

**ACE Enexor, Inc.  
Audit Committee Charter**

**Document Version Information**

<b>Document Reference Number</b>	ACENX-ACC-01
<b>Document Version</b>	02
<b>Document Approval Date</b>	17 April 2020
<b>Document Approved By</b>	ACE Enexor, Inc. Audit Committee
<b>Document Prepared By</b>	AC Energy Internal Audit

**Document Revision History**

<b>Page No.</b>	<b>Rev. No.</b>	<b>Change Description</b>	<b>Effectivity Date</b>
All	0	Initial Issue	11 April 2018
All	1	Revised to align to best practices and AC Energy	23 October 2019
4	2	<p>Deleted the following provisions in</p> <p>3. Oversight on Risk Management and Internal Control</p> <p>3.2. Ensure that an adequate enterprise-wide risk management framework and policies exist and properly communicated in the Company;</p> <p>3.3. Review the results of the annual risk assessment exercise led by the President and the Chief Executive Officer (“CEO”) as assisted by the Chief Risk Officer (“CRO”) including risk management processes, policies, controls, governance processes and the Company’s procedures in promoting risk awareness in the organization;</p> <p>3.4. Evaluate the risk assessment report submitted on a semi-annual basis by the CRO. The risk assessment report includes, among others, existing and emerging risks of the Company and its subsidiaries, and the related risk mitigation strategies and action plans of Management;</p> <p>3.5. Monitor the risk management activities of the Company and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal and external auditors;</p>	17 April 2020

**Document Control**

This document shall be reviewed annually by the ACE Enexor, Inc. Audit Committee.

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## **Annexes**

- Annex 1. Rules Governing the Audit Committee
- Annex 2. Audit Committee Calendar of Activities
- Annex 3. Pro-forma Report of the Audit Committee to the Board
- Annex 4. Audit Committee Self-Assessment Questionnaire

## **References**

- January 2019 IOSCO Report on Good Practices for Audit Committees in Supporting Audit Quality
- March 2017 Model Audit Committee Charter by the Global Institute of Internal Auditors
- SEC Memorandum Circular No. 4 Series of 2012

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## A. INTRODUCTION

This Charter sets out the policies, purpose, authority, composition and responsibilities of the Audit Committee (the “**Committee**”) of ACE Enexor, Inc. (the “**Company**”), including the rules that shall guide the function of the Committee. As part of the Board of Directors (the “**Board**”) and being accountable to the same for its function, the Committee ensures not only accurate and transparent financial disclosures but also observance of adequate risk controls. *See Annex 1. Rules Governing the Audit Committee.*

## B. PURPOSE

The Committee shall provide assistance to the Board in fulfilling its oversight responsibility to the shareholders relating to:

- The integrity of the Company’s financial statements and the financial reporting process;
- The appointment, remuneration, qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole;
- The effectiveness of the systems of internal control and the risk management process;
- The performance and leadership of the internal audit function;
- The Company’s compliance with applicable legal, regulatory, and corporate governance requirements; and
- The preparation of a year-end report of the Committee to the Board.

The Committee shall also oversee the duties performed by the respective audit and risk committees of any subsidiary of ACE Enexor, Inc.

To fulfill this responsibility, the Committee shall maintain a free and open communication with the Company’s external auditors, the internal auditors, and the management of the Company. The Committee shall ensure that external auditors and the internal auditors act independently from each other and given reasonable and necessary access to records, properties and personnel to enable them to perform their respective audit functions.

## C. AUTHORITY

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. Management and employees are to cooperate fully with the Committee members. The Committee is specifically empowered to:

- Recommend a registered public accounting firm to be engaged by the organization.
- Resolve any disagreements between management and the external auditor regarding financial reporting.
- Review and approve the annual internal audit plans and activities.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee’s requests – or external parties.
- Meet with Company officers, external auditors, or outside counsel, as necessary.
- Determine the advisability of, and review and evaluate the terms and conditions of any material or significant related party transactions (RPTs) and their required reporting disclosures.
- Conduct separate meetings with Company officers, the Audit Head, External Auditors, or outside counsel, as often as necessary, to discuss any issues arising from the audit process.
- Expend organizational resources (like retain legal, accounting, or other consultants) whenever necessary to carry out its responsibilities.

