



# **AYALA CORPORATION**

## **AUDIT COMMITTEE CHARTER**



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## A. Introduction

This document sets out the policies, responsibilities, and authority of Ayala Corporation's Audit Committee (the "Committee") and the procedures that shall guide the function of the Committee, including the *Rules Governing the Audit Committee* (refer to **Attachment 1**). The Committee is part of the Board and is accountable to the Board for its performance. Established by the Board, the Committee is vested with the authority to carry out the activities prescribed in this Charter.

The Charter will be reviewed annually to maintain alignment with evolving standards and best practices and any changes thereof shall take effect only upon the approval of the Board.

## B. Statement of Policy

It is the policy of Ayala Corporation to constitute and maintain an Audit Committee which shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to:

- the integrity of the Company's financial statements and the financial reporting process;
- the appointment, remuneration, qualifications, independence and performance of the external auditors and the integrity of the audit process as a whole;
- the effectiveness of the system of internal control;
- the performance and leadership of the internal audit function;
- the Company's compliance with applicable legal and regulatory requirements; and
- the preparation of a year-end report of the Committee for approval of the Board and to be included in the annual report.

To fulfill this oversight responsibility, the Committee shall maintain regular, direct communication with the Company's external auditors, the internal auditors and the management of the Company.

## C. Authority

Corporate Governance is the system through which the shareholders, creditors and other stakeholders of a Company are assured that management enhances the value of the organization.

- The Board of Directors is responsible to the shareholders in ensuring that value is created and sustained.
- Management is responsible to the Board in the day-to-day operations of the organization. This includes:
  - Operating an effective risk management process;
  - Maintaining a strong and effective system of internal controls;
  - Ensuring the integrity of the Company's financial statements including the related disclosures.
- The Audit Committee assists the Board of Directors fulfill its responsibility for oversight of the organization's corporate governance processes.

This entails an understanding of the risks, control and financial reporting issues inherent to the organization.

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To carry out its responsibilities, the Committee relies on the expertise and knowledge of management, the internal auditors and external auditors.

- The external auditors are directly responsible to the Committee in helping ensure the integrity of the Company’s financial statements.
- The internal auditors help the Committee in monitoring the risks, control and financial reporting issues through the continuous review of the effectiveness of the organization’s risk management, controls and corporate governance processes.

The Committee has the authority to:

- Appoint, compensate, and oversee the work of the external auditors engaged by the Company to conduct the annual audit. This firm will report directly to the Committee.
- Resolve any disagreements between management and the external auditor regarding financial reporting.
- Direct the Internal Audit function.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation, when necessary, without the permission of the Board or management. The Committee shall be provided with the resources needed to support its work.
- Seek any information it requires from employees – all of whom are directed to cooperate with the Committee’s requests – or external parties.
- Meet with Company officers, Chief Audit Executive (CAE), external auditors, or outside counsel, as often as necessary, to discuss any issues arising from the audit process.

**D. Committee Structure and Membership**

1. The Board shall appoint the members of the Audit Committee at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board, unless removed or replaced by the Board. The Board, through the Committee, shall ensure that there is an established training and succession plan which is regularly reviewed and updated.
2. The Committee shall be comprised of at least three (3) non-executive directors, majority of whom shall be independent directors. The Chairman of the Committee shall be an independent director. All members of the Committee shall not be:
  - Executive Directors of the Company or any related corporation;
  - A person having a relationship which, in the opinion of the Board of Directors would interfere with the exercise of independent judgment carrying out the functions of the Committee.
3. An independent director shall chair the Committee and shall be responsible for ensuring effective interaction among the Committee members, with management, and the internal and external auditors.
4. The Chairman of the Audit Committee should not be the chairman of the Board or of any

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other committees.

5. At least one member of the Committee shall be a member of the Risk Management and Related Party Transactions Committee.
6. Each member shall have an adequate understanding of accounting and auditing principles in general and of the Company's business, including the financial management systems and environment in particular.

## E. Roles and Responsibilities

The Committee is expected, through the provision of checks and balances, to support the corporate governance process. Specifically, it shall be responsible for the following:

### 1. Committee Operation

- 1.1. Regularly report to the Board of Directors about Committee activities and issues that arise with respect to the quality or integrity of the Company's financial statement, the effectiveness of the system of internal controls, the performance and independence of the Company's external auditors, the performance of the internal audit function, and the Company's compliance with legal and regulatory requirements.
- 1.2. Highlight to the Board any serious concerns over the design or operating effectiveness of internal controls that may have a material impact on the financial statements.
- 1.3. For any awareness or knowledge of any suspected fraud or irregularity, or suspected infringement of any Philippine laws or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, the Committee must discuss such matter with the external auditor. For similar matters reported by the external auditor, the Committee shall inform the Board and report to the appropriate regulatory authority within the time frame and medium required by regulations.
- 1.4. Provide an open avenue of communication between internal audit, the external auditors, management, and the Board of Directors.
- 1.5. Report annually to the Board of Directors, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by law, including approval of non-audit services. Confirm annually that all responsibilities outlined in this Charter have been carried out.
- 1.6. Review any other reports the Company issues that relate to Committee responsibilities.
- 1.7. Review and assess the adequacy of the Audit Committee Charter at least annually, requesting the Board of Directors' approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation. *Refer to **Attachment 5** for the Revision History and References.*
- 1.8. Perform other activities related to this Charter as requested by the Board of Directors.

