

INTERNAL AUDIT CHARTER

1. Mission

PT. Holcim Indonesia Tbk (“HIL”) Internal Audit is an independent review and consulting function providing assurance that effective controls exist to maintain process integrity, that measures and reporting are accurate and reliable and that compliance with policies, laws and regulations is ensured.

HIL Internal Audit helps the organisation to accomplish its objectives by applying a systematic methodology to evaluate and improve the effectiveness of control and governance processes.

2. Role and Scope

The Board of Commissioners (and in particular, the Audit Committee) and the President Director provide general direction as to the role of Internal Audit and the scope of work and the activities to be audited.

The scope of work of HIL Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal controls. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to compile, measure, classify, and report such information.
- Reviewing the controls established to ensure compliance with policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reporting, and determining whether the organisation is in compliance with the same.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing projects or programs to ascertain whether results are consistent with established objectives and goals, and whether the projects or programs are being carried out as planned (e.g. new EDP-systems, capital expenditure). Reporting any material acts of fraud, thefts and misuse of Company assets, and other breaches of law, which come to its attention.

The scope of HIL Internal Audit work encompasses all companies within the scope of consolidation of HIL.

3. Organisation

The independence of HIL Internal Audit is ensured by the following organisational set-up:

- HIL Internal Audit reports functionally to the Audit Committee.
- HIL Internal Audit reports administratively to the President Director of HIL.

4. Responsibilities

The Chief of Internal Audit and staff of the HIL Internal Audit Department have the responsibility to:

- Develop an annual audit plan using an appropriate risk-based methodology, including any risks or internal control concerns identified by Management through the Business Risk Management process or otherwise, and submit that plan, as well as periodic updates, to the HIL Board of Directors, the HIL Audit Committee, the respective Executive Committee Member or Area Manager of Holcim Ltd and to Holcim Group Internal Audit for review and approval.
- Co-ordinate the scope of work with the external auditors, other internal review functions and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by the HIL President Director and the HIL Audit Committee.
- For each audit project, report material observations and recommend actions to correct deficiencies in an Internal Audit Report to the HIL President Director, the HIL Audit Committee, Group Internal Audit and to the respective Executive Committee Member or Area Manager of Holcim. As requested, issue periodic reports to the HIL President Director and the HIL Audit Committee summarizing the results of the audit activities.
- Review and monitor the implementation of agreed action plans based on audit findings, and assist HIL Management in ensuring they have been properly addressed.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.

In addition, it is the responsibility of the President Director to immediately report any issue critical to the Holcim Group which arises out of audits performed or other compliance sources that exceed a certain materiality threshold (see enclosure) to the respective Executive Committee Member and Area Manager of Holcim Ltd as well as to Group Internal Audit.

The Head Internal Audit and staff may assume no other positions nor perform any other duties within or for HIL or any of its subsidiaries, aside from those related to the execution of internal audit activities.

5. Authority

Internal Audit is granted authority for full and complete access to any of the organisation's records (either manual or electronic), physical property and personnel.

Information acquired by HIL Internal Audit in the course of their duties will remain confidential and will not be used for purposes outside the scope of audit engagements.

The Chief of Internal Audit has full and free access to the Board of Directors and to the HIL Audit Committee

HIL Internal Audit does not have any direct responsibility or authority over any of the activities or operations that it audits. The performance of these audits does not relieve management of any assigned responsibilities.

6. Performance measurement

- Performance of HIL Internal Audit is evaluated at least annually by the President Director and the HIL Audit Committee and with input from Holcim Group Internal Audit.
- Holcim Group Internal Audit performs quality assurance reviews and monitors the compliance with the Holcim Internal Audit Methodology.

7. Code of Ethics

Internal Audit is expected to apply the Code of Ethics issued by the Institute of Internal Auditors, namely:

7.1. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

7.1.1. Shall perform their work with honesty, diligence and responsibility.

7.1.2. Shall observe the law and make disclosures expected by the law and the profession.

7.1.3. Shall 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 company.

7.1.4. Shall respect and contribute to the legitimate and ethical objectives of the company.

7.2. Objectivity

Internal auditors 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 judgements.

7.2.1. Shall 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 organisation.

7.2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.

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

7.3. Confidentiality

Internal auditors 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.

7.3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.

7.3.2. Shall 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 organization.

7.4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

7.4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

7.4.2. Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.

7.4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.




Gary Schutz
President Director of PT. Holcim Indonesia Tbk

5.2.15
Date:



John D. Rachmat
*Chairman of the Audit Committee of
PT. Holcim Indonesia Tbk*

5 FEB 2015
Date:



Ed Coultrup
Chief of Internal Audit of PT. Holcim Indonesia Tbk

05 FEB 2015
Date:

Materiality Thresholds for IA Company Exception Reporting

The criteria for the materiality thresholds for reporting to the Group are defined as follows:

- A control deficiency that has generated or may generate an economic loss, not in the normal course of business, or an accounting adjustment of at least the lower of 1% of net sales or USD 0.5 million
- A control deficiency that has resulted in the misappropriation of assets or fraudulent misconduct
- A control deficiency or a compliance breach which has had or could have adverse legal consequences amounting to at least the lower of 1% of net sales or USD 0.5 million
- Any control deficiency or compliance breach that has lead or may lead to regulatory censure amounting to USD 50'000 or more
- A reputation issue, which if in the public domain (national press or TV), could reflect poorly on the Group

Effect or issue	Possible causes		Thresholds	
	Control deficiency	Compliance breach	IA Company Exception Report	IA Group Exception Report
Potential or materialised				
1) Economic or accounting loss	X		the lower of 1% of net sales or USD 0.5m	USD 1m
2) Fraud loss	X		All cases	USD 1m
3) Legal claim	X	X	the lower of 1% of net sales or USD 0.5m	USD 1m
4) Regulatory censure	X	X	USD 50k	USD 1m
5) Reputation loss (adverse publicity)	X	X	national press or TV	national press or TV