

# ANGELES ELECTRIC CORPORATION

## Audit Committee Charter

### **A. Purpose**

1. To aid in complying with the principles of good corporate governance, the Board of Directors may constitute an Audit Committee to focus on specific Board of Directors' functions to aid in the optimal performance of its roles and responsibilities.
2. The Audit Committee shall assist the Board of Directors in its oversight capability over the AEC's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

### **B. Membership**

1. The Audit Committee should be composed of at least three (3) appropriately qualified Non-Executive Directors, the majority of whom shall be Independent Directors.
2. The Committee Chairman shall be appointed by the Board of Directors who must be an Independent Director and preferably should not be the Chairman of any other Committees.
3. Each member shall have adequate understanding, or competence at most, of AEC's financial management systems and environment.
4. The Board shall appoint the members of the Audit Committee at its annual organizational meeting. Any vacancies in the Committee caused by the death, resignation, removal, or disqualification of any member, or by any other cause, shall be filled by a majority vote of the Board in a special meeting.
5. The Committee may form and delegate authority to subcommittees as appropriate and under applicable laws or regulations.

### **C. Authority**

In the performance of its duties and responsibilities, the Committee is empowered to:

1. Have resources and authority appropriate to discharge its responsibilities as set out in this Charter, including the authority to engage external auditors for special audits, reviews and other procedures and to obtain advice from the special counsel and other experts or consultants to assist in the conduct of an investigation, without need for Board approval.

2. Seek any information it may require from any employee, director, agent or advisor and all such persons will be directed to cooperate with the request made by the Committee.
3. Meet separately with any officer of the Corporation, the Internal Auditor and/or external auditors or outside counsel to discuss any matter that the Committee or any of the foregoing persons or firms believe should be discussed privately; and
4. Resolve any disagreements between Management and the auditors regarding financial reporting.

#### **D. Duties and Responsibilities**

1. Recommends the approval of the Internal Audit Charter ("IA Charter") defining the role of Internal Audit and the audit plan and the implementation of the IA Charter.
2. Monitors and evaluates, through the Internal Audit Department, the adequacy and effectiveness of AEC's internal control system, the integrity of financial reporting, and the security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be placed to:
  - (a) safeguard AEC's resources and ensure their effective utilization,
  - (b) prevent the occurrence of fraud and other irregularities,
  - (c) protect the accuracy and reliability of AEC's financial data, and
  - (d) ensure compliance with applicable laws and regulations.
3. Oversees the Internal Audit Department and recommends the appointment and/or grounds for engagement and/or removal of an Internal Audit Head. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if applicable.
4. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities, wherein for this purpose, the Internal Auditor should directly report to the Audit Committee.
5. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations.
6. Before the commencement of an external audit, discusses with the External Auditor the nature, scope, and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved, in the activity to identify proper coverage and minimize duplication of efforts.
7. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor with the total fees paid and AEC's overall consultancy expenses. The Audit Committee should disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in AEC's Annual Report and Annual Corporate Governance Report.

8. Reviews and approves the Annual and Interim Annual Financial Statements before their submission to the Board of Directors, 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
9. Reviews the disposition of the recommendations in the External Auditor's management letter.
10. Performs oversight functions over AEC's Internal and External Auditors and ensures their independence and unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
11. Coordinates, monitors, and facilitates compliance with laws, rules, and regulations.
12. Performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal, and other risk of AEC, and crisis management.
13. Pre-approves all external audit plans, scope, nature, expenses, and frequency at least one (1) month before the conduct of the external audit, examines and determines any non-audit work including non-audit fees who undertakes an independent audit of AEC, and provides an objective assurance on how the financial statements should be prepared and presented to the Shareholders.
14. Recommends to the Board of Directors the appointment, reappointment, removal, and fees of the External Auditors, duly accredited by the SEC.
15. Performs direct interface functions with the Internal and External auditors.
16. Ensures full compliance with Philippine Accounting Standards (PAS).
17. Develops a transparent financial management system that will ensure the integrity of internal control activities throughout AEC through step-by-step procedures and policies handbook that will be used by the entire organization.
18. Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and the Related Party Registry is updated to capture subsequent changes in relationships with counterparties.
19. In the absence of a Related Party Transactions Committee:
  - Evaluates all Related Party Transactions to ensure that these are not undertaken on

more favorable economic terms (*i.e.* 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;

