

**AN EXAMPLE OF A STRATEGIC SECURITY PLAN  
FOR A PROJECT  
2010**

**Prepared by: Cuneyt Demir  
Security Professional**

**Table of Contents:**

<b>1. Executive Summary.....</b>	<b>3</b>
<b>2. Purpose and Scope of the Project.....</b>	<b>4</b>
<b>3. Business Risks and Threats.....</b>	<b>5</b>
<b>4. Timetable and Critical Issues.....</b>	<b>10</b>
<b>5. Security Assessments of IDCs.....</b>	<b>10</b>
<b>6. Operating Budget and Available Resources.....</b>	<b>15</b>
<b>7. Conclusions.....</b>	<b>17</b>
<b>8. Key Action Points.....</b>	<b>17</b>

## 1. Executive Summary

A Multinational Company (MC) in Turkey has taken a company decision to change its Route to Market strategy from operating with one third party distributor model in the country to Direct Sales through MC owned regional Ideal Distribution Centers (IDCs) that will be established in eight locations in Turkey. The transfer to the new strategy will be implemented in three phases: selection of IDCs, moving into new IDCs and implementation of business as usual. A project group has been delegated to implement transition from third party distribution model to Direct Sales.

### **Phase I - Pre selection assessment**

During the selection process of find appropriate IDCs; the MC Security Department will be responsible for identifying security risks/threats for the successful completion of the Project. Potential risks including terrorism, theft of equipment/product and strikes that could possibly turn violent will be considered. Cross-functional liaison and cooperation are underway, with detailed plans being formulated in order to ensure, as far as practical, the safety of our people and the protection of Company assets and information during all phases. Site selection will be conducted based upon risks as defined in section 3&4 and for each site a comparative matrix will be completed to demonstrate risk rating in five categories rated 1 (low risk) – 5 (high risk) concerning costs for mitigation. Phase one security costs will include site visit travel expenditures to conduct business risk assessments to compare candidate IDCs and finalize comparative matrix to submit the project board for their approvals.

### **Phase II - Transitional requirements**

A project budget has also been allocated to conduct necessary enhancements at the selected and approved IDC buildings to bring up standards and operation requirements to MC level including security requirements. Security plans are also being extended in order to support the transition of the new business, following the move into our new IDCs. These focus on the rapid implementation of security Policy and Infrastructure, including contingency plans, together with selection process of security guards suppliers, and the installation of cost effective physical/electronic security equipment at the new IDCs. The security cost in the phase two will mainly include the cost of physical and electronic security equipments at the new IDCs. The total cost estimated is \$X55,800 including CCTV systems and safe boxes at each IDC.

### **Phase III - Reoccurring operational requirements and costs**

The new model of business will require new daily business applications. MC will have its own distribution team as well as new security team at the new IDCs. There is a need to deploy security guards to each new IDC to provide appropriate security according to MC Security Best Practices. The number of security guards will be determined upon security assessments at the candidate IDCs; however, estimated monthly total security guarding cost is approximately \$X1,500. Daily stock at the new IDCs is assumed to be value of \$X9,479,000 in total. Another critical point is daily distribution of our products to the retailers. It is planned to have total number of X86 MC owned distribution vehicles for the new IDCs which each of them will be loaded with \$10,000 valued products and \$X,859,000 will be collected from daily sales. For the protection of sale representatives (SR) and product as well as timely response in emergency situations, installing GPS/GPRS vehicle tracking

system to each SR vehicle will be appropriate. The unit and installation cost is estimated to be \$X28,100 as a one-off cost.

