

CHARTER OF THE AUDIT COMMITTEE

of

HOLCIM PHILIPPINES, INC.

Effectivity Date: 1 June 2017

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1. INTRODUCTION

1.1. Preliminary Matters

Audit Committee As authorized by Article III, Section 11 of the Amended By-Laws and Corporate Governance Manual of Holcim Philippines, Inc. (the “Company”), the Board of Directors of the Company (the “Board”) constituted the Audit Committee to enhance its oversight capability over the company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.¹

Audit Committee Charter Pursuant to and in compliance with Securities and Exchange Commission Memorandum Circular No. 19, Series of 2016, otherwise known as the “Code of Corporate Governance for Publicly-Listed Companies”, the Company’s Corporate Governance Manual, the Board promulgates this Audit Committee Charter (the “Charter”) stating its purpose, membership, structure, operation, reporting process, resources, and other relevant information, as well as the standards for its performance evaluation.²

1.2. Defined Terms

The following capitalized terms shall have the meaning ascribed to them below:

Annual Meeting	the annual stockholders’ meeting of the Company held in accordance with the By-laws;
Board	the Board of Directors of the Company;
By-laws	the By-laws of the Company, as may be amended from time to time;
CG Code	the Securities and Exchange Commission Memorandum Circular No. 19, Series of 2016 otherwise known as the “Code of Corporate Governance for Publicly-Listed Companies”;
CG Manual	the Company’s Corporate Governance Manual, as may be amended from time to time;
Charter	this Charter of the Audit Committee, as may be amended from time to time;
Committee	the Audit Committee;
Committee Chairman	the Chairman of the Audit Committee;
Company	Holcim Philippines, Inc.;
Business Risk Management	a process, effected by the Board, Management and other personnel, applied in strategy setting and across the Company that is designed to identify potential events that may affect the Company, manage risks to be within its risk appetite, and

¹ CG Code, Recommendation 3.2.

² Id., Recommendation 3.6.

	provide reasonable assurance regarding the achievement of entity objectives; ³
Independent Director	a person who is independent of Management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director; ⁴ and maintains all of the qualifications of Independent Directors set out in the CG Manual;
Internal Control	a process designed and effected by the Board, senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures; ⁵
Internal Audit / Internal Auditor	refers to the Company's local internal audit department – Internal Control and Quality Assurance (ICQA) Department;
Management	a group of executives given the authority by the Board to implement the policies it has laid down in the conduct of the business of the corporation; ⁶
Non-Executive Director	a director who has no executive responsibility and does not perform any work related to the day-to-day of a part or whole operations of the operations of the Company; ⁷
Related Party	as the same may be defined in a policy formulated and endorsed by the Audit Committee, and approved by the Board consistent with the principles of the CG Code;
RPT	Related Party Transaction; and
SEC	the Securities and Exchange Commission .

2. PURPOSE

In General

The purposes of the Committee are:

- (a) To enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations;⁸
- (b) To provide oversight over the Company's Business Risk Management system to ensure its functionality and effectiveness;⁹ and
- (c) To review all material RPTs of the Company.¹⁰

³ Id., Definition of Terms.

⁴ Id.

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Id., Recommendation 3.2.

⁹ Id., Recommendation 3.4.

¹⁰ Id., Recommendation 3.5.

**Oversight
Responsibilities**

The Committee, in particular, shall assist the Board in fulfilling its oversight responsibilities over Management activities by:

- (a) Reviewing the financial reports and other financial information provided to governmental bodies and the public for compliance with pertinent accounting standards, statutory and regulatory requirements;
- (b) Reviewing and monitoring the Company's established systems and processes for risk management, control and good governance;
- (c) Reviewing the process for communicating the Code of Business Conduct and policy to Company personnel, and for monitoring the compliance therewith, as well as compliance to all applicable laws and regulations pursuant to which the Company conducts its operations and business activities;
- (d) Reviewing and appraising the Company's external and internal audit activities and performance; and
- (e) Reviewing all material related party transactions of the Company.

Consistent with this function, the Committee should encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels.

The Committee should provide an open avenue of communication among the external auditors, Internal Auditors, the Management, and the Board.

