

# Alupar Corporate Policies

## Internal Audit Policy



**ALUPAR**

8/12/2020

Creation: Internal Audit Department

Review: 01 - Initial Preparation

Type of access: Free

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8/12/20

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## Internal Audit Policy

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## 1. CONTROL INFORMATION

REVIEW	DATE	REVIEW TYPE	DETAILS
01	08/2020	New	Creation of Internal Audit Policy.
02			
03			
04			
05			
06			
07			

### Review types

- **Inclusion:** Inclusion of information that did not exist in the previous version.
- **Removal:** Removal of information that existed in the previous version.
- **Change:** Change or amendment of information that already existed in the previous version.
- **New:** It indicates that the guideline was created, corresponding to the first version of the document.

## 2. OBJECTIVE

To establish the guidelines for the Internal Audit activities of Alupar Holding companies and its national and international subsidiaries, encompassing the main aspects of the internal audit function, as well as its relation to the Board, Audit Committee, Senior Management and audited areas in order to provide the independence and objectivity required for the execution of Internal Audit work.

## 3. SCOPE

This policy applies to all Alupar Holdings employees, as well as those from its national and international subsidiaries.

## 4. INVOLVED AREAS

All the areas of the Companies.

## 5. VALIDITY

This document takes effect from its publication date.

## 6. DEFINITIONS

Concepts	Definition
IIA	<i>Institute of Internal Auditors</i> is an international professional association with non-economic purposes, providing education, qualification and professional certification services to its members. Its affiliate in Brazil is located in São Paulo (SP).
COSO	<i>Committee of Sponsoring Organizations of the Treadway Commission</i> is a non-profit organization, formed by AAA ( <i>American Accounting Association</i> ), AICPA ( <i>American Institute of Certified Public Accountants</i> ), FEI ( <i>Financial Executives International</i> ), IIA ( <i>Institute of Internal Auditors</i> ) and IMA ( <i>Institute of Management Accountants</i> ), dedicated to developing and studying governance, risk management and internal control matters, providing guidelines and conceptual model to organizations
Internal Audit	Independent and objective activity that provides assessment and consultancy services and aims to add value to and improve the organization's operations. The internal audit helps the organization to achieve its objectives, adopting a systematic and disciplined approach for assessment and improvement of the efficacy of risk management, control and corporate governance processes.
Audit Plan	Base document for the performance of Internal Audit, submitted to the approval by the Audit Committee, identifying the areas and

	processes to be audited, according to the main risks and controls associated to the activities, operations and systems, and the recommendations from the Presidency, Board of Executive Officers, Audit Committee and Board of Directors.
Board of Directors	Committee in charge of the decision making process of an organization in regards to its strategic guidance, it is the main component of its governance system. Its role is to be the link between the ownership (partners) and the management (board of executive officers) to guide and supervise the relationship of the latter with the other stakeholders. The Board is granted powers from the partners and is accountable to them, deciding in favor of the best interest of the organization as a whole, regardless of the parties who nominated or elected its members.
Audit Committee	Statutory body, with the function to advise and assist the Board of Directors, and, among its duties, supervises the internal audit function.
Action Plans	Actions to be performed by the business areas, with establishment of deadlines and responsible for the implementation of improvements in the internal controls, as well as the correction of deficiencies identified in the reports issued by the internal audit.
Independence	Free from conditions that threaten the internal audit's capability of performing its tasks in an impartial manner
Objectivity	Impartial mental attitude that allows internal auditors to perform their audit work in a transparent and reliable manner, with no compromise of the quality.
Conflict of Interests	Any relationship that is not, or seems not to be, in the organization's best interests. A conflict of interests would damage