## 2. Purpose and Scope of the Project

- Background: Marketing Department is selling throughout Turkey all MC products via third party distributor called DISTRIBUTOR. After transition to Direct Sales Strategy, all MC products will be available at the market through MC Ideal Distribution Centers at eight locations. Those IDCs will also provide products to sub-distributors to make available MC products everywhere in Turkey. At the higher level, negotiations have been started between MC and DISTRIBUTOR authorities. Upon reaching an agreement, gradually all stocks, assets, equipments, vehicles and selected staff will move to prepared IDCs to operate under the new Direct Sales Strategy.
- Purpose: Essential purpose is to ensure Security requirements are considered in the process from the beginning (site selection) to mitigate possible security risks during the transition and the costs of security once implemented.
- Scope:
  1. Security Department is going to identify possible risks in site selection process so that predefined security standards to be applied across all proposed locations as IDCs. Due to the time table of the project 8 IDCs will be found and assessed for business effectiveness by the Project Board and Marketing Department and at the same time be assessed by the Security Department to mitigate possible security threats. Upon selection of the IDCs, Security Department will take necessary actions to finalize security requirements and needs of selected IDCs.  
Upon completion of the security assessments a Comparative Risk Matrix will be prepared to indicate site selection ratings for each candidate IDC incorporating in the pros and cons. The Comparative Risk Matrix will reflect selected risks for each site with a number rating in five categories as rated 1 (low risk) – 5 (high risk). Please see below enclosed example Comparative Risk Matrix. This matrix will be submitted to the project board to select and approve appropriate IDCs.

COMPARATIVE RISK MATRIX					
SITE	Crime Risk	Terrorism Risk	Natural Disaster	Guarding Requirements	Site and Environment
A	4	3	1	3	3
B	3	3	4	3	3

2. Mitigating the risks: Upon selection of the IDCs, Security Department will identify risk mitigation measures for each site with a cost analysis of the recommendations. Due to proposed cost effect analysis, allocated budget for the security purposes will be released to implement security measures and provide needed security systems.

Application of the mitigating measures will be based upon MC standard polices, physical security standards and best practices as well as local fire codes and requirements of 5188 Private Security Law.

- Implementation: Upon management acceptance of the recommendation, MC Security Department will follow up implementation of providing security requirements at all new IDCs.

### 3. Business Risks and Threats

Turkey has certain risks that may affect the successful completion of the Project as well as may affect the operation after the project. The risks listed below should be considered to have a smooth transition due to implementation of the project.

RISK RATING MATRIX					LIST OF RISKS	
<b>Impact</b>	<b>4</b>	1, 3, 8, 13, 14	4, 10, 15	7	<ol style="list-style-type: none"> <li>Strikes</li> <li>Theft</li> <li>Illegal Occupation of MC Premises</li> <li>Destruction/ Sabotage of Machinery/Equipment and arson</li> <li>Terrorism/Bomb Threat</li> <li>Violence against MC staff</li> <li>Not getting security permits on time from government</li> <li>Readiness of security guards by the security provider company</li> <li>People impacted by proposal</li> <li>Loss of Revenue in transition</li> <li>Physical security of site</li> <li>New Personnel</li> <li>Natural disasters</li> <li>Fire/life safety issues of facility</li> <li>Capability of local responders (fire/police/medical)</li> <li>Information Security</li> </ol>	
	<b>3</b>	5	16	2, 11		
	<b>2</b>	6	9, 12			
	<b>1</b>					
		<b>1</b>	<b>2</b>	<b>3</b>		<b>4</b>
<b>Probability</b>						

	Low	1-5 LOW	<b><u>Risk Rating Levels</u></b>
	Medium	6-10 MEDIUM	
	High	11-16 HIGH	
			<b>4 HIGH</b>
			<b>3 MEDIUM-HIGH</b>
			<b>2 MEDIUM-LOW</b>
			<b>1 LOW</b>

#### 1- Strikes

Probability: Low      Impact: High

Having strike during the transition is less likely since MC is planning to recruit all employees currently working for DISTRIBUTOR Company. However, employees might be frustrated and angered by the announcement. Level of frustration may change in time after announcement.

Mitigations:

- Management to monitor changes in mood and morale of staff a non-provocative manner.
- Initiate liaison with Police if strike action is becoming likely
- Take action against the incident as the part of crisis management
- Arrange for alternative location for storage of deliveries if strike action occurs.
- Provision of (additional) security officers to be deployed should situation warrant it.

## 2- Theft

Probability: Medium-High    Impact: Medium-High

The levels of crime in Turkey are generally very low compared to most countries in Europe. However, opportunity in the process of this project may lead internal and external theft cases. The theft of items such as machinery, equipment and products, in addition to the financial loss, has result in harming the brands, and the reputation of the company.

