

**BORSA İSTANBUL A.Ş.**  
**AUDIT COMMITTEE**  
**DIRECTIVE ON FUNCTIONS AND WORKING PRINCIPLES**

**Purpose and Scope**

**MADDE 1 –** (1) The purpose of this Directive is to determine the working principles and procedures of the Audit Committee appointed and authorized by the Board of Directors for the performance of such functions as helping the Board of Directors in oversight of quality and accuracy of financial statements of the Company; monitoring the implementation and efficiency of the accounting system; giving preliminary approval for the assignment of independent audit firm and for its services; preparing and auditing the contract to be signed between independent audit firm and the Company; and overseeing the Company’s independent audit system, operation and efficiency of internal control and internal audit mechanisms.

**Grounds**

**ARTICLE 2 –** (1) This Directive is issued in reliance upon Article 16 of the Company’s Articles of Association and Article 366 of the Turkish Commercial Code by also taking the corporate governance principles determined by the Capital Markets Board into consideration.

**Definitions**

**ARTICLE 3 –** (1) For the purposes and in the context of this Directive:

- a) “Audit and Surveillance Board” stands for Borsa İstanbul A.Ş. Audit and Surveillance Board; and
- b) “Articles of Association” stands for Borsa İstanbul A.Ş. Articles of Association registered in Istanbul Trade Registry Office on 03/04/2013 and published in the Trade Registry Gazette edition 8293 on 04/04/2013; and
- c) “CEO” stands for Borsa İstanbul A.Ş. Chief Executive Officer; and
- ç) “Code” stands for the Turkish Commercial Code no. 6102 put into force upon promulgation in the Official Gazette edition 27846 on 14 February 2011; and
- d) “Committee” stands for Borsa İstanbul A.Ş. Audit Committee; and
- e) “The Committee Chairperson” stands for Borsa İstanbul A.Ş. Audit Committee Chairperson; and
- f) “Office of the Chief of Staff” or “Executive Office” stands for Borsa İstanbul A.Ş. Office of the Board and Chief of Staff; and
- g) “Company” stands for Borsa İstanbul A.Ş.; and
- ğ) “Takasbank” or “İstanbul Takas ve Saklama Bankası A.Ş.” stands for Istanbul Settlement and Custody Bank Inc.; and
- h) “Board of Directors” or “The Board” stands for the governing body of Borsa İstanbul A.Ş.; and
- i) “The Chairperson of the Board” stands for the Chairperson of the Board of Directors.

**Composition and Structure of the Committee**

**ARTICLE 4 –** (1) The Committee is comprised of at least two members to be elected by the Board of Directors from among its own members. If and when needed, experts in the relevant subject may also be assigned to the Committee even though they are not members of the Board of Directors.

(2) Committee members are re-appointed in the first meeting of the Board of Directors to be held after the Annual Ordinary Meeting of the General Assembly of shareholders every year. The Committee Chairperson is elected by the Board of Directors from among its own independent members. The Company’s CEO is not assigned to the Committee.

(3) In the case of a vacancy during the year, a new Committee member who fulfills the necessary conditions and qualifications is elected at the first Board meeting.

### **Working Procedures and Principles of the Committee**

**ARTICLE 5** – (1) The Committee regularly meets at the headquarters of the Company at least once every two months, but if and when needed in the course of events, the Committee may also meet upon a call of the Committee Chairperson. In case of need, the Committee members or the Chairperson of the Board of Directors may also call the Committee for a meeting. The meeting agenda is determined by the Committee Chairperson. However, it is possible to add a new item to the meeting agenda by a decision approved by a majority of its members. The Committee may also invite any Company executives or other experts to its meetings for consultation purposes if and to the extent deemed fit and necessary.

(2) The Committee meets with the presence of an absolute majority of its members and takes its decisions by an affirmative vote of its members present in the meeting. In case of a tie in the votes, the vote of the Committee Chairperson takes precedence.