	the ability of an individual to objectively perform their obligations and duties.
Proficiency	A term that refers to the knowledge, skills and other required competences of the internal auditors to efficiently perform their professional duties.
Control	Action taken by the management, board or other parties in order to manage the risks and increase the probability of the established objectives and targets to be met. Management plans, organizes and conducts the execution of sufficient actions to provide reasonable certainty that the objectives and targets will be met.
Risk	The possibility of occurrence of an event that may have an impact in the achievement of objectives. The risk is measured in terms of impact and probability.
Fraud	Any illegal act characterized by dishonesty, deceit or breach of confidence. Fraud is committed by parties or organizations in order to obtain money, assets or services, or to obtain personal or business advantage.
Corporate Governance	A system through which companies and other organizations are governed, monitored and incentivized, involving relationships among partners, board of directors, board of executive officers, inspection and control bodies and other stakeholders.

## 7. REFERENCES

- Normas Internacionais para a Prática Profissional de Auditoria Interna – IIA - 2019;
- Código de Ética – IIA – 2019;
- Corporate Risk Management Integrated to Strategy and Performance - 2017;
- COSO 2013 – Internal Control – Integrated Framework;
- COSO 2004 – Gerenciamento de Riscos Corporativos –Estrutura Integrada;

- Código das Melhores Práticas de Governança Corporativa - IBGC – 2015;
- Auditoria Interna – Aspectos Essenciais para o Conselho de Administração – IBGC – 2018.

## 8. SUPPLEMENTARY DOCUMENTS

Not applicable.

## 9. REGULATORY GROUNDS

Not applicable.

## 10. GENERAL GUIDELINES

The Internal Audit Policy is governed by the compliance with the mandatory elements in the *International Professional Practices Framework* (IPPF) and by the Code of Ethics promoted by the *Institute of Internal Auditors* (IIA - USA), as well as by the Code of Conduct by Alupar Holding and its national and international subsidiaries.

### 10.1 MISSION

To enhance and protect the organizational value, providing assessment, consultancy and objective knowledge based on risks.

### 10.2 PURPOSE

To provide independent and objective assessment and consultancy services, created to add value and improve the organization's operations (protection and value increase concepts).

The Internal Audit supports the Board of Directors in meeting its fiduciary obligations in the assessment of risk management processes, of control, compliance and corporate governance. It acts as a third line of defense and its scope is to assess if the inherent processes, designed and described by Management, are appropriate and are working in a way that ensures that:

- Risks are identified and assessed;
- The interaction with the several governance groups occurs when required;
- The financial, administrative and operational information is accurate, reliable and timely;
- Employees are abiding to the applicable policies, standards, procedures, regulations and laws;
- Resources are economically acquired, used with efficiency and appropriately protected;
- Programs, plans and objectives are fulfilled;

- The quality and continuous improvement of the organization's control process are fostered; and
- Legal or regulatory issues that impact the organization are identified and adequately addressed.

Improvement opportunities in the controls, profitability and image of the organization may be identified during audits and will be communicated to the appropriate management levels.

### 10.3 AUTHORITY

The Internal Audit will be accountable to the Audit Committee, which is an assistance body to the Board of Directors, and its Area Manager and staff are authorized to:

- Have unrestricted access to all functions, records, assets and personnel;
- Allocate resources, establish frequency, select themes, define work scopes and apply the required techniques to achieve the audit objectives; and
- Obtain the required assistance from the staff in all sectors of the organization where audits are performed, as well as other specialized services performed inside or outside the organization (\*).

(\*) in the eventual contracting of external services, with the due approval of the Audit Committee, the internal auditors shall establish with these a written understanding of the objectives, scope, respective responsibilities and other expectations, including restrictions to the distribution of the work results and access to work records.

