



## METRO PACIFIC TOLLWAYS CORPORATION

### AUDIT COMMITTEE CHARTER

#### 1. ORGANIZATIONAL PRINCIPLES

##### 1.1. Introduction

*The Audit Committee plays an important role in providing independent oversight of the organization's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Audit Committee performs its role by providing independent oversight to the governing body e.g. Board.*

##### 1.2. Background

The Audit Committee was established on 24 February 2012. At that time, the charter for the Committee was established. The charter, which governs the work of the committee, was reviewed and updated on February 14, 2018 with additional revision on February 18, 2020.

##### 1.3. Purpose

The purpose of the Audit Committee is to provide a structured, systematic oversight of the organization's governance, risk management, and internal control practices. The Committee assists the Board and management by providing advice and guidance on the adequacy of the organization's initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of the internal audit activity, external auditors, and other providers of assurance
- Financial statements and public accountability reporting

In broad terms, the audit committee reviews each of the items noted above and provides the Board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

##### 1.4. Mandate

The mandate for the establishment of the Audit Committee was derived from SEC Memorandum Circular No. 24 Series of 2019 also known as the Revised Code of Corporate Governance. Based on the Code, the Board shall constitute the proper committees, which includes the Audit Committee, to assist it in good corporate governance.



### **1.5. Authority**

The Audit Committee Charter sets out the authority of the Audit Committee to carry out the responsibilities established for it by the board as articulated within the Audit Committee Charter.

In discharging its responsibilities, the Audit Committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, board approved mechanism for resolution of the matter.

The Audit Committee is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The organization's management and staff should cooperate with Audit Committee requests.

The Audit Committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

*The Audit Committee is empowered to:*

- *Appoint, compensate, and oversee all audit and non-audit services performed by auditors, including the work of any registered public accounting firm employed by the organization.*
- *Resolve any disagreements between management and the external auditor regarding financial reporting and other matters.*
- *Pre-approve all auditing and non-audit services performed by auditors.*

### **1.6. Composition of the Audit Committee**

The Audit Committee will consist of at least three (3) non-executive members, majority of whom, including the Chairman, should be independent of the organization. The members should collectively possess sufficient knowledge of audit, finance, specific industry knowledge, IT, law, governance, risk, and control. Because the responsibilities of the Audit Committee evolve in response to regulatory, economic, and reporting developments, it is important to periodically re-evaluate members' competencies and the overall balance of skills on the committee in response to emerging needs.

The Chairman and Members of the Committee shall be appointed by the Board.

The Chairman of the Committee or any of its Members may be removed from office only by the Board.

### **1.7. The Chair of the Audit Committee**

The board will designate the chair of the audit committee and appointment committee members.

### **1.8. Terms of Office**

The Audit Committee Member will remain in office until:

- (i) he resigns his office as a Member;
- (ii) he is removed by a resolution of the Board;
- (iii) he becomes of unsound mind; or



(iv) he is subsequently disqualified from becoming a Member.

A Member shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board or its Governance and Nomination Committee, a Member ceases to meet any of the independence criteria set forth in Annex A hereof or to possess any of the qualifications for directorship set forth in Annex B hereof, or he becomes disqualified from directorship based on any grounds for disqualification set forth in Annex C hereof.

#### **1.9. Quorum**

The quorum for the audit committee will be a majority of the members.

## **2. OPERATIONAL PRINCIPLES**

### **2.1. Audit Committee Values**

*The Audit Committee will conduct itself in accordance with the code of values and ethics of the MPTC Group and the Code of Ethics by the Institute of Internal Auditors. The Audit Committee expects that management and staff of the organization will adhere to these requirements.*

### **2.2. Communications**

*The Audit Committee expects that all communication with management and staff of the organization as well as with any external assurance providers will be direct, open, and complete.*

### **2.3. Work Plan**

*The Audit Committee Chair will collaborate with senior management and the Chief Audit Executive (CAE) to establish a work plan to ensure that the responsibilities of the Audit Committee are scheduled and will be carried out.*

