



## **Internal Audit Charter**

**PT ADARO ENERGY TBK  
2017**

**INTERNAL AUDIT CHARTER  
PT ADARO ENERGY TBK (“Company”)**

**A. Definitions**

1. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve Company’s operations, by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
2. Assurance services provide ratings opinion in the audit report over the adequacy of governance, risk management, and control processes.
3. Consulting services provide advisory, education, and facilitation in the areas of governance, risk management, and control processes. When performing consulting services, the Internal Auditor shall not assume management responsibility.
4. Internal Audit Function is the Company’s function that conducts internal audit activities.
5. The Internal Audit Charter is a formal document that provides framework and defines the structure, position, roles and responsibilities, authorities, and accountabilities of the Internal Audit Function.

**B. Scope of Work**

The scope of Internal Audit Function covers all business processes of the company and its subsidiaries to evaluate the adequacy of governance, risk management, and internal control processes.

**C. Structure and Position**

1. Internal Audit Function consists of one or more auditors. The number of internal auditors is based on the size and complexity level of the Company’s activities.
2. Internal Audit Function is led by a Chief Audit Executive, who is appointed and dismissed by the President Director with the approval of the Board of Commissioner.
3. The appointment, replacement or dismissal of the Chief Audit Executive shall be notified to the Financial Services Authority (OJK).
4. The President Director may dismiss the Chief Audit Executive Function, after obtaining approval from the Board of Commissioner, if the Chief Audit Executive Function does not meet the requirements as an internal auditor as stipulated in the Internal Audit Charter and/or fails or incapable of carrying out his or her duties.
5. The Chief Audit Executive is responsible to the President Director.
6. The internal auditor are directly responsible to the Chief Audit Executive.

**D. Roles and Responsibilities**

The roles and responsibilities of the Chief Audit Executive are to:

1. Establish the vision and mission of the Internal Audit Function.
2. Develop a flexible Annual Audit Plan by using a risk-based methodology. The Annual Audit Plan shall be communicated to the Board of Directors and Audit Committee, and be approved by the President Director.
3. Implement the Annual Audit Plan that has been approved by the President Director, and perform special audit as requested by the Company’s Board of Directors, Board of Commissioners, Audit Committee and/or the subsidiaries’ Board of Directors.

4. Test and evaluate the implementation of internal controls and risk management system in accordance with the Company's policies and prevailing laws and regulations.
5. Examine and assess the efficiency and effectiveness in all areas, including finance, accounting, operations, human resources, marketing, information technology and other areas.
6. Provide recommendation for improvement and objective information about the examined activities at all relevant management levels.
7. Prepare an audit report and communicate the report to the Board of Directors, Board of Commissioners, and Audit Committee.
8. Monitor, analyze and report on the implementation of recommended corrective action.
9. Coordinate with Audit Committee.
10. Develop and implement Quality Assurance Improvement Program to evaluate the Internal Audit Function activities.
11. Conduct special audit as needed.
12. Coordinate with other assurance functions (such as: Quality Health Safety & Environment, Legal & Compliance, Risk Management, external auditors) to optimize the assurance over risk management, controls and corporate governance processes.

#### **E. Authorities**

In carrying out its roles and responsibilities, the Chief Audit Executive and internal auditor are authorized to:

1. Have access to all functions, records, properties, and personnel relevant to the audit assignment.
2. Communicate directly with the Board of Directors, Board of Commissioners, and/or Audit Committee and also the members of Board of Directors, Board of Commissioners, and/or Audit Committee.
3. Conduct regular and incidental meetings with the Board of Directors, Board of Commissioners, and/or Audit Committee.
4. Coordinate its activities with the external auditor.

Chief Audit Executive and internal auditors are not allowed to have concurrent roles and position with the Company and its subsidiaries operation personnel.

#### **F. Accountabilities**

The Chief Audit Executive shall report periodically to Board of Directors, Board of Commissioners, and/or Audit Committee regarding:

1. Implementation of Internal Audit Function's strategic plan.
2. Implementation of Annual Audit Plan.
3. Significant audit issues.
4. Implementation status of corrective actions.
5. Limitations and restrictions (if any) when carrying out its roles, responsibilities and authority of Internal Audit Function.

#### **G. Core Principles and Standard**

The Internal Audit Function shall refer to The Institute of Internal Auditors' International Professional Practice Framework (IPPF) and Core Principles.

#### **H. Code of Ethics**

In carrying out its role and responsibilities, The Internal Audit Function must comply with The Internal Audit Code of Ethics adopted from the IIA.

## **I. Internal Auditor Requirements**

1. Have integrity and professional behavior, independent, honest, and objective in carrying out their duties.
2. Have knowledge and experience of audit techniques and other disciplines relevant to their field of work.
3. Have knowledge of laws and regulations in the capital market sector and other relevant laws and regulations.
4. Able to interact and communicate effectively both verbally and in writing.
5. Must comply with the IIA's standard and core principles.
6. Must comply with the Internal Audit Code of Ethics.
7. Must maintain the confidentiality of the Company's information and/or data related to the implementation of the Internal Audit Function's roles and responsibilities unless required by laws or court decisions.
8. Understand the principles of good corporate governance and risk management.
9. Willing to improve the knowledge, skills and professional capabilities continuously.

## **J. Validity Period**

The Internal Audit Charter shall be effective on November, 17<sup>th</sup>, 2017.

The previous Internal Audit Charter dated September, 30<sup>th</sup>, 2013 was revoked and no longer valid.

This internal audit charter may be signed separately, each after being signed will be considered and valid as a single original document, and the entire signature if put together will be considered and valid as a single document.

**Determined by:**

Garibaldi Thohir\*  
**President Director**

Christian Ariano Rachmat\*  
**Vice President Director**

\*The Board of Directors have signed the document in Indonesian version.

**Approved by:**

Edwin Soeryadjaya\*  
**President Commissioner**

Theodore Permadi Rachmat\*  
**Vice President Commissioner**

Arini Saraswati Subianto\*  
**Commissioner**

Ir Palgunadi Tatit Setyawan\*  
**Independent Commissioner**

Dr. Ir. Raden Pardede\*  
**Independent Commissioner**

\*All members of the Board of Commissioners have signed the document in Indonesian version.