(3) It is also possible to organize and hold the Committee meetings by all types and kinds of technological methods ensuring remote access, providing that meeting and decision quorum rules are abided by.

(4) Decisions taken in the Committee meetings are documented and then signed off by the Committee members. If required to be approved by the Board of Directors or if deemed necessary by the Committee to be presented to the Board of Directors, decisions of the Committee are communicated to the Office of the Chief of Staff for inclusion in the agenda of the next meeting of the Board of Directors. The Committee decisions are kept in the Office of the Chief of Staff which provides secretariat services to the Committee as well. All and any correspondences required in the process of presentation to the Board of Directors of the decisions documented in the Audit Committee meetings are handled by the Chief Audit Executive.

(5) If and when deemed necessary in respect of its fields of duty and authority, providing that the principles of confidentiality are abided by, the Committee may also consult to and meet with the Company executives, the Company employees, independent auditor or other persons or representatives of entities related to the Company; and may consult external independent experts on areas of need; and may get consultancy services; and may assign the Audit and Surveillance Board for examinations, researches and investigations on subjects in regard to its fields of duty and authority, by duly informing the Chairperson of the Board of Directors.

(6) A summary of each report prepared and submitted by the Audit and Surveillance Board to the CEO is presented to the Audit Committee. If demanded so by the Audit Committee, a copy of these reports is delivered to the Audit Committee.

(7) The Committee prepares and submits to the Board of Directors in January of each year an annual assessment report relating to its activities conducted during the previous year, for use as a basis for the Company's annual activity report.

(8) The Committee may delegate any one or more of its own members as its designees on certain matters.

(9) A Committee member who fails to attend the Committee meetings three times successively without an excuse or fails to attend one-third of all meetings held during an accounting period even intermittently without an excuse will be deemed to have resigned from his membership in the Committee. A Committee member who is unable to attend a Committee meeting due to an excuse is required to report his excuse in writing to the Executive Office for presentation to the Committee Chairperson before the meeting, or otherwise, he is deemed to have failed in attending the meeting without an excuse.

### **Duties and Authorities Relating to Financial Reporting**

**ARTICLE 6** – (1) Duties and authorities of the Committee in respect of financial reporting are as listed below:

- a) To assess and evaluate the reliability and efficiency of the accounting system of the Company; and
- b) To assess the accuracy of the Company's financial statements and financial reports and their compliance with international financial reporting standards, and accounting principles and policies, and the laws and regulations applicable on the Company and their authenticity and veracity, in due consultation with the relevant responsible executives and independent auditors of the Company; and
- c) To regularly review the results of operations of the Company, and the material changes in its financial ratios, and whether these changes are consistent with the activities of the Company or not; and
- ç) To track, and make suggestions on, activities performed for detection of probable financial risk areas for the Company and for reduction or removal of vulnerabilities detected therein; and
- d) To review and assess, and give prior approval for, financial statements and reports to be issued by the Company and presented to the Board of Directors or sent to the relevant persons, entities or authorities; and
- e) To assess the reports issued as a result of checks and reviews conducted by the related department of Takasbank in relation with management of the Guarantee Account, to track default operations, and compliance of fees and commissions charged with the provisions of the protocol, and if deemed necessary, to make suggestions on operations, management and audit of said account.

### **Duties and Authorities Relating to Independent Audit**

**ARTICLE 7** – (1) Duties and authorities of the Committee in respect of independent audit are as listed below:

- a) To supervise all kinds of actions and steps in connection with selection of independent audit firm pursuant to the laws and regulations pertaining thereto, and accordingly, if and when needed, to give prior approval for actions and steps regarding selection of independent audit firm, and determination of fees payable thereto, and the content of services to be received therefrom, and preparation of an audit contract to be signed therewith; and
- b) To supervise all activities of the independent audit firm at each stage, and to review audit scope and audit approach suggested by the independent audit firm, and to overcome the obstacles limiting, hindering or preventing its works, in due consultation with the top management; and
- c) To review the independent audit reports delivered to the Company, and to present them to the Board of Directors together with its opinions and assessments, and to assess, and present its assessments to the related parties about the problems detected in audits performed by auditors, and the suggestions for remedy of said problems, and the material issues regarding changes in

the Company's accounting policies and practices, and their probable results and consequences, and its suggestions in relation therewith; and

ç) To ensure that independent audit report is presented to the Capital Markets Board and the Ministry of Treasury and Finance on time and concurrently in compliance with the pertinent provisions of the Capital Markets Law.

