



## **BOARD COMMITTEE CHARTERS**

*(Based on the Revised Manual on Corporate Governance)*

### **A. THE AUDIT COMMITTEE**

The Audit Committee shall be composed of at least three (3) members of the Board who shall preferably have accounting and finance backgrounds, one (1) of whom shall be an independent director and another with audit experience. The Chairman of the Audit Committee should be an Independent Director.

#### **1. Duties and Responsibilities**

1.1 Check all financial reports as to their compliance with both the internal financial management handbook and pertinent accounting standards, including regulatory requirements.

1.2 Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.

1.3 Review the annual internal audit plans to ensure their conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.

1.4 Perform oversight functions over the internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

1.5 Elevate to international standards the accounting and auditing processes, practices and methodologies.

1.6 Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization.

1.7 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;

1.8 Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties;

1.9 Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

1.10 Review the reports submitted by the internal and external auditors;

1.11 Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- i. Any change/s in accounting policies and practices
- ii. Major judgmental areas
- iii. Significant adjustments resulting from the audit
- iv. Going concern assumptions
- v. Compliance with accounting standards
- vi. Compliance with tax, legal and regulatory requirements

1.12 Coordinate, monitor and facilitate compliance with laws, rules and regulations;

1.13 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 the external auditor's audit duties, or that may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report;

1.14 Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

## 2. External Auditor

2.1 The external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company. The external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.

2.2 The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

2.3 The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.4 The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier.

2.5 If the external auditor believes that the statements made in the Company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

### 3. Internal Auditor

3.1 As the size and complexity of its operations may warrant, the Company may establish an internal audit system that can reasonably assure the Management, Board and stockholders that its key organizational and operational controls are faithfully complied with. The Board may appoint an Internal Auditor to perform the audit function, and may require him to report to a level in the organization that allows the internal audit activity to fulfill its mandate. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

3.2 The Internal Auditor shall report to the Audit Committee.

3.3 The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, he being ultimately accountable for the Company's organizational and procedural controls.

3.4 The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risks; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

## **B. THE COMPENSATION COMMITTEE**

The Compensation Committee shall be composed of at least three (3) members, one of whom shall be an Independent Director.

### 1. Duties and Responsibilities

1.1 Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate Officers and Directors, and provide oversight over remuneration of senior management and other key personnel, ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.

1.2 Designate such amounts of remuneration as are sufficient to attract and retain competent Directors and Officers who are needed to run the Company successfully.

1.3 Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual Directors and Officers.

1.4 Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others, compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.

1.5 Disallow a Director from deciding on his or her own remuneration.

1.6 Provide in the Company's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.

1.7 Review the existing Human Resources Development or Personnel Handbook, if any, to strengthen provisions on conflicts of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

1.8 In the absence of such Human Resources Development or Personnel Handbook, cause the development of the same, covering the same parameters of governance stated above.

## **C. THE NOMINATION COMMITTEE**

The Board shall create a Nomination Committee which shall have at least three (3) voting members (one of whom must be independent).

1. The Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the following qualifications and disqualifications:

1.1 Qualifications of a Director

- a. Holder of at least one (1) share of stock of the Corporation;
- b. At least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- c. At least twenty-one (21) years old;
- d. With demonstrated integrity and probity; and
- e. Assiduous in the performance of a Director's duties.

## 1.2 Disqualifications of a Director

a. Permanent Disqualification - The following shall be grounds for permanent disqualification of a Director:

i. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;

ii. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (the "Commission") or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as Director or Officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the Securities and Exchange Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

iii. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;

iv. Any person who has been adjudged by final judgment or order of the Securities and Exchange Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission or BSP, or any of its rule, regulation or order;

v. Any person earlier elected as Independent Director who becomes an officer, employee or consultant of the same corporation;

vi. Any person judicially declared as insolvent;

vii. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;

viii. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.

b. Temporary Disqualification - Any of the following shall be a ground for the temporary disqualification of a Director:

i. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.

ii. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.

iii. Dismissal or termination for cause as Director of any corporation covered by this Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.

iv. If the beneficial equity ownership of an Independent Director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

2. In consultation with the executive or management committee/s, the Nomination Committee shall re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

3. The Nomination Committee shall consider the following guidelines in the determination of a prospective director's suitability for office:
  - 3.1 The nature of the business of the Corporations in which he is a Director;
  - 3.2 Age of the Director;
  - 3.3 Number of directorships/active memberships and officerships in other corporations or organizations (The optimum number shall be related to the capacity of a director to perform his duties diligently in general.); and
  - 3.4 Possible conflict of interest.
  
4. The Chief Executive Officer and other executive Directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive Directors who serve as full-time executives in other corporations. In any case, the capacity of Directors to serve with diligence shall not be compromised.