



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 AND MISSION

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. Its mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

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 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 Head will discuss the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework with senior management and the Board Audit Committee.

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 conform 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 (ISPPA) 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 the 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 necessary independence and objectivity.

1AP Internal Audit is a recommendatory body. It will have no direct operational responsibility nor authority over any of the activities audited. 1AP Internal Audit will not implement internal controls, develop procedures and install systems, prepare records nor 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 (meaning effectiveness and efficiency) of the internal control system, as well as the effectiveness of governance and risk management processes to help ensure the reliability and integrity of financial reporting as well as the operations of assets. Such coverage includes core and support operations, the information systems supporting these processes, as well as, compliance with applicable legal requirements (whether statutory or regulatory), and contracts.

The said scope of work covering the Company's risk management, control, and governance processes encompasses:

- 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 that the control systems are effective.
 - Giving assurance on the 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.

- Evaluation of the adequacy (effectiveness and efficiency)" of controls to help ensure the achievement of organizational objectives.
- 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.
- 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
- 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.
- 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 overall 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.

RESPONSIBILITY

The 1AP Internal Audit Head has the responsibility to:

- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the audit committee any corrective actions not effectively implemented.

- Any conclusions by the 1AP Internal Audit Head that management has accepted a level of risk that may be unacceptable to the organization, he must discuss the matter with senior management, and if not resolved, this will be elevated to the Board Audit Committee.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit activity collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the Company are considered and communicated to senior management and the audit committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit activity.
- Ensure adherence to the Company's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the board audit committee.
- Ensure conformance of the internal audit activity with the Standards, with the following qualifications:
 - If the internal audit activity is prohibited by law or regulation from conformance with certain parts of the Standards, the 1AP Internal Audit Head will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the 1AP Internal Audit Head will ensure that the internal audit activity conforms with the Standards, even if the internal audit activity also conforms with the more restrictive requirements of other authoritative bodies.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The 1AP Internal Audit Head will develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. These aspects are divided into four segments: 1. Internal Audit Governance, and 2. Internal Audit Staff to be handled by the designated QA Champions; 3. Internal Audit Management to be handled by the Internal Audit TLs; and 4. Internal Audit Process to be handled by everyone in 1AP Internal Audit Group. These aspects will be assessed via Ongoing Monitoring that is embedded into the day-to-day Internal Audit Activities, Periodic Internal Assessment to be evaluated by a designated QA Champion with the directive from the 1AP Internal Audit Head at least annually and via External Assessment to be done at least once every five years by a qualified, independent assessor or assessment team from outside the Company.

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, at least annually on the results of any ongoing assessment, and right after every completion of periodic internal and external assessments.

AMENDMENT OF CHARTER

The 1AP Internal Audit Head is responsible for maintaining this Internal Audit Charter in a current state through review and assessment of its adequacy at least annually. Amendment of this Charter is subject to the approval by the Board Audit Committee for its endorsement in seeking ratification of the whole 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 ratification 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 July 2022.

-SGD-

ERIC RAMON O. RECTO

Chairman, Independent Director

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LUIS MIGUEL O. ABOITIZ

Member, Non-Executive Director

-SGD-

EDWIN R. BAUTISTA

Member, Director

-SGD-

DANEL C. ABOITIZ

Member, Director

Noted by:

-SGD-

SATURNINO E. NICANOR, JR.

Head / VP for Internal Audit