

## **AUDIT & RISK OVERSIGHT COMMITTEE CHARTER**

### **Purpose**

To assist the Board of Directors in fulfilling its oversight responsibilities over Cebu Landmasters Inc.'s financial reporting process, the system of internal control, internal and external audit processes, monitoring of compliance with applicable laws and regulations, risk management, and the code of conduct.

### **Authority**

In line with the Manual of Corporate Governance of Cebu Landmasters Inc. (the "Corporation") and pursuant to the Code of Corporate Governance for Publicly Listed Companies issued by the Securities and Exchange Commission (*SEC MC No. 19, Series of 2016*), the Audit & Risk Oversight Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee (including resolution of disagreements) the work of an independent external auditor (any registered public accounting firm) engaged by the organization for purposes of issuing audit report on the fairness of financial statements
- Review and reassess the adequacy of this Charter annually and recommend to the Board any amendments or modifications to the Charter that the Audit Committee deems appropriate.
- Evaluate its performance and report the result of such evaluation to the Board and Corporate Governance Committee
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Meet with company officers, related parties, external auditors, or outside counsel, as necessary and seek any information it requires.

### **Composition**

The Audit & Risk Oversight Committee shall consist of three (3) appropriately qualified non-executive directors who shall preferably have accounting and finance background, majority of whom shall be an independent director and another with audit experience. The Chair of the Audit Committee should be an independent director. The Chair of the Audit Committee should not be the chair of the Board or any other Committees.

### **Meetings**

The Audit Committee meets at least four times a year (or quarterly), with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will also be prepared by the Assistant Corporate Secretary.

## Responsibilities

The Audit & Risk Oversight Committee will carry out the following responsibilities:

### Internal Audit

- Recommend the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- Through the Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting and security of physical and information assets.
- Oversee the Internal Audit Department and recommends the appointment and/or grounds for approval of the appointment of an Internal Audit Head or Chief Audit Officer.
- The Audit & Risk Oversight Committee should also approve the terms and conditions for outsourcing internal audit services;
- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he will report functionally to the Audit & Risk Oversight Committee and administratively (i.e., day-to-day operations) to the Chief Executive Officer;
- Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations.

### External Audit

- Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses.
- The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence,
- Review and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- Review the disposition of the recommendations in the External Auditor's management letter;
- Perform oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;

- Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

#### Risk Management

- Approve the formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversights, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- Oversee the implementation of the enterprise risk management plan through conduct of regular discussions on the company's prioritized and residual risk exposures
- Advise the Board on its risk appetite levels and risk tolerance limits, to be defined by Risk Management Officer;
- Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management.

#### Compliance Monitoring

- Coordinate, monitor and facilitate compliance with laws, rules and regulations.

#### **Reports of the Committee**

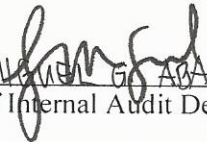
The Chairman of the Audit and Risk Oversight Committee shall submit to the Board a copy of the minutes of the meeting five (5) calendar days prior to the meeting of the Board and discuss with the Board the highlights of the matters discussed during the Committee meetings.

#### **Performance Assessment**

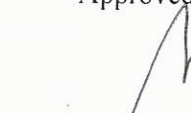
The Committee shall assess its performance through an annual self-assessment. Prior year performance assessment shall be done during the first Committee meeting the following year. The result of said assessment shall be validated by the Corporation's Chief Compliance Officer or its Corporate Governance Committee.


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


Endorsed for Approval:

  
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MIGUEL G. ABAS, JR.  
Head of Internal Audit Department

Approved by:

  
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MA. AURORA G. GARCIA  
Audit & Risk Oversight Committee Chairperson

  
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RUFINO LUIS T. MANTOK  
Audit & Risk Oversight  
Committee Member

  
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ERIBERTO ALCORO  
Audit & Risk Oversight  
Committee Member

## **INTERNAL AUDIT CHARTER**

### **Purpose and Mission**

The purpose of Cebu Landmasters, Inc.'s Internal Audit Department is to provide independent, objective (1) assurance and (2) consulting services designed to add value and improve Cebu Landmasters, Inc.'s operations.

