

## **Türkiye Sigorta and Türkiye Hayat Emeklilik Audit Committee Regulation**

### **PURPOSE AND SCOPE**

This regulation is designed to determine the structure of the Audit Committee and the scope of its purpose, duties, authorities, responsibilities and activities.

This regulation has been prepared based on the “Regulation on Internal Systems in the Insurance and Private Pension Sectors” published by the Insurance and Private Pension Regulation and Supervision Agency (SEDDK) in the Official Gazette dated 25.11.2021 and numbered 31670 and other relevant legislation provisions.

### **DEFINITIONS**

<b>Institution:</b>	Insurance and Private Pension Regulatory and Supervisory Authority (SEDDK)
<b>Company:</b>	Türkiye Sigorta A.Ş. and Türkiye Hayat ve Emeklilik A.Ş.
<b>Law:</b>	The Insurance Law dated 3/6/2007 and numbered 5684 and the Individual Pension Savings and Investment System Law dated 28/3/2001 and numbered 4632,
<b>Internal Systems Regulation:</b>	Regulation on Internal Systems in Insurance and Private Pension Sectors published in the Official Gazette dated November 25, 2021 and numbered 31670,
<b>Legislation:</b>	All legal and other regulations concerning insurance and private pension activities,
<b>Internal Systems:</b>	The Company's Risk Management, Internal Control, Compliance, Actuarial and Internal Audit systems/functions,
<b>Internal Systems Units:</b>	Internal Control Directorate, Risk Management Directorate, Regulatory Compliance Directorate, Actuary Directorate and Internal Audit Directorate,
<b>Board of Directors:</b>	The Board of Directors of Türkiye Sigorta A.Ş. and Türkiye Hayat Emeklilik A.Ş.,
<b>Senior Management:</b>	The General Manager and Assistant General Managers of the Company, the Head of Internal Systems and the managers of the units within the scope of internal systems and the managers of the units other than consultancy units, even if they are employed under other titles, who are equivalent to or higher than the assistant general manager in terms of their powers and duties,
<b>Audit Committee:</b>	A committee consisting of two non-executive board members and the Head of Internal Systems, established to assist the board of directors in the fulfillment of audit and oversight activities,

**Non-Executive Board Member:** A member of the Board of Directors who is not an executive (does not have any other administrative duty in the company other than board membership and does not intervene in the work flow and ordinary activities of the company) and who is qualified to perform his/her duties without being under any influence,

Explains.

## **PURPOSE AND SCOPE OF THE AUDIT COMMITTEE**

The Audit Committee operates to assist the Board of Directors in the proper fulfillment of its duties and responsibilities within the scope of internal systems. The ultimate responsibility for the establishment and effective operation of internal systems lies with the Board of Directors. The Board of Directors' responsibility for internal systems is fulfilled through the Audit Committee.

In this context, the Audit Committee

- To oversee the efficiency and adequacy of the Company's internal systems, the functioning of the accounting and reporting systems within the framework of the Law and related regulations and the integrity of the information produced,
- To make the necessary preliminary evaluations in determining the persons and organizations to receive services for the activities carried out within the scope of internal systems, taking into account the independent audit institutions, rating, valuation and materiality criteria to be determined by the board of directors,
- Regularly monitor the activities of these persons and organizations if a contract is signed,
- Ensuring the consolidation and coordination of the activities related to the internal systems of the companies subject to consolidation in accordance with the regulations enacted pursuant to the Law

is in charge and responsible.

## **AUDIT COMMITTEE STRUCTURE**

The Audit Committee is established with the decision taken by the Board of Directors of the Company. The Audit Committee consists of at least two members of the Board of Directors who do not have executive duties in the Company.

It is possible for senior executives who do not have a hierarchical link with the general manager in the organizational structure, whose performance, financial and personal rights are evaluated by the board of directors or the audit committee, and who are at least equivalent to the assistant general manager in terms of their authorities, to be appointed as non-board members in the audit committee consisting of at least two non-executive board members. In this case, it is possible for the internal control, risk management or actuarial units to work administratively and functionally subordinate to these senior executives. Such members assigned to the audit committee should also have the qualifications required for audit committee members except being a board member. If internal control, risk management or actuarial units report to them, audit committee members who are not board members cannot participate in decisions regarding the outputs of the internal audit system regarding the units reporting to them. In this context, the Head of Internal Systems serves as a member of the Audit Committee.