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- 1.9. The Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts, facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose.

**2. Oversight on Financial Reporting and Disclosures**

- 2.1. Review of the quarterly, half-year and annual financial statements before submission to the Board focusing on:
  - Impact of new accounting standards and interpretations
  - Changes in accounting policies and practices
  - Reasonableness of estimates, assumptions and judgments
  - Alternative accounting treatments and major judgmental areas
  - Significant adjustments resulting from the audit
  - Unusual or complex transactions including all related party transactions
  - Going concern assumptions
  - Compliance with accounting standards, tax, legal and regulatory requirements
- 2.2. Communication with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements, if applicable.
- 2.3. Review of the financial statements and all related disclosures and reports certified by the Chief Financial Officer, released to the public and/or submitted to the Securities and Exchange Commission (SEC), and for compliance with both the internal financial management handbook and pertinent accounting standards, including legal and regulatory requirements.
- 2.4. Review and approval of management representation letter before submission to the external auditors.

**3. Oversight on Risk Management and Internal Controls**

- 3.1. Ensure that a review of the internal auditor's evaluation of the effectiveness of the Company's internal controls, including financial, operational, information technology, compliance, material related party transactions and risk management is conducted annually.
- 3.2. Ensure that the Company's risk management and internal control processes incorporate strategic initiatives, cybersecurity, health and safety, sustainability, business resilience, and reputation considerations.
- 3.3. Communicate the Board's perspective on organizational strategies, objectives, and risks to assist the Chief Audit Executive with determining the internal audit priorities.
- 3.4. Gain an understanding of the effectiveness of the organization's governance, risk management, and control processes based on the results of internal audit engagements and discussions with senior management.
- 3.5. Set expectations with the Chief Audit Executive for:
  - The frequency with which the Board wants to receive communications from the Chief Audit Executive.
  - The criteria for determining the issues should be escalated to the Board.
  - The process for escalating the importance to the Board.
- 3.6. Coordinate with the Risk Management and Related Party Transactions Committee

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for the review of financial risks, corporate governance, operational, legal and other related risks.

- 3.7. Review crisis management, business continuity and disaster recovery plan and results of the annual testing.
- 3.8. Review the process for communicating the code of conduct and ethics policy to Company personnel, and for monitoring the compliance therewith, as well as compliance to all applicable laws and regulations pursuant to which the Company conducts its operations and business activities.
- 3.9. Review internal control framework implemented by management for fraud prevention and detection.

On an annual basis, management, together with internal audit, shall assess the effectiveness of the Company's fraud framework and present the results of its assessment to the Committee, together with proposed improvements on the fraud policies and controls to be adopted to address any gaps noted from the review.

The Committee shall also be provided by management with reports on all cases of suspected and actual fraud and breaches of laws and regulations on a quarterly basis or more frequently, as necessary.

- 3.10. Consider and discuss with management, the internal auditors, and the external auditors, the key issues as to the adequacy and effectiveness of the Company's internal control system, including internal financial controls, operational and compliance controls, information technology security and controls, and any special audit steps adopted in light of material control deficiencies.
- 3.11. For significant control weaknesses identified, the Committee may request management to explain the impact and the actions taken to rectify the identified control weaknesses.

#### **4. Oversight on Internal Audit**

- 4.1. Establish and discuss the appropriate internal audit mandate, which consists of the appropriate authority, role, and responsibilities of the internal audit function.
- 4.2. Approve the Internal Audit Charter, which includes the internal audit mandate and the scope and types of internal audit services, and subsequent revisions thereto.
- 4.3. Set up the Internal Audit Department and approve the Chief Audit Executive's roles and responsibilities including identifying the necessary qualifications, experience and competencies to carry out these roles and responsibilities.

Engage with Senior Management in the appointment of Chief Audit Executive. The Chief Audit Executive shall functionally report to the Committee and administratively to the President or his designate. The Committee, having appointed the Chief Audit Executive, shall also concur in his/her replacement and re-assignment or dismissal.

- 4.4. Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing and pursue its strategy and objectives.

