

## 1. OBJECTIVE

The purpose of the Internal Audit area at M. Dias Branco Interna is to offer objective evaluation and consultancy services to add value and improve the Company's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based assessments, advice and knowledge. It assists the Company in achieving its objectives using a systematic and disciplined approach to evaluate and increase the effectiveness of governance, risk management and internal control environment in its businesses.

## 2. APPLICATION

The Internal Audit area will aim to adhere to the mandatory elements of the *International Professional Practices Framework (IPPF)* of *The Institute of Internal Auditors (IIA)*, including the "Fundamental Principles for the Professional Practice of Internal Auditing", the "Code of Ethics", the "International Standards for the Professional Practice of Internal Auditing" (Standards) and the "Definition of Internal Auditing". These mandatory elements constitute principles of fundamental requirements for professional practice and for evaluating the effectiveness of the performance of the activity. "Position Statements" and "Recommended Implementation and Supplementary Guidance" will also be adopted, as applicable. Additionally, the Internal Audit area will adhere to the policies and procedures of M. Dias Branco SA and its respective internal manuals.

The Audit manager will periodically report to senior management and the Audit Committee on the compliance of the internal audit activity with the Code of Ethics and Standards.

## 3. RESPONSIBLE MANAGERS

Internal Audit Management

## 4. DESCRIPTION

### 4.1. Introduction

The activity and responsibility of the Internal Audit area is established by the Board of Directors and the Audit Committee, as part of their supervisory duties.

The Audit Manager will report functionally to the Audit Committee, and consequently to the Board of Directors and administratively to the President.

The Audit Manager will have unrestricted access to and will communicate and interact directly with the Audit Committee, including at executive meetings or Board meetings, as necessary.

The Board of Directors, through the Audit Committee, its advisory body, will:

- ❖ Approve the Internal Audit Statute.
- ❖ Approve the annual risk-based Audit plan and its possible changes, considering the annual budget and Internal Audit resources.
- ❖ Receive communications from the Audit Manager regarding the performance of the internal audit area regarding its plan and other issues.
- ❖ Evaluate the performance of the Audit Manager and the Internal Audit area.
- ❖ Approve decisions regarding the hiring and/or dismissal of the Audit Manager.

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- ❖ Approve the fixed and variable remuneration of the Audit Manager.

The Internal Audit area, with strict responsibility for confidentiality and safeguarding, is authorized to have complete, free and unrestricted access to the Board of Directors and Audit Committee and to any and all documentation, information, records, property, and people pertinent to the implementation of its projects, subject to due accountability regarding the confidentiality and safeguarding of records and information.

The Board of Directors, through the Audit Committee, its advisory body, authorizes the internal audit:

- ❖ Allocate resources, define frequencies, select issues, determine scopes of work, apply techniques necessary to achieve audit objectives and issue reports.
- ❖ Obtain assistance from necessary Organization personnel, as well as other specialized services, internal or external to the organization, to complete the work.

All employees and third parties must support the Internal Audit area in fulfilling its role and responsibilities.

## 4.2. Independence and Objectivity

The Audit Manager will ensure that the internal audit activity remains free from interference from any element in the Organization that threatens the ability of internal auditors to carry out their responsibilities impartially, including topics related to sampling, scope, testing protocols, frequency, opportunity, and content of their work and reports. If independence or objectivity is impaired in fact or in appearance, the Audit Manager will disclose details of the impairment to the appropriate parties.

Internal auditors will not have direct operational responsibility or authority over any of the activities audited and must disclose any impairments to independence or objectivity, in fact or appearance, to the appropriate parties. In this sense, they will not implement internal controls, develop procedures, install systems, prepare accounting records, or participate in any other activity that could restrict their judgment as internal auditors.

Internal auditors will exhibit the highest level of professional objectivity in ascertaining, evaluating and communicating information about the activity or process under review, providing balanced assessments of all available and relevant facts and circumstances, and taking appropriate precautions to avoid being unduly influenced for their own interests or those of others in forming their judgments. They must also declare, annually that they have read, understood and agree to comply with the IIA's mandatory guidelines.

When the Audit Manager has or is expected to have roles and/or responsibilities external to internal audit, safeguards will be established to limit damage to independence or objectivity.

The Audit Manager will confirm to the Board of Directors, through the Audit Committee, at least annually, the organizational independence of the Internal Audit activity.

The Audit Manager will disclose to the Audit Committee any interference, and its related consequences, in determining the scope of the internal audit, conducting the work and/or communicating the results.

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### 4.3. Internal Audit activity's scope

The scope of action of the Internal Audit area reaches, but is not limited to objective examinations of evidence to provide independent assessments of the adequacy and effectiveness of the Organization's governance, risk management and control processes; as well as the quality of performance in carrying out the responsibilities assigned to achieve the Organization's goals and objectives. This includes:

- ❖ Assess exposure to risks related to achieving the Organization's strategic objectives.
- ❖ Assess the reliability and integrity of information and the means used to identify, measure, classify and report such information.
- ❖ Evaluate established systems to ensure compliance with policies, plans, procedures, legislation and regulations that could have a significant impact on the Organization.
- ❖ Assess the means of safeguarding assets and, as appropriate, verify the existence of these assets.
- ❖ Evaluate the effectiveness and efficiency with which each resource is applied.
- ❖ Evaluate operations or programs to ensure that their results are consistent with established objectives and goals, and that they are being executed as planned.
- ❖ Monitor and evaluate governance processes.
- ❖ Monitor and evaluate the effectiveness of the risk management process.
- ❖ Carry out consultancy and advisory services related to governance, risk management and internal controls, as per the Company's convenience, with the nature and scope agreed with the client, without assuming management responsibility.
- ❖ Evaluate specific operations, upon request from the Board of Directors or the Company's Management.

