



CHARTER OF THE AUDIT AND RISK OVERSIGHT COMMITTEE

This Charter (the “Charter”) of the Audit and Risk Oversight Committee (the “Committee”) is promulgated by the Board of Directors (the “Board”) of CONCEPCION INDUSTRIAL CORPORATION (the “Company”) to provide for its purpose, membership, structure, operations, duties and responsibilities, including the procedures which shall guide the conduct of its functions.

1. Definition of Terms

The following terms are used in this Charter with the respective meanings ascribed to such terms below, unless the context otherwise requires:

“**Board**” shall mean the Board of Directors of the Company, as constituted from time to time.

“**Chairman**” means the Chairman of the Board, as elected by the Board.

“**Committee**” shall mean the Audit and Risk Oversight Committee of the Company.

“**Committee Chairman**” shall mean the chairman of the Committee, as appointed by the Board.

“**Company**” shall mean Concepcion Industrial Corporation.

“**Director**” shall mean a duly elected member of the Board.

“**Management**” shall mean the body responsible for the day-to-day conduct of the business of the Company and the implementation of its business strategies, plans and policies.

“**Member**” shall mean a member of the Committee, as appointed by the Board.



2. Purpose

- 2.1 The primary purpose of the Committee is to assist the Board in fulfilling its duties in relation to risk management, compliance, internal control, and financial reporting. Specifically, the Committee shall:
 - 2.1.1 Oversee the internal and external audit functions, perform direct interface functions as well as review the performance of the Company's external and internal audit functions;
 - 2.1.2 Oversee risk management practices;
 - 2.1.3 Oversee implementation of the Company's compliance programs;
 - 2.1.4 Oversee and ensure the integrity of the Company's financial reporting process, its financial reports and other financial information provided by the company to the public and/or governmental and/or regulatory bodies;
 - 2.1.5 Ensure the adequacy and effectiveness of the Company's internal control system, corporate governance processes, and risk management processes
 - 2.1.6 Review the annual independent audit of the Company's financial statements, ensuring the external auditors' qualification and independence;
 - 2.1.7 Ensure the Company's compliance with applicable laws and regulations which may represent material legal and financial exposure to the Company; and
 - 2.1.8 Review and approve material and/or significant Related party transactions as well as ensure the enforcement and review of Company Policy on Related party transactions.

3. Composition

- 3.1 The Committee shall be composed of at least five (5) Members who are all Directors, three (3) of whom, including the Committee Chairman, shall be Independent Directors. The Members and the Committee Chairman shall be appointed by the Board annually.



- 3.2 The Committee Chairman or any Member may be removed only by the Board.
- 3.3 The Chief Audit Executive and/or Chief Risk Officer shall act as coordinator of the Committee's meetings and such coordinator shall be responsible for providing secretarial and support services, including the recording and production of the minutes of meetings.
- 3.4 As may be requested by the Committee, the Chief Audit Executive shall provide technical support for audit, compliance, and internal control related matters and functions while the Chief Risk Officer shall provide technical support for risk management related matters and functions.

4. Committee Procedures

4.1 Meetings

- 4.1.1 The Committee shall hold meetings at such times and places as it considers appropriate provided that at least two (4) meetings shall be held each year.
- 4.1.2 Meetings of the Committee shall be convened by the Committee Chairman.
- 4.1.3 A Committee meeting shall be convened upon notice in writing three (3) days prior to the meeting and specifying the place, date and time for the meeting and the matters to be discussed at the meeting.
- 4.1.4 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 be retrospective.
- 4.1.5 Each Member shall provide an electronic mail address for the service of notices of meetings of the Committee.
- 4.1.6 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 sent to him by electronic mail to his address, as appropriate, given by him to the Secretariat in accordance with Sec. 4.1.5 above.



- 4.1.7 The quorum for a meeting of the Committee shall be at least a majority of the Members.
- 4.1.8 Resolutions at a meeting of the Committee at which there is a quorum shall be passed by a simple majority of votes of the Members present at such meeting.
 - 4.1.8.1 Each Member, including the Committee Chairman, shall have one (1) vote.
 - 4.1.8.2 In case of an equality of votes among members present, the Committee Chairman shall have a second or casting vote.
 - 4.1.8.3 A resolution in writing signed by all Members 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. A written notification of confirmation of such resolution in writing sent by a Member shall be deemed to be his signature to such resolution in writing for such purpose. Such resolution in writing may consist of several documents, each signed by one or more Members.
- 4.1.9 If, within thirty (30) minutes from the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day, time and place as the Committee Chairman may determine.
- 4.1.10 Members may participate in a meeting of the Committee through teleconference or video conference by means of which all persons participating in the meeting can hear each other.

