



PT INDO KORDSA Tbk.  
Internal Audit Charter

## 1. OBJECTIVE

The overall objective of this Internal Audit Charter (the "Charter") is to outline the authority and scope of the Internal Audit function within PT Indo Kordsa Tbk. (the "Company"), and to delineate standards, cohesive guidelines, policies, and procedures which will generally govern the Internal Audit function. Notwithstanding the foregoing, this manual should not inhibit professional judgment, practicality and innovative auditing. Therefore, it may not be followed for certain special projects under special circumstances.

The mission is to provide independent and objective assurance and consultancy services, and also to conduct investigations on an ad hoc basis as requested by Board of Directors, Board of Commissioners, Audit Committee, or senior executive management, all designated to add value and improve the Company operations. The function helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2. STRUCTURE

a. The Internal Audit department is lead by Head of Internal Audit.

b. In order to permit the rendering of impartial and unbiased judgment essential to proper conduct of Internal Audit activity, the Head of Internal Audit responsible functionally to the Board of Commissioners through Audit Committee and administratively to the President Director.

c. The Head of Internal Audit is appointed and dismissed by President Director with Board of Commissioners approval as advised by Audit Committee. The appointment and dismissal of the Head of Internal Audit must be immediately informed to the Indonesia Financial Services Authority (OJK).

## 3. ROLES AND RESPONSIBILITIES

The Internal Audit department have responsibility to:

- Plan and Implement annual audit plan, as approved, including any special tasks or projects requested by Board of Directors, Board of Commissioners, the Audit Committee, or senior executive management;
- Identify, assess, and evaluate the Company's risk areas, financial and accounting, significant merging functions and new or changing services, processes, operations and controls,
- Ensure financial, managerial, and operating information is accurate, reliable, and timely;
- Assess employee's actions are in compliance with Company standards, procedures, and applicable laws and regulations;
- Make suitable recommendations for improved internal controls, risk management, and governance processes;
- Monitor whether quality and continuous improvement are fostered in the organization's control processes;

- Perform special investigation services beyond Internal Audit assurance services, to assist management in meeting its objectives,
- Perform consulting services beyond Internal Audit assurance services, to assist management in meeting its objectives,
- Verify if Company resources are acquired economically, used efficiently, and adequately safeguarded;
- Research and adopt industry best practices where appropriate;
- Plan a program to evaluate the quality of work of Internal Audit department,
- Issue periodic reports to the President Director, Board of Commissioners and Audit Committee summarizing result of audit activities;
- Keep the Board of Commissioners and Audit Committee informed on the emerging trends and successful practices of Internal Auditing;

#### 4. AUTHORITY

The Internal Audit department are authorized to:

- Have unrestricted access to all functions, records, property and personnel,
- Have full and free access to the Board of Directors, Board of Commissioners and Audit Committee,
- Conduct meetings with the Board of Directors, Board of Commissioners and Audit Committee,
- Coordinate their work with the work of external auditor,
- Allocate resources, set frequencies, select subject, determine scopes of work and apply the techniques required to accomplish audit objectives,
- Obtain the necessary assistance of personnel in units of organization where they perform audits as well as other specialized services from within or outside the organization,
- Outsource external services provider if deemed necessary to help achieving the engagement objectives.

The Internal Audit department is NOT authorized to:

- Perform any operational duties for organization and its affiliates,
- Initiate or approve accounting transactions external to Internal Audit department,
- Direct the activities of any organization employee not employed by the Internal Audit department, except to the extent such employees have been appropriately assigned to auditing teams or otherwise assist the Internal Auditors.

#### 5. CODE OF ETHICS

The Internal Audit department should adhere to the Internal Auditor code of ethics prescribed by the Institute of Internal Auditor:

##### 5.1. Integrity

- 5.1.1 Shall perform their work with honesty, diligence and responsibility.

5.1.2 Shall observe the law and make disclosures expected by the law and the profession.

5.1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.

5.1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

## 5.2 Objectivity

5.2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

5.2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.

5.2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

## 5.3 Confidentiality

5.3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

5.3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

## 5.4 Competency

5.4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

5.4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

5.4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

## 6. QUALIFICATIONS

The Internal Auditor must have the following qualifications:

6.1 Have sufficient knowledge and experience on audit.

6.2 Have sufficient knowledge on the capital market regulation and other relevant regulation.

6.3 Have sufficient knowledge on risk management and good corporate governance.

6.4 Have a good and effective communication skill, in verbal and in writing.

6.5 Comply with the Internal Auditor professional standards and code of ethics.

## 7. NATURE OF SERVICES

### 7.1 Internal audit services

It is critical for internal audit to systematically analyze risks. Enterprise risk assessment is the responsibility of the risk manager and integrating risk management enhancement and internal audit efforts presents an opportunity to drive value in the business beyond the traditional role of assurance activities.

Internal Audit's approach should enable a more comprehensive view of risk and control across the organization; align internal audit with current-state corporate objectives; allow internal audit resources to focus on high risk and control areas and position internal audit to make a tangible value-added contribution to the business.

### 7.2 Consulting services

Consulting services are designed to mitigate risk, improve operations, and/or assist management in achieving its business objectives without undertaking any administrative responsibility. Consulting services must be consistent with the current or prospective values of the company. Adequate engagement planning requires the establishment of a scope which addresses client concerns and relevant business risks.

Consulting services can be provided either together with regular audit projects or through the request of the management. The consulting services provided by internal auditor will not replace the responsibility of management in day-to-day operations.

### 7.3 Investigation services

The objectives of investigation services conducted by the internal auditor are to determine whether known or suspected fraudulent activities, misappropriation, or similar irregularities are occurring, to document the source and amount of funds involved, to identify the individuals responsible for the loss, and to provide recommendations for corrective actions to improve prevention and detection procedures.

## 8. REVIEW

The Head of Internal Audit is responsible for reviewing this charter at least once in a two year.