



## **INTERNAL AUDIT CHARTER**

## Table of Contents

A. Vision and Mission Statements .....	1
B. Internal Audit Strategy.....	1
C. Ethics and Professionalism .....	2
D. Governing the Internal Audit Function .....	3
E. Nature and Scope of Internal Audit Services.....	6
F. ALI GIA's Role and Responsibilities .....	7

This Charter describes the vision, mission, strategy, mandate (i.e., authority, role, and responsibilities), scope, and services of the Ayala Land Inc. Group Internal Audit (ALI GIA).

To ensure its relevance, the ALI Group Chief Audit Executive (the “CAE”) must review this charter at least annually and whenever circumstances such as but not limited to the following occur:

- a notable change in the Global Internal Audit Standards (the “Standards”);
- a significant acquisition or reorganization within the organization;
- significant changes in the board and/or senior management;
- significant changes to the organization’s strategies, objectives, risk profile, or the environment in which it operates; and/or
- new laws or regulations that may affect the nature and/or scope of internal audit services.

The ALI GIA must obtain the approval of the ALI Board of Directors (the “Board”) through the Audit Committee for any revisions thereto or for any case where external bodies may suggest a change. Suggestions by such external bodies, however, are subject to the recommendation of the CAE and approval of the Board through the Audit Committee.

## **A. Vision and Mission Statements**

The vision and mission statements of the ALI GIA are:

### Our Vision

"We are an independent group of professional internal auditors who are trusted strategic partners of the stakeholders we serve."

### Our Mission

"We strengthen the ALI Group's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight."

## **B. Internal Audit Strategy**

In pursuing its Vision and Mission, the ALI GIA:

1. Provides internal audit services in the form of engagements and initiatives that enhance the ALI Group's:
  - successful achievement of its objectives;
  - governance, risk management, and control processes;
  - decision-making and oversight;
  - reputation and credibility with its stakeholders; and
  - ability to serve public interest.
2. Ensures fulfillment of its mandate by continually:
  - enhancing the competencies (i.e., knowledge, skills, and abilities) of the ALI Group's internal auditors;

- collaborating meaningfully with all our stakeholders;
- adopting applicable leading practices to improve the effectiveness and quality of our services; and
- ensuring sufficiency of resources to enable the fulfillment of the internal audit strategy.

## **C. Ethics and Professionalism**

In fulfilling its mandate and instilling trust in the profession of internal auditing, the ALI GIA commits to uphold the following principles:

### ***Demonstrate Integrity***

The internal auditors of the ALI Group must:

- perform their work with honesty and professional courage;
- understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization; and
- not engage in or be a party to any activity that is illegal or discreditable to the organization or the profession of internal auditing or that may harm the organization or its employees.

### ***Maintain Objectivity***

The internal auditors of the ALI Group must:

- maintain professional objectivity when performing all aspects of internal audit services;
- recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity; and
- disclose promptly to the Audit Committee if objectivity is impaired in fact or appearance.

### ***Demonstrate Competency***

The internal auditors of the ALI Group must:

- possess or obtain the competencies to perform their responsibilities successfully and
- maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services.

### ***Exercise Due Professional Care***

The internal auditors of the ALI Group must:

- plan and perform internal audit services in accordance with the Standards and applicable laws, regulations, and requirements of authoritative bodies;
- exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided; and
- exercise professional skepticism when planning and performing internal audit services.

## ***Maintain Confidentiality***

The internal auditors of the ALI Group must:

- follow the relevant policies, procedures, laws, and regulations when using information and not use the information for personal gain or in a manner contrary or detrimental to the organization's legitimate and ethical objectives and
- protect the information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as the result of professional relationships.

## **D. Governing the Internal Audit Function**

This section outlines the activities of the Audit Committee and senior management of the ALI Group that are essential to the ALI GIA's ability to fulfill its vision, mission, and strategy.

***Authorized by the Board through the Audit Committee.*** The Audit Committee establishes, approves, and supports the mandate of the ALI GIA.

The ALI GIA receives its mandate from the Audit Committee. The mandate specifies the authority, role, and responsibilities of the ALI GIA as documented in this Charter. In carrying out its mandate, the ALI GIA adheres to the mandatory elements of the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA) which is composed of the Standards and Topical Requirements. Where relevant and applicable, the ALI GIA also adheres to laws and regulations and considers the standards, requirements, and guidelines issued by standard setting bodies and other leading professional organizations.

