



## **APC GROUP INC. AUDIT COMMITTEE CHARTER**

This Charter establishes the purpose, composition, authority, duties and responsibilities, and operations of the Audit Committee (the “Committee”).

### **1. PURPOSE**

The Committee is appointed by the Board of Directors (the “Board”) of APC Group Inc. (the “Company”). The Committee assists the Board in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company’s accounting, financial reporting, auditing practices, and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company’s process for monitoring compliance with laws, regulations, the Code of Ethics, and performs other duties as the Board may require.

### **2. COMPOSITION**

The Committee shall consist of at least three (3) members of the Board of Directors. The Committee shall have at least two (2) independent directors, one of whom shall be the Chairman, and the other shall be the Vice-Chairman, one or both preferably with accounting, auditing or related financial management expertise or experience. The Chief Executive Officer, Chief Financial Officer or officers holding equivalent positions shall not be appointed as members of the Committee.

The Committee shall maintain a long-term focus on its activities by ensuring that should the Chairman retire, resign or be unable to fully comply with his duties as chair of the Committee, the Vice-Chairman shall succeed him. The Board shall also ensure that the aforementioned composition shall be followed at all times, and that the Committee members shall have adequate and competent understanding of finance and accounting processes. The Head of Internal Audit shall be the Committee Secretary or in his/her absence, the Deputy to the Head of Internal Audit.

### **3. MEETINGS**

The Committee shall meet at least four (4) times a year. The Committee may invite members of Management, auditors or others to attend meetings and provide pertinent information, as necessary. The Committee may hold private meetings with auditors and executive sessions (i.e. without the presence of Management).

The Committee Secretary, under the direction of the Committee Chairman, shall prepare the agenda and provide the Committee Members advance notice of meetings, the agenda, along with appropriate briefing materials. Minutes of the meeting shall be provided to the members within days after the said meeting.

#### **4. AUTHORITY**

In pursuit of its purpose, duties and responsibilities, and so authorized by the Board, the Committee shall:

- 4.1. Seek any information it requires from Management, and all other employees;
- 4.2. Gain access to all records, documents, properties, assets and personnel within the Company;
- 4.3. Review the scope of work of the auditors after considering their assessment of internal controls and risks identified;
- 4.4. Secure adequate resources to enable it to effectively discharge its functions;
- 4.5. Obtain any external professional advice and expertise if so required; and
- 4.6. Investigate any activities within its scope of responsibilities, or as may be required by the Board.

#### **5. DUTIES AND RESPONSIBILITIES**

The Committee is duty-bound to perform and carry out the following responsibilities, categorized under seven (7) major domains:

##### **5.1. Financial Statements and Reporting**

- 5.1.1. Review the impact of changes in significant accounting policies and practices, alternative treatments of financial information within Philippine financial reporting standards, significant adjustments resulting from an audit, going concern assumptions, reporting issues including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements on the financial statements.
- 5.1.2. Review with Management and the external auditors the results of the audit, including any difficulties encountered.
- 5.1.3. Review and endorse to the Board for approval, Company financial statements and related reports; consider their completeness and consistency with information known to the Committee and compliance with accounting principles and standards, and regulatory requirements.
- 5.1.4. Review accuracy and completion of other sections of the annual report and related regulatory filings before release.
- 5.1.5. Understand how Management develops interim financial information, and the nature and extent of internal and external auditor involvement; and review same before filing with regulators.

## 5.2. Internal Control

- 5.2.1. Ensure a review of the effectiveness of the Company's internal control system, including financial, operational, information technology, security and control at least once a year.
- 5.2.2. Understand and review the scope of internal and external auditors' review of internal controls over financial reporting, and obtain regular reports on significant findings and recommendations, together with Management's responses.

## 5.3. Internal Audit

- 5.3.1. Oversee the appointment of the Head of Internal Audit including his/her replacement, reassignment, or dismissal.
- 5.3.2. Provide oversight and evaluation of the performance of the Company's Head of Internal Audit and Internal Audit Group.
- 5.3.3. Review with Management and the Head of Internal Audit, the Charter, plans, activities, staffing, access to financial and other resources and organizational structure of the internal audit function and any amendments thereto.
- 5.3.4. Review the effectiveness of the internal audit function, including compliance with the Institute of the Internal Auditors' Standards.
- 5.3.5. Review the Internal Audit Group including its independence and the authority of its reporting relationships.
- 5.3.6. Ensure that the Internal Audit Group have full access to Company records, personnel and properties that are relevant to the discharge of its scope and function.
- 5.3.7. On a regular basis, meet separately with the Head of Internal Audit to discuss any matter that the Committee or the Internal Audit Group believe should be discussed privately.

## 5.4. External Audit

- 5.4.1. Appoint and evaluate the performance of the External Auditor including the removal of the External Auditor if circumstances warrant.
- 5.4.2. Review the External Auditors' proposed audit scope and approach.
- 5.4.3. Review and confirm the independence of the external auditors by obtaining certification from the latter relative to overall relationship with the Company, including non-audit services and by ensuring that key partners are rotated at appropriate intervals.
- 5.4.4. Ensure that External Auditors have free and full access to the Company's records, properties, and personnel to enable them to perform their audit functions.

5.4.5. Resolve any disagreement between Management, the Internal Audit Group and the External Auditors regarding financial reporting.

5.4.6. On a regular basis, meet separately with the external auditors to discuss any matter that the Committee or auditors believe should be discussed privately.

#### 5.5. Compliance

5.5.1. Review and continually improve the effectiveness of the system for monitoring the results of Management's investigation and follow-up (including violations against the Code of Ethics) of any instance of non-compliance.

5.5.2. Review the findings from any examinations by regulatory bodies, and any audit observations.

5.5.3. Review the process for communicating and compliance of the Code of Ethics to Company personnel.

5.5.4. Obtain regular updates from Management and the Compliance Officer regarding compliance matters.

#### 5.6. Reporting Responsibilities

5.6.1. Regularly report to the Board the Committee's activities, findings, decisions, deliberations and recommendations.

5.6.2. Provide an open avenue of communication between and among the Chief Audit Executive and Internal Audit Group, the external auditors, the Compliance Officer, the Chief Risk Officer and the Board.

5.6.3. Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged and any other information required by regulators, including approval of non-audit services.

5.6.4. Review any other reports the Company issues that relate to the Committee responsibilities, such as but not limited to reports on the Policy on Accountability, Integrity and Vigilance (PAIV).

#### 5.7. Other Responsibilities

5.7.1. Perform other activities related to this Charter as requested by the Board.

5.7.2. Review and assess the adequacy of the Committee Charter annually, requesting Board approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

### **6. ANNUAL REVIEW OF CHARTER**

The Committee shall conduct an annual review of this Charter and propose any enhancements as may be deemed necessary for Board approval.