

# Internal Audit Activity Charter

## INTRODUCTION

By this charter, we inform the entire enterprise the decision of the Board of Directors of Vesta to implement the Internal Auditing Department, depending on the Audit Committee.

Such department will develop its activities in line with the mission, objectives, organization and powers, functions, powers and responsibilities that manifest below.

This charter is applicable to all subsidiaries in which Vesta have responsibility for their effective management.

The internal audit activity is established as part of their oversight role by the Board of Directors and the Audit Committee.

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of **Vesta**. It assists 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.

## PROFESSIONALISM

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance. In addition, the internal audit activity will adhere to **VESTA** relevant policies and procedures.

## AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of **VESTA** records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

## ORGANIZATION

The Internal Auditor will report functionally to the Audit Committee and administratively

(day to day operations) to the Chief Executive Officer.

The Audit Committee will:

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Internal Auditor on relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Internal Auditor.
- Approve the remuneration of the Internal Auditor.

## 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. Internal auditor 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 auditor 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 Internal Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit activity.

## RESPONSIBILITY

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. 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 the effectiveness and efficiency with which resources are employed.

- 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 looking
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.

Internal auditor must fulfill their work with care and expertise that they expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

## INTERNAL AUDIT PLAN

At least annually, the Internal Auditor will submit to the Audit Committee 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 calendar year. The Internal Auditor will communicate the impact of resource limitations and significant changes to the Audit Committee.

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 Audit Committee. The Internal Auditor 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 Audit Committee through periodic activity reports.

## 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. Internal audit results will also be communicated to the Audit Committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's

response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area 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 significant findings will remain in an open issues file until cleared.

The Chief Audit Executive will periodically report to senior management and the Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.

### **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

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 an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Internal Auditor will communicate (quarterly basis) to the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments conducted.

### **Internal Audit Activity charter**

**Approval Date:** February 22nd 2016

**Lorenzo Berho Corona**  
Chief Executive Officer

**José López Niederer**  
Chairman of Audit Committee

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