3. AUTHORITY

Authorized Acts

The Committee shall have the resources and authorities appropriate to discharge its responsibilities, including the authority to:

- Oversee External Audit* (a) Recommend, compensate, and oversee the work of the external auditors engaged by the Company to conduct the annual audit. This firm will report directly to the Committee;¹¹
- Resolve Financial Reporting Issues* (b) Resolve any disagreements between Management and the external auditor regarding financial reporting;¹²
- Oversee Internal Audit* (c) Direct the Internal Audit function;¹³
- Oversee Special Audits* (d) Engage external auditors for special audits, reviews and other procedures and to retain and obtain advice from external counsel and other experts or consultants as it deems appropriate without need for Board approval;¹⁴
- Require Production of Information* (e) Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties;

¹¹ SEC Memorandum Circular No. 4, Series of 2012, at p. 7, no. 2.

¹² Id., at p. 7, no. 5.

¹³ CG Code, Explanation to Recommendation 3.2.

¹⁴ SEC Memorandum Circular No. 4, Series of 2012, at p. 7, no. 9.

Discuss Audit Issues with Officers (f) Meet with Company officers, Head of Internal Audit, external auditors, or outside counsel, as often as necessary, to discuss any issues arising from the audit process; and

Outsourcing of Internal Audit (g) Direct the Head of Internal Audit to oversee and manage internal audit activity outsourced to a third party service provider.

Authority to Investigate The Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts, facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose.
The findings and recommendations of the Committee shall be submitted to the Board for approval.
The Committee shall be guided by the Company's mission and vision in the fulfillment of its functions.

4. COMMITTEE STRUCTURE AND MEMBERSHIP

4.1 Composition

In General The Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Committee Chairman, shall be independent.¹⁵

The Committee Chairman The Committee Chairman should not be the Chairman of the Board or of any other Board Committee,¹⁶ and should ensure effective interaction among the Committee members, with Management, and the internal and external auditors.¹⁷

4.2 Term

Term The Board shall appoint the members of the Committee at its Organizational Meeting and each member shall serve upon his election until the next Organizational meeting of the Board, unless removed or replaced by the Board. The Organizational Meeting of the Board is held without notice after the Annual Meeting for the purpose of appointment of members of the Board Committees and Management.

Succession Planning The Board shall take into account succession planning for the Committee Chairman and other members of the Committee in the appointment of independent directors. It shall also ensure that there is an established training and succession plan that is regularly reviewed and updated.¹⁸

¹⁵ CG Code, Recommendation 3.2.

¹⁶ Id.

¹⁷ SEC Memorandum Circular No. 4, Series of 2012, at p. 5, Committee Structure and Operation.

¹⁸ Id., at p. 5, Committee Structure and Operation, no. 5

4.3 Vacancy

Vacancy Any vacancy in the Committee caused by death, resignation, or disqualification of any member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and qualified.

4.4 Qualifications and Disqualifications¹⁹

In General The Committee Chairman and the members of the Committee shall possess all of the qualifications and have none of the disqualifications for membership in the Board as provided for in the Amended By-Laws and the Company's CG Manual, the Corporation Code, the Securities Regulation Code, and other relevant laws. In addition, the Committee Chairman and the member of the Committee who are Independent Directors must meet the qualifications of Independent Directors set out in the Company's CG Manual.

Independent Directors The Independent Director shall be free from any relationships that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

Auditing and Risk Management Background All of the members of the Committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance.²⁰ At least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.²¹

4.5 Training and Education²²

Training and Education The members of the Committee shall attend seminars on corporate governance and such other trainings as appropriate conducted by duly recognized private or government entities to keep their skills and expertise current and relevant.

5. DUTIES AND FUNCTIONS

5.1. Committee Operation²³

Duties and Functions The Committee is expected, through the provision of checks and balances, to support the corporate governance process of the Company. Specifically, the Committee has the following duties and functions:

¹⁹ Id., at p. 5, Setting of Committee Structure and Operation.

²⁰ Id.

²¹ CG Code, Recommendation 3.4.

²² SEC Memorandum Circular No. 4, Series of 2012, at p. 5, no. 10.

²³ Id., at p. 3, par. no. 2.

