



**ANADOLU ISUZU OTOMOTİV SAN. ve TİC. A.Ş.**

**AUDIT COMMITTEE CHARTER**

**This Charter is approved by the Board Resolution dated June 25, 2014 and numbered 2014/27.**

**Prepared by**

Audit Committee

**Approved by**

Board of Directors

**Approval Date: June 25, 2014**

**Revision Date:1**

# ANADOLU ISUZU OTOMOTİV SAN. VE TİC. A.Ş. AUDIT COMMITTEE CHARTER

## I- GENERAL PRINCIPLES

### Scope

1.1. This charter organizes the rules governing the Audit Committee of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş.'s within the framework of Corporate Governance Principles (announced by Capital Markets Board) and Turkish Commercial Code's rules and principles.

### Purpose

1.2. The Audit Committee should take all necessary measures in order to ensure that internal and external auditing are carried out adequately and transparently. Audit Committee is also responsible for fulfilling the according duties listed below;

- Supervise whether or not periodic disclosure of financial statements and its footnotes are prepared in accordance with the current legislation and applicable accounting standards,
- Conduct research concerning the selection of external audit firm, present to Board of Directors after the submission of preliminary approval,
- Supervise the execution and the efficiency of the accounting system of the Company, the disclosure of financial information to the public, the external audit of the Company and internal control and internal audit system,
- Evaluate and resolve any issues pertaining to the complaints and suggestions on the accounting practices, internal control system and external auditing as submitted to the Company,
- Review the Company's code of ethics and Company's enterprise risk management framework and their related practices and applications.
- Scrutinize full compliance with the Company's internal regulations and policies which aim to avoid any possible conflicts of interest that may arise among members of the Board, the executives and other employees of the Company and to prevent abuse of confidential information.

## II- THE AUDIT COMMITTEE'S COMPOSITION, STRUCTURE and APPLICATION PRINCIPLES

2.1. The Audit Committee is composed of at least two members, selected among the independent members of the Board of Directors. **(Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.3).**

2.2. At least one of the members of the Audit Committee should have minimum 5 year experience in audit/accounting and finance **(Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.3.10).**

**2.3.** The Audit Committee shall have the authority, to the extent it deems as necessary or appropriate, to retain independent legal, accounting and other consulting advisors/experts or might engage regular “consultants” to the Committee. The Company shall provide for appropriate funding for respective fees of consulting services and “consultants”. Information regarding the service suppliers and whether there is a relation between the Company and service supplier or not, shall be mentioned in the annual report (**Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.7**).

**2.4.** The Audit Committee shall convene at least four times per annum, once in each quarter and meeting resolutions are prepared and submitted to the Board of Directors (**Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.9, paragraph 5**). The scheduling for the Audit Committee meetings should be parallel with that of the Board of Directors’ meetings. The Chair of the Committee briefs the Board of Directors and the external audit firm concerning annual meeting plans.

**2.5.** In case of an urgent need, upon the call of the Chair or any other member of the Audit Committee and the Chair of the Board of Directors, the Audit Committee can hold extraordinary meetings.

**2.6.** The members of the Audit Committee can hold the meetings through telephone or any other means of communication.

**2.7.** The Audit Committee makes decisions through majority vote. In the case of an equality of votes on any issue, the Chair shall have the casting vote.

**2.8.** The Audit Committee shall have the authority to meet any executives from senior management, internal auditors, external auditors and employees at all levels within the framework of privacy principles, when it is deemed as necessary and appropriate.

**2.9.** The Board of Directors shall provide all necessary resources and support to the Audit Committee for its duties to be performed. Audit Committee can invite any person whom they deem as required to be invited to the meeting and get their opinions (**Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.6**). The Audit Committee secretariat shall be executed by Internal Audit department. The internal auditors shall have access to the Company resources regarding its needs raised by this duty.

**2.10.** The Committee should keep records of all their work in a documented manner (**Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.8**). The formal approval of the meeting minutes of the Audit Committee is obtained in the following meeting. The Audit Committee’s written and signed meeting minutes and decisions should be maintained by the secretariat.

**2.11.** Brief information regarding the Audit Committee's activities and the outcome of the committee meetings should be disclosed in the annual report. The number of written notifications made by Audit Committee to Board of Directors in a financial period should also be stated in this information (**Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.9, paragraph 5**).

**2.12.** Audit Committee immediately informs the Board of Directors in writing, of findings, evaluations and recommendations concerning its own duties and responsibilities (**Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.9, paragraph 6**).

