Amended
February 2019

ABOITIZ POWER CORPORATION
1AP INTERNAL AUDIT

INTERNAL AUDIT CHARTER

The purpose of this statement is to provide an understanding of the role and responsibilities of the **1AP Internal Audit** team and its functions under the policies established by the Management and the Board of Directors of Aboitiz Power Corporation (AP), subsequently referred to as "the Company" through the Manual of Corporate Governance.

POLICY

It is the policy of the Company to maintain an Internal Audit Organization as a primary resource of the Board of Directors and the Board Audit Committee in the effective discharge of its duties and responsibilities by reviewing and evaluating the Company's operations including its subsidiaries and affiliates.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Company's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

ROLE

It is through analyses, recommendations, counsel and information dissemination among the proper channels that the 1AP Internal Audit team will help in improving the effectiveness of risk management, control, and governance processes.

1AP Internal Audit 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.

The 1AP Internal Audit Head or its representative may attend on selected management meetings with the intent to give audit insights or act in an advisory capacity only.

1AP Internal Audit will take into account its responsibility in ensuring that the Board Audit Committee is informed of the audit issues on a timely basis by furnishing the Board Audit Committee with copies of the reports of concluded engagements.

1AP Internal Audit will use external professional assistance as deemed necessary.

PROFESSIONAL STANDARDS

The 1AP Internal Audit is responsible for ensuring that assurance and consulting services confirm to the Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, International Standards for the Professional Practice of Internal Auditing (ISPPIA) and the Definition of Internal Auditing.

The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing principles against which to evaluate the effectiveness of the 1AP Internal Audit Team's performance.

AUTHORITY

1AP Internal Audit 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.

1AP Internal Audit will also have direct, free and unrestricted access to the Board Audit Committee.

ORGANIZATION

1AP Internal Audit reports functionally to the Board Audit Committee and administratively (i.e. day-to-day operations) to the Chief Executive Officer.

The Board Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the 1AP Internal Audit Head as well as the 1AP Internal Audit Head's annual compensation and salary adjustment.

The 1AP Internal Audit Head will communicate and interact directly with the Board Audit Committee, including in private/ executive sessions and between meetings, as appropriate.

INDEPENDENCE AND OBJECTIVITY

The Company's senior management and the Board of Directors support 1AP Internal Audit 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.

1AP Internal Audit is a recommendatory body. It will have no direct operational responsibility of authority over any of the activities audited. 1AP Internal Audit 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 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 1AP Internal Audit Head will confirm to the Board Audit Committee, at least annually, the organizational independence of the internal audit activity.

SCOPE OF WORK

As disclosed in the Manual of Corporate Governance, 1AP Internal Audit, 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 risk management processes, control and governance 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:

    - Giving assurance on risk management processes.
    - Giving assurance that risks are correctly evaluated.
    - Evaluating risk management processes.
    - Evaluating the reporting of key risks.
    - Reviewing the management of key risks.

2. Evaluation of the adequacy and effectiveness of controls to ensure achievement of organization objectives.

3. Assessment and making appropriate recommendations on the following governance processes:

    - Making strategic and operational decisions.
    - Overseeing risk management and control.
    - Promoting appropriate ethics and values within the organization.
    - Ensuring effective organizational performance management and accountability.
    - Communicating risk and control information to appropriate areas of the organization
    - Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.

4. Evaluation of risk exposures based on the areas of highest risks as enumerated in the business unit risk registers and other risks as evaluated independently by the 1AP Internal Audit Team relating to the organization's governance, operations and information systems taking into consideration the following:

    - Reliability, integrity and timeliness of information
    - Compliance with policies and procedures, plans, sound business practices, laws, contractual obligations and regulations

- Safeguarding of assets and as appropriate, verifying its existence
- Economical and efficient use of resources
- Accomplishment of established objectives and goals for operations or programs

5. Conduct of pre-/post-implementation reviews of major information systems for group implementation and/or as duly identified by the corporate center and/or business unit.

6. 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.

INTERNAL AUDIT PLAN

The 1AP Internal Audit Head will submit to senior management and the Board Audit Committee, at least annually, an internal audit plan for review and approval. The audit plan will consist of the proposed work schedule, budget and resource requirements. The 1AP Internal Audit Head will communicate the impact of any resource limitation and significant interim changes to senior management and the Board Audit Committee.

The internal audit plan and prioritization of engagements will be developed using risk-based methodology and would include 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 and other risks as evaluated independently by the 1AP Internal Audit Team. Inputs from senior management will be gathered during the annual audit roadshow to be conducted by 1AP Internal Audit.

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

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 Board Audit Committee prior

to the scheduled Board Audit Committee meetings. At the end of the calendar year, 1AP Internal Audit will release its *Year-ender Report*.

CONFIDENTIALITY AND RELATIONSHIPS

1AP Internal Audit 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 Resident Auditors to:

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

In particular, 1AP Internal Audit shall receive copies of all external and resident auditors' communications and reports to management.

PERIODIC ASSESSMENT

The 1AP Internal Audit Head will periodically report to senior management and the Board Audit Committee 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 1AP Internal Audit Head will also communicate to senior management and the Board Audit Committee its activities related to its quality assurance and improvement programs including results of any on-going internal and external assessments.

AMENDMENT OF CHARTER

The 1AP Internal Audit Head is responsible in maintaining this Internal Audit Charter in a current state. Amendment of this Charter is subject to the review and recommendation of the Board Audit Committee and 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.

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 1AP Internal Audit Head.

INTERNAL AUDIT CHARTER

Approved this 26th day of February 2019.

CARLOS C. EJERCITO
Chairman, Independent Director

ROMEO L. BERNARDO
Member, Independent Director

ERIC O. RECTO
Member, Independent Director

MIKEL A. ABOITIZ
Member, Chairman of the Board

ENRIQUE M. ABOITIZ, JR.
Member, Vice-Chairman

Noted by:

SATURNINO E. NICANOR, JR.
AVP-1AP Internal Audit Head