### **2.4. Meeting Agenda**

*The chair will establish agendas for audit committee meetings in consultation with Audit Committee Members, senior management, and the CAE.*

### **2.5. Information Requirements**

*The Audit Committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the Audit Committee at least one week prior to each audit committee meeting.*

### **2.6. Executive Sessions**

*The Audit Committee will schedule, and hold if necessary, a private session with the Chief Executive Officer (CEO), the Chief Financial Officer (CFO), the CAE, external assurance providers, and with any other officials that the Audit Committee may deem appropriate at each of its meetings.*

### **2.7. Preparation and Attendance**

*Audit Committee Members are obligated to prepare for and participate in committee meetings.*



## **2.8. Conflict(s) of Interest**

*Audit Committee Members should adhere to the organizations code of conduct and any values and ethics established by the organization. It is the responsibility of Audit Committee Members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether Audit Committee Member(s) should recuse themselves from a vote, the Committee should vote to determine whether the member should recuse himself or herself.*

## **2.9. Orientation and Training**

*Audit Committee Members will receive formal orientation training on the purpose and mandate of the Committee and on the organization's objectives. A process of continuing education will be established.*

# **3. OPERATIONAL PROCEDURES**

## **3.1. Meetings**

- (a) The Audit Committee will meet at least three times per year (February, July, October).
- (b) Meetings of the Committee shall be convened by the Chairman of the Committee as and when he considers appropriate or upon the request of a majority of the Members.
- (c) A Committee meeting shall be convened upon notice in writing at least three (3) days prior to the meeting and specifying the place, date and time of the meeting and the matters to be discussed at the meeting.
- (d) Subject to 3.1 (j) below, notwithstanding that a meeting is called by shorter notice, it shall be deemed to have been duly convened if it is so agreed by the Members present in the meeting at which there is a quorum. A Member may consent to short notice and may waive notice of any meeting of the Committee and any such waiver may be retrospective
- (e) Each Member shall give to the Secretary of the Committee an address and an electronic mail address ("email") for the service of notices of meetings of the Committee.
- (f) Notice of a meeting of the Committee shall be deemed to be duly served upon a Member if it is given to him personally, or sent to him by mail or email transmission, as appropriate, given by him to the Secretary of the Committee in accordance with Section 3.1 (e) above.
- (g) The quorum for a meeting of the Committee shall be at least a majority of the Members present throughout the meeting.
- (h) Resolutions at a meeting of the Committee at which there is a quorum shall be passed by a simple majority of votes of the Members present at such meeting.
  - i. Each Member, including the Chairman of the Committee, shall have one (1) vote.
  - ii. In case of an equality of votes, the Chairman of the Committee shall not have a second or casting vote.
  - iii. A resolution in writing signed by all Members shall be as valid and effective for all purposes as a resolution of the Committee passed at a meeting of the Committee duly convened, held and constituted. A written notification of confirmation of such resolution in writing sent by a Member shall be deemed to be his signature to such resolution in writing for such purpose. Such resolution in writing may consist of several documents, each signed by one or more Members.
- (i) If, within thirty (30) minutes from the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the



same day in the next week at the same time and place, or to such other day, time and place as the Chairman of the meeting may determine.

- (j) Notwithstanding any other provision herein, [i] no business shall be properly transacted at any meeting of the Committee where prior notice of such meeting has not been provided to each Member within a reasonable time prior to such meeting, and [ii] if any meeting is convened upon less than twenty four (24) hours' prior written notice to each Member, and no Member is present at such meeting, then [a] no business shall be properly conducted at such meeting, and [b] the holding of such meeting shall be adjourned for a period of not less than twenty four (24) hours (and prompt notice of such adjournment shall be given to each Member in accordance with the other provisions hereof) and any business may be properly transacted at the meeting so reconvened notwithstanding the absence of any Member.
- (k) Members may participate in a meeting of the Committee through teleconference or video conference by means of which all persons participating in the meeting can hear each other.

