

## **TEXCHEM RESOURCES BHD AND ITS SUBSIDIARIES INTERNAL AUDIT CHARTER**

### **Purpose and Mission**

The purpose of Texchem Resources Bhd (TRB)'s Internal Assurance and Consulting (IAC) function is to provide independent, objective assurance and consulting services designed to add value and improve the operations of Texchem Resources Bhd (TRB) and its subsidiaries, herein referred to as, the "TRB Group".

The mission of the IAC function is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The IAC function helps the TRB Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

An assurance service is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the TRB Group such as financial, performance, compliance, system security, and due diligence engagements.

Consulting services are advisory and related service activities, the nature and scope of which are agreed with Management, are intended to add value and improve the TRB Group's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. In rendering such services, appropriate safeguards will be instituted to limit impairment in independence and objectivity of the IAC function.

### **Standards for the Professional Practice of Internal Auditing**

The IAC function will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (*IPPF*), including the Core Principles for the Professional Practice of Internal Auditing, the *Code of Ethics*, the International Standards for the Professional Practice of Internal Auditing (*the Standards*), and the Definition of Internal Auditing.

The Chief Audit Executive (CAE) will report annually to senior Management, the Board and Audit Committee regarding the IAC function's conformance to the *Code of Ethics* and *the Standards*.

### **Authority**

The CAE will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the President/Group Chief Executive Officer. The CAE will establish, maintain, and assure that TRB's IAC function has sufficient authority to fulfill its duties. The Audit Committee will:

- *Approve the TRB Internal Audit Charter.*
- *Approve the annual risk-based IAC plan.*
- *Approve the IAC annual budget and resource plan.*

- *Receive communications from the CAE on the IAC function's performance relative to its plan and other matters.*
- *Approve decisions regarding the appointment and removal of the CAE*
- *Approve the remuneration of the CAE,*
- *Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations.*

The CAE will have unrestricted access to, and communicate and interact directly with, the Board and Audit Committee including in private meetings, without the presence of Management.

The Board authorises the IAC function to:

- *Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information,*
- *Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish assurance objectives, and issue reports,*
- *Obtain assistance from the necessary personnel of the TRB Group, as well as other specialised services from within or outside the TRB Group in order to complete the engagement.*

### **Independence and Objectivity**

The CAE will ensure that the IAC function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- *Assessing specific operations for which they had responsibility within the previous year.*
- *Performing any operational duties for the TRB Group or its affiliates.*
- *Initiating or approving transactions external to the IAC function.*
- *Directing the activities of any TRB Group employee not employed by the IAC function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.*

Where the CAE has or is expected to have roles and/or responsibilities that fall outside of internal assurance, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- *Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.*
- *Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.*
- *Make balanced assessments of all available and relevant facts and circumstances.*
- *Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.*

The CAE will confirm to the Board and Audit Committee annually, the organisational independence of the IAC function.

The CAE will disclose to the Board and Audit Committee any interference and related implications in determining the scope of internal assurance, performing work, and/or communicating results.

### **Scope of IAC Activities**

The scope of IAC activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board and Audit Committee, Management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the TRB Group. Internal assurance assessments include evaluating whether:

- *Risks relating to the achievement of the TRB Group's strategic objectives are appropriately identified and managed.*
- *The actions of the TRB Group's officers, Directors, employees, and contractors are in compliance with the TRB Group's policies, procedures, and applicable laws, regulations, and governance standards.*
- *The results of operations or programs are consistent with established goals and objectives*
- *Operations or programs are being carried out effectively and efficiently.*
- *Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the TRB Group.*
- *Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity*
- *Resources and assets are acquired economically, used efficiently, and protected adequately.*

The CAE will report periodically to senior Management and the Audit Committee regarding:

- *The IAC function's purpose, authority, and responsibility.*
- *The IAC function's plan and performance relative to its plan.*
- *The IAC function's conformance with The IIA's IPPF, Code of Ethics and Standards, and action plans to address any significant conformance issues.*
- *Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Management, Board and Audit Committee.*
- *Results of audit engagements or other activities.*
- *Resource requirements.*
- *Any response to risk by Management that may be unacceptable to the TRB Group.*

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The IAC function may perform advisory and related client service activities, the nature and scope of which will be agreed with Management, provided the IAC function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of Management.

## **Responsibility**

The CAE has the responsibility to:

- *Submit annually to senior Management and the Audit Committee a risk-based IAC plan for review and approval.*
- *Communicate to senior Management and the Audit Committee the impact of resource limitations on the IAC plan.*
- *Review and adjust the IAC plan, as necessary, in response to changes in the TRB Group's business, risks, operations, programs, systems, and controls.*
- *Communicate to senior Management and the Audit Committee any significant interim changes to the IAC plan.*
- *Ensure each engagement of the IAC plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.*
- *Follow up on engagement findings and corrective actions, and report periodically to senior Management and the Audit Committee any corrective actions not effectively implemented.*
- *Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.*
- *Ensure the IAC function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.*
- *Ensure trends and emerging issues that could impact the TRB Group are considered and communicated to senior Management and the Audit Committee as appropriate.*
- *Ensure emerging trends and successful practices in internal assurance are considered.*

- *Establish and ensure adherence to policies and procedures designed to guide the IAC function.*
- *Ensure adherence to the TRB Group's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to senior Management and the Audit Committee*
- *Ensure conformance of the IAC function with the Standards, with the following qualifications:*
  - If the IAC function is prohibited by law or regulation from conformance with certain parts of *the Standards*, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
  - If *the Standards* are used in conjunction with requirements issued by other national regulatory bodies, the CAE will ensure that the IAC function conforms with *the Standards*, even if the IAC function also conforms with the more restrictive requirements of those bodies.

### **Quality Assurance and Improvement Program**

The IAC function will maintain a quality assurance and improvement program that covers all aspects of the IAC activities. The program will include an evaluation of the IAC function's conformance with *the Standards* and an evaluation of whether internal auditors apply the *IIA's Code of Ethics*. The program will also assess the efficiency and effectiveness of the IAC function and identify opportunities for improvement.

The CAE will communicate to senior Management and the Audit Committee on the IAC function's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted once every five years by a qualified, independent assessor or assessment team from outside the TRB Group.

Approved on 27 February 2018

Chief Audit Executive

President/Group Chief Executive Officer

Chairman of the Audit Committee

## **TEXCHEM RESOURCES BHD AND ITS SUBSIDIARIES (The “TRB Group”)**

### **APPENDIX I - INTERNAL AUDIT CODE OF ETHICS**

#### **Principles**

The Chief Audit Executive (CAE) and all staff of the Internal Assurance and Consulting (IAC) function are expected to apply and uphold the following principles:

- Integrity - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment
- Objectivity - Exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgment
- Confidentiality - Respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so
- Competency - Apply the knowledge, skills, and experience needed in the performance of internal auditing services.

#### **Rules of Conduct**

The Chief Audit Executive and all staff of the IAC function shall:

##### **1. Integrity**

1.1 Perform their work with honesty, diligence, and responsibility.

1.2 Observe the law and make disclosures expected by the law and the profession.

1.3. 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 TRB Group.

1.4. Respect and contribute to the legitimate and ethical objectives of the TRB Group.

## **2. Objectivity**

2.1 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 TRB Group.

2.2 Not accept anything that may impair or be presumed to impair their professional judgment.

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

## **3. Confidentiality**

3.1 Be prudent in the use and protection of information acquired in the course of their duties.

3.2 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 TRB Group.

## **4. Competency**

4.1. Engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2 Perform internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing*. (the "Standards")

4.3 Continually improve their proficiency and the effectiveness and quality of their services.