<b>Audit Committee's Role and Authority</b>	<b>Senior Management's Role</b>
<b><i>Internal Audit Mandate</i></b>	
Determine and discuss the appropriate authority, role, and responsibilities of the internal audit function.	<ul style="list-style-type: none"><li>• Provide input on expectations for internal audit's mandate.</li><li>• Support mandate and promote internal audit's authority.</li></ul>
<b><i>Internal Audit Charter</i></b>	
<ul style="list-style-type: none"><li>• Discuss topics for the Charter to enable effective internal auditing.</li><li>• Approve and periodically review Charter.</li></ul>	Communicate expectations of Charter's contents.
<b><i>Enabling ALI GIA to fulfill the purpose of internal auditing as embodied in its Vision and Mission statements, pursue its strategy and objectives</i></b>	
<ul style="list-style-type: none"><li>• Ensure the CAE reports to a level that allows internal audit to fulfill its mandate.</li><li>• Approve and periodically review internal audit's plans, budgets, and resources.</li></ul>	Support internal audit throughout organization.

Audit Committee's Role and Authority	Senior Management's Role
<ul style="list-style-type: none"> <li>Specify that internal audit should have unrestricted access to data, records, information, personnel, and physical properties.</li> <li>Inquire whether any restrictions exist that limit the internal audit function's ability to carry out its responsibilities.</li> </ul>	<p>Enable unrestricted access to information to help fulfill the mandate.</p>

***Positioned Independently.*** The Audit Committee establishes and protects the organizational independence and qualifications of the ALI GIA.

The establishment of the ALI GIA is a fundamental part of the ALI Group's Corporate Governance structure and practices. The ALI GIA reports functionally to the Audit Committee and administratively to the Chief Finance Officer. At least annually, the CAE confirms to the Audit Committee, the organizational independence of the ALI GIA.

Audit Committee's Role and Authority	Senior Management's Role
<ul style="list-style-type: none"> <li>Establish a direct reporting relationship with the CAE and the internal audit function.</li> <li>Meet periodically with the CAE in private to discuss significant and sensitive matters.</li> </ul>	<ul style="list-style-type: none"> <li>Position internal audit to enable it to perform as directed.</li> <li>Recognize the CAE's reporting relationship.</li> </ul>
<ul style="list-style-type: none"> <li>Enable the CAE to bring matters to senior management, escalating to the board when necessary.</li> </ul>	<p>Work with the Audit Committee and the CAE on escalation process.</p>
<ul style="list-style-type: none"> <li>Review requirements, qualifications, experience, and competencies necessary for CAE to fulfill role.</li> <li>Appoint the CAE and concur in his/her replacement, re-assignment or dismissal.</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate with the Audit Committee to determine CAE role's requirements and work with HR to appoint and develop the CAE.</li> <li>Provide input on appointment and removal of CAE.</li> </ul>
<ul style="list-style-type: none"> <li>Review any current or proposed roles and responsibilities of the CAE that have the potential to impair the internal audit function's independence, either in fact or in appearance including the types of safeguards to manage potential, or perceived impairments. When those areas handled by the CAE in a non-audit role capacity are subject to internal auditing, such audit must be carried out by a third-party service provider who must also report independently to the board.</li> </ul>	<p>Understand potential impairments caused by non-audit roles.</p>

**Overseen by the Board through the Audit Committee.** The Audit Committee oversees the ALI GIA to ensure the function's effectiveness.

Audit Committee oversight is essential to enable the overall effectiveness of the ALI GIA. This is achieved through collaborative and interactive communication between the Audit Committee and the CAE as well as the Audit Committee's support in ensuring the ALI GIA obtains sufficient resources to fulfill its mandate. Additionally, the Audit Committee receives assurance about the quality of the performance of the CAE and the ALI GIA through the quality assessment and improvement program (QAIP), including the Audit Committee's direct review of the results of the external quality assessment.

Audit Committee's Role and Authority	Senior Management's Role
<b>Audit Committee Interaction</b>	
Communicate the board's perspective on organizational strategies, objectives, and risks to assist the CAE with determining internal audit priorities.	Communicate senior management's perspective on strategies, objectives, and risks to assist in determining internal audit priorities.
Understand the effectiveness of the organization's governance, risk management, and control processes.	Assist in understanding the effectiveness of governance, risk management, and control processes.
<ul style="list-style-type: none"> <li>Set expectations with the CAE for:               <ul style="list-style-type: none"> <li>The frequency with which the board wants to receive communications from the CAE.</li> <li>The criteria for determining which issues should be escalated to the board.</li> <li>The process for escalating matters of importance to the board.</li> </ul> </li> <li>Discuss any disagreements with senior management or other stakeholders.</li> </ul>	Work with the Audit Committee and the CAE on escalation process.
<b>Resources</b>	
Collaborate with senior management to ensure internal audit has sufficient resources. <ul style="list-style-type: none"> <li>Consider the impact of insufficient resources on the internal audit mandate and plan.</li> <li>Engage with senior management and the CAE on a solution if resources are determined to be insufficient.</li> </ul>	<ul style="list-style-type: none"> <li>Engage with the Audit Committee to provide internal audit with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.</li> <li>Engage with the Audit Committee and the CAE on solving for insufficient resources.</li> </ul>
<b>Quality = Conformance + Performance</b>	
<ul style="list-style-type: none"> <li>Discuss the QAIP with the CAE.</li> <li>At least annually, assess the effectiveness and efficiency of the internal audit function by:</li> </ul>	<ul style="list-style-type: none"> <li>Provide input on internal audit's performance objectives.</li> <li>Participate in an annual assessment of the CAE and internal audit.</li> </ul>

