



CHARTER OF THE AUDIT COMMITTEE

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Charter of the Audit Committee

This Charter¹ sets out the policies, responsibilities, and authority of the Audit Committee (the “Committee”) of Ayala Land, Inc. (the “Corporation”), including the procedures that shall guide the Committee in the performance of its functions.

It shall be reviewed by the Committee annually and any changes and/or revisions thereof shall take effect only upon approval of the Board.

1. Statement of Policy

It is the policy of the Corporation to constitute and maintain a Committee which shall provide assistance to the Board in fulfilling its oversight responsibility relating to:

- a. the integrity of the Corporation’s financial statements and the financial reporting process;
- b. the appointment, remuneration, qualifications, independence and performance of the independent auditors and the integrity of the audit process as a whole;
- c. the effectiveness of the systems of internal control;
- d. the performance and leadership of the internal audit function;
- e. the Corporation’s compliance with applicable legal and regulatory requirements; and
- f. the preparation of a year-end report of the Committee for approval of the Board and to be included in the annual report.

To fulfill this responsibility, the Committee shall maintain a free and open communication with the Corporation’s independent auditors, the internal auditors and the Management.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention, with full access to all records, books of accounts, facilities and personnel of the Corporation and the power to retain outside counsel or other experts for this purpose.

2. Perspective

In response to the call for stronger corporate governance practices and to comply with the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission (SEC) in April 2002, as amended by SEC Memorandum Circular No. 6, Series of 2009 and SEC Memorandum Circular No. 9, Series of 2014, the Board approved the establishment of a Manual on Corporate Governance for the Corporation.

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

¹ Revised in accordance with the provisions of the Board of Directors’ Charter and the Revised Code of Corporate Governance.

The corporate governance structure of the Corporation defines the relationship of the Board of Directors, the Management and the Committee as follows:

- a. The Board is responsible to the shareholders in ensuring that value is created and sustained.
- b. Management is responsible to the Board in the day-to-day operations of the organization. This includes:
 - Operating an effective risk management process
 - Maintaining a strong system of internal controls
 - Preparing financial statements that reliably capture the results of the Corporation's operations and its financial condition
- c. The Committee assists the Board fulfill its responsibility for oversight of the Corporation's corporate governance processes.

This entails an understanding of the Corporation's business and industry in which it operates in general as well as understanding of the risks, control and financial reporting issues inherent to the Corporation.

To carry out its responsibilities, the Committee is assisted by the Management, the internal auditors and independent auditors. Independent auditors aid the Committee in ensuring the integrity of the financial statements. Internal auditors help the Committee assess the controls that manage the risks and financial reporting issues identified through the continuous review of the effectiveness of the organization's risk management, controls and corporate governance processes.

3. Roles and Responsibilities

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

3.1 Internal Audit

- a. Reviewing and approving 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 (ISPPIA).
- b. Setting 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.

- c. Ensuring 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.
- d. Approving the Annual Internal Audit Work Plan and all deviations therefrom, ensuring that the audit resources are reasonably allocated to the areas of highest risk. In the event that outsourcing of internal audit services is needed, the terms and conditions for outsourcing should be approved by the Committee
- e. Reviewing reports of the Internal Auditors and regulatory agencies, where applicable, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues.
- f. Reviewing 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. The Annual Report shall discuss the Internal Audit Division's activities and performance relative to the audit plans and strategies approved by the Committee.
- g. Conducting separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.
- h. Providing inputs on the performance of the Internal Audit Division and communicating/discussing 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.
- i. Instituting special investigations as necessary and, if appropriate, hiring special counsel or experts to provide the necessary assistance.
- j. Reviewing evaluation of compliance with the Code of Conduct for management.

The Internal Audit Group of the Corporation shall support the Audit Committee in the rendition of its functions.

3.2 Financial Reporting

- a. Reviewing 