



POLICY

AP BOARD AUDIT COMMITTEE CHARTER

APC-IAD-001

Document Approval				
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BOARD AUDIT COMMITTEE CHARTER

1. PURPOSE

The Board of Directors of **Aboitiz Power Corporation** (the “Company”) believes that it can usefully supplement its ability to make audit decisions effectively and in a timely manner if it can delegate to an Audit Committee (the “Committee”) the tasks of (1) preparing a strategic audit agenda for the Company and (2) providing oversight over the Company’s financial reporting policies, practices and control, and internal and external audit functions. The Committee is intended to assist the Company and not to pre-empt any Company responsibilities in making final audit-related decisions.

The primary purpose of the Committee is to assist the Board in fulfilling its responsibility to the public, governmental and/or regulatory bodies in:

- (a) Ensuring the integrity of the Company’s financial reporting processes, including ensuring the integrity of financial reports and other financial information provided by the Company to the public, governmental and/or regulatory bodies;
- (b) Ensuring excellence in the Company’s control performance by having an adequate and effective internal control system, governance and risk management processes and reviewing the performance of the Company’s internal audit function;
- (c) Reviewing the annual independent audit of the Company’s financial statements and the external auditors’ qualifications and independence;
- (d) Ensuring compliance with applicable laws and regulations which may represent material financial exposure to the Company; and
- (e) Providing an avenue of communication among the Company’s independent auditors, management, the internal auditing department and the Company.

The Committee, in fulfilling its purpose, will establish a constructive and collaborative relationship with the Company’s senior leadership, especially the Company CEO, COO, CFO and the heads of the different departments.

2. MEMBERSHIP

The Board Audit Committee shall be composed of five (5) Directors, three (3) of whom shall be independent directors **and non-executive directors.**

Each member, preferably with accounting, auditing, or related financial management expertise or experience, shall have adequate understanding, familiarity and competence in the fundamental principles of internal controls as they relate to most of the Company’s financial management systems and operating environment. Members are likewise committed to obtain relevant trainings including an orientation program for first-time directors not only to enhance their understanding of their roles but to develop and maintain the necessary technical knowledge to discharge them effectively.

The Board may remove any member from the Committee at any time with due cause as guided by the provision in the Company's Code of Corporate Governance.

The Committee should ensure that a succession plan is in place. In the absence of the Chairperson, the other independent director shall take his place.

3. CHAIR

An Independent Director shall act as Chair of the Committee

In the absence of the Chairperson, the other independent director shall chair the meeting.

4. SECRETARY

The Internal Auditor or his nominee shall act as the Secretary of the Committee.

5. QUORUM

The quorum necessary for the transaction of business shall be a majority of the total Committee membership. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. FREQUENCY OF MEETINGS

The Committee will, in principle, meet as and when required to manage matters falling under its jurisdiction. The Committee shall formally meet at least four (4) times a year to discharge its duties and responsibilities as outlined below. In addition to regular meetings, special meetings can be called by the Committee Chair or any two members as required. The Company's CEO, COO, CFO or Internal Auditor may also request for a meeting.

7. PRIVATE SESSIONS

The Committee should hold, at least annually, private (or executive) sessions with Internal Audit, the external auditors, management and/or other parties, as needed, such as the CEO, the COO, the CFO, the Chief Legal Officer, the Chief Compliance Officer and/or the Chief Risk Management Officer. These sessions will allow discussion of more sensitive issues or topics that were not raised during the open meeting. These meetings will also provide an opportunity to discuss audit performance, management performance and how the Committee might improve its own performance.

Private sessions should be scheduled as part of the agenda and the Committee Chair should ensure that they are actually held.

The Chief Financial Officer and any other member of the management team may, when invited by the Audit Committee, attend the regular audit committee meetings for purposes of discussing and clarifying any matters pertaining to the financial reports of the Company. At executive sessions with the

Company's external auditors, only the members of the Board Audit Committee shall be in attendance unless the external auditors require some clarifications from the Management Team.

8. NOTICE OF MEETINGS

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and any other person required to attend no later than seven (7) calendar days before the date of the meeting. Should the Committee Chair decide that confidentiality is required on a particular agenda item, a general description of the subject to be discussed and an explanation of the need for confidentiality needs to be provided to the Committee members in advance.