## QUALIFICATIONS OF AUDIT COMMITTEE MEMBERS

Audit committee members;

- Not being a member of the Board of Directors with an executive duty in the Company, including the last two years prior to the date of appointment;
- Not being a member of the Board of Directors with executive duties in the Company,
- They themselves or their spouses, even if the marriage between them has been dissolved, or their relatives by blood or marriage up to the second degree (including this degree) are not employees of the company and its subsidiaries subject to consolidation, except for those working in internal systems units,
- They, their spouses or their relatives by blood or marriage up to the second degree (including this degree), even if the marriage between them has been dissolved, are not shareholders of the entities that perform the independent audit, rating or valuation of the company and its subsidiaries subject to consolidation, or of the entities abroad that have a legal connection with these entities, or the personnel of the units of these entities that provide services to the company, or are not involved in the independent audit, rating or valuation process,
- They, their spouses or their relatives by blood or marriage up to the second degree (including this degree), even if the marriage bond between them has been dissolved, are not persons who provide consultancy or support services to the company and its partnerships subject to consolidation, except for matters related to internal systems,

They, their spouses, even if the marriage bond between them has been dissolved, or their relatives by blood or marriage up to the second degree (including this degree) do not hold qualified shares in the company and the partnerships subject to consolidation,

The member of the board of directors or the general manager of the controlling shareholder of the company, which has commercial connections in the form of agency or representation of the companies, should not be the spouse of the controlling shareholder or their blood or affinity relatives up to the second degree (including this degree), even if the marriage bond between them has been dissolved,

Not having served on the audit committee of the same company for more than nine consecutive years as of the effective date of the Internal Systems Regulation or, if the maximum term of office is completed, having completed the two-year waiting period to serve on the audit committee of the same company again,

Except for the attendance fee payments made to the members of the board of directors, fixed payments determined by the contract and payments made to the members of the board of directors from the profit based on the provision of the articles of association or the decision of the general assembly, no remuneration or similar income is provided under any name from the company and the partnerships subject to consolidation based on their profitability or performance,

At least a bachelor's degree and at least ten years of experience in insurance, private pension, finance, internal control, risk management, actuarial and audit fields or in legal affairs related to these fields,

Without prejudice to other matters under this heading; not to work in any other commercial organization other than domestic or foreign partnerships with legal personality established in Turkey or abroad that have direct or indirect shares in the company and domestic or foreign credit institutions and financial institutions established in Turkey or abroad that these partners or the real person partners of the company together or individually, directly or indirectly control or participate in with

unlimited liability, and commercial organizations that do not have a conflict of interest with the company, except for the issuance of insurance contracts or private pension contracts,

The company must have other qualifications deemed necessary by the Institution according to its field of activity and special situation.

The qualifications sought in the selection of audit committee members are sought for the duration of the members' respective duties. At least one of the committee members must be resident in Turkey.

If the number of members who are members of the board of directors in the audit committee falls below two for any reason, the board of directors must appoint a sufficient number of members with the qualifications sought under this heading to the audit committee within one month at the latest. If there are no members with these qualifications on the board of directors, board members who do not have an executive duty may be temporarily appointed to the audit committee. In temporary appointments, the condition of having the qualifications of a member who does not have an executive duty as of the date of appointment is sought. The board of directors shall elect a person with the specified qualifications as a temporary board member within two months instead of the audit committee member appointed on a temporary duty and submit it to the approval of the first general assembly. In addition, the board of directors is obliged to take all kinds of measures, including calling the general assembly to an extraordinary meeting, to ensure that any problems that may arise within this scope can be resolved.

#### **DUTIES, AUTHORITIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE MEMBERS**

The audit committee is responsible for and is responsible for; monitoring the efficiency and adequacy of the company's internal systems, the operation of these systems and accounting and reporting systems within the framework of the Law and relevant regulations, and the integrity of the information produced, in order to assist the board of directors in effectively fulfilling its responsibilities regarding internal system activities, making the necessary preliminary assessments in determining the persons and organizations from which the company will receive services for its activities carried out within the scope of internal systems, considering the independent auditing organizations and the criteria of rating, evaluation and materiality to be determined by the board of directors, regularly monitoring the activities of these persons and organizations in case of signing a contract, ensuring that the activities related to the internal systems of the partnerships subject to consolidation are carried out in a consolidated manner and ensuring their coordination.

