

## **PT Bentoel Internasional Investama Tbk**

### **Audit Committee Charter**

#### **A. Constitution**

The Board of Commissioners (“**BOC**”) of PT Bentoel Internasional Investama, Tbk (the “**Company**”) hereby revokes the prior Terms of Reference of the Company’s Audit Committee and replaces with this Audit Committee Charter.

#### **B. Purpose**

The role of the Company’s Audit Committee (“**AC**”) is to support BOC in discharging their responsibilities as they relate to the management of business risks, internal control and compliance and the conduct of business. The standards applied are in accordance with the British American Tobacco (“**BAT**”) Group. This includes ensuring compliance with relevant corporate governance requirements.

The AC should satisfy itself, by means of suitable steps and appropriate information, that:

- (a) proper and satisfactory internal control systems are in place to identify and contain business risks within the Company;
- (b) significant control issues or weaknesses within such systems are identified, and appropriate and timely action is taken; and
- (c) the Company’s business and that of its subsidiaries is conducted in a proper and economically sound manner.

The AC should also satisfy itself that internal and external audit resources are effective in meeting the needs of the business.

The results of the AC’s meetings are reported to the BOC of the Company.

#### **C. Membership and Procedures**

1. The AC is appointed by the BOC of the Company. It shall comprise at least three members, of whom one is an Independent Commissioner of the Company and shall concurrently serve as the Chairman of the AC.
2. Members of AC:
  - a. shall have high integrity, capability, knowledge, experience according to his/her field of job, and is capable to communicate well;
  - b. shall have good understanding of financial report, business of the Company particularly relating to service providing or business activity of the Company, audit process, risk management and statutory regulation in Capital Market and other related statutory regulation;
  - c. shall adhere to the code of ethic of AC stipulated by the Company;
  - d. is willing to improve competence continuously through education and training;

- e. shall have at least one member with educational background and expertise in accountancy and/or finance;
  - f. shall not be a party who worked in Public Accountant Office, Law Consultant Office, Public Appraisal Service Office, or other party that provides assurance service, non-assurance service, appraisal service and/or other consulting service to the Company in the last six (6) months;
  - g. shall not be a person who worked or have authority and responsibility to plan, lead, control or supervise the activities of the Company in the last six (6) months, except Independent Commissioner;
  - h. shall not have any share in the Company either directly or indirectly;
  - i. if any member of AC obtains any share in the Company either directly or indirectly resulting from any event by law, such share must be assigned to other party within six (6) months at the latest as of the date he/she obtained such share;
  - j. has no affiliate relationship with members of BOC, Board of Directors (BOD) or primary shareholder of the Company;
  - k. has no business relationship either directly or indirectly with the Company's business activity.
3. The terms of service of AC members shall be no longer than the terms of service of the BOC as stipulated in the Company's Articles of Association and reappointment is permitted for a second term only.
  4. The AC Chairman should not be the Chairman of the BOC.
  5. The President Director, and Finance Director of the Company, its internal audit manager and a representative of the Company's external auditors will regularly attend meetings of the AC. The AC Chairman will determine whether any additional participation is required.
  6. No one other than the AC Chairman and members will be entitled as of right to attend or vote at a meeting of the AC.
  7. The AC will meet with the Company's external auditors and with the internal auditors without others present, at least annually. For clarity, the internal auditors should not attend the external auditors' private audience and vice versa.
  8. Appropriate training and induction for members of the AC should, where necessary, be provided to enable them to fulfill their role. It is the responsibility of internal audit, supported as appropriate by local legal and CORA, to ensure that such training and induction is provided.
  9. The AC will meet at least four times annually with the attendance of at least two members of the AC and at other times on the request of the AC Chairman, external or internal auditors or any member of the AC.
  10. The agenda for the meetings will be determined by the Chairman of the AC, taking into account the views of other members of the AC as appropriate. The agenda and supporting papers, unless otherwise agreed, will be circulated to each member of the Committee no fewer than 5 working days prior to the date of the meeting.

11. Decisions of the AC meeting shall be taken by deliberation to reach consensus.
12. The AC shall keep strictly confidentiality of document, data and information of the Company.
13. The Company Secretary of the Company or his /her nominee will act as the Secretary of the AC.
14. The Secretary of the AC shall prepare and circulate the minutes of the meeting to the members of the AC and the BOC. The minutes shall be signed by all AC members attending the meeting.

#### **D. Authority**

The AC is authorized by the BOC to review any activity in connection with the Company's business. It is authorized to seek any information it requires from, and require the attendance at any of its meetings of, any Director or member of management, and all employees are expected to co-operate with any request made by the AC. The President Director and Top Team of the Company will be the relevant catalyst as their knowledge will ensure that the AC has access to all relevant and pertinent information.

The AC is authorized by the BOC to obtain, at the Company's expense, outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. Further, AC may exercise other authority to the extent granted by the BOC. These terms of reference may be amended from time to time as required, subject to approval by the BOC.

#### **E. Responsibilities and Objectives**

The responsibilities and objectives of the AC are as follows:

##### **1. *Financial Statements***

The AC will monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's performance, reviewing significant financial reporting judgments contained in them before their submission to the Company's Board for approval. The AC will take into account:

- (a) decisions requiring a major element of judgment;
- (b) the extent to which the financial statements are affected by any unusual transactions;
- (c) the clarity of the disclosures;
- (d) significant adjustments resulting from the audit;
- (e) the going concern assumption;
- (f) compliance with accounting standards; and
- (g) Compliance with all legal or regulatory requirements.

Where, following its review, the AC is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the BOC.

The AC will keep under review the consistency of the Company's accounting policies on a year to

year basis and will review any proposed major discretionary accounting policy change in advance of its implementation.

