



RISK MANAGEMENT

2019



Established in 1972.

Main areas of operation are industry, commerce and service.

International partnerships with Hyundai, Posco, Hanil E-Hwa, and Heritage.







Department establishment

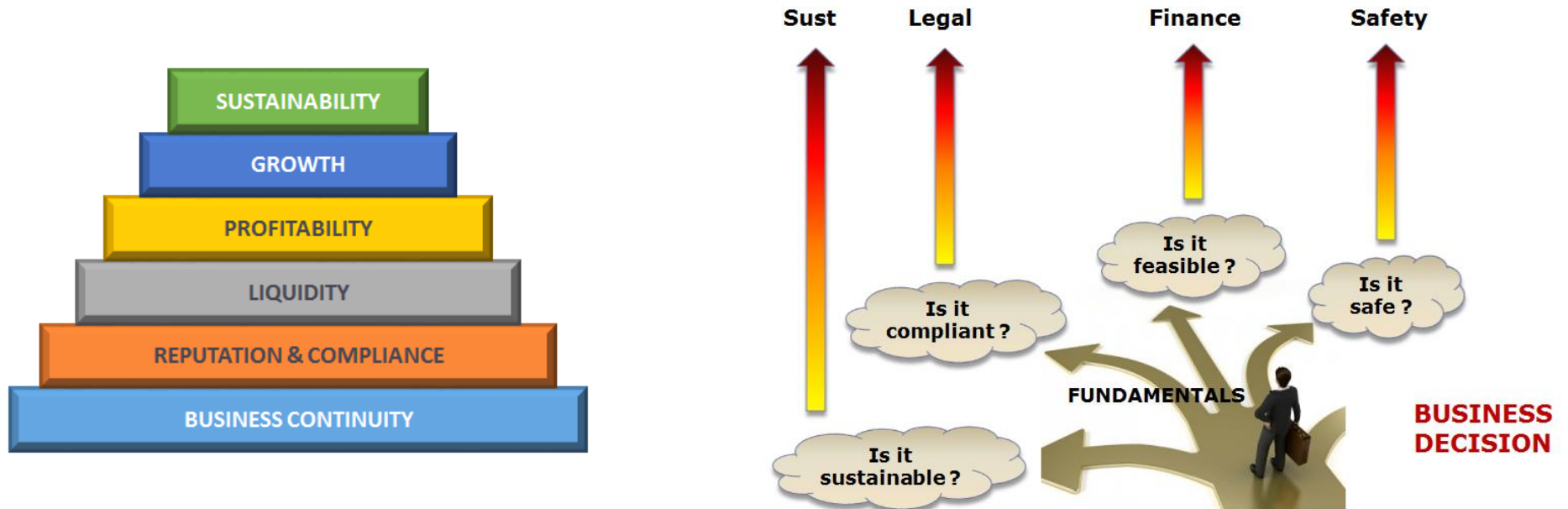
«Holding Risk Management Directorate» is responsible for Kibar Holding and all group companies and reported directly to Holding CEO. The department was established at the last quarter of 2016.

Approved policy & procedures

Risk Management and Business Continuity policies and standards was written, approved and published

Organization & team building

Holding (Kibar Group) Risk Committee was formed among Board Members (CEO, COO) and CFO. Company «Risk & Control Managers» and a common «Risk Engineer» were recruited. They are functionally reported to Holding Risk Management Director and administratively to company General Manager.



- Integrate «risk management» into «strategy» and «decision-making»
- «Protect» the people, assets and values
- Establish «resilience»
- Strengthen «governance»
- Support «sustainable» growth
- Be a «trusted» risk & control solution partner for all stakeholders

ENTERPRISE RISK MANAGEMENT

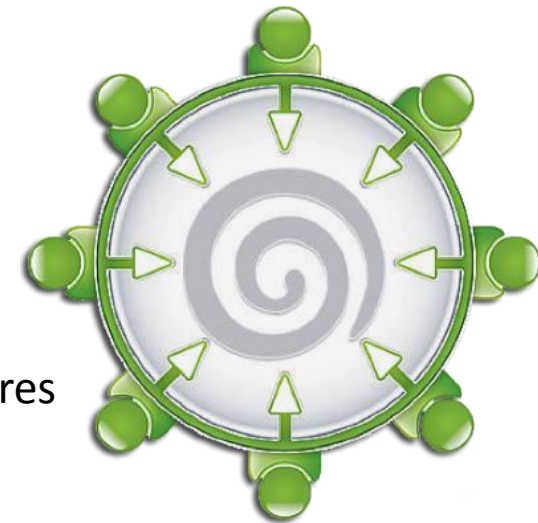
- Policies, standards and guidelines.
- Annual Risk Assessment for Group Companies & Action Follow-up.
- Setting & monitoring KRIs : Integrating ERM into strategy & performance
- Training, orientation and communication
- External benchmarking & internal synergy for best risk management practices
- Integrating ERM into projects, investments and executive decision-making

