



ABOITIZ EQUITY VENTURES, INC.
GROUP INTERNAL AUDIT

INTERNAL AUDIT CHARTER

The purpose of the internal audit charter is to provide an understanding of the role and responsibilities of the **Group Internal Audit (GIA)** team and its functions under the policies established by the Management and the Board of Directors of Aboitiz Equity Ventures, Inc. (AEV), subsequently referred to as “the Company” through the Manual of Corporate Governance.

I. POLICY

In general, to ensure a high standard of best practices for the Company and its stakeholders, the Company’s Manual of Corporate Governance provisions for the adoption of a system of internal checks and balances; review on a regular basis the effectiveness of such systems to ensure the integrity of decision-making and reporting processes at all times; and ensure the continuing soundness, effectiveness and adequacy of the Company’s control environment.

It is the policy of the Company to maintain an Internal Audit function as one means of providing management with information to better manage and control the operations of the Aboitiz Group for which management is responsible.

II. PURPOSE AND MISSION

The purpose of internal audit is to provide an independent, objective assurance and consulting activity designed to add value and improve the Company’s operations. Internal audit helps to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. GIA operates in compliance with guidelines approved by the Board Audit Committee and ratified by the Board.

III. ROLE

It is through analyses, recommendations, counsel and information dissemination among the proper channels that the GIA team will help in improving the effectiveness of risk management, control, and governance processes.

GIA is a staff organization and it functions in an advisory capacity. It exercises no direct responsibility or authority on the operating activities or functions it reviews.

The primary responsibility for assuring that an adequate system of internal control is in place and is operating effectively rests with the management of the Company, its affiliates and subsidiaries.

Where a separate Resident Internal Audit team operates for the subsidiary and/or affiliate:

- GIA may handle audits *not covered* by the Resident Audit Team,
 - a. areas of highest risk as indicated in the Business Unit (BU) risk registers;
 - b. areas mandated by the Audit Committee to be covered by GIA; or
 - c. areas where GIA find resident auditors are not in the best position to review being organic to the company.

- GIA to provide oversight to the Resident Internal Audit teams to ensure that audit activities are performed in accordance with The Standards and that areas of highest risks declared in the BU risk registers are covered.

- GIA will take into account its responsibility in ensuring that the Audit Committee is informed of the audit issues on a timely basis by furnishing the Committee with copies of the reports of concluded engagements.

GIA will use external professional assistance as deemed necessary.

IV. PROFESSIONAL STANDARDS

The internal audit function will govern itself by adhering to the mandatory elements of the Institute of Internal Auditors' (IIA) 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 (ISPPA) and the Definition of Internal Auditing.

The GIA Head takes the lead in ensuring that a quality assurance and improvement program (QAIP) is in place and designed to enable an evaluation of the internal audit activity's conformance with the Standards and the Code of Ethics.

The GIA Head will report annually to senior management and the Board Audit Committee regarding internal audit's conformance to above, assurance on the efficiency and effectiveness of the internal audit operations and action plans on identified opportunities for improvement, if any.

V. AUTHORITY

GIA has full, free and unrestricted access to any and all operating and financial company records, information, systems and applications, physical properties, activities and personnel relevant to the Company and subject under review.

All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

GIA will also have direct, free and unrestricted access to the Board Audit Committee.

VI. ORGANIZATION

GIA reports functionally to the Board Audit Committee and administratively to the Chief Executive Officer.

The Board Audit Committee will review and approve all decisions regarding the performance evaluation, appointment, or removal of the GIA Head as well as the GIA Head's annual compensation and salary adjustment.

The GIA Head will communicate and interact directly with the Board Audit Committee, including in private/ executive sessions and between Board meetings, as appropriate.

VII. INDEPENDENCE AND OBJECTIVITY

The Company's senior management and the Board of Directors support GIA to assure cooperation of the audit clients and the performance of the audit activity free from interference by any element in the Company, including matters of audit selection, scope, procedures,

frequency, timing, or report content to permit maintenance of a necessary independence and objectivity.

GIA is a recommendatory body. It will have no direct operational responsibility or authority over any of the activities audited. GIA will not implement internal controls, develop procedures and install systems, prepare records or engage in any other activity normally reviewed by the team, as this may impair its objectivity and judgment.

Internal auditors must exhibit the highest level of professional objectivity; disclose any impairment of independence or objectivity, in fact or appearance; and always must make a balanced assessment of all relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The GIA Head will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

The GIA Head will disclose to the Board Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

VIII. SCOPE OF WORK

As disclosed in the Manual of Corporate Governance, GIA, on the basis of the approved internal audit plan, should cover, at a minimum, the evaluation of the adequacy and effectiveness of the internal controls that cover the Company's governance, risk management processes, operations, information systems, including the reliability and integrity of financials and the operations of its assets, and compliance with contracts, laws, rules and regulations.