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#### **D. COMMITTEE STRUCTURE AND MEMBERSHIP**

1. The Committee should be composed of at least three (3) qualified nonexecutive directors, majority of whom shall be an independent director. The Chairman of the Committee (“**Chairman**”) should be an independent director.
2. All members of the Committee and the Chairman shall be appointed by the Board.
3. The Chairman should not be the Chairman of the Board or of any other Committee.
4. Each member of the Committee shall have an adequate understanding of accounting and auditing principles in general including the Company’s financial management systems and environment. Each shall possess relevant expertise to fulfill the Committee’s role effectively.
5. To help meet these requirements, the Committee will provide its members with annual continuing education opportunities in financial reporting and other areas relevant to the Audit Committee.
6. The succession plan of the Committee members and the Chairman shall be the responsibility of the Board.

#### **E. RESPONSIBILITIES**

In support the corporate governance processes and the provision on checks and balances, the Committee shall perform the following functions:

##### **1. Committee Operation**

- 1.1 Regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the Company’s financial statement, the effectiveness of the system of internal controls, the performance and independence of the Company’s external auditors, the performance of the internal audit function, and the Company’s compliance with legal, regulatory or corporate governance requirements. The same report will be submitted to the ACE Philippines, Inc. Audit Committee as part of the latter’s oversight role on its subsidiaries’ respective audit committees;
- 1.2 Highlight to the Board any serious concerns over the design or operating effectiveness of internal controls that may have a material impact on the financial statements;
- 1.3 Discuss with the External Auditor and report to the Board, knowledge of any suspected fraud or irregularity or suspected infringement of any laws or regulations of any regulatory authority within and outside the Philippines, which has or is likely to have a material impact on the Company’s operating results or financial position;
- 1.4 Provide an open avenue of communication between internal audit, the external auditors, Management, and the Board;
- 1.5 Report annually to the Board, describing the Committee’s composition, responsibilities and how they were discharged, and any other information required by law, including approval of non-audit services. Confirm annually that all responsibilities outlined in this Charter have been carried out;
- 1.6 Review any other reports the Company issues that relate to Committee responsibilities;

- 1.7 Review and assess the adequacy of the Audit Charter at least annually, requesting Board of Directors' approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation;
- 1.8 Perform other activities related to this Charter as requested by the Board; and
- 1.9 Investigate any matter brought to its attention, with full access to all records, books of accounts, facilities and personnel of the Company and retain external counsel or other experts for this purpose.

## **2. Oversight on Financial Reporting and Disclosure**

- 2.1 Review all financial reports including reports to Securities Exchange Commission ("SEC") and ensure compliance with both the internal financial management systems and pertinent accounting standards, including financial reporting regulatory requirements;
- 2.2 Conduct a fair and balanced review of quarterly, semi-annual and annual financial statements;

The financial statements are the responsibility of management and reviewed by the Committee before submission to the Board, focusing particularly on:

- Appropriateness of accounting policies adopted by management
  - Any change/s in accounting policies and practices and its impact on the financial statements
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Completeness, clarity, consistency and accuracy of disclosures of material information including on subsequent events and related party transactions
  - Going concern assumption
  - Compliance with financial reporting standards
  - Compliance with tax, legal and stock exchange requirements
- 2.3 Review the reasonableness of estimates, assumptions and judgments made in connection with the preparation of the Company's financial statements;
  - 2.4 Inquire about any possible material errors and fraud, and sufficiency of risk controls, including actions or measures in case of finding of error or fraud in financial reporting;
  - 2.5 Review unusual or complex transactions including all related party transactions;
  - 2.6 Review and approve management representation letter before submission to external auditor;
  - 2.7 Receive and review communications from legal counsel covering litigation, claims, contingencies or other significant issues that impact financial statements;
  - 2.8 Assess correspondence between the Company and regulators regarding financial statement filings and disclosures; and
  - 2.9 Seek explanations and advise supporting the accounting treatments chosen and, where appropriate, challenge the accounting estimates and treatments applied in the financial report.