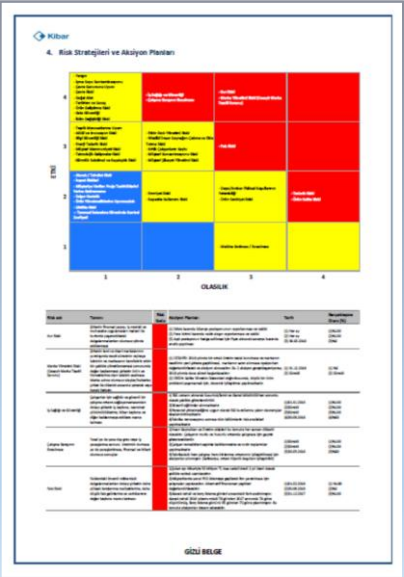
BUSINESS CONTINUITY MANAGEMENT

- Set-up Operational Risk Management & Follow-up Platform
- Business Continuity Planning & Practices
- Operational KRIs & Monitoring

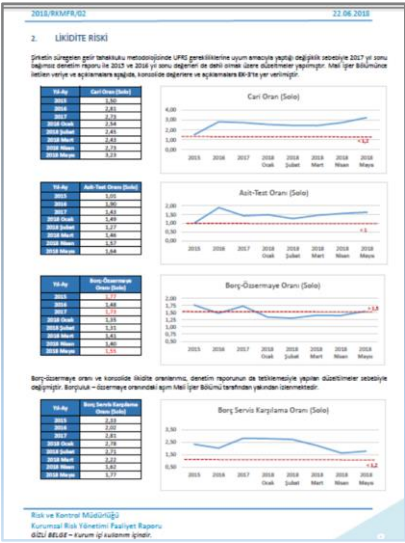
INTERNAL CONTROLS

- Establishment of Internal Control Framework / Universe
- Control gap analysis & improvements for critical processes and procedures





- As an outcome of annual risk assessment process in group companies, company risk assessment reports not only include heat maps and action plans, but also include external factors and trends, strategic priorities of the company, threats, key dependencies and compliance status of the company to internal and external stakeholders. The progress of critical risks & action plans is quarterly reported to Group Risk Committee
- Company KRI reports have very rich content including KRI graphs, tolerance breakdowns and root-causes, business interruption cases, financial risk status, safety and quality incidents, legal progress reports, claims, comments and countermeasures. The report is also discussed in every monthly company executive committee meeting and quarterly in group risk committee meeting.
- This content provides a wider and consolidated perception for the executive management in order to take every risk factor into consideration in corporate decision-making.



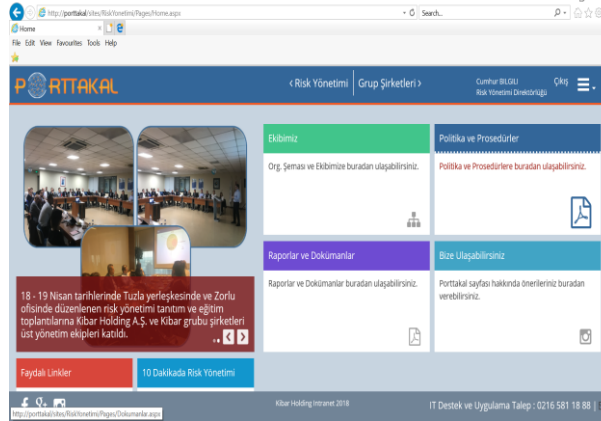
Group Risk Management team coordinates all necessary business continuity studies (program framework, BIA, planing and tests) with related employees



Quarterly risk & insurance bulletin reaches thousands of group employees with a rich & guiding content especially about operational risk management

Risk management page in internal web portal is accessible to all group employees. The page includes policy and standards, special risk reports, videos, articles, dashboard, etc.