9. AGENDA

The agenda for the meetings will be set by the Committee Chairperson. Individual members of the Committee will have the right to place items on the meeting agenda. A draft meeting agenda will be sent out to all the members of the committee which will then be subject to the review and finalization by the Committee Chairperson. Items to be discussed in the meeting must be included on the agenda, but under exceptional circumstances an item not on the agenda may be addressed at the meeting provided all members present or represented agree to this addition. Invitations to meetings and the agenda of meetings may be sent by facsimile, email or other electronic means prior to the date of the meeting. The Committee will keep a record of its meetings and report on them to the Company.

Committee members are allowed upon agreement from the Chairperson to invite guest speakers which may include key officers of management such as the C-level executives and managers to speak on topics, which could prove beneficial in allowing the Committee to execute its duties and responsibilities, though any compensation, reimbursement of significant expense (such as travel and accommodation expenses), or other form of payment to the speaker is subject to full Company approval.

10. CONDUCT OF MEETINGS

Except as outlined above, meetings of the Committee shall be conducted in accordance with the provisions of the Company's By-laws governing the proceedings of the Board of Directors. The Committee may meet by telephone or video conference and may take action by written consent, where such written consent may be in written or electronic form.

11. MINUTES OF MEETINGS

The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated within two (2) working days from the meeting date for review of all members of the Committee and, once agreed, to all the appropriate members of the Company.

12. AUTHORITY

The Committee is authorized by the Company to deal with any activity within its Charter. It is authorized to seek any information it requires from any employee or members of the Company's Management in discharging its duties.

The Committee is authorized by the Company to obtain outside legal or other independent professional advice and to secure the attendance of outsider experts with relevant experience and expertise as it deems necessary in the performance of its duties.

The Committee may evaluate and update this Charter as it deems appropriate but only doing so with the sanction of the full Company.

13. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The Audit Committee shall represent the Company in discharging its responsibility concerning audit-related matters of the Company as outlined below. The Committee *does not have decision-making authority* except in the circumstances described herein or to the extent that such authority is expressly delegated by the Company.

A. Financial Reporting

1. Review and report to the Company any issue that may arise with respect to the quality or integrity of the Company's financial statements. The Committee shall also immediately discuss such matters with the Company's management.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, including the adequacy and timeliness of disclosures. Management is also responsible for maintaining (a) appropriate accounting and financial reporting principles and policies as well as internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations, and (b) disclosure controls and procedures to ensure appropriate and timely disclosure in public reports.

2. Review and discuss with management and the independent auditors, the Company's annual and quarterly financial statements (including the Company's disclosures therein), and all internal control reports or summaries thereof. In this regard, the Committee shall also review other relevant reports or financial information submitted by the Company to any governmental body, or the public, including management certifications as required by regulations and relevant reports rendered by the Company's independent auditors.
3. Where applicable, approve financial earnings press releases after having performed a review with management and having had the required discussions with the independent auditors.

4. 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.
5. Review with management and independent auditors major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting standards and interpretations, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
6. Perform oversight role over the following management responsibilities:
 - a. Identification of material errors and fraud, and sufficiency of risk controls
 - b. Review actions or measures in case of finding of error or fraud in financial and/or operational reporting and the final resolution or disposition thereof
 - c. Ensure a Fraud Response Plan is in place to include investigations as deemed necessary by the Board or any of the board committees to better manage any irregularity and/or fraud cases discovered
 - d. Review unusual or complex transactions including all related party transactions
 - e. Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including on subsequent events and related party transactions
 - f. Review and approval of management representation letter before submission to external auditor
 - g. Communication of the Committee with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact financial statements
 - h. Fair and balanced review of financial reports
 - i. Assessment of correspondence between the company and regulators regarding financial statement filings and disclosures
7. Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues, reasonableness of estimates, assumptions, and judgments made in connection with the preparation of the financial statements.
8. Establish and maintain procedures for the receipt, retention, and treatment of complaints received by the Company regarding public reporting, accounting, internal accounting controls or auditing matters.

9. Review with the independent auditors, the internal auditors and management the extent to which changes or improvements in financial or accounting standards and applications, as approved by Committee, have been implemented.