- Determines any potential reputational risk issues that may arise because of or in connection with Related Party Transactions (RPT). The Committee shall take into account 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 corporation 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 undertaken on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
- Ensures 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 potential and/or actual conflicts of interest. The disclosure should 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;
- Reports to the Board of Directors regularly on the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
- Oversees the implementation of the system for identifying, monitoring, measuring controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and

20 Meets internally with the Board of Directors at least once a quarter without the presence of the CEO or other Management Team members, and periodically meets with the head of the Internal Audit.

## **E. Meetings of the Committee**

### **1. Frequency of Meetings**

The Committee shall meet at least four (4) times a year to discharge its duties and responsibilities as outlined herein. In addition to regular meetings, special meetings can be called by the Chairman of the Committee or any two (2) members as necessary.

**2. Notice of Meetings**

The notice of the Committee meetings shall be given at least five (5) business days before the scheduled meeting and may be given through electronic mail or other appropriate means.

For special meetings, notices may be sent at least two (2) business days before the date of the special meeting.

The notice shall specify the time and place of the meeting and include a detailed agenda.

Audit Committee meetings shall be conducted through video conference or such other similar means as may be necessary.

**3. Agenda**

The Chairman, in consultation with the other Members of the Committee, shall propose a list of items to be addressed by the Committee during the year. The Chairman shall ensure that the agenda for each Committee meeting is circulated to each Member of the Committee together with the Notice of the meeting and the presentation materials shall be circulated two (2) days before the date of the actual meeting.

**4. Quorum and Voting**

A majority of all the Members of the Committee present in person or using a video conference, teleconference, or other modes of communication in which all persons participating in the meeting can completely hear each other shall constitute a quorum. The Members participating in the meeting shall have received the agenda and all the materials for the meeting.

The majority vote of the voting Members shall be required for the Committee to approve, authorize, or take any action. The Committee may refer to the full Board for consideration any matter which fails to be approved by a majority vote of all voting Committee Members.

**5. Secretary**

The incumbent Corporate Secretary of the Corporation shall act as the Secretary of the Audit Committee.

**6. Minutes**

All Committee meetings must be duly recorded and filed by the Corporate Secretary and shall be maintained with the books and records of the Corporation.

The Minutes of the Committee meetings must be available for review and approval not less than five (5) business days before the next meeting and signature at the next committee meeting.

**7. Per Diems**

The Committee members shall be entitled to per diems for every attendance to a Committee meeting.

**F. Reporting**

The Audit Committee shall regularly report to the Board on all significant matters that are within its responsibilities.

**G. Assessment of the Performance of the Committee**

The Board shall provide the standards for evaluating the performance and effectiveness of the Committee in fulfilling its duties and responsibilities as set out in this Charter and in the Corporation's Manual on Good Corporate Governance.

**H. Review**

The Committee will review its Charter at least annually and submit to the Board for approval any amendments thereof.

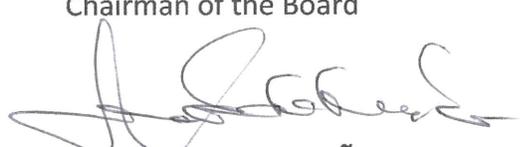
**I. Effectivity**

This Charter and amendments thereto shall take effect upon approval by the Board.

Signed and approved:

  
**ENGR. GEROMIN T. NEPOMUCENO**  
Chairman of the Board

  
**MARIA RITA JOSEFINA V. CHUA**  
President and CEO

  
**IVANNA G. DE LA PEÑA**  
Independent Director

  
**EMMANUEL JOSEPH M. NEPOMUCENO**  
Director

  
**HORACIO E. CEBRERO III**  
Independent Director, Audit Committee Chairperson