

BATI ANADOLU GROUP OF COMPANIES INTERNAL AUDIT REGULATION**Contents:**

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BATI ANADOLU GROUP OF COMPANIES INTERNAL AUDIT REGULATION**A. DEFINITIONS:**

The definitions used in this document and their explanations within the scope of this document are as follows:

Institution: Batıçim Batı Anadolu Çimento Sanayii A.Ş. and its subsidiaries over which it has direct and indirect control ("Batı Anadolu Group of Companies")

Board of Directors: The Board of Directors that is authorized during the transactions regarding the companies affiliated with Batı Anadolu Group of Companies.

Senior Management: The top managers of the major departments of the organization; Corporate executives who report directly to the Board of Directors.

International Internal Auditing Standards: Internal Auditing professional standards ("Standards") published by the International Institute of Internal Auditing.

Audit Committee: The committee formed by the Board of Directors to fulfill its oversight responsibility over the Internal Audit activity ("Committee").

Internal Audit Regulation: Regulation regulating the working procedures and principles of the Internal Audit Department

Internal Audit Manager: The internal auditor responsible for the coordination and management of the Internal Audit Department, selected by the Audit Committee and the Board of Directors.

Internal Auditor: Internal auditor at all levels responsible for performing Internal Audit activities within the framework of this regulation.

Internal Audit Department: Internal organization consisting of the Internal Audit Manager, internal auditors and other personnel as needed.

External Source: A person or institution that has special knowledge, skills and experience in a particular branch of science or field and is independent of the institution (Example: but not limited to, insurance actuary, accountant, valuation expert, environmental expert, fraud examiner, lawyer, engineer, security specialist, translator, statistician, information technology specialist, audit specialist)

Related Group Companies:

- **Batıçim Batı Anadolu Çimento Sanayii A.Ş.**
Ankara Caddesi No:335 Bornova/İZMİR
- **Batisöke Söke Çimento Sanayii TAŞ.**
Ankara Caddesi No:335 Bornova/İZMİR
- **Batibeton Sanayi A.Ş.**
Ankara Caddesi No:335 Bornova/İZMİR
- **Batılıman Port Management Inc.**
Ankara Caddesi No:335 Bornova/İZMİR
- **Ash Plus Yapı Malzemeleri Sanayi ve Ticaret A.Ş.**
Ankara Caddesi No:335 Bornova/İZMİR
- **Batıçim Enerji Elektrik Üretim A.Ş.**
Ankara Caddesi No:335 Bornova/İZMİR
- **Batıçim Enerji Toptan Satış A.Ş.**
Ankara Caddesi No:335 Bornova/İZMİR

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B. AIM:

The purpose of this regulation is to determine the principles and procedures for regulating the scope and implementation of Internal Audit activities, the functioning of the Internal Audit Department, its duties, powers and responsibilities, the management of the department, and its relations with other departments and management in accordance with international standards.

C. DEFINITION OF INTERNAL AUDIT:

Internal auditing is an independent and objective assurance and consultancy activity that aims to improve an organization's operations and add value to them. Internal audit helps the organization achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control and governance processes.

D. PURPOSE OF INTERNAL AUDIT ACTIVITY:

The main purpose of Internal Audit is to help maintain the existence and functionality of effective risk management and control systems within the institution by carrying out interviews, investigations, analyses, evaluations, suggestions and consultancy activities regarding the activities of the institution, and to enable them to fulfill their responsibilities effectively by disseminating the control system. To assist the institution's management and employees.

E. VISION OF INTERNAL AUDIT:

The share value of the institution and the success of the management; To support management with a partnership that adds value, professional analysis, innovative business solutions and suggestions, and continuous development opportunities in all areas of the business.

F. MISSION OF INTERNAL AUDIT:

To reveal change opportunities for positive change and facilitate processes, to review compliance with corporate policies, laws and regulations, to evaluate the accuracy of operational and financial data and the effectiveness of controls, to facilitate and improve critical and strategic operational processes, to strengthen the business performance of the institution by training potential management candidates for the institution. and support management success

G. SCOPE OF INTERNAL AUDIT ACTIVITY:

The basic scope of internal audit activities is to evaluate the institution's risk management, internal control and corporate governance processes, make suggestions for improvement and help the institution achieve its goals. The scope of internal audit duties is determined to include all financial and non-financial corporate activities. Internal Audit Department in the following year are specified in the Internal Audit Plan prepared each year.

