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1. PURPOSE AND MISSION

The purpose of Philippine Realty and Holdings Corporation's ("RLT" / "Company") internal audit department is to provide independent, objective assurance and consulting services designed to add value and improve RLT's operations.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit department helps RLT accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The internal audit department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The RLT's Internal Audit (IA) Head will report periodically to senior management and the Audit Committee regarding the internal audit department's conformance to the Code of Ethics and the *Standards*.


3. AUTHORITY

The IA Head will report functionally to the Audit Committee and administratively (i.e. day-to-day operations) to the President and Chief Executive Officer. To establish, maintain, and assure that RLT's internal audit department has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the internal audit department's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit department's budget and resource plan.
- Receive communications from the IA Head on the internal audit department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the IA Head.
- Approve the remuneration of the IA Head and its staff, if any.
- Make appropriate inquiries of management and the IA Head to determine whether there are inappropriate scope or resource limitations.





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The IA Head will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present.

The Audit Committee authorizes the internal audit department to:

- Have full, free, and 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.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of RLT, as well as other specialized services from within or outside RLT, in order to complete the engagement.

4. INDEPENDENCE AND OBJECTIVITY

The IA Head will ensure that the internal audit department remains free from all conditions that threaten the ability of internal auditor/s to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope procedures, frequency, timing, and report content. If the IA Head determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.


The IA Head and its staff will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

The IA Head and its staff will have no direct operational responsibility or authority over any of the activities audited. Accordingly, IA Head will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for RLT, its subsidiaries, or its affiliates.
- Initiating or approving transactions external to the internal audit department.
- Directing the activities of any RLT employee not employed by the internal audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist IA Head.





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Where the IA Head has or is expected to have roles and/or responsibilities that fall outside of the internal auditing, safeguards will be established to limit impairments to independence or objectivity.

The IA Head and its staff will:

- Disclose any impairment of independence or objectivity, in fact, or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The IA Head will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit department.

The IA Head will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.


5. SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal audit activities encompasses but is not limited to, objective examinations of evidence to provide independent assessments to the Audit Committee, Management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for RLT. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of RLT's strategic objectives are appropriately identified and managed.
- The actions of RLT's officers, directors, employees, and contractors comply with RLT's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with policies, procedures, laws, and regulations that could significantly impact RLT.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.





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The IA Head will report periodically to Senior Management and the Audit Committee regarding:

- The internal audit department's purpose, authority, and responsibility.
- The internal audit department's plan and performance relative to its plan.
- The internal audit department's conformance with the IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues and other matters requiring attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to RLT.

The IA Head also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit department does not assume responsibility.

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


6. RESPONSIBILITY

The IA Head has the responsibility to:

- Submit, at least annually, to Senior Management and the Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to Senior Management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in RLT's business, risks, operations, programs, systems, and controls.
- Communicate to Senior Management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagements results with applicable conclusions and recommendations to appropriate parties.





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- Follow up on engagement findings and corrective actions, and report periodically to Senior Management and Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact RLT are considered and communicated to Senior Management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit department.
- Ensure adherence to RLT's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to Senior Management and the Audit Committee.
- Ensure conformance of the internal audit department with the *Standards*, with the following qualifications:
 - If the internal audit department is prohibited by law or regulation from conformance with certain parts of the *Standards*, the IA Head will ensure conformance with all other parts of the *Standards*.
 - If the *Standards* are used in conjunction with requirements issued by the Securities and Exchange Commission (SEC), Bureau of Internal Revenue (BIR), and other regulatory agencies, the IA Head will ensure that the internal audit department also conforms with the more restrictive requirements of SEC, BIR, and other regulatory agencies, as deemed appropriate.

7. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The internal audit department shall devise and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit department. The program will include an evaluation of the internal audit department's conformance with the *Standards* and an evaluation of whether the internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit department and identify opportunities for improvement.

The IA Head will communicate to Senior Management and Audit Committee on the internal audit department's QAIP, including results of internal assessments (both ongoing and periodic) and external assessments (if deemed appropriate). External assessments shall be done by a qualified, independent assessor or assessment team from outside of RLT.

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