



MAY 2018



RISK MANAGEMENT IN TURCAS



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CONTENTS

- I. Risk Management Committee
- II. Risk Hierarchy
- III. Enterprise Risk Management (ERM)

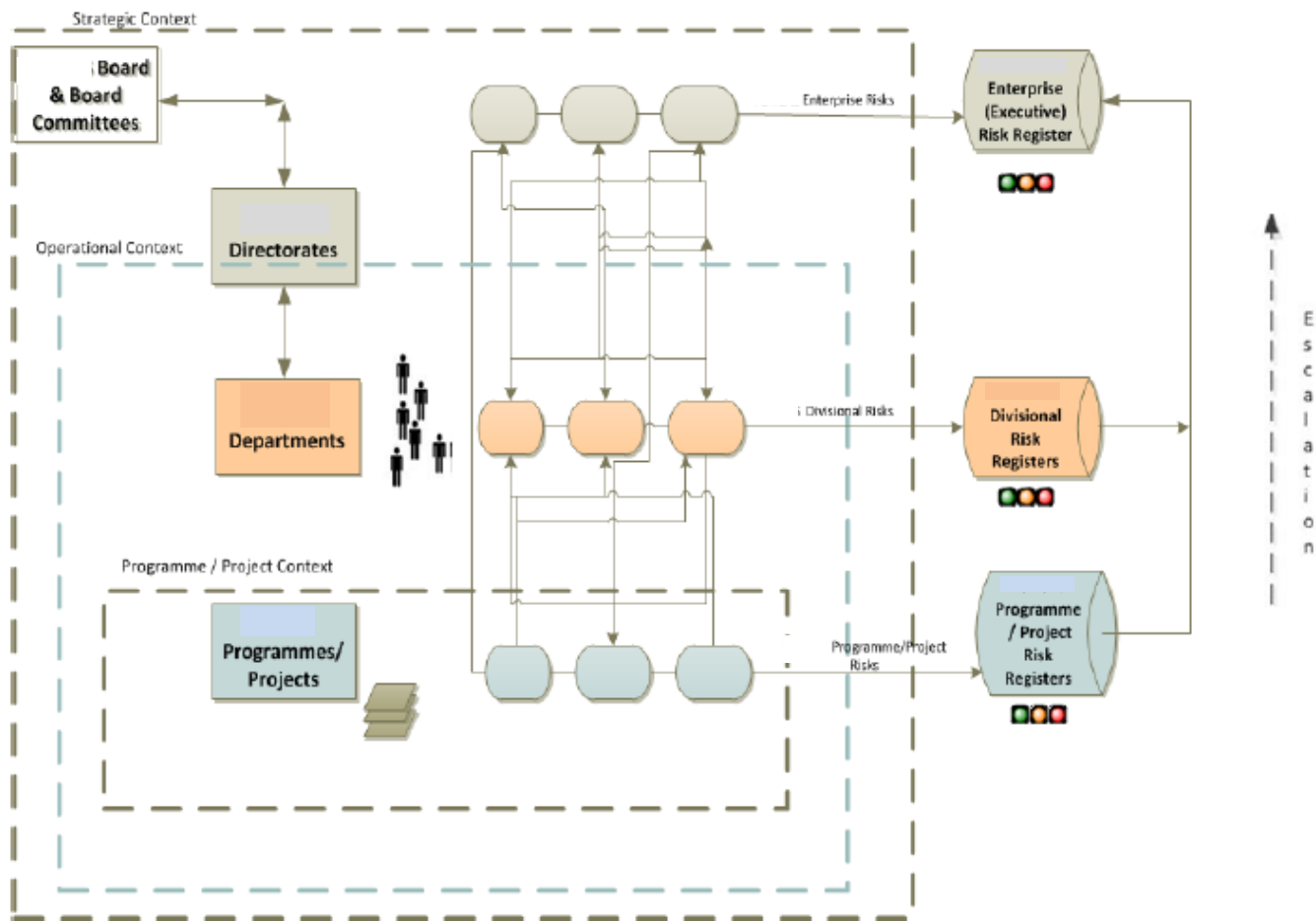


Risk Management Committee

- The Risk Management Committee operates within the guidelines set by the CMB Corporate Governance Principles. Headed by an independent Board Members, the Committee directly reports to the Board of Directors.
- Risk Management Committee aims to develop the necessary policies for the early detection, observation, quantification and mitigation of the risks that the Company may encounter and carry out risk management processes.
- The Committee has defined the main issues that may be deemed risky from the Company's point of view as part of the meetings and evaluations carried out with the senior management.