### **III- DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE**

#### **Concerning reviewing of the documents, reports and accounting information:**

**3.1.** The Audit Committee reviews and reassesses this charter periodically, at least annually, and proposes any amendments the Board of Directors for approval.

**3.2.** The Audit Committee should inform the Board of Directors in writing after having collected the opinions of both the responsible managers of the company and also the independent auditors about the accuracy and compatibility of the annual and interim financial statements that shall go public, to the accounting principles followed by the Company (**Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.9, paragraph 4**).

**3.3.** The Audit Committee reviews reports (or summary) that are submitted to the Committee and presented to the management. The Committee reviews and follows application of the notice and suggestions in these reports.

#### **Concerning External Audit:**

**3.4.** Appointment of the external audit firm, preparation of audit agreements and initiation of audit process and all activities of the external audit firm should be made under the surveillance of the Audit Committee (**Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.9, paragraph 1**).

**3.5.** The Audit Committee should only submit appointment of the external audit firm and the services to be provided to the Board of Directors upon the preliminary approval. Prior to appointment of the external audit firm, the Audit Committee should prepare a report stating whether or not there exist any issues that may jeopardize independence of the audit company.

**3.6.** The Audit Committee takes necessary measures for execution of efficient, sufficient and transparent independent external audit.

**3.7.** The Audit Committee shall invite members of management, the internal and external auditors, AEH Audit Presidency members or others to attend meetings and provide pertinent information, as necessary. Apart from this, on a regular basis, the Committee might meet separately with the independent auditors to discuss any matters that the Audit Committee or independent auditors believe should be discussed privately.

**3.8.** The Audit Committee follows up the external audit firm's responsibility regarding the "declaration of significant issues relating to the accounting policy and practices of the Company, any alternative implementation and public disclosure strategies within the framework of CMB accounting standards and accounting principles as previously

notified to the Company's management, probable outcomes and implementation proposals thereof, significant correspondences made in writing with the Company to the Audit Committee." The Audit Committee notifies its opinion and recommendations concerning necessary precautions to the Board of Directors, senior management and external audit firm (**Ref: CMB Serial X, No: 22 Article 25, paragraph 4**).

**3.9.** The Audit Committee is responsible for approval and oversight independent audit reports and financial information disclosed to the public.

**3.10.** The Audit Committee monitors the external audit firm's rotation as required by the CMB regulation.

**3.11.** The Audit Committee shall review and approve external audit fees, including the monitoring and approval of all non-audit services in accordance with the Committee's policies.

#### **Concerning Internal Control System:**

**3.12.** The Audit Committee evaluates the effectiveness of the Company's internal control system.

**3.13.** The Audit Committee notifies its evaluation and recommendations about the internal control system to the Board of Directors by taking into consideration of reports prepared by the management, external audit firm, internal auditors, consultants and AEH Audit Presidency.

**3.14.** The Board of Directors is responsible to take precautions so that people who are authorized to sign financial statements and annual reports are provided with important information regarding subsidiaries, which are within the Company and consolidated financial statements, affiliates and partnerships subject to collective management. Personnel with authorized signature are responsible to notify their critics and recommendations regarding the internal control system and their system of access to information and give information about the internal control system they use while they review the reports to the Board of Directors, Audit Committee, and the external audit firm (**Ref: CMB Serial X, No: 22 Article 26, paragraph 3**).

#### **Concerning Internal Audit:**

**3.15.** The Audit Committee reviews the internal audit function in the context of the international internal audit definition "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." In addition, the Audit Committee reviews and assesses the compliance of the internal audit function's activities with the International Internal Audit Standards, and supports the necessary arrangements in this context.

**3.16.** The Audit Committee reviews and ratifies the selection and compensation package, performance review and job termination of the Chief Audit Executive (CAE).

**3.17.** The Audit Committee approves the “Internal Audit Charter”, and annually reviews approved internal audit charter and recommends amendments (if any) per the result of its evaluation.

**3.18.** The Audit Committee reviews the functional activities, annual audit plans, organizational structure, and qualifications of the internal audit function and notifies its evaluation and recommendations to the Board of Directors in order to ensure that the internal audit function has solid infrastructure and explicitly defined authority and responsibilities. These recommendations may also be related to the internal audit responsibilities, budget and staffing resources.