The Audit Committee is responsible for and is responsible for the following matters regarding the company's internal systems in general in order to ensure that the specified duties are fulfilled:

- To receive and evaluate the opinions and suggestions of senior management on issues related to internal systems.
- To inform the board of directors about the opinions and evaluations of the relevant senior management, internal control, risk management, actuarial and internal audit personnel and the independent audit firm regarding the applications needed to properly perform, ensure effectiveness and develop the works within the scope of their duties and responsibilities.
- To inform the board of directors about the activities performed during the period and the results of these activities, precautions to be taken in the company, practices that need to be carried out and other issues deemed important for the safe continuation of the company's activities, provided that it does not exceed a six-month period.
- To monitor whether the persons responsible for the execution of functions within the scope of internal systems perform their duties independently and impartially.

- To ensure that the internal systems units employ a sufficient number of personnel with the necessary qualifications for the effective execution of the activities.
- To monitor the measures taken by the senior management and the units affiliated to them on issues identified in the reports prepared by the units within the scope of internal systems.
- To review the evaluations of the independent auditing firm within the scope of the compliance of all business processes and practices of the company with the Law and other relevant legislation, and to obtain explanations from the relevant senior management regarding the detected inconsistencies.
- To prepare human resources procedures regarding the managers and personnel of the units within the scope of internal systems; to make recommendations to the board of directors regarding the qualifications to be sought in the managers of the units within the scope of internal systems, to provide opinions to the board of directors during the selection and dismissal of the managers of these units, to appoint and dismiss the personnel of these units within the framework of the recommendations of the managers of the internal system units, excluding internal audit.
- To evaluate the professional education levels and adequacy of the managers and personnel assigned in the units within the scope of internal systems.
- To ensure that communication channels are established that will enable the problems encountered by the company personnel, issues they deem suspicious or irregularities within the company to be directly communicated to the company itself, the relevant management levels, the internal control unit, the internal audit unit or other relevant units.
- To monitor whether the company's financial reports are real and contain all the information that should be reflected and whether they are prepared in accordance with the Law and other relevant legislation, and to have the detected errors and irregularities corrected.
- To fulfill all duties attributed to the Audit Committee in the regulations issued within the scope of internal systems units.

#### **Regarding the Internal Control Function;**

- To monitor whether the regulations regarding internal control in the internal systems regulation and the internal company policies and application procedures approved by the board of directors are complied with and to make recommendations to the board of directors regarding the measures deemed necessary.
- To make evaluations regarding the internal control unit regulation prepared by the internal control unit.
- To approve the internal control plans prepared annually by the internal control unit.
- In case of receiving external services regarding the internal control function, to determine the scope and duration of work with the organizations from which the service will be received.

**Regarding the Risk Management Function;**

- To make evaluations regarding the risk management unit regulation prepared by the risk management unit.
- To determine the scope and duration of work with the organizations from which service will be received in case of outsourcing the risk management function.
- To evaluate whether the necessary methods, tools and application procedures are available to identify, measure, monitor and control the risks carried by the company.

**Regarding the Actuarial Function;**

The audit committee is responsible for ensuring compliance with the general pricing policy, monitoring the adequacy of reinsurance agreements and the reliability of technical provisions, and advising the board of directors on the necessary measures and the financial status of the company, in relation to the actuarial function.

In this context, the Audit Committee is responsible and authorized for the following matters:

- To make recommendations to the board of directors for the effective continuation of the actuarial unit activities under its control in order to ensure the fulfillment of the actuarial function.
- To determine the responsible actuary defined within the scope of this Regulation.
- To ensure that the necessary information systems infrastructure is established and information processing support is provided for the creation of company statistics, access to relevant personnel and appropriate calculations.
- To ensure that a sufficient number of personnel with the necessary qualifications are employed for the effective execution of activities.
- To determine the scope and duration of work with the actuary or institution from which the service will be received in case of outsourcing of actuarial function.

**Regarding the Internal Audit Function;**

- To monitor whether the internal audit unit fulfills its obligations determined by the internal systems regulation and internal policies.
- To monitor whether the internal audit function covers the current and planned activities of the company and the risks arising from these activities, to examine the internal audit-related internal regulations that will come into force with the approval of the board of directors.
- To examine the internal audit plans prepared by the internal audit unit and present them to the board of directors.
- To hold meetings with the internal auditors at regular intervals, at least twice a year, within the scope of the programs and agendas to be determined.

