

 SBS PHILIPPINES CORPORATION	REVISED TERMS OF REFERENCE OF THE AUDIT AND RISK OVERSIGHT COMMITTEE	Approval Date 17 December 2024	
		Version No. 4	Page 1 of 6

The Board of Directors of SBS Philippine Corporation (the “Corporation”) hereby constitutes an Audit and Risk Oversight Committee (the “Committee”) and adopts this amended Committee Charter:

1. Purpose

This Charter sets out the roles, responsibilities and delegated authorities of the Audit and Risk Oversight Committee, including the procedures to guide the Committee in the performance of its functions.

This Charter may be reviewed by the Committee and/or the Board as and when deemed appropriate. Such review shall take place every two (2) years and any changes and/or amendments shall only take effect upon approval by the Board of Directors.

2. Mission Statement

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, enterprise risk management and system of internal control, the audit process, and the company’s process for monitoring compliance with laws and regulations.

3. Membership

- 3.1 The members of the Committee shall be appointed by the Board of Directors from among themselves during its annual organizational meeting and each shall hold office for one year and until their successors are elected and qualified, unless sooner replaced or removed by the Board.
- 3.2 It shall be composed of three (3) members, all of whom shall be independent directors. An Independent Director shall be designated as the Chairman of the Committee and preside over its meetings.
- 3.3 The Committee members shall have an adequate understanding of accounting and auditing principles and business financial management systems.
- 3.4 Any vacancy in the Committee shall be filled by the Board of Directors. The member elected to fill a vacancy in the Committee shall serve only the unexpired term of his predecessor in office.

4. Duties and Responsibilities

The Committee's primary duties and responsibilities are to monitor and oversee:

4.1 The Company's financial reporting process and systems of internal controls regarding finance and accounting to ensure the integrity of the financial statements of the Company. These include:

- a. Review in conjunction with Management the quarterly financial statement of the Company and with external auditors the annual financial statements of the Company, including the Company's disclosures under "Management's Discussion and Analysis and Analysis of Financial Condition and Results of Operations", and assess the information provided by the Company's management and the Company's external auditor;
- b. 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 statement;
- c. Review and assess areas that have material impact on financial statement involving management judgement, significant accounting accruals, and provisions for other estimates;
- d. Review with management and the External Auditors the results of any audit, including any difficulties encountered and act on matters or issues raised with a view to fairly present the financial condition of the company;

4.2 The performance of the Company's internal audit function. These include:

- a. Review and evaluate, with the assistance of the Chief Audit Executive the effectiveness of Company's systems of internal controls with respect to finance, accounting, legal, compliance, regulatory, compliance and ethics that Management has established and the Company's auditing, accounting and financial reporting processes generally; and effectiveness of the Company's internal controls, the security of physical and information assets and Management's response to Internal Audit findings and recommendations;
- b. Recommend approval of the Internal Audit Charter defining the role of Internal Audit and reporting lines to the Committee;
- c. Review and discuss with the Chief Audit Executive (the "Internal Auditor") the Company's internal audit plans and the periodic report of audit activities, investigations and results of internal audit functions;
- d. Approve the appointment, reassignment or dismissal of the Internal Auditor.

4.3 The qualifications, independence and performance of the Company's external auditor. These includes:

- a. Evaluate the external auditors' qualifications, performance and independence, and present its conclusions and recommendations to the Board and shareholders on the appointment, re-appointment, resignation or removal of external auditors as well as their remuneration and terms of engagement and all non-audit services to be provided by the independent auditor;
- b. When the incumbent external auditor is retained, ensure that the engagement partner shall be rotated as required by law or regulations so as to assure continuing auditor independence;
- c. Review and approve the timetable, and scope of the external auditors' annual audit plan(s);
- d. Evaluate the adequacy of the auditors' quality-control procedures and their compliance with such controls;
- e. Obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, and that the Committee will regularly review reports on the implementation progress of approved management action plans and audit recommendations resulting from completed audit engagements; and
- f. Conduct executive session with the Internal and External Auditors at least once a year or as needed without the presence of management.