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- 4.5. Establish a direct reporting relationship with the Chief Audit Executive and the internal audit function to enable the internal audit function to fulfill its mandate.
- 4.6. Work with senior management to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate and that the internal audit function is free from interference when determining its scope, performing internal audit engagements, and communicating results.
- 4.7. Approve and periodically review the strategic and annual internal audit plans, budgets, and resources and any changes thereto, ensuring appropriateness and sufficiency of the financial, human resources, and technological resources of the Internal Audit in order to deliver its approved plans. The scope of internal audit services covers the review of the governance, risk management, and internal control processes of the organization to ensure that these key risks are reasonably managed:
  - Reliability and integrity of financial and operational information
  - Effectiveness and efficiency of operations and programs.
  - Safeguarding of assets.
  - Compliance with laws and/or regulations.

The Annual Internal Audit Plan shall include the audit scope, resources and budget necessary to implement it. The Committee shall likewise evaluate whether any additional resources are needed permanently or approve outsourcing requirements, when necessary.

The Committee shall ensure that audit resources are reasonably allocated to the areas of highest risk and ensure that the Annual Internal Audit Plan is in conformity with the objectives of the Company.

- 4.8. Review and approve the terms and conditions for any outsourcing and co-sourcing agreements of the internal audit function. The Chief Audit Executive shall oversee and be responsible for the internal audit activity that is outsourced to a third-party service provider and co-sourced functions.
- 4.9. Review of reports of the internal auditors and regulatory agencies, where applicable, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues.
- 4.10. Review of internal audit's periodic reports, including the Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the Internal Audit Department's activities and performance relative to the audit plans and strategies approved by the Committee.
- 4.11. Evaluate the performance of the Internal Audit Department and communication/discussion of such inputs with the President or his designate who shall then translate these into a performance appraisal applicable to the Chief Audit Executive and the internal auditors taken as a whole.
- 4.12. Require that the Chief Audit Executive be positioned at a level in the organization



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that enables internal audit services and responsibilities to be performed without interference from management.

- 4.13. Ensure the independence and objectivity of the internal audit function:
- Inquire whether any restrictions exist that limit the internal audit function's ability to carry out its responsibilities; and
  - Review any current or proposed roles and responsibilities of the Chief Audit Executive that have the potential to impair the internal audit function's independence, either in fact or in appearance including the types of safeguards to manage actual, potential, or perceived impairments. When those areas handled by the Chief Audit Executive in a non-audit role capacity are subject to internal auditing, such audit must be carried out by a third-party service provider who must also report independently to the Committee.
- 4.14. Ensure that the internal audit activities are conducted in conformance with the internal audit charter and the Global Internal Audit Standards (GIAS). As such, the Committee will:
- Review the effectiveness of the internal audit function;
  - Ensure the internal audit function continuously improves to reflect the updated principles of the GIAS framework; and
  - Ensure that the internal audit function maintains a Quality Assurance Improvement Program that covers all aspects of the internal audit activity, requiring receipt of the complete results of the external quality assessment or self-assessment with independent validation directly from the assessor.

## **5. Oversight on External Audit**

- 5.1. Review the performance and recommend the appointment, retention or discharge of the external auditors, including the fixing of their remuneration for approval of the Board of Directors and ratification by the shareholders. The Audit Committee approves the audit and non-audit services rendered by the external auditor to ensure that these do not impair the external auditor's independence.

In case of resignation or cessation from service of an external auditor, ensure that there is a process for reporting in the annual and current reports and disclosing to the regulators and the public through the Company website, the reasons for cessation from service and the date thereof, of an external auditor.

A preliminary copy of the said report shall be given by the Company to the external auditor before its submission.

- 5.2. Assess the independence, adequacy of resources, professional qualifications and competence of the external auditor on an annual basis.
- 5.3. Ensure the rotation or change of external auditors and key engagement partners is in accordance with the requirements prescribed by applicable laws and regulations such as the period.
- 5.4. Review and pre-approve of the external auditor's plans and ascertain the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit and their compliance with auditing standards.

In this regard, the Committee shall discuss with the external auditors, before the

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audit commences, the nature and scope of the audit, and ensure cooperation when more than one professional service firm is needed.

- 5.5. Monitor the coordination of efforts between the external and internal auditors. The Committee shall ensure that the internal and external auditors act independently from each other.
- 5.6. Review of the reports of the external auditors, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner, including addressing control, governance and compliance issues.
- 5.7. Review and approve the proportion of audit versus non-audit work both in relation to their significance to the auditor and in relation to the Company's year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the external auditor. The amount of both audit and non-audit work of external auditors shall be disclosed in the Annual Report and Annual Corporate Governance Report.
- 5.8. Ensure that the external auditor has unrestricted access to all records, properties and personnel to enable performance of the required audit.
- 5.9. Review with the external auditor any disagreements, problems or difficulties, including any restrictions on the scope of the external auditor's activities or on access to requested information and any significant disagreements with management. The review may also include discussion of any proposed accounting adjustments that were "passed" or not recorded.
- 5.10. Review of the external auditor's evaluation of internal accounting controls. External auditors shall provide feedback to the Audit Committee on their observations of internal control weaknesses arising from statutory financial audits. External auditors should highlight findings which are disputed by management or where management has not agreed to implement remedial actions that would rectify the identified weaknesses.

