



## **EAGLE CEMENT CORPORATION AUDIT COMMITTEE CHARTER**

### **I. INTRODUCTION**

The Audit Committee of Eagle Cement Corporation (the “Company”) was constituted by the Board of Directors pursuant to the provisions of the By-Laws and the Manual on Corporate Governance of the Company (the “CG Manual”).

This Audit Committee Charter (this “Charter”) sets out the composition, functions and responsibilities of the Audit Committee and the rules of procedure that will guide the functions of the Audit Committee.

### **II. PURPOSE**

The Audit Committee is a standing committee of the Board of Directors constituted for the purpose of assisting the Board of Directors in the oversight of the senior Management in establishing and maintaining an adequate, effective and efficient internal control framework of the Company.

The Audit Committee ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

### **III. COMPOSITION**

The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom shall be independent directors.

The Chairperson shall be an independent director and shall not be the Chairperson of the Board of Directors or of any other board committee.

The members of the Audit Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

The Board of Directors will appoint the members of the Audit Committee at the organizational board meeting that follows each annual stockholders’ meeting or at any earlier time as the Board of Directors may deem necessary.

The Corporate Secretary of the Company is the secretary of the Audit Committee.

The Audit Committee may appoint one or more persons to act as advisor to the committee who may attend the meetings of the committee but shall have no right to vote.

#### **IV. MEETINGS; COMMITTEE APPROVALS**

The Audit Committee shall meet at such times and places as it considers appropriate. The Chairperson may call a meeting at any time as needed.

All committee members are expected to attend each meeting, in person or via tele- or video-conference. The meetings are limited to the committee members and whoever is authorized by the Audit Committee to attend. In the absence of the Chairperson during any meeting, a chairperson for the meeting shall be designated by the members present.

As necessary, the Audit Committee will invite members of management and organization staff or any independent adviser to provide pertinent information or data.

The Audit Committee, through the corporate secretary, distributes the notice, the agenda and the appropriate committee materials at least two one (2) days before any meeting so the members can intelligently review the various matters raised.

A majority of the members of the Audit Committee shall constitute a quorum for the transaction of the committee's business.

The Audit Committee shall act only on the affirmative vote of a majority of its members at a meeting or, to the extent allowed by law, by unanimous written consent of the members.

The Audit Committee shall meet with the Board of Directors at least every quarter without the presence of the Chief Executive Officer or other management team members. It shall also periodically meet with the head of the Internal Audit Group of the Company.

#### **V. DUTIES AND RESPONSIBILITIES**

The Audit Committee has the following duties and responsibilities, among others:

- a) Recommend the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b) Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- c) Oversee the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee shall also approve the terms and conditions for outsourcing internal audit services;
- d) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit Committee;

- e) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
- f) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- g) Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him 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 and Annual Corporate Governance Report;
- h) Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- i) Review the disposition of the recommendations in the External Auditor's management letter;
- j) Perform oversight functions over the Company's Internal and External Auditors. It shall ensure the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- k) Coordinate, monitor and facilitate compliance with laws, rules and regulations; and
- l) Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders.

Since the Company does not have a separate Board Risk Oversight Committee and/or Related Party Transactions Committee at this time, the Audit Committee shall likewise perform the following functions:

- m) Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;

- n) Oversee the implementation of the enterprise risk management plan and conduct regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- o) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. This Committee shall revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- p) Advise the Board on its risk appetite levels and risk tolerance limits;
- q) Review at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company;
- r) Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- s) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function shall include regularly receiving information on risk exposures and risk management activities from Management;
- t) Report to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary;
- u) 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. Related parties, RPTs and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors;
- v) 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) to 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. In evaluating RPTs, the Committee takes into account, among others, the following:
  - 1) The related party's relationship to the Company and interest in the transaction;
  - 2) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - 3) The benefits to the Company of the proposed RPT;
  - 4) The availability of other sources of comparable products or services; and

- 5) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- w) Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
- x) Report to the Board 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;
- y) Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- z) Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

## **VI. ACCESS TO INFORMATION AND RESOURCES**

The Audit Committee shall be granted reasonably free and full access to the records, data, and properties of the Company and information from directors, officers, employees, or external parties that may be relevant in the discharge of its functions, duties, and responsibilities. It shall also be provided with the resources necessary for the purpose of fulfilling its duties and responsibilities under this Charter.

## **VII. REPORTING PROCEDURES**

The Chairperson of the Audit Committee, or in his absence, the member elected by the members present in a meeting, shall report at the meeting of the Board of Directors the decisions and recommendations made by the Audit Committee following each committee meeting.

The Audit Committee shall prepare an annual report of its activities for inclusion in the Company's annual report.

## **VIII. PERFORMANCE EVALUATION; CHARTER REVISION**

The Audit Committee shall periodically assess its effectiveness by comparing its performance with the requirements of this Charter and the CG Manual to ensure compliance with this Charter, the CG Manual, and best practice. The assessment will also form the basis for the formulation of objectives and plans for the improvement of the Committee's performance.

The Audit Committee may likewise be subject to an independent assessment by the Board of Directors.

The Audit Committee shall also review and assess the adequacy of this Charter annually or as conditions dictate to ensure that this Charter is continuously aligned and consistent with the objectives and responsibilities of the Board of Directors. It shall recommend any modifications to this Charter as deemed appropriate and obtain the approval of the Board of Directors for any such modifications.