### **3. Oversight on Risk Management and Internal Controls**

- 3.1. Ensure that a review of the internal auditor's evaluation of the effectiveness of the Company's internal controls, including financial, operational, information security and compliance controls and risk management is conducted annually;
- 3.2. Review crisis management, business continuity, disaster recovery plan and results of annual testing;
- 3.3. Review the process for communicating the code of conduct and ethics policy to Company's personnel and for monitoring the compliance therewith, as well as compliance with all applicable laws and regulations directly related or incidental to the Company's operations and business activities;
- 3.4. Review internal control frameworks implemented by Management for fraud prevention and detection;

On an annual basis, Management, together with Internal Audit, shall assess the effectiveness of the Company's fraud framework and present the results of its assessment to the Committee, together with proposed improvement on the fraud policies and controls to be adopted to address any gaps noted from the review.

The Committee shall also be provided by Management with reports on all cases of suspected and actual frauds and breaches of laws and regulations on a quarterly basis or more frequently, as necessary.

- 3.5. Consider and discuss with Management, the internal auditors, and the external auditors, the major issues as to the adequacy and effectiveness of the Company's internal control system, including internal financial controls, operational and compliance controls, information technology security and controls, and any special audit steps adopted in light of material control deficiencies; and
- 3.6. Request Management to explain the impact and the actions taken to rectify the identified significant control weaknesses.

This policy notwithstanding, Management shall remain primarily responsible for the development, implementation and reporting of the risk management strategies and the relevant internal controls intended to address the identified risks.

### **4. Oversight Management and Internal Audit**

- 4.1. Review and approve the Internal Audit Charter and subsequent revisions thereto;
- 4.2. Set up the Internal Audit Department, including the qualification criteria and appointment of a Chief Audit Executive ("CAE"). The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal;
- 4.3. Ensure that the internal audit team has free and full access to all the Company's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;

- 4.4. Review and approve the Annual Internal Audit Work Plan and all deviations therefrom, and ensure that internal audit examinations cover the evaluation of adequacy and effectiveness of controls encompassing the Company's governance, operations, information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules and regulations;

The Annual Internal Audit Plan shall include the audit scope, resources and budget necessary to implement it.

The Committee shall also ensure that audit resources are reasonably allocated to the areas of highest risk and ensure that the Annual Internal Audit Plan is in conformity with the objectives of the Company.

- 4.5. Advise the board about increases and decreases to the requested resources to achieve the internal audit plan, and evaluate whether any additional resources are needed permanently or should be provided through outsourcing;
- 4.6. Review and approve any outsourcing or co-sourcing of the internal audit function;
- 4.7. Review of reports of the Internal Auditor and regulatory agencies, where applicable, ensuring that Management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues;
- 4.8. Review and track management's action plans to address the results of internal audit engagements;
- 4.9. Ensure that internal audit has a quality assurance and improvement program, and that the results of these periodic assessments are presented to the Audit Committee;
- 4.10. Ensure that internal audit has an external quality assurance review every five (5) years;
- 4.11. Review of Internal Audit's periodic reports including the Audit Annual Report;

Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned projects. Periodic reports shall also include a summary of key findings and recommendations, including the status of implementation.

The Annual Report shall discuss the Internal Audit Department's activities and performance relative to the audit plans and strategies approved by the Committee.

- 4.12. Evaluate the performance of the Internal Audit Department, secure inputs with the respective subsidiaries and investee companies' Audit and Risk Committees, and consolidate these into a performance appraisal applicable to the Audit Head and the internal auditors taken as a whole.
- 4.13. Review the effectiveness of the internal audit function, including compliance with *The Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing*.
- 4.14. Advise the board regarding the qualifications and recruitment, appointment, and removal of the CAE.
- 4.15. Provide input to management related to evaluating the performance of the CAE.

- 4.16. Review the Company's system to monitor compliance with the *Code of Business Conduct and Ethics*
- 4.17. Responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.