The Audit Manager will periodically report to the Audit Committee regarding:

- ❖ The status of the purpose, authority, responsibility and performance of the Internal Audit area.
- ❖ Planning and performance related to internal audit planning.
- ❖ Internal audit compliance with the Code of Ethics and The *IIA Standards* , and action plans to address any significant compliance issues.
- ❖ Exposure to significant risks and internal control problems, including fraud risks, governance issues, and other matters necessary or required by the Board of Directors.
- ❖ The results of audit work or other activities.
- ❖ Any responses to risks, by management, that may be, in their professional judgment, unacceptable to the Organization.

The Audit Manager also coordinates activities when possible and considers relying on the work of other internal and external providers of assurance and consulting services as necessary.

Opportunities to improve the efficiency of governance, risk management and control processes can be identified during the work. These opportunities will be communicated to the appropriate levels of management.

### 4.4. Responsibility

The Audit Manager is responsible for:

- ❖ Ensure that each engagement in the internal audit plan is performed, including establishing objectives and scope, allocating appropriate and appropriately supervised resources, documenting work programs and test results, and communicating engagement results with conclusions and

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applicable recommendations, to the appropriate parties.

- ❖ Monitor findings and corrective actions and periodically report to senior management and the Audit Committee any corrective actions not implemented effectively.
- ❖ Ensure that the principles of integrity, objectivity, confidentiality and competence are applied and complied with.
- ❖ Ensure that internal audit collectively possesses or obtains the knowledge, skills and other competencies necessary to meet the requirements of the Internal Audit Charter.
- ❖ Ensure that emerging trends and issues that may impact the Organization are considered and communicated to senior management and the Audit Committee as appropriate.
- ❖ Ensure emerging trends and successful internal audit practices are considered.
- ❖ Establish and ensure adherence to policies and procedures developed to guide internal auditing.
- ❖ Ensure adherence to the Organization's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any conflicts of this nature will be resolved or communicated to senior management and the Committee.

#### 4.5. Annual Audit Plan

At least annually, the Audit Manager will submit the area's planning for review and approval by the Audit Committee, and consequently, the Board of Directors. The Annual Plan will consist of programming Audit projects also considering the scope of other governance areas, such as Risks and Compliance, as well as the budget and resource requirements (e.g. systems, people, infrastructure, etc.) for the next fiscal year. The Audit Manager will communicate the impact of resource limitations and possible organizational changes.

The Annual Plan will be developed by prioritizing processes in the audit universe, using a risk-based methodology, and considering suggestions and recommendations from the Board of Directors, the Audit Committee and the board of directors (statutory or not). The Audit Manager will review and adjust the Annual Plan, if necessary, in response to possible changes in the Company's business environment, governance, risks, operations, systems and controls. Any significant deviation from the approved Annual Plan will be communicated to the Audit Committee and senior management, and will be disclosed in the periodic activity reports.

#### 4.6. Reporting and Monitoring

A formal report will be prepared and issued by the Audit Manager, or designated team, upon completion of each Annual Plan project, and distributed to statutory and non-statutory directors involved in the processes and activities included in the project. The results of all projects will be reported to the Audit Committee, which, at its discretion, will inform the Board of Directors on relevant topics. The reports will include recommendations and action plans implemented or to be implemented in order to mitigate the risks addressed. For risks that, eventually, the Company's Management understands that it is not possible or viable to establish corrective actions within a period of twelve months, a risk acceptance instrument will be formalized in accordance with the Risk Policy of M. Dias Branco SA, in force at the time. The Audit Management will be responsible for the appropriate monitoring of the action plans agreed by the governance support bodies in the operational areas. All action plans will remain open under monitoring until the related risk is adequately addressed. The Audit Manager will report the discipline of implementing the action plans to the Board of Directors, the Audit Committee, and the statutory or non-statutory board.

#### 4.7. Quality Certification and Improvement Program

The Internal Audit area will maintain a periodic quality certification and process improvement program

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that encompasses all aspects of its activity and function. The program will include an assessment of the compliance of its activities with the Standards issued by the IIA and an assessment that informs whether internal auditors apply the IIA Code of Ethics, or with other notoriously competent institutions, and with the applicable internal procedures. The program will also evaluate the efficiency and effectiveness of the Internal Audit area's activity and identify opportunities for improvement. External evaluations must be conducted at least once every five years, by a qualified and independent evaluator, or evaluation team, external to the Company.

The Audit Manager will communicate the results of this program to the Audit Committee and senior management. The results of external assessments, to be conducted at least once every five years, and periodic internal assessments, must be communicated as soon as they are completed, while the results of continuous monitoring must be communicated at least once a year.

## 5. GLOSSARY

IIA (The Institute of Internal Auditors): Established in 1941 and headquartered in the United States, it is an international professional association whose mission is to promote dynamic leadership for the Internal Auditing profession globally. For more details, see the website [www.theiia.org](http://www.theiia.org).

*The IIA Standards:* The IIA International Standards for the Professional Practice of Internal Auditing (Standards).

## 6. CHANGE HISTORY

Revision	Latest Changes
0	MIGRATION TO GED - PHASE 01 - DOCUMENT WITHOUT CHANGE.

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