



**Globe Telecom, Inc.
Internal Audit Charter**

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A. Internal Audit Charter

This Internal Audit (IA) Charter was adopted by the Audit Committee (AC) and the Board of Directors (BOD) of Globe Telecom (“the Company”) in September 2003; amended in August 2007, March 2013 and May 2017. It establishes the organizational status of the internal audit function in Globe Telecom, including its purpose, authority, responsibility and reporting relationships, and is aligned with the Institute of Internal Auditors (IIA)’s Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (IPPF) consisting of¹:

- the Core Principles for the Professional Practice of Internal Auditing
- the Code of Ethics
- the International Standards for the Professional Practice of Internal Auditing (ISPPA or “the Standards”)
- the Definition of Internal Auditing

The IA Charter is also aligned with the Company’s Code of Ethics.

The IA Charter shall be approved by the AC of the BOD as part of their oversight function. It shall be reviewed annually by the Chief Audit Executive (CAE) and subjected to the same approval process for any revisions or changes thereto.

B. Policy Statement

It is the policy of Globe Telecom to establish and support an internal audit function as a fundamental part of its corporate governance practices.

C. Mission

As defined in the Manual of Corporate Governance of the Company, Globe Telecom’s Internal Audit (IA) shall provide reasonable assurance to the Board, management and stockholders, on the effectiveness, appropriateness, and compliance to organizational and procedural controls, through review, audit, and report on the effectiveness of the system of organizational controls, among others.

Also, as mentioned in the AC Charter of the Company, Globe Telecom’s IA shall help the AC identify the risks, control, and financial reporting issues through the continuous review of the effectiveness of the Company’s risk management, controls and corporate governance processes.

Globe IA aims to enhance and protect organizational value by providing risk-based and objective assurance, advise and insight.²

Globe’s IA discharge of its function is guided by the enterprise-wide mission and values:

Our Mission

We create wonderful experiences for people to have choices, overcome challenges, and discover new ways to enjoy life.

Our Values

We put customer first.

We value people and together, we make the difference.

We act with integrity.

We care like an owner.

We keep things simple.

We move fast, we are better, every day.

¹ Based on International Standards for the Professional Practice of Internal Auditing (the Standards): Attribute Standards 1000 – Purpose, Authority and Responsibility

² Source: Mission of Internal Audit as defined by the Institute of Internal Auditors (IIA)



D. Scope of Work

General Audit

Internal Audit is a *service*, providing an independent, objective **assurance** and **consulting** function within Globe Telecom, and sharing the organization's common goal of creating and enhancing shareholder value.

Globe's Internal Audit aims to assist all members of the organization accomplish their objectives by bringing a systematic, disciplined, and risk-based approach to evaluate and improve the effectiveness of the Company's risk management, control, and governance processes.³ To this end, Globe's Internal Audit furnishes management and the Board of Directors, through the Audit Committee, with analyses, recommendations, advice and information concerning the activities reviewed.

Assurance Services

The internal audit activity provides reasonable assurance on the following to help ensure that management enhances the value of the Company as it competes in an ever dynamic and increasingly competitive marketplace:

- Overall effectiveness of the control environment and the risk management process
- Compliance with policies, laws, regulations, procedures and contracts
- Safeguarding of assets
- Reasonableness of financial information, in conjunction with the external/independent auditors' activities

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of an assurance engagement are determined by the internal auditor. Generally, three parties are participants in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.⁴

Consulting Services

The internal audit activity shall provide advisory and related client service activities, the nature and scope of which are agreed upon with the client and are intended to add value and improve the Company's operations. Examples of consulting services are the following:

- Assistance in risk management activities
- Providing recommendations and advice

All decisions to adopt or implement recommendations made as a result of the internal audit advisory service shall be made by Management. Moreover, Internal Audit's involvement in such advisory services shall not preclude it from subsequently reviewing the operation, system or process which is the subject of the advisory service.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility.⁵

³ Based on the Standard's definition of Internal Audit Activity: Glossary

⁴ Source: The Standard's description of Assurance Services: Introduction to the Standards

⁵ Source: The Standard's description of Consulting Services: Introduction to the Standards



Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.⁶

E. Authority

The Globe Telecom's IA is authorized to:

- Have full, free and unrestricted access to any and all the Company's records, properties, personnel and operations in order to discharge its responsibilities.
Documents and information given to Globe's IA during periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.
- Have free and unrestricted access to the AC of the BOD
- 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, as approved by the AC.