### **3.2. Minutes**

Minutes will be prepared in accordance with applicable law, regulation, bylaw, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at least two weeks after the audit committee meeting.

- (a) The Committee shall appoint a Secretary who shall prepare minutes of meetings and keep its records.
- (b) The Committee shall cause records to be kept for the following:
  - i. appointments and resignations of the Members;
  - ii. all agenda and other documents sent to the Members; and
  - iii. minutes of proceedings and meetings of the Committee.
- (c) Any such records shall be open for inspection by any Member upon reasonable prior notice during usual office hours of the Company.
- (d) Minutes of any meeting of the Committee, if purported to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting, shall be conclusive evidence of the proceedings and resolutions of such meeting.

### **3.3. Required Attendance**

*The CAE and Chief Finance Officer/Chief Compliance Officer are required to attend all Audit Committee meetings.*

### **3.4. Secretariat Services**

The CAE (or another appropriate designee) will facilitate and coordinate meetings as well as provide ancillary support to the committee, as time and resources permit.

### **3.5. Remuneration of Committee Members**

No fees or other remuneration shall be payable to the Members in respect of their services provided in connection with the Committee or in respect of their attendance at meetings of the Committee, save and except fees or remuneration authorized and approved by the Board for such purposes. No fees or compensation shall be paid directly or indirectly to any Member or his firm for consultancy or advisory services rendered to the Company directly by the Member or indirectly through his firm even if such Member is not the actual service provider. However, this prohibition shall not apply to ordinary compensation paid to a Member or his firm in respect of any other supplier or other business relationship or transaction that the Board has determined to be at arm's length terms and immaterial for purposes of its basic Member's independence analysis.



### **3.6. Responsibilities**

It is the responsibility of the Audit Committee to provide the board with independent, objective advice on the adequacy of management's arrangements with respect to the following aspects of the management of the organization:

#### **3.6.1 Values and Ethics**

*To obtain reasonable assurance with respect to the organization's values and ethics practices, the Audit Committee will:*

- *Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies by all managers and staff of the organization.*
- *Provide oversight of the mechanisms established by management to maintain high ethical standards for all of the managers and staff of the organization.*
- *Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.*

#### **3.6.2. Organizational Governance**

*To obtain reasonable assurance with respect to the organization's governance process, the Audit Committee will review and provide advice on the governance process established and maintained within the organization and the procedures in place to ensure that they are operating as intended.*

#### **3.6.3 Risk Management**

To obtain reasonable assurance with respect to the organization's risk management practices, the Audit Committee will:

- Annually review the organization's risk profile.
- Obtain from the CAE an annual report on management's implementation and maintenance of an appropriate enterprise wide risk management process.
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Senior Management and the Board.
- Provide oversight of the adequacy of the combined assurance being provided.
- Review and provide advice on the risk management processes established and maintained by management and the procedures in place to ensure that they are operating as intended.

#### **3.6.4 Fraud**

*To obtain reasonable assurance with respect to the organization's procedures for the prevention and detection of fraud, the Audit Committee will:*

- *Oversee management's arrangements for the prevention and deterrence of fraud.*
- *Ensure that appropriate action is taken against known perpetrators of fraud.*
- *Challenge management and internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.*

#### **3.6.5 Control**

*To obtain reasonable assurance with respect to the adequacy and effectiveness of the organization's controls in responding to risks within the organization's governance, operations and information systems, the Audit Committee will:*

- *Consider the effectiveness of the organization's control framework, including information technology security and control.*



- *Review and provide advice on the control of the organization as a whole and its individual units.*
- *Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the board.*

### **3.6.6 Compliance**

The Audit Committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- *Review the observations and conclusions of internal and external auditors and the findings of any regulatory agencies.*
- *Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance.*
- Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

## **4. OVERSIGHT OF THE INTERNAL AUDIT ACTIVITY AND OTHER ASSURANCE PROVIDERS**

### **4.1. Internal Audit Activity**

To obtain reasonable assurance with respect to work of the Internal Audit activity, the Audit Committee will provide oversight related to:

#### **4.1.1. Internal Audit Charter and Resources**

- Review and approve the Internal Audit Charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of The IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the organization and reflects developments in the professional practice of internal auditing.
- Advise the board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

#### **4.1.2. CAE Performance**

- Advise the Board regarding the qualifications and recruitment, appointment, and removal of the CAE.
- Provide input to management related to evaluating the performance of the CAE.
- Recommend to management or the governing body the appropriate compensation of the CAE.

