

# **PHILWEB CORPORATION AUDIT COMMITTEE CHARTER**

In accordance with the By-Laws and Revised Manual on Corporate Governance of PhilWeb Corporation (the "Manual"), the Board of Directors and Management of PhilWeb Corporation (the "Company") hereby adopt this Audit Committee (the "Committee") Charter ("Charter"). This Charter shall govern the operations of the Audit Committee.

## **1. Purpose of the Committee**

The Committee shall assist the Board of Directors in fulfilling its oversight responsibility to the Company's shareholders in relation to:

- a. the integrity of the Company's financial statements and the financial reporting process;
- b. the Company's compliance with legal and regulatory audit requirements;
- c. the internal audit activity, systems and processes; and
- d. the external auditor's qualifications and independence from the Company.

For this purpose, the Committee shall at all times be in open and free communication with the Company's independent auditors, internal auditors and management and to determine that all parties are aware of their responsibilities.

## **2. Membership**

The Committee shall be composed of at least three (3) members of the Board, two (2) of whom shall be an independent director and another with audit experience. The Chair of the Committee should be an independent director.

The Chair shall be responsible for ensuring the effective communication among and between the Committee members, the internal and external auditors, and management. He should be responsible for inculcating in the minds of the Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

Members of the Committee shall preferably have adequate accounting and finance backgrounds. They shall have the competence to understand the Company's business, financial systems, management and environment in order to fulfill the purpose of the Committee.

The Board elects the members of the Committee during the annual organizational meeting and upon recommendation of the Nominations Committee.

Members of the Committee shall have a term of one (1) year and shall hold their position in conjunction with their membership in the Board.

## **3. AUTHORITY**

The Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- a. Oversee the work of the external auditor of the Company in the conduct of its annual audit.
- b. Resolve any disagreements between management and the external auditor regarding financial reporting.
- c. Pre-approve all auditing and permitted non-audit services performed by the Company's external auditor.
- d. Whenever necessary, retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation. After such investigations, the Committee shall have the authority to implement the appropriate remedies to address any finding of wrongdoing or inaccurate reporting and whenever necessary institute the appropriate legal actions to protect the best interest of the Company.
- e. Seek any information it requires from employees--all of whom are directed to cooperate with the committee's requests--or external parties.
- f. Meet with company officers, external auditors, or outside counsel, as necessary.

#### **4. Functions and Responsibilities**

The Committee shall have the following functions and responsibilities:

- a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations;
- b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities. The Committee shall also promote risk awareness in the Company;
- c. Perform oversight functions over the Company's internal and external auditors. It shall 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 functions;
- d. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- 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. The Committee shall review and approve management's representation letter before submission to the external auditor;
- f. Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
  - g. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
  - h. Review the reports submitted by the internal and external auditors;
  - i. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
    - i. Any changes in accounting policies and practices
    - ii. Major judgmental areas
    - iii. Significant adjustments resulting from audit
    - iv. Going concern assumptions
    - v. Compliance with accounting standards
    - vi. Compliance with tax, legal and regulatory requirements
    - vii. Unusual or complex transactions including all related party transactions
  - j. Coordinate, monitor and facilitate compliance with laws, rules and regulations
  - k. 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, shall be disclosed in the Company's annual report.
  - l. Establish and identify the reporting line of the Internal Auditor to enable to properly fulfill his duties and responsibilities. He shall functionally report directly to the Committee. The Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties
  - m. Establish a Whistle Blower Policy that sets down the procedures for the receipt, retention, investigation and treatment of complaints received by the Company or any of its officers or employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees to the Company of concerns regarding questionable accounting or auditing matters.

