

ÇİM S A Çimento Sanayi ve Ticaret A.Ş.


PROCEDURE NAME: İTERNAL AUDIT CHARTER

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1- PURPOSE AND SCOPE

The purpose of this Charter is to regulate foundation, working essentials, duties and authorizations of the Internal Auditors and assignment, working, promotion and employee rights of Çimsa Çimento Sanayi ve Ticaret A.Ş. Internal Audit Department.

2- DEFINITIONS

The terms mentioned in this charter mean, as below.

Company: Çimsa Çimento Sanayi ve Ticaret A.Ş.

Audit Committee: Committee assigned by Board of Directors of Çimsa Çimento Sanayi ve Ticaret A.Ş.

Internal Control: Corporation management control operations embedded in workflow which provide assurance on a reasonable level to accomplish internal control purposes effected from managers and personnel such as operational productivity and efficiency, trustworthy of fiscal statements, company policies, regulations, procedures, law and related legislation.


Internal Audit: An attentive, independent, objective audit and advisory organization aiming to add higher value(s) and improve, evaluating the functions of risk management, control and corporate governance for bringing a systematic approach to increase the efficiencies.

Draft Report: Report including findings and recommendations, sent to audited party for delivering opinion; in regards with audited issues.

Status Report: Report sent to Head Quarters at the end of 4-months-periods, showing the most recent situation reached for fulfilling the instructions regarding the audit report.

Audit Plan: The working plan determining the audit subjects and scope a year long, that is prepared by considering the company strategies and objectives, senior management expectations, the external environment effecting the company (politics, economics, rivals), outstanding risks, priority processes and areas, current control climate; frequency, subjects, and findings of former audits.

Audit Program: Program indicating the subject of audit, persons to fulfill the audit and audit date in frame of audit plan approved by Audit Committee.

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Ethics Board: Board which is amenable for investigating and analyzing the denunciations and notifications about violations against ethic codes in scope of Sabancı Community Business Ethics Codes (SA- ETİK)

Action Plan: Actions and operations spread over time, that are designed by the audited department regarding the amendments and activities required to be conducted according to the confirmation made or an instruction by the General Management.

Examination: Inquiring a subject in detail, emerging its resources and consequences.


Ethics Examination: The examination consists of solid evidences of an employee's acts against Sabancı Community Business Ethics Codes, legal regulations or company procedures

Operational Risk: Damage(s), detriment(s) and loss(es) caused by the faults or irregularities not realized due to the malfunctions in internal control; personnel being deficient in qualification and numerical terms; information technologies system and applications being deficient or errant; natural disasters i.e. flood and other external factors.

3- DUTIES AND RESPONSIBILITIES OF INTERNAL AUDIT DEPARTMENT

Internal Audit Department, pursuant to the authority given by Board of Directors, have got the duties and responsibilities, utilizing the International Internal Audit Standards in their activities, conducted on a basis of the Code of Ethics, in order to protect the rights and interests Çimsa Çimento San. ve Tic. A.Ş., contribute the risk management, internal control and efficiency of corporate governance, as follows:


- a) Examining compliance of the internal control systems of the entire units of central and provincial organization along with terminals, warehouses and enterprises being founded abroad with the corporate governance principles and ethical values and, examining the sufficiency and efficiency of the risk management implementations; preparing the audit plan and program, performing them according to the calendar,
- b) Ensuring the execution of task(s) and operations by following-up the implementations relevant to audit report(s), in frame of the reconciliation(s) made and General Management instructions,
- c) Performing examination, survey and investigation regarding a private assignment given by the Board of Directors, Audit Committee and General Manager and, reporting the consequences to relevant parties,
- d) Ensuring company regulations, circulars, unit-based instructions to remain in force by