#### **F. Meetings and Schedule of Activities**

1. To provide a systematic guide for the discharge of its responsibilities, the Committee will agree on an annual calendar/schedule of activities that shall determine the agenda for each meeting subject to adjustments and/or revisions as needed. The Chief Audit Executive will ensure that the schedule is carried out as planned. Refer to **Attachment 2 for the Audit Committee Calendar of Activities**.
2. The Committee shall meet at least quarterly. Preferably, the quarterly meetings will be held prior to the meeting of the Board of Directors. In cases when there is a need for special meetings to take up any critical items that would need approval in between the quarterly meetings, it shall be up to the Chairman of the Committee to either call for a special meeting or just allow the routing of the covering paper. A joint meeting with the Risk Management and Related Party Transactions Committee may be held as necessary to discuss critical risks.
3. The agenda for the meetings will be developed by the Chief Audit Executive based on the agreed calendar of activities and inputs from the Committee members, subject to the

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approval of the Committee. The quarterly meetings will include the review and discussion of the quarterly or year-end financial statements, the related disclosures and other reportorial requirements, and updates on internal audit activities. Committee materials will be distributed to all members at least five (5) business days prior to each Audit Committee meeting.

4. The Chairman and President, and the Chief Financial Officer may be requested to attend Committee meetings. As and when appropriate, the Committee may require other members of management to be present at the meetings. External subject experts, such as the appointed external auditors and other consultants, may also be invited to the meetings.
5. At least once a year, conduct a separate meeting in an executive session with the Chief Audit Executive, and the external auditors to discuss any matter that the committee or auditors believe should be discussed privately, including the results of the audit, quality of management, financial and internal controls.
6. The external auditors and/or Chief Audit Executive may request a meeting with the Committee whenever deemed necessary.

**G. Reporting Procedures**

To keep the Board of Directors apprised on the results of the Committee’s activities, the Chairman of the Committee shall submit a report every quarter to the Chairman of the Board; and shall be ready to present the report to the full board during its meeting for the quarter. Refer to **Attachment 3** for *pro-forma Report of the Audit Committee to the Board of Directors*.

The Committee will also submit and present an Annual Audit Committee Report to the full Board during its first meeting following the immediate calendar year which shall be included in the Company’s Annual Report.

**H. Performance Evaluation and Continuous Improvement**

To ensure that the Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the provisions of SEC Memorandum Circular No. 4, Series of 2012: Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange and the Manual on Corporate Governance and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually. The entire assessment process should be documented and should form part of the records of the Company.

In this regard, the Committee shall:

1. Evaluate its performance by filling in a self-assessment questionnaire that shall benchmark its practices against the expectations set out in this Charter. Refer to **Attachment 4** for the *Audit Committee Self-Assessment Questionnaire*.
2. Obtain and subject itself to an independent assessment by the Board of Directors relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities as specified in the Committee’s Calendar of Activities.
3. Based on the results of the performance assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the members up to date with corporate governance best practices,

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accounting and auditing standards, as well as specific areas of concern (e.g. emerging risks).

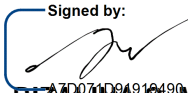
4. Semi-annually, review the status of implementation of such plans for improvement.

A feedback mechanism should be in place to receive comments from management, internal auditor, general counsel and external auditor to facilitate dialogue within the organization about possible ways to improve its performance.


**I. Functional and Secretariat Support**

The Internal Audit Department shall support the Audit Committee in the rendition of its functions, specifically:

1. Internal audit shall provide all the secretariat support to the Committee.
2. The Chief Audit Executive shall attend all the Committee meetings and be primarily responsible for recording the minutes of the meetings.
3. The Corporate Secretary and Internal audit shall keep all minutes of the meetings and make these available for inspection by any member of the Committee or the Board of Directors, as and when requested.
4. Internal audit shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and internal audit, these shall be highlighted to the Committee for consideration and decision.

Signed by:  
  
A7D071094916496  
**RIZALINA G. MANTARING**  
 Chairman

DocuSigned by:  
  
A78C12851D604B7  
**CHUA SOCK KOONG**  
 Member

Signed by:  
  
A8D68120A70549  
**CESAR V. PURISIMA**  
 Member



## Rules Governing the Audit Committee

Attachment 1

### 1. Membership

To provide a balance between ensuring continuity and the need for fresh outlook/perspective that could be contributed by new members, at least one of the Committee members shall be retained or, depending on the discretion of the Board, the outgoing Chairman shall be retained as ad hoc member.