Mitigations:

- Enforce key core control measures.
- Advise management and supervisors of increased risk following the announcement.
- Ensure that current exit searching policy is being effectively implemented. Frequency to be increased gradually.
- Keep Asset Register up to date and accurate
- Maintain security procedures relevant to access control for offices, asset management and finished product storage and movement.
- Maintain the asset register accurate and up to date.
- Enforce key core financial controls.

## 3- Illegal Occupation of MC Premises

Probability: Low    Impact: High

Employees would be frustrated by the announcement so that they may illegally occupy the MC premises to disrupt ongoing operation.

Mitigations:

- Monitor closely employees movement
- Gathering intelligence
- Take action against the incident as the part of crisis management
- Arrange for additional security officers to be on standby after occupation to secure site.
- Prepare additional instructions for security officers referring control of access in event of strike / occupation, action following activation of fire alarm, monitoring of CCTV / alarms.

## 4- Destruction/ Sabotage of Machinery/Equipment and Arson

Probability: Low    Impact: High

Previously loyal individuals and groups may become disaffected, causing damage through frustration / outrage.

Mitigations:

- Maintain regular checks of all fire fighting equipment and smoke detection system.
- Additional security patrols to monitor for signs of increasing fire risk / sabotage.

- Keep the Site evacuation plan up to date.
- Test all alarm systems regularly.
- Review vulnerable locations.
- On the day of announcement, brief security officers on need for increased vigilance and emergency procedures.

#### 5- Terrorism/Bomb Threat

Probability: Low      Impact: High

Terrorism is sustained threat in Turkey. So it is not only risk for the project but also risk for every time. If looked at past there were some major terrorist attacks in the history of Turkey targeting international entities. For example, the high-profile bombings in 2003, targeting the British consulate-general, the HSBC building and two synagogues in Istanbul were believed to be carried out by local groups with links to al-Qaida. Besides, the main Kurdish separatist group, the Kurdistan Workers' Party (PKK) has its main power base in the south-east of the country adjacent to the Iraqi border. In the past, PKK has attacked mainly government related targets, however, since 2005, a related group, the Kurdistan Freedom Falcons (TAK) has claimed responsibility for a number of small scale bombings that have taken place in tourist areas. Having any of those terrorist attacks is less likely to MC entities.

The most probably risk is to have hoax bomb threat because of frustrated employees.

Mitigations:

- Bomb Threat Contingency Plan to be kept up to date.
- Ensure availability of recording facility on the switchboard for ALL incoming calls.
- Liaison with local law enforcement agencies.
- Take action against the incident as the part of crisis management

#### 6- Violence against MC staff

Probability: Low      Impact: Medium-Low

Violence or threats of violence could impact on the management involved in the process and possible harassment of their relatives.

Mitigations:

- Provide personal security advice to those who could be at risk because of their association with the project (includes relatives).
- Prepare contact list for home, work and mobile phones numbers of management team
- Additional security officers during working hours.
- Take action against the incident as the part of crisis management

#### 7- Not getting security permits on time from government

Probability: Medium-High      Impact: High

According to Private Security Law 5188, to able to deploy any private security guards to any premises, there is a need to get government permission. This process takes time as one month in small cities and up to six months in big cities. The security permission must be ready before launching any IDCs to be able assign security guards to the IDCs. For each IDCs application need to be done to governorships separately at the each province where IDCs are located.

Mitigations:

- Applying in timely manner to governorships at each site to get permission on time.
- Liaison with the office of governorship to speed up the process.
- Prepare a security model as regular reception man temporarily with cooperation of security service provider company

8- Readiness of security guards by the security provider company

Probability: Low      Impact: High

Selection process and contract with a security services providing company should be completed in a reasonable time before the launches of the IDCs.

Mitigations:

- It would speed up the process of selection and contract to work with the security company currently providing security services.
- As soon as the contract is signed, the security company should be informed about possible dates of launching IDCs to give time to conduct selection process for security guards.