<i>Report Committee Activities and Issues</i>	(a) Regularly report to the Board 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. ²⁴
<i>Monitor Effectiveness of Internal Controls</i>	(b) 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. ²⁵
<i>Discuss Material Risks with the External Auditor</i>	(c) For any awareness or knowledge of any suspected fraud or irregularity, or suspected infringement of any laws or regulations which has or is likely to have a material impact on the Company's operating results or financial position, the Committee must discuss such matter with the external auditor, and at an appropriate time, report the matter to the Board.
<i>Liaise between Audit Stakeholders</i>	(d) Provide an open avenue of communication between internal audit, the external auditors, the Management, and the Board.
<i>Report Committee Operations to the Board</i>	(e) 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.
<i>Review Committee Charter</i>	(f) Review and update this Charter periodically and obtain the approval of the Board for any revisions thereto or for any case where external bodies may suggest a change. Suggestions by such external bodies, however, are subject to the approval of the Committee.
<i>Perform Oversight Functions</i>	(g) Performs oversight functions over the Company's Internal and external auditors. It ensures the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit. ²⁶
<i>Ensures compliance with laws, rules, and regulations</i>	(h) Coordinates, monitors, and facilitates compliance with laws, rules, and regulations. ²⁷
<i>Other Functions</i>	(i) Perform such other functions as assigned by law, the Company's Amended By-Laws, or the Board.
<i>Certify Critical Compliance Issues</i>	(j) The Committee Chairman shall issue certifications on critical compliance issues. ²⁸

²⁴ CG Code, Explanation to Recommendation 3.2.

²⁵ Id., Explanation (b) to Recommendation 3.2.

²⁶ Id., Explanation (j) to Recommendation 3.2.

²⁷ Id., Explanation (k) to Recommendation 3.2.

5.2. Oversight on Financial Reporting and Disclosures²⁹

<i>Review Financial Statements for Board Approval</i>	(a) Fair and balance review of the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: <ul style="list-style-type: none">✓ Impact of new accounting standards and interpretations✓ Any change/s in accounting policies and practices;✓ Reasonableness of estimates, assumptions and judgments✓ Alternative accounting treatments;✓ Areas where a significant amount of judgment has been exercised;✓ Significant adjustments resulting from the audit;✓ Unusual or complex transactions including RPTs following the Company's RPT Policy;✓ Going concern assumptions;✓ Compliance with accounting standards;✓ Identification of material errors and fraud and sufficiency of risk controls; and✓ Compliance with tax, legal and regulatory requirements.³⁰
<i>Litigation Audit</i>	(b) Communicate with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact financial statements. ³¹
<i>Review Financial Statements and Disclosures</i>	(c) Review of the financial statements and all related disclosures and reports certified by the Chief Financial Officer released to the public and/or submitted to the SEC, and for compliance with both the LafargeHolcim Accounting and Reporting Principles (LHARP) and pertinent accounting standards, including legal and regulatory requirements. ³²
<i>Review Management Letter</i>	(d) Review and approve Management representation letter before submission to external auditor. ³³ Reviews the disposition of the recommendations in the External Auditor's Management letter. ³⁴
<i>Assess Correspondence with Regulators</i>	(e) Assess the correspondence between the Company and the regulators regarding financial statement filings and disclosures. ³⁵
<i>Management Responsibility Over Financial Statements</i>	(f) In the performance of its oversight function over financial reporting, the Committee recognizes Management responsibility over the financial statements. In this regard, it

²⁸ SEC Memorandum Circular No. 4, Series of 2012, at p. 5, Setting Committee Structure and Operation no. 7.

²⁹ Id., at p.5, Oversight on Financial Reporting and Disclosures

³⁰ CG Code, Explanation (h) Recommendation 3.2.

³¹ SEC Memorandum Circular No. 4, Series of 2012, at p. 6, Oversight on Financial Reporting and Disclosures no. 12.

³² Id., at p. 5, Oversight on Financial Reporting and Disclosures no. 10 .

³³ Id., at p. 5, Oversight on Financial Reporting and Disclosures no. 11.

³⁴ CG Code, Explanation (i) Recommendation 3.2.

