



INTERNAL AUDIT CHARTER

Table of Contents

- A. Vision 3
- B. Mission 3
- C. Professionalism 3
- D. Organization..... 3
- E. Independence and objectivity 4
- F. Authority 4
- G. Scope of Work 5
- H. Responsibility 7
- I. Quality Assurance and Improvement Program..... 8

This Charter describes the mission, authority, independence and objectivity, scope and responsibilities, and standards of the Internal Audit Division (IAD) of AREIT, Inc. (AREIT).

The Chief Audit Executive (the "CAE") shall review this charter at least annually and obtain the approval of the Board of Directors (the "Board") through the Audit Committee (the "Committee") for any revisions thereto or for any case where external bodies may suggest a change. Suggestions by such external bodies, however, are subject to the recommendation of the CAE and approval of the Board through the Committee.

A. Vision

To be a leading internal audit function delivering value-adding services to the Board, Management, and key stakeholders.

B. Mission

The mission of the IAD is to enhance organizational value through independent, objective, and risk-based assurance and consulting services to key stakeholders of AREIT, Inc. ("AREIT" or the "Corporation") in the areas of governance, risk management, and internal control.

C. Professionalism

Internal Audit adheres 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. It also adheres to the standards, practices, and requirements of other leading professional organization such as the Philippine Institute of Certified Public Accountants (PICPA) and the Information Systems Audit and Control Association (ISACA), including applicable laws and regulations.

D. Organization

The establishment of an internal audit function is a fundamental part of the AREIT's Corporate Governance practices. The IAD reports functionally to the Committee constituted by the Board, and administratively to the Chief Finance Officer (CFO).

E. 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. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

To maintain objectivity, Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Instead, each functional/ operational unit is responsible for their own internal control.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must 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 CAE will confirm to the Board through the Committee, at least annually, the organizational independence of the internal audit activity.

F. Authority

To establish, maintain, and assure that IAD has sufficient authority to fulfill its duties, the Committee will:

- Recommend the approval of the Internal Audit Charter and oversee its implementation.
- Appoint the CAE and concur in his/her performance appraisal replacement, re-assignment or dismissal.
- Establish and set up the qualification criteria for Internal Auditors.
- Ensure that the Internal Auditors have free and full access to all the Corporation's records, properties, information systems, and personnel relevant to and required by their function and that the Internal Audit Division shall be free from interference in determining its scope, performing its work and communicating its results.
- Approve the Annual Internal Audit Plan and all deviations therefrom, ensuring that the audit resources are reasonably allocated to the areas of highest risk.
- Approve the terms and conditions for outsourcing internal audit services.
- Review Internal Audit Division's periodic reports and the Internal Audit Annual Report.
- Review and monitor the Management's responsiveness to the Internal Auditor's findings and recommendations.
- Conduct separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.
- Institute special investigation as necessary, and, if appropriate, hire special counsels or experts to provide the necessary assistance.

- Review evaluation of compliance with the Code of Conduct for Employees.
- Review the effectiveness of the internal audit function, including compliance with the ISPPIA.

In carrying out their duties and responsibilities, members of IAD are authorized, in the course of its activities, to:

- Enter all areas of AREIT's operating/business and functional units and have access to any documents, properties and personnel considered necessary for the performance of its functions.
Note: Documents and information given to IAD during periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.
- Obtain the necessary assistance of AREIT personnel where they perform audits, as well as other specialized services from within or outside AREIT.

The CAE and staff of the IAD are not authorized to:

- Perform any operational duties for AREIT or its related companies (*i.e.* Fund and Property Managers).
- Initiate or approve accounting transactions external to the IAD.
- Direct the activities of any AREIT employee not employed by the IAD except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

G. Scope of Work

Consistent with the Internal Audit roles and responsibilities cited in the charter of the Committee, the scope of internal audit work includes the review of risk management procedures, internal control systems, information systems and governance processes to ensure:

- Assets are safeguarded.
- Risks are properly identified and managed.
- Appropriate level of internal control exists within the company to manage and mitigate risk.
- Policies, standards, procedures, and controls are adequately documented as needed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Actions of directors, officers, employees, and third-party business partners are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically and used efficiently.
- Programs, plans, and objectives are achieved.

