



MEGAWORLD CORPORATION
INTERNAL AUDIT CHARTER

MISSION

The mission of internal audit is to add value to management by providing independent and objective assurance and consulting services through a systematic, disciplined approach to evaluate and improve the effectiveness of the business processes and environment regarding risk management, internal control and governance processes of Megaworld Corporation.

OBJECTIVE

To help Megaworld achieve its objectives and strategic direction by:

- a. providing assurance on the adequacy and effectiveness of risk management process, as well as the efficiency and effectiveness of the control environment, in reducing risk exposures down to acceptable levels.
- b. providing consulting services related to the improvement of the company's policies, processes and procedures.

ROLE AND SCOPE OF WORK

The Internal Audit is responsible for providing independent, objective assurance and consulting or advisory services that conform to the best industry practices and the rules prescribe by the regulatory authorities. The universe of the internal audit activity includes significant processes in every organization, business, support, and governance unit.

The assurance function involves an objective examination of evidence to provide an independent assessment of risk management control or governance processes and the quality of performance in carrying out assigned responsibilities to achieve Megaworld's goals and objectives.

The consulting activity is advisory in nature and is generally performed at the specific request of an engagement client. The internal auditor maintains objectivity and does not assume management responsibility.

The officers and internal auditors shall confine their activities to the functions of the Internal Audit Department. They are not authorized to participate in the formulation and approval of policies, procedures and guidelines, and become members of any line committee, except as consultants.

ORGANIZATIONAL INDEPENDENCE

The internal audit is functionally reporting to the board thru the Audit Committee and administratively to the President. The internal audit communicates directly with the Board, who:

- Approves the internal audit charter.
- Approves the risk-based internal audit plan.
- Receives communications from the CAE on the internal audit activity's performance.

AUTHORITY AND ACCESS

The internal audit activity, with strict compliance to accountability for confidentiality and safeguarding records and information, is authorized full, free 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 internal audit activity in fulfilling its roles and responsibilities. The internal audit will also have free and unrestricted access to the Board.

PROFESSIONALISM

The internal audit activity is governed by mandatory guidelines such as International Standards for the Professional Practice of Internal Auditing, the Code of Ethics and the definition of internal auditing. The guidance constitutes the principles for professional practice of internal auditing and evaluating the effectiveness of internal audit's performance.

Moreover, internal audit adheres to the standards of ISO 19011, the company's Quality Manual and the Internal Audit Manual for its standard operating procedures.

PLANNING

The internal audit activity is a 3-yr program but annual audit plan is prepared and submitted to the EXCOM and the Board for review and approval.

The annual audit plan consists of an overall objective, criteria, scope and objectives, work schedule and resource needs for the next audit cycle. Any impact of resource limitations is communicated by the CAE to EXCOM and the Board.

The audit plan is created based on prioritization of the audit universe using a risk-based methodology and includes input of EXCOM and the Board. This is adjusted as necessary to cover emerging risks, control and governance failure and changes in management priorities and context of the organization. Any significant deviation from the approved plan is communicated to EXCOM and the Board.

RESPONSIBILITIES

Internal audit encompasses, but is not limited to, the examination of adequacy and effectiveness of Megaworld's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the stated goals and objectives.

PERFORM

- Prepare or revise audit program to accomplish objectives and perform internal audits accordingly.
- Only perform engagements where the internal audit has the necessary competence, skills, and experience. Auditors assigned to a particular engagement must collectively have the required competencies, skills, and experience to ensure quality of services.
- Internal auditors must continually improve their efficiency and quality of services.
- The internal audit activity must keep information and results of engagement confidential and must not use it for personal gain.
- Perform other internal audit duties as assigned.

EVALUATE

- Review and evaluate the systems established to ensure compliance with policies, plans, procedures, laws and regulations.
- Review adequacy and effectiveness of risk management, internal control and governance processes.
- Conduct periodic reviews and tests to ensure compliance with ISO and other regulatory requirements, and make recommendations for improving current and proposed procedures.
- Review and report on possible internal controls weaknesses and violations of business practices, policies, procedures, laws, and regulations.
- Assess the adequacy and effectiveness of risk management and governance processes and internal controls.
- Assess reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluate the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Evaluate the effective implementation and maintenance of a quality management system.

COMMUNICATE

- Auditors must report to the CAE situations of impairment or possibility of impairment relating to independence.
- Report, at least annually, the results of internal audit activity's performance relative to the approved audit plan.
- Communicate to the board the risks that management has accepted which are, in the CAE's judgment, is unacceptable to the organization.

REPORTING

The result of audit is communicated through an executive report which is issued and distributed to the audit committee and to relevant management.

The report contains an executive summary stating the audit opinion and results of audit which includes findings and management's response; and audit finding form documenting the detailed description of findings, recommendation, risk exposure, root cause analysis, correction and corrective action and its target implementation.

MONITORING

The implementation of correction and corrective action is followed up in a quarterly post audit and effectiveness of the corrective action is evaluated. All significant audit findings shall be monitored until resolved.

The CAE reports periodically to the Executive Committee (EXCOM) and annually to the Audit Committee on the internal audit activity and its performance relative to plan. Reporting includes significant risk exposures and control issues, including fraud risks, governance issues and other matters requested by the senior management and the Board.

QUALITY ASSURANCE

The internal audit activity maintains a quality assurance and improvement program to assess the efficiency and effectiveness of the internal audit activity and to identify opportunities for improvement.

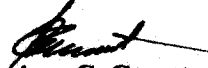
The program includes semi-annual assessment by external auditors on the performance of internal audit against planned results, annual assessment by member of the Quality Management Committee and periodic self-assessments. The internal assessments are conducted through peer review, engagement evaluation and client evaluation.

Results of these assessments are communicated to the Board.

APPROVAL


This charter represents the framework for the conduct of the internal audit function at the company. It is hereby recommended for approval, and is approved by executive management and the Audit Committee.

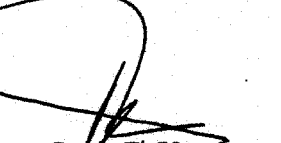
Recommended:


Francisco C. Canuto
Senior Vice President

Date Approved: January 2018
Approved by:


Gerardo C. Garcia
Chairman


Andrew L. Tan
Member


Jesus B. Varela
Independent Director