**3.19.** The Audit Committee may outsource internal audit activity from AEH Audit Presidency, when there are areas requiring special expertise or with the aim of efficient and effective use of resources. Audit Committee approves all fees and other expenses regarding such outsourced audits.

**3.20.** The Audit Committee follows up the suggestions and actions of the internal audit reports and ensures that the management remediates the inconformity and makes improvements to the processes.

**3.21.** The Audit Committee periodically reviews with the Chief Audit Executive the major difficulties that the internal audit function faces, disagreements with the management and scope restrictions encountered in the course of the functions works. Audit Committee oversees the necessities in the work environment improvements for the independent and objective internal audit function’s activities.

**3.22.** The Audit Committee may arrange meetings that management, internal auditors, external auditors, expert auditors and Board of Directors participate together or separately.

#### **Concerning Ethical, Legal Compliance and Risk Management:**

**3.23.** The Audit Committee oversees that the management has established a system and regularly monitors compliance to the Company’s code of business conduct and ethical rules. The Committee monitors whether the management makes fraud risk assessments and gives code of business conduct and ethics trainings to Company employees.

**3.24.** The Audit Committee reviews the process of management’s monitoring of the Company’s compliance with its code of business conduct and ethics, and determines whether management has a complete and proper review system in place to meet legal requirements of the Company’s financial statements, reports and other financial information disclosed to the public and regulatory bodies.

**3.25.** The Audit Committee should scrutinize full compliance with the Company’s internal regulations and policies which aim to avoid any possible conflicts of interest that may arise among members of the Board, the executives and other employees of the Company and to prevent abuse of confidential information.

**3.26.** The Audit Committee should communicate with the internal auditors in order to evaluate any improper practice of codes of business conduct with regards to the Company's accounting and/or internal control system. The Committee is authorized to engage special audits if necessary. It presents its opinion and recommendations about the necessary precautions to the Board of Directors.

**3.27.** The Audit Committee oversees the compliance with the legal regulations, internal guidelines and regulations.

**3.28.** The Audit Committee reviews, with the Company's legal counsel and consultants, legal compliance matters including corporate securities trading policies.

**3.29.** The Audit Committee reviews, with the Company's legal counsel and consultants, any legal matters that could have a significant impact on the Company's financial statements.

**3.30.** The Audit Committee reviews the results of audit and investigations conducted by the regulatory authorities and present its recommendations for required amendments to the Board of Directors.

**3.31.** The Audit Committee discusses policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the Company's major financial risk exposures and the steps management has undertaken to control them. It evaluates the sufficiency and effectiveness of the current situation. The Audit Committee coordinates this duty with Risk Committee.

#### **Other Duties and Responsibilities:**

**3.32.** The Audit Committee shall determine the methods and criteria to be applied in reviewing and concluding the complaints received by the company regarding the accounting practices, internal control system and independent audit of the company; handling the notifications of the company employees concerning the company's accounting and independent audit issues based on confidentiality principle **(Ref: CMB Corporate Governance Communiqué No: II-17.1, Article 4.5.9, paragraph 3)**.

**3.33.** The Audit Committee undertakes such other responsibilities or tasks as the Board may delegate or assign to the Committee from time to time.

#### **IV- OTHER CONDITIONS**

**4.1.** The Board of Directors is responsible for the preparation and presentation of financial statements and reports in accordance with financial reporting standards, and their accuracy and authenticity, within the framework of Turkish Commercial Code and capital markets regulations. The Board of Directors is obliged to take separate decisions regarding the approval of financial statements and annual reports prepared within the scope mentioned. The performance of independent audit on financial statements does not release the Board of Directors from its obligations. **(Ref: CMB Serial X, No: 22 Article 26, paragraph 1)**.

**4.2.** Duties and responsibilities of the Committee do not annul the responsibility of the Board of Directors, arising from the Turkish Commercial Code. **(Ref: CMB Serial X, No: 22 Article 25, paragraph 9)**

**4.3.** The Audit Committee assists the communication and coordination with the statutory auditors for fulfilling their legal duties and responsibilities arising from Turkish Commercial Code.

## **V- ASSESSMENT**

**5.1.** Audit Committee conducts an annual performance assessment review in relative to the Audit Committee's purpose, duties and responsibilities outlined herein and presents to the Board of Directors.

## **VI- ENFORCEMENT**

**6.1.** This charter of Audit Committee of Anadolu Isuzu Otomotiv San. ve Tic. A.Ş. and further changes to this charter shall be effective with the approval of Board of Directors.