- Quality and continuous improvement are fostered in AREIT's control process.
- Significant legislative or regulatory issues impacting AREIT are recognized and addressed appropriately.

The CAE also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

Opportunities for improving management control, profitability and AREIT's image may be identified during audits. These shall be communicated to the appropriate levels of management.

The nature of internal audit activities can be classified as either assurance or consulting services.

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding a process, system or other subject matter. 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.

Some examples of assurance services can be described as follows:

- Financial audit
- Revenue audit
- Information systems audit
- Technical audit
- Properties audit
- Business operations audit
- Sustainability audit

Consulting activities are advisory in nature and are generally performed at the specific request of an 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.

Some examples of consulting services are as follows:

- Governance, risk and control-related management trainings.
- Process design reviews requested by auditees.
- Advice on the interpretation, implementation or compliance of a unit to company's control policies.
- Review of department's operating or control procedures.
- Membership in cross-functional groups and task forces to provide advice on control, risk management and governance processes.
- Research on leading practices

On a need basis, the IAD's work may also involve periodic testing of transactions, leading practice reviews, special investigations, appraisals of regulatory requirements, and measures to help prevent and detect fraud. The IAD's responsibilities in relation to fraud include the following:

- Evaluating the consideration of fraud risk in every audit, and conducting the appropriate audit procedure based on the identified fraud risk.
- Exercising due professional care to the degree that fraud may be present in activities covered by the normal course of audit.
- Evaluating the risk of fraud and the manner in which it is managed but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.
- Assisting in fraud prevention by examining and evaluating the adequacy and effectiveness of the internal controls' system commensurate with the extent of potential exposure.
- Conducting investigations and seeking assistance from/coordination with management, legal counsel, and other specialists, such as human resources and risk management, as appropriate throughout the course of the investigation.

H. Responsibility

The CAE and staff of the IAD have the responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology including any risk or control concerns identified by management and submit that plan including periodic updates thereto, to the Committee for review and approval.
- Implement the annual audit plan, 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 engagement results with applicable conclusions and recommendations to appropriate parties.
- Implement the annual audit plan, as approved, including as appropriate, any special task or project requested by management and the Committee that is considered part of the consulting activity of Internal Audit.
- Review and evaluate significant merging/consolidating functions, and new or changing services, processes, operations, and control processes in line with their development, implementation, and/or expansion in relation to risk-based audit.
- Issue periodic written reports to the Committee and management summarizing the results of audit activities
- Report significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Committee
- Communicate to the Committee management's response to risks, that may be unacceptable to AREIT.
- Provide periodic information on the status and results of the annual audit plan and the sufficiency of resources.

- Ensure trends and emerging issues that could impact AREIT are considered and communicated to senior management and the Committee as appropriate.
- Follow-up the implementation of agreed management actions to ensure that effective remedial action is taken.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter. The CAE shall oversee and be responsible for the internal audit activity that is outsourced to a third-party service provider and co-sourced function.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit.
- Consider emerging trends and successful practices in internal auditing.
- Assist in the investigation as requested by management.
- Conduct such other activities as may be requested by the Committee, the Chairman of the Board, the President, and other members of senior management, with certain requests of the latter subject to further clearance from the Committee depending on the materiality of such requests.

I. Quality Assurance and Improvement Program

The CAE will maintain a Quality Assurance and Improvement Program that covers all quality aspects of the internal audit activity. This program will incorporate internal resources for continuously monitoring effectiveness, as well as, periodic evaluation by independent external resources covering:

- Internal assessments including ongoing monitoring of the performance of the internal audit activity and periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.
- External assessments conducted by a qualified independent party at least every five years.

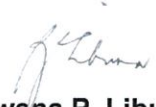
In addition, the CAE shall communicate to senior management and the Board through the Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments.

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Document Information

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