

AUDIT COMMITTEE CHARTER¹

(Approved by the Board of Directors on 21 October 2020)

STATEMENT OF POLICY

As an extension of the Board of Directors, the Audit Committee (the “Committee”) shall assist the Board of Directors in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders’ interest through: (a) effective oversight of internal and external audit functions; (b) transparency and proper reporting; (c) compliance with laws, rules and regulations, and the Company’s code of conduct; (d) adequate and effective internal controls; and (e) maintain open and effective communication between the Board of Directors, Management and Internal Audit.

ORGANIZATION

- A. The Committee shall consist of at least three (3) non-executive members of the Board of Directors, at least two (2) of whom shall be Independent Directors, including the Chairman, with accounting, auditing or related financial management expertise or experience. Each member should have adequate understanding at least or competence at most of the Company’s financial management system and its business and industry environment.
- B. The Committee Chair should be an independent director and should not be the Chairman of the Board of Director or of any of its other committees.
- C. The members of the Committee shall be appointed annually by the Board of Directors. Members of the Committee may be reappointed.
- D. The Committee members shall be free from any relationship that would interfere with the exercise of their independent judgment as members of the Committee. The Committee members shall inform the Board of Directors of any circumstance which reasonably may be perceived to interfere with the exercise of their independent judgment as members of the Committee.

AUTHORITY

In discharging its oversight functions over matters within the scope of its responsibilities, the Audit Committee shall have explicit authority to:

- A. Investigate any matter brought to its attention, with full access to all records and personnel, using counsel or outside experts when necessary or appropriate;
- B. Have full access to and cooperation by management and full discretion to invite any director or officer to attend its meeting and seek briefings on relevant auditing, accounting, financial and compliance matters;
- C. May delegate authority to sub-committees, including the authority to pre-approve all auditing and permitted non-audit services, provided that such decisions and recommendations are presented to the Committee at its next scheduled meeting;
- D. Seek any pertinent information from the Company as necessary, which shall not be unreasonably withheld; and
- E. Have adequate resources to enable it to effectively discharge its functions.

¹ v1 2013 February 07
v2 2017 October 26

PRIMARY DUTIES

The Audit Committee provides oversight of the Company's financial reporting and control, and internal and external audit functions. It shall be responsible for the setting up of the Internal Audit Department and for the appointment of the Internal Audit Head as well as the independent External Auditor who shall both directly report to the Board of Directors through the Audit Committee. It shall monitor and evaluate the adequacy and effectiveness of the internal audit system, and ensure compliance with the Company's policies and procedures, applicable laws, rules and regulations, and code of conduct.

The Audit Committee shall establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints and reported fraud cases.

FUNCTIONS AND RESPONSIBILITIES

Effective Oversight on Internal Audit Functions

- A. Review and approve the overall internal audit annual plan (including scope, audit frequency and resources).
- B. Review and approve the Internal Audit Charter.
- C. Oversee the Internal Audit Department and recommend the appointment and/or grounds for removal of an Internal Audit Head, and approve the term and conditions for outsourcing internal audit services, if any.
- D. Establish and identify the reporting line of Internal Audit to enable it to properly fulfill its duties and responsibilities, and for this purpose, the Internal Audit Head shall functionally report directly to the Committee.
- E. Take necessary measures to provide the appropriate resources and staffing that would enable Internal Audit to achieve its objectives, and to develop a continuing program of human resource development and professional certification of audit personnel to ensure that proper and continuing training for Internal Audit and members of the Audit Committee are set in place.
- F. Review the effectiveness of the internal audit function, including compliance with International Standards on the Professional Practice of Internal Auditing
- G. Review and discuss the summary of the audit reports prepared by the Internal Auditor, and monitor management's responsiveness to the internal auditor's findings and recommendations.
- H. Recommend enhancements in the audit processes and explore new areas of the audit function that the Company should be aware of and should ultimately adopt or improve on in its present operations.
- I. Ensure that Internal Audit has free and full access to all of the Company's records, properties and personnel relevant to its activity, and that the Internal Audit activity should be free from interference in determining the scope of audit examination, performing work, and communicating results.
- J. At least once a year, meet separately with the Internal Audit Head to discuss any matters the Committee or Internal Audit Head believes should be discussed privately.



Effective Oversight on External Audit Functions

- A. Establish a robust process for approving and recommending the appointment, reappointment, removal and fees of the External Auditor. The appointment, reappointment, removal, and fees of the External Auditor should be recommended by the Audit Committee, approved by the Board and ratified by the stockholders. The reasons for the removal or change of the External Auditor should be disclosed to the regulators and the public.
- B. Perform oversight functions over the Company's External Auditor. Ensure that the External Auditor acts independently and is given unrestricted access to all records, properties and personnel to enable them to perform its audit functions.
- C. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure proper coordination with management and internal audit to secure complete coverage and minimize disruption of work.
- D. Meet separately with the External Auditor to discuss any matter that the Committee or External Auditor believes should be discussed privately. Review any problem, disagreement or difficulty the External Auditor may have encountered during the course of the audit.
- E. Review with management and External Auditor any management letter provided by the latter and the former's response to that letter.
- F. Review with management and External Auditor the result of the audit engagement.
- G. At least annually, (i) assess the External Auditor's professional qualifications, competence, independence and objectivity; (ii) obtain statements from the External Auditor as regards to its relationship to the Company to determine its independence; and (iii) assess the effectiveness and compliance of the audit process with applicable auditing standards and rules of regulatory bodies.
- H. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the proportion of non-audit fees paid to the External Auditor in relation to the Company's overall consultancy expense. Be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the External Auditor's objectivity, and ensure that the nature of non-audit services performed by the External Auditor is disclosed accordingly.

