



By-laws for Internal Audit Activities

RECORD OF CHANGES

Version	Description of Changes	Responsible	Date
1	Initial version	Beatriz Castaño H.	July/2012
2	Changes requested by the Audit Committee on 31-07-2012	Ana María Ocampo	August/2012
3	Revision and adjustment to international Internal Audit standards	Ana María Ocampo	August/2013
4	Adjustments to close gaps identified in the PROTIVITY quality assessment (approved in the Audit Committee held on 28/10/2014)	Ana María Ocampo	September/2014
5	Adjustments of country codes and close gaps of the PAMC assessment (approval underway)	Ana María Ocampo	September/2015

Contents

1. Introduction.....	4
2. Glossary	4
3. Role of the Internal Audit Activity (IAA).....	5
4. Purpose of the Internal Audit Activity	5
5. Professionalism	5
6. Scope of the Internal Audit Activity.....	6
7. Nature of the Corporate Audit Unit (UAC)	6
8. Authority of the Internal Audit Activity	7
9. Responsibility of the Internal Audit Activity	7
10. Independence and Objectivity	9
11. Relation with the Audit Committee.....	11
12. Relation of the local Chief Audit Executive and the regional Unit of Corporate Audit	11
13. Update of By-laws	12

1. Introduction

Taking into account the current organizational structures and with the purpose to serve the Organization's challenges in governance, risk management and internal control, Audit plays a fundamental role within the structure of the Internal Control System. In addition, it is indispensable in turn the audit governance into a tool for the development of activities which are always focused on creating value and enhancing the corporate governance of the Organization.

Moreover, and pursuant to the scopes of the international standards established, it is paramount for entities which target international growth and investment to adapt to the best practices and structures in audit. The purpose is providing for any type of legal requirement pertaining to the structure, development and effectiveness of their Internal Control System as a fundamental pillar to reach its objectives and sustainability.

Consequently, and engaging the duty of Internal Audit to conduct a strategic management with a wide understanding of the business, aligned with the strategy and risks of the Organization, the information ahead provides the architecture of the Internal Audit of Sura Asset Management, hereinafter, the Unit of Corporate Audit (UAC).

2. Glossary

- External Auditor: An external auditor in Colombia.
- IA: Internal Audit
- IAA: Internal Audit Activity
- **Board:** The term "Board" refers to the highest level governing body responsible to direct and/or oversee the Organization's activities and management. It usually includes a group who are not part of management (for instance, the management board, a supervisor board or a board of governance). If this group does not exist the "council" refers to a higher level of the Organization. The "Council" may refer to an Audit Committee to which the governing body has delegated certain duties. (Taken from the International Standards for the Professional Practice of Internal Audits issued by the Institute of Internal Auditors - IIA)
- Chief Audit Executive (DEA):
 - "A senior position responsible for effectively managing the internal audit activity in an Organization. If the IAA is gained from external service providers, the DEA is responsible for the supervision of the service agreement, ensuring the overall quality of these activities, reporting to Senior Management and to the Board the IAAs, and following-up the results of the work" (Taken from the International Standards for the Professional Practice of Internal Audits issued by the Institute of Internal Auditors - IIA)

- o Chief Audit Executive also includes titles such as Vice President of Audit, Auditor General, Manager of Internal Audit, Director of Internal Audit, among others, depending of each Organization.
- IIA: The Institute of Internal Auditors.
- Board of Directors: Board of Directors, Directors or Management Council.
- UAC: Unit of Corporate Audit.

3. Role of the Internal Audit Activity

The Internal Audit activity is established by the Board of Directors and approved by the Audit Committee.

4. Purpose of the Internal Audit Activity

4.1. Vision of the UAC

To be a world-class Internal Audit team that provides value-added advice and recommendations to support the Organization in meeting its objectives.

4.2. Mission of the UAC

To provide value-added, objective and independent advice and recommendations by evaluating the effectiveness of the Internal Control System, using processes, tools and highly competent team work, and hence, supporting the continuous improvement of the Organization's risk management, governance and control processes.

4.3. Objective of the UAC

To conduct independent and objective assurance and consultancy activities, with a systematic and disciplined focus, providing timely advice and recommendations which add value to the risk management, control and governance processes, and hence, supporting the continuous improvement of the Internal Control System of Sura Asset Management.

5. Professionalism

The UAC shall be governed by the International Standards for the Professional Practice of Internal Audits of the Institute of Internal Auditors – IIA. For this practice, the UAC acknowledges and abides to the definition of Audit, Code of Ethics and the Standards issued by the IIA.

