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# AUDIT AND RISK COMMITTEE CHARTER

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Updated as of December 14, 2020

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## AUDIT AND RISK COMMITTEE CHARTER

### 1. PURPOSE

The primary purpose of the Audit and Risk Committee (the "Committee") is to provide assistance to the Board of Directors (the "Board") in fulfilling its oversight responsibilities over the quality and integrity of financial accounting and reporting process, auditing practices, internal control systems, compliance with applicable laws and regulations, and its own code of business conduct. In addition, the Committee shall monitor the risk environment of Eton Properties Philippines Inc. ("EPPI") and its subsidiaries and provide direction to mitigate, to an acceptable level, the risks that may adversely affect EPPI's and its subsidiaries' ability to achieve its goals.

### 1. Composition and Qualifications

- 1.1. The Committee shall be composed of at least three (3) appropriately qualified Non-Executive Directors, the majority of whom, including the Chairman, shall be independent. The Chairman of the Committee shall be an independent director and shall be responsible for ensuring the effective interaction among the committee members, Management and the Internal and External Auditors.
- 1.2. Each member of the Committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, or finance.
- 1.3. The Chairman and the members of the Committee shall have a term of office of one (1) year and shall continue until their successors have been appointed by the Board. This is to strengthen the independence and objective judgment of the independent directors.
- 1.4. A member of the Committee may be removed from office only by the Board.
- 1.5. The Chairman of the Audit & Risk Committee shall not be the Chairman of the Board or of any other committee.
- 1.6. The Board authorizes the Committee, within the scope of its responsibilities, to investigate any matter brought to its attention with full access to all books, records and personnel of the Corporation, inclusive of the discretion to invite any Director or executive officer to attend its meetings, to enable it to effectively discharge its functions.

The Committee shall have the authority to retain such special counsel or outside advisor as it deems appropriate to assist the Committee in the performance of its functions.

## **2. Meeting Procedure**

- 2.1. The Committee shall meet at least quarterly with authority to convene additional meetings as circumstances require. The secretary of the Audit Committee shall be the Corporate Secretary, or such other person as may be nominated by the Board.
- 2.2. The quorum for a meeting of the Committee shall at least be a majority of the members. The Committee may require other members of Management to be present at the meetings. External subject experts, such as appointed External Auditors and other consultants may also be invited to the meetings.
- 2.3. The members may participate in a meeting via telephone conference or via such other similar communication equipment of which all persons participating in the meeting can hear each other, without a member being in the physical presence of another member or members. Participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

## **3. Duties and Responsibilities**

- 3.1 The Committee shall have the following Audit Oversight functions:
  - (a) Ensure the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law, rules, regulations and the Manual;
  - (b) 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;

- (c) Assess the integrity, independence and objectivity of the External Auditor and conduct an annual review of the range of services provided in the context of all consulting services bought by the Company to determine suitability and effectiveness;
- (d) Ensure that the rotation process of External Auditors or firms are observed and implemented;
- (e) Meet with the External Auditors, without the presence of the Company's Management, at least annually to verify that the External Auditors act independently, and is given unrestricted access to all records, properties and personnel to enable it to perform its audit functions;
- (f) Review the effectiveness of the financial management systems and information technology security including internal control of the entire accounting process from documentation of financial transactions to the preparation, interpretation, and analysis of financial reports of Management, and the External Auditor;
- (g) Review the quarterly, half-year, and annual financial statements, as presented by the Management, before their submission to the Board;
- (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 the duties of the External Auditor or may pose a threat to its independence. If allowed, the non-audit work and its nature shall be disclosed in the Company's annual report in the interest of managing potential conflict of interest cases;
- (i) Review the reports submitted by the External Auditors including the management letter to ensure that management is taking appropriate corrective actions in

a timely manner. Ensure External Auditor's compliance with Auditing Standards;