#### **4.1.3. Internal Audit Strategy and Plan**

- Review and provide input on the internal audit activity's strategic plan, objectives, performance measures, and outcomes.
- Review and approve proposed risk-based internal audit plan and make recommendations concerning Internal Audit projects.
- Review and approve the Internal Audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.



- Review the Internal Audit activity's performance relative to its audit plan.

#### **4.1.4. Internal Audit Engagement and Follow Up**

- Review Internal Audit reports and other communications to management.
- Review and track management's action plans to address the results of Internal Audit engagements.
- Review and advise management on the results of any special investigations.
- Inquire of the CAE whether any internal audit engagements or non-audit engagements have been completed but not reported to the committee; if so, inquire whether any matters of significance arose from such work.
- Inquire of the CAE whether any evidence of fraud has been identified during Internal Audit engagements and evaluate what additional actions, if any, should be taken.

#### **4.1.5. Standards Conformance**

- *Inquire of the CAE about steps taken to ensure that the Internal Audit activity conforms with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).*
- *Ensure that the Internal Audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.*
- *Ensure that the Internal Audit activity has an external quality assurance review every five years.*
- *Review the results of the independent external quality assurance review and monitor the implementation of the Internal Audit activity's action plans to address any recommendations.*
- *Advise the Board about any recommendations for the continuous improvement of the Internal Audit activity.*

#### **4.2. External Auditors**

To obtain reasonable assurance with respect to work of the external assurance providers, the Audit Committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.

The Audit Committee will:

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit activity.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Obtain statements from the external auditors about their relationships with the organization, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- Have regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters.
- Monitor management's progress on action plans.

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the Audit Committee will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagements.



#### **4.3. Financial Statements and Public Accountability Reporting**

The Audit Committee is responsible for oversight of the independent audit of the entity's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

The Audit Committee will:

- Review with management and the external auditors the results of audit engagements, including any difficulties encountered.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee Members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released.
- Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted external auditing standards.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- Review interim financial reports with management and external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

#### **4.4. Compliance to legal and regulatory requirements:**

- Monitor compliance and adherence by the Company with all applicable laws and regulations pursuant to which the Company conducts its operations and business activities;
- In case of failure by the CEO or the General Counsel to adopt, as necessary, appropriate remedial measures or sanctions with respect to any reported material violation of securities law or breach of: fiduciary duty or similar violations by the Company, consider such reported violation and recommend the appropriate sanction therefore; and
- Discuss with the Company's General Counselor Chief Governance Officer/Compliance Officer any significant legal matters that may have a material effect on the financial statements, the Company's compliance policies, including material notices to or inquiries from governmental agencies.

#### **4.5. Reporting on Audit Committee Performance**

The Audit Committee will report to the Board annually, summarizing the committee's activities and recommendations. The report may be delivered during an Audit Committee meeting attended by the Board or during a regularly scheduled meeting of the Board.

The report should include:

- *A summary of the work the Audit Committee performed to fully discharge its responsibilities during the preceding year.*



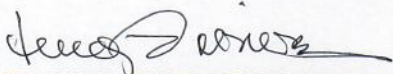
- A summary of management's progress in addressing the results of internal and external audit engagement reports.
- An overall assessment of management's risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting the governing organization.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, by new or emerging corporate governance developments.
- The committee may report to the governing body at any time regarding any other matter it deems of sufficient importance.
- Prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of its Charter, set forth the goals and objectives of the Committee for the ensuing year and include any recommendation to the Board on any improvements to this Charter deemed necessary or desirable by the Committee; provided that such report to the Board may take the form of an oral J report by the Chairman of the Committee or any other Member designated by the Committee to make such report, see Annex D.