Effective Oversight on Financial Reporting/Transparency and Proper Reporting

- A. Review and approve the annual financial statements before submission to the Board of Directors, focusing particularly on:
 - 1. Any change/s in accounting policies and procedures
 - 2. Major judgmental areas
 - 3. Significant adjustments resulting from the audit
 - 4. Going concern assumption
 - 5. Compliance with accounting standards
 - 6. Compliance with tax, legal and other regulatory requirements, and
 - 7. Communications or reports from legal counsel covering litigation, claims, contingencies or other significant issues that impact financial statements.
- B. Review and discuss with the Chief Finance Officer and External Auditor the result of the external 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 disagreement between management and the external auditor regarding financial reporting.



- C. Review and discuss with management and Internal Audit issues with respect to the financial systems of the Company, and review internal controls over financial reporting, including significant findings and recommendations, and Management's responses, including the timetable for implementation of recommendations to correct weaknesses in the internal control.

Effective Oversight on Compliance with Company Policies, and Applicable Laws, Rules and Regulations, and Code of Conduct

- A. Monitor compliance of the Company with laws, regulations and promulgated policies of the Securities and Exchange Commission, Bureau of Internal Revenue, Philippine Stock Exchange, Department of Human Settlements and Urban Development (previously Housing Land Use Regulatory Board), and other pertinent regulatory government agencies.
- B. Ensure that the Audit Committee members are aware of the regulations imposed by relevant regulatory agencies and of penalties for non-compliance, and incentives, if any, for exemplary compliance.
- C. Monitor compliance with the Company's manual of regulations and policies and procedures, as well as its codes of business ethics and conduct as may be imposed by the Board of Directors.
- D. Ensure that the Company has established and maintains appropriate, efficient and consistent procedures for the receipt, retention and treatment of complaints and anonymous submission from internal and external parties, including protection of "whistleblowers", in regard to fraud and corruption, or questionable accounting or auditing matters. Ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.
- E. Review the process for communicating the Code of Conduct to company personnel and monitoring compliance therewith.
- F. Review the findings of any examination made by regulatory agencies and any auditor observations.
- G. Review fraud reports submitted by the Internal Audit Head.
- H. Obtain regular updates from management and the Company's legal counsel regarding compliance matters.

Adequate and Effective Internal Controls

- A. Through the Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Oversee the installation of internal control procedures and processes that will provide a system of checks and balances in order to (i) safeguard the Company's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the Company's financial data, and (iv) ensure compliance with applicable laws and regulations.

Reporting Responsibilities

- A. Report to the Board of Directors the decisions and recommendations made by the Committee following each meeting.
- B. Report annually on its activities and submit conclusions and/or recommendations as the Committee deems appropriate for inclusion in the Company's reports.



- C. Ensure that the Board of Directors is aware of matters that may significantly have an impact on the financial affairs of the Company.

Other Responsibilities

- A. Perform other activities related to this Charter as requested by the Board of Directors.
- B. Institute and oversee special investigations, as needed.
- C. Review and assess the adequacy of this Charter annually, request approval of the Board of Directors for proposed changes, and ensure appropriate disclosures as may be required by law or regulations.

MEETINGS AND PROCEDURES

- A. The Committee shall meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require.
- B. All Committee members shall attend each meeting, in person or via tele- or video-conference.
- C. Other members of the Board of Directors may attend meetings of the Committee as observers.
- D. The Corporate Secretary shall ensure that the meeting schedule is carried out and shall develop the agenda based on the inputs of the Committee members, subject to the approval of the Chairman. Meeting agenda shall be prepared and provided in advance to members, along with appropriate reading materials. Minutes of meetings shall be prepared and maintained.
- E. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.

PERFORMANCE EVALUATION

The Committee shall assess its effectiveness on an annual basis or in such shorter intervals as may be set by the Board of Directors. The results of the assessment shall be validated by the Company's Compliance Officer.

ADMINISTRATIVE ARRANGEMENTS

The channel of communication between the Committee and the management and staff of the Company is through the President who shall be responsible for providing the necessary administrative services for the functioning of the Committee.

LIMITATION OF ROLE

While the Audit Committee has the responsibilities and powers defined in this Charter, its main role is one of oversight. Management is the party responsible in establishing a robust control environment, in implementing policies and procedures, and in complying with relevant laws, rules and regulations.

Noted by:


FERNAN VICTOR P. LUKBAN
Chairman of the Audit Committee



RIVA KHRISTINE V. MAALA
Compliance Officer