9- People impacted by proposal

Probability: Medium-Low      Impact: Medium-Low

Because of taking over all operation from DISTRIBUTOR Company, employees who are working currently for DISTRIBUTOR Company will be affected most likely since they will be facing new working conditions and change management as well as having concerns on job security. Those points may affect their performance and loyalty. Employees who will be laid off during the transition may be frustrated to commit sabotages, arsons, thefts and alike. Additionally, their frustrations and personnel circumstances due to their employment may be subjected to threats of violence or intimidation from criminals and coerced into providing assistance in the theft of goods.

Mitigations:

- MC should offer good packages to individuals who will be laid off.
- An effective communication plan needs to be developed to explain rights in-depth to remaining employees.
- Brief all employees about MC policies and procedures.
- Conduct criminal background checks.

10- Loss of Revenue in transition

Probability: Medium-Low      Impact: High

Any problem during transition period would affect our market shares if products will not be available at the market.

- Prepare a very well detailed timetable
- Double check if IDCs, vehicles, staff and stock are ready to move from DISTRIBUTOR's facilities to new IDCs
- Schedule the move on weekends and holidays

11- Physical security of site

Probability: Medium-High      Impact: Medium-High

All security systems need to be at place and all security guards must be deployed before moving to any new IDC.

- During the construction at the selected IDCs, keep up with installation of the security systems at the same time so that when constructions are over security systems will be at place.
- Involvement of Security Department during the selection phases of the IDCs to make risk assessment and due-diligence.

#### 12- New Personnel

Probability: Medium-Low      Impact: Medium-Low

New staffs need to be integrated with business swiftly without losing time.

- Conduct criminal background checks
- Induction about MC Policies and Procedures
- Selection from experienced candidates especially FMCG and MC sector.

#### 13- Natural disasters

Probability: Low      Impact: High

Turkey is in the earthquake line. Last biggest earthquake happened in 1999 with 30,000 casualties in Golcuk city where 80 miles east of Istanbul is. However, frequency of earthquakes is not very often. Five of IDCs will be in the earthquake zones that Istanbul (2 IDCs), Bursa, Adana, and Izmir are. Having floods and other natural disasters are less likely.

- Candidate IDCs will be not be high buildings. Buildings will have office spaces and warehouses together.
- Construction permissions and inspections of candidate IDCs will be reviewed if they were built according to Turkish Earthquake Law.
- Environment Health and Safety (EH&S) Department will be involved in the process.

#### 14- Fire/life safety issues of facility

Probability: Low      Impact: High

Environment Health and Safety (EH&S) Department of MC will be involved in the process of the project. Fire, flood, water, building structural failure and poor storage conditions can also cause losses through accidental damage to goods. (For example incorrect pallet stacking or goods placed too close to walls or stored in damp areas).

- EH&S Department will assess locations according to legal requirement and MC Procedures and Best practices

#### 15- Capability of local responders (fire/police/medical)

Probability: Medium-Low      Impact: High

Police, fire brigade and ambulances may report to incident scenes late in Turkey, especially in big cities because of traffic and communication problems.

- Liaison with Local Law Enforcement Agencies
- Selection of IDCs locations close to Police, Fire Brigade and Medical Units.

#### 16- Information Security

Probability: Medium-Low      Impact: Medium-High

Frustration and/or disaffection may lead to compromising, losing, leaking information to competitors, media or others.

Mitigations:

- Enforce the clear desk policy.
- Restrict access to archive records.
- Comply with document retention policy. Special attention to contracts, patents, copyrights, trade secrets and process and recipe information.
- Protect the knowledge and details (customers list) of mail order business.
- Make sure lap top computers used by insiders are taken off site (home) when not in use and special attention is required around days of announcement.
- Following recovery of IT equipment ensure secure disposal (clear all data and software or physically destroy).
- Maintain the project insider list and use the secure Lotus Notes database for project documentation.

#### **4. Timetable and Critical Issues**

Security needs are to align with the timetable of the project to be able to go live without problem. Security Department will also consider requirements of 5188 Private Security Law to fulfill appropriately and make necessary applications to local Law Enforcement Authorities.

It is planned to complete all transition period within six months including finding relevant IDC buildings, finishing construction of modifications and moving to ready IDC buildings. It is very important to make application to the office of governorship as soon as the contract is signed with the owners of IDC buildings to have security permission on time to be able to deploy security guards to the new IDCs.