The Globe's IA is not authorized to:

- Perform any operational duties or be involved in the day to day internal checking systems of the operational business units of the Company or its affiliates.
- Initiate or approve accounting transactions external to the internal audit function.
- Direct the activities of any business unit employees not assigned to Globe's IA, except in cases where such employees have been appropriately assigned or "seconded" as member of the audit team.
- Draft and/or implement business system procedures or other internal control systems. Globe's IA may, however, be consulted on the adequacy of the related controls.

Any deviations to the above provisions should be pre-approved by the AC. IA personnel performing any approved operational duties should not participate in assessing those specific operations for which they were previously responsible. This "cooling-off" period shall apply for a period of twelve months in compliance with the IIA's "Code of Ethics".

F. Professional Standards

Globe's IA shall govern its work in adherence to IIA's "Code of Ethics" and the Company's Code of Conduct. The internal audit activities will comply with the *International Standards for the Professional Practice of Internal Auditing* (ISPPA) of the IIA.

Globe's IA shall provide professional development opportunities to keep staff members informed about improvements and current developments in internal auditing standards and techniques.⁷

G. Independence

Globe's IA shall perform its auditing functions faithfully by maintaining independence from management and controlling shareholders. All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content which permit maintenance of an independent and objective mental attitude necessary in rendering reports. The internal audit activity must be free from interference in determining the scope of internal auditing,

⁶ Source: The Standards: Performance Standards 2100 – Nature of Work

⁷ Based on the Standards: Attribute Standards 1230 – Continuing Professional Development



performing work, and communicating results. The CAE must disclose such interference to the AC and discuss the implications, if any.⁸

Internal auditors shall have neither direct responsibility for, nor authority over any of the activities they review or the persons responsible for those activities. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited. Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.⁹ If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.¹⁰

In observing independence,

- Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.¹¹
- Assurance engagements for functions over which the CAE has responsibility must be overseen by a party outside the internal audit activity.¹¹
- The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.¹¹
- Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.¹¹
- If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.¹¹
- Where the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.¹²

Globe IA shall be headed by a CAE who shall preferably be a Certified Public Accountant and/or a Certified Internal Auditor and shall report to the Audit Committee of the Board of Directors.

The CAE shall confirm to the AC, at least annually, the organizational independence of the internal audit function.¹³

H. Proficiency and Due Professional Care

Globe IA must perform its engagements with proficiency and due professional care¹⁴ and observe the following:

- Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.¹⁵
- The CAE must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.¹⁵

⁸ Source: The Standards: Attribute Standards 1110 – Organizational Independence

⁹ Source: The Standards: Attribute Standards 1120 – Individual Objectivity

¹⁰ Source: The Standards: Attribute Standards 1130 – Impairment to Independence or Objectivity

¹¹ Source: The Standards: Attribute Standards 1130.A1 to A3, C1 to C2 – Impairment to Independence or Objectivity

¹² Source: The Standards: Attribute Standards 1112 – Chief Audit Executive Roles Beyond Internal Auditing

¹³ Source: The Standards: Attribute Standards 1110 – Organizational Independence

¹⁴ Based on the Standard's Attribute Standards 1200 – Proficiency and Due Professional Care

¹⁵ Source: The Standards: Attribute Standards 1210 - Proficiency



- Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.¹⁶
- Internal auditors must have sufficient knowledge of key information technology risks and controls and consider the use of available technology-based and other data analysis techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.¹⁶
- The CAE must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.
- Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.¹⁷
- Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.¹⁷
- Internal auditors must exercise due professional care by considering the following¹⁷:
 - 1) Extent of work needed to achieve the engagement’s objectives.
 - 2) Relative complexity, materiality, or significance of matters to which assurance or consulting procedures are applied.
 - 3) Adequacy and effectiveness of governance, risk management, and control processes.
 - 4) Probability of significant errors, fraud, or noncompliance.
 - 5) Cost of assurance or consulting in relation to potential benefits.
 - 6) Needs and expectations of clients, including the nature, timing, and communication of engagement results.