Internal Audit is not authorized to:

- Perform any operational task for Alupar Holding and its national and international subsidiaries. However, objectivity is not impacted when Internal Audit recommends control standards for the systems or review procedures prior to be implemented. Objectivity is considered as affected if the internal auditors design, deploy, draft procedures and operate such systems.
- Initiate or approve accounting transactions not related to the Internal Audit Area; and
- Direct activities of any employee of the organization who is not from Internal Audit, unless such employee was formally designated to auditing teams or cooperate with internal auditors

### 10.4 RESPONSIBILITY

The Internal Audit Manager and their staff are responsible for:

- Developing a flexible audit annual plan, using an adequate methodology based on risks, which includes all the themes of risks or controls identified by the management, and present the plan to the Presidency and Audit Committee for reviews and approvals;

- Implementing the approved audit annual plan, including, if appropriate, all the special tasks or projects requested by Management;
- Keeping the staff with sufficient knowledge, attitude, experience and professional certifications in order to meet the requirements if this statute;
- Performing consultancy services, as well as assessment services (assurance), in order to support management in fulfilling its objectives. Examples of these services may be training and process design;
- Assessing significant functions of merger/consolidation, changes or new processes, operations and controls that coincide with their development, implementation or expansion,
- Issuing frequent reports to Presidency, Audit Committee, Board and Management, summarizing the results of the Internal Audit activities (audits/action plans);
- Cooperating in the investigation of activities with suspicion of fraud within the organization and informing the results to the Audit Committee, Board and Presidency; and
- Considering the scope of work of the external auditors and regulators, if appropriate, in order to provide audit to the organization at a reasonable cost.

### 10.5 ACCOUNTABILITY

The Internal Audit Manager, in the fulfillment of their function, will be accountable to the Presidency of Alupar Holding and to the Audit Committee, through frequent meetings in order to:

- Provide an annual assessment of the sufficiency and efficacy of the process at the organization to control its activities and manage the risks in the areas listed in the mission and scope;
- Timely inform about significant issues related to the control processes of the activities of Alupar Holding and its subsidiaries, including potential improvements in the processes and how those may be regularized;
- Periodically inform on the status and results of the Annual Audit Plan / action plans; and
- Provide support to other control and monitoring functions (risk management, compliance, ethics, external audit), if required by the Audit Committee.

### 10.6 INDEPENDENCE

In order to provide independence to the department, its staff reports to the Internal Audit Manager, who administratively reports to the Presidency of Alupar Holding and functionally to the Audit Committee, in the manner described in the previous section (*Accountability*).

## 10.7 DIFFUSION OF THE INTERNAL AUDIT RESULTS

The Internal Audit Manager shall initially communicate the results to the manager of the audited area, so he/she is aware of the risks presented in the area. Additionally, they shall discuss action plans and a deadline for such action to be performed. Then the diagnosis/results shall be presented to the Audit Committee.

## 10.8 RESPONSABILITY OF THE OTHER STAKEHOLDERS

### 10.8.1 Audit Committee

- To review and approve the Internal Audit Policy, jointly with the Board of Directors;
- To review, approve and follow up on the execution of the Annual Audit Plan;
- To approve eventual changes that occurred during the execution of the Annual Audit Plan, including eventual requests of new work demands;
- To approve eventual internal audit third party services;
- To be aware of and assess the content of the Internal Audit reports, question and request additional details, when required;
- To coordinate the Internal and External Audit activities, Risk Management and Internal Controls and Compliance, aiming to ensure the appropriate coverage and minimization of potential duplicity of efforts;
- To be aware of the status of the corrective actions reported by the Internal Audit and performed by Management.

### 10.8.2 Audited Business Areas

- To provide the information and data that were requested, which are necessary to the performance of Internal Audit work;
- To assess the Internal Audit reports;
- To send the report to the responsible for the preparation of the action plan approved by the relevant Directorate and notify Internal Audit; and
- To implement the actions provided for in the action plan within the established time frame and, if they are not implemented, justify the extension to Internal Audit, communicating it to their relevant Directorate.

## 11. GENERAL PROVISIONS

The Internal Audit Manager is responsible for clarifying any existing doubt about this Policy, as well as promoting eventual required changes, excluding the matters that are of competence of the Audit Committee and Board of Directors.