The scope of work encompasses evaluating and improving the adequacy and effectiveness of the Company's governance, risk management, and control processes through:

1. Evaluation of the effectiveness and contribution to the improvement of risk management processes. The core internal auditing roles in regard to risk management are as follows:
 - a. Giving assurance on risk management processes.
 - b. Giving assurance that risks are correctly evaluated.
 - c. Evaluating risk management processes.
 - d. Evaluating the reporting of key risks.
 - e. Reviewing the management of key risks.

2. Assessment and making appropriate recommendations on the following governance processes:
 - a. Making strategic and operational decisions
 - b. Overseeing risk management and control
 - c. Promoting appropriate ethics and values within the organization
 - d. Ensuring effective organizational performance management and accountability
 - e. Communicating risk and control information to appropriate units in the organization
 - f. Coordinating the activities of and communicating relevant information to the board, management, external and internal auditors, and other assurance providers.
3. Evaluation of risk exposures based on the areas of highest risks as enumerated in the business unit risk registers relating to the organization's governance, operations and information systems taking into consideration the following:
 - a. Reliability, integrity and timeliness of information
 - b. Compliance with policies and procedures, plans, sound business practices, laws, contractual obligations and regulations
 - c. Safeguarding of assets and as appropriate, verifying its existence
 - d. Economical and efficient use of resources
 - e. Accomplishment of established objectives and goals for operations or programs
4. Conduct of pre-/post-implementation reviews of major information systems projects for group implementation and/or as duly identified by the management, the Board, and/or business unit.
5. Undertaking of consulting and/or advisory and related client service activities, the nature and scope of which are agreed with the client and are intended to add value and improve the organization's governance processes, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, due diligence, transition services, business process and control design and training.

IX. INTERNAL AUDIT PLAN

The GIA Head will submit to the Board Audit Committee, at least annually, for review and approval, an internal audit plan to ensure its conformity with the objectives of the company. The plan shall include the audit extent and scope, resources and budget necessary to implement it.

The Board Audit Committee shall likewise assess and approve audit outsourcing requirements, when necessary.

The internal audit plan and prioritization of engagements will be developed using risk-based methodology and would incorporate inputs from senior management and the Board Audit Committee. Risk details will be sourced from business unit Risk Registers maintained by the Risk Management team. Inputs from senior management will be gathered during the annual audit road show to be conducted by GIA.

Any significant deviation from the approved internal audit plan will be documented and communicated to senior management and the Board.

X. COMMUNICATING RESULTS

Results of audit work shall be communicated through a written report which will contain the responses of management gathered through exit conferences, audit discussions and/or management meetings. Summary reports will be released to the Audit Committee prior to the scheduled Audit Committee meetings. At the end of the calendar year, GIA will release its year-end assessment incorporating inputs from the respective Aboitiz Group Resident Internal Audit teams.

XI. CONFIDENTIALITY AND RELATIONSHIPS

GIA will control access to all audit engagement records. The Company's external auditor will be provided copies of Internal Audit plans and reports, as required.

The team will also liaise with the External and other Aboitiz Group Resident Internal Audit teams to:

1. Foster a cooperative and professional working relationship;
2. Ensure appropriate sharing of information;
3. Minimize duplication and coordinate over-all audit effort; and
4. Facilitate annual audit planning.

In particular, GIA is authorized to request and receive copies of all external and resident auditors' reports and related communications provided to management.

XII. PERIODIC ASSESSMENT

The GIA Head will periodically report to senior management and the Board on the internal audit activity's purpose, authority, and responsibility as well as performance relative to its plan. Reporting will include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

The GIA Head will also communicate to senior management and the Board its activities related to its quality assurance and improvement programs including results of any on-going internal and external assessments.

XIII. AMENDMENT OF CHARTER

The GIA Head is responsible in maintaining this Internal Audit Charter in a current state. Amendment of this Charter is subject to the review and endorsement of the Audit Committee for the final approval of the Board of Directors.

If any provision of this Charter is declared invalid, the remainder of this or any other provision not affected thereby shall remain in force and in effect.

XIV. EFFECTIVITY CLAUSE

This Charter shall take effect fifteen (15) days after the approval of the Board of Directors herein represented by the Chairman of the Board, the Chairman of the Audit Committee, the President and CEO and duly acknowledged by the AEV GIA Head.

INTERNAL AUDIT CHARTER

Endorsed for approval by the AEV Board Audit Committee in its meeting held March 3, 2021 and approved by the AEV Board in its meeting held April 26, 2021.


MARIA LOURDES Y. TANATE
VP Group Internal Audit


SABIN M. ABOITIZ
President and Chief Executive Officer


ENRIQUE M. ABOITIZ, JR.
Chairman of the Board of Directors


(RET) JUSTICE JOSE C. VITUG
Chairman of the Audit Committee