## **5. Oversight on External Audit**

- 5.1. Review and evaluate the qualifications, performance, integrity, objectivity, independence and audit fees of the external auditor, including the external auditor's suitability and effectiveness on an annual basis;
- 5.2. Recommend to the Board the external auditor and the audit fees that will be endorsed to the stockholders for selection and appointment;
- 5.3. Ensure audit fees are consistent with the auditor's overall plan and sufficient to support the execution of an appropriately resourced and effective audit;
- 5.4. Oversee establishment of the Company's policies governing the circumstances in which contracts for the provision of permitted non-audit services can be entered into with the external auditor and the procedures and approvals that must be followed before execution;
- 5.5. Ensure that the external auditor primarily responsible for the audit of the company's financial account is rotated at least once every five (5) years;
- 5.6. Discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- 5.7. Pre-approve audit plans, scope and frequency before the conduct of external audit;
- 5.8. Evaluate and approve non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the auditor annual income and in relation to the Company's total expenditure on consultancy fees.

Fees paid for non-audit services should not outweigh the fees paid for audit services. The non-audit work should be disclosed in the Company's Annual Report;

- 5.9. Review with the external auditor, any problems, disagreements or difficulties the external auditor may have encountered during the course of their audit and any management letter provided by the auditor and the Company's actions in response to that letter;
- 5.10. Evaluate management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions;
- 5.11. Require the external auditors' compliance with relevant Philippine professional and regulatory requirements to ensure quality of audit;
- 5.12. Inquire and review completeness and timeliness of communications from external auditors regarding critical policies, alternative treatments, observations on internal controls, audit adjustments,



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independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting;

5.13. Review with Management and the external auditor after completion of the annual examination:

- 5.13.1. The Company’s annual financial statements and related footnotes;
- 5.13.2. The external auditor’s audit of the financial statements and the team’s report thereon;
- 5.13.3. Any significant changes required in the external auditor’s plan; and
- 5.13.4. Any serious difficulties or disputes with management encountered during the course of the audit.

5.14. Ensure that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties and valuations of such transactions.

5.15. Discuss with the auditor, Key Audit Matters (“KAMs”) or Critical Audit Matters (“CAMs”) to be disclosed in the audit report, if necessary and applicable under the circumstances, and how KAMs and/or CAMs affect disclosures in the financial report of accounting policies and sources of estimation uncertainty or risks in the management discussion and analysis.

5.16. Ensure that the external auditor has demonstrated a commitment to audit quality and consider whether the audit committee or management is aware of any indication that the firm may not have a culture that sufficiently promotes audit quality.

5.17. Disclose to the regulators and the public through the Company’s reportorial requirements and its website, the removal of the external auditor, the reasons for removal or change in external auditor, if any.

## 6. Other Responsibilities

In addition, the audit committee shall:

- 6.1. Perform other activities related to this Charter as requested by the Board; and
- 6.2. Institute and oversee special investigations as needed.

## F. Meetings and Schedule of Activities

- 1. To provide a systematic guide for the discharge of its responsibilities, the Committee will agree on an annual calendar/schedule of activities that shall determine the agenda for each meeting subject to adjustments and/or revisions as needed. The CAE will ensure that the schedule is carried as planned. *See Annex 2. Audit Committee Calendar of Activities.*
- 2. The Committee shall meet at least quarterly prior to the meeting of the Board. In cases when there is a need for special meetings to take up any critical items that would need approval in between the quarterly meetings, it shall be up to the Chairman to either call for a special meeting or just allow the routing of the covering paper.
- 3. The agenda for the meetings will be developed by the CAE based on the agreed calendar of activities and inputs from the Committee members, subject to the approval of the Chairman. The quarterly meetings will

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include the review and discussion of the quarter or year-end financial statements, the related disclosures and other reportorial requirements, and updates on internal audit activities.

4. The President and CEO, and the Chief Financial Officer may be requested to attend Committee meetings. As and when appropriate, the Committee may require other members of Management to be present at the meetings. External subject matter experts, such as the appointed external auditors and other consultants, may also be invited to the meetings.
5. At least once a year, conduct a separate meeting in executive session with the CAE and the external auditors to discuss any matter that the Committee or auditors believe should be discussed privately, including the results of the audit, quality of management, financial and internal controls.
6. The external auditors and/or CAE may request a meeting with the Committee as may be necessary.