In addition, the UAC shall consider the policies and procedures of the Organization, the procedures and standards of operation defined in the Internal Audit Activity Manual, and the regulations issued by Oversight and Control entities which the areas of internal audit shall meet.

6. Scope of the Internal Audit Activity

The overall Scope of the UAC focuses on determining if the design and operation of the Governance, Risk Management and Control processes is proper and reasonably assure the:

- Existence of a flawless interaction between Internal Audit and the governance and control bodies, to facilitate identifying the business risks and the proper monitoring thereof.
- Identification and management of risks in a timely and effective manner, using a proper and sufficient control system. This includes that task of evaluating and assuring the risk management processes, the assessment and assurance of the risk management processes, the assessment and assurance that the risks are properly evaluated, the assessment of the reporting mechanisms used of key risks of the business, and the revision of the management of key risks conducted by those responsible.
- Preciseness, reliability and timeliness of the financial, administrative and operating information.
- Performance of the Organization is developed within the framework of the policies, standards and procedures set forth in therein as well as the applicable laws.
- Resources used in the businesses are legal and economically acquired, used in an efficient manner and properly guarded.
- The compliance with the programs, plans, initiatives and overall objectives of the Organization and with the different units and areas of the Company.
- Encouragement of quality and continuous improvement of the Organization's internal control and risk management process.

7. Nature of the UAC services

The Internal Audit Activity shall evaluate and contribute to the improvement of the governance, risk management and control processes, with a systematic and disciplined focus. The above is gained with the Audit services listed below:

7.1. Assurance

An objective assessment of evidence to provide an independent assessment of the Organization's risk management, control and governance processes.

To exercise assurance, the Internal Audit considers the probability of errors, fraud, noncompliance and other significant exposures and how this is managed by the Organization.

7.2. Consultancy

Assurance and related services provided to clients, with the nature and scope agreed with the clients, and focused on adding value and improving the Organization's governance, risk management and control processes, without the Internal Auditor assuming management responsibilities.

7.3. Special investigations

Along with the investigation of special cases within the Organization, and in accordance with the scope determined in the Antifraud Policy of the Organization plus the procedure established for the UAC, special investigations covers services as extensive as necessary to determine if the fraud has taken place; these investigations include gaining sufficient evidence of the specific details of the fraud discovered.

7.4. Relations with oversight bodies

Internal Audit maintains interactions with oversight bodies at their request, with the purpose of providing information about the results of the audits conducted and the execution of the research required.

8. Authority of the Internal Audit Activity

The persons responsible for the UAC and its team, focused on the confidentiality and safeguard of information and records, are authorized to:

- Have free, full and unrestricted access to every department, office, activity, record, account, file, information, property and personnel.
- Have full, free and unrestricted access to the Chairman of the Board and to the Chairman of the Audit Committee.
- Assign resources, establish frequencies, choose topics, determine work scopes, and apply the techniques and methods necessary to meet the Audit objectives.
- Receive the assistance necessary from personnel in the areas of the Organization where the Audits are conducted as well as other specialized services conducted inside or out of the Organization.
- Meet with every level of the Organization to gain information and provide progress of the results of the Audits.

The person responsible for the UAC and its team is not authorized to:

- Conduct any operating task for the Organization or its affiliates.
- Begin or approve accounting transactions other than the Internal Audit activity.
- Develop or install systems or processes, prepare records, or participate in any other activity which could be audited regularly.
- Direct the activities of any employee of the Organization that does not work in the area of Internal Audit, unless said employee is duly assigned to an Audit team or collaborates with the internal auditors.

9. Responsibility of the Internal Audit Activity

9.1. Responsibilities of the Chief Audit Executive

The Chief Audit Executive, in compliance with its duties, shall be responsible for the following before the Board of Directors and the Audit Committee:

