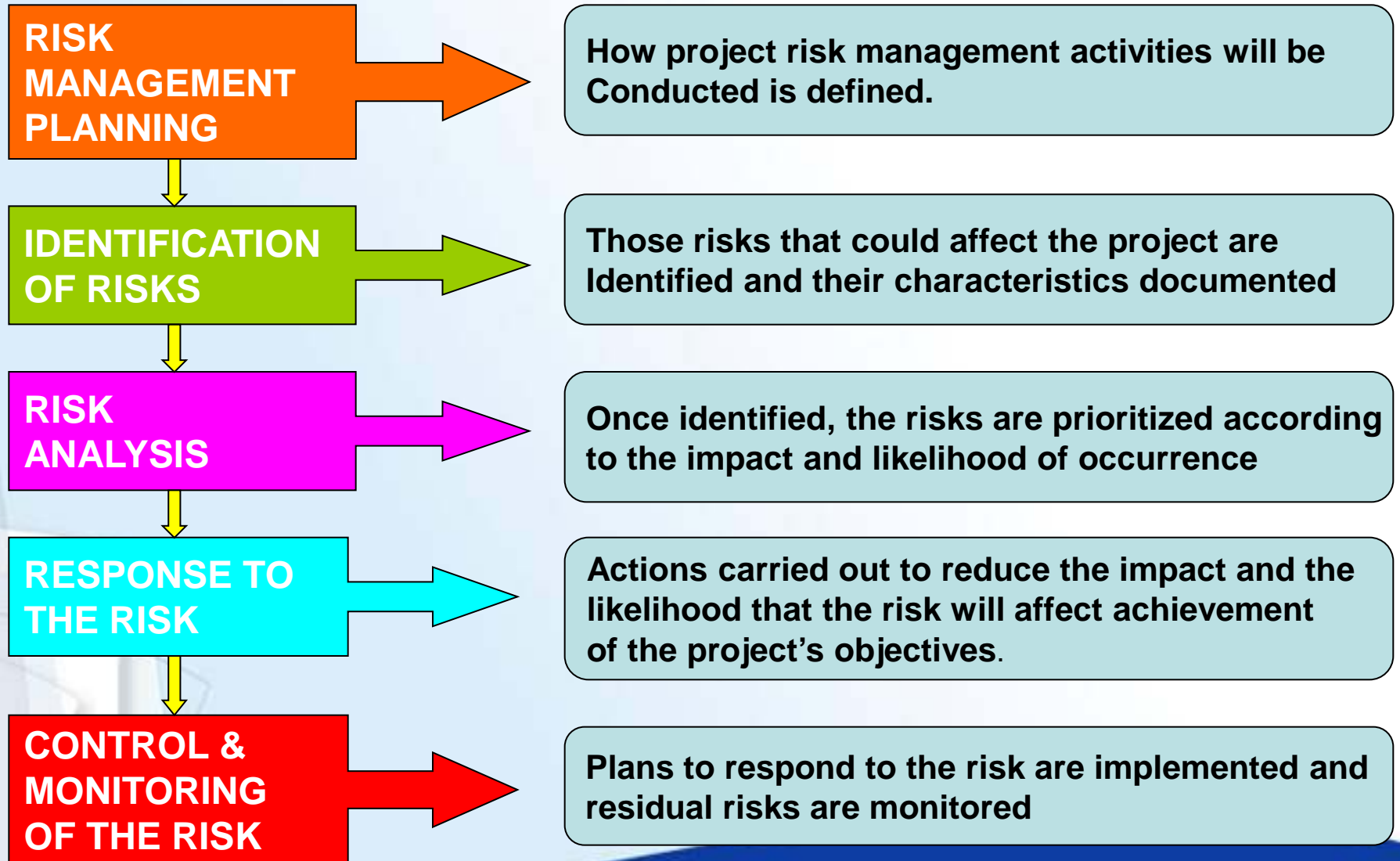
- Identify applicable improvements to risk management

SUMMARY OF STRATEGIC RISK MANAGEMENT PROCESSES



ADVISED BY THE RISK
MANAGEMENT AREA

SUMMARY OF PROJECT RISK MANAGEMENT PROCESSES



INTERNAL CONTROL

Management is responsible for designing and implementing controls to mitigate the risks, as well as maintaining and modifying them when necessary.