I. Reporting and Working Relationships

Reporting Lines

The Chief Audit Executive (CAE) reports directly to the following¹⁸:

- Functionally, to the Board of Directors, through the Audit Committee; and
- Administratively, to the President and Chief Executive Officer (CEO) of Globe Telecom.

Working Relationships

Audit Committee

Globe’s IA communicates and interacts directly with the board¹⁹ by supporting the AC in the effective discharge of the Committee’s oversight role and responsibility. A functioning relationship between Globe’s IA and the AC is very vital. It is part of the AC’s responsibility to work closely with the CAE to maintain an effective internal audit function within Globe Telecom.

In turn, part of the IA’s responsibilities is to work with the AC to co-develop expectations and reporting requirements and provide day-to-day assistance and secretariat support. A reporting protocol and process is defined and observed to ensure that the right information is provided at the appropriate time and effective interaction is achieved.

Management

Globe’s IA should seek to achieve an effective and objective working relationship with Globe Telecom’s management at all times. Globe’s IA should always discharge its duties and responsibilities to provide value-

¹⁶ Source: The Standards: Attribute Standards 1210.A2,A3,C1 - Proficiency

¹⁷ Source: The Standards: Attribute Standards 1220 – Due Professional Care

¹⁸ Based on the Standard’s Attribute Standards 1110 – Organizational Independence

¹⁹ Source: The Standards: Attribute Standards 1111 – Direct Interaction with the Board



adding activities to management, while at the same time exercising independence and objectivity. Reporting process and protocols that ensure independence and objectivity should be observed at all times.

Process and Activity Owners

The process and activity owners provide the information on which Globe's IA makes its evaluation, assessment and recommendations. Co-developing the expectations, discussing the audit objectives and methodology and observing reporting protocols should always form part of Internal Audit's service delivery process to ensure an effective and objective working relationship with process and activity owners. Collectively, the work performed by Globe's IA together with the process and activity owners, should provide value to management in terms of process controls assurance and improvement.

External Auditors

Globe's IA and the external/independent auditors should collaborate regularly in order to ensure the effective use of audit resources and share their knowledge on significant issues and concerns. This collaboration will help provide reasonable assurance that the roles of the two functions are very well organized and aligned, thus, mitigate the risks of unnecessary work duplications.

Other Stakeholders

Globe's IA may, at certain times, need to work with other parties within or outside the Globe Telecom organization. For instance, the working relationships with the Compliance Officer on corporate governance issues and the Chief Risk Officer on enterprise-wide risk management process should be defined and observed at all times to ensure that effective collaboration is achieved.

The working relationship with outside consultants and other parties should be discussed with the CEO and with the AC Chairman.

J. Key Responsibilities

General Audit/ Risk and Control Management

- Review the effectiveness by which risks that may threaten the achievement of organizational and financial reporting objectives are identified and managed.
- Review 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.
- Review the adequacy of the system of internal controls, planned and in use, to safeguard the Company's assets and operations.
- Review the effectiveness of management controls meant to ensure the economic and efficient utilization of resources and achieve the Company's corporate vision and objectives.
- Review the adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.
- Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, or whether the operations or programs are being carried out as planned.
- Evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.²⁰
- Address risk consistent with the engagement's objectives and be alert to the existence of other significant risks during consulting engagements.²⁰
- Incorporate knowledge of risks and controls gained from consulting engagements into their evaluation of the organization's risk and control management processes.²⁰
- Refrain from assuming any management responsibility by actually managing risks when assisting management in establishing or improving risk management processes.²⁰

²⁰ Source: The Standards: Performance Standards 2120.A2, C1, C2, C3 – Risk Management



- Assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.²¹
- Perform regular and special audits as contained in the annual audit plan and/or based on the company's risk assessment
- Report the results of audit reviews and other activities in a manner that helps management address the identified risks/issues and take appropriate action within a reasonable period of time
- Appraise the adequacy of action taken by management in response to reported risk issues, control weaknesses and opportunities for improvement.

