



INTERNAL AUDIT CHARTER

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DEPARTMENT : INTERNAL AUDIT DEPARTMENT**TITLE : INTERNAL AUDIT CHARTER****TABLE OF CONTENTS**

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1 MANDATE

The Internal Audit Charter establishes the organizational status of the Internal Audit function in Solar Philippines New Energy Corporation (SPNEC), its subsidiaries and affiliates, including its role, purpose, mission, authority, responsibility and reporting relationships, and its oversight to the Internal Audit functions of the Subsidiaries and Affiliates.

The Internal Audit Charter shall be approved by the Board of Directors. It shall be reviewed annually, and any revisions or amendments shall likewise be subject to the Board's approval.

2 POLICY STATEMENT

It is the policy of SPNEC to establish and support an internal audit function as a fundamental part of its Corporate Governance Practices.

3 ROLE

The internal audit activity is established by the Board of Directors (the "Board") and operates under its oversight.

4 PURPOSE AND MISSION

The purpose of the internal audit function is to strengthen SPNEC, its subsidiaries and affiliates' ability to create, protect, and sustain value by providing the Board of Directors and Management with independent, risk-based, and objective assurance, advice, insight, and foresight. It plays a key role in supporting the achievement of organizational objectives, strengthening governance, risk management, and control processes, enhancing decision-making and oversight, protecting the company's reputation, and reinforcing its credibility with stakeholders. Additionally, it contributes to the company's ability to serve the public interest.

The mission is to be a trusted partner and catalyst for improvement by promoting accountability, ethical conduct, effective risk management and continuous enhancement of processes through insightful and forward-looking internal audit work and data-informed evaluation of controls.

The internal audit function is most effective when carried out by competent professionals in conformance with the IIA's Global Internal Audit Standards, when it maintains independent positioning with direct accountability to the Board of Directors through the Audit Committee, and when internal auditors operate free from undue influence and maintain objectivity in their assessments.

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5 SCOPE OF WORK

The scope of internal audit services covers the entire breadth of the organization, including all SPNEC, Subsidiaries and Affiliate's activities, assets, systems, and personnel.

5.1 ASSURANCE SERVICES

These services involve the objective assessment of evidence to provide independent opinions or conclusions regarding governance, risk management, and control processes, systems, operations, or other subject matters such as:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information.
- Evaluating the adequacy of and compliance with policies, plans, and procedures.
- Evaluating whether resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether these are being carried out as planned.
- Evaluating the effectiveness and efficiency of the governance and risk management processes.

5.2 CONSULTING SERVICES

These services are advisory in nature and are generally performed at the specific request of an internal engagement client. These are intended to add value and improve the organization's risk management and control processes without the internal auditors assuming management responsibility. These include, but are not limited to the following:

- Performing advisory, training, and monitoring services related to readiness and compliance with the required self-assessments and certifications regarding internal controls over financial reporting.
- Fact-finding and verification services requiring an independent and objective perspective from outside of the requesting unit.

The role of Internal Audit is to determine whether the structure of risk management, control, and governance processes for SPNEC, its subsidiaries and affiliates as designed and represented by Management are adequate and functioning in a manner that ensures:

- Risks relating to the achievement of strategic objectives are appropriately identified, managed and/or reported.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.

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- Employees' actions are in accordance with policies, standards, procedures and applicable laws and regulations.
- Resources are economically acquired, efficiently used, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the control processes.
- Significant legislative or regulatory issues are recognized and addressed appropriately.

Opportunities for improving management control, profitability, and the image of SPNEC, its subsidiaries and affiliates, may be identified during audits, and such will be communicated to the appropriate level of Management.

6 ACCOUNTABILITY

The Chief Audit Executive (CAE) shall be accountable to the Audit Committee and the Management in the performance of his/her duties and shall:

- Provide annually an assessment of the adequacy and effectiveness of SPNEC's, its subsidiaries' and affiliates' processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of SPNEC, its subsidiaries and affiliates, including potential improvements to those processes, and provide information concerning such issues and resolutions.
- Provide information periodically on the status and results of the annual internal audit plan and the sufficiency of Internal Audit's resources.
- Coordinate with and provide independent assurance on other control and monitoring functions (e.g. risk management, compliance, security, legal, ethics, environmental and external audit).
- Coordinate with Management to support the Internal Audit mandate throughout the organization and promote the authority granted to the Internal Audit function.

7 RESPONSIBILITY

Ethics and Professionalism

The CAE shall ensure that internal auditors:

- Adhere to the Global Internal Audit Standards, including the core principles of ethics and professionalism: integrity, objectivity, competence, due professional care, and confidentiality.
- Understand, respect, and meet the organization's legitimate and ethical expectations, while also recognizing conduct that deviates from those expectations.
- Promote and support an ethics-based culture throughout the organization.
- Report any organizational behavior that is inconsistent with the organization's ethical standards, as outlined in the relevant policies and procedures.