All collaborators carry out internal control actions while performing their daily tasks and their conduct conforms to:

- Company Standards and Procedures,
- The Functions Manuals,
- The Internal Working Rules,
- The Code of Conduct, among others.

TYPES OF CONTROL

PREVENTION: These are controls that anticipate unwanted events before they occur. For example taking out insurance on company assets, segregating functions.

DETECTION: These are necessary because some mistakes cannot be detected in the prevention stage. For example: omission of a signature to effect a payment.

CORRECTION: These are controls that ensure that corrective actions are taken to revert an unwanted event. For example: when an accounting record is discovered that should have been entered in another account and this is corrected.

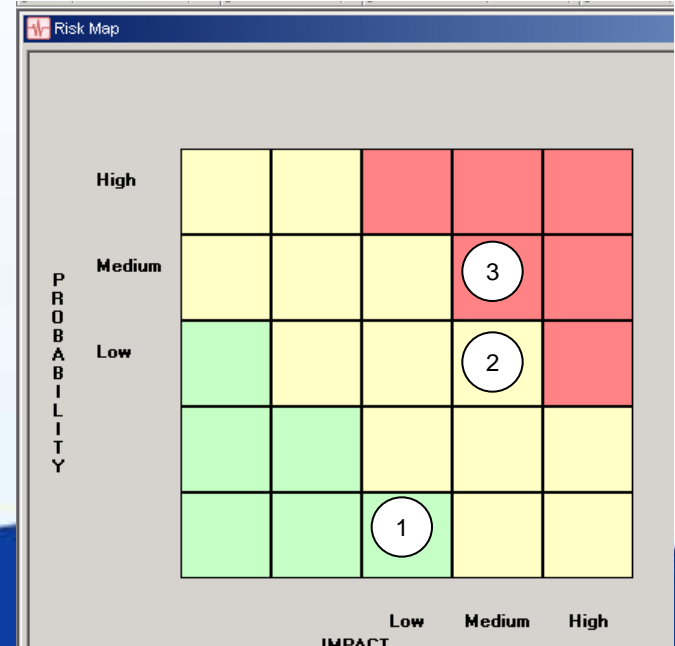
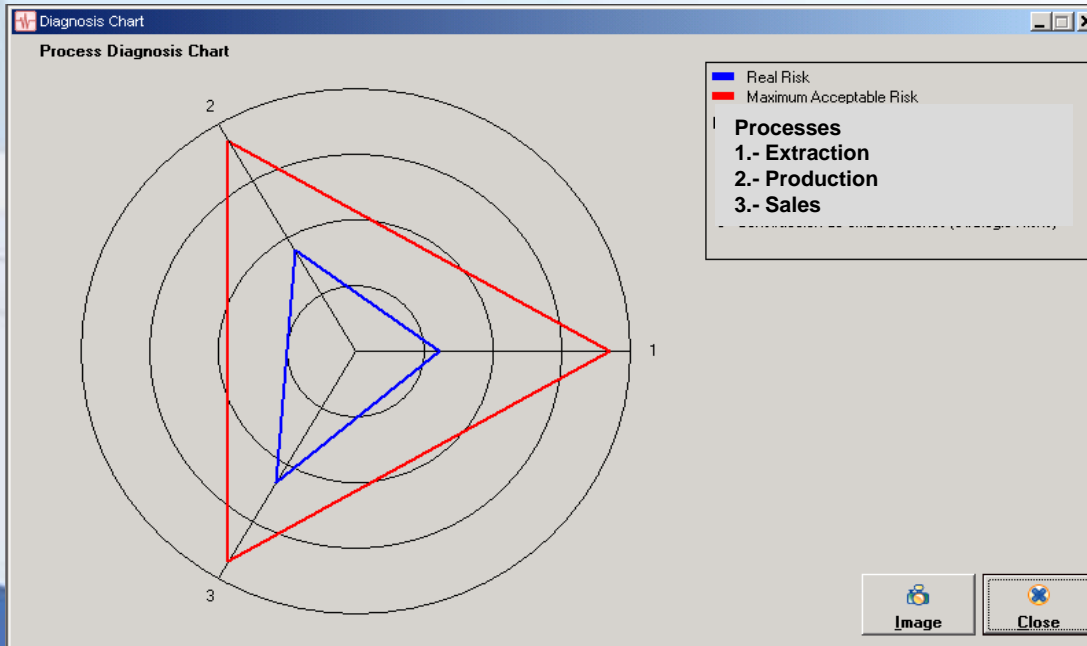
INTERNAL CONTROL MATRIX