Governance

- The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for the following²²:
 - 1) Making strategic and operational decisions.
 - 2) Overseeing risk management and control.
 - 3) Promoting appropriate ethics and values within the organization.
 - 4) Ensuring effective organizational performance management and accountability.
 - 5) Communicating risk and control information to appropriate areas of the organization.
 - 6) Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management
- evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.²²
- assess whether the information technology governance of the organization supports the organization's strategies and objectives.²²
- monitor and evaluate governance processes
- perform consulting and advisory services related to governance and control as appropriate for the organization
- Provide assistance to the AC in the discharge of the Committee's oversight function with regard to corporate governance. Such activities include establishing the communication process to discuss with the AC issues and controls affecting the financial reporting and risk management processes, compliance with relevant laws, rules and regulations, contractual obligations and other commitments, and internal controls
- Evaluate the quality of performance of external auditors and the degree of coordination with Globe's IA.
- Coordinate with the Compliance Officer in ensuring that the provisions of Globe Telecom's corporate governance manual are appropriately and adequately complied with
- Update the AC and Senior Management on developments and emerging trends and issues in corporate governance (local and international), especially in areas directly affecting their roles and responsibilities.
- Deliver the specific requirements from the internal audit activity, as specified in Globe Telecom's corporate governance manual, as follows:
 - 1) Provide reasonable assurance that the Company's key organizational and procedural controls are complied with and that Globe's IA covers the evaluation of the adequacy and effectiveness of controls.
 - 2) Submit an Internal Audit Plan for review and approval by the AC. The CAE shall establish 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.²³ The Internal Audit Plan shall be developed based on a prioritization of the audit universe using a risk-based methodology and framework to evaluate risk exposures relating to the Company's governance activities, operations, and information systems, including input of Senior Management on Globe's strategic objectives, and the Board. The Internal Audit Plan shall consist of a work schedule as well as budget and resource requirements for the next

²¹ Source: The Standards: Performance Standards 2130 - Control

²² Source: The Standards: Performance Standards 2110 - Governance

²³ Source: The Standards: Performance Standards 2010 - Planning



- fiscal/calendar year. The CAE shall communicate the internal audit activity's plans, resource requirements, impact of resource limitations and significant interim changes to Senior Management and the AC for review and approval.²⁴ The CAE must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.²⁵
- 3) Review and assess the audit plan periodically and make appropriate adjustments in response to changes in the Group's business and risks. Seek the approval from the AC relative to any deviations from the approved Annual Internal Audit Plan.
 - 4) Submit periodic reports to the AC status of the internal audit activity, accomplishments, key findings and recommendations, as well as management's responses thereto. The CAE shall report periodically to the AC on the internal audit activity's performance relative to its plans as well as present findings and recommendations to the AC and give advices to Senior Management and Board on how to improve internal processes.²⁶ The CAE shall communicate to the AC and Senior Management any areas where the business has accepted a level of risk that is unacceptable to the organization, having regard to the risk appetite and risk tolerance established by the Board, and whereby the issue remains unresolved.²⁷
 - 5) Render an Internal Audit Annual Report to the AC on Internal Audit's activity, purpose, authority, responsibility and performance; such annual report should contain the results of the review of the risk management process and significant exposures, including fraud risks, corporate governance issues, and other matters requested by the AC or by the BOD.
 - 6) Render a report to the AC that Globe Telecom's Internal Audit activity for the given year has been performed in accordance with the provisions of the ISPPA, as supported by results of quality assurance and improvement program (QAIP).²⁸

The CAE must establish policies and procedures²⁹ and spearhead the performance of the internal audit activity to ensure it adds value to the organization.³⁰

Enterprise-Wide Risk Management

- Monitor compliance with Globe Telecom's Risk Management Policy and structure as approved by the BOD and provide reasonable assurance on compliance with such policy and structure.
- Participate in risk assessment workshops and other activities of the Risk Management Unit.
- Contribute and/or provide quality assurance in the creation and updating of Globe Telecom's risk portfolio and common risk language.
- Provide quality assurance on risk mitigation strategies designed by the risk owners.
- As part of planned audit reviews, provide assurance on the integrity of critical risk information and measures.