In the meanwhile, Indirect Procurement Department has to finalize selection of security Services Company and signing the contract according to pre-defined requirements and conditions. During the movement into the new IDCs, the Security Company would be ready to provide additional security guards immediately on demand.

Indirect Procurement Department also has to complete to process of selection of security systems providing companies for CCTV systems, vehicle tracking systems, and alarm systems.

#### **5. Security Assessments of IDCs**

Security assessments for each candidate IDC will be conducted with the consideration of possible security risks and threats shown on the Risk Rating Matrix below by focusing on following components to be able to identify security needs and requirements of each IDC.

RISK RATING MATRIX					LIST OF RISKS	
<b>Impact</b>	<b>4</b>	1, 3, 8, 13, 14	4, 10, 15	7		
	<b>3</b>	5	16	2, 11		
	<b>2</b>	6	9, 12			
	<b>1</b>					
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	
		<b>Probability</b>				

1. Strikes
2. Theft
3. Illegal Occupation of MC Premises
4. Destruction/ Sabotage of Machinery/Equipment and arson
5. Terrorism/Bomb Threat
6. Violence against MC staff
7. Not getting security permits on time from government
8. Readiness of security guards by the security provider company
9. People impacted by proposal
10. Loss of Revenue in transition
11. Physical security of site
12. New Personnel
13. Natural disasters
14. Fire/life safety issues of facility
15. Capability of local responders (fire/police/medical)
16. Information Security

	Low	1-5 LOW	<b><u>Risk Rating Levels</u></b> <b>4 HIGH</b> <b>3 MEDIUM-HIGH</b> <b>2 MEDIUM-LOW</b> <b>1 LOW</b>
	Medium	6-10 MEDIUM	
	High	11-16 HIGH	

a. Site and Environment

The security Department will conduct security assessments for each candidate IDCs to identify possible threats and risks for MC people, assets and information by liaison with national and local law enforcement authorities and other agencies considering their response time to the IDCs.

When considering the security of a PRODUCT OF MC IDC/warehouse the very existence of visible and effective security measures and controls can deter criminals and encourage them to select other targets. Ideally, security measures, which are commensurate with safety and operational requirements, should be incorporated into the original design of IDCs in order to produce the most cost-effective security. Security measures that are added on later will inevitably incur additional costs where structural alterations have to be made.

So, site and environment of the possible IDCs buildings should be in the situation to allow application of security standards.

Fist of all, candidate IDCs should be a detached building in low criminal areas. Furthermore, national and local regulatory licensing registration and Company insurance requirements must also be met.

The storage areas in IDCs are essential that the appropriate level of security must be in place to reduce and prevent losses caused by theft, accidental or deliberate

damage since finish goods are important and valuable company asset. Thus, storage areas at the IDCs need to be suitable to adopt necessary security measures and applications.

The lay out of the candidate IDC buildings must be in position that security measures and access controls would easily implemented. To achieve this, the principle of “defense in depth” should be applied by building a system of interrelated layers of protection that will project a robust and effective security image.

As soon as any of candidate IDC building approved, due to the security assessment a shopping list of security needs will be prepared.

b. Perimeters and Lighting

Having adequate fence system is a must to block intruders. According to the MC Security Best Practices sites of IDCs should have a minimum 2.44m high boundary perimeter fence with the base set in concrete and topped with barbed wire or razor wire (Barbed Tape Concertina), which delineates the extent of the site and provides a visual deterrent to potential intruders.

The effectiveness of the protection afforded by the perimeter fence will be enhanced by the addition of suitable security lighting. During the hours of darkness, when most break-ins tend to occur, intruders may be deterred from attempting an intrusion if they have to overcome a fence which is brightly lit. Lighting is an important aid to physical security. Its purpose is to deter or reveal during periods of darkness, whilst affording tactical concealment to security personnel.