Process	Sub process	Objective of control	Description of Risk Event	Control Activity
Human Management	Payroll	All employees registered on the payroll are validated.	That payroll payments are made to nonexistent employees	The Payroll Analyst verifies that personnel have the respective forms approved by management, before being recorded in the system

MEYCOR COSO SOFTWARE FOR INTERNAL CONTROL AND RISKS



•MEYCOR COSO software allows for the decentralization of risk administration and controls, as well as obtaining indicators of the effectiveness of risk management in the company



CONSIDERATION OF RISK SYSTEMS

- In COPEINCA risk management systems have been considered in order to obtain a global indicator of the effectiveness of the company's risk management with the considered contribution of each risk system:

Strategic,

Projects and

Processes-Internal Control

- Indicators are also obtained per risk system, per management area and per process.

ROLES & RESPONSIBILITIES



BOARD

- Establish general risk management policies.
- Clearly understand the implemented risk management process and the effectiveness of the same.
- Must receive timely information of the main risks and the planned responses.
- Collaborate in risk identification
- Assist the CEO to establish an appropriate internal environment for adequate risk management.
- Delegate functions in several committees, such as the Audit Committee, the Ethics Committee, etc.

ROLES & RESPONSIBILITIES



AUDIT COMMITTEE

- Is the direct supervisor of the risk management system adopted.
- Its statutes should reflect its obligation & responsibility in the supervision of the risk management system.
- It supervises the work and responsibilities of the risk management manager in the company's risks.

ROLES & RESPONSIBILITIES



CEO

- * The most important responsibility is to establish the internal environment for satisfactory risk management.
- * Also provides leadership and guidance to management, creating and maintaining company values.
- * Defines the strategic objectives and the strategy.
- Develops the “appetite” for risk and its tolerance.
- Analyzes and approves the responses to risks.
- Assigns responsibilities in the execution of risk mitigation plans.
- Through the Chief Risk Officer, monitors the efficacy of the risk management process.

ROLES & RESPONSIBILITIES



CHIEF RISK OFFICER

- **Coordinates with the CEO and all management to establish a satisfactory risk management process at all levels of the company.**
- **Provides assistance company-wide and provides risk management models and their evaluations.**
- **Guides and promotes the integration of risks.**
- **Establishes a common language in risk management.**
- **Suggests corrective actions.**
- **Periodically monitors compliance with mitigation plans.**
- **Facilitates the supervisory work of the Audit Committee.**

ROLES & RESPONSIBILITIES

INTERNAL AUDITING

- **Evaluates the effectiveness and suggests improvement for the risk management process.**
- **Should assist management and the Audit Committee to monitor & evaluate the risk management process.**
- **Must always maintain objectivity and independence.**

HOW TO REPORT A DENOUNCEMENT ON THE WHISTLEBLOWER

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Investors

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Whistleblower

We listen to you. Through this mean you can anonymously report unethical behaviors involving the company collaborators or related third parties (suppliers, clients, etc.). For more information, please [click here](#).

Access to the
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