The Risk Hierarchy

- The risk hierarchy as outlined below provides a basis for the escalation of risks between the different levels of management.



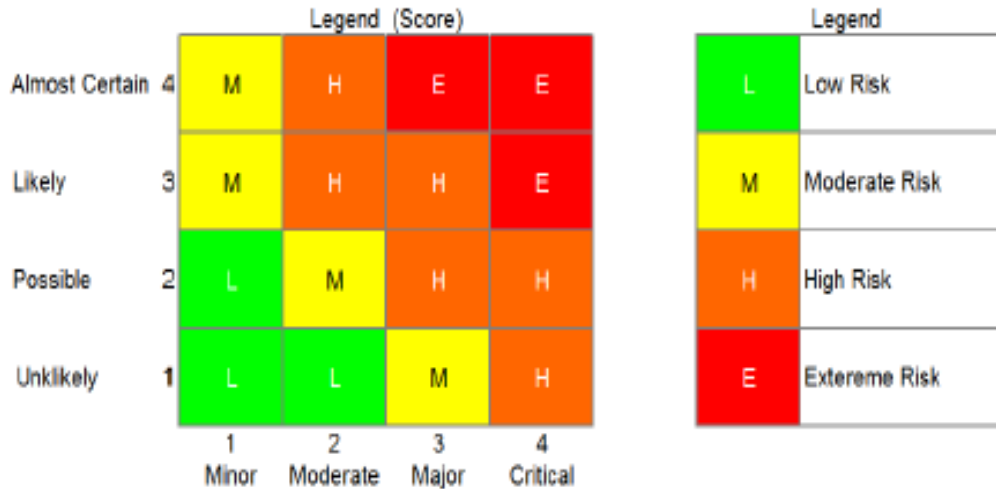
ERM (Enterprise Risk Management)

- The goal of ERM is the implementation of strategic risk mapping with the specific objective of identifying and managing risk exposures by conducting the following analyses;
 - Identification of risks that could impact the company's activities and economic performance
 - Evaluation of the potential impact, likelihood and level of mitigation
 - Definition of the areas of improvement in order to reduce impact and/or frequency of risks.
 - Definition of risk mitigation action plans and identification of individual responsibilities
 - Provision of the quality information concerning the efficiency and effectiveness of the management of risks to stakeholders.

ERM (Enterprise Risk Management) – Cont'ued

- The ERM study involves the following steps;
 - Identifying risks to which the various parts of the business's operation and key stakeholders are exposed (what can arise, how and why)
 - Analyzing risks by considering sources of risk, existing controls, likelihood, consequences and determine the level of risk that exist.
 - Evaluating risks – evaluate the outcomes of risk analysis and compare with the Risk Tolerance Level to determine whether a risk should be treated or not.
 - Treating risks includes identifying and assessing options, preparing treatment plans analyzing and evaluating residual risk.

ERM (Enterprise Risk Management) – Cont'ued



- The Heat Map table divided into 4 zones comprising; Extreme (Red), High(Orange), Medium(Yellow) and Low (Green).
- These zones guide the setting of the risk exposure threshold and level of priority assigned to mitigation

Level of Risk	Level of priority assigned to Mitigation
Extreme	Risks exceed the risk exposure threshold and therefore require prioritised and immediate mitigation. These are executive level of risks.
High	Risks exceed the risk exposure threshold and therefore require prioritised and immediate mitigation.
Medium	Risks are just below the exposure threshold and should be individually assessed as a small environmental change may shift the risk level above the threshold level. Otherwise manage risks utilising existing processes and procedures.
Low	Risks are well within the exposure threshold and therefore only require ongoing monitoring. Manage risks utilising existing processes and procedures and accept existing controls.



ERM (Enterprise Risk Management)