Audit Committee's Role and Authority	Senior Management's Role
<ul style="list-style-type: none"> <li>- Reviewing the internal audit's performance objectives, including conformance with the Standards, laws, and regulations; ability to meet the internal audit mandate; and progress toward completion of the internal audit plan.</li> <li>- Considering the results of internal audit's QAIP and the results of the EQA of the internal audit function.</li> <li>- Determining the extent to which internal audit's performance objectives are being met.</li> </ul>	
<b>External Quality Assessment (EQA)</b>	
<ul style="list-style-type: none"> <li>• Discuss EQA plans (including scope and frequency) to be conducted by an independent, qualified assessor or assessment team.</li> <li>• Require receipt of the EQA or Self-Assessment with Independent Validation (SAIV) results directly from the assessor.</li> <li>• Review and approve the CAE's action plans to address deficiencies and opportunities for improvement.</li> <li>• Approve a timeline for action plan completion and monitor the CAE's progress.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with the Audit Committee and the CAE to determine the scope and frequency of the EQA.</li> <li>• Review EQA results, collaborate on action plans addressing deficiencies and opportunities for improvement, and agree on a timeline for action plan completion.</li> </ul>

## E. Nature and Scope of Internal Audit Services

Consistent with the internal audit mandate cited in the Charter of the Audit Committee, the ALI GIA strengthens the ALI Group's ability to create, protect, and sustain value through its independent, risk-based, and objective assurance, advice, insight, and foresight. The scope of internal audit services covers the review of the governance, risk management, and internal control processes of the ALI Group to ensure that these key risk areas are reasonably managed:

1. Reliability and integrity of financial and operational information;
2. Effectiveness and efficiency of operations and programs;
3. Safeguarding of assets; and
4. Compliance with laws and/or regulations.

The types of internal audit services are internal audit engagements and internal audit initiatives.

Internal audit engagements can either be assurance or advisory.



Assurance engagements are services through which internal auditors perform objective assessments to provide assurance. Examples of assurance engagements include risk-based, process-focused (RBPF) audit, compliance audit, financial audit, operational/performance audit, and information system/technology audit engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.

Advisory engagements are intended to provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory engagements are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of internal controls such as new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. Advisory engagements are also known as consulting engagements.

Internal audit initiatives are multi-year programs being implemented by the ALI GIA which aim to:

- support the achievement of the ALI GIA's Strategic and Annual Plans and enhance its operations (i.e., people, process, and use of technology) and
- help ALI GIA strengthen the ability of the ALI Group in achieving its key governance, risk management and control (GRC) objectives.

## F. ALI GIA's Role and Responsibilities


The role and responsibilities of the ALI GIA are to:

Areas	Roles and Responsibilities
<b><i>Governing the IA Function</i></b>	
Internal Audit Mandate	<ul style="list-style-type: none"> <li>• Provide information to establish mandate.</li> <li>• Coordinate with other providers to understand roles and responsibilities.</li> <li>• Document/reference the mandate in the charter.</li> <li>• Assess conditions that justify potential mandate changes.</li> </ul>
Internal Audit Charter	<ul style="list-style-type: none"> <li>• Develop and maintain the charter.</li> <li>• Discuss charter to confirm it reflects expectations.</li> </ul>
Enabling ALI GIA to fulfill the purpose of internal auditing as embodied in its Vision and Mission statements, pursue its strategy and objectives	<ul style="list-style-type: none"> <li>• Provide information to support and promote recognition of internal audit throughout the organization.</li> <li>• Coordinate board communications with senior management.</li> </ul>
Positioned Independently	<ul style="list-style-type: none"> <li>• Confirm organizational independence.</li> <li>• Document reporting relationships and organizational positioning.</li> <li>• Communicate necessary qualifications and competencies to effectively manage internal audit.</li> <li>• Discuss current or proposed roles that may impair independence.</li> <li>• Advise on safeguards to manage such impairments.</li> </ul>

