



INTERNAL AUDIT CHARTER

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1. Introduction

The purpose of this charter is to define the objectives, responsibility, and authority of the Internal Auditor to ensure that the auditor performs its function independently and effectively.

2. Mission and Purpose

The mission of the Internal auditor is to protect and enhance organizational value by providing risk-based, independent, and unbiased assurance. It helps the organization to accomplish its objectives by bringing a systematic approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

3. Objective & Scope

Objective of Internal Audit includes the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal controls at various locations. Review will be focused on:

- Preparation of audit plan to ensure comprehensive coverage & review of audit plan on regular intervals & take opinion of Audit committee for revision in audit plan.
- Evaluation of business/process risks and the effectiveness of controls designed by management to mitigate the risks.
- Reviewing the systems established to ensure compliance with policies, procedures, laws, and regulations which could have a significant impact on operations and reporting and determining compliance.
- Reviewing the process of asset management.
- Verification of transactions on a sample basis to review operating effectiveness of controls and compliance with laid down policies and procedures of the organisation.
- To provide realistic recommendations for improvement and/or remedial measures for areas of improvement noticed during review.
- Leveraging analytics and exception dashboards.
- Assisting the organization in identifying and evaluating risk prone areas / processes & to contribute to improvement in risk management and control systems.
- Conduct Special Audits at the request of management or Audit Committee for areas not included in the Audit plan.
- As per the whistle blower policy of Marico, Internal auditors also perform role as investigators as and when it is required.

Further, Internal Auditor shall also provide guidance to management in the development of effective & efficient internal controls. Internal auditor is expected to add value to organisation by identifying opportunities for improvement & risk mitigation.

4. Authority and Access

Internal auditor is authorized to the following:

- Have the authority to decide the activities to be subjected to internal audit, approach, methodology as well as the frequency in alignment with the audit committee.
- Have at all reasonable times, unrestricted access to all records, documents, accounts, assets, information, and personnel of the Company.
- Have access to all analytics and exception dashboards.
- Seek from every employee of the Company such information, explanation or assistance as may be necessary for the purpose of audit.
- Authority to progressively escalate an audit observation to successive levels of management wherever corrective actions are not initiated / not satisfactory.

5. Responsibility

The internal auditor is entrusted with responsibility to periodically evaluate the policies & controls of the organisation as well as for ensuring timely implementation of agreed action plans. This responsibility is carried out by using systematic & disciplined approach:

- Ascertaining whether the design of internal control established by management is adequate.
- Testing of effectiveness & efficiency of process.
- Reporting the results of audit work performed.
- Providing recommendations for improvement of processes.

Based on above, internal auditor will be responsible for following areas:

- Develop risk-based audit plan to determine priorities of internal audit, consistent with organisation's goals.
- Submit annual audit plans for the review and approval of the Audit Committee.
- Conduct reviews to test control effectiveness
- Assess the means of safeguarding assets & verify their existence
- Recommend improvements in process & procedures to strengthen controls
- Work on strengthening anti-fraud mechanism
- Identify opportunities for cost optimisation and process improvement.
- Carry out special assignments & investigations as suggested by Audit committee & senior management.
- Evaluate effectiveness of Information Technology controls across the organisation on a periodic basis.
- Conducting cyber security assessments to assess and mitigate cyber risks.
- Assist Audit Committee in discharging its responsibilities under Revised Clause 49 of Listing Agreement with the respective Stock Exchanges, as required by Audit and Ethics Committee.

6. Objectivity and Independence

The primary purpose of internal audit is to provide an objective evaluation of the operations, information, and control systems, that management has put in place. In this respect Internal Auditor is expected to adhere to the Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors. Internal Auditors should form their independent opinion on audit matters with an unbiased attitude.

In view of the nature of Audit's role as an independent appraisal activity that functions as a service to the management, internal auditors should continually strive to be as objective and impartial as possible in carrying out their responsibilities and should base findings and recommendations on facts rather than impressions. Appropriate supervisory involvement should take place to ensure audit objectives are met and that objectivity is maintained.

7. Reporting

The primary purpose of internal audit reports is to provide management with an opinion on the adequacy of the internal control system, and to inform management of significant audit findings, conclusions, and recommendations.

Internal Auditor shall produce clear, constructive, and concise written reports based on sufficient, relevant, and reliable evidence, which:

- state the scope, purpose, extent, and conclusions of the internal audit assignment
- make recommendations which are appropriate and relevant, and which flow from the conclusions
- acknowledge the actions taken, or proposed, by management

Reports of the internal auditors are regularly reviewed by the management and corrective action is initiated to strengthen the controls and enhance the effectiveness of the existing systems. Summaries of the reports and actions taken on audit findings are presented to the Audit Committee of the Board.

Internal audit reports are confidential documents, and their distribution should therefore be restricted to those managers who need to know, the Audit Committee and the External Auditors.

8. Quality Assurance

Internal Audit operates a quality assurance process that has been designed to provide assurance to the Audit Committee that audit policies, processes, operating framework are in conformance with the roles and responsibilities of organization governance model along with compliance to the Audit plan and recommended industry practice.

9. Leadership Development

As audit processes are based on facts and require analytical skills, it provides the audit staff an opportunity to look at different business situations objectively and draw conclusions without any bias. This provides a diversified group of high potential individuals from the Internal Audit department broad exposure and training in a challenging business environment. These individuals can also take up important positions / assignments in line functions in future.

10. Professional Standards

The Internal auditor shall carry out its activities with reference to and guidance from the below professional standards on internal audit:

- Standards on Internal Audit (SIA) issued by ICAI;
- International Standards for the Professional Practice of Internal Auditing (IPPF) issued by The Institute of Internal Auditor's (IIA)