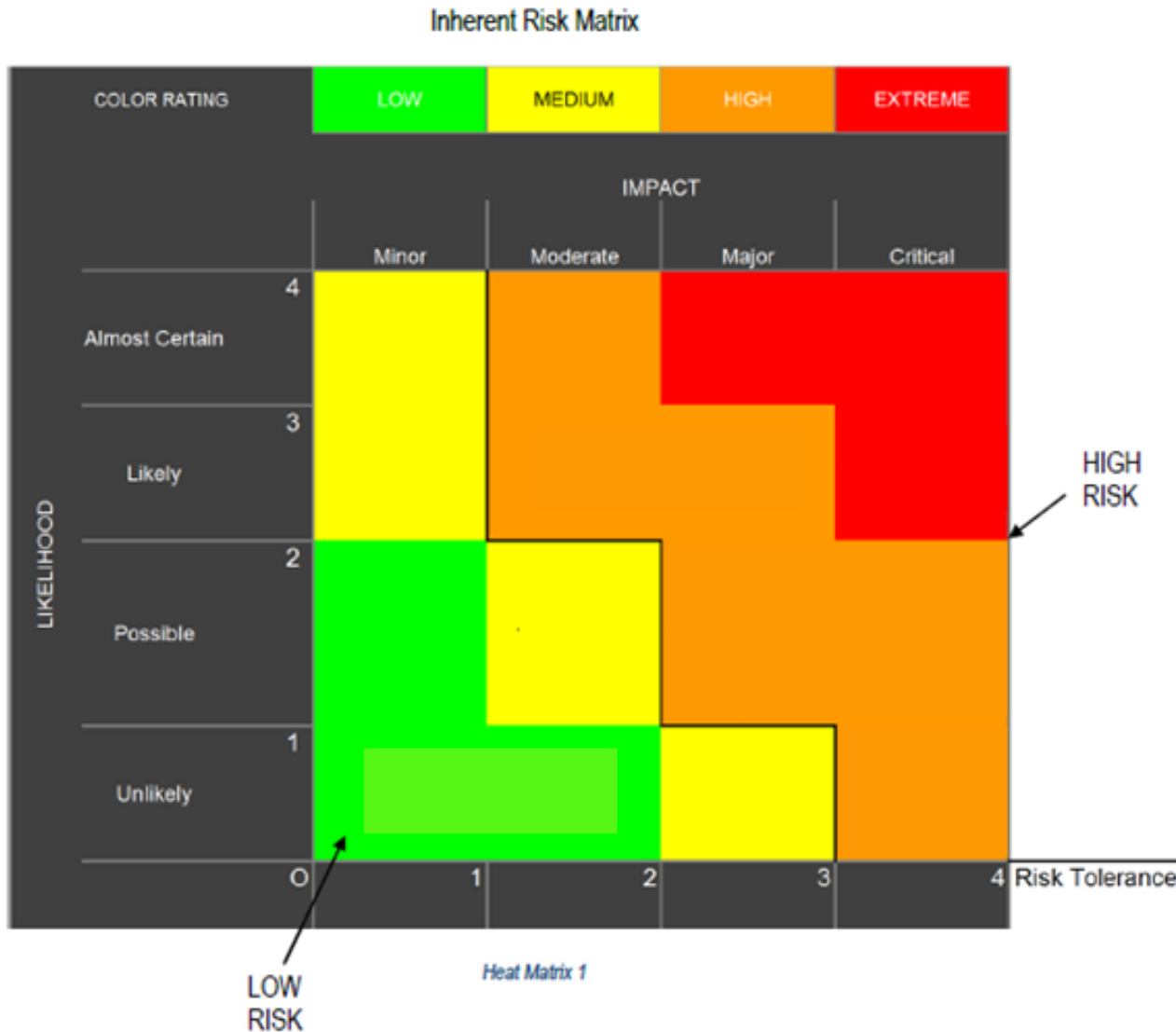
The Likelihood and Impact definitions

Likelihood	
Unlikely	Not likely to occur in 5 years with 20% probability
Possible	Not likely to occur in 5 years with 50% probability
Likely	Not likely to occur in 24 months with 60% probability
Almost Certain	Not likely to occur in 12 months with 70% probability

Impact			
	Reputation	Financial	Strategic
Critical	<ul style="list-style-type: none"> i. Impact on market cap ii. Loss of credibility iii. Regulatory risks 	<ul style="list-style-type: none"> i. Impact on cash flow ii. Impact on P&L iii. Rating 	<ul style="list-style-type: none"> i. Rating ii. Corporate Governance Rating
Major	<ul style="list-style-type: none"> i. Impact on market cap 	<ul style="list-style-type: none"> i. Impact on cash flow ii. Impact on P&L iii. Rating 	<ul style="list-style-type: none"> i. Rating ii. Corporate Governance Rating
Moderate	<ul style="list-style-type: none"> i. Impact on market cap 	<ul style="list-style-type: none"> i. Impact on cash flow ii. Impact on P&L iii. Rating 	<ul style="list-style-type: none"> i. Rating ii. Corporate Governance Rating
Minor	<ul style="list-style-type: none"> i. Impact on market cap 	<ul style="list-style-type: none"> i. Impact on cash flow ii. Impact on P&L iii. Rating 	<ul style="list-style-type: none"> i. Rating ii. Corporate Governance Rating