- (j) Make recommendations to the Board regarding the appointment, reappointment, removal, and fees of the External Auditors;
- (k) Ensure that the Committee Charter is in writing and that arrangements are made for all employees to be aware of it;
- (l) Recommend to the Board of Directors the approval of the Internal Audit Charter and oversee its implementation;
- (m) Adapt to the international accounting and auditing standard procedures, practices and methodologies;
- (n) Oversee and evaluate the adequacy and effectiveness of the different internal control system, which effectively ensures the integrity of the financial reports and protection of the assets for the benefit of all shareholders and other stakeholders of the Company and its subsidiaries;
- (o) Establish and identify the reporting line of the Internal Auditor/Chief Audit Executive. The Chief Audit Executive shall report administratively to the CEO of the company and functionally to the Audit and Risk Committee. Internal Audit Department shall be free from interference in determining its scope, performing its works and communicating its results;
- (p) Ensure that the External and the Internal Auditors have free and unrestricted access to all the Corporation's records, properties and personnel needed in the performance of their functions;
- (q) Review of Internal Audit Department's periodic report in accordance with the audit plan approved by the Committee;
- (r) Approve the annual audit plan which includes the audit scope, resources and budget to ensure conformity with the objectives of the Corporation. Ensure that the Internal Audit function has adequate resources in terms

of manpower, budget and training to effectively fulfill its independent duties in the expedient implementation of the Annual Audit Plan;

- (s) Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- (t) Assess the performance of the Chief Audit Executive and Internal Audit Department and concur with the annual compensation and salary adjustments;
- (u) Conduct separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately;
- (v) Ensure the internal audit activity complies with the International Standards for the Professional Practice of Internal Auditing (ISPPA).

3.2. The Committee shall have the following Risk Oversight functions:

- (a) Perform oversight over Management's activities in managing credit, market, liquidity, operational legal and other risks of the Company. The function shall include regular receipt from Management of information on risk exposures and risk management activities;
- (b) Monitor the risk environment of the Company, inclusive of its subsidiaries, and provide direction for the activities that will mitigate, to an acceptable level, the risks that may adversely affect the Company's ability to achieve its goals;
- (c) Oversee and evaluate the adequacy and effectiveness of the different internal control system, which effectively ensures the integrity of the financial reports and protection of the assets for the benefit of all stockholders, other stakeholders of the Company, and its subsidiaries;
- (d) Oversee operational, legal, and other risks and shall primarily be responsible for monitoring the statutory requirements of the Company. It shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of

concern are risks that are the most likely to occur and are costly when such do happen;

- (e) Oversee the policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks. It shall develop a plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real;
- (f) Communicate the risk management plan and loss control procedures to affected parties;
- (g) Conduct regular discussions on the Company's current risk exposure based on regular Management reports and instruct concerned units and/or offices on how to reduce such exposure;
- (h) Evaluate the risk management plan to ensure its continued relevancy, comprehensiveness and effectiveness. Strategies should be revisited, in constant search for emerging or changing exposures, staying abreast of developments that affect the likelihood of harm or loss;
- (i) Regularly report to the Board of Directors the Company's over-all risk exposure, the actions taken to reduce the risks, and recommend further action or plans as necessary;

Consequently, ensures that the Board shall take appropriate corrective action, when necessary, in addressing control and compliance functions with regulatory agencies;

- (j) Oversee the implementation of countermeasures to mitigate cybersecurity risks and discuss all reports for recommendation and action;
- (k) Undertake or delegate the responsibility to identify/prioritize business risks, evaluate the effectiveness of risk mitigation activities, ensure gaps in effectiveness

are addressed for high priority risks and to establish Enterprise Risk Management (“ERM”) framework;

- (l) Treat all sufficient whistleblower reports in confidence and discuss all such reports for recommendation and actions.

3.3. Lastly, the Committee shall have oversight over Related Party Transactions (a.k.a. the “RPT”), to wit:

- (a) It shall review and pass upon related party transactions before these are elevated to the Board;
- (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;
- (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) with 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;
- (d) Ensure that appropriate disclosure is made, and/or information is provided to the SEC relating to the Company’s RPT exposures, and policies on conflicts of interest or potential conflicts of interest;
- (e) Report to the Board of Directors 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;
- (f) Ensure that transactions with Related Parties, including write-off of exposures, are subject to a periodic independent review or audit process; and



- (g) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

**Revised and Approved as of December 14, 2020**