



## CHARTER OF THE AUDIT AND RISK OVERSIGHT COMMITTEE

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# Charter of the Audit and Risk Oversight Committee

In line with best corporate governance practices and to ensure effective management of strategic, operational, financial and compliance-related risks, the Board of Directors of Alvia Country Club, Inc. (the "Corporation") created the Audit and Risk Oversight Committee (the "Committee") to support it in the performance of its oversight functions of the Corporation's audit and risk management activities through continuous input, evaluation and feedback on the effectiveness of the Corporation's audit and risk management process.

## 1. Membership

The Committee shall be composed of at least three (3) members, all of whom shall be non-executive directors and majority of whom shall be independent directors including the Chairman. The Chairman of the Audit and Risk Oversight Committee should not be the chairman of the Board or of any other committees. Each member shall have an adequate understanding of accounting and auditing in general and of the Corporation's financial management systems and environment in particular. At least one (1) member should have auditing experience and accounting expertise. At least one (1) member shall have relevant thorough knowledge and experience on risk and risk management.

## 2. Authority, Roles and Responsibilities of the Committee

The Committee shall have the following authority, roles and responsibilities:

### a. *Financial Reporting*

- a.1 Review the financial statements and all related disclosures and reports certified by the Chief Financial Officer and released to the public and/or submitted to the SEC and for compliance with both the internal financial management handbook and pertinent accounting standards, including legal and regulatory requirements.
- a.2 Review the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgment areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.
- a.3 Review and approve management representation letter before submission to the independent auditor.
- a.4 Ensure that a transparent financial management system, supported by a Procedures and Policies Handbook that will be used by the entire organization is established, to ensure the integrity of internal control activities throughout the Corporation.
- a.5 Elevate to international standards the accounting and auditing processes, practices and methodologies.
- a.6 Ensure that actions and measures in case of finding of error or fraud in the financial statements and related disclosures are in place and followed.
- a.7 Review unusual or complex transactions including all related party transactions.

(RPT).

- a.8 Communicate with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements.

**b. Internal Audit**

- b.1 | Review and approve the Internal Audit Charter and subsequent revisions thereto for approval of the Board. The Internal Audit Charter shall be periodically reviewed to ensure alignment with the International Standards for the Professional Practice of Internal Auditing (ISPPA).
- b.2 Set up the Internal Audit Division, including the appointment of the Chief Audit Executive (CAE). The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The CAE shall report directly to the Committee functionally. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal. The Committee shall set up the qualification criteria for internal auditors.
- b.3 Ensure that the Internal Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by their function and that the Internal Audit Division shall be free from interference in determining its scope, performing its work and communicating its results.
- b.4 Approve the Annual Internal Audit Work Plan and all deviations therefrom, ensure that the audit resources are reasonably allocated to the areas of highest risk. Internal audit examination should cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems including the reliability and integrity of financial and operating information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations and contracts.
- b.5 Review and approve the terms and conditions for any outsourcing and co-sourcing agreements of the internal audit function. The CAE shall oversee and be responsible for the internal audit activity that is outsourced to a third-party service provider and co-sourced function.
- b.6 Review reports of the Internal Auditors and regulatory agencies, where applicable, ensure that management is taking appropriate corrective actions in a timely manner, including addressing governance, risk management, internal control and compliance issues.
- b.7 Review Internal Audit Division's periodic reports and the Internal Audit 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 of the agreed actions. The Annual Report shall discuss the Internal Audit Division's activities and performance relative to the audit plans and strategies approved by the Committee.
- b.8 Conduct separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.
- b.9 Provide inputs on the performance of the Internal Audit Division and communicate/discuss such inputs with the Chief Finance Officer (CFO) who shall

then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.

- b.10 Institute special investigations as necessary and, if appropriate, hire special counsel or experts to provide the necessary assistance.
- b.11 Review evaluation of compliance with the Code of Conduct for management.

**c. *Independent Audit***

- c.1 Recommend the appointment and removal of the Independent Auditors and the fixing of their remuneration to the Board. The Committee shall conduct an assessment of independence and professional qualifications and competence of the independent auditor and ensure that a rotation process is observed in the engagement of independent auditor.

- c.2 Review and pre-approve the Independent Auditor's plans before the conduct of external audit to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit.

In this regard, the Committee shall discuss with the Independent Auditors, before the audit commences, the nature and scope of the audit, and ensure cooperation when more than one professional service firm is needed. In addition, the Committee shall review compliance of independent auditor with auditing standards.

- c.3 Monitor the coordination of efforts between the independent and internal auditors.
- c.4 Review the reports of the Independent Auditors and regulatory agencies, where applicable, and ensure that management is taking appropriate corrective actions in a timely manner, including addressing control, governance and compliance issues.
- c.5 Conduct a separate meeting in executive session, with the Independent Auditors to discuss any matter that the Committee or Independent Auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.
- c.6 Approve the audit services rendered by the Independent Auditor to ensure that these do not impair the Independent Auditor's independence. The approval of the audit-related and non-audit services of the Independent Auditor is delegated to Management (refer to Policy on Audit, Audit-Related and Non-Audit Services (NAS) awarded to Independent Auditors). The amount of both audit and non-audit work of the Independent Auditors shall be disclosed in the annual report and Annual Corporate Governance Report.
- c.7 Provide oversight of the Corporation's Independent Auditor and ensure their independence and unrestricted access to all records, properties, and personnel to enable them to perform their independent audit functions taking into consideration relevant Philippine professional and regulatory requirements.
- c.8 Ensure that there is a process in place for understanding disagreements between the independent auditor and the management of the Corporation.

