

## I. Introduction

The Internal Audit Department provides an essential role in the corporate governance process of Vulcan Materials Company (VMC). The mission of the Department is to ascertain whether the on-going processes for controlling operations throughout the Company are adequately designed and function in a manner which is consistent with policies, procedures and practices promulgated by Management and the Board of Directors. In order to maintain its independence, the internal audit activity reports administratively to the Chief Financial Officer and functionally to the Audit Committee of the Supervisory Board of Directors. Functional reporting to the Audit Committee will include, but is not limited to:

- Approving the Internal Audit charter
- Approving the annual Internal Audit plan
- Approving the annual Internal Audit budget
- Receiving communications from the Vice President of Internal Audit on Internal Audit's performance relative to the plan.

Individuals within the Department will possess the necessary knowledge, skills and experience to execute their responsibilities with full regard and understanding of those responsibilities to: (a) exhibit loyalty to the Company in all matters pertaining to it while maintaining complete independence and objectivity, (b) exercise due professional care in the performance of their duties, and (c) conform with the standards of the Institute of Internal Auditors which are relevant to the performance of their job responsibilities. The Vice President of Audit Services is accountable for overall conformance with the standards.

## II. Standards of Practice

The internal auditing activity will meet or exceed the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. Consistent with the IIA Standards, the internal audit activity recognizes the mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the IIA Standards. Additionally, the internal activity will work with the Company's adopted internal control framework: "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

## III. Scope

The Internal Audit Department's scope of work includes all Company activities and operations and is to:

- 1) Understand the business units it audits through proper planning of each audit engagement (i.e. functions, services, systems and activities),
- 2) Examine and evaluate the risk management processes established by management,

- 3) Examine and evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations and information systems,
- 4) Advise in the design of controls in new or modified information systems or business processes to ensure adequate controls are designed prior to implementation,
- 5) Perform follow up reviews of each and every issue identified in audits to ensure management has completed the required actions necessary to address the identified issues, and
- 6) Communicate and report the results of audits performed to managers in a timely manner that supports the achievement of their performance objectives including any identified opportunities for improving profitability and effectiveness of the activity/business unit.

#### IV. Authority

The Vice President of Audit Services and the Internal Audit staff are authorized to:

- 1) Have unrestricted access to all Company personnel, functions, manual and electronic records, files and property. All records, documentation, and information accessed in the course of undertaking departmental activities are to be kept confidential and used solely for the conduct of these activities.
- 2) Employ internal or external independent subject matter experts and consultants, and/or enter into such other arrangements as required to enhance the quality, effectiveness or efficiency of audit efforts;
- 3) Have direct access to the Audit Committee and external auditors; and
- 4) Allocate audit's resources, set frequencies, select subjects, determine scopes of work and audit objectives, apply accepted audit techniques required to implement the Department's plan, and establish follow up objectives for ensuring management adheres to its plan for remediating control issues.

The Vice President of Audit Services and the Audit Services staff are not authorized to:

- 1) Perform or direct any operational duties in the Company;
- 2) Initiate or approve any accounting transaction external to the Department, and
- 3) Manage risks by deciding upon or implementing risk response.

The Internal Audit Department may serve in a consulting capacity, advising the business on matters including but not limited to: business opportunities, best practices, financial control, fraud control and risk management, operational process control design, the development of new technology, processes or programs; and significant changes to existing technology or processes, including the design of appropriate controls. To maintain the independence and objectivity of Internal Audit, management remains

responsible for making the final decision on accepting and implementing recommendations provided.

## V. Responsibilities

- 1) Develop annual audit plan based on analyses of significant risks with input from members of the governance process. Special projects or tasks assigned by the Audit Committee or Senior Management will be reflected in the annual plan.
- 2) Liaise with external auditors throughout the year to:
  - (a) optimize the collective audit effort and avoid unnecessary duplication and overlap;
  - (b) review the impact of material changes to controlling processes; and
  - (c) review and address substantive changes in business requirements (acquisitions, divestitures, etc.)
- 3) Implement the audit plan with consideration of emerging risk, probability of significant errors, fraud, and changing business circumstances during the execution of the plan.
- 4) Inform and advise management and the Audit Committee of significant substantive matters noted in the course of the Department's work.
- 5) Promote ethics and values within the Organization;
- 6) Recognize Board and Management policy requires compliance with the highest standards of ethical behavior and sound business practice. Knowledge of a known or suspected violation of these policies, laws or regulations are reportable by the Internal Audit staff to the Vice President, Internal Audit and by him/her to such level or authority as is appropriate in the circumstances, up to and including the Audit Committee.
- 7) Acquire and develop a professional audit staff with sufficient knowledge, skills, and experience to meet the requirements of this Charter, as well as the expectations of the Audit Committee, Senior Management, and performance managers to ultimately be a resource for other positions within the Company.
- 8) Establish a Quality Assurance and Improvement Program, including both internal and external assessments, that assures Senior Management and the Audit Committee of the audit staff's competency and professionalism, and that the audit practice meets or exceeds the *"International Professional Practices Framework"*.
- 9) Serve as a consultant to teams developing new systems or business processes in order to ensure adequate controls are designed prior to implementation.
- 10) Facilitate the consideration and adoption of best practices across the Company.
- 11) Document and retain any relevant information to support conclusions and engagement results.
- 12) Participate, when requested, in special assignments of the Audit Committee, or Senior Management in:
  - (1) Reviews and evaluations of pre- or post-acquisitions;
  - (2) Investigations, in liaison with the Legal Department, in suspected violations of the Code of Business Conduct or suspected illegal activities; and
  - (3) Others projects as requested.
- 13) Annually, review and recommend changes (if any), to the Internal Audit Charter.

14) Coordinate activities with other control and monitoring functions.