However, in general, the Internal Audit Department aims to evaluate whether the institution's risk management, internal control and corporate governance processes are functioning as desired and planned by the management, and whether they are adequate and effective. For this reason, it aims to provide assurance on, but not limited to, the following issues:

- The risks of the institution are determined and managed with sufficient care,
- Important financial, managerial and operational data are obtained accurately, reliably and in a timely manner,
- The actions of employees and management comply with laws, other legislation, internal policies, procedures and regulations,

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- Institutional resources are used efficiently and appropriately protected,
- The institution's goals are tried to be achieved effectively,
- It is aimed to make continuous improvements in the internal control systems of the institution,
- Necessary activities are carried out to pre-determine important events that the institution may face.

If there are consultancy activities that the Internal Audit Department wishes to benefit from, the scope of these activities is determined by the Internal Audit Manager in consultation with the Board of Directors and/or the Audit Committee. However, care should be taken that these activities are not so intense that they disrupt audit activities and that they are not on issues that are less important than the internal audit activity.

Internal Audit Department is explained in detail in the Internal Audit Handbook. **ANNEX 1**

H. INTERNAL AUDIT TEAM AND ITS RESPONSIBILITIES:

The Internal Audit Team consists of the Internal Audit Manager and internal auditors who will be included in the team as needed. Management of the team is the responsibility of the Internal Audit Manager. The duties and responsibilities of the Internal Audit Department are listed below:

- To evaluate the suitability and effectiveness of the institution's corporate governance, risk management and internal control processes,
- To evaluate the appropriateness and effectiveness of the process of creating the institution's strategic and annual plans and activities,
- To evaluate the effectiveness of the systems, policies and procedures established to ensure that the institution's activities comply with the applicable legislation,
- To evaluate the process related to the accurate preparation of financial statements,
- To evaluate the processes regarding the protection and efficient and effective use of the institution's assets,
- While new business and activity lines and systems are being developed; Providing consultancy during restructuring projects, significant changes in organizational structure or human resources,
- To conduct reviews regarding potential acquisition, merger or divestiture activities,
- To prepare the annual Internal Audit Plan, taking into account the risks of the institution,
- To carry out planned audits in accordance with Internal Audit Standards, Code of Ethics, Batı Anadolu Internal Audit Regulation and Batı Anadolu Internal Audit Handbook,
- To complete and report their work in full compliance with the requirements of professional competence, independence and impartiality,
- To convey the urgent findings they identify during their work to the Audit Committee without wasting time.

The Internal Audit Manager and internal audit staff do not have authority to:

- Perform any operational duties for the Group, other than Internal Audit Department duties;
- Directing the activities of any employee of the organization who is not employed by the Internal Audit Department (except when the employee in question is appropriately assigned to audit teams or assigned to assist internal auditors).
- Initiating or approving accounting transactions.

The detailed duties and responsibilities of both the Internal Audit Manager and other team members are stated in detail in the "Batı Anadolu Internal Audit Team Duties and Responsibilities Regulation", which is an integral part of this Regulation. **ANNEX-2**

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I. THE PLACE OF THE INTERNAL AUDIT DEPARTMENT IN THE ORGANIZATION:

The Internal Audit Department reports functionally to the Audit Committee and administratively to the Senior Management in order to maintain its independence within the institution.

Functional reporting;

- Approval of the internal audit regulation,
- Approval of the internal audit annual plan,
- Approval of the Internal Audit budget and resource plan,
- Reviewing the performance of the Internal Audit activity,
- Approval of the appointment and recruitment decision of the Internal Audit Manager,
- Approval of the Internal Audit Manager's remuneration,
- Covers issues of reporting scope or resource limitations.

Administrative reporting;

- Approval of the internal audit manager's annual leave and administrative leaves,
- It includes issues such as including resource and budget plans approved by the Audit Committee in the company budget.

Decisions regarding the personnel rights of internal auditors are made by the Internal Audit Manager in accordance with the Human Resources policies of the institution, with the approval of the Audit Committee.

Appointment of Internal Audit Department employees to administrative duties is made upon the individual's own request, the positive opinion of the Internal Audit Manager and the approval of the Audit Committee.

J. ANNUAL INTERNAL AUDIT PLAN:

The Internal Audit Plan, which includes the tasks that the Internal Audit Department plans to carry out in the following year, is prepared by the Internal Audit Manager with the support of the Internal Audit Team and approved by the Audit Committee.