**Regarding the Independent External Audit Function and Other Services;**

- To evaluate the independence of the rating institutions, independent audit institutions and valuation institutions with which the company will sign contracts, and their board chairmen and members, auditors, managers and employees in their activities related to the company, and the adequacy of the allocated resources,
- To present their evaluations to the board of directors in a report, and to repeat these processes regularly in accordance with the audit periods during the contract period in case of outsourcing.

- To discuss with the senior management and independent auditors whether the financial reports accurately reflect the financial status, results of the work done and the cash flows of the company and whether they are prepared in accordance with the procedures and principles specified in the Law and other relevant legislation, to evaluate the results of the independent audit report, the semi-annual and annual financial statements and related documents, and to resolve other issues that the independent auditor has doubts about.
- To conduct a risk assessment regarding the important support services to be received by the company regarding the execution of internal system functions, considering the level of importance to be determined by the board of directors, to present their evaluations to the board of directors in a report, and to regularly monitor the adequacy of the services provided by the support service institution during the contract period in case of outsourcing.

#### **AUDIT COMMITTEE MEETINGS**

- The Audit Committee meets at least four times a year, at least once every three months, and upon invitation by the Audit Committee Chairman, either physically or remotely at the Company headquarters.
- The Audit Committee Chairman may change the meeting date, time and place, provided that the Audit Committee members are notified in advance.
- If the Audit Committee deems it necessary, it may invite Company managers, internal and external auditors or other persons it deems necessary to the meeting in order to obtain information. - The results of the Audit Committee meeting are recorded in the minutes.
- Audit Committee decisions are taken unanimously if the Audit Committee consists of two members, and by majority vote if it has more than two members.
- The Audit Committee may request an urgent meeting of the Board of Directors with an agenda based on the importance and urgency of the findings in the reports submitted to it by the internal systems units.

#### **AUDIT COMMITTEE ACTIVITY REPORTS**

The meetings held by the Audit Committee, the decisions taken as a result of the meeting, the findings and recommendations reached as a result of the work carried out by the Audit Committee in relation to its own duties and responsibilities, summary information regarding the findings and recommendations reached as a result of the work carried out by the internal systems units, and other matters falling within the scope of the Audit Committee's duties as required by the legislation are submitted to the Board of Directors through activity reports prepared for a period not exceeding six months.

Cases where there is a risk of delay and matters determined to be of very high importance according to the materiality criteria determined by the Board of Directors are promptly notified to the Board of Directors by the Audit Committee.

#### **The Audit Committee's interim activity reports shall include, at a minimum;**

- Summary information on the activities carried out by the Audit Committee and the activities carried out by the internal systems units in the relevant period, the results of these activities and the measures to be taken,
- Evaluations of the work of the independent auditing firm,
- Other matters deemed important for the safe continuation of the company's activities.

**The Audit Committee's annual activity report should include, as a minimum;**

- Summary information on the activities carried out by the Audit Committee and the activities carried out by the internal systems units during the relevant period, the results of these activities and the importance to be taken,
- Evaluations on the work of the independent auditing organization,
- Evaluations on whether the persons responsible for the execution of the functions within the scope of the internal systems fulfill their duties independently and impartially,
- Summary information on the organization and human resources structure of the internal systems units and evaluations on the adequacy of the structure,
- Evaluations on the level of education, professional training and adequacy received by the managers and personnel working in the units within the scope of the internal systems during the year,
- Basic information on the new/revised policies, regulations, procedures and business processes approved by the Audit Committee,
- Risk assessments for companies from which services are purchased within the scope of the internal systems,
- Other issues deemed important for the safe continuation of the company's activities.

The annual activity report can be prepared as a single report together with the last interim activity report of the calendar year or as a separate report.

**BUDGET**

All resources and support required for the Committee to carry out its duties and activities effectively and efficiently are provided by the Board of Directors.

The Audit Committee benefits from independent expert opinions on matters it deems necessary regarding its activities. The cost of the consultancy service required by the Audit Committee is covered by the Company.

**ENFORCEMENT**

This regulation and any changes regarding the duties and working principles of the Committee shall enter into force with the decision of the Board of Directors.