³⁵ SEC Memorandum Circular No. 4, Series of 2012, at p. 6, Oversight on Financial Reporting and Disclosures no. 14.

shall ensure that appropriate actions or measures are taken in case of finding of error or fraud in financial reporting.³⁶

5.3. Oversight on Risk Management and Internal Control

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| <i>Establish Formal Business Risk Management Plan</i> | (a) Develop a formal Business Risk Management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures. ³⁷ |
| <i>Oversee Implementation of Business Risk Management</i> | (b) Oversee the implementation of the Business Risk Management plan through the Company's Strategy function. The Committee shall conduct regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks. ³⁸ |
| <i>Review Business Risk Management Plan</i> | (c) Evaluate the Business Risk Management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Committee shall revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss. ³⁹ |
| <i>Review Business Risk Management System</i> | (d) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management. ⁴⁰ |
| <i>Promote Risk Awareness Culture</i> | (e) Discuss the risks faced by the Company that may have potential impact on the Company's operations, and ensure that risk awareness culture is pervasive throughout the organization. ⁴¹ Advise the Board on its risk appetite levels and risk tolerance limits. ⁴² Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary. ⁴³ |
| <i>Review Business Risk Management Infrastructure</i> | (f) Review the Business Risk Management infrastructure and culture to ensure that the relevant activities are aligned with the overall goals and strategies of the Company. |

³⁶ Id., at p. 5, Oversight on Financial Reporting and Disclosures no. 3.

³⁷ CG Code, Explanation (a) Recommendation 3.4.

³⁸ Id., Explanation (b) Recommendation 3.4.

³⁹ Id., Explanation (c) Recommendation 3.4.

⁴⁰ Id., Explanation (g) Recommendation 3.4.

⁴¹ SEC Memorandum Circular No. 4, Series of 2012, at p. 6, Oversight on Risk Management and Internal Controls no. 10.

⁴² CG Code, Explanation (d) Recommendation 3.4.

⁴³ Id., Explanation (h) Recommendation 3.4.

- Review Risk Exposure* (g) Review at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company, and advise the Board on said risk appetite levels and risk tolerance limits.⁴⁴
- Ensure Effective Operation of Risk Management* (h) Ensure that the Business Risk Management function of management is in place and operating effectively. Review and discuss with Management and the Internal Auditor and/or the external auditor:
- ✓ The key policies and processes adopted by Management with respect to risk identification, assessment and Management, including risk of fraud;
 - ✓ Significant or major risk exposures, if any, and the plans or the steps taken or need to be taken by Management to monitor and control such exposures.
- Review Risk Profile* (i) Review the Company's risk profile on an ongoing basis and assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders.⁴⁵
- Review Crisis Management Plan* (j) Review crisis management, business continuity and disaster recovery plan and the results of the annual testing.⁴⁶
- Ensure Review of Internal Audit* (k) Ensure that a review of the Internal Auditor's evaluation of the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical information assets.⁴⁷ Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the Company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Company's financial data, and (d) ensure compliance with applicable laws and regulations.⁴⁸
- Establish Fraud Prevention Framework* (l) Set a framework for fraud prevention and detection including whistleblowing program. Ensure that a review of the internal control framework implemented by Management for fraud prevention and detection is done annually.⁴⁹

⁴⁴ Id., Explanation (e) Recommendation 3.4.

⁴⁵ Id., Explanation (f) Recommendation 3.4.

⁴⁶ SEC Memorandum Circular No. 4, Series of 2012, at p. 6, Oversight on Risk Management and Internal Controls no. 9.

⁴⁷ CG Code, Explanation (b) Recommendation 3.2.

⁴⁸ Id.

⁴⁹ SEC Memorandum Circular No. 4, Series of 2012, at p. 6, Oversight on Risk Management and Internal Controls no. 5.

The Committee shall 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.

Address Gaps in Internal Control System (m) 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, integrity of financial reporting and security of physical and information assets, including internal financial controls, operational and compliance controls, information technology security⁵⁰ and controls, any special audit steps adopted in light of material control deficiencies.