After the security assessment of each candidate IDCs, the lighting will be positioned so that lighting will serve the purpose of;

- Illuminating individuals approaching the fence whilst leaving the security officers to observe and patrol in relative darkness.
- Being configured to complement and not conflict with the CCTV security systems installed on the site
- Illuminating the fence and area immediately outside the fence.
- Illuminating as well as vulnerable points around and within the IDCs/warehouses or site such as; Loading dock areas and access points to buildings that are considered likely targets for intruders need to be covered.

c. Security Gate House

There is a need to have a security gate house at the each of IDCs that is located adjacent to the main gate, in a position to control pedestrian and vehicle traffic. It should incorporate positive control of access and exit functions.

- The gatehouse should be constructed to give the security officers inside good vision of the surrounding area.
- Windows should be fitted with reinforced glass and robust steel bars, 20mm in diameter spaced at 120mm centers.
- Glazed areas should be fitted with outward looking reflective film to allow the security officers to observe the area outside the building without being observed themselves.
- The pass issue window should be fitted with a two-way speech facility and a bank teller drawer arrangement.

- Desks and monitors for CCTV and Intruder Detection Systems should be located at low level with lighting situated at desk level to ensure a low light level in the room at night in order to allow the security officers to observe the area outside the building without being observed themselves.
- A Random Selection (Search) Indicator (RSI) for search purposes should be fitted and adequate and suitable accommodation for carrying out proper searching of male and female personnel should be available.
- The gatehouse should have a robust door lockable from the inside and be a designated secure restricted area with access only to those properly authorized to enter.
- It should be organized and operated by a security supervisor and be capable of providing assistance to other on-site static security officers and mobile patrols in routine and emergency situations.

d. Security Systems

In addition to the control of access, and physical security controls described above, CCTV surveillance should be maintained in the general area of the warehouse and particularly around the entrances, exits, loading area and perimeter fences.

CCTV cameras with monitors located in the security gatehouse should be linked to digital DVR recording equipment.

Recorded data should be kept for one month before the media is re-used or overwritten.

The number of dome and fixed cameras needed for each IDC will be decided up on security assessment at the IDC buildings. However, having 3-4 dome cameras and 10-12 static for each IDC building is planned to be enough to cover the area. It is strongly recommended to have contemporary model of CCTV systems that allow distance monitoring through IP.

There is also need to have a fire alarm system, theft alarm system, panic button, and security guards patrol control system at each IDC.

e. Security Guarding

Appropriate number of outsourced security guards will be deployed to each IDC. Outsourced Security Company and security guards shall fully comply with all MC security best practices for contract manned guarding services. Exact numbers will be decided upon size of IDC, operation, volume of products stored, and amount of money collected.

The security guards will be assigned to the new IDCs on 24 hours and 7 days basis with 3 shifts a day. During D-Day additional security guards need to be assigned to the move activities of assets and products from the warehouses of DISTRIBUTOR Company to new IDCs to monitor and implement security measures.

New security guards will be selected according to conditions stated on the contract to have eligible and capable security guards at IDC sites. At each IDC there will be a security supervisor to manage security guards. The main responsibility of the security guards is as follows;

- Provide security and safety for all staff, goods, and assets basis on 7/24
- Coordinate emergency evacuations
- Call all necessary authorities and individuals in emergency situations

- Reduce and prevent losses caused by theft, burglary, accidental or deliberate damage
- Provide and submit incident reports and regular reports
- Searches on vehicles and individuals
- Checks on visitors and parcels
- Monitor CCTV and alarms
- Monitor money collection process and take security measures

f. Cash in Transit

Daily amount of cash collected from direct sales will be approximately X.859.000 USD in total of eight IDCs. The range of money collected at the IDCs differs from X56.000 UDS to X40.000 USD.

Each sales representative at the regions of IDCs will be bringing the money collected from their daily sales to the IDCs to make their daily reconciliations. Then the money will be handed over to the Cash in Transit Company to be deposited to bank on behalf of MC. To provide maximum security when money is at the IDCs the following security applications need to be in place at each IDC.