Other Activities

Globe's IA will conduct such other activities as may be requested by the AC, the President and Senior Management, with certain requests of the latter subject to further clearance from the AC depending on the materiality of such requests.

²⁴ Source: The Standards: Performance Standards 2020 – Communication and Approval

²⁵ Source: The Standards: Performance Standards 2030 – Resource Management

²⁶ Source: The Standards: Performance Standards 2060 – Reporting to Senior Management and the Board

²⁷ Based on the Standards: Performance Standards 2600 – Communicating the Acceptance of Risks

²⁸ Based on the Standards: Attribute Standards 1321 – Use of "Conforms with the International Standards for the Professional Practice of Internal Auditing."

²⁹ Source: The Standards: Performance Standards 2040 – Policies and Procedures

³⁰ Source: The Standards: Performance Standards 2000 – Managing the Internal Audit Activity



K. Engagement Execution

Engagement execution which includes, but not limited to prescribed practices on the following, shall be discussed in detail in Globe IA's Operations Manual³¹:

- 1) Engagement Planning
- 2) Planning Considerations
- 3) Engagement Objectives
- 4) Engagement Scope
- 5) Engagement Resource Allocation
- 6) Engagement Work Program
- 7) Performing the Engagement
- 8) Identifying Information
- 9) Analysis and Evaluation
- 10) Documenting Information
- 11) Engagement Supervision
- 12) Communicating Results
- 13) Criteria for Communicating
- 14) Quality of Communications
- 15) Errors and Omissions
- 16) Disseminating Results
- 17) Overall Opinion
- 18) Monitoring Progress
- 19) Communicating the Acceptance of Risks

L. Periodic Assessment

The CAE should periodically assess whether the purpose, authority and responsibility, as defined in this charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. The result of this periodic assessment and any arising revisions should be communicated and approved by the AC. The CAE is accountable and responsible for overall conformance with the Standards.

In addition, the CAE will communicate to senior management and the Board on the internal audit activity's quality assurance and improvement program (QAIP), including results of ongoing internal assessments and external assessments³² conducted at least every five years by a qualified, independent assessor or assessment team from outside the organization, as well as any potential conflict of interest.³³

Internal assessments include³⁴:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

³¹ Based on the Standards: Performance Standards 2200 – Engagement Planning, 2201 - Planning Considerations 2210 - Engagement Objectives, 2220 - Engagement Scope, 2230 - Engagement Resource Allocation, 2240 - Engagement Work Program, 2300 - Performing the Engagement, 2310 - Identifying Information, 2320 - Analysis and Evaluation, 2330 - Documenting Information, 2340 - Engagement Supervision, 2400 - Communicating Results, 2410 - Criteria for Communicating, 2420 - Quality of Communications, 2421 - Errors and Omissions, 2440 - Disseminating Results, 2450 - Overall Opinion, 2500 - Monitoring Progress, 2600 - Communicating the Acceptance of Risks

³² Based on the Standards: Attribute Standards 1310 – Requirements of the Quality Assurance and Improvement Program

³³ Based on the Standards: Attribute Standards 1312 – External Assessments

³⁴ Source: The Standards: Attribute Standards 1311 – Internal Assessments



The CAE discusses with the AC the results of QAIP, including the following³⁵:

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

In the event that nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the CAE will disclose the nonconformance and the impact to Senior Management and AC of the Board.³⁶

³⁵ Source: The Standards: Attribute Standards 1320 – Reporting on the Quality Assurance and Improvement Program

³⁶ Source: The Standards: Attribute Standards 1322 – Disclosure of Nonconformance