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- controlling the implementations, recommending regarding the issues to be amended,
- e) Following-up the execution of activities and operations of entire units in frame of Board of Directors' decisions, objectives of planning and budget, legislation, regulation(s), procedures, circular(s), instruction(s) and others,
 - f) Developing recommendations for saving and productivity growth by making fiscal and economic analysis of tasks and operations undertaken,
 - g) Informing Audit Committee, constantly, regarding the audit activities and efficiency of internal audit system; commencing the requests and recommendations for pertinent issues,
 - h) Introducing advisory and supporting services to Board of Directors and Senior Management on an advisory level in value adding purposes, by preparing progressed or accomplished projects (Purchasing, Acquisition, Reconstruction, Strategic Planning, etc.) for pertinent issues, such as reaching company objectives, raising the shares' value, developing the corporate processes and activities, increasing the service quality, and customer satisfaction.
 - i) Preparing an Investigation Report -if necessary- via conducting Investigation and Examination, sharing it to Ethics Board, General Manager and Audit Committee because of a denunciation from Ethical Board or denunciation received directly,

While fulfilling the tasks cited above, Internal Audit Department aim to achieve objectives, as follows:

- Conforming the legislation(s), contracts, company processes,
- Supporting advisory services about process, management systems and information technologies
- Preventing errors and irregularities,
- Establishing an efficient control system,
- Protecting the assets,
- Efficiency and productivity of operations,
- Accuracy and completeness of financial and operational information,
- Compliance with Corporate Governance principles,
- Compliance with ethical values,
- Ensuring the efficiency in risk management,

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- Detecting enhancement opportunities and contributing the generalizing of best practice examples.

In purposes of development and enrichment of the corporate activities, Internal Audit Department; with no administrative undertaking, would engage **advisory** activities regarding issues that are audited in nature and scope.

Internal Audit Department inform the management level affiliated, instantly, should there are conditions to interfere the objectiveness and independence before the commencing the duty or they emerge during the duty. Additionally, it is ensured that an auditor or auditors shall not to give assurance service regarding a subject that they had an official advisory duty about which, yet, a year has been elapsed after. Related management will be responsible of accepting, execution and consequences of the recommendations following any advisory duty.


Advisory services might be conducted mixed with normal and routine audit activities or separately upon a request of the corporate management. Activities under this scope might be in forms of:

- Official Advisory Duties: Duties planned or subject to a written agreement.
- Unofficial Advisory Duties: Attending the standing committees, limited-term projects, meetings intended for a project or a purpose and routine activities i.e. usual information interchange.
- Private Advisory Duties: Mergers and acquisitions or affiliating with system conversion team.
- Emergency Advisory Duties: Attending a team founded intended to maintain and assemble the operations or temporarily helping for meeting a special request; following a disaster or incident extraordinary qualified

Internal Audit Department, if necessary, might get support of a specialist externally, regarding the advisory issue.

4-AUTHORIZATION

Internal Audit Department are dependent to General Manager in administrative and Audit Committee functionally, executing their activities to Board of Directors. Internal Audit Department is authorized to use all competences which are given and held from Board of Directors.

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Having authority to access all records and documents, Internal Audit Department personnel are excluded the authority limitation in accessing the system information. The information acquired during their duty are qualified as company secret. Without the knowledge and approval of the Board of Directors, they shall not make declaration or inform the internal or external persons or corporations.

PART-II ORGANIZATION

5- STAFF

Internal Audit Department is composed of Internal Audit Manager and number of Internal Audit Associates and Junior Internal Audit Associates that sanctioned by the Company Board of Directors.

6- ASSIGNMENT AND PROMOTION

Internal Audit Manager or Associate(s) might be assigned from internal company network or externally in compliance with the qualities required. At external assignments, experience of 5 years at same level of title is required.


When deemed necessary, Junior Associate(s) might be hired via exam and interview to be held. In order to be promoted for the staff of Associate, the personnel are required to reach the expected performance from her/him.

Internal Auditor might be assigned in compliance with Sabancı Holding Internal Announcement Regulation and Çimsa Promotion and Assignment Regulation, outperforming personnel might be promoted with the recommendation of Internal Audit Manager.

