	INTERNAL AUDIT CHARTER	
	Policy No.: PS-OPS-006-R12018	Effective Date: February 01, 2025 Revision No.: 1

I. PURPOSE AND SCOPE

This policy aims to define the purpose, authority and responsibility of the Internal Audit Department of Maynilad Water Services, Inc. (the “Maynilad” or the “Organization”) and to provide it with a definite and clear mandate that would enable it to effectively perform its functions.

II. GENERAL POLICY STATEMENT

Maynilad Management acknowledges that Internal Audit is a key component of the Organization’s governance framework and has vested authority upon it. With such authority, Internal Audit shall effectively provide independent, objective assurance and consulting services primarily to add value and help improve Maynilad’s operations. It shall have unrestricted access to all organizational activities, records information, property and personnel.

III. DISTRIBUTION


This policy shall apply to all Internal Audit management and staff and for the information of Maynilad Management and personnel.

IV. POLICIES AND STANDARDS

The mission of Internal Audit is to provide an independent, objective assurance and consulting services designed to help management achieve its objectives, promote operational efficiency, safeguard its assets, ensure reliability of information and compliance with laws and regulations.

A. Independence/Objectivity – to help ensure the independence of Internal Audit, its personnel shall report to the Head of Enterprise Risk Management and Internal Audit (“ERMIA”), who reports administratively to the Chief Executive Officer and functionally to the Board through the Audit Committee.

1. The Internal Audit Department shall maintain independence and objectivity at all times. It shall free itself from any activity that may put its independence and objectivity at risk.
2. The Head of ERMIA shall meet at least quarterly with the Audit Committee Head to discuss the various aspects of the Internal Audit function, including Internal Audit activities and internal controls updates.
3. The ERMIA Head shall have direct access to and shall meet periodically with senior management and the President to discuss the scope and results of systems review and audit work performed. During the course of the year, if significant issues arise, the ERMIA and Internal Audit Heads shall schedule a special meeting with the President.
4. Internal Audit management and personnel shall have an impartial, unbiased attitude and avoid conflicts of interest.
5. The ERMIA Head shall ensure that staff assignments are made such that potential and actual conflicts of interest and bias are avoided. Staff assignments of internal auditors shall be rotated periodically whenever practical.
6. The ERMIA Head shall review the results of all systems review/auditing work before the related report is released to provide reasonable assurance that the work was performed objectively.

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B. Authority and Confidentiality

Internal Audit, with strict accountability for confidentiality and safeguarding of records and information, shall have the authority and/or obligation to do any or all the following:


1. Have unrestricted access to all functions, all relevant documents, records, reports, properties and personnel even without written request;
2. Communicate and interact directly with the Audit Committee;
3. Obtain the necessary assistance of personnel in the divisions and/or departments where they perform systems review/audits;
4. Allocate its resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives and issue reports;
5. Use all records, documentation and information accessed in the course of undertaking internal audit activities solely for the conduct of internal audit; and
6. Maintain confidentiality of the information received during the course of their work.

The Internal Audit is not authorized to do any of the following:


1. Assess specific operations of a unit or department in which an Internal Audit employee was previously part of or was responsible for in the last twelve months;
2. Perform any operational duties for the Organization;
3. Draft and/or implement internal controls, develop procedures, and install systems. However, Internal Audit may be consulted on the adequacy of the related controls;
4. Initiate or approve accounting transactions except those pertaining to the operation of Internal Audit; or
5. Direct the activities of any Maynilad employee, except where such employee has been assigned to Internal Audit as part of the audit team.

C. Roles and Responsibilities of Internal Audit – The ERMIA Head and Internal Audit Staff have the responsibility to:

1. develop a flexible annual audit plan using appropriate risk-based methodology, including any risks control concerns identified by management, and submit the plan to the Audit Committee for review and approval;
2. implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee;
3. maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Internal Audit Charter;

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4. establish a quality assurance program by which the ERMIA Head assures the operation or performance of Internal Audit activities;
5. perform consulting services, beyond Internal Audit's assurance services, such as but limited to facilitation, process design, training and advisory services, to assist management in meeting its objectives;
6. evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
7. issue periodic reports to the Audit Committee and management summarizing results of the audit activities;
8. keep the Audit Committee informed of emerging trends and successful practices in internal auditing;
9. provide a list of significant measurement goals and results to the Audit Committee;
10. assist in the investigation of significant suspected fraudulent activities within the Organization and notify management and the Audit Committee of the results;
11. consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Organization at a reasonable overall cost;
12. 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;
13. ensure that there is an appropriate mechanism in place for employee concerns or complaints on questionable accounting or auditing matters and notify the Audit Committee of the status and disposition of reported complaints;
14. appraise the adequacy of actions taken by management in response to reported risk issues, control weaknesses and opportunities for improvement;
15. Corporate Governance
 - a. Internal Audit shall contribute to the Organization's governance process by evaluating and recommending improvements to the process through which:
 - values and goals are established;
 - performance and accomplishments are monitored;
 - accountability is ensured; and
 - values are preserved
 - b. Internal Audit shall assist the Audit Committee in the discharge of their oversight function with regard to corporate governance. Such activities include establishing the communication process to discuss with the Audit Committee issues and controls affecting the financial reporting and risk management process, compliance with laws and regulations and internal controls;

