



**“Efficiently providing you with the most reliable source of energy”**



## **I. INTRODUCTION**

Consistent with the key mandates of the Board of Directors of King Energy Generation Inc. ("KEGI" or the "Company"), the Company hereby formalizes the Internal Audit Charter ("Charter").

In accordance with the Securities and Exchange Commission ("SEC") Memorandum Circular ("MC") No. 24, Series of 2019, Section 2. Establishing Clear Roles and Responsibilities of the Board, Recommendation 2.9, the Board should oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential/actual conflicts of interest of board members, management, and shareholders/members and the need to set up an Internal Audit Charter.

## **II. INTERNAL AUDIT CHARTER**

### **Rationale**

The Board recognizes the need to establish an Internal Audit Charter to ensure that there is an appropriate internal control system in place. In the performance of the Board's oversight responsibility, the minimum internal control mechanisms include overseeing the implementation of the key control functions such as risk management, compliance, internal audit, and reviewing the Company's human resource policies, conflict of interest situations, compensation program for employees and Management succession plan.

### **1. POLICY**

It is the policy of the Company to maintain an Internal Audit function within the Company for improving overall management and control of the organization. The Company's Manual on Corporate Governance, Section 9.2. states that the Audit and Risk Management Committee, through the Internal Audit Department, shall monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, the integrity of financial reporting, and the security of physical and information assets.

### **2. SCOPE**

The scope of work of the Internal Audit is to determine whether the organization's network of risk management and control processes, as designed and represented by management, is adequate and functioning effectively. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place to:

- a) Safeguard the company's resources and ensure their effective utilization.
- b) Protect the accuracy and reliability of the company's financial data.
- c) Significant financial, managerial, and operational information is accurate, reliable, and timely.
- d) Ensure compliance with applicable laws and regulations.

### **3. INDEPENDENCE AND AUTHORITY**