### 2. Meetings, Quorum and Remuneration

- a. Members of the Committee shall attend all Committee meetings.
- b. Majority of the members shall constitute a quorum (i.e., at least 2 of 3 members). A meeting shall not proceed in the absence of a quorum.
- c. The Chairman of the Committee shall preside over all meetings. In the absence of the Chairman, the remaining Committee members present shall designate a presiding officer.
- d. Attendance via teleconference or videoconference is deemed acceptable.
- e. The remuneration of the Audit Committee is endorsed by the Personnel and Compensation Committee to the Board and approved by the stockholders during the annual stockholders' meeting, ensuring that compensation is consistent with the Company's culture, strategy and control environment, aligned with the long-term interests of the Company and stakeholders and within industry practices.

### 3. Notices

Notices of meetings, and any other forms of notification to be sent to the Committee shall be initiated by the Chief Audit Executive or the designated representative and approved by at least the Chairman. Replies to notices shall also be sent to the Chief Audit Executive and/or the designated representative.

### 4. Resolution

To the extent possible, the Committee shall make decisions and resolutions by consensus. Where such is not possible, the Chairman may call for a division of the house, in which case a resolution shall be reached by a majority of members present and sitting in quorum.

### 5. Staff Support

- 5.1 Internal Audit shall provide all the secretariat support to the Committee. The Chief Audit Executive shall attend all the Committee meetings and record the minutes of the meetings.
- 5.2 Draft of the minutes shall be prepared by Internal Audit, approved by the Committee and submitted to the Board at their meeting following the Audit Committee meeting.
- 5.3 All minutes of meetings shall be kept by the Corporate Secretary's Office and Internal Audit Department.
- 5.4 All papers for submission to the Committee shall be vetted by internal audit. Internal audit shall also evaluate all the proposals before these are submitted to the Committee for approval. If there are unresolved differences in opinions on any proposal between the proposer and internal audit, these shall be highlighted to the Committee for consideration and decision.





**Report of the Audit Committee to the Board of Directors  
For the Year Ended 31 December XXXX**

The Board-approved Audit Committee Charter defines the duties and responsibilities of the Audit Committee. In accordance with the Charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to:

- Systems of internal controls, risk management and governance process of the Company
- Integrity of the Company's financial statements and the financial reporting process
- Performance of the internal auditors and the external auditors
- Compliance with Company policies, applicable laws, rules and regulatory requirements

In compliance with the Audit Committee Charter, we confirm that:

- All the Audit Committee members are independent directors with the necessary qualifications, skills, and knowledge to perform their duties;
- We had four (4) regular meetings and including a joint meeting with the Risk Management and Related Party Transactions Committee to discuss regulatory risks framework;
- We recommended for approval of the Board and endorsement to the shareholders the reappointment of SGV & Co. as the Company's XXXX independent auditor. We approved the appointment of a new Lead Engagement Partner given the required audit partner rotation every five years;
- We have reviewed and discussed the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of Ayala Corporation and Subsidiaries, including the Management's Discussion and Analysis of Financial Condition and Results of Operations, with management, internal auditors and SGV & Co. as the Company's independent auditors. We also reviewed and discussed the annual Parent Company Financial Statements. These activities were performed in the following context:
  - Management has the primary responsibility for the financial statements and the financial reporting process; and
  - SGV & Co. is responsible for expressing an opinion on the conformity of the Ayala Corporation's audited consolidated financial statements with the Philippine Financial Reporting Standards.
- We have discussed and approved the overall scope and the respective audit plans of the Company's internal auditors and SGV & Co. We have also discussed the results of their audits, their assessment of the Company's internal controls, and the overall quality of the financial reporting process including their management letter of comments;
- We have reviewed the reports and updates of the internal auditors ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues. Based on the assurance provided by the internal audit as well as SGV & Co. as a result of their audit activities, the Committee assessed that the Company's systems of internal controls, risk management, and governance processes are adequate;
- We have reviewed and approved all audit, audit-related and non-audit services provided by SGV & Co. to Ayala Corporation and the related fees for such services. We have also assessed the compatibility of non-audit services with the auditors' independence to ensure that such services will not impair their independence;
- We have conducted an annual assessment of our performance to confirm that the Committee had satisfactorily performed its responsibilities based on the requirements of its Charter; and



**Quarterly and Annual Reports of the Audit Committee**

**Attachment 3**

- We reviewed and reassessed the Audit Committee Charter to ensure that it is updated and aligned with regulatory requirements and Global Internal Audit Standards.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Annual Report for the year ended December 31, XXXX for filing with the Securities and Exchange Commission and the Philippine Stock Exchange. We are also recommending the reappointment of SGV & Co. as Ayala Corporation's independent auditor for XXXX based on their performance and qualifications.