7- DUTIES, AUTHORIZATIONS AND RESPONSIBILITES

Internal Audit Manager is responsible to the Board of Directors regarding the execution of essential functions of Internal Audit Department.

Internal Audit Associate is responsible to the Internal Audit Manager regarding the execution of essential functions of Internal Audit Department which are assigned by the Internal Audit Manager. They have got the authority to conduct audit, investigation and examination. They

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could lead and manage the team during the audit activity. Along with the duties and responsibilities required under the duties mentioned, Internal Audit Associates have also got the qualities and authorizations of the Internal Audit Manager.

Junior Internal Audit Associates are responsible to Internal Audit Manager regarding of the execution of duties given by Internal Audit Manager and Internal Audit Associate.

Personnel of the Internal Audit Department shall not be appointed as Auditor at works violating the International Internal Audit Standards, undermining the independency and causing conflict of interest.

In order to accomplish the audit operations properly, it is essential that the auditors at any level and title have got the required integrity, objectiveness, sensitiveness of information security and competence and, execute their duties with vocational attention expected from her/him. Auditors shall constantly increase and strengthen their information, skills and other qualifications. Therefore, if deemed necessary, opportunities of training in domestic and abroad might be utilized. Auditors are expected to develop themselves with obtaining the proper professional certificate(s).

8- EMPLOYEE RIGHTS

Internal Audit Department prepare their independent budget and introduce it for the approval of Audit Committee.


Company general principles and related procedures are applied at the wage and other related employee rights and, duty travels in domestic and abroad. However; -evaluating characteristics of planned project and economic circumstances of the located to be audited- in cases of travel limits to be deficient, the travel limits might be increased by the approval of General Manager and Internal Audit Manager.

PART-III

WORKING METHODS AND ESSENTIALS

9- AUDIT CALENDAR

Internal Audit Department execute their entire activities in frame of plan under the scope of generally accepted audit principles and standards and programs according to the plan.

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Audit plan and programs are prepared by considering company strategies and objectives, priorities of senior management, economic developments and legal amendments, operational risk, frequency of previous audits and findings, and introduced to Audit Committee.

Approved audit program is connected the calendar by the Internal Audit Manager. The “Audit Beginning Declaration” is made to the departments to be audited, at least 1 week in advance before the audit starts.

Depending on the unexpected developments throughout the year, changes over the audit calendar might be made, due to the examination, survey and investigation tasks given by the company senior management. When such a possibility is detected, audit program is revised for informing Audit Committee. In case of the changes cause delays on the audits of the departments agreed in previous program, departments which are going to be audited are informed in written, accordingly.

10- AUDIT ACTIVITY

Audit activities are having to be done by a team. Team is led by Internal Audit Manager or Senior Internal Audit Associate; in case of equality between senior levels between Senior Internal Audit Associates, Internal Audit Manager assign an associate to lead. Team leader are responsible for proceeding audit according to schedule, team coordination and reporting.


In the beginning of the audit activity, a Kick-off Meeting is held that is informative about the audit scope, duration and working methods; in which the manager of the department to be audited attends. If available, requests regarding the audit from the management are collected.

During the activity, the findings are obtained via the audit methods required by theme of audit. The details of the activity, results and findings are documented by using working papers.

If Internal Audit personnel haven't got the information or all competences required to fulfill the duty intact or partially, the Internal Audit Manager might provide qualified suggestions or help support from an internal or external specialist.

11- DRAFT REPORT AND AMENDMENT CALENDAR

At the end of the audit activity in field, the findings obtained are formed in written. Written findings are shared with the manager of audited department and discussed. In case of amendments needed in written form, the draft report is amended parallel to the discussion.

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Draft Report is re-sent the manager of audited department with the responses regarding the issues in order to proclaim the action dates.