#### **Duties and Authorities Relating to Internal Control Systems**

**ARTICLE 8** – (1) Duties and Authorities of the Committee in respect to internal control systems established in order to give a reasonable assurance to the management for effective and efficient performance of the Company operations and in connection with compliance with laws are as listed below:

a) To supervise in the name of the Board of Directors that adequate internal control systems are established in the Company, and that the required regulations are made and measures are taken for the sake of safe management of the systems; and

b) To assess and evaluate the operation and efficiency of internal control systems and to this end, to track the activities of the Audit and Surveillance Board; and

c) To follow up whether warnings and recommendations of auditors in respect to internal control are taken into consideration and put into practice or not; and

ç) To assess whether the Company's information technologies cover the processes and structures supporting the implementation of strategies and the achievement of objectives of the Company, and whether controls on information technologies are adequate and effective or not.

#### **Duties and Authorities Relating to Internal Audit Activity**

**ARTICLE 9** – (1) The Committee assesses the efficiency of internal audit activity which aims to develop and add value to the Company's activities, and provides independent and objective assurance and consulting services in connection therewith. Accordingly, the Committee performs the following functions and duties:

a) To determine the principles and procedures relating to internal audit activities conducted by the Audit and Surveillance Board; and

b) To track and check whether internal audit activity is carried out through employees assigned and allocated for this activity by the Chief Audit Executive within the organization of the Audit and Surveillance Board, and whether these employees are assigned in rotation if and when needed or not; and

c) To approve the Annual Internal Audit work plan upon a proposal of the Chief Audit Executive, and to take decisions on internal audit requests that may be filed during the year; and

ç) To collect information in regular intervals about internal audit works performed by the Audit and Surveillance Board; and

d) To discuss, and take decisions on, the determinations and assessments contained and the actions and measures proposed in the reports issued as a result of internal audit works or the motion of the Audit and Surveillance Board relating to said reports, to the extent a mutual agreement cannot be reached with the related executives thereon; and

e) To ensure that the internal audit unit is equipped by adequate resources, and the internal audit results are handled carefully and diligently by the relevant personnel and business units, and the appropriate corrective measures are taken for completion of deficiencies reported by the internal audit unit, and to monitor the processes relating thereto; and

f) To review the material difficulties, if any, faced by the Audit and Surveillance Board in relation with internal audit activity, and to take actions to remedy and overcome those issues; and

g) To track and check whether a quality assurance and development program is created and maintained by the Audit and Surveillance Board, and whether it is subject to independent external audit at least once every five years or not.

(2) Internal audit activities initiated by the CEO outside the Annual Internal Audit Plan shall be notified to the Audit Committee promptly by the Chief Audit Executive.

### **Expenses**

**ARTICLE 10** – Any resource and support needed by the Committee for performing their duties are provided by the Board of Directors.

### **Absence of Provisions**

**ARTICLE 11-** (1) All and any subjects on which this Directive remains silent shall be governed by the Company's Articles of Association, the Capital Markets Law, and the pertinent provisions of the Code respectively.

### **Effective Date and Enforcement**

**ARTICLE 12** – (1) This Directive is adopted by the Board of Directors in its meeting of 19/06/2013 effective from this date. The Board of Directors is authorized to execute and enforce this Directive, and if needed, to make changes or modifications herein, and to interpret the unclear provisions, and to guide the implementation.