



AC Enexor, Inc.
Internal Audit Charter

Document Version Information

Document Reference Number	ACEX-IAC-01
Document Version	00
Document Approval Date	03 May 2021
Document Approved By	ACE Enexor, Inc. Audit Committee
Document Prepared By	AC Enexor, Inc. Internal Audit

Document Revision History

Page No.	Rev. No.	Change Description	Effectivity Date
All	0	Initial Issue	03 May 2021

	ACE Enexor, Inc. INTERNAL AUDIT CHARTER	Document No: ACEX-IAC-01
		Effective Date: 03 May 2021
		Revision No: 00
		Page No: 1 of 8

A. Internal Audit Charter

The Internal Audit Charter establishes the organizational status of the internal audit function in ACE Enexor, Inc, including its purpose, authority, responsibility and reporting relationships, and its oversight to the internal audit functions of ACE Enexor Inc.'s subsidiaries and affiliates.

The Internal Audit Charter shall be approved by the Audit Committee and the Board of Directors. It shall be reviewed annually and subjected to the same approval process for any revisions or changes thereto.

B. Policy Statement

It is the policy of ACE Enexor, Inc. to establish and support an internal audit function as a fundamental part of its Corporate Governance practices. The Internal Audit Department reports *functionally* to the Audit Committee of the Board of Directors and *administratively* to the Group Chief Financial Officer or his designate.

C. Purpose

General Audit

Internal Audit provides an independent and objective assurance, and **consulting** services within ACE Enexor, Inc. designed to add value and improve the organization's operations. Internal Audit shares the organization's common goal of creating and enhancing shareholder value. Internal Audit aims to assist all members of the organization accomplish their objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness and efficiency of the Company's risk management, control, and governance process. To this end, Internal Audit furnishes Management and the Board of Directors, through the Audit Committee, with analyses, recommendations, advice and information concerning the activities reviewed.

Assurance Services

The internal audit activity provides reasonable and independent risk-based assurance on the following to help ensure that management enhances the value of the Company as it competes in an ever dynamic and increasingly competitive marketplace:

- Overall effectiveness of the governance, control environment and the risk management process
- Compliance with policies, laws, rules and regulations
- Safeguarding of assets

	ACE Enexor, Inc. INTERNAL AUDIT CHARTER	Document No: ACEX-IAC-01
		Effective Date: 03 May 2021
		Revision No: 00
		Page No: 2 of 8

- Reasonableness of financial information, in conjunction with the external/independent auditors' activities

Consulting Services

The internal audit activity at ACE Enexor, Inc. shall provide advisory and related client service activities, the nature and scope of which are agreed upon with the client and are intended to add value and improve the Company's operations. Examples of consulting services, are the following:

- Assistance in risk management activities
- Providing recommendations and advice
- All other projects and reviews requested by the Audit Committee and Executive Management

Acceptance of consulting engagements will depend on the competency of the internal auditors, urgency and perceived risk to the Company. The internal audit function may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair the Department's objectivity and that individual objectivity is managed when assigning resources to the engagement. Consulting activities which impacts the completion of the approved annual audit plan shall require an approval from the Audit Committee.

D. Authority

In carrying out their duties and responsibilities, members of the internal audit function will have full, free and unrestricted access to all organizational activities, records, properties and personnel. It has neither direct responsibility for, nor authority over any part of the activities it reviews or the persons responsible for those activities.

E. Reporting and Working Relationships

Reporting Lines

The Chief Audit Executive reports functionally to the Board of Directors, through the Audit Committee, and administratively, to the Group Chief Financial Officer or his designate.

The Chief Audit Executive shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third-party service provider or co-sourced with internal resources.

The Chief Audit Executive must abstain from assuming responsibility for processes beyond the internal audit function. In special cases where additional role is necessary, safeguards must be in place to limit impairments to independence or objectivity.

The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. Impairment to the objectivity of the internal auditor, as declared in the Company's Annual Disclosure and Insider Trading form shall likewise be reported.

Working Relationships

Audit Committee

Internal Audit supports the Audit Committee in the effective discharge of the Committee's oversight role and responsibility. A functioning relationship between the Department and the Audit Committee is very vital. It is part of the Audit Committee's responsibility to work closely with the Chief Audit Executive to maintain an effective internal audit function within ACE Enexor, Inc. In turn, part of the Internal Audit Department's responsibilities is to work with the Audit Committee to co-develop expectations and reporting requirements and provide day-to-day assistance and secretariat support. A reporting protocol and process is defined and observed to ensure that the right information is provided at the appropriate time and effective interaction is achieved.

Management

The Internal Audit Department should seek to achieve an effective and objective working relationship with ACE Enexor's management at all times. The Department should always discharge its duties and responsibilities to provide value-adding activities to management, while at the same time exercising independence and objectivity. Reporting process and protocols that ensure independence and objectivity should be observed at all times.

Process and Activity Owners

The process and activity owners provide the information on which the Internal Audit Department makes its evaluation, assessment and recommendations. Co-developing the expectations, discussing the audit objectives and methodology and observing reporting protocols should always form part of the Department's service delivery process to ensure an effective and objective working relationship with process and

	ACE Enexor, Inc. INTERNAL AUDIT CHARTER	Document No: ACEX-IAC-01
		Effective Date: 03 May 2021
		Revision No: 00
		Page No: 4 of 8

activity owners. Collectively, the work performed by the Department together with the process and activity owners, should provide value to management in terms of process controls assurance and improvement.

Compliance and Risk Management

Internal Audit Department coordinates with the Compliance and Risk Management units to assist the Audit Committee in their oversight responsibility and to make an evaluation on the adequacy and effectiveness of the compliance and risk management systems.