Areas	Roles and Responsibilities
	<ul style="list-style-type: none"> <li>• Maintain ability to fulfill board expectations.</li> </ul>
Audit Committee Interaction	<ul style="list-style-type: none"> <li>• Provide information to conduct oversight responsibilities.</li> <li>• Report to the board: <ul style="list-style-type: none"> <li>○ plan and budget including significant revisions thereto;</li> <li>○ changes that may affect the mandate or charter;</li> <li>○ potential impairments to independence;</li> <li>○ results of internal audit services such as significant risk, exposures and control issues, including fraud risk, governance issues, and other matters requiring the attention of or requested by the Audit Committee; and</li> <li>○ QAIP results.</li> </ul> </li> <li>• If the CAE disagrees with management on aspects of an engagement that may affect internal audit's ability to execute its responsibilities, provide the board with the facts and circumstances.</li> </ul>
<b>Managing the IA Function</b>	
Strategic and Annual Internal Audit Plans	<ul style="list-style-type: none"> <li>• Create the strategic and annual internal audit plans by utilizing a risk-based and agile approach to address significant risk and control areas of concern and considering special tasks or projects requested by management and the Audit Committee. These plans, composed of both engagements and initiatives, along with needed resources and regular updates, must be submitted to the Audit Committee for review and approval.</li> </ul>
Methodologies	<ul style="list-style-type: none"> <li>• Establish and ensure adherence to methodologies designed to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards.</li> </ul>
Coordination and Reliance	<ul style="list-style-type: none"> <li>• Coordinate its activities with the other internal and external assurance service providers and consider relying upon their work. If the CAE cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.</li> </ul>
Manage Resources	<ul style="list-style-type: none"> <li>• Manage resources to implement ALI GIA's strategy and achieve its plan and mandate by effectively obtaining and deploying financial, human, and technological resources: <ul style="list-style-type: none"> <li>○ Develop a budget and seek approval from the board.</li> <li>○ Ensure that human resources are appropriate, sufficient, and effectively deployed to achieve the approved internal audit plan.</li> <li>○ Oversee and be responsible for outsourcing and/or co-sourcing to third-party service providers.</li> <li>○ Ensure that the internal audit function has the necessary technology to pursue opportunities for improving effectiveness and efficiency.</li> <li>○ Discuss the impact of insufficient resources and how shortfalls will be addressed.</li> </ul> </li> </ul>
Communicate Effectively	<ul style="list-style-type: none"> <li>• Promote formal and informal communication between the internal audit function and stakeholders. This communication includes: <ul style="list-style-type: none"> <li>○ results of internal audit services;</li> <li>○ corrected information as a result of significant error or omission; and</li> </ul> </li> </ul>

Areas	Roles and Responsibilities
	<ul style="list-style-type: none"> <li>management's response to risks that are unacceptable to the organization's risk appetite or risk tolerance.</li> </ul>
Quality = Conformance + Performance	<ul style="list-style-type: none"> <li>Develop, implement, and maintain a QAIP covering all internal audit aspects, both external and internal assessments.</li> <li>Communicate internal quality assessment results to the board. EQA results must be reported when completed: <ul style="list-style-type: none"> <li>Internal audit's conformance with the Standards and achievement of performance objectives.</li> <li>If applicable, compliance with relevant laws and/or regulations.</li> <li>If applicable, plans to address deficiencies and opportunities for improvement.</li> </ul> </li> </ul>
External Quality Assessment (EQA)	<ul style="list-style-type: none"> <li>Develop an EQA plan (or SAIV) to discuss with the board. EQA must be conducted by a qualified independent party at least every five (5) years.</li> <li>Ensure at least one (1) assessor holds an active CIA designation.</li> </ul>
<b>Performing IA Services</b>	
Planning, Executing, and Reporting Engagement Results	<ul style="list-style-type: none"> <li>Execute the approved annual audit plan, focusing on relevant risks identified for review, by: <ul style="list-style-type: none"> <li>Establishing clear objectives and scope;</li> <li>Identifying evaluation criteria;</li> <li>Deploying appropriate and sufficient resources;</li> <li>Documenting work programs and testing results;</li> <li>Communicating engagement outcomes, including conclusions and recommendations, to relevant parties; and</li> <li>Monitoring the implementation of agreed management actions to ensure that effective remedial action is taken.</li> </ul> </li> </ul>


Approval requested by:

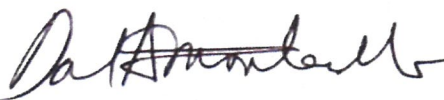
  
**Annabeth R. Bernardo**  
 ALI Group Chief Audit Executive


Endorsed for approval:

  
**Augusto D. Bengzon**  
 ALI Group Chief Finance Officer and Treasurer

Approved by:

  
**Cesar V. Purisima**  
 Independent Director  
 Committee Chair

  
**Daniel Gabriel M. Montecillo**  
 Lead Independent Director  
 Committee Member

  
**Rex Ma. A. Mendoza**  
 Independent Director  
 Committee Member

**Date Approved:** 06 November 2024