Managing the Internal Audit Function

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The CAE has the responsibility to:

- Effectively manage the internal audit activity for SPNEC, its subsidiaries and affiliates.
- Develop a flexible annual internal audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan as well as periodic updates thereto to the Audit Committee for review and approval.
- Implement the annual internal audit plan, as approved, including, as appropriate, any special tasks or projects requested by Management and the Audit Committee.
- Consider the scope of work of the internal and external assurance and consulting service providers, as appropriate, for the purpose of providing optimal audit coverage to SPNEC, its subsidiaries and affiliates at a reasonable overall cost.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Conduct the appropriate follow-up on engagement findings and recommendations which shall remain in an open issues file until cleared.
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certifications, and other competencies to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Issue periodic reports to the Audit Committee and Management summarizing results of audit activities, including internal audit personnel headcount, movement, and professional development.
- Identify and consider trends and emerging issues that could impact SPNEC, its subsidiaries and affiliates and communicate to the Board of Directors through the Audit Committee, as appropriate.
- Establish and ensure adherence to the methodologies designed to guide the internal audit function.
- Ensure adherence to SPNEC's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Board of Directors through the Audit Committee.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services.
- Ensure there is an appropriate mechanism in place for the anonymous submission of employee concerns or complaints on questionable accounting or auditing matters and notify the Audit Committee of the status and disposition of reported complaints.
- Assist in the investigation of significant suspected fraudulent activities in SPNEC, its subsidiaries and affiliates and notify Management and the Audit Committee of the results.
- Provide a list of significant measurement goals and results to the Audit Committee.

Communication with the Audit Committee and to the Board of Directors

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- Report periodically on Internal Audit's purpose, authority, responsibility, resource requirements and performance relative to its plan and on its conformance with the Global Internal Audit Standards, including principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality, including fraud risks, governance issues and other matters that require the attention of Senior Management and/or the Board of Directors.
- Communicate Internal Audit's plans, budget and resource requirements, including significant interim changes, and the impact of limitations on financial, human, and technological resources.
- Keep the Audit Committee informed of emerging trends, operational, financial and strategic assessments, and successful practices in internal auditing.
- Potential impairments to independence, including relevant disclosures, as applicable.
- Significant risks exposures and control issues, including fraud risks, governance issues, and other areas of focus to the Board of Directors.

Quality Assurance and Improvement Program

The CAE will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with the laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the CAE will communicate with the Audit Committee and the Board of Directors about the internal audit function's quality assurance and improvement program, including the results of the assessment. External assessments will be conducted at least once every five years by a qualified, independent assessor with at least one assessor holding an active Certified Internal Auditor credential.

8 AUTHORITY

The CAE and Internal Audit are authorized, in SPNEC, its subsidiaries and affiliates, to:

- Have unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Have full and free access to and communicate and interact directly with the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives and issue reports.

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- Obtain the necessary assistance of personnel in units within SPNEC, its subsidiaries and affiliates, where they perform audits as well as other specialized services from within or outside SPNEC, its subsidiaries and affiliates.

The CAE and staff of Internal Audit are not authorized to:

- Assess specific operations of a unit or department for which an Internal Audit employee was previously part of or responsible in the last twelve months.
- Perform any operational duties for SPNEC, its subsidiaries and affiliates.
- Initiate or approve accounting transactions except those pertaining to the operation of Internal Audit.
- Direct the activities of any SPNEC, its subsidiaries and affiliates employees not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- Draft and/or implement internal controls, develop procedures, and install systems. The Internal Audit may, however, be consulted on the adequacy of the related controls.

9 INDEPENDENCE, ORGANIZATIONAL POSITION, AND REPORTING RELATIONSHIPS

The CAE will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference or undue influence from Management, thereby establishing independence of the Internal Audit function. To provide for the independence of Internal Audit, its personnel report to the CAE, who reports functionally to the Board of Directors through the Audit Committee and administratively to the President and Chief Executive Officer in a manner outlined in the above section on Accountability.

The CAE shall confirm to the Audit Committee, at least annually, the organizational independence of internal audit activity. If the governance structure does not support organizational independence, the CAE will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CAE will disclose to the Board of Directors, through the Audit Committee, any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference and audit function's effectiveness and ability to fulfill its mandate.

The CAE and staff of Internal Audit shall:

- Remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- Have no direct operational responsibility or authority over any of the activities audited and shall not engage in any other activity that may impair professional judgment.

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- Exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

10 COMMITMENT TO ADHERENCE TO THE GLOBAL INTERNAL AUDIT STANDARDS

Internal Audit and its activities shall adhere to the Global Internal Audit Standards ("Standards"), Global Guidance and Topical Requirements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF). The CAE will report periodically to Senior Management and the Board of Directors through the Audit Committee regarding the Internal Audit's conformance to the IPPF, including requirements on the Code of Ethics and the Standards, which will be assessed through a quality assurance and improvement program.

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REVISION HISTORY

REVISION NO	PAGE REVISED	DESCRIPTION OF REVISION	EFFECTIVITY DATE (MM/DD/YR)
00	-	Initial Release	04/14/2025
01	3,5-8	Alignment with Updated Global Standards, Strengthened Mandate for Internal Audit, Enhanced Communication Protocols and addition of Ethics and Culture Responsibilities.	