The mission of internal audit is to:

- Enhance and protect organizational value by providing risk-based assurance engagement, professional advice and insight. The Internal Audit Department helps Cebu Landmasters, Inc. accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
- Assist the Board of Directors through the Audit & Risk Oversight Committee in carrying out its duties and responsibilities as provided for in SEC's Code of Corporate Governance for Publicly Listed Companies (*Memorandum Circular No. 19, Series of 2016*)

### **Standards for the Professional Practice of Internal Auditing**

The Internal Audit Department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors (IIA)'s International Professional Practices Framework, including the Core Principles of the International Standards for the Professional Practice of Internal Auditing (ISPPA), the Code of Ethics, and the Definition of Internal Auditing. The Chief Audit Executive will report periodically to the Audit & Risk Oversight Committee regarding the Internal Audit Department's conformance to the Code of Ethics and the Standards.

### **Authority**

The Chief Audit Executive (or Internal Audit Head) will report functionally to the Audit & Risk Oversight Committee and administratively (i.e., day-to-day operations) to the Chief Executive Officer or the President.

To establish, maintain, and assure that Cebu Landmasters, Inc.'s Internal Audit Department has sufficient authority to fulfill its duties, the Audit & Risk Oversight Committee will:

- Approve the Internal Audit Department's charter.
- Approve the risk-based Internal Audit Plan.
- Approve the Internal Audit Department's budget and resource plan.
- Receive communications from the Chief Audit Executive (CAE) on the Internal Audit Department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment, removal and remuneration of the CAE.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the Audit & Risk Oversight Committee, including in private meetings without management present.

The Audit & Risk Oversight Committee authorizes the Internal Audit Department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Cebu Landmasters, Inc., as well as other specialized services from within or outside Cebu Landmasters, Inc., in order to complete the engagement.

### **Independence and Objectivity**

The Chief Audit Executive will ensure that the Internal Audit Department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Cebu Landmasters, Inc. or its affiliates.
- Initiating or approving transactions external to the Internal Audit Department.
- Directing the activities of any Cebu Landmasters, Inc. employee not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit Department.

The Chief Audit Executive will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit & Risk Oversight Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Cebu Landmasters, Inc. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Cebu Landmasters, Inc.'s strategic objectives are appropriately identified and managed.
- The actions of Cebu Landmasters, Inc.'s officers, directors, employees, and contractors are in compliance with Cebu Landmasters, Inc.'s policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Cebu Landmasters, Inc.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Executive will report periodically to the Audit Committee regarding:

- The Internal Audit Department's plan and performance relative to its plan.
- The Internal Audit Department's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.

The Chief Audit Executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit Department does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## **Responsibility**

The Chief Audit Executive has the responsibility to:

- Submit, at least annually, to senior management and the Audit & Risk Oversight Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit & Risk Oversight Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Cebu Landmasters, Inc.'s business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Audit & Risk Oversight Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and communication of engagement results with applicable conclusions & recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit & Risk Oversight Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit Department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact Cebu Landmasters, Inc. are considered and communicated to senior management and the Audit & Risk Oversight Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.
- Ensure adherence to Cebu Landmasters, Inc.'s relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit & Risk Oversight Committee.

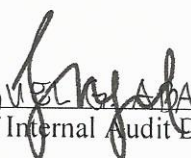
## **Quality Assurance and Improvement Program**

The Internal Audit Department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Department. The program will include an evaluation of the Internal Audit Department's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Department and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Audit & Risk Oversight Committee on the Internal Audit Department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Cebu Landmasters, Inc.

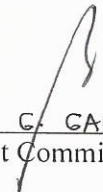


Endorsed for Approval:




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Audit & Risk Oversight Committee Chairperson



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Audit & Risk Oversight  
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