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- c. Internal Audit shall submit periodic reports to the Audit Committee on the status of the internal audit activity, accomplishments, key findings, and recommendations;
- d. Internal audit shall report to the Audit Committee and the Compliance Officer recommended improvements identified in the ethics-related programs and activities of Maynilad resulting from the conduct of internal audit reviews.
- e. Internal Audit shall render an annual report to the Audit Committee which shall contain the results of the review of the risk management process and significant exposures, as well as a report on governance issues

16. Anti-Fraud Program


- a. Internal Audit shall collaborate with the Anti-Fraud Department in the development and implementation of anti-fraud programs. This includes fraud policies, fraud awareness campaigns, and trainings.
- b. Internal Audit shall assist the Anti-Fraud Department and Management in identifying the risks of fraud and develop fraud prevention, detection and monitoring strategies.
- c. Internal Audit shall assist the Anti-Fraud Department and Management in the investigation of identified/reported potential fraud incidents.
- d. Internal Audit shall assist the Anti-Fraud Department and management in mitigating fraud risks.

D. Accountability – The ERMIA Head, in the discharge of his/her duties, shall be accountable to the Management and the Audit Committee for the following:

1. Organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work;
2. Reporting of significant issues related to the processes for controlling the activities of the Organization and its affiliates, including potential improvements to those processes, and the resolution of such issues;
3. Reporting, on a regular basis, of the status and results of the annual audit plan and the sufficiency of department resources;
4. Provision of oversight to other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

E. Scope of Internal Audit Activity


1. The scope of work of Internal Audit should be such as to be able to determine whether the Organization's network of risk management control and governance processes, as designed and represented by management, is adequate and functioning in a manner that will ensure the following:
 - a. Risks are appropriately identified and managed;
 - b. Interaction with various governance groups occurs as needed;

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- c. Significant financial, managerial, and operating information is accurate, reliable and timely;
 - d. Employees' actions comply with the policies, standards, procedures, and applicable laws and regulations;
 - e. Resources are acquired economically, used efficiently, and adequately protected;
 - f. Programs, plans, and objectives are implemented and achieved, respectively;
 - g. Quality and continuous improvement are fostered in the Organization's control process; and
 - h. Significant legislative or regulatory issues impacting the Organization are recognized and addressed properly
2. Internal Audit, in the course of conducting its engagements, may identify opportunities for improving management control, profitability, and the Organization's image. Internal Audit shall communicate these to the appropriate levels of management.
 3. Internal Audit shall not have direct authority over, nor direct responsibility for any of the activities under its review. Moreover, the task of reviewing, reporting, and appraising established policies, plans and procedures do not in any way substitute for, nor relieve the line personnel in the Organization of the responsibilities assigned to them. Ownership of controls is a line management responsibility.
 4. Internal Audit shall also provide guidance in the formulation of policies to ensure that controls are adequate, and that the objectives of management are addressed.

F. Proficiency and Due Professional Care

1. Internal audit activities will be conducted in accordance with the Organization's policies and procedures and relevant professional standards, including Standards for the Professional Practice of Internal Auditing ("SPPIA") issued by the Institute of Internal Auditors.
2. Internal Audit shall ascertain that its functions are performed with proficiency and due professional care by knowledgeable, skilled and competent staff.
3. In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques.
4. Internal auditors must exercise due professional care by considering the following:
 - a. Extent of work needed to achieve the engagement's objectives;
 - b. Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
 - c. Adequacy and effectiveness of governance, risk management and control processes;
 - d. Probability of significant errors, fraud, or noncompliance; and

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e. Cost of assurance in relation to potential benefits.

5. A continuing professional education and development program like attendance in relevant trainings, seminars, conferences, conventions, as well as memberships in professional organizations shall be provided to the Internal Audit staff to further enhance their knowledge, skills and competencies.

G. Quality Assurance

The ERMIA Head shall develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. The program is designed to help Internal Audit add value and improve the Organization's operations and provide assurance that Internal Audit's auditing activities are in conformity with the Institute of Internal Auditors' ISPPA and the Code of Ethics.

H. Reporting and Working Relationships

1. Reporting Lines

- a. The ERMIA Head reports directly to the following:
 - Functionally, to the Board (through the Audit Committee)
 - Administratively, to the President and CEO

2. Working Relationships


- a. **Audit Committee**
Internal Audit shall work closely with the Audit Committee to co-develop expectations and reporting requirements.
- b. **External Auditors**
Internal Audit shall coordinate its efforts with those of external auditors. As such, it shall be properly apprised by Finance of planned/scheduled engagements as well as developments and results so that duplication is avoided and results may be followed-up by Internal Audit.

I. Planning

The ERMIA Head will prepare, for the Audit Committee's consideration, an internal audit strategic business plan and internal audit annual work plan in a form agreed with the Committee.

J. Reporting

1. The ERMIA Head will report to the Audit Committee on the following:
 - a. Results of audit plans and activities at least quarterly;
 - b. Progress in implementing the strategic business plan and audit work plan; and
 - c. The status of implementation of the agreed internal and external audit and other relevant external body recommendations.

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2. The ERMIA Head will also report on the overall state of internal controls in the Company and any systemic issues requiring management attention based on the work of Internal Audit.

K. Administrative Arrangements

1. Any change to the position of the ERMIA Head will be approved by the President and CEO. The Audit Committee will be consulted as part of the process.
2. The ERMIA Head will arrange for a periodic, independent review of the efficiency and effectiveness of the operations of the internal audit function at least every five years.

V. MONITORING AND REVIEW

The Internal Audit Charter will be reviewed at least annually. Any revisions to the Charter must be reviewed by the ERMIA Head, endorsed by the President and CEO, and approved by the Audit Committee.