- Especially designed safe boxes for each IDC that allows sales representatives to drop their money bags into the safe one way.
- Especially designed safe box room supported with CCTV system and panic buttons.
- Contract with a 'Cash in Transit Company' to collect money from each IDC to deposit to bank.

g. Sale Representatives Vehicles

At the seven of eight IDCs, various numbers of sales representatives (SR) will implement direct sales to the retailers on their daily routes. Each of SR vehicles will be carrying MC products valued of approximately X0.000 USD. Moreover, they will be returning IDCs with money from their daily sales in average X000 USD. It is a fact that PRODUCTS are also like cash that it is very easy to convert to money. Thus, security measures listed below should be taken into consideration to avoid risks especially at the risky routes.

- Safe boxes installed in the vehicles to put money collected during the route.
- Having unbranded SR vehicles at the risky routes.
- Supporting SRs with porters at the risky routes.
- Install GPS/GPRS vehicle tracking system with panic buttons to SR vehicles

Security Policy and Infrastructure: Due to MC Security Policies existing security infrastructure will be reviewed and evaluate to make optimal and rational recommendation to revise security department infrastructure along with budget implications.

The Security Policy of MC aims that as far as practical, MC continuously provides security by taking preventive measures. The aim is the creation of a secure environment in which the Company will ensure, so far as is practicable, that its people are safe, that assets and operations are protected from theft, willful damage and disruption, and its sensitive and proprietary information is kept private. Our security culture will be preventative and

proactive rather than reactive. Reactive measures, when required, will be carried out in a timely and effective manner, with lessons drawn out and disseminated. On these bases, required security plans and security procedures will be produced to have decent security existence at all IDCs.

## 6. Operating Budget and Available Resources

Security budget will be defined and allocated within project budget. All security needs and requirements will be placed with the cooperation of Indirect Procurement as soon as budget and shopping lists are approved by the project board with appropriate justification.

The Security Budget is considered under three phases as ‘Pre-selection Assessments Costs’, ‘Transitional Requirements Costs’, and ‘Reoccurring Operational Requirements and Costs’. All phases and cost implications will comprehensively be explained after defining size of the project and further operation.

The table below illustrates how big the operation of direct sales project is. Thus, during and after the implementation of the project, the operation would face some of the risks stated and assessed before.

SIZE OF DAILY OPERATION			
NAME OF IDC	# SR VEHICLE	DAILY CASH COLLECTION	DAILY VALUE OF STOCK
ADANA	X3	X56000	X898000
ANTALYA	X0	X62000	X718000
ANKARA	X3	X85000	X3338000
BURSA	X9	X02000	X844000
IZMIR	X4	X34000	X0734000
IST-EUROPE	X35	X40000	X0743000
IST-ASIA	X2	X80000	X320000
ERZURUM	NONE	NONE	X884000
<b>TOTAL</b>	X86	X859000	X9479000

\* ALL IN USD

Due to security assessments and security requirements including MC Best Practices, estimated cost of security expenditures is demonstrated on the below table. Those figures do not incorporate the cost for fencing and lighting, since it is considered that those will be done during the construction activities at the IDCs. Since the cost for fencing and lighting is not calculated within the security budget.

Furthermore, it is recommended that installation of vehicle tracking systems be prioritized to SR vehicles operating in risky routes. Beside security benefits, having vehicle tracking system has also operational benefits;

- Analysis of driver performances
- Prevention of frauds in vehicle usage (Reduce time spent at unauthorized locations)
- Eliminate or reduce overtime
- Saving on fuel cost
- Determination of vehicle's arrival and departure times at predefined locations
- Document actual routes driven and stops made
- Remote access to the tracking system

ESTIMATED COST OF SECURITY EXPENDITURES					
	REVEX (CONTINUAL COST)		CAPEX (ONE OFFS)		
NAME OF IDC	# GUARDS	MONTHLY COST	SAFE BOX	CCTV	GPS/GPRS
ADANA	X	X0500	X600	X8000	X5500
ANTALYA	X	X0500	X600	X8000	X4000
ANKARA	X	X3500	X750	X8000	X4300
BURSA	X	X0500	X600	X8000	X8300
IZMIR	X	X3500	X750	X8000	X4100
IST-EUROPE	X	X3500	X750	X8000	X3400
IST-ASIA	X	X2000	X750	X8000	X8500
ERZURUM	X	X500	NONE	X8000	NONE
<b>TOTAL</b>	X1	X1500	X1800	X44000	X28100

\* ALL IN USD

MC operates as focused on sales. The market in Turkey has high competition among tobacco companies. Our SRs are supposed to come to the IDCs at hours after banks are closed. Because of that reason, it is recommended to have safe box and money counting room at each IDCs having direct sales operation. Keeping collected money in the safe boxes at the IDCs will have saving on demanding extra services from the CIT company.