#### **G. Reporting Responsibilities**

1. Periodically report to the Board of about Committee activities, issues and related recommendations, issue certifications on critical compliance issues.
2. Provide an open avenue of communication between internal audit, the external auditors and the Board.
3. Review any other reports the Company issues that relate to Committees responsibilities.
4. To keep the Board apprised on the results of the Committee's activities, the Chairman shall submit an annual report to the Chairman of the Board; and shall be ready to present the report to the full board during its first meeting following the immediate fiscal year. *See Annex 3 for the pro-forma Report of the Audit Committee to the Board of Directors.*

#### **H. Performance Evaluation and Continuous Improvement**

To ensure that the Committee continues to fulfill its responsibilities in accordance with global best practices, good corporate governance, and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually. The entire assessment process should be documented and should form part of the records of the Company.

In this regard, the Committee shall:

1. As a body, evaluate its performance by filling up a self-assessment questionnaire that shall benchmark its practices against the expectations set out in this Charter. *See Annex 4. Audit Committee Self-Assessment Questionnaire.*
2. The Committee shall obtain and subject itself to an independent assessment by the Board relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities as specified in *Annex 2. Audit Committee Calendar of Activities.*
3. Based on the results of the self-assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the members up-to-date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern (*e.g.* emerging risks).

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4. Semi-annually, review the status of implementation of such plans for improvement.

A feedback mechanism should be in place to receive comments from management, internal auditor, general counsel and external auditor to facilitate dialogue within the organization about possible ways to improve its performance.

**I. Functional and Secretariat Support**

Internal Audit shall review all papers for submission to the Committee, including any proposals from Management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and Internal Audit, these shall be highlighted to the Committee for consideration, approval and final decision.

The Corporate Secretary or Assistant Corporate Secretary of the Company shall keep all minutes of the meetings and make these available for inspection by any member of the Committee or the Board of Directors, as and when requested. The Company’s Legal Group shall be responsible for obtaining the approval of the minutes.

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**MA. AURORA D. GEOTINA-GARCIA**

Chairman

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**AUGUSTO CESAR D. BENGZON**

Member

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**RAPHAEL PERPETUO M. LOTILLA**

Member

## **RULES GOVERNING THE AUDIT COMMITTEE**

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### **1. Membership**

The representatives/members of the Audit Committee (the “Committee”) shall be replaced every five (5) years, subject to the discretion and approval by the Board of Directors (the “Board”).

To provide a balance between ensuring continuity and the need for fresh outlook/perspective that could be contributed by new members, at least one of the Committee members shall be retained or, depending on the discretion of the Board, the outgoing Chairman shall be retained as ad hoc member.

### **2. Meetings and Quorum**

2.1 Members of the Audit Committee shall attend all Committee meetings.

2.2 Majority of the members shall constitute a quorum (i.e., at least 2 of 3 members), and meetings shall proceed once quorum exists.

2.3 The Chairman shall preside over all meetings. In the absence of the Chairman, the remaining Committee members present shall designate a presiding officer.

2.4 Attendance via teleconference or videoconference is deemed acceptable and shall be counted for purposes of constituting a quorum.

### **3. Notices**

Notices of meetings, and any other forms of notification to be sent to the Committee shall be initiated by the CAE or Corporate Secretary, designated representative and approved by the Chairman. Replies to notices shall also be sent to the CAE and/or the designated representative.

### **4. Resolution**

To the extent possible, the Committee shall make decisions and resolutions by consensus. Where such is not possible, the Chairman may call for a division of the house, in which case a resolution shall be reached by a majority of members present and sitting in quorum.

### **5. Staff Support**

2.5 The Company’s Internal Audit shall provide all the secretariat support to the Committee.

2.6 Draft of the minutes shall be prepared by Internal Audit team and shall be forwarded for review of the Legal Group, responsible for obtaining the approval of the minutes.

2.7 All minutes of meetings shall be kept by Legal Group and shall be produced for inspection upon request of any Member of the Committee or the Board.

2.8 All papers for submission to the Committee shall be coursed through Internal Audit who shall also evaluate all the proposals before these are submitted to the Committee for approval. If there are unresolved differences in opinions on any proposal between the proposer and Internal Audit, these shall be set forth for consideration and decision of the Committee.