5.4. Oversight on Related Party Transactions⁵¹

Recommend a Related Party Transaction Policy (a) Recommend a policy on RPTs for approval of the Board;

Evaluate Relations With Businesses and Counterparties (b) Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;⁵²

Evaluate RPTs (c) Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or 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 RPTs, the Committee takes into account, among others, the following:

- ✓ The related party's relationship to the Company and interest in the transaction;
- ✓ The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- ✓ The benefits to the Company of the proposed RPT; The availability of other sources of comparable products or services; and
- ✓ An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar

⁵⁰ Id., at p. 6, Oversight on Risk Management and Internal Controls nos. 5 and 9.

⁵¹ CG Code, Recommendation 3.5.

⁵² Id., Explanation (a) Recommendation 3.5.

circumstances. The Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;⁵³

- Ensure Disclosure of RPTs* (d) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;⁵⁴
- Report Exposures to Related Parties* (e) 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;⁵⁵
- Ensure Periodic Independent Review of RPT* (f) Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;⁵⁶ and
- Oversee Implementation of RPT System* (g) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.⁵⁷

5.5. Oversight on Management and Internal Audit

- Formulate Procedures on Financial Reporting and Internal Control* (a) Provide supervision to Management in the formulation of the rules and procedures on financial reporting and internal control in accordance with the following guidelines:
- ✓ The extent of the responsibility of Management in the preparation of the financial statements of the Company with the corresponding delineation of the responsibilities that pertain to the external auditor shall be clearly explained;
 - ✓ An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and other stakeholders shall be maintained;
 - ✓ On the basis of the approved audit plans, internal audit examination shall cover at the minimum evaluation of the adequacy and effectiveness of the controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and

⁵³ Id., Explanation (b) Recommendation 3.5.

⁵⁴ Id., Explanation (c) Recommendation 3.5.

⁵⁵ Id., Explanation (d) Recommendation 3.5.

⁵⁶ Id., Explanation (e) Recommendation 3.5.

⁵⁷ Id., Explanation (f) Recommendation 3.5.

- regulations; and
- ✓ The Company shall consistently comply with the financial reporting requirements of the SEC.⁵⁸
- Review Compliance with Code of Business Conduct* (b) Review Management’s monitoring of the Company’s compliance with its code of business conduct, conflicts of interest, anti-bribery and corruption directives, fair competition directives and other policies, if applicable.⁵⁹
- Review Internal Audit Charter* (c) Review and approve the Internal Audit Charter (“IA Charter”), which formally defines the role of Internal Audit, and oversee its implementation.⁶⁰
- Organize Internal Audit Department* (d) Organize a local and independent Internal Audit Department including the criteria of the Head of Internal Audit.⁶¹ The Committee will review and approve the appointment, replacement, reassignment, dismissal, remuneration and performance of the Head of Internal Audit.
- Establish Reporting Line of Internal Audit* (e) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Committee.⁶²
- Ensure Access to Company Records* (f) Ensure that the Internal Auditors shall have free and full access to all the Company’s records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from any undue interference in determining the scope of internal auditing examinations, performing work, and communicating results.⁶³
- Review Annual Internal Audit Plan* (g) Review and approve the Annual Internal Audit Plan and all deviations therefrom, to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it.⁶⁴
- (h) The Committee shall also ensure that audit resources are reasonably allocated to the areas of highest risk.
- Review Coordination of Internal and External Audit* (i) Review with the Internal Auditor and the external auditor the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and effective use of audit resources.⁶⁵
- Review Internal Audit Findings and Recommendations* (j) Review any significant findings and recommendations of the Internal Auditors, together with Management’s responses thereto. Ensure that Management is taking appropriate corrective actions in a timely manner, including addressing

⁵⁸ SEC Memorandum Circular No. 4, Series of 2012, at p. 7, Oversight on Management and Internal Audit no. 6.

⁵⁹ Id., at p. 6, Oversight on Risk Management and Internal Controls no. 5.

⁶⁰ CG Code, Explanation (a) Recommendation 3.2.

⁶¹ Id., Explanation (c) Recommendation 3.2.

⁶² Id., Explanation (d) Recommendation 3.2.

⁶³ SEC Memorandum Circular No. 4, Series of 2012, at p. 6, Oversight on Management and Internal Audit no. 3.

⁶⁴ Id., at p.7, Oversight on Management and Internal Audit no. 7.

⁶⁵ CG Code, Explanation (j) Recommendation 3.2.