B. Independent External Auditors

1. Review and endorse for full board approval the appointment, compensation, scope of work, fees and performance, including re-appointment and resignation, of the independent auditors of the Company. The independent auditors of the Company shall report directly to the Committee and the Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, re-appoint or replace the independent auditors. The independent auditors shall report to the Committee, and the Committee shall oversee the resolution of disagreements between management and the independent auditors in the event that they arise.

At least annually, the Committee shall evaluate the independent auditors' professional qualifications, performance, independence and compensation. The evaluation shall include a review of the qualifications, performance and independence of the lead partner of the independent auditors.

In conducting the review, the Committee shall take into account the Auditor's Report stated in the succeeding section and the independent auditors' work throughout the year, as well as the opinions of management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Company.

2. Ensure that the independent auditors shall not at the same time provide the services of an internal auditor to the same client. The Committee shall ensure that other non-audit work shall not be in conflict with the functions of the independent auditor. The nature of non-audit services performed shall be disclosed.
3. Ensure that the independent auditors are ultimately accountable to the Board of Directors and shareholders of the Company.

At least annually, obtain and review the completeness and timeliness of the report from the independent auditors (the "Auditor's Report") describing the Company's internal quality control procedures, any material issue raised by the most recent internal quality control review or peer review of the Company or by any inquiry or investigation by governmental or regulatory authorities within the preceding five (5) years, and the recommended steps to be taken to deal with such issues. The Committee shall review and discuss the Auditor's Report with the independent auditors and management, and make specific recommendations to the Board of Directors for adoption.

The Committee has an oversight role to assess management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decision.

4. Review with the independent auditors and the CFO the annual audit plan; discuss the proposed 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.
5. Though the ultimate responsibility for partner compensation programs and executing partner rotation requirements rests with the independent auditors, the Committee will review compliance with these requirements as provided by applicable rules and regulations. The Committee will ensure the regular rotation of the lead audit partner every five (5) years or earlier or as required by law and further consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm itself.
6. Determine specific policies and procedures to ensure that the independence of the independent auditors is maintained.

C. Internal Control and Audit

1. Review the appointment and performance of the Internal Auditor, who shall functionally report directly to the Committee. The Committee shall also review the organizational structure, qualifications, staffing and budgeting of the internal audit function as well as the Internal Audit Head's annual compensation and salary adjustment. This includes the adequacy of resources and independence of the internal auditor. The Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
2. Monitor and review the adequacy of design, compliance and effectiveness of the Company's internal control system, risk management and governance processes. This includes assessment of control environment including IT systems and functions and ensuring that the results of the assurance reviews are discussed at the Board Audit Committee in relation to the impact on significant risk exposures and control issues, corporate governance issues and other matters.
3. Recommends to the full board the approval of 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.
4. 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. The Committee shall likewise assess and approve audit outsourcing requirements, when necessary.
5. Receive and review on a quarterly basis the internal audit reports from the internal Auditor. The internal audit report shall contain:

- a. a description of the progress of the internal audit plan;
 - b. a summary of internal audit activities and significant reports;
 - c. a description of any significant deficiencies in the internal control systems and procedures of the Company;
 - d. a summary of any significant difficulties or disagreements with management, or scope restrictions encountered in the course of the internal audit's work; and
 - e. any significant unresolved issues.
6. Review of internal auditor's controls evaluation of internal controls

The Committee deliberate on findings of weaknesses in controls and reporting processes. The Committee shall elicit any opportunity for the improvement of the Company's internal control systems and procedures, identify particular areas where new or detailed controls or procedures are desirable to increase efficiency and mitigate potential risks and recommend to the Company of Directors for approval and to management for implementation.

7. Evaluation of compliance with the Code of Conduct for management

D. General/Other Matters

1. Identify, monitor and report to the Board the Company's risks or exposure to fraud including: (a) management's due attention to ethical considerations regarding the Company's policies and practices; (b) the standard of corporate conduct in areas such as arm's length dealings and potential conflicts of interest
2. Establish, oversee and periodically review the procedures in place which permit "whistle blowing." These procedures are designed to encourage and ensure that employees may make complaints regarding accounting, internal control, auditing or other related matters on a confidential and anonymous basis, and without fear of some form of retribution.
3. Review and report to the Board regularly on the Company's compliance with legal or regulatory requirements.
4. Oversee and monitor management's efforts to correct deficiencies noted in periodic audits and examinations.
5. Provide an open avenue of communication among the Board, management, internal auditor and independent auditors.
6. 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.