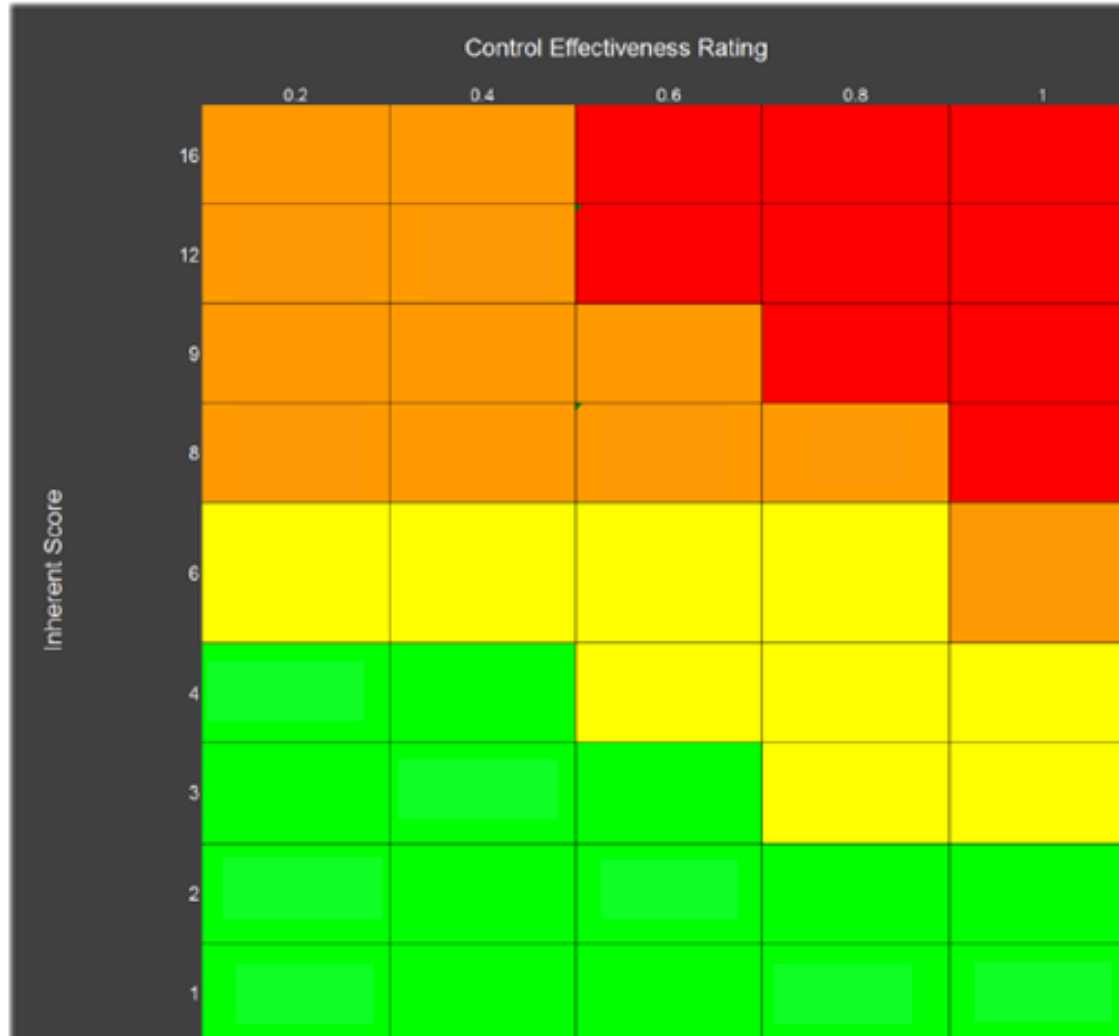
ERM (Enterprise Risk Management)

The Inherent Risk Matrix



ERM (Enterprise Risk Management)

The Risk Ranking Map



Colour Legend:

- Active Management:** Risks where treatment options require preparation, active review and management. Implementation through business plan.
- Regular Monitoring:** Risk is high with no control: options require preparation, active review, management and implementation through business plan. Risk is extreme with adequate control: continued monitoring of controls is required to maintain.
- Periodic Monitoring:** Risk is low with no control or risk is medium with reasonable control. Options include improving control or monitoring risk impact to ensure the residual risk rating does not increase over time.
- No Major Concern:** Risks where systems and processes managing the risks are adequate. Consider excess or redundant controls.

87
YEARS
OF ENERGY



「 THANK YOU 」