- Prepare and present the By-laws for Internal Audit for their approval.
- Develop and implement an annual audit plan based on risks, and present it for the revision of the Organization's CEO and for the approval of the Audit Committee. The audit plan shall prioritize, based on risks, the requests made by Senior Management, the Audit Committee and the Board of Directors, keeping in mind the team work available, its level of competency, knowledge and experience necessary to carry out the plan. In addition, changes to the audit plan are allowed due to regulatory changes or needs of the Organization.
- Prepare and present the budget of the resources plan for the Internal Audit operations, for approval.
- Coordinate and report the election of the External Auditors.
- Consider the work scope of the External Auditors of other internal and external providers of assurance, if applicable, to provide an optimum coverage of Audits in the Organization, at a reasonable cost.
- To regularly report the status and results of the annual audit plan as well as other matters that the Chief Audit Executive deems necessary; the sufficiency of resources in the area, the primary measurement objectives and results. In addition, to prepare and present the annual activities report to be approved.
- Report the follow-up of the remediation plans the Organization committed to as a result of the findings and recommendations made by Audit. Likewise, communicate risk level acceptances which the Chief Audit Executive may deem unacceptable for the Organization, guaranteeing these are previously discussed with Senior Management.
- Conduct a regular assessment of the sufficiency and efficiency of the processes used by the Organization to control its activities and to management its risks.
- Report significant aspects related to the processes used to control the activities of the Organization and its affiliates, including the possible improvements of those processes and how the recommendations are met.
- Brief any fraud events or suspicions investigations by the Unit of Corporate Audit and their results, in accordance with their relevance and impact.
- Provide an objective and independent advice to Audit regarding the status of the Internal Control System which adds value to the risk management, control and governance processes, thus supporting the continuous improvement of the effectiveness of the Internal Control System of Sura Asset Management.
- Effectively manage the team and assure the audit process focused on continuous management, to help Internal Audit provide value-added by applying an integral focus based on risk. This gives way to provide advice and recommendations to improve the controls that effectively contribute to the assurance of the management objectives proposed.
- Manage the sufficiency, competency and development of team members; assure that the IAA personnel has sufficient knowledge, techniques and other competences, as a whole, which are pivotal to practice the professional in the

Organization; conduct an annual analysis of knowledge, skills and other competencies of the IAA to identify the areas of opportunity to be enhanced through ongoing professional education, hiring personnel or co-sourcing; begin or terminate the employment relation with Internal Audit personnel.

- Develop and maintain an assurance and quality improvement program (PAMC) which covers every aspect of the internal audit activity. This program enables the assessment of the compliance of the Internal Audit definition, the Standards by the internal audit activity, and if the internal auditors apply the Ethics Code. In addition, this program evaluates the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. Besides, it formally briefs the Audit Committee on the results of the PAMC assessments (internal or external) as well as the use of the «Conducted in accordance with the standards» and, when necessary, to state the noncompliance of the standards and ethics code of the IIA.

9.2. Responsibilities of the Chief Audit Executive and of the audit personnel

- Align with the Ethics Code and the Internal Standards for the Professional Practice of Internal Audit issued by the Internal Auditors Institute.
- Abide to the policies, procedures, guidelines and methods provided in the By-laws and in the Audit Manual.
- Exercise professional care to execute the audit tasks.
- Meet the Business Principles of SURA Asset Management as well as the Code of Good Governance, Code of Conduct, laws and regulations applicable.
- Not use information for any personal gain or in a manner against the law or in detriment of the ethical and legitimate objectives of SURA Asset Management.
- Maintain its integrity, objectivity, Independence, confidentiality, honesty, diligence and responsibility, and an impartial and objective attitude, and avoid conflicts of interest.

10. Independence and Objectivity

The Internal Audit Activity shall be independent while the Internal Auditors shall be objective to conduct their work. Hence, the Chief Audit Executive, which is the senior responsible of the internal audits, shall maintain professional Independence with Senior Management and solely depend operationally on the Audit Committee, and report administratively to the CEO.

The functional report of the Internal Audit is fundamental for its independence and authority. The term “functional report” means that the Audit Committee:

- Oversees the internal audit services and reports them to the Board of Directors.
- Propose to the Board of Directors the selection, appointment, retribution, reelection and cessation of the person responsible for the internal audit service.
- Oversees the Independence and efficiency of the internal audit.

-
- Approves the overall By-laws regarding the duties of Internal Audit.
 - Analyzes and approves the audit plan based on risks alongside those additional occasional or specific plans which should be placed into practice due to regulatory changes or needs of the Organization.
 - Approve the internal audit budget and the resource plan.
 - Receive regular communications from the DEA on the execution of the internal audit plan and on other matters deemed necessary, guaranteeing that Management has adopted its suggestions and recommendations.
 - Analyze and approve the annual Internal Audit activity management report.
 - Prepare the proper questions for Senior Management and the Chief Audit Executive to determine limited scopes, improper scopes or limited resources which impede internal audit from meeting its responsibilities.
 - Hold private meetings with the DEA without Senior Management present.