(Month-Day-Year)

**RIZALINA G. MANTARING**  
Chairman

**CHUA SOCK KOONG**  
Member

**CESAR V. PURISIMA**  
Member





**Report of the Audit Committee to the Board of Directors  
For the Quarter Ended 30 June 20XX  
(Sample)**

The Audit Committee hereby reports to the Board of Directors the following activities undertaken in discharging its duties and responsibilities as set forth in the Audit Committee Charter:

- We had one (1) meeting in the second quarter attended by the Committee members.
- We have reviewed and endorsed to the Board of Directors the approval of the 2Q 20YY unaudited consolidated financial statements of the Company, including Management's Discussion and Analysis of Financial Condition and Results of Operations.
- We have reviewed the adequacy of resources, the competencies of staff, the activities and the effectiveness of the internal audit to execute the work plan, ensuring that the evaluation of effectiveness of controls encompassing the organization's governance, operations, integrity of financial and operational information systems, safeguarding of assets and compliance with laws, rules and regulations are covered and that audit resources are reasonably allocated to the areas of highest risks.
- We have reviewed the reports of the internal auditors, external auditors and regulatory agencies, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues as a whole.

Also attached in this report is the approved Minutes of the last meeting of the Audit Committee for reference.

X August 20XX

Signed by:  
Committee Chairman  
Committee Members



## Audit Committee Self-Assessment Questionnaire

Attachment 4

### OBJECTIVE

This Self-Assessment Questionnaire is a tool to evaluate the effectiveness of the performance of the Audit Committee as against the requirements of its Charter, including identifying possible areas for improvement. The questionnaire is composed of five (5) categories which include the Committee structure and operation and its oversight responsibilities under the Revised Code of Corporate Governance:

1. Setting of Committee Structure and Operation
2. Oversight on Financial Reporting and Disclosures
3. Oversight on Risk Management and Internal Controls
4. Oversight on Management and Internal Audit
5. Oversight on External Audit

### GUIDELINES

Each Committee Member shall complete the questionnaire independently. Please provide your overall score for each category using the following rating scale:

Score	Rating	
5	Exceptional	Responsibilities are clearly defined in the Charter and strictly implemented. All requirements are executed
4	Very Good	Responsibilities are adequately defined in the Charter and consistently implemented. Opportunities for enhancement are minimal.
3	Good	Responsibilities are generally defined in the Charter and mostly implemented. Opportunities for enhancement are moderate.
2	Marginal	Responsibilities are not clearly defined in the Charter and not consistently implemented. Opportunities for enhancement are significant.
1	Poor	Responsibilities are not defined in the Charter and not implemented. Improvements are necessary in major areas.

An overall average rating shall be determined based on the responses provided using the above-mentioned scale and will be converted using the 10-point scale to comply with the requirements of SEC Memorandum Circular No. 4 Series of 2012. After the tabulation and analysis of the results, a Summary Report shall be prepared and presented to the Committee.

The Audit Committee Chairman will lead the discussion on the results of the questionnaire, focusing on areas which need improvement or where there is great variation in answers. The results of the self-assessment and any action plans arising shall be reported to the Board after discussion with the Chairman of the Board. A copy will also be submitted to the Corporate Secretary for notation.



**Audit Committee Self-Assessment Questionnaire**

**Attachment 4**

Specific Areas/ Dimensions	ASSESSMENT			
	Part of the Charter?		Has this been implemented?	
	Yes	Ref	Yes	If "Yes", cite reference document If "No", Please State Follow-up Actions
<b>I. Setting of Committee Structure and Operation</b>				
1. The Committee has the right size and adequate degree of independence to deal with the company's issues.	<input type="checkbox"/>		<input type="checkbox"/>	
2. The Chairman and the members have the necessary qualifications, skills, attributes, and financial knowledge to perform their duties.	<input type="checkbox"/>		<input type="checkbox"/>	
3. There are established training and succession plans in place for the members and Chairman.	<input type="checkbox"/>		<input type="checkbox"/>	
4. The frequency of the meeting is in accordance with the Charter and allow sufficient time for effective discussion.	<input type="checkbox"/>		<input type="checkbox"/>	
5. The Committee regularly reports to the Board and issues certifications on critical compliance issues including the result of its performance evaluations as against its Charter.	<input type="checkbox"/>		<input type="checkbox"/>	
6. The Committee has the resources including access to outside advisors to carry out its responsibilities.	<input type="checkbox"/>		<input type="checkbox"/>	
<b>Level of Compliance for this Section</b>				
<b>General Comments, if any.</b>				
<b>II. Oversight on Financial Reporting and Disclosures</b>				
1. The Committee has a good understanding of the company's business and industry in which it operates.	<input type="checkbox"/>		<input type="checkbox"/>	
2. The Committee reviews the quarterly, half-year and annual audited financial statements before submission to the Board focusing on: <ul style="list-style-type: none"> <li>• Compliance with financial reporting regulations</li> <li>• Appropriateness of accounting policies adopted by management</li> <li>• Reasonableness of estimates, assumptions, and judgments used in the preparation of financial statements</li> <li>• Determination of impact of new accounting standards and interpretations</li> <li>• Assessment of unusual or complex transactions including all related party transactions</li> <li>• Identification of material errors and fraud, and sufficiency of risk controls</li> </ul>	<input type="checkbox"/>		<input type="checkbox"/>	