External Auditors

The Internal Audit Department and the external/independent auditors should meet regularly in order to ensure the effective use of audit resources and share their knowledge on significant issues and concerns. These meetings will help provide reasonable assurance that the roles of the two functions are very well coordinated and thus mitigate the risks of unnecessary work duplications.

Subsidiaries and Affiliates

The Internal Audit Department coordinates with the subsidiaries and affiliates' internal audit functions and serves as resource to the subsidiaries and affiliates' audit committees to ensure the sharing of best practices and standardization of internal audit practices within the Group.

Other Stakeholders

The Internal Audit Department may, at certain times, need to work with other parties within or outside the ACE Enexor organization. For instance, the working relationships with the Compliance Officer on corporate governance issues and the Chief Risk Officer on enterprise-wide risk management process should be defined and observed at all times to ensure that effective coordination is achieved. The working relationship with outside consultants and other parties should be discussed with the President and Chief Operating Officer or his designate and with the Audit Committee Chairman.

F. Key Responsibilities

- Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit function collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.
- Internal auditors must apply due care and skill expected of a reasonably prudent and competent internal auditor.

- Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. If independence or objectivity is impaired, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

General

- Review the effectiveness by which risks that may threaten the achievement of organizational and financial reporting objectives are identified and managed.
- Review the reliability and integrity of the financial reporting process and operating information and the business processes used to identify, measure, classify and report such information.
- Review annually the effectiveness of the Company's internal controls, including financial, operational, information technology, compliance controls, and risk management.
- Review crisis management, business continuity and disaster recovery plans and results of the annual testing.
- Review the effectiveness of management controls meant to ensure the economic and efficient utilization of resources and achieve the Company's corporate vision and objectives.
- Review the adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.
- Report the results of audit reviews and other activities in a manner that helps management address the identified risk issues/concerns and take appropriate action within a reasonable period of time.
- Appraise the adequacy of action taken by management in response to reported risk issues, control weaknesses and opportunities for improvement.

Corporate Governance

- Provide assistance to the Audit Committee in the discharge of the Committee's oversight function with regard to corporate governance. Such activities include establishing the communication process to discuss with the Audit Committee issues and controls affecting the financial reporting and risk management processes, compliance with laws and regulations and internal controls.
- Coordinate with the Compliance Officer in ensuring that the provisions of ACE Enexor

Inc.'s corporate governance manual are appropriately and adequately complied with.

- Report to the Audit Committee and the Compliance Officer recommended improvements identified in the company's ethics-related programs and activities resulting from the regular course of internal audit reviews.
- Update the Audit Committee and Senior Management on developments and emerging trends and issues in corporate governance (local and international), especially in areas directly affecting their roles and responsibilities.
- Deliver the specific requirements from the internal audit activity, as specified in ACE Enexor Inc.'s corporate governance manual, as follows:
 - * Evaluate and provide reasonable assurance that risk management, internal control and governance systems are functioning as intended and will enable the company's strategy, objectives and goals to be met.
 - * Submit a risk-based Internal Audit Plan defining the IA priorities, scope, and resource requirements that are consistent with the organization's goals for review and approval by the Audit Committee.
 - * Review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Seek the approval from the Audit Committee relative to any deviations from the approved Annual Internal Audit Plan.
 - * Maintain adequate documentation to support the engagement results and conclusions.
 - * Submit periodic reports to the Audit Committee on the status of the internal audit activity, accomplishments, key findings and recommendations.
 - * Report the results and implementation status of the quality assurance and improvement program and the independent external assessment conducted at least once in every five years.
 - * Assist in the investigations arising from whistleblower disclosures. Retain independent counsel, professional experts or others to assist in the conduct of an investigation, as necessary.
 - * Render an Internal Audit Annual Report to the Audit Committee on the Department's activity, purpose, authority, responsibility, and performance; such annual report should contain the results of the review of the risk management process and significant exposures, as well as a report on governance issues.

- * Render a report to the Audit Committee that ACE Enexor Inc.'s internal audit activity for the given year has been performed in accordance with the provisions of the International Standards for the Professional Practice of Internal Auditing (ISPPIA).

Enterprise-Wide Risk Management

- Review the adequacy of the risk management policy and compliance thereto.
- Review the effectiveness of the risk management process and risk mitigation strategies designed by the risk owners.
- Participate in risk assessment workshops and other activities of the Risk Management Unit.

Other Activities

The Internal Audit Department will conduct such other activities as may be requested by the Audit Committee, the Chairman of the Board, the President, and other members of senior management, with certain requests of the latter subject to further clearance from the Audit Committee depending on the materiality of such requests.

The Internal Audit Department is, however, not authorized to or responsible for:

- Performing any operational duties or be involved in the day-to-day internal checking systems of the operational business units.
- Initiating or approving accounting transactions external to the internal audit function.
- Directing the activities of any business unit employees not assigned to the Internal Audit Department
- Drafting and/or implementing business system procedures or other internal control systems. The Internal Audit Department may, however, be consulted on the adequacy of the related controls.

Internal Audit will undertake its work in accordance with the Institute of Internal Auditors (IIA)'s Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (IPPF) consisting of:

- the Core Principles for the Professional Practice of Internal Auditing;
- the Code of Ethics;
- the International Standards for the Professional Practice of Internal Auditing (ISPPIA or "the Standards"); and
- the Definition of Internal Auditing.

	ACE Enexor, Inc. INTERNAL AUDIT CHARTER	Document No: ACEX-IAC-01
		Effective Date: 03 May 2021
		Revision No: 00
		Page No: 8 of 8

The Internal Audit Charter is also aligned with the Company's Code of Conduct and Ethics and the requirements of Philippine Regulation Commission and other regulatory bodies. The Internal Audit Department shall provide professional development opportunities to keep members informed about improvements and current developments in Internal Auditing standards and techniques.