- internal control and compliance issues. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendation.⁶⁶
- Address Internal Audit Results* (k) Consider and act on, as appropriate, the results of internal audits, as reported to the Committee by the Internal Auditors.
- Review Conduct of Internal Audit* (l) Review with the Internal Auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.⁶⁷
- Ensure Internal Controls on Chief Executive Officer* (m) Ensure that the minimum internal control mechanisms for Management operational responsibility shall center on the Chief Executive Officer, being ultimately accountable for the Company's organizational and procedural controls.⁶⁸
- Review Internal Audit Reports* (n) Review of the Internal Audit's periodic reports including the Annual Report. Periodic report shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned projects. Such reports shall 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.⁶⁹
- Evaluate Performance of Internal Audit Department* (o) Evaluate the performance of the Internal Audit Department and communication/discussion of such inputs with the President and Chief Executive Officer who shall then translate these into performance appraisal applicable to the Head of Internal Audit and the Internal Auditors taken as a whole.⁷⁰
- Review Effectiveness of Internal Audit* (p) 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.⁷¹

5.6. Oversight on External Audit

- Review Appointment of External Auditor* (a) Review the performance and recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which

⁶⁶ Id., Explanation (e) Recommendation 3.2.

⁶⁷ Id., Explanation (f) Recommendation 12.2.

⁶⁸ Id., Explanation (e) Recommendation 12.2.

⁶⁹ SEC Memorandum Circular No. 4, Series of 2012, at p. 7, Oversight on Management and Internal Audit no. 7.

⁷⁰ CG Code, Explanation (f) Recommendation 12.2.

⁷¹ SEC Memorandum Circular No. 4, Series of 2012, at p. 7, Oversight on Management and Internal Audit no. 6.

- the financial statements should be prepared and presented to the stockholders.⁷²
- Ensure Rotation of External Auditor* (b) Ensure the rotation or change of the lead engagement partner or the audit firm itself every five (5) years or earlier.⁷³
- Review External Auditors' Independence* (c) Review and discuss annually with the external auditors all significant relationships they have with the Company or any of its affiliates to determine the external auditors' independence.⁷⁴
- Review External Audit Plan* (d) Review and pre-approve of the external auditor's plans and ascertain the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit and their compliance with auditing standards.
- (e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.⁷⁵
- Review External Audit Report* (f) Review the reports of the external auditors, where applicable, and ensure that Management is taking appropriate corrective actions in a timely manner, including addressing control, governance and compliance issues.⁷⁶
- Consult External Auditors on Internal Control* (g) Consult periodically with the external auditors out of presence of Management about internal controls and the completeness and accuracy of the organization's financial statements. Following completion of the annual audit, review with the external auditors any disagreements, problems or difficulties, including any restrictions on the scope of the external auditor's activities or on access to requested information and any significant disagreements with Management. The review may also include discussion of any proposed accounting adjustments that were "passed" or not recorded and Management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions.⁷⁷
- Evaluate Non-Audit Work* (h) 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,

⁷² CG Code, Explanation (l) Recommendation 3.2.

⁷³ SEC Memorandum Circular No. 4, Series of 2012, at p. 7, Oversight on External Audit no. 2.

⁷⁴ Id., at p. 7, Oversight on External Audit no. 1.

⁷⁵ CG Code, Explanation (f) Recommendation 3.2 .

⁷⁶ SEC Memorandum Circular No. 4, Series of 2012, at p.7, Oversight on External Audit no. 6.

⁷⁷ Id., at p.7, Oversight on External Audit no. 7.

	should be disclosed in the Company's annual report and Annual Corporate Governance Report. ⁷⁸
<i>Review External Auditors' Evaluation of Internal Controls</i>	(i) Review the external auditor's evaluation of the internal accounting controls. External auditors shall provide feedback to the Committee on their observations of internal control weaknesses arising from statutory financial audits. External auditors should highlight findings which are disputed by Management or where Management has not agreed to implement remedial actions that would rectify the identified weaknesses. ⁷⁹
<i>Ensure Timely Communication with External Auditor</i>	(j) Ensure completeness and timeliness of communication with external auditor as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by Management, and other material issues that affect the audit and financial reporting. ⁸⁰
<i>Management Support</i>	To carry out its responsibilities, the Committee relies on the expertise and knowledge of Management, the Internal Auditors and external auditors.

