

# AUDIT CHARTER POLICY

## 1. INTRODUCTION

This Charter provides a framework for the conduct of the internal audit function within Johor Plantations Group (JPG) and is approved by the Board Audit Committee.

## 2. PURPOSE AND MISSION

The Internal Audit Department (IAD) provides independent, objective assurance and consulting services designed to add value and improve JPG's operations and internal controls.

The mission of internal audit is to help ensure that JPG's operations are conducted according to the highest standards by providing an independent, objective assurance function and by recommending best practices.

IAD assists JPG in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 3. AUDITING STANDARDS

The internal audit function will conduct its activities under the Institute of Internal Auditors' International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing, Code of Ethics (Code), the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing.

Additionally, IAD will adhere to JPG's relevant policies and procedures and IAD's standard operating procedures manual.

The Head of Internal Audit (HOD) will report periodically to senior management and the Board Audit Committee regarding IAD's conformance to the Code and the Standards.

#### 4. INDEPENDENCE AND OBJECTIVITY

To maintain its independence, HOD reports administratively (i.e., day to day operations) to the Managing Director of JPG and functionally to the Board Audit Committee.

HOD will communicate and interact directly with the Board Audit Committee, including in executive sessions when called upon to do so. In addition, HOD will have direct access to the Board Audit Committee and will take directly to the Chairman of the Board Audit Committee, any matter that is believed to be of sufficient importance to require immediate attention of the Board Audit Committee.

In performing its function, IAD has no direct authority or responsibility for the activities it reviews. Internal auditors have no responsibility for developing or implementing procedures or systems, will not implement controls, prepare records, or engage in original line processing functions or activities that may impair their judgement.

Internal auditor shall be free from control or undue influence in the selection of areas and activities to be examined, the application of audit techniques, procedures and programmes, frequency, timing, report content, and determination of facts.

HOD will confirm to the Board Audit Committee, at least annually, the organisational independence of IAD.

## 5. AUTHORITY

Internal auditors are authorised to have full, free and unrestricted access to all functions, areas, activities, physical properties, premises, assets, personnel, records, and other documentation and information necessary to enable IAD to carry out its activities and to meet its responsibilities.

HOD and individual internal audit staff are responsible and accountable for maintaining the confidentiality and safeguarding of such records and information.

IAD will allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.

IAD will also obtain assistance for specialised services from within or outside JPG to complete engagements.

## 6. ROLES AND RESPONSIBILITIES

HOD and staff of IAD have responsibilities to:

- Develop an annual audit plan using appropriate risk-based methodology, including risks or control concerns identified by senior management and the Board Audit Committee, and submit that plan to the Board Audit Committee for review and approval. The plan will include a work schedule, budget and resource requirements for the next fiscal year.
- Implement the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by senior management (through the Managing Director) and the Board Audit Committee.
- Review and adjust the annual audit plan, as necessary, in response to changes in JPG's business, risks, operations, programmes, systems and controls.
- Maintain a professional audit staff with sufficient knowledge, skills, experience and other competencies to meet the requirements of this Charter.

## 6. ROLES AND RESPONSIBILITIES (continued)

- Issue and present quarterly report to the Board Audit Committee summarising the status and the results of audit activities.
- Issue an audit report to management and any other relevant parties at the conclusion of each audit in order to communicate the results of audit examinations, the opinion formed, and the recommendations made.
- Provide adequate follow-up to make certain that appropriate corrective action is taken adequately, effectively and timely addressed.
- Assist in the investigation of suspected irregularities or fraudulent activities within JPG and notify the Managing Director and the Board Audit Committee of the results.
- Assist management in identifying the risks of fraud and develop fraud prevention and monitoring strategies.
- Coordinate and provide support with and oversight of other control and monitoring functions within JPG e.g., risk management, compliance, security, safety, sustainability, agronomy, planting advisory, external auditor.
- Evaluate risk exposure relating to achievement of JPG's strategic objectives.
- Review and appraise the adequacy and effectiveness of controls and the reliability and integrity of financial, managerial and operational data of JPG.
- Monitor and evaluate governance processes.
- Evaluate the adherence to legal and regulatory requirements and approved plans, policies and procedures.
- Evaluate the effectiveness of existing policies and procedures and give recommendations for improvements.
- Perform consulting services where necessary and appropriate. These may include facilitation, process design, training and advisory services.
- Facilitate self-assessments to help departments, business units, estates and mills identify objectives and evaluate business risks as part of their ongoing risk management.

## 7. SCOPE OF WORK

The scope of work encompasses the examination and evaluation of the adequacy and effectiveness of JPG's governance processes, risk management, internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve JPG's stated goals and objectives.

This can include but is not restricted to determining whether:

- Risks are appropriately identified and managed.
- Interaction occurs as needed between the various departments/companies/business units/estates/mills and external regulatory authorities.
- Operations are transacted in accordance with sufficient and adequate controls.
- Significant financial, managerial and operational information is accurate, reliable and timely.
- Employee actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Significant legislative or regulatory issues impacting JPB are recognised and addressed appropriately.
- Programmes, plans and objectives are achieved.
- Resources are acquired economically, used efficiently and adequately safeguarded.
- Measures taken to foster continuous improvement in control processes.
- Compliance risk is assessed, and the highest risks are included in the compliance programme.

## 8. REPORTING AND MONITORING

A written report will be prepared and issued by IAD following the conclusion of each internal audit engagement and will be distributed as appropriate. The report will include audit findings and recommendations along with the department/company/business unit/estate/mill management action plan. Each recommendation will be rated, and overall rating will be attributed to the audit where appropriate. A synopsis of internal audit results will be communicated to the Board Audit Committee.

IAD will be responsible for appropriate follow-up on engagement findings and recommendations. The status of all significant open findings will be reported to the Board Audit Committee until closed.

## 9. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

IAD will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of IAD's conformance with the Standards and an evaluation of whether internal auditors apply the Code. The programme will also assess the efficiency and effectiveness of IAD and identify opportunities for improvement.

HOD will communicate to senior management and the Board Audit Committee on IAD's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside JPG.