**d. Risk Oversight**

- d.1 Review the adequacy of the Corporation's risk management framework, ensure that an overall set of risk management policies and procedures exist for the Corporation, and oversee its implementation.
- d.2 Develop a formal enterprise risk management (ERM) plan which contains the following information: (1) registry of risks, (2) well-defined risk management goals, objectives and oversight, (3) uniform processes of assessing risks and developing strategies to manage prioritized risks, (4) designing and implementing risk management strategies, and (5) continuing assessments to improve risk strategies, processes and measures.
- d.3 Oversee the implementation of the ERM plan and conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks.
- d.4 Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness and revisit defined risk management strategies, look for emerging or changing material exposures, and keep abreast of significant developments that seriously impact the likelihood of harm or loss.
- d.5 Advise the Board on its risk appetite levels and risk tolerance limits.
- d.6 Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the Corporation.
- d.7 Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders.
- d.8 Monitor the risk management activities of the Corporation and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal auditors. This includes ensuring that the Corporation maintains a framework for fraud prevention and detection (i.e., Whistleblower Program) and plans for business continuity (i.e., Business Continuity Plan).
- d.9 Oversee the 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.
- d.10 Reports to the Board, as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

**e. Related Party Transaction**

- e.1 Evaluate, on an ongoing basis, existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent changes in relationships with counterparties (from non-related to related and vice versa).

- e.2 Evaluate all RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied.
- e.3 Determine any potential reputational risk issues that may arise as a result of or in connection with RPTs. In evaluating RPTs, the Audit and Risk Oversight Committee shall take into account, among others the following:
- The related party's relationship to the Corporation and interest in the transaction;
  - The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - The benefits to the corporation of the proposed RPT;
  - The availability of other sources of comparable products or services; and
  - An assessment of whether the proposed RPT is undertaken on terms and conditions that are comparable with the terms generally available to an unrelated party under similar circumstances. The Corporation should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
- e.4 Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on potential and/or actual conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties.
- e.5 Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.
- e.6 Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process.
- e.7 Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

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

All meetings shall be presided by the Committee Chairman and attended by all committee members, whether in person, through remote communication, such as teleconference, videoconference or other alternative modes of communications allowed by the Securities and Exchange Commission. The Committee shall meet at least quarterly to be held prior to the meeting of the Board. The presence of the majority of the members shall be necessary to constitute a quorum for the transaction of business. 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 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.

The President or the Chief Executive Officer and the Chief Financial Officer or other members of Management may be requested to attend Committee meetings or separate executive sessions may be conducted by the Committee with them and/or external auditors to foster open communication and discuss any matter that the Committee believes as needed to be discussed in private. External subject experts, such as the appointed independent auditors and other consultants, may also be invited to the meetings. The Committee shall meet with the internal and the independent auditors in executive session at least once a year.

Minutes of the Committee meetings shall be taken and recorded by the office of the Corporate Secretary. The minutes shall be signed by the Chairman of the meeting and by the committee members who attended the meeting.

#### **4. Reporting Procedure**

The Committee Chairman shall submit and present a report to the Board, containing updates on all actions taken by the Committee at the Board meeting following the Committee meeting.

The Committee Chairman should submit and present an annual Audit and Risk Oversight Committee report to the Board during its first meeting following the immediate calendar year. The annual report shall include a summary of the Committee's activities during the year, an over-all assessment of its performance and recommendations for improvement.

#### **5. Functional and Secretariat Support**

The Internal Audit Division and/or Risk Management Unit shall support the Committee in the performance of its functions, specifically:

- a. Internal Audit and the Risk Management Unit shall provide all the secretarial support to the Committee.
- b. The Internal Audit and/or Risk Management Unit shall keep all minutes of the meetings, recorded and prepared by the designated Secretary to the meeting and make these available for inspection by any member of the Committee or the Board, as and when requested.
- c. 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.

#### **6. Performance Evaluation**

To ensure that the Committee continues to fulfill its responsibilities in accordance with global leading practices and in compliance with the Manual of Corporate Governance relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually. The Committee shall:

- a. As a body, evaluate its performance by filling out a self-assessment questionnaire that shall benchmark its practices against the expectations set out in this Charter. The Committee shall review the questionnaire at least annually to make sure it is consistent with best



practices.

- b. Based on the results of the self-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 leading practices, accounting and auditing standards, risks and controls, as well as specific areas of concern (e.g., emerging risks).
- c. Semi-annually, review the status of implementation of such plans for improvement.

A feedback mechanism shall be in place to receive comments from Management, internal auditor, general counsel and independent auditor. Such mechanism shall facilitate dialogue within the organization about possible ways to improve its performance. The results of the above assessment shall be validated by the Corporation's Compliance Officer. In addition, the Committee shall obtain and subject itself to an independent assessment by the Board 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, if any.

## 7. Annual Charter Review

This Charter shall be reviewed annually by the Committee to ensure its continuing adequacy and consistency with the Board's objectives and responsibilities. Any proposed changes shall be approved by the Board.

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Approved by:

**Oscar S. Reyes**

Audit and Risk Committee  
Chair

**Jose P. De Jesus**

Audit and Risk Committee  
Member

**Clarissa Teresita L.  
Asuncion**

Audit and Risk Committee  
Member

**Lawrence Conrad N.  
Leonio**

Audit and Risk Committee  
Member

**Augusto D. Bengzon**

Audit and Risk Committee  
Member

**Johann V. Ramirez**

Ex-Officio Member