

GIAD 19 - 002

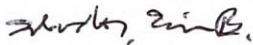
FOR : THE CHAIRMAN, AUDIT COMMITTEE  
FROM : GROUP INTERNAL AUDIT DEPARTMENT  
RE : AMENDED INTERNAL AUDIT CHARTER  
DATE : AUGUST 5, 2019

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As part of the periodic review of GIAD's Internal Audit Charter, we submit to you the amended Charter for your review and approval. This is to incorporate the changes in the Revised IIA Standards effective January 2017. Also, we made changes to align with the requirements for Corporate Governance Reporting of SEC/PSE.

The major changes are:

- Include the definition of internal auditing
- Statement of periodic review of the charter
- Statement of adherence to the IIA's Mandatory Guidance
- Replace the designation of head of internal auditors: from "Chief Internal Auditor" to "Chief Audit Executive"
- Amend the administrative reporting line of CAE: from SVP – Chief Accounting Officer to Chief Executive Officer
- Include Quality Assurance and Improvement Program



EB Salvador  
Chief Audit Executive

# **AMENDED INTERNAL AUDIT CHARTER**

## **for**

## **Solid Group Inc. & Affiliates**

### **POLICY STATEMENT**

It is the policy of Solid Group Inc. and its affiliates (SGI or the “Company”) to establish and support an internal audit function as fundamental part of its corporate governance practices.

The Internal Audit Charter establishes the organizational status of the Internal Audit function in the Company, including its purpose, authority, responsibility and reporting relationships.

### **PURPOSE AND MISSION**

The purpose of the Group Internal Audit Department (GIAD) is to provide independent, objective *assurance<sup>a</sup>* and *consulting<sup>b</sup>* services that will add value and improve the organization’s operations. The mission of GIAD is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

- A. Assurance service is an objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organization. This includes financial, operations, tax compliance, system security and due diligence engagements.
- B. Consulting service is an advisory and related client service activity, the nature and scope of which are agreed with the client and which are intended to add value and improve an organization’s governance, risk management, and control processes without the internal auditor assuming management responsibility. This includes counsel, advice, facilitation, and training.

### **SCOPE OF WORK**

The scope of internal audit activities encompasses, but is not limited to, the objective examination and evaluation on the adequacy and effectiveness of the organization’s governance, risk management, and control processes. Internal audit assessments include evaluating whether:

- A. Risks relating to the achievement of the Company's strategic objectives are appropriately identified and managed.
- B. Coordination with the various governance groups occurs as needed.
- C. Significant financial, managerial, and operating information is accurate, reliable, and timely.
- D. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- E. Resources and assets are acquired economically, used efficiently, and adequately protected.
- F. The results of operations or programs are consistent with established goals and objectives.
- G. Operations or programs are being carried out effectively and efficiently.
- H. Quality and continuous improvement are fostered in the organization's systems, controls and processes.
- I. Significant regulatory issues impacting the organization are recognized and addressed appropriately.
- J. Established processes and systems enable compliance with policies, procedures, contracts, laws and regulations.

Opportunities for improving the governance, risk management and control processes, profitability, and other areas may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

### **AUTHORITY**

The Chief Audit Executive and staff of the Group Internal Audit Department are **authorized** to:

- A. Have unrestricted access to all functions, records, property and personnel relevant to the performance of any engagements. They will ensure that any confidential information is properly protected.
- B. Have full and free access to the Audit Committee.
- C. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives, and issue reports.
- D. Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization, in order to complete the engagement.

The Chief Audit Executive and staff of the Group Internal Audit Department are **not authorized or responsible** to:

- A. Perform any operational duties for the organization or its affiliates except on extreme cases wherein senior management directs internal auditors to perform such duties. It should be understood that when internal auditors perform non-audit work, they are not functioning as auditors but as representative of management.

- B. Initiate or approve accounting transactions external to the Group Internal Audit Department.
- C. Direct the activities of any organization employee not employed by the Group Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

### **ACCOUNTABILITY**

The Chief Audit Executive, in the discharge of his duties, shall be accountable to management and the Audit Committee to:

- A. Provide periodic assessment on the adequacy and effectiveness of the organization's process for controlling its activities and managing its risk in the areas set forth under the mission and scope of work.
- B. Report significant issues related to the processes and control activities of the organization and its affiliates including recommended improvements to business activities, and resolution/action taken by the auditee.
- C. Periodically provide information on the status and results of the audit department's activities/projects (both assurance and consulting) and the sufficiency of departmental resources.
- D. Coordinate with and provide oversight and monitoring functions like compliance, legal, and external audit.

### **INDEPENDENCE AND OBJECTIVITY**

The Group Internal Audit Department should be independent, and internal auditors should be objective in performing their work.

The internal audit activity 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.

To provide for the independence of the Group Internal Audit Department, its personnel report to the Chief Audit Executive who reports functionally to the Audit Committee and administratively to the Chief Executive Officer in a manner outlined in the above section on Accountability.

Internal auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, they shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.

- Performing any operational duties for SGI and subsidiaries.
- Initiating or approving transactions external to GIAD.
- Directing the activities of any SGI employee not employed by GIAD, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

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 shall make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE shall confirm to the Board, at least annually, the organizational independence of the internal audit activity.

### **RESPONSIBILITY**

The Chief Audit Executive and staff of the Group Internal Audit Department have responsibility to:

- A. Develop a flexible annual audit plan using an appropriate risk-based methodology, including inputs from senior management and the Board, and submit that plan to the Audit Committee for review and approval.
- B. Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee. Any significant deviation from the approved annual audit plan will be communicated to Senior Management and the Audit Committee through periodic activity reports.
- C. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- D. Evaluate 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.
- E. Evaluate and assess significant reorganizational changes and new services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- F. Issue periodic reports to the audit committee and senior management summarizing results of audit activities.
- G. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval.
- H. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board or Management.

- I. Keep the audit committee informed of emerging trends and best practices in internal auditing.
- J. Conduct/Assist in the investigation of significant suspected fraudulent activities within the organization and notify senior management and the audit committee of the results.
- K. Consider the audit reports/issues raised by the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage and confirm/validate the issues for management decision/action.

### **AMENDMENT TO CHARTER**

The Charter shall be reviewed by the Chief Audit Executive and present it to senior management and the Board Audit Committee for approval every three years or when the Institute of Internal Auditors (IIA) Standards are revised. This is to ensure that this Charter is adequate and effective to enable the Group Internal Audit Department to accomplish its objectives.

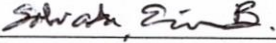
### **STANDARDS OF AUDIT PRACTICE**


The Group Internal Audit Department will govern itself by adherence to The Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for Professional Practice of Internal auditing ("the Standards"), and the Definition of Internal Auditing. This Mandatory Guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.


### **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The Group Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The CAE will communicate to Senior Management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments, and external assessments conducted at least once every five years.

  
**ERICSON B. SALVADOR**  
Chief Audit Executive

  
**SUSAN L. TAN**  
President & Chief Executive Officer

  
**QUINTIN W. CHUA**  
Chairman, Audit Committee  
(Independent Director)

  
**JASON S. LIM**  
Chairman, Board of Directors

Date: November 5, 2019