## ACE ENEXOR, INC. Annual Audit Committee Calendar

		Q1	Q2	Q3	Q4
<b>REPORTS FOR REVIEW/APPROVAL IN AUDIT AND RISK COMMITTEE MEETINGS</b>					
<b>Financial Reporting and Disclosures</b>					
Quarterly Financial Statements and Highlights of Management Discussion and Analysis	CFO	X	X	X	X
Results of Review of Annual Financial Statements	CFO & External Auditor	X			
<b>Internal Audit</b>					
Internal Audit Work Plan	Internal Audit				X
Annual Report to the Audit and Risk Committee	Internal Audit	X			
Internal Audit's Quarterly Report	Internal Audit	X	X	X	X
Quarterly Report on Summary of Outstanding Audit Recommendations (Follow-Up)	Internal Audit	X	X	X	X
<b>External Audit</b>					
Recommendation on the Appointment of External Audit/Performance Evaluation	Internal Audit	X			
External Auditor Audit Work Plan	External Auditor			X	
Management Letter Highlights (Report on Internal Controls) and Updates	External Auditor	X		X	
Audit and Non-Audit Services/Fees of External Auditor	Internal Audit	X			
<b>Audit Committee Report to the Board of Directors</b>					
Approved Minutes of Audit Committee Meetings	Audit Committee	X	X	X	X
Annual Audit Committee Report to the Board of Directors	Audit Committee	X			
Quarterly Audit Committee Report to the Board of Directors	Audit Committee		X	X	X
<b>OTHER ACTIVITIES OF THE AUDIT COMMITTEE</b>					
<b>Performance Evaluation</b>					
Conduct Self-Assessment and Evaluate Results	Audit Committee	X			
<b>Continuing Professional Development Program</b>					
Annual Corporate Governance, Risk Management & Sustainability Summit	Audit Committee		X		
Training Needs of the Audit Committee	Audit Committee		X		
<b>Executive Sessions (Upon the Request by the Audit Committee)</b>					
Meeting with Chief Audit Executive	Internal Audit		X		
Meeting With External Auditor	External Auditor			X	

**Report of the Audit and Risk Committee to the Board of Directors  
For the Year Ended 31 December 20XX**

The Audit Committee's roles and responsibilities are defined in the Audit Committee Charter approved by the Board of Directors. It assists the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to the a) financial statements and financial reporting process; b) system of internal controls; c) risk management; d) performance of internal and external auditors; and e) compliance with legal and regulatory matters.

In fulfilling its oversight responsibility, the Committee confirms that:

- A Member of the Board of Directors chairs the Audit Committee;
- We had four meetings during the year, all of which were in-person meetings and included an executive session with the internal auditors;
- We have reviewed and discussed the quarterly financial statements and the audited annual consolidated financial statements of the Company, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with the management, internal and external auditors. These activities were performed in the following context:
  - That management has the primary responsibility for the financial statements and the financial reporting process; and
  - That the external auditor is responsible for expressing an opinion on the conformity of the Company's audited financial statements with Philippine Financial Reporting Standards;
- We have discussed and approved the overall scope and the respective audit plans of the internal and external auditors. We have also discussed the results of their audits and their assessment of the Company's internal controls and the overall quality of the financial reporting process;
- We have reviewed and approved all audit, audit-related and permitted non-audit services provided by the external auditor to the Company and the related fees for such services and concluded that the non-audit fees are not significant to impair their independence;
- We have reviewed the reports of the internal auditors and regulatory agencies, where applicable, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues; and
- We have reviewed and discussed the adequacy of the Company's enterprise-wide risk management process, including the nature of significant risk exposures, the related risk mitigation efforts and initiatives. This activity was reviewed in the context that management is primarily responsible for the risk management process.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited consolidated financial statements for the year ended December 31, 20XX be included for filing with the Securities and Exchange Commission. We are also recommending to the Board of Directors the re-appointment of the external auditor based on the review of their performance and qualifications.

