

# INTERNAL AUDIT CHARTER

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## 1. INTRODUCTION

1.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of Etiqa Life and General Assurance Philippines, Inc. (*hereinafter referred to as the Company*). It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2. MISSION & OBJECTIVE

- 2.1 The mission of Internal Audit is to enhance and protect organisational value by providing strategic, risk-based and objective assurance, advice and insight.
- 2.2 Internal Audit being the eyes and ears of the Audit Committee of the Board (ACB), enhances the value of the ACB by providing value-add recommendations to enhance the effectiveness and efficiency of the Company's operations and collaborating with business partners to assist management to achieve strategic objectives.
- 2.3 The fundamentals of the internal audit function involve identifying risks that could negatively impact the performance of the Company and/or keep it from achieving its corporate goals, ensuring management fully understands these risks and proactively recommending improvements to minimize these risks.
- 2.4 It is imperative for Internal Audit to be involved early in the organization's strategic initiatives, new developments, products and operational changes in order for Senior Management to seek feedback and assurance in these new areas of risks.

## 3. RESPONSIBILITY

- 3.1 Internal Audit is set up by the Board of Directors of the Company to be adequately funded and staffed with personnel having the requisite skills and competencies to perform the internal audit function of the Company. The budget and resource requirements of Internal Audit are to be approved by the ACB.
- 3.2 Internal Audit activities are carried out based on a risk-based audit approach and COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control Integrated Framework to assess the adequacy and effectiveness of internal controls.

- 3.3 The principal responsibility of Internal Audit is to undertake continuous testing and assessment on the effectiveness and efficiency of the risk management frameworks and the internal control systems in order to provide reasonable assurance that such frameworks and systems continue to operate efficiently and effectively.
- 3.4 The Internal Audit scope of work encompasses, but is not limited to:
- Evaluating risk exposure relating to the Company's business and operational strategies
  - Examining and evaluating the adequacy and effectiveness of the Company's governance processes, risk management, internal controls and the quality of performance
  - Reviewing and evaluating the level of compliance with relevant legal, regulatory and internal policy requirements
  - Evaluating the adequacy and effectiveness of the system of assessing its capital in relation to its estimate of risk
  - Evaluating the reliability, integrity and timeliness of the regulatory reporting, accounting records, financial reports and management information
  - Evaluating the reliability, integrity and continuity of the information technology, payment systems and electronic delivery channels
  - Evaluating the effectiveness and robustness of stress testing procedures and practices
  - Evaluating the means of safeguarding assets and, as appropriate, verifying the existence and utilization of such assets
  - Following-up with management on actions taken in response to audit findings as well as the implementation of audit recommendations
  - Reviewing and evaluating the outsourced Service Providers' operations and activities to ensure adequate and effective controls are established by the Service Providers in managing the outsourced activities
  - Expressing an opinion on the effectiveness of and adherence to the organisational and procedural controls as well as applicable laws and regulations.
- 3.5 Internal Audit is to provide independent and objective consultative reviews over the implementation of new initiatives in the Company which amongst others, includes new business venture, new system implementation and new product introduction.
- 3.6 Internal Audit is to conduct ad-hoc assignment or perform any other special tasks requested by the Board of Directors via the ACB, or Senior Management from time to time. The results of such reviews will be communicated to the ACB, or Senior Management, where appropriate.
- 3.7 Apart from the general scope of audit, Internal Audit may be required to conduct investigation on suspected irregularity or fraudulent activities within the Company and to report to the Internal Audit Committee (IAC) and the ACB the results of such investigations.

#### **4. ACCOUNTABILITY**

- 4.1 The Head of Audit for the Company shall be known as the Head of Internal Audit (HIA).
- 4.2 The HIA, in the discharge of his/her duties, shall be accountable to the ACB to:
- Develop a risk-based Annual Audit Plan (AAP) by taking into consideration the Company's business expansion plan as well as inputs from Senior Management and the ACB and submit the AAP to the ACB for review and approval.
  - Ensure the AAP remains relevant and pertinent changes are made timely in consideration of the emerging risks from the rapid changes in the business environment and in response to the requests from the regulators, ACB and Management. Such changes are to be communicated to the ACB for approval.
  - Maintain an audit team which possesses the requisite knowledge, competency, skills and experience to perform the internal audit responsibilities
  - Communicate the internal audit activity's plan and resource requirements, including significant interim changes as well as the impact of resource limitation to Senior Management and the ACB
  - Establish and ensure adherence to policies and procedures designed to guide the internal audit activity.
  - Ensure trends and emerging issues/concerns arising from audits conducted which may significantly impact the Company are considered and communicated to Senior Management and the ACB, where appropriate.
  - Communicate the results of internal audit reviews to Senior Management and the ACB. The communication may include management's response and corrective action taken or to be taken to address the control weaknesses within the committed timeline
  - Collaborate with other control and monitoring functions to deliberate emerging and common issues/concerns which potentially could be systemic throughout the Company and formulate the corresponding mitigation action plans
  - Consider the scope of work of the external auditors, when determining the internal audit activities to ensure optimal audit coverage of the Company
  - Consider relying upon the work of other internal and external assurance and consulting service providers where necessary and appropriate.
  - Develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity

#### **5. AUTHORITY**

- 5.1 The HIA and internal auditors are authorized to carry out a comprehensive program of auditing within the Company and initiate audits, examinations and inspections at such time as he/she may determine and without advance notice, with respect to any of the Company's activities as deemed necessary.
- 5.2 The HIA and internal auditors, with strict accountability for confidentiality and safeguarding records and information, have full and unrestricted access to any and all of the Company's records, physical properties and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit function will also have unrestricted access to the IAC and the ACB.

- 5.3 The HIA and internal auditors are NOT AUTHORIZED to:
- Be involved in any management decision making activity
  - Establish any control policies or procedures other than those relating to audit function
  - Be responsible for any operational or system functions
  - Approve accounting or operational transactions outside the audit function
  - Direct the activities of any non-audit employees

## 6. INDEPENDENCE & OBJECTIVITY

- 6.1 To provide for the independence of internal audit function, Internal Audit staff is placed under direct authority and supervision of the ACB. The HIA reports functionally to the ACB of the Company and administratively to the Company President Chief Executive Officer (PCEO). The function is independent of the activities audited and from the day-to-day internal control process.
- 6.2 The HIA will communicate directly, as and when necessary, to the ACB, chairman of the ACB, the Board and the chairman of the Board as well as the regulators, including in private meeting(s) with the ACB without the presence of Management team. The HIA may also communicate with the external auditors, where appropriate, according to rules defined in its audit charter.
- 6.3 The HIA may be required to attend as an invitee to selected committees in the Company as determined by Senior Management and the ACB. Staff of Internal Audit may, with the concurrence of the HIA, participate in committees in the Company on an advisory and consultancy capacity, provided the Internal Audit staff does not assume management responsibility. Such participations should not impair the independence, objectivity and effectiveness of the internal audit function.
- 6.4 The HIA will disclose to the ACB any interference by the Management on Internal Audit in carrying out their duties.
- 6.5 Internal Audit must be free from interference in determining the scope of work, performing work, reporting its findings and appraisals as well as disclosing them internally.
- 6.6 Internal Audit should not be restrained from making subsequent recommendations on the deficiencies or weaknesses of internal controls although it was previously involved in giving advice. Wherever possible, the subsequent audit should be assigned to audit staff not involved earlier in providing advice.
- 6.7 If the HIA determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to ACB.
- 6.8 Where the HIA has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

## 7. PROFESSIONALISM & ETHICAL STANDARDS

- 7.1 Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
- 7.2 All auditing endeavours are conducted in compliance with the relevant policies and guidelines issued by the regulators on Internal Audit as well as relevant Maybank Group's policies and procedures, unless such policies and procedures conflict with the Audit Charter. Any such conflicts will be resolved or otherwise communicated to Senior Management and the ACB where required.
- 7.3 The Internal Audit activity will be governed by adherence to the Company's Code of Ethics and The Institute of Internal Auditors' mandatory guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethic (COE) and the International Standards for the Professional Practice of Internal Auditing (*Standards*).
- 7.4 If certain part of the Standards is prohibited by law or regulation from conformance, the HIA will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
- 7.5 If the Standards are used in conjunction with requirements issued by regulator, the HIA will ensure that the Internal Audit Activity conforms to the Standards, even if the Internal Audit Activity also conforms to the more restrictive requirements of regulator.
- 7.6 To maintain the quality of Internal Audit function and to be in line with best practices, a Quality Assurance and Improvement Program (QAIP) is established to assess the quality of audit processes. The QAIP is an ongoing and periodic assessment that covers the entire spectrum of internal Audit activities. The program assesses the efficiency and effectiveness of the audit processes and appropriate recommendations and opportunities for improvement are identified through the internal assessments. Internal assessment is performed by an independent Quality Assurance team within Group Internal Audit under the direct supervision of Maybank Group's Group Chief Audit Executive (GCAE) and the result will be communicated to the ACB.

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Ma. Victoria C. Vinas  
Chairman, Audit Committee of the Board  
Etiqa Life and General Assurance Philippines, Inc.

- Signed -

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Rico T. Bautista  
President and CEO  
Etiqa Life and General Assurance Philippines, Inc.