The Annual Internal Audit Plan is reviewed at quarterly Internal Audit meetings. At the end of the year, the Internal Audit Manager reports to the Audit Committee whether the tasks in this plan were accomplished or not and the reasons for the parts that could not be accomplished. Due to urgent tasks arising during the year, the implementation of a less urgent part of the plan may be postponed.

K. POWERS OF THE INTERNAL AUDIT TEAM:

Since the Internal Audit Team acts on behalf of the Board of Directors, it is excluded from access and authority restrictions. They have the right to access all people, areas, systems, information, documents and documentation they need while performing their duties. It is the Internal Auditor's responsibility to comply with confidentiality and security rules while exercising this right. The Internal Auditor is obliged to protect confidential information obtained as part of his duty or during his duty, even if his employment contract with the Institution ends.

The Internal Audit Team also has a priority to reach the Audit Committee and the Board of Directors as soon as possible when they need it. They must be provided with a reasonable budget that will be sufficient to use them for the new staff needed, external resources and external activities such as training and professional organization meetings.

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L. CODE OF ETHICS

The Internal Audit Department must comply with the Code of Ethics of the International Internal Audit Institute while performing its activities.

M. INDEPENDENCE AND IMPARTIALITY OF THE INTERNAL AUDITOR

The Internal Audit Department is independent from the day-to-day operation of the organization. It acts with the independence guaranteed by the Board of Directors, both while preparing the Internal Audit Annual Plan, implementing it and presenting its results. The Internal Audit Department must be free from any interference with their independence while fulfilling their duties and responsibilities, and their independence must not be restricted by any level, the scope of the Internal Audit Activity and audit practices must not be interfered with, and the Internal Auditor must not be asked to change his or her objective opinions, which have emerged as a result of professional care and experience. should be under the responsibility of the Board of Directors.

The auditor's individual impartiality requires him to perform his duties in a way that truly and honestly believes in the product resulting from the work and without compromising the quality of this product. The auditor must protect himself from all situations and conflicts of interest that may impair impartiality and must transparently disclose situations in which he thinks his impartiality is impaired.

In order to ensure the independence and impartiality of the Internal Audit Department, the following conditions must be met:

- a) An auditor should not design, install or operate systems, design and implement controls, or write systems procedures (although he or she may provide limited consultancy on these matters).
- b) The auditor should not audit an activity for which he is responsible or provide assurance services within the last year.
- c) He/she should not give orders or instructions to any personnel other than the Internal Audit Team.
- d) They should not perform or approve transactions, especially accounting transactions.
- e) Although non-audit duties may be assigned to the auditor by the Board of Directors and the Audit Committee, it must be ensured that these duties do not affect his impartiality.
- f) The auditor should not accept fees, gifts, or entertainment from company personnel, auditees, customers, suppliers, subcontractors, dealers, distributors, subcontractors, or other persons related to the work, in a way that may create the appearance of a compromised impartiality. The purchase of promotional materials such as pens, agendas and samples, which are generally given to everyone and have a very small value, should also be prevented from affecting their professional decisions and judgments.
- g) In cases where independence is impaired or is likely to be impaired, the Internal Audit Manager must inform the Board of Directors in writing.

N. INTERNAL AND EXTERNAL EVALUATION

The performance of the Internal Audit activity should be evaluated regularly every year through self-evaluation or by people within the organization who are familiar with the Internal Audit Standards.

Department must be subjected to an independent evaluation study by a qualified person or institution from outside the institution , within the scope of the Quality Assurance and Development Program.

The results of both studies must be reported by the Chief Audit Executive to the Audit Committee and the Board of Directors, including situations where full compliance with the Standards is and is not achieved.

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The Internal Audit Manager is in contact with the manager of the External Audit Team to prevent duplicate audits, to enable both parties to carry out their audits in the most effective way, to increase efficiency, and to exchange information when necessary.

If requested, the Internal Audit Reports can be shared with the External Audit Unit, and if deemed appropriate, the working papers on the requested issues can be shared with the approval of the Audit Committee.

P. APPROVAL and CHANGE:

This Regulation is approved by the Board of Directors. Any changes to be made are subject to the approval of the Board of Directors.

Approval Date:

Approved by:

ANNEXES:

ANNEX-1: Batı Anadolu Internal Audit Handbook

ANNEX-2: Batı Anadolu Internal Audit Team Duties and Responsibilities Regulation