4.2 Minutes and Records

- 4.2.1 Chief Audit Executive and/or Chief Risk Officer shall prepare the agenda of each Committee meeting in coordination with the Committee Chairman, collate documents pertaining to the matters in the agenda, prepare minutes of the meetings of the Committee and/or recall sheets of decisions made during meetings of the Committee, and keep records of the Committee.
- 4.2.2 The Committee shall cause records to be kept for the following:
 - 4.2.2.1 Appointments and resignations of the Members;
 - 4.2.2.2 All agenda and other documents sent to the Members; and



4.2.2.3 Minutes of proceedings and meetings.

4.2.3 Any such records shall be open for inspection by any Member upon reasonable prior notice during usual office hours of the Company.

4.2.4 Minutes of any meeting of the Committee, if purported to be signed by the Committee Chairman, or by the chairman of the meeting, shall be conclusive evidence of the proceedings and resolutions of such meeting.

4.2.5 Directors who are not members of the Committee shall receive copies of the draft Minutes of the Committee meeting with their Board papers and approved copies upon request.

4.3 Notice

4.3.1 Except for notice of meetings of the Committee which shall be given or issued in accordance with Section 4.1(f), any other notice or document to be given or issued to the Members may be served by the Committee upon any Member either (i) personally, or (ii) by sending it by mail, postage prepaid, addressed to such Member/Advisor at his address, or (iii) by facsimile transmission.

4.3.2 Any notice sent by mail shall be deemed to have been served on the day following that on which the notice is mailed. In proving such service, it shall be sufficient to prove that the notice was properly addressed and mailed, postage prepaid. Any notice sent by facsimile transmission shall be deemed to have been sent upon dispatch, as evidenced by the facsimile transmission confirmation report.

5. Authorities

5.1 The Committee is authorized by the Board to:

5.1.1 Investigate any activities within the scope of the Committee's duties.

5.1.2 Demand any information it requires from Management and to invite any member of Management to attend Committee meetings or related deliberations.



- 5.1.3 Obtain resources to discharge its functions, duties and responsibilities, including advise from external consultants and functional specialists within the CIC Group.
- 5.1.4 Evaluate and update this Charter as it deems appropriate, subject to the approval of the Board.

6. Duties and Responsibilities of the Committee

The Audit Committee shall discharge the functions enumerated below. The Committee does not have decision-making authority except as expressly provided herein or to the extent that such authority is expressly delegated by the Company.

6.1 Governance and Compliance

- 6.1.1 Review the Company's corporate governance activities and programs, and oversee the implementation thereof by the Company.
- 6.1.2 Review and report to the Board regularly on the Company's compliance with legal and regulatory requirements.
- 6.1.3 Oversee and periodically review the Company's Ethics Program, including the Company's whistleblowing system, conflict of interest situations, and promote a culture of integrity, ethical values and behavior in the Company.

6.2 Risk Management

- 6.2.1 Review and approve the Company's Enterprise risk management framework for identification, assessment, monitoring and management of risks.
- 6.2.2 Review of the updated risk profile of the Company and its affiliates.
- 6.2.3 Review implementation of the Company's implementation of Enterprise risk management framework.

6.3 Internal Controls and Internal Audit

- 6.3.1 Monitor and review the adequacy of design, compliance to, and effectiveness, of the Company's internal control system and risk management processes.