### **Budget Implications Summary;**

#### **1. Phase I – Pre-selection Assessment**

For the phase one, the security costs will only include travel expenditures to conduct business risk assessments to compare candidate IDCs and finalize comparative matrix to submit the project board for their approvals.

#### **2. Phase II – Transitional Requirements**

The security cost in the phase two will mainly include the cost of physical and electronic security equipments at the new IDCs. The total cost estimated is \$X55,800 including CCTV systems and safe boxes at each IDC.

#### **3. Phase III – Reoccurring Operational Requirements**

There is a need to deploy security guards to each new IDC to provide appropriate security according to MC Security Best Practices. The number of security guards will be determined upon security assessments at the candidate IDCs; however, estimated monthly total security guarding cost is approximately \$X1,500. Daily stock at the new IDCs is assumed to be value of \$X9,479,000 in total. Another critical point is daily distribution of our products to the retailers. It is planned to have total number of X86 MC owned distribution vehicles through new IDCs which each of them will be loaded with X0000 USD valued products and \$X,859,000 will be collected from daily sales. For the protection of sale representatives (SR) and product as well as timely response in emergency situations, installing GPS/GPRS vehicle tracking system to each SR vehicle will be appropriate. The unit and installation cost are estimated to be \$X28,100 as one-off cost.

## 7. Conclusions

MC Security Department is responsible to provide coordinated and comprehensive security services to the company, ensuring that threats to business operations/activities, company personnel and company assets are properly identified, evaluated and dealt with in a timely and efficient manner. In this frame, in order to implement a smooth transition to direct sales strategy, security needs and systems budgeted should be in place to mitigate risks and threats during the project and after.

Even though MC has an insurance policy to cover losses, it is globally driven policy and covers losses above X4000 USD. Appropriate loss prevention strategy with security measures will be helping to prevent losses happening under the value of X4000 USD that is not covered by the insurance.

At the very competitive market in Turkey, product availability is a very significant issue. Even if insurance policy recovers the losses, it takes time and may affect the availability at the market. A robust security will fill up that gap.

VALUE OF STOCK AT IDCs DAILY:	X9479000 USD
MONTHLY SECURITY COST:	X1500 USD
ONE OFFS SECURITY INVESTMENT:	X83900 USD

All security cost is estimated. As soon as exact specifications are defined and with the involvement of Indirect Procurement Department estimated security cost may be reduced.

## 8. Key Action Points

Key points of the plan are listed below to have a smooth transition period and successful implementation of the Security Plan of Direct Sales project.

1. Identifying Security Guarding and Security Systems providing companies
  - Defining contract conditions with cooperation of Legal Department
  - Identifying specifications for required Security Systems
  - Sign contract with both security guarding company and security systems providing company
2. Search for options of IDCs through Real Estates Agencies
  - Location
  - Building Conditions
3. Evaluation Process for candidate IDC options
  - Visits to the sites by MC Security Department, EH&S, Regional Managers, Secondary Supply Chain Department
  - Conduct security assessment for candidate IDC
  - Negotiation of Rental / Construction / Real Estate service costs
  - Get decision / approval of IDC
4. Signing contract with the owner of approved IDC
  - Apply to the office of governorship for security permission
  - Inform the security company about the number of security guards and time of deployment
  - Inform security systems providing company about location and time to conduct installation
5. Construction

- Contract with an architect to prepare the layout and manage the construction for additional MC needs in the building
  - Description of materials and follow up of construction by the architect and Secondary Supply Chain team
  - Start installing security systems along with construction process
  - Get security permission during construction
6. Deployment of Security Guards
    - Train security guards before deployment
    - Deploy security guards to IDCs as soon as security permission is received
  7. Additional security guards during the move into new IDCs