#### **4.6. Approval/Signatures**




**MONA LISSA O. SANSON**

Chief Audit Executive – MPTC Internal Audit



**DR. ARLYN M. SICANGCO-VILLANUEVA**

Chairperson – MPTC Audit Committee



**MANUEL V. PANGILINAN**

Chairman of the Board - MPTC



## ANNEX A - INDEPENDENT DIRECTOR

**"Independent Director"** means a person who is independent of Management and who, apart from his fees and shareholdings, is free from any business or other relationship with the Company which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Company and includes, among other persons, one who:

- (i) is not a director or officer of the Company or any of its related companies or any of its substantial shareholders (other than as an Independent Director of any of the foregoing);
- (ii) was not a director (other than an Independent Director) of the Company who resigned or whose term ended within the last two (2) years;
- (iii) was not the chairman *emeritus* or an *ex-officio* director/officer or a member of the advisory board of the Company or otherwise appointed in a capacity to assist the Board of the Company in the performance of its duties and responsibilities within the last one (1) year;
- (iv) does not own more than two percent (2%) of the shares of stock of the Company or any of its related companies or any of its substantial shareholders;
- (v) is not a relative of any director, officer or substantial shareholder of the Company or any of its related companies or any of its substantial shareholders. For this purpose, "relatives" includes spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- (vi) is not acting as a nominee or representative of any director or substantial shareholder of the Company or any of its related companies or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement;
- (vii) has not been employed in any executive capacity by the Company or any of its related companies or any of its substantial shareholders within the last five (5) years;
- (viii) is not retained, or within the last five (5) years, has not been retained, as a professional adviser by the Company or any of its related companies or any of its substantial shareholders, either personally or through his firm;
- (ix) has not engaged and does not engage in any transaction with the Company or any of its related companies or any of its substantial shareholders, Whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and are immaterial;
- (x) is not employed as an officer or executive of another entity where any of the Company's officers or executives serves on that entity's Compensation Committee;



- (xi) is not affiliated with or employed, or within the last five (5) years, has not been affiliated with or employed, by the Company's present or former External Auditor or their affiliates; or
- (xii) is not a securities broker-dealer or a person holding any office of trust and responsibility in a broker-dealer firm which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange ("Exchange"), associated person or salesman, and an authorized clerk of the broker or dealer.

When used in relation to a company, "related company" means another company which is: (a) its holding company, (b) its subsidiary, or (c) a subsidiary of its holding company; and "substantial shareholder" means any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

To qualify for nomination as an Independent Director, a person must possess all of the qualifications and have none of the disqualifications for directorship in the Company as set forth in Annexes Band C, respectively, and must meet the independence criteria enumerated above and such other criteria provided under applicable law or regulation or determined by the Board or its Governance and Nomination Committee.

An incumbent Independent Director shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board or its Governance and Nomination Committee: (a) he ceases to meet any of the independence criteria provided above, or (b) he becomes disqualified from directorship based on any of the grounds for disqualification in accordance with Annex C.



## **ANNEX B - QUALIFICATIONS FOR DIRECTORSHIP**

1. Must own at least one (1) share of stock of the Company standing in his name on the books of the Company;
2. Must have a college education or equivalent academic degree;
3. Must be at least twenty-one (21) years old;
4. Must possess integrity and probity;
5. Must have a practical understanding of the business of the Company or previous business experience; and
6. Must have attended a seminar on corporate governance conducted by a duly recognized private or government entity or must have issued an undertaking to attend such a seminar as soon as practicable.

The Governance and Nomination Committee may consider and recommend to the Board other qualifications which are now or may hereafter be provided in the relevant existing laws or any amendments thereto or new laws applicable to the Company, including, but not limited to, membership in good standing in relevant industry, business or professional organization.