6. MEETINGS

	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 Corporate Secretary of the Company will ensure that the schedule is carried out as planned.
<i>Frequency of Meetings</i>	The Committee shall hold meetings at such times and places as it considers appropriate, but not less than quarterly. Preferably, the quarterly meetings shall be held prior to the meeting of the Board. The Committee shall likewise meet with Board at least every quarter without the presence of the CEO or other Management team members. ⁸¹ In cases where there is a need for a special meeting to take up any critical items that would need approval in between the quarterly meetings, it shall be up to the Committee Chairman to either call for a special meeting or just allow the routing of the covering paper.
<i>Authorized Conveners</i>	Meetings of the Committee shall be convened by the Committee Chairman as and when he considers appropriate or upon the request of a majority of the members of the Committee.
<i>Presiding Officer</i>	The Committee Chairman shall preside over all meetings. In the absence of the Committee Chairman, the remaining Committee

⁷⁸ CG Code, Explanation (g) Recommendation 3.2.

⁷⁹ SEC Memorandum Circular No. 4, Series of 2012, at p.7, Oversight on External Audit no. 10.

⁸⁰ Id., at p.7, Oversight on External Audit no. 10.

⁸¹ CG Code, Explanation Recommendation 3.2.

members present constituting a quorum shall designate a presiding officer.

Agenda

The agenda for the meetings shall be developed by the Corporate Secretary in coordination with the Head of Internal Audit based on the agreed calendar of activities and inputs from the Committee members, subject to the approval of the Committee Chairman. The quarterly meetings shall include the review and discussion of the quarterly or year-end financial statements, the related disclosures and other reportorial requirements, and updates on internal audit activities.

The meeting agenda shall be prepared for every meeting and provided to the Committee members, along with the briefing materials, five (5) business days before the scheduled Committee meeting.

Notices

A Committee meeting shall be convened upon notice thereof made in the most convenient manner not less than five (5) business days before such meeting specifying the date, time, place, and agenda of the meeting.

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

Each member shall give to the Corporate Secretary an office address and email address for the service of notices of meetings of the Committee.

Notice of a meeting of the Committee shall be deemed to be duly served upon a member if it is given to him personally, or delivered to him by mail or email as appropriate, given by him to the Corporate Secretary in accordance with the immediately preceding paragraph.

Waiver of Notice

Notwithstanding that a meeting is called by shorter notice, it shall be deemed to have been duly convened if it is so agreed by the members present in the meeting at which there is a quorum. A member may consent to short notice and may waive notice of any meeting of the Committee and any such waiver may apply retrospectively.

Manner of Attendance

The members and advisors of the Committee shall be authorized to attend the Committee meetings by any of the following means of communication: teleconferencing, videoconferencing, web conferencing and other remote or electronic means. The requirement of presence is met if members of the Committee are able to communicate simultaneously.

Quorum and Voting

At any meeting of the Committee, quorum shall consist of a majority of the members of the Committee present throughout

the meeting. A meeting shall not proceed in the absence of a quorum.

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

Each member, including the Committee Chairman, shall have one (1) vote.

A resolution in writing signed by at least a majority of the members of the Committee present shall be as valid and effective for all purposes as a resolution of the Committee passed at a meeting of the Committee duly convened, held and constituted.

Escalation

If the Committee decides to take any action to which any member objects, such member shall have the right, by notice in writing to the Committee Chairman within ten (10) days after such meeting, to require the Committee to reconsider its decision in a separate meeting. If, after such reconsideration, any member objects to the action which the Committee has decided to take at the second Committee meeting, then said member shall be entitled, by notice in writing to the Board (together with any relevant supporting materials) within ten (10) days from the date of the second Committee meeting, to require the particular matter to be considered and finally decided by the Board at its next scheduled meeting, the decision of which is final and binding. Any action proposed to be taken by the Committee which is the subject of the foregoing procedures shall be held in abeyance, and shall be deemed for all purposes not to have been taken, during the pendency of such procedures.