- 6.3.2 Identify, monitor and report to the Board the Company's risks or exposure to fraud.
 - 6.3.3 Review the organizational structure, qualifications, staffing and budgeting of the internal audit function, to ensure the adequacy of resources and independence of the internal auditors.
 - 6.3.4 Ensure that the internal auditors are free from outside influence or any conflict of interest in the performance of their functions.
 - 6.3.5 Review and approve the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit extent and scope, resources and budget necessary to implement it.
 - 6.3.6 Receive and review summary of reports of internal audit which must contain:
 - 6.3.6.1 Status of the internal audit plan
 - 6.3.6.2 A summary of internal audit activities and significant reports
 - 6.3.6.3 A description of any significant deficiencies in the internal control systems and procedures of the Company
 - 6.3.6.4 Restrictions encountered in the course of the internal audit's work
 - 6.3.6.5 Any significant unresolved issues.
 - 6.3.7 Review and discuss with management all internal control reports or summaries thereof, including the adequacy of the Company's internal controls and any special audit steps adopted on account of material control deficiencies.
- 6.4 Financial Reporting
- 6.4.1 Review the quality and integrity of all annual and interim financial statements before submission to the Board and prior to disclosure to the public, with particular focus on the following:
 - 6.4.1.1 Compliance with pertinent Philippine and internationally accepted accounting standards, internal financial management, as well as tax, legal and other regulatory requirements
 - 6.4.1.2 Completeness, clarity, consistency and accuracy of disclosures of material information such as on subsequent events and related party transactions
 - 6.4.1.3 Changes in accounting policies and practices



- 6.4.1.4 Major financial reporting issues
 - 6.4.1.5 Reasonableness of estimates, assumptions, and judgments
 - 6.4.1.6 Significant adjustments resulting from the audit
 - 6.4.1.7 Going concern assumptions
 - 6.4.1.8 Identification and correction of material errors, indications of fraud, and sufficiency of risk controls
 - 6.4.1.9 Clarification of significant legal risks, contingencies and issues
 - 6.4.1.10 Review and approval of management representation letter in recognition of management's responsibility over the financial statements
- 6.4.2 In consultation with the independent auditors and internal auditors, review and monitor the effectiveness and integrity of the Company's financial reporting processes and systems, management information systems, information technology security and the overall internal control structure over finance, operations and information systems, including disclosure controls and procedures.
- 6.4.3 Review unusual or complex transactions including material and/or significant related party transactions, as well as litigation, claims, contingencies or other significant legal issues that impact financial statements.
- 6.4.4 Assess management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decision.
- 6.5 Independent External Auditors
- 6.5.1 Nominate, determine the compensation of, and review the scope of work, fees and performance of, the Company's independent external auditors who shall report directly to the Committee. The Committee shall oversee the resolution of, disagreements between management and the independent auditors in the event that they arise.
 - 6.5.2 Ensure that independent external auditors:
 - 6.5.2.1 Comply with the International Standards on the Professional Practice of Internal Auditing (ISPPIA)
 - 6.5.2.2 Do not at the same time provide the services of an internal auditor to the same client
 - 6.5.2.3 Non-audit work of the independent external auditors is not in conflict with the functions of the independent auditor



6.5.3 Ensure that the independent external auditors are ultimately accountable to the Board of Directors and shareholders of the Company.

6.5.4 Review with the independent external auditors and the CFO the annual external audit plan, and the nature, scope and expenses of the audit.

6.5.5 Determine policies and procedures to ensure and maintain the independence of the independent external auditors.

6.6 Other Matters

Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

7. Duties and Responsibilities of the Committee Members

Each Committee member must:

7.1 Be familiar with the mandate of the Committee, his/her responsibilities as Committee member, and the Company's business and operating environment.

7.2 Act honestly and in good faith with a view of promoting the best interest of all stakeholders.

7.3 Exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.

7.4 Regularly attend Committee meetings, and effectively contribute during discussions, offering alternative viewpoints including own personal experiences and opinions.

7.5 Constructively engage with the Company CEO, CFO and any other senior leader of the Company, to ensure that the Committee is well informed and better positioned to offer the Company reliable recommendations.

7.6 Keep confidential all Committee discussions except as otherwise as agreed upon by the Committee as a whole. The Committee may choose to avoid



any record in writing of sensitive information, to avoid risk of inadvertent spreading of the same.

8. Reporting Responsibilities

The Chairman of the Committee, or in his absence, the Chairman of the meeting, shall report to the Board the decisions and recommendations made by the Committee following each meeting.

9. Remuneration of Members

No other fees or other remuneration shall be payable to the Members in respect of their services provided in connection with the Committee or in respect of their attendance at meetings of the Committee, save and except fees or remuneration authorized and approved by the Board for such purposes.

10. Amendment

This Charter shall not be amended, altered or varied, unless such amendment, alteration or variation shall have been approved by a resolution of the Board.