



## TURCAS PETROL A.Ş.

### WORKING PRINCIPLES OF AUDIT COMMITTEE

#### I- DEFINITION AND PURPOSE:

Audit Committee has been established within the Board of Directors of Turcas Petrol A.Ş by the Board Resolution no 2004/10 and dated 22.04.2004 in accordance with the Communiqué serial X, no: 19 Article 3 of Capital Markets Board to ensure that the Board of Directors fulfill its financial and operational roles and responsibilities.

Audit Committee is a Committee affiliated to the Board of Directors which operates with the aim of monitoring the effectiveness of the Company's accounting system, independent audit of financials and its public disclosure as well as internal control and internal audit procedures. **All members of the Audit Committee are Independent Board Members.**

#### II- BASIS

This internal procedure has been established within the framework of Capital Market Legislation as well as regulations, provisions and principles in Corporate Governance Principles of Capital Markets Board.

#### III- AUTHORITY AND SCOPE

- Audit Committee is committed to conducting all kinds of internal and independent audits in an adequate and transparent way.
- Audit Committee audits compliance of periodic financial statements and their footnotes to current legislation and international accounting standards. Audit Committee informs the Board of Directors in a written format in consultation with the independent audit company.
- As a unit affiliated to the Board of Directors, Audit Committee acts with a systematic and

disciplined manner to audit, review and update the efficiency of the activities of the Company's Operational, Financial, Managerial and Information Systems, and to ensure the efficiency of internal control systems by detecting deficiencies before they take place.

- Audit Committee ensures the efficiency of the Company's accounting system, public disclosure of its financials, independent audit as well as the Company's internal control and audit systems.
- Audit Committee examines independence and competency of the independent audit company as well as its employees and reports the findings to the Board of Directors.
- Audit Committee prepares a report stating whether there is any issue that may damage independence of independent audit company prior to submission of proposal for independent audit company selection to the Board of Directors.
- Audit Committee informs the Board of Directors about compliance of annual and interim independent audit reports to be disclosed to public with accounting principles and evaluates the fairness and accuracy of these reports in consultation with independent auditors and related directors.
- Audit Committee examines and finalizes complaints conveyed to the Company about accounting, internal control and independent audit of the Company. Audit Committee also ensures the examination of complaints by the Company's employees within the framework of confidentiality principles.
- Implementations of Audit Committee are extremely important in taking right decisions especially during the period of economic crisis. It is very important to define risk factors according to changing conditions, and that internal auditors give recommendations to the top management by reviewing the corporate communication strategies of the Company.
- Audit Committee may invite managers, internal and independent auditors to its meetings when it deems necessary and take their opinions.
- Audit Committee controls interest conflicts possible to arise between Board Members, managers and other employees and compliance with in-house regulations and policies preventing misuse of information in nature of commercial secret.

Audit Committee acts within its own authority and responsibility and gives recommendations to the Board of Directors. However, final decision is taken by the Board of Directors.

#### **IV- FORMATION OF THE COMMITTEE**

- All members of the Audit Committee should be Independent Board Members.
- All the resources and support necessary for the Committee to perform the duties shall be provided by the Board of Directors. The Committee has been authorized about inviting any Company director if required and taking their opinions. In addition, the Committee can receive professional consultancy outside of the company when necessary.
- Executive chairman/general manager and vice chairman responsible for financial affairs/vice general manager cannot be present in this committee.
- Audit Committee consists of at least two members.
- Audit Committee is assembled with participation of one more than half of the number of members and takes decision by majority.
- Members of the Audit Committee are determined again in the first Board Meeting to be held after the Ordinary General Meeting in which Board Members are reelected.

#### **V- MEETINGS**

- Audit Committee assembles quarterly at least or without waiting this time when it is required.
- When necessary, independent audit company attends assessment meetings of Audit Committee related to financial statements and gives information about the process.

## **VI- RESPONSIBILITIES**

### **i. Financial Statements to be Disclosed to Public**

- Audit Committee informs the Board of Directors in written format about compliance of financial statements and their footnotes to be disclosed to public with accounting principles and evaluates their fairness and accuracy by taking the opinions of responsible directors of the company and independent auditors.
- Audit Committee reports changes occurring in accounting policies, internal control system and regulations which may significantly impact the preparation of financial statements of the company to the Board of Directors.
- Audit Committee examines and finalizes important complaints coming from shareholders and stakeholders which may impact financial statements of the Company.
- The Committee reviews the annual report to be disclosed to public and controls the accuracy and consistency of the information within the annual report according to the Committee's knowledge.
- The Committee reviews transactions such as valuation of assets and funds, guarantee and sureties, fulfillment of social responsibilities, provisions for litigations, other obligations and conditional events that are left to evaluation and decision of the Company management.

### **ii. Internal Audit / Internal Control**

- Audit Committee works about efficiency and adequacy of internal control system and reports to the Board of Directors.

### **iii. Independent Audit Company**

- Audit Committee monitors and evaluates the processes of electing and changing independent audit company as well as preparing independent audit contracts and initiating audit.
- Audit Committee identifies the services to be received from independent audit company and submits the information to the approval of Board of Directors. Audit Committee examines the proposed scope of audit as well as audit process and

informs the Board of Directors about issues that may prevent the work of auditors.

- Audit Committee evaluates whether there are elements damaging independence of independent external auditors.
- Audit Committee ensures that major problems determined by independent auditors and suggestions related to solution of these problems are submitted to the Committee on a timely basis and are included in the Board of Directors' agenda for discussion.

#### **iv. Compliance with the Law and Legislation**

- Audit Committee monitors whether Company activities are executed in accordance with the legislation and in-house regulations. It determines rules to be applied if regulations are not complied.
- Audit Committee ensures examination of complaints received to the Company about accounting, internal control and independent audit within the framework of confidentiality principle.

### **VII- REPORTING RESPONSIBILITY**

- Audit Committee ensures informing Board of Directors about matters under its authority and responsibility.
- Audit Committee prepares all works performed in written format and keeps record of them.
- Audit Committee submits its report including meeting minutes and related studies to the Board of Directors.

### **VIII- ENFORCEMENT**

- Working Principles of Audit Committee has been accepted by the Board Resolution No. 2014/13 and dated 28 May 2014 after revisions according to Capital Markets Board Corporate Governance Communiqué no. II-17.1 published in Official Gazette on 3 January, 2014.
- Amendments to be made here come into effect with the decision of the Board of Directors.