Numerous training sessions, internal conferences, site visits, workshops about ERM & BCM





Finalist , International Risk Management Award, 2018



Finalist , European Risk Management Awards, 2018

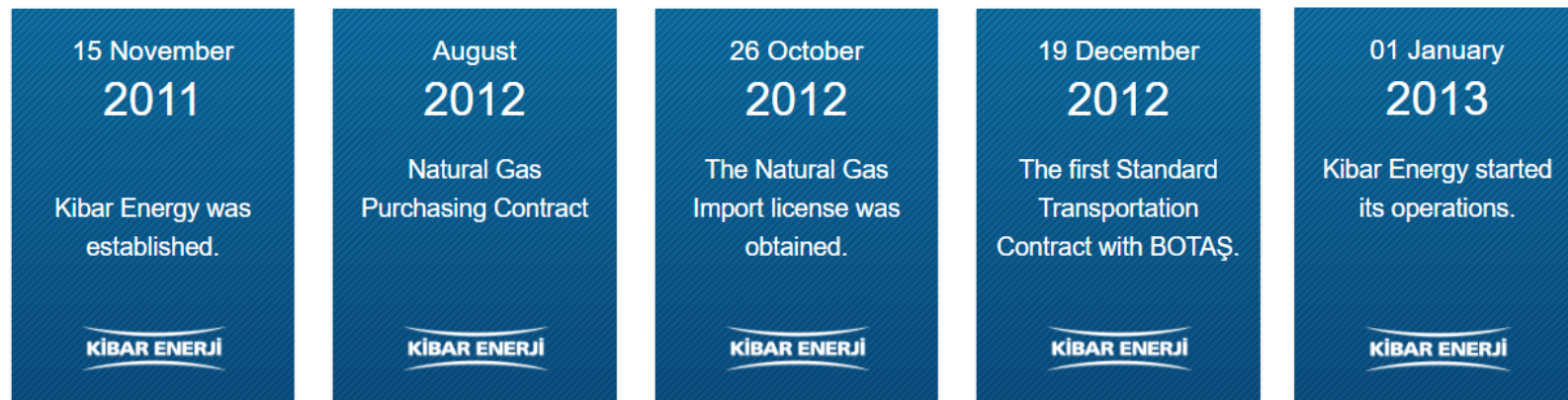


Finalist , International Business Continuity Management Award, 2019





- 6 billion m3 part of natural gas deal, which was imported from the **Western Line** of **Gazprom** by **BOTAŞ**, ended in 2012.
- By 2013, It was decided to import that amount by the private sector (Total share of the private sector reached 10 bm3).
- **Kibar Energy**, has been authorized by **Gazprom** and **EPDK** to import 1 billion m3 of that amount, and to sell it within the country.
- Natural gas, which is delivered by **Gazprom** at the Bulgarian border, is imported by our company and distributed to the customers in Turkey



Natural Gas Importers	
Company	Share in Import
BOTAŞ	80%
KIBAR ENERGY	2%
OTHER 6 COMPANIES	18%
	100%

Total annual import amount ~ 50 billion m3



CURRENCY RISK

Flactuation of foreign exchange rate against TL may cause unexpected costs.

- Maximizing back-to-back contracts (USD based contacts) for new customers and/or renewals.
- Applying FX hedging for remaining short position (for TL based contracts)

PRICE RISK

Unexcpeted market prices (due to price flactuations, subsidies, etc.) may challenge revenue & margins

- Maximizing back-to-back (formulated) contracts
- Applying Oil Index Formula Hedging
- Strict follow-up of the market / price trend

STOCK (INVENTORY) RISK

Decline of the price for excess (not sold or non-contracted yet) inventory on depots that is stored due to regulatory obligation (6% of annual import contract amount must be on depot at November) may cause unexpected losses.

- Applying Oil Index Formula Hedging
- Reflecting the obligation to customers via back-to-back (formulated) contracts

TAKE-OR-PAY RISK

Not to fulfill annual import contract obligation

- Reflecting the obligation to customers via back-to-back contracts
- Searching for additional spot sales opportunities

ALTERNATIVE ENERGY RESOURCES

Increase in cheaper (such as renewable) energy alternatives may cause a market squeeze in natural gas market in mid or long-term.

- Maximize the long-term customer contracts



THANK YOU