Following the Draft Report is delivered to the manager of audited department, the responses and action plan of the audited department is conveyed to the Internal Audit Department, on latest 1 week of time.

The processes between the end of field work and receiving the responses of audited party is finalized latest in 3 weeks of time. Mentioned constraint of time might be flexible due to the special cases due to the Internal Auditor or audited department. Postponements, delays or cancellations are presented to Audit Committee at the Audit Committee Meeting, held in year-end.

12- PREPARATION AND DISTRIBUTION OF REPORT

The report including the responses and corrective plan is reviewed by the Internal Audit Manager and finalized by the team leader, conveyed to the Internal Audit Manager with the latest version. This process is finalized latest in 2 weeks. In special cases, mentioned constraint of time might be flexible.

The prepared report is published by the Internal Audit Manager, as an e-mail with attachment to General Manager of company, Head of Audit Committee and its associates, Head of Cement Group, the manager of audited department and Sabancı Holding Audit Department Head.


General Manager of company conveys the report to Internal Audit manager with the note enclosed regarding the evaluation, if available, made about related articles or report in general. A copy of report including the note is sent by the Internal Audit Manager to the Directorate of Cement Group, and Audit Committee Members.

13- FOLLOW-UP OF REPORT

Based on the directive of General Manager; the manager of audited department affiliated to Factory Manager or Vice General Manager are responsible of conducting the amendments in proper with the corrective plan declared.

Audit Manager is responsible to monitor the practicing of the corrective plan. Quarterly Status Reports are requested from the audited department until the amendments are completed. If deemed necessary, an audit might be held, solely, to cover the amendments.

14- MEETINGS TO BE HELD WITH AUDIT COMMITTEE

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Audit Committee and Internal Audit Department hold meetings at least 4 times in a year, in 3-months-terms. In the meetings:

- Evaluations of findings in reports belonging the audits held during the season, corrective plans developed and practicing of plans,
 - Reasons of the consistency and deviations between the audits in annual plan and audits realized,
 - Resource exigences regarding the audits and other issues, if available,
- are discussed.

The agendum of meeting is reported to Audit Committee and such report is presented to the members during the meeting.

PART-IV

OTHER ISSUES

15- AUDIT GUIDE


The “Audit Guide”, determining the comprehensive application regarding the issues i.e. audit working methods and Essentials, technique and standards to be applied along with the working steps, duty definitions of Internal Audit Department personnel; selection, appointment, locating and training Essentials of the personnel is prepared and brought into force by the Internal Audit Department.

16- RESPONSIBILTY OF AUDITED PARTY

For Internal Audit Department to maintain their work, facilitating a proper room with connection to SAP system, giving the documents, information and documentation on a timely manner, providing other help and opportunities required to ease the audit are under the responsibility of the manager of the audited department and the related senior manager.

17- PROFESSIONAL AND PERSONAL DEVELOPMENT OF THE AUDITORS

Monitoring the professional and personal development, encouraging their development, detecting and planning their educational exigences and, feedbacking for their performance to increase are the responsibilities of Internal Audit Manager. Funds are reserved for the mentioned exigences to fulfill this purpose,

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In case of Internal Auditors require a nonbudgeted training, the necessity of training need is met with granting required approvals and permissions by Internal Audit Department.

18- ISSUES NOT REGULATED AT CHARTER

For the issues set under this regulation, the application is reverved by the proposal of Internal Audit Manager, opinion of Audit Committee and, approval of Chairman of Board of Directors.

19- VALIDITY AND EXECUTION

Herein this regulation is accepted with the decision No.1023 of the Board of Directors on 25/12/2006, come into force on date of issue. 1st revision is made with the decision No.1303 of the Board of Directors on 03/11/2010; 2nd revision is made with the decision No.1350 of the Board of Directors on 21/11/2011, 3rd revision is made with the decision No **1733** of the Board of Directors on 27/02/2018 which was come into force as of 27/02/2018, by the unanimous decision of Board of Directors.