

A BROWN COMPANY, INC.

INTERNAL AUDIT CHARTER

PREAMBLE

The Corporate Governance Manual provides that:

“The Board shall oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The Board should also approve the Internal Audit Charter. It shall adopt a system of internal checks and balance.”

“The Audit Committee recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter. The Committee shall pre-approve all audit plans, scope and frequency before the conduct of the internal audit.”

This Charter is an implementation of the aforesaid provision of the Manual.

DEFINITION OF TERMS

Internal Audit - An independent and objective assurance activity designed to add value to and improve the Corporation’s operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of risk management, internal control and governance processes.

Internal Control. A process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization’s policies and procedures.

ROLE:

The internal audit activity is established by the Board of Directors, Audit Committee, or highest level of governing body (hereafter referred to as the Board). The internal audit activity’s responsibilities are defined by the Board as part of their oversight role.

ORGANIZATION:

The Internal Audit Team will report functionally to the Audit Committee.

The Board will

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Internal Audit Team on the internal audit activity's performance relative to its plan and other matters through the Audit Committee.
- Approve decisions regarding the appointment, removal, and remuneration of the Internal Auditors.
- Make appropriate inquiries of management and the Internal Audit Team to determine whether there is inappropriate scope or resource limitations.

The Internal Audit Team will communicate and interact directly with the Board through the Audit Committee, in regular committee meetings and Board meetings, as appropriate.

In-House or Fully-Outsourced Internal Audit

A company's internal audit activity may be fully resourced activity housed within the organization or may be outsourced to qualified independent third party service providers.

In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel shall be assigned the responsibility for managing the fully outsourced internal audit activity.

The following are the responsibilities, among others:

- a.) Periodically reviews the Internal Audit Charter and presents it to Senior Management and the Audit Committee for approval;
- b.) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c.) 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;
- d.) Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- e.) Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f.) Presents findings and recommendations to the Audit Committee and gives advice to Senior Management and the Board on how to improve internal processes.

AUTHORITY:

The internal audit activity, with strict 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 the

internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.

INDEPENDENCE AND OBJECTIVITY:

The internal audit activity will 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.

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

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 will 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 Internal Audit Team will confirm to the board, at least annually, the organizational independence of the internal audit activity.

RESPONSIBILITY:

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Performs regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
- Performs consulting and advisory services related to governance and control as appropriate for the organization;
- Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- Reviews, audits and assesses the efficiency and effectiveness of the internal control system of the Company;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- Evaluates specific operations at the request of the Board or Management, as appropriate; and
- Monitors and evaluates governance processes; and
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.

INTERNAL AUDIT PLAN:

At least annually, the Internal Audit Team will submit to senior management and the Board an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Internal Audit Team will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The Internal Audit Team will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Board through periodic activity reports.

REPORTING AND MONITORING:

A written report will be prepared and issued by the Head of Internal Audit Team following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board through the audit committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Internal Audit Team will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Internal Audit Team will periodically report to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Approved this 5th day of April 2018.



ELPIDIO M. PARAS
Chairman, Audit Committee



ROBERTINO E. PIZARRO
Chairman of the Board