



**ROXAS AND COMPANY, INC.
AND SUBSIDIARIES
Internal Audit Charter**

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Internal Audit Charter

Prepared by:

GAMAYCA Q. CASEM
Internal Audit Manager
Roxas and Company, Inc. and Subsidiaries

Reviewed and Approved by Audit and Risk Committee:

CORAZON S. DE LA PAZ-BERNARDO
Chairman

FERNANDO L. GASPAR
Member

FRANCISCO JOSE R. ELIZALDE
Member

Reviewed and Accepted by Senior Management:

PEDRO E. ROXAS
Chairman, President and CEO
Roxas and Company, Inc.

SANTIAGO R. ELIZALDE
President and CEO
Roxaco Land Corporation

ARMANDO B. ESCOBAR
EVP and CFO
Roxas and Company, Inc.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
Internal Audit Charter

This Charter will be adopted beginning October 1, 2015.

The purpose of this Charter is to provide an understanding of the function and responsibilities of the Internal Audit Department.

Function

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It is through analyses, recommendations, counsel and information dissemination among the proper channels that the Internal Audit Department will help in improving the effectiveness of risk management, control, and governance processes.

Internal Audit Department is a staff organization and it functions in an advisory capacity. It exercises no direct responsibility or authority on the operating activities or functions. The primary responsibility for assuring that an adequate system of internal control is in place and is operating effectively rests with the Management of the Company.

Internal Audit Department will take into account its responsibility in ensuring that Senior Management and Audit and Risk Committee are informed of the audit issues on a timely basis by furnishing them with copies of the reports of concluded engagements.

Internal Audit Department will use external professional assistance as deemed necessary.

Professional Standards, Independence and Objectivity

It is the responsibility of the Internal Audit Manager to ensure that assurance and consulting services conform to the International Standards for the Professional Practice of Internal Auditing (ISPPA).

It is also the Internal Audit Department's responsibility to abide by the Institute of Internal Auditor's (IIA) Code of Ethics and to adhere to established professional standards such as IIA's Implementation Guidance and Supplemental Guidance, as applicable, to appropriately guide its operations.

It is also the responsibility of the Internal Audit Department as well as its team members to establish a quality assurance and improvement program (QAIP) by which the Internal Audit Manager assures the operations of internal auditing activities.

The Company's Senior Management and the Audit and Risk Committee support the Internal Audit Department to assure cooperation of all employees/auditees and the performance of the audit activity free from interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of necessary independence and objectivity.

Internal Audit Department is a recommendatory body. Internal Audit Department will not implement internal controls, install systems, prepare records or engage in any other activity normally reviewed by them, as this may impair its objectivity and judgment. Internal auditors must exhibit the highest level of professional objectivity and must always perform a balanced assessment of all relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Manager will confirm to the Senior Management and Audit and Risk Committee, at least annually, the Internal Audit Department's commitment to the Code of Ethics and organizational independence of the internal audit activity.

Authority

Internal Audit Department has full, free and unrestricted access to any and all operating and financial company records, information, systems and applications, physical properties, activities and personnel - employees, customers, suppliers and other third parties - relevant to the Company, its subsidiaries, and any subject under review.

All employees are requested to assist the Internal Audit Department's activities in fulfilling its roles and responsibilities.

Organization

Internal Audit Department reports functionally to the Audit and Risk Committee and administratively to the President and CEO.

The Audit and Risk Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Internal Audit Manager.

The Internal Audit Manager will communicate and interact directly with the Audit and Risk Committee, including in private or executive sessions, as appropriate.

Scope of Work

Internal Audit Department, on the basis of the approved internal audit plan, should cover, at a minimum, the evaluation of the adequacy and effectiveness of the internal controls that cover the Company's governance, assets, contracts, risk management processes, operations and information systems.

The scope of work encompasses evaluating and improving the adequacy and effectiveness of the Company's risk management processes, control and governance processes thru:

1. Evaluation of the effectiveness and contribution to the improvement of risk management processes. The core internal auditing roles in regard to risk management are as follows:
 - Act as consultant/advisor in developing risk responses for risks identified by the Risk Management Team;
 - Review the design of risk responses and recommend improvements;
 - Provide assurance on the effectiveness of implemented internal controls; and
 - Post review of the overall risk management plan and provide recommendations for improvement.
2. Evaluation of risk exposures, and adequacy and effectiveness of internal controls, based on the areas of highest risks, taking into consideration the following:
 - Compliance with policies and procedures, plans, sound business practices, laws, contractual obligations and regulations;
 - Safeguarding of assets and as appropriate, verifying its existence; and
 - Economical and efficient use of resources.
3. Undertaking of consulting and/or advisory and related activities, the nature and scope of which are agreed with the auditees/process owners and are intended to add value and improve the organization's governance processes, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation/training, witness to certain activities/bidding, observation of inventory counts, and review of contracts.

4. Coordination activities with External Auditors to improve coverage and minimize duplication of efforts.

Internal Audit Plan

The Internal Audit Manager will submit an annual internal audit plan to Company's Senior Management (*for review and acceptance*) and the Audit and Risk Committee (*for review and approval*). The internal audit plan will consist of the proposed work schedule, budget and resource requirements. The Internal Audit Department will communicate the impact of any resource limitation and significant interim changes to the Company's Senior Management and Audit and Risk Committee.

The internal audit plan and prioritization of engagements will be developed using risk-based methodology and would include inputs from Senior Management and the Audit and Risk Committee.

Any significant deviation from the approved internal audit plan will be documented and communicated to the Company's Senior Management and Audit and Risk Committee.

Communicating Results

Results of audit work shall be communicated thru a written report which will contain the responses of management and/or process owners' heads and other auditees, gathered through audit discussions and/or meetings.

It is expected that the head of the operating unit, receiving the internal audit report, shall respond within three to seven working days (*in accordance with the matrix below*), from the receipt of such report. The response shall indicate the action plan/s, with corresponding target date, on each findings and recommendations.

<u>Audit Activity Risk Level</u>	<u>Maximum Response Period</u>
High	3 working days
Medium	5 working days
Low	7 working days

Executive summary reports will be released to the Company's Senior Management and Audit and Risk Committee at regular intervals and at least quarterly.

Periodic Assessment

The Internal Audit Manager will periodically report to the Company's Senior Management and Audit and Risk Committee on the internal audit activity's purpose, authority, and responsibility as well as performance relative to its plan.

The Internal Audit Manager will also communicate to the Company's Senior Management and Audit and Risk Committee its activities related to its quality assurance and improvement programs including results of any on-going internal self-assessment and external assessments.

Amendment of Charter

The Internal Audit Manager is responsible for maintaining this Internal Audit Charter in a current state. Amendment of this Charter is subject to the review and approval of the Audit and Risk Committee.

End.