



CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

May 2020



Approved by the Board on 19 May 2020
Effective date for adoption on 19 May 2020

**TERMS OF REFERENCE OF THE
AUDIT COMMITTEE OF THE BOARD (“ACB” or “Committee”)**

- Size and Composition** : The Audit Committee will consist of at least three members and shall comprise entirely of non-executive directors, the majority of whom, including the Chairman, should be independent. The Nomination Committee of the Board will appoint committee members.
- Secretary** : Corporate Secretary or as appointed by Chairman
- Quorum** : Two (2) or more than 50% of the members, whichever is higher, more than 50% of whom shall be Independent Directors. The affirmative vote of a majority members present at a meeting at which a quorum is present shall constitute the decision of the Audit Committee

1. At least one (1) member of the Committee should preferably have:
 - (i) finance and accounting or audit backgrounds; and
 - (ii) adequate understanding at least or competence at most of the Company’s financial management systems and environment.
2. The Audit Committee will be chaired by an Independent Director who is not the Chairman of the Board of Directors.
3. Where the Chairman is unable to attend the meeting, the members shall elect an independent director from among themselves to be chairman at such meeting.
4. In the event of any vacancy in the Committee resulting in the non-compliance with the above requirement, the vacancy must be filled within 3 months.

Meetings

1. The Audit Committee will meet at least four times a year or at a frequency to be decided by the Committee and the Committee may invite any person to be in attendance to assist in its deliberations. At least once a year, the Committee shall meet with the external auditor without the presence of senior management.
2. Special meetings to take up urgent matters can be requested by any member, management, internal audit, or external auditors.



3. Upon such request, the Chair will schedule a special meeting.
4. Audit Committee members are expected to attend each meeting, in person or via tele- or video-conference.
5. The Audit Committee may invite members of management, auditors or other persons to attend its meetings and provide pertinent information as it may deem necessary.
6. The Audit Committee may, at its discretion, meet separately with management, with internal audit and with external auditors.
7. The Committee will regulate its own procedure particularly with regard to the calling of meetings, the notice to be given of such meetings, the voting and proceedings of such meetings, the keeping of minutes, and, the custody, production and inspection of such minutes.

Roles and Responsibilities

1. The Committee is authorized by the Board to:
 - a. Investigate any activity or matter within its terms of reference.
 - b. Have the resources which are required to perform its duties.
 - c. Have full and unrestricted access to any information and documents relevant to its activities.
 - d. Have direct communication channels with external auditors, person(s) carrying out the internal audit function or activity and to senior management of the Company.
 - e. Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
 - f. Convene meetings with internal and/or external auditors, without the attendance of the other directors and employees, whenever deemed necessary.
 - g. Undertake or perform any other activities as the Committee considers appropriate or as the Board shall so decide from time to time.
2. The primary duties and responsibilities of the Audit Committee shall include reviewing, appraising and reporting to the Board of Directors on the following:
 - 2.1 In respect of internal audit:
 - a. To perform oversight function over the Company's internal auditors. The Audit Committee shall ensure that the internal and external auditors act independently from each other.
 - b. To review the appointment and qualification, replacement or dismissal of the Head of Internal Audit (HIA) who shall functionally report directly to the Audit Committee, and ensure that the internal auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit function.
 - c. To review and approve the internal audit function's charter, scope, plans, activities, staffing, organizational structure to ensure its conformity with the objectives of the Company and the necessary budget to implement it.

- d. To review and assess the internal audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weakness, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
- e. To review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing.
- f. To evaluate and decide on the performance and remuneration package of the HIA and the internal auditors.
- g. To review and assess the performance of senior internal audit staff, including their remuneration and annual increment.
- h. To take cognizance of the resignation of internal audit staff and the reason of resignation.
- i. To note significant disagreements between the HIA and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.
- j. To establish a mechanism to assess the performance and effectiveness of the internal audit function.
- k. To conduct an annual review and, if deemed appropriate, cause an update of the Company's Internal Audit Charter, Audit Plan and budget, and endorse for approval of the Board.

2.2 In respect of external audit:

- a. To perform oversight function over the Company's external auditors. Review the external auditors' proposed audit scope and audit plan, and professional fees, including coordination of audit effort with internal auditing. The Audit Committee ensures that the external auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit function.
- b. To present its conclusions with respect to the review of the performance of the external auditors to the Board.
- c. To ensure the rotation of the lead audit partner every five years and consider whether there should be regular rotation of the audit firm itself.
- d. To set clear policies with respect to hiring employees or former employees of the independent auditors.
- e. To review the performance of the external auditors and to assess the qualification, expertise, resources and effectiveness of the external auditors, including the assessment of the external auditors' objectivity and performance.
- f. To review the independence of the external auditors.
- g. To review the external auditor's evaluation of the adequacy and effectiveness of the system of internal controls.
- h. To evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.
- i. To review the disposition of the recommendations in the External Auditor's management letter.



- j. To review the assistance given by the Company's officers to the external auditors and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- k. To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the Board and the Committee on significant matters.

2.3 In respect to financial reporting:

- a. To review the half-yearly and annual financial statements before their submission to the Board with particular focus on the following matters:
 - i. Any change/s in accounting policies and practices
 - ii. Areas where a significant amount of judgment has been exercised
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards
 - vi. Compliance with tax, legal and regulatory requirements
- b. To review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative Philippine Accounting Standards ("PAS") methods on the financial statements.
- c. To obtain and consider any reports or communications (and Management's and/ or the Head of Internal Audit's responses thereto) submitted to the Committee by the external auditor as required by or referred to in the prevailing applicable Auditing Standard, including reports and communications related to:
 - i. the external auditor's responsibility under generally accepted auditing standards and certain procedures to be followed in any audit of financial statements required under the applicable rules of the relevant stock exchange, securities and exchange commission and other regulatory bodies;
 - ii. the external auditor's responsibility for other information in documents containing audited financial statements;
 - iii. consideration of fraud in a financial statement audit and detection of fraud and illegal acts, whether or not material, that involve Management or other employees who have a significant role in the Company's internal controls, and that cause a material misstatement of the financial statements;
 - iv. the external auditor's judgments about the quality of the Company's accounting principles; and
 - v. any material written communication between the external auditor and Management such as any management letter or schedule of unadjusted differences.
- d. To discuss with the Company's legal counsel or Head of Compliance any significant legal matters, litigation, claims, contingencies or other legal issues that may have a material impact on the financial statements, the Company's compliance policies, including material notices to or inquiries from governmental agencies and responses of management to such notices or inquiries.



2.4 In respect to Internal Control:

- a. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.
- b. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- c. Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- d. Oversee and review the Company's code of business conduct and ethics and the Company's system to monitor compliance with and enforce this code.

2.5 In respect to other reporting responsibilities:

- a. Regularly report its activities to the Board as well as issues that arise with respect to the quality or integrity of the Company's financial statements, compliance with legal or regulatory requirements, management's implementation of action plans to address findings of external and internal auditors, the performance and independence of the Company's independent auditors and internal audit function, and all matters of significant risk management or control nature.
 - b. Report annually to the shareholders on the Audit Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
 - c. Review any other reports the Company issues that relate to Audit Committee responsibilities.
3. The Audit Committee will be assisted by Head of Internal Audit (HIA) and the Corporate Secretary on all audit committee matters including: assisting the chairman in planning the audit committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.
 4. The Corporate Secretary should ensure that the audit committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
 5. The Board should make funds available to the Audit Committee to enable it to take independent legal, accounting or other advice when the Audit Committee reasonably believes it necessary to do so.

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