AC shall also prepare annual report on the implementation of AC activities as disclosed in the Annual Report of the Company.

2. *Internal Controls and Business Risks*

AC will keep under review the effectiveness of the accounting, internal control and business risk identification and management systems of the Company and its subsidiaries. This will include, in connection with the Company's business:

- (a) ensuring there is due process for the identification and management of key business risks having particular regard to any significant failings or weaknesses in internal control;
- (b) monitoring compliance with established policies, plans, instructions and procedures with particular reference to the statement of delegated authorities approved by the Company's Board;
- (c) monitoring compliance with the BAT Group;
- (d) ensuring alignment and consistency with the Statement of Business Principles;
- (e) monitoring compliance with other relevant BAT Group Policies, Standards and procedures, including in particular the CSR Governance Process, the Environmental, Health & Safety Policy and the Statement of Employment Principles;
- (f) ensuring there is due process for compliance with relevant national laws and regulations;
- (g) reviewing the reliability of management information systems and procedures in the Company, including management reporting to the BOC;
- (h) considering major areas of change prior to commencement and obtaining assurance that proper plans for control have been developed;
- (i) ensuring that there is due process for monitoring the efficiency and effectiveness of operational controls;
- (j) monitoring the Company's procedures for the safeguarding of its assets and ensuring that it has adequate policies in place for the prevention and detection of fraud;
- (k) considering and discussing with the external auditors of the Company the adequacy of the accounting and internal controls of the Company;
- (l) reviewing matters relating to internal control and the assessment and management of business risk arising from the meetings of the BOC;
- (m) reviewing the effectiveness of the Board in connection with internal control and the assessment and management of business risk; and
- (n) Reviewing and advising BOC in relation to any potential conflict of interest of the Company.

AC will also review any complaint concerning possible improprieties in matters of accountancy process and financial report of the Company or other matters with the objective of ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

3. *Internal Audit*

AC will monitor and review the effectiveness of the internal audit service provided to the Company. This will include:

- (a) satisfying itself as to the strategies, methodologies, plans, manning, resources and organization for internal auditing and its standing within the Company, and the extent of the co-ordination with the external auditors;
- (b) reviewing the reports received from the internal audit manager without delay and considering managements responses; and
- (c) requiring the prompt reporting of any inappropriate restrictions in the scope of internal audit activities.

The AC may also require investigations by, or under the authority of, the internal audit manager (or such other member of management as it may consider appropriate) into any activities of the Company which may be of interest or concern to the AC.

#### 4. *External Audit*

AC will:

- (a) annually evaluate the performance of the Company's external auditors and assurance/verification providers and recommend their reappointment or, if appropriate, make a recommendation for change, through the BOC;
- (b) approve the terms of engagement and the level of audit fees payable by the Company to its external auditors and assurance/ verification providers and recommend them to the BOC;
- (c) review the level of fees charged by external auditors and assurance/verification providers in respect of audit and assurance/verification work for the Company's subsidiary companies;
- (d) consider and discuss with the Company's external auditors and assurance/verification providers the scope of their audit, assurance and/or verification prior to its commencement and, subsequently, the results, and review the effectiveness of the process, taking into account all relevant professional and regulatory requirements;
- (e) review the external auditors' and the assurance/verification providers' management letters and any major recommendations of the external auditors and assurance/verification providers and consider management's response;
- (f) review the independence and objectivity of the external auditors and assurance/ verification providers and in particular ensure that the ratio of audit fees to consultancy fees charged by the external auditors does not put such independence or objectivity at risk, taking into account any regulations or other relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and that the external auditors do not audit their own work;
- (g) review any explanation given by the Company detailing how, if the auditor provides non-audit services, auditor objectivity and independence are safeguarded;
- (h) monitor the staggered five year rotation for both the relationship and engagement partners from the Company's external auditors (ensuring that such partners do not simply reverse roles); and
- (i) give independent opinion in the occurrence of different opinion between the management and external auditor concerning the services it provided.

#### **F. Working Mechanism**

The following is the working mechanism of AC:



- (a) AC is required to cooperate and coordinate with internal audit in supervision and investigation;
- (b) AC communicates with other working units to request information, clarification and request documents and report as needed;
- (c) AC communicates with external auditors in relation to duty and results of investigation conducted by external auditors upon the Company;
- (d) With approval from BOC, AC may ask assistance from external party to conduct special and technical investigation.

#### **G. Provision on Handling Complaints**

The AC's provision on handling complaints or reporting in relation to alleged violation on financial report are as follows:

- (a) Complaints or report in relation to alleged violation on financial report ("**Complaints**") is received by member of the AC who is assigned for such purpose;
- (b) AC will hold a special meeting to assess and determine whether such Complaint received, meets requirements to be followed up;
- (c) Complaints which meets the requirements, will be immediately followed up by AC;
- (d) Complaints which are in the opinion of AC, do not meet requirements (to be followed up), will be reported to the BOC. The AC will only follow up such Complaints if BOC has opinion otherwise;
- (e) Complaints will be followed up by AC in accordance with its authority;
- (f) The AC will coordinate with internal audit to review the validity of Complaints received (in this regard, AC will ask internal audit to conduct preliminary investigation;
- (g) If according to the preliminary investigation, such Complaints are valid, then:
  - i. AC, jointly with internal audit, conduct investigation audit; or
  - ii. The AC, with written approval from the BOC, hires consultants or experts to follow up for such Complaints;
- (h) The outcome of the investigation audit is reported to the BOC.

#### **H. Language**

This Audit Committee Charter is made in both Bahasa Indonesia and English language, in the event of inconsistency or dispute in interpretation, the Bahasa Indonesia version shall prevail.

**This Audit Committee Charter was approved and signed  
by the Board of Commissioners of the Company  
on 25<sup>th</sup> of October 2013**