

AUDIT & RELATED PARTY TRANSACTIONS COMMITTEE CHARTER

2018

Purpose

The Committee provides the check and balance mechanism and is expected to bring positive results in supervising and supporting the management of the Company. It is responsible for ensuring the development of, compliance with, and periodic review of financial reporting policies and practices of the Company. The Committee's guidance is likewise sought to ensure that material related party transactions of the Company are entered into solely in the ordinary course of business, on ordinary commercial terms and on the basis of arm's length arrangements, in addition to the requirement of appropriate corporate approvals and actions of the Related Parties, as the case may be.

Membership

The Committee shall be composed of three (3) voting members, at least two (2) of whom are independent, to be elected by the Board from among its members immediately after the annual stockholders' meeting. A representative of a subsidiary may sit as a member of the Committee as a non-voting member. The members shall serve for a term of one (1) year, or until the next annual stockholders' meeting.

Chairman and Secretary of Meetings. The members of the Committee shall designate one of them as Chairman of the Committee and another as Secretary of the meetings of the Committee.

Removal and Vacancy. Any member of the Committee may be removed, with or without cause, by majority vote of the Board. Any vacancy in the membership thereof may be filled by majority of the Board.

Quorum

A majority of the members of the Committee shall constitute a quorum for the holding of a committee meeting. The affirmative vote of a majority of the committee members present at a duly constituted meeting shall be required to approve any matter requiring the Committee's approval or pass a resolution of the Committee.

Meetings

The Audit and Related Party Transactions Committee shall meet at least twice a year, and as often as necessary, upon the call of its Chairman.

Venue. Meetings of the Committee shall be held at the principal office of the Company unless a majority of the members agree on a different venue.

Teleconferencing or Videoconferencing. Meetings of the Committee may be held by teleconferencing or videoconferencing.

Notices. Notices of Committee meetings shall be sent to its members at least seven (7) days prior to the scheduled meeting.

Minutes. Minutes of the Committee meetings, which shall contain matters discussed and resolved by the Committee, shall be submitted to the Board for information and ratification at the next succeeding meeting of the Board.

Powers, Duties and Responsibilities

The Audit and Related Party Transactions Committee shall have the following duties and responsibilities, among others:

As regards its function as an audit body, it shall:

- (a) Review all interim and annual financial statements to ensure their compliance with pertinent Philippine and internationally accepted accounting standards, internal financial management, as well as tax, legal and other regulatory requirements before submission to the Board with particular focus on changes in accounting policies and practices, major judgment areas, significant adjustments resulting from audit, going concern assumptions, and disclosures of material information, subsequent events and related party transactions;
- (b) Review with management and the external auditors the results of the audit, including any difficulties encountered, any material errors and/or fraud identified, unusual or complex transactions and other issues warranting the attention of the Committee, and resolve any disagreements between management and external auditors regarding financial reporting;
- (c) Review with management, internal auditors and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards
- (d) Obtain, review and consider reports, communications and analysis submitted to the Committee by management, and the internal and external auditors of the Company, on financial and internal controls and systems of the Company, and those required by the applicable auditing or accounting standards, including such reports, communications and analysis on (i) significant financial reporting and internal control issues and practices, including weaknesses and deficiencies noted in these systems, processes and practices, (ii) the external auditor's responsibility under applicable auditing or accounting standards, (iii) detection of fraud and illegal acts affecting integrity of internal controls and financial reporting systems and processes, and which cause a material misstatement in the financial statements, (iv) significant accounting policies and practices, and changes in these, (v) management judgments and accounting estimates, (vi) adjustments arising from audit, (vii) any material communications between management and the external auditor, including management letters, (viii) any significant disagreements with management, or (ix) any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response thereto;
- (e) Conduct investigations, and consider and make recommendations relating to any communication or report referred to it, or relating to any findings of major investigations on internal control or financial reporting matters as delegated by the Board or on the Committee's own initiative, and management's response thereto;
- (f) Consider and make recommendations relating to any communication or report by regulatory agencies relating to the financial statements of the Company, and ensure that management undertakes corrective actions, where necessary, in a timely manner;
- (g) Ensure the development of a transparent financial management system that will ensure the integrity of internal control activities throughout the Company, including a framework for fraud prevention and detection, through a step-by-step procedures and policies handbook that will be used by the entire organization;

- (h) Monitor and evaluate the effectiveness of the Company's internal control system, including information technology security, and risk management processes and policies;
- (i) Supervise management in its formulation of accounting policies, rules and procedures on financial reporting, including the extent of management's responsibility in the preparation of financial statements of the Company and the delineation of the responsibilities pertaining to the external auditors;
- (j) Ensure that the Company has established risk management policies and procedures, and discuss with management and the internal auditor such policies and procedures adopted, particularly those relating to risk identification, assessment and management;
- (k) Regularly evaluate the adequacy and effectiveness of management's activities in managing credit, market, liquidity, operational, legal, and other risks of the Company, including receipt of regular reports from management on risk exposures and risk management activities;
- (l) Recommend to the Board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of external auditor, and any questions of resignation or dismissal of such auditor;
- (m) Assess and monitor the external auditor's qualifications, competence, independence and objectivity, and require the latter to make the statements necessary under applicable auditing standards;
- (n) Review and approve the reports or communications of external auditors and ensure that management or the Board will provide a timely response to the issues raised in such reports or recommendations;
- (o) Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions;
- (p) Ascertain whether the Company has an effective process for determining risks and exposure from litigation and claims from non-compliance with laws and regulations;
- (q) Review the results of management's investigation and follow up on any instance of non-compliance
- (r) Review findings resulting from examination by regulatory agencies as well as internal and external audits, if any.

As regards its function as a Related Party Transaction Committee, it shall:

- (a) Evaluate on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified. Related Party Transactions are monitored, and subsequent changes in relationships with counterparties are captured.
- (b) Evaluate all material real property transactions to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating related party transactions, the Committee takes into account (i) the related party's relationship to the Company and interest in the transaction, (ii) the material facts of the proposed transaction, including the proposed aggregate value of such transaction, (iii) the benefits to the Company of the proposed transaction, (iv) the availability of other sources of comparable products or services, (v) an assessment of whether the proposed related party transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
- (c) Ensure that appropriate disclosures are made;

- (d) Report to the Board on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- (e) Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process;
- (f) Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting related party transactions
- (g) Act within the powers, duties and authority granted by the Board.

Reporting Process

Decisions and Recommendations. The Chairman of the Committee, or in his absence, the member elected by the members present in a meeting, shall report to the Board on the decisions and recommendations made by the Committee following each meeting.

Annual Report. The Committee shall prepare an annual report of its activities to the Board, which may be included in the Company's annual report.

Review and Amendment of Charter

The Audit and Related Party Transactions Committee shall review this Charter as needed. Any amendment to this Charter shall be made only with the prior approval of the Board of Directors.