Minutes

Minutes of Committee meetings shall be prepared by the Corporate Secretary or his/her designated representative, in collaboration with the Head of Internal Audit, and signed by the Committee Chairman and the members of the Committee present.

Contents of Minutes

The Committee Minutes shall contain a record of the following:

Date/Place/Time

(a) Date, place and time of the meeting;

Members Present/Absent

(b) Presence and absence of the members of the Committee and other participants;

*Committee Chairman/
Corporate Secretary*

(c) Name and signature of the Committee Chairman, Corporate Secretary and the members of the Committee present;

Resolutions

(d) Wording of resolutions passed, indicating the outcome of the votes and objections put to record of any member of the Committee;

<i>Discussions</i>	(e) Summary of the main points of the discussions;
<i>Statement for the Record</i>	(f) Statements for the record made by a member of the Committee;
<i>Requests for information</i>	(g) Requests for information and summary of the respective replies.
<i>Circulation/Approval</i>	The minutes shall be circulated to the members of the Committee within fifteen (15) business days after the meeting and submitted for approval at the next Committee meeting.
<i>Records</i>	<p>The Committee shall cause records to be kept for the following:</p> <ol style="list-style-type: none">i. appointments and resignations of the members/advisors;ii. all agenda and other documents sent to the members/advisors; andiii. minutes of proceedings and meetings of the Committee. <p>Any such records shall be opened for inspection by any member/advisor upon reasonable prior notice during usual office hours of the Company.</p>
<i>Management Participation</i>	The Committee may invite other individuals, such as members of Management, auditors, counsel, or other technical experts, to attend meetings and provide pertinent information, as necessary.
<i>Meeting with Internal Auditor</i>	At least once a year, conduct a separate meeting in executive session with the Head of Internal Audit, 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 management, financial and internal controls.
<i>Meeting with External Auditor</i>	The external auditors and/or Head of Internal Audit may request a meeting with the Committee whenever deemed necessary.

7. REPORTING PROCEDURES⁸²

<i>In General</i>	To keep the Board apprised on the results of the Committee's activities, the Committee Chairman shall report to the Board following each meeting significant matters discussed and acted upon.
<i>Annual Audit Committee Report</i>	The Committee Chairman shall submit and present Annual Committee Report to the full Board during its first meeting following the immediate calendar year.

⁸² SEC Memorandum Circular No. 4, Series of 2012 at p. 3.

8. PERFORMANCE EVALUATION AND CONTINUOUS IMPROVEMENT⁸³

In General

To ensure that the Committee continues to fulfill its responsibilities in accordance with global standards and practices and in compliance with the SEC Memorandum Circular No. 4, Series of 2012: Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange, the CG Code and other relevant regulatory requirements, the Committee shall, in close consultation with the Chairman of the Board, 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.

Performance Evaluation Process In this regard the Committee shall:

Self-Evaluation

(a) As a body, evaluate its performance by filling up a self-assessment worksheet that shall benchmark its practices against the expectations set out in this Charter.

Independent Assessment

(b) 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.

Plans for Improvement

(c) 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 Committee members up-to-date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern (i.e. emerging risks).

9. FUNCTIONAL AND SECRETARIAL SUPPORT

Internal Audit Department Support

The Internal Audit Department shall support the Committee in the rendition of its functions, specifically:


- (a) In coordination with the Company's Corporate Secretary, the Internal Audit Department shall provide secretariat support to the Committee.
- (b) The Head of Internal Audit shall attend all the Committee meetings and shall assist in the recording of the minutes of the meetings.
- (c) The Internal Audit Department shall review and compile all papers for submission to the Committee prior to the scheduled meeting.

⁸³ Id., at p.4, par. 4.

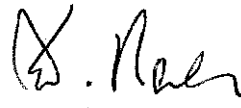
10. FINAL PROVISIONS

Effectivity This Charter was approved by the Board on 24 April 2017, and shall become effective on 1 June 2017.

Periodic Review This Charter shall be reviewed by the Board and as and when deemed appropriate. Such review to take place at least every two (2) years.



Tomas I. Alcantara
Chairman



Daniel N. Bach
Director

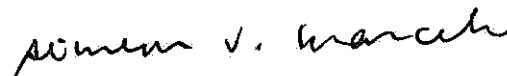


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