14. JOINT DUTIES AND RESPONSIBILITIES WITH THE BOARD RISK AND REPUTATION COMMITTEE

1. Refer to the Board Risk and Reputation Committee reports and significant findings of Internal Audit with respect to risk management activities, together with management's responses
2. Refer to the Board Risk and Reputation Committee significant reports from regulatory and government agencies relating to risk management and compliance issues, and management's responses, if any.
3. Discuss with the Board Risk and Reputation Committee items that have a significant financial statement impact or require significant financial statement/regulatory disclosures; and other significant issues, including, but not limited to, significant compliance issues, as soon as deemed necessary in a joint session with the Audit Committee
4. Formally meet with the Board Risk and Reputation Committee
 - a. At least once a year or as necessary, the Committee will meet as determined by both Chairmen, or upon the request of any two (2) joint committee members.
 - b. The Committee may meet by telephone or video conference and may take action by written consent, where such written consent may be in written or electronic form.

15. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE MEMBERS

To honor his responsibilities and to perform his role effectively, each Committee member must:

- a) Become familiar with the Committee mandate and obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business and operating environment.
- b) Act honestly and in good faith with a view of promoting the best interest of all stakeholders.
- c) Exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.
- d) Regularly attend Committee meetings.
- e) Effectively contribute during discussions.
- f) Willingly offer alternative viewpoints to reflect own personal experiences and opinions.
- g) Constructively engage with the Company CEO, COO, CFO and any other senior leader of the Company, who may be consulted for the purpose of the Committee being better informed or better positioned to offer the Company a more reliable recommendation.
- h) Maintain external confidentiality related to details of Committee discussion, including the individual views of members other than as agreed for formal communication to the Company and/or Senior Management by the Committee as a whole.
- i) Seek to find ways to continuously improve the efficiency and effectiveness of the Committee, taking any suggestions related to this to the Committee Chairperson for his consideration.

- j) Be prepared to receive and act upon any feedback received through the Committee Chairperson on ways that the member might improve performance as a Committee member.

16. REPORTING RESPONSIBILITIES

After each Committee meeting, the Chairperson of the Committee shall apprise the rest of the directors during the next full Board meeting on the highlights of the proceeding and reports of the committee.

17. CONFIDENTIALITY

In the course of its deliberations, or through reports and other information provided to it, Committee members may become party to knowledge that is confidential or sensitive in nature. The Committee and each of its members has a duty of care related to such knowledge and a responsibility that such knowledge not be transferred knowingly or unknowingly to any person not entitled to such information. In situations where such knowledge is extremely confidential or sensitive, the Committee may choose to avoid any record in writing of that particular knowledge, to avoid risk of inadvertent spreading of such knowledge.

As part of this process, the external auditors will report to the Audit Committee, and the Internal Auditor will report to the Committee also from a functional perspective. In performing its duties, the Audit Committee has the authority to engage and compensate independent counsels and other advisors, which the Committee determines are necessary to carry out its duties, subject to Company approval.

18. PERFORMANCE ASSESSMENT

The Committee shall assess its performance through an annual self-assessment. The Office of the Chief Compliance Officer shall initiate the Board Audit Committee Performance assessment not later than January of the following year.

The result of said assessment shall be validated by the Company's Chief Compliance Officer and presented to the Board Corporate Governance Committee in its first committee meeting of the following year.

The report shall be formally documented and signed by the Chairman of the Audit Committee and the Chief Compliance Officer (or the Chairman of the Corporate Governance Committee) and shall form part of the records of the Company that may be examined by external corporate governance bodies from time to time.

19. AMENDMENT OF CHARTER

The Committee shall review and assess the adequacy of the charter at least annually and shall be covered as a regular agenda item in the last committee meeting of the year. Any amendment, revisions thereto or for any case where external bodies may suggest a change in the charter, these shall be presented and subject to full board approval during its last board meeting of the year.

20. EFFECTIVITY CLAUSE

This Charter has been unanimously approved by the Board of Directors of Aboitiz Power Corporation during its regular meeting on the **22nd** day of **February 2022** and shall take effect fifteen (15) days from said meeting date.