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Specific Areas/ Dimensions	ASSESSMENT			
	Part of the Charter?		Has this been implemented?	
	Yes	Ref	Yes	If "Yes", cite reference document If "No", Please State Follow-up Actions
<ul style="list-style-type: none"> <li>• Appropriateness of actions or measures in case of error or fraud in financial reporting</li> <li>• Fair and balance review of financial report</li> <li>• Completeness, clarity, consistency, and accuracy of disclosures of material information including on subsequent events and related party transactions. Fair and balance review of financial reports.</li> </ul>				
3. The Committee understands the management's responsibility over the financial statements and assesses the correspondence between the company and regulators regarding financial statement filings and disclosures.	<input type="checkbox"/>		<input type="checkbox"/>	
4. The Committee reviews and approves the management representation letter before submission to external auditor.	<input type="checkbox"/>		<input type="checkbox"/>	
5. If applicable, there is communication between the Committee with legal counsel covering litigation, claims, contingencies, or other significant legal issues that impact financial statements.	<input type="checkbox"/>		<input type="checkbox"/>	
<b>Level of Compliance for this Section</b>				
<b>General Comments, if any.</b>				
<b>III. Oversight on Risk Management and Internal Controls</b>				
1. The Committee obtains management's assurance on the state of internal controls.	<input type="checkbox"/>		<input type="checkbox"/>	
2. The Committee reviews the internal and external auditors' evaluation of internal controls, assessment of control environment including IT systems and functions, and the deliberation on findings of weaknesses in controls and reporting process.	<input type="checkbox"/>		<input type="checkbox"/>	
3. There is a framework implemented for fraud prevention and detection including whistleblower program.	<input type="checkbox"/>		<input type="checkbox"/>	
4. The Committee understands and assesses the identified risks and evaluates the sufficiency and effectiveness of the risk management processes and policies	<input type="checkbox"/>		<input type="checkbox"/>	
5. A Business Continuity Plan is prepared and implemented in the company.	<input type="checkbox"/>		<input type="checkbox"/>	



**Audit Committee Self-Assessment Questionnaire**

**Attachment 4**

Specific Areas/ Dimensions	ASSESSMENT			
	Part of the Charter?		Has this been implemented?	
	Yes	Ref	Yes	If "Yes", cite reference document If "No", Please State Follow-up Actions
6. There is a process to promote risk awareness in the organization.	<input type="checkbox"/>		<input type="checkbox"/>	
<b>Level of Compliance for this Section</b>				
<b>General Comments, if any.</b>				
<b>IV. Oversight on Management and Internal Audit</b>				
1. The Committee evaluates the compliance with the Code of Conduct for management.	<input type="checkbox"/>		<input type="checkbox"/>	
2. There is a process for the regular communication with management and internal auditor.	<input type="checkbox"/>		<input type="checkbox"/>	
3. The Committee assesses the adequacy of resources, independence, and qualifications of an Internal Auditor, including the review and approval of the terms and conditions for any outsourcing or co-sourcing agreements of the internal audit function.	<input type="checkbox"/>		<input type="checkbox"/>	
4. The Committee reviews and approves the internal audit annual plan including the extent and scope of internal audit work. There is also a reporting process in place.	<input type="checkbox"/>		<input type="checkbox"/>	
5. The Committee reviews the effectiveness of the internal audit function, including compliance with International Standards on the Professional Practice of Internal Auditing.	<input type="checkbox"/>		<input type="checkbox"/>	
<b>Level of Compliance for this Section</b>				
<b>General Comments, if any.</b>				
<b>V. Oversight on External Audit</b>				
1. The Committee assesses the independence, professional qualifications, and competence of the external auditor.	<input type="checkbox"/>		<input type="checkbox"/>	
2. The Committee reviews and approves the engagement and rotation process of external auditor, the reappointment and resignation, the scope of work, the related fees, including compliance to auditing standards. The Committee also assesses and approves the non-audit services awarded to the external auditor.	<input type="checkbox"/>		<input type="checkbox"/>	
3. The Committee reviews and understands any disagreements between the external auditor and management.	<input type="checkbox"/>		<input type="checkbox"/>	



