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1. Introduction

This Internal Audit Charter (“**IA Charter**”) shall provide a framework for the function of the Internal Audit Department (IAD) and shall outline the scope, authority, responsibility, independence, and objectivity of IAD within Upson International Corporation (“UIC” or the “Company”).

2. Purpose and Mission

The purpose of UIC’s IAD is to provide independent, objective assurance and consulting services designed 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 and objective assurance, advice, and insight. The internal audit helps the Company achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes; ensure the reliability of financial and operational information; and ensure compliance with applicable policies, laws, and regulations.

3. Standards for the Professional Practice of Internal Auditing

The IAD shall govern itself by adherence to the mandatory elements of the Institute of Internal Auditor’s International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

The Internal Audit Head shall report periodically to the senior management and the Audit Committee regarding the IAD’s conformance to the Code of Ethics and the Standards.

4. Authority

The IA Head shall report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the President. The IA Head shall have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in private meetings without management present.

The Audit Committee authorizes the IAD to:

- (i) Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- (ii) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.


Obtain assistance from the necessary personnel, as well as other specialized services from within or outside the Company, to complete the engagement.

5. Independence and Objectivity

The IAD is committed to maintaining the highest level of independence and objectivity in all audit engagements. IAD operates without any conflicts of interest that could compromise the impartiality and integrity of its assessments and conclusions.

The IA Head shall ensure that the internal audit activity remains free of conditions that threaten the ability of the IAD to conduct its activities in an unbiased matter. If independence or objectivity is impaired in fact or appearance, the IA Head shall disclose the details of the impairment to the appropriate parties.

Internal auditors shall maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no

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quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment

The IA Head shall confirm to the Audit Committee, at least annually, the organizational independence of the IAD. Further, the IA Head shall disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.


6. Responsibilities

The IA Head has the responsibility to:

- (i) Develop and submit an annual risk-based Audit Plan detailing auditable areas, work schedule, resource allocations, and operating cost budget to Audit Committee for approval.
- (ii) Implement the approved Audit Plan, including any special projects requested by the management and Audit Committee. Review and adjust the Audit Plan, as necessary, in response to changes in the Company's business, risks, operations, programs, systems, and controls.
- (iii) Maintain sufficient audit resources with appropriate skills, knowledge, experience, and professional qualifications or certifications.
- (iv) Provide leadership, guidance, and direction to the internal audit team.
- (v) Oversee the execution and individual audit engagements.
- (vi) Ensure internal audits are conducted in accordance with professional standards, company policies, and best practices.
- (vii) Ensure each engagement of the internal audit plan is executed in a timely manner, including the establishment of objectives and scope, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- (viii) Submit periodic status reports to the Audit Committee summarizing the results of the audit activities undertaken including progress against the annual Audit Plan, status of internal audit recommendations, and action plans taken by the management.
- (ix) Provide a year-end report to the Audit Committee regarding the performance of the department for the year, including a summary of accomplishments, based on critical success factors, key performance indicators, and other measures of performance.
- (x) Monitor the implementation of audit recommendations and ensure appropriate action is taken by management to address identified issues.

The IA Staff has the responsibility to:

- (i) Monitor the implementation of audit recommendations and ensure appropriate action is taken by management to address identified issues.
- (ii) Conduct audit engagements as part of the internal audit plan, which involves assessing the effectiveness of internal controls, identifying areas of risk, and evaluating compliance with policies, procedures, and regulations.

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- (iii) Gather relevant data and information through interviews, documentation reviews, data analysis, and other audit techniques to support the audit process.
- (iv) Perform testing and sampling procedures to evaluate the adequacy and effectiveness of controls and processes.
- (v) Document audit work thoroughly, including audit procedures, findings, and supporting evidence, in accordance with internal audit standards.
- (vi) Assist in the identification of audit findings and recommendations for improvement based on the audit results.
- (vii) Monitor the implementation of audit recommendations and verifying that management has taken appropriate corrective actions.

7. Reporting and Monitoring

The IA Head shall prepare and issue a written audit report following the conclusion of each audit and it shall be distributed as appropriate. The IA Head shall ensure that the audit findings and recommendations are effectively communicated, enabling management to take appropriate actions to address risks, improve processes, enhance the overall governance, and control environment within the organization. Timely reporting also ensures that management can take prompt action on identified issues.

The audit report shall contain the objectives and scope of audit, the findings and recommendations, management response and the corrective actions taken or to be taken relevant to the audit findings and recommendations. Reporting shall include updates on the progress of action plans and the status of unresolved issues from previous audits.

The IAD shall be responsible for monitoring and tracking the implementation of audit recommendations.

8. Quality Assurance and Improvement Program

The IAD shall maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program shall include an evaluation of the IAD's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program shall also assess the efficiency and effectiveness of the IAD and identify opportunities by conducting regular evaluations, for improvement.

The IA Head shall report periodically the results of its quality assurance and improvement program to the Audit Committee and obtain an external assessment of the activity at least once every five years by a qualified, independent assessor or assessment team from outside the Company.

Internal Audit Charter

Approved this 10th day of August, 2023.

Original signed	Original signed	Original signed
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Chief Executive Officer	Internal Audit Head	Audit Committee Chairman