4.4 The risk management function and the establishment of an enterprise-wide risk management ("ERM") framework:

- a. Review annually the organization's risk profile;
- b. Provide oversight on significant risk exposures and control issues, including fraud risk, governance issues, and other matters needed or requested by senior management and the board;
- c. Obtain from Chief Risk Officer an annual report on management's implementation and maintenance of an appropriate enterprise risk management processes;
- d. 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;

- e. Advise the Board on its risk appetite levels and risk tolerance limits; and
- f. Monitor and review, together with the Company's internal audit division, the adequacy and effectiveness of the Company's internal controls, the security of physical and information assets and Management's response to Internal Audit findings and recommendations.

4.5 Compliance by the Company with applicable legal and regulatory requirements.

The Committee shall receive and oversee the report of the Chief Compliance Officer that shall be provided at least annually to the Board.

- a. Review and provide advice on the systems and practices established by management to monitor compliance with laws and regulations and review results of investigation and follow-up of any instances of non-compliance;
- b. Obtain regular updates from Management and company legal counsel regarding findings of any examinations by regulatory agencies, and any auditor observations.

5. Performance Assessment

5.1 The Committee shall conduct an annual evaluation of the performance of the Committee to ensure that the Committee is in compliance with its Charter, the Revised Manual of Corporate Governance, SEC Memorandum Circular No. 4 Series of 2012 and other pertinent regulations. In this connection, it shall cause members of the Committee to complete a self-assessment questionnaire to benchmark its practices against the criteria provided under the SEC Memorandum Circular No. 4 Series of 2012.

5.2 The Committee shall prepare plans for the continuous improvement of its performance based on the results of its self-rating assessment, which may include programs and trainings in leading global best practices and other areas of concern. The Committee shall monitor the implementation of such plans from time to time.

6. Meetings

6.1 The Committee shall meet on a quarterly basis or as often as may be necessary. It shall act on the basis of majority vote of its members. The meeting of the Committee shall be held before the meeting of the Board of Directors.

6.2 The quarterly meetings shall consider, among others, the quarterly or year-end financial reports, related disclosures and reportorial requirements as well as updates on audit activities.

- 6.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date together with an agenda and supporting papers.
- 6.4 After its meeting, the Committee will report to the Board the results of its review and proceedings in the form of observations, recommendations and proposed resolutions and actions for the further consideration, action, approval and/or ratification of the Board. No recommendation, resolution, decision or action taken of the Committee will be valid and effective unless and until the Board of Directors approves, confirms or ratifies the decision or action taken by the Committee.
- 6.5 The Minutes of the Committee meeting will be recorded and maintained by the secretary of the meeting and presented to the Committee at the next Committee meeting for approval. The Corporate Secretary or his designated representative shall act as secretary for the meetings.

7. Authorities of the Committee

- 7.1 The Committee shall have the authority to retain, at the Company's expense, such outside advisors, including legal counsel or other experts, as it deems appropriate, and to approve the fees and expenses of such advisors.
- 7.2 In discharging its oversight role, the Committee shall have full access to all books, records, facilities and personnel of the Company.

8. Adoption and Effectivity

This Amended Charter was adopted by the Board of Directors of the Corporation with effect January 1, 2025.

Approved on **17 December 2024** by Resolution of the Board of Directors.

Record of Changes

Version Number	Document Title	Approval Date
1.0	REVISED TERMS OF REFERENCE OF THE AUDIT, RISK, AND RELATED PARTY TRANSACTION COMMITTEE	Approved by the Board of Directors on May 11, 2017
2.0	REVISED TERMS OF REFERENCE OF THE AUDIT AND RISK OVERSIGHT COMMITTEE	Approved by the Board of Directors on August 05, 2020
3.0	REVISED TERMS OF REFERENCE OF THE AUDIT AND RISK OVERSIGHT COMMITTEE	Approved by the Board of Directors on October 04, 2022