X February 20YY

Signed by:  
Committee Chair  
Committee Members

**Report of the Audit Committee to the Board of Directors  
For the Quarter Ended 30 June 20XX**

The Audit Committee hereby reports to the Board of Directors the following activities undertaken in discharging its duties and responsibilities as set forth in the Audit Committee Charter:

- We had one (1) meeting in the second quarter attended by the Committee members.
- We have reviewed and endorsed to the Board of Directors the approval of the 2Q 20YY unaudited consolidated financial statements of the Company, including Management's Discussion and Analysis of Financial Condition and Results of Operations.
- We have reviewed the adequacy of resources, the competencies of staff, the activities and the effectiveness of the internal audit to execute the work plan, ensuring that the evaluation of effectiveness of controls encompassing the organization's governance, operations, integrity of financial and operational information systems, safeguarding of assets and compliance with laws, rules and regulations are covered and that audit resources are reasonably allocated to the areas of highest risks.
- We have reviewed the reports of the internal auditors, external auditors and regulatory agencies, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues as a whole.

**[Other Committee activities with respect to discharge of committee duties and responsibilities as set forth in the Audit Committee Charter undertaken in a given quarter are also to be mentioned.]**

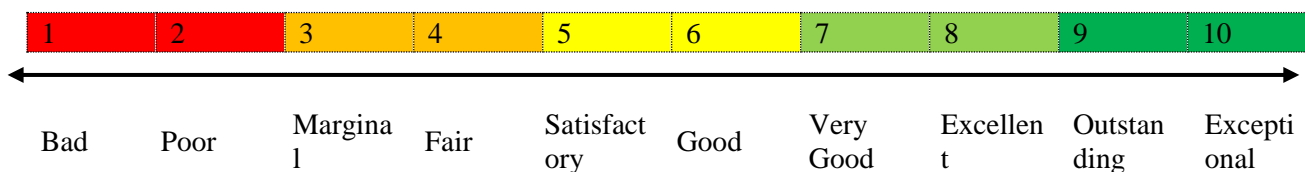
Also attached in this report is the approved Minutes of the last meeting of the Audit Committee for reference.

X August 20YY

Signed by:  
Committee Chair  
Committee Members

## Audit Committee Self-Assessment Questionnaire

The objective of this Self-Assessment Questionnaire is to evaluate the effectiveness of the performance of the Audit and Risk Committee as against the requirements of its Charter. Each Committee Member will have to complete it independently. Please read each item and provide your overall score for each category following the 10-point scale:



Score	Rating	Criteria
10	Exceptional	Exceed the Baseline Requirements (BR)
9	Outstanding	Fully Meets the BR (100%)
8	Excellent	Meets $\geq 90\%$ of the BR w/ most of the corrections can be rectified < 6mos
7	Very Good	Meets $\geq 90\%$ of the BR w/ most of the corrections can be rectified > 6mos
6	Good	Meets $\geq 70\%$ of the BR w/ most of the corrections can be rectified < 6mos
5	Satisfactory	Meets $\geq 70\%$ of the BR w/ most of the corrections can be rectified > 6mos
4	Fair	Meets $\geq 60\%$ of the BR w/ most of the corrections can be rectified < 6mos
3	Marginal	Meets $\geq 60\%$ of the BR w/ most of the corrections can be rectified > 6mos
2	Poor	Meets < 60% of the BR
1	Bad	Meets $\leq 30\%$ of the BR

This assessment will cover five (5) categories of the Committee structure and operation and the oversight responsibilities of the Committee under the Revised Code of Corporate Governance:

1. Setting of Committee Structure and Operation
2. Oversight on Financial Reporting and Disclosures
3. Oversight on Risk Management and Internal Controls
4. Oversight on Management and Internal Audit
5. Oversight on External Audit

The Audit & Risk Committee Chairman will lead the discussion on the results of the questionnaire, focusing on areas which need improvement or where there is great variation in answers. The results of the self-assessment and any action plans arising shall be reported to the Board after discussion with the Chairman of the Board.