## ANNEX C - GROUNDS FOR DISQUALIFICATION FROM DIRECTORSHIP

### Permanent Disqualification

1. Any person convicted or adjudged guilty of any of the offenses or crimes specified below in a final, non-appealable judgment, decree or order issued by a judicial or an administrative body having competent jurisdiction or the Philippine Securities and Exchange Commission ("Commission"):
  - (a) an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
  - (b) any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them; or
  - (c) having willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or the *Bangko Sentral ng Pilipinas* ("BSP"), or any rule, regulation or order of the Commission or BSP;
2. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from:
  - (a) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker;
  - (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;
  - (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above.

The disqualification shall also apply if such person: (a) is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or BSP, or under any rule or regulation issued by the Commission or BSP; or (b) has otherwise been restrained to engage in any activity involving securities and banking; or (c) is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the said organization;
3. Any person found guilty by final judgment or order of a foreign court or equivalent securities or banking regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in Sections 1 and 2 above;
4. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;
5. Any person judicially declared as insolvent;



6. Any employee, officer, manager, director or controlling person or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation (other than one in which the Company owns at least thirty per cent (30%) of the capital stock) or entity engaged in a business that the Board, by at least a majority vote, determines to be competitive or antagonistic to that of the Company or any of its subsidiaries;
7. Any employee, officer, manager, director or controlling person or the owner (either of record or beneficially) of ten percent (10%) or more of any outstanding class of shares of any corporation or entity engaged in any line of business of the Company or any of its subsidiaries, when in the judgment of the Board, by at least a majority vote, the laws against combinations and restraint of trade shall be violated by such person's membership in the Board; and
8. Any nominee, as determined by the Board, in the exercise of its judgment in good faith and by at least a majority vote, of any person set forth in Sections 6 and 7 above.

### **Temporary Disqualification**

The Governance and Nomination Committee may consider and recommend to the Board temporary disqualification of a Director based on any of the following grounds:

- (i) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations, which disqualification shall be in effect as long as said refusal persists;
- (ii) Absence in more than fifty percent (50%) of all Board meetings, both regular and special, during his incumbency or any twelve (12) month period during said incumbency, unless the absence is due to justifiable causes such as illness, death of an immediate family member or serious accident. This disqualification applies for purposes of the succeeding election;
- (iii) Dismissal or termination for cause as director of any corporation covered by the Governance Code<sup>1</sup>. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- (iv) Being under preventive suspension by the Company (in the case of an Executive Director); and
- (v) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Any temporary disqualification of a Director recommended by the Governance and Nomination Committee to be valid and effective must be approved by the Board and comply with the requirements of applicable laws, rules and regulations.

A temporarily disqualified Director shall, within the period prescribed by the Board, which shall not be less than sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.



The Governance and Nomination Committee may consider and recommend to the Board other grounds for disqualification which are now or may hereafter be provided in the relevant existing laws or any amendments thereto or new laws applicable to the Company.

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<sup>1</sup> SEC Memorandum Circular No.6, Series of 2009



## ANNEX D: AUDIT COMMITTEE SELF-ASSESSMENT

1. The Audit Committee shall assess its performance through a self-assessment worksheet that contains the following information:

Responsibilities under the Code	Specific Areas / Dimensions (Nonexclusive List)	ASSESSMENT		
		Is this part of the Audit Committee's Charter? (Yes or No?)	Has this been implemented? (If yes, cite reference document)	Follow-up Actions Needed
<b>Setting of Committee Structure and Operations</b>	<ol style="list-style-type: none"> <li>1. Committee size</li> <li>2. Independence requirements</li> <li>3. Qualifications, skills, and attributes of members</li> <li>4. Financial knowledge of members</li> <li>5. Succession plan for members and Chair</li> <li>6. Meetings (frequency, etc.)</li> <li>7. Reporting to the Board and issuance of certifications on critical compliance issues.</li> <li>8. Evaluations</li> <li>9. Resources including access to outside advisors</li> <li>10. Training and education</li> </ol>			
<b>Oversight on Financial Reporting and Disclosure</b>	<ol style="list-style-type: none"> <li>1. Extent of understanding of the company's business and industry in which it operates</li> <li>2. Compliance with financial reporting regulations</li> <li>3. Recognition of management's responsibility over the financial statements</li> <li>4. Appropriateness of accounting policies adopted by management</li> <li>5. Reasonableness of estimates, assumptions, and judgements used in the preparation of financial statements</li> <li>6. Identification of material errors and fraud, and sufficiency of risk controls</li> <li>7. Actions or measures in case of finding of error or fraud in financial reporting</li> <li>8. Review of unusual or complex transactions</li> </ol>			



