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|  | <b>INTERNAL AUDIT<br/>CHARTER</b> | Version No. | 1.1         |
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| <b>Version</b>          | : | 1.1             |
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| <b>Approved by</b>      | : | Audit Committee |
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## Internal Audit Charter

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### Revision History

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  - a. Effectivity Date: 10.06.2022
  - b. Approval Date: 10.06.2022
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### Summary of Revision:

- Approval of the Audit Committee on the appointment and removal of the Internal Audit Department Head
- Effectivity of Amendments

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## 1. INTRODUCTION

The purpose of the Internal Audit Charter is to provide clear understanding of the purpose, authority and responsibility of the Internal Audit under the governance policies defined by management and Audit Committee of RASLAG CORPORATION.

Internal Auditing is an independent and objective assurance and consulting activity that is guided by the philosophy of adding value to improve the operations of RASLAG CORPORATION. It also aims to assist the corporation achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of internal control, risk management and governance processes.

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

## 2. AUTHORITY

The Internal Audit Department (IAD), with strict accountability for confidentiality and safeguarding of records and information, will have full, free and unrestricted access to any and all of RASLAG's organizational activities, records, physical properties and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its role and responsibilities. The Internal Audit will also have free and unrestricted access to the Board.

## 3. ORGANIZATION

The IAD Head reports functionally to the Audit Committee and administratively to the President and Chief Executive Officer (CEO).

The Audit Committee shall approve the appointment and removal of the IAD Head.

## 4. INDEPENDENCE AND OBJECTIVITY

The independence of IAD is essential for the effective and efficient performance of its functions. To ensure that it will maintain an independent and objective mental attitude, IAD will remain free from interference on matters including, but not limited to, audit selection, scope, procedures, frequency, timing and contents of the reports.

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Internal auditor will have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Auditor will not implement internal controls, develop procedures, install systems, prepare records, or any activity that may impair his judgment.

Internal auditor is required to exhibit the highest level of professional activity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditor will make a balanced assessment of all the relevant circumstances and not be unduly influenced.

## 5. SCOPE AND RESPONSIBILITIES

The scope of internal auditing encompasses, but is not limited to the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve RASLAG CORPORATION's goal and objectives. This includes the following:

- Develop an annual audit plan and submit it to the Audit Committee for review and approval. The annual audit plan will be developed based on prioritization of auditable activities and assessments of risks involved, including inputs of Senior Management and the Audit Committee;
- Review and adjust the audit plan, as deemed necessary, or in response to the changes in the organization's business risks, operations, programs, systems and controls. Seek approval from the Audit Committee, for any significant deviation from the approved audit plan through periodic reports;
- 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 the effectiveness of management controls meant to ensure the economic and efficient utilization of resources and achieve the Company's corporate objectives;
- Report significant risks and internal control issues, including fraud risks, governance issues and other matters as a result of the internal audit engagements that are documented in an internal audit report;
- Assist in, or independently carry out the investigations arising from whistleblower disclosures or any suspected fraudulent activities within the company and notify the Management and Audit Committee of the results;

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- Maintain adequate documentations to support the results and conclusions of each engagement;
- Appraise the adequacy of action taken by management in response to reported risk issues, control weakness and opportunities for improvement;
- Coordinate with the External Auditors primarily on matters relating to any internal control weakness and other significant issues/concerns, as contained in the management letter issued, in relation to their regular audit.

Also, follow-up to ascertain effectiveness of management's corrective actions in response to the management letter.

- Submit periodic reports to the Audit Committee on the status of the internal audit activity, accomplishments, key findings and recommendations;
- Together with the Chief Financial Officer, provide the Audit Committee, with a regular review of the accounting processes, internal control and IT security of RASLAG in compliance with the accounting standards and proper internal controls;
- Conduct other activities, as may be requested by the Audit Committee, the Chairman of the Board/President & CEO, and other members of senior management, with certain requests of the latter subject to further clearance from the Audit Committee depending on the materiality and urgency of such requests;
- Evaluate and report on specific areas at the request of the Senior Management or the Audit Committee, as appropriate;
- Maintain professional audit personnel with sufficient knowledge, skills, experience and professional certification to meet the requirements of this Charter; and
- Obtain competent advice and assistance from external service providers or consultants, in case the Internal Auditor lacks the knowledge, skills or other competencies needed to perform all or part of the engagement.

## 6 REPORTING AND MONITORING

A written report will be prepared and issued by LID following the conclusion of each internal audit engagement and distributed as appropriate. Significant audit findings will also be communicated to the Audit Committee.

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The internal audit report may include management's response and any corrective action taken or to be taken with regard to the specific findings and recommendation. Management's response should include a timetable for the completion of actions to be taken and an explanation for any corrective actions that will not be implemented.

The Internal Audit will be responsible for the appropriate follow-up on engagement findings and recommendations. All significant findings will remain as open issues until cleared.

## 7. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

In accordance with the standards, the Internal Audit will maintain a quality assurance and improvement program that covers all the aspects of the internal audit activity.

The program includes an evaluation of the Internal Audit activity's conformance with the Definition of Internal Auditing and Standards and an evaluation of whether the internal auditor apply Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

## 8. EFFECTIVITY AND AMENDMENTS

This charter which represents the framework for the conduct of internal audit function, including the amendments thereto, shall take effect upon approval by the Audit Committee.



**Daniel Gabriel M. Montecillo**  
*Audit Committee Chairman*



**Imelda C. Tiongson**  
*Audit Committee Member*



**Maria Rita Josefina V. Chua**  
*Audit Committee Member*