The administrative report is the tool used within the administrative structure of the Organization to facilitate the Internal Audit day-to-day operations. The administrative report includes:

- Budget and accounting management.
- Human resource management, including personnel assessments and retributions.
- Internal communications and information flows.
- Management of the Organization's policies and procedures.

The internal audit activity shall remain free of interference from any area of the Organization, including matters related to the selection, scope, procedures, frequency, calendar or contents of the audit report, to enable its Independence and objective mentality.

The Chief Audit Executive shall confirm to the Audit Committee, at least once a year, the organizational Independence of the internal audit activity.

Internal Auditors have no direct operating responsibility or authority over any of the activities audited. Consequently, Internal Auditors are not allowed to: implement internal controls, develop procedures, install systems, prepare records or participate in any other activity which may hinder their judgment.

Internal Auditors shall show the highest level of professional level when they collect, assess and communicate information about the activity or process they are examining. Internal Auditors shall conduct a balanced evaluation of every circumstance and avoid being improperly influenced by their own interests or of others to make their judgments.

An Internal Auditor is first and foremost, an Internal Auditor. Consequently, for the performance of all types of services, an internal auditor shall be guided by the Code of Ethics and by the Attribute and Performance Standards of the IIA's International Standards for the Professional Practice of Internal Auditing. Any type of conflicts or issues

unforeseen shall be settled in accordance with the Code of Ethics and with the Standards above mentioned.

11. Relation with the Audit Committee

In addition to the functional report, the integral and corporate role of the Chief Audit Executive towards the Audit Committee shall:

- Ensure that the Rules of the Audit Committee as well as its activities and processes are appropriate to meet the responsibilities assigned by the Board of Directors.
- Attend the Audit Committee meetings or those established in the governance and standards of SURA Asset Management. The attendance and participation in said meetings provides an opportunity to value the strategic businesses and operating developments and to set discuss the initial stage of the highest level risks, systems, procedures or controls. These meetings also provide the chance to exchange information related to the Corporation's internal audit plans and activities, and to brief the parties on any other matters of mutual interest.
- Hold private meetings with the Audit Committee without Senior Management present. Audit shall have total and free access to this Committee.
- Report to the Audit Committee any restriction in its access to information, personnel training, hiring personnel necessary or other resources which avoid the full compliance with the responsibilities of the Internal Audit.
- Confirm before the Audit Committee, at least every year, the organizational Independence of the Internal Audit activity. Likewise, promote in the IAA an objective (impartial and neutral) attitude to avoid possible conflicts of interest.

12. Relation of local Chief Audit Executive and regional Unit of Corporate Audit

The Chief Audit Executive of each location is found in the structure of its country with duties developed in its location and reports functionally to the Audit Committee and administratively to the CEO of the country. Nonetheless, the Chief Audit Executive is directed by the Vice President of Audit of SURA Asset Management who provides the Strategic Direction and regional vision. This relation of the Chief Audit Executive and the regional Unit of Corporate Audit includes:

- Alignment with the strategic direction of the regional Unit of Corporate Audit, under the premise of providing a world-class Audit based on risks to meet the objectives of the Organization; the process is based on communicating the Internal Audit team, Executives and Senior Management the vision, mission and strategic direction of the Internal Audit.
- Formalize the Internal Audit By-laws in the location. If necessary, to adapt the particularities required by law, among others, always within the general framework of the model established by the Unit of Corporate Audit.

-
- Guide the Internal Audit process in the location to implement the policies, procedures and methods aligned with those established by the regional Unit of Corporate Audit.
 - Guarantee that the Program of Assurance and Quality Improvement (PAMC) is developed and maintained, and aligned with the regional PAMC.
 - Participate actively in the External Auditor assessment and selection process which is coordinated by the regional Unit of Corporate Audit.
 - Participate actively to build Audit's objective and independent opinion on the status of SCI of SURA Asset Management keeping in mind governance, risks and compliance.
 - Provide regular progress reports on the Internal Audit activity management.

13. Update of By-laws

The Chief Audit Executive is responsible to verify if the regular assessment of the purpose, authority and responsibility of the internal audit activity, defined in accordance with the definition made by Internal Audit, the Code of Ethics and the Standards, are still proper to meet the objectives of the activity; and consequently, is responsible for proposing, revising and adjusting the By-laws for the Internal Audit.

The approval of these By-laws is led by the Audit Committee of SURA Asset Management, and any amendment shall be approved by this body.