



Internal Audit Charter

PGA Sampo Insurance Corporation

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1. Introduction

The purpose, authority, and responsibility of the internal audit activity is defined in this internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive periodically reviews the internal audit charter and presents it to senior management and the board for approval.

Adherence to the requirements within the charter is mandatory for all IA staff.

2. Internal Audit's Purpose, Activities and Scope

2.1 The Purpose of Internal Audit

The primary role of Internal Audit is to help the Board and Executive Management to protect the assets, reputation and sustainability of PGA Sompo Insurance Corporation by providing an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the organization. It assists PGA Sompo in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control processes.

2.2 Internal Audit Activities

The scope of internal audit activities includes:

- Assessing and reporting to the board of directors and management on the effectiveness of the design and operation of the framework of controls which enable risk to be assessed and managed.
- Investigating and reporting on cases of suspected financial crime and employee fraud and malpractice.
- Undertaking designated advisory projects for management, provided that they do not threaten IA's actual or perceived independence from management.

IA is responsible for performing these activities efficiently and effectively but it is not responsible for setting PGA Sompo's risk appetite or for the execution of the framework of controls.

2.3 Scope of Activities and Rights of Access

Internal audit activity is authorised to review all areas of PGA Sompo and has full, free, and unrestricted access to all activities, records, property, and personnel necessary to complete its work. Any information, documentation and record to be demanded by the IA Department must be delivered to the internal audit personnel in a full and complete manner by the relevant management units. Even the strategic or very confidential nature of the demanded documentation or information can not be used as an excuse to avoid sharing such documentation / information with the IA Department.

The internal audit activity is free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive will disclose such interference, if any, to the board and discuss the implications.

The chief audit executive has direct and unrestricted access to senior management and the board.

2.4 Organization

The IA Department operates directly under the Board of Directors. Within this scope, the Chief Audit Executive will report functionally to the board and administratively to the Chief Executive Officer.

3. Internal Audit's Responsibilities

The internal audit activity evaluates the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems. This includes:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating 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.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.

4. Management of the Internal Audit Function

4.1 Planning

At least annually, the Chief Audit Executive 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 calendar year. The Chief Audit Executive 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 Chief Audit Executive

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.

4.2 Professional Standards

Internal audit activity will conform with the mandatory elements of The IIA's 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.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. Internal audit activity will undertake its work in accordance with the approved audit methodology of Sompo International Holdings and relevant policies and procedures of PGA Sompo to ensure effective audit work is carried out in all businesses.

4.3 Reporting and Monitoring

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement and will be distributed as appropriate.

The internal audit report should include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response 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 activity will be responsible for appropriate follow-up on engagement findings and recommendations. All findings will remain in an open issues file until cleared.

4.4 Quality Assurance Review

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include the evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also will assess the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

5. Independence of Internal Audit

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

6. Matters Not Regulated By The Charter

Any matters not regulated by this Charter shall be applied upon the Chief Audit Executive by taking the opinions of the General Manager and the approval of the board.

7. Enforcement and Execution

This Charter enters into force as of the date of approval by the board. The Chief Audit Executive is responsible for the execution of the Charter. In case any change is needed in the charter, these are made with the approval of the board.

8. Revision Records

<u>Revision No</u>	<u>Page</u>	<u>Date</u>	<u>Subject</u>
01	General	18/06/2019	Adopted from Sompo International Holdings.