\_\_\_\_\_  
Signature over Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature over Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature over Printed Name

\_\_\_\_\_  
Date



## Audit Committee Self-Assessment Questionnaire

Specific Areas/ Dimensions	ASSESSMENT			PERFORMANCE ACHIEVEMENT
	Is this part of the Committee's Charter? (Please encircle your answer)	Has this been implemented? (If yes, cite reference document)	If Answer is NO, Please State Follow-up Actions	Please State Extra Ordinary and Additional Accomplishments More than the Baseline Requirements of the Charter
<b>I. Setting of Committee Structure and Operation</b>				
1. Committee size	Yes	No		
2. Independence requirement	Yes	No		
3. Qualifications, skills and attributes of members and Chair	Yes	No		
4. Financial knowledge of members	Yes	No		
5. Succession plan for members and Chair	Yes	No		
6. Meetings (frequency, etc.)	Yes	No		
7. Reporting to the Board and issuance of certifications on critical compliance issues	Yes	No		
8. Performance Evaluations	Yes	No		
9. Resources including access to outside advisors	Yes	No		
10. Training and education	Yes	No		
<b>II. Oversight on Financial Reporting and Disclosures</b>				
1. Extent of understanding of the company's business and industry in which it operates	Yes	No		
2. Compliance with financial reporting regulations	Yes	No		
3. Recognition of management's responsibility over the financial statements	Yes	No		
4. Appropriateness of accounting policies adopted by management	Yes	No		
5. Reasonableness of estimates, assumptions, and judgments used in the preparation of financial statements	Yes	No		
6. Identification of material errors and fraud, and sufficiency of risk controls	Yes	No		
7. Actions or measures in case of finding of error or fraud in financial reporting	Yes	No		

Specific Areas/ Dimensions	ASSESSMENT	PERFORMANCE ACHIEVEMENT
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	Is this part of the Committee's Charter? (Please encircle your answer)		Has this been implemented? (If yes, cite reference document)	If Answer is NO, Please State Follow-up Actions	Please State Extra Ordinary and Additional Accomplishments More than the Baseline Requirements of the Charter
	Yes	No			
8. Review of unusual or complex transactions including all related party transactions	Yes	No			
9. Determination of impact of new accounting standards and interpretations	Yes	No			
10. Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including on subsequent events and related party transactions	Yes	No			
11. Review and approval of management representation letter before submission to external auditor	Yes	No			
12. Communication of the Committee with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact financial statements	Yes	No			
13. Fair and balance review of financial reports	Yes	No			
14. Assessment of correspondence between the company and regulators regarding financial statement filings and disclosures	Yes	No			
<b>III. Oversight on Risk Management and Internal Controls</b>					
1. Obtaining management's assurance on the state of internal controls	Yes	No			
2. Review of internal auditor's evaluation of internal controls	Yes	No			
3. Evaluation of internal control issues raised by external auditors	Yes	No			
4. Assessment of control environment including IT systems and functions	Yes	No			
5. Setting a framework for fraud prevention and detection including whistleblower program	Yes	No			

Specific Areas/ Dimensions	ASSESSMENT	PERFORMANCE ACHIEVEMENT
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	Is this part of the Committee's Charter? (Please encircle your answer)		Has this been implemented? (If yes, cite reference document)	If Answer is NO, Please State Follow-up Actions	Please State Extra Ordinary and Additional Accomplishments More than the Baseline Requirements of the Charter
6. Deliberation on findings of weaknesses in controls and reporting process	Yes	No			
7. Understanding and assessment of identified risks	Yes	No			
8. Evaluation of sufficiency and effectiveness of risk management processes and policies	Yes	No			
9. Preparation and implementation of a Business Continuity Plan	Yes	No			
10. Promotion of risk awareness in the organization	Yes	No			
<b>IV. Oversight on Management and Internal Audit</b>					
1. Evaluation of compliance with the Code of Conduct for management	Yes	No			
2. Communication with management and internal auditor	Yes	No			
3. Assessment of adequacy of resources and independence of Internal Auditor	Yes	No			
4. Qualifications of an Internal Auditor	Yes	No			
5. In-house or outsource internal audit function	Yes	No			
6. Compliance with International Standards on the Professional Practice of Internal Auditing	Yes	No			
7. Review and approval of internal audit annual plan	Yes	No			
8. Extent and scope of internal audit work	Yes	No			
9. Reporting process	Yes	No			
<b>V. Oversight on External Audit</b>					
1. Assessment of independence and professional qualifications and competence of external auditor	Yes	No			
2. Engagement and rotation process of external auditor or firm	Yes	No			
3. Review and approval of scope of work and fees of external auditor	Yes	No			

Specific Areas/ Dimensions	ASSESSMENT	PERFORMANCE ACHIEVEMENT
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