## **5. Internal Auditor**

- a. The Company shall have in place an independent internal audit function which shall be performed by an internal auditor or a group of internal auditors, through which its Board, senior management, and stockholders shall be provided with reasonable

assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

- b. As indicated in the ISPPIA Practice Advisory 1210-1, the internal auditor of the Company must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. The knowledge, skills and other competencies referred to include the following:
- Proficiency in applying internal audit standards, procedures, and techniques in performing engagements. Proficiency means the ability to apply knowledge to situations likely to be encountered and to deal with them appropriately without extensive recourse to technical research and assistance.
  - Proficiency in accounting principles and techniques if internal auditors work extensively with financial records and reports.
  - Knowledge to identify the indicators of fraud.
  - Knowledge of key information technology risks and controls and available technology based audit techniques.
  - An understanding of management principles to recognize and evaluate the materiality and significance of deviations from good business practices. An understanding means the ability to apply broad knowledge to situations likely to be encountered, to recognize significant deviations, and to be able to carry out the research necessary to arrive at reasonable solutions.
  - An appreciation of the fundamentals of business subjects such as accounting, economics, commercial law, taxation, finance, quantitative methods, information technology, risk management, and fraud. An appreciation means the ability to recognize the existence of problems or potential problems and to identify the additional research to be undertaken or the assistance to be obtained.
  - Skills in dealing with people, understanding human relations, and maintaining satisfactory relationships with engagement clients.
  - Skills in oral and written communications to clearly and effectively convey such matters as engagement objectives, evaluations, conclusions, and recommendations.
- c. The internal auditor shall report to the Audit Committee.
- d. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Company's organizational and procedural controls.
- e. 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 risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

- f. The internal auditor/s shall be guided by the International Standards on Professional Practice of Internal Auditing.

## **6. External Auditor**

- a. The Committee shall ensure that the external auditor is accredited by the Securities and Exchange Commission and whose accreditation is in good standing. The external auditor must also possess the independence defined by the Board of Accountancy and approved by the Professional Regulatory Commission.
- b. An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Company, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Committee.
- c. 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.
- d. The external auditor of the Company shall not at the same time provide the services of an internal auditor to the same client. The Company shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.
- e. The Committee shall ensure that the Company's external auditor shall be rotated or the engagement partner shall be changed every five (5) years or earlier.
- f. If an 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.

## **7. Risk Management**

The Committee shall review the adequacy of the Company's risk management policies and strategies. For this purpose, the President, and the Chief Executive Officer together with the other appropriate officers of the Company shall provide the Committee with the results of management's annual risk assessment and other information relating to risks the Company is exposed to.

## **8. Meetings and Schedule**

For the efficient discharge of its functions and responsibilities, the Committee shall commit on an annual calendar of activities. The Chief Finance Officer or such other authorized officers shall ensure that the calendar is carried out as planned.

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as

necessary. It will meet separately, periodically, with management, with internal auditors and with external auditors. It will also meet periodically in executive session. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes for all meetings will be prepared.

## **9. Reporting Procedures**

To keep the Board apprised on the results of the Committee's activities, the Chair of the Committee shall submit a report every quarter to the Chairman of the Board of Directors and shall be ready to present the report to the full Board during the latter's meeting. At the minimum, the Audit Committee should report to the Board the issuances of certifications and critical compliance issues as required by law and regulations. Notwithstanding the foregoing, any issues that may be determined in the interim to require the Board's immediate attention shall be immediately reported to the Board.

The Committee shall likewise submit an annual Committee Report to the Board during the start of the immediately following fiscal year.

## **10. Performance Evaluation and Continuous Improvement**

To ensure that the Committee continues its compliance with the Manual and fulfillment of its responsibilities, the Committee shall conduct an annual assessment of its performance, as follows:

- i. Evaluate its performance by filling up a self-assessment questionnaire that shall benchmark its actual practices against the objectives laid down in this Charter;
- ii. Based on this evaluation, the Committee shall formulate and implement plans to improve its performance, which may include the scheduling of training seminars on corporate best practices and accounting and auditing standards.

The Board of Directors may also evaluate the Committee's performance.

The Audit Committee shall also include in its annual review the relevance of the provisions this Charter to the Company's business and current audit and reportorial requirements. Any proposed revisions to the Charter determined by the Committee shall be submitted to the Board of Directors of the Company for their approval. Any changes to this Charter shall be disclosed to the public as required by law and regulations.

The performance evaluation and assessment shall be properly documented and should form part of the records of the Company.