**Audit Committee Self-Assessment Questionnaire**

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Specific Areas/ Dimensions	ASSESSMENT			
	Part of the Charter?		Has this been implemented?	
	Yes	Ref	Yes	If "Yes", cite reference document If "No", Please State Follow-up Actions
4. The Committee reviews the reports of the external auditor and actions on the findings to ensure corrective actions are taken on a timely manner by management.	<input type="checkbox"/>		<input type="checkbox"/>	
5. The Committee assesses management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions.	<input type="checkbox"/>		<input type="checkbox"/>	
6. There is a process to ensure the completeness and timeliness of communication with external auditor as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other materials issues that affect the audit and financial reporting.	<input type="checkbox"/>		<input type="checkbox"/>	
<b>Level of Compliance for this Section</b>				
<b>General Comments, if any.</b>				

<b>OVERALL RATING</b>		
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**RIZALINA G. MANTARING**  
Chairman

**CHUA SOCK KOONG**  
Member

**CESAR V. PURISIMA**  
Member

**Validated by:**

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Compliance Officer



**Audit Committee Self-Assessment Questionnaire**

An overall average rating shall be determined based on the responses provided using the above-mentioned scale and will be converted using the 10-point scale to comply with the requirements of SEC Memorandum Circular No. 4 Series of 2012.

Conversion Table:

Score	Rating	Average Overall Rating		10-point Scale Conversion
5	Exceptional	4.95	5.00	10
		4.65	4.94	9
4	Very Good	4.30	4.64	8
		4.00	4.29	7
3	Good	3.50	3.99	6
		3.00	3.49	5
2	Marginal	2.55	2.99	4
		1.75	2.54	3
1	Poor	1.05	1.74	2
		0.00	1.04	1



## Revision History

### 1. Revision History:

Version No.	Revision No.	Remarks	Approval by the Audit Committee	Adopted by Resolution of the Board
1		Initial Issue	14-Feb-03	28-Mar-03
1		Annual review of the charter	14-Feb-08	06-Mar-08
1	1	Updated to align with the requirements of SEC Memorandum Circular No. 6 Series of 2009 - Revised Code of Corporate Governance which took effect 15 July 2009	12-Aug-10	03-Sep-10
1	2	Updated to align with the requirements of SEC Memorandum Circular No. 4 Series of 2012 which sets forth the self-assessment guidelines of the Audit Committees of listed companies	05-Mar-14	10-Mar-14
2	3	Updated due to the establishment of a separate Board Committee for Risk Management	11-Nov-14	04-Dec-14
2	4	Updated to align with the requirements of SEC Memorandum Circular No. 19 Series of 2016 - Revised Code of Corporate Governance which took effect 01 Jan. 2017	09-Nov-17	01-Dec-17
2	5	Updated to align with the good practices in International Organization of Securities Commission Report on Good Practices for Audit Committees in Supporting Audit Quality and Institute of Internal Auditors Model Audit Committee Charter	07-Nov-19	05-Dec-19
2	6	Updated to align with the Revised Securities Regulation Code (SRC) Rule 68 approved by the Securities and Exchange Commission on 19 August 2019	04-Mar-21	09-Mar-21
2	7	Updated to align the Committee membership with the ASEAN Corporate Governance Scorecard (ACGS) and Integrated Annual Corporate Governance Report (i-ACGR)	06-Mar-23	09-Mar-23
1	8	Updated some provisions to support AC Internal Audit conformance with the requirements of the Global Internal Audit Standards (GIAS)*	12-Nov-24	12-Dec-24

### 2. References:

- Ayala Corporation's Manual on Corporate Governance dated August 27, 2002, and revisions dated April 13, 2010, and 31 May 2017
- SEC Memorandum Circular No. 4 Series of 2012 Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange
- SEC Memorandum Circular No. 19 Series of 2016 Code of Corporate Governance for Publicly Listed Companies / Integrated Annual Corporate Governance Report (i-ACGR)
- Institute of Internal Auditors Model Audit Committee Charter
- International Organization of Securities Commission Report on Good Practices for Audit Committees in Supporting Audit Quality
- SEC Memorandum Circular No. 10, Series of 2019 Rules on Material Related Party Transactions for Publicly Listed Companies
- SEC Revised Regulation Code (SRC) 68 Rules and Regulations Covering Form and Content of Financial Statements
- ASEAN Corporate Governance Scorecard
- 2024 Global Internal Audit Standards Effective 9 January 2025\*