	<ul style="list-style-type: none"> <li>9. Determination of impact of new accounting standards and interpretations</li> <li>10. Assessment of financial annual and Interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including subsequent events and related party transactions.</li> <li>11. Review and approval of management representation letter before submission to external auditor</li> <li>12. Communication of AudCom with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact financial statements</li> <li>13. Fair and balance review of financial reports</li> <li>14. Assessment of correspondence between the company and regulators regarding financial statement filings and disclosures</li> </ul>			
<b>Oversight on Risk Management and Internal Controls</b>	<ul style="list-style-type: none"> <li>1. Obtaining management's assurance on the state of internal controls</li> <li>2. Review of internal auditor's evaluation of internal controls</li> <li>3. Evaluation of internal control issues raised by external auditors</li> <li>4. Assessment of control environment including IT system and functions</li> <li>5. Setting a framework for fraud prevention and detection including whistle-blower program</li> <li>6. Deliberation on finding of weaknesses in controls and reporting process</li> <li>7. Understanding and assessment of identified risks</li> <li>8. Evaluation of sufficiency and effectiveness of risk management processes and policies</li> <li>9. Preparation and implementation of a Business Continuity Plan</li> </ul>			



	10. Promotion of risk awareness in the organization			
<b>Oversight Management and Internal Audit</b>	1. Evaluation of compliance with the Code of Conduct for management 2. Communication management and internal auditor 3. Assessment of adequacy of resources and independence of Internal Auditors 4. Qualifications of an Internal Auditor 5. In-house or out-source internal audit function 6. Compliance with International Standards on the Professional Practice of Internal Auditing 7. Review and approval of internal audit annual plan 8. Extent and scope of internal audit work 9. Reporting process			
<b>Oversight on External Audit</b>	1. Assessment of Independence and professional qualifications and competence of External Auditor 2. Engagement and rotation process of external auditor or firm 3. Review and approval of scope of work and fees of external auditor 4. Assessment of non-audit services 5. Understanding disagreements between the auditor and management 6. Actions on the findings of external auditor 7. Management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions 8. Evaluation of performance of external audit – reappointment and resignation 9. Compliance of external auditor with auditing standards 10. 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 material issues that affect the audit and financial reporting			
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2. The Audit Committee shall rate its overall level of compliance based on the above parameters. It shall use a quantitative of 1 to 5 based on the following criteria:

<b>Rating</b>	<b>Description</b>
<u>1</u>	<u>No evidence that the Committee has met any of its responsibilities. Extensive improvements required, approaching worst in field.</u>
<u>2</u>	<u>The Committee has partially met some of its responsibilities. Considerable improvements required.</u>
<u>3</u>	<u>The Committee has fully undertaken some of its responsibilities. Major improvements required, approaching middle in the field.</u>
<u>4</u>	<u>The Committee has fully undertaken most of its responsibilities. Minor improvements required but approaching best in field.</u>
<u>5</u>	<u>The Committee has fully undertaken all its responsibilities. It would be expected that independent assessment would find that MPTC is a leader in this field.</u>

3. The above assessment should be done by the Audit Committee on an annual basis or in such shorter intervals as may be set by the Board. The results of the said assessment shall be validated by the Compliance Officer.
4. The results of the assessment shall be made available to management, Chief Audit Executive, Corporate Secretary and external auditors. This should facilitate dialogues within the organization about possible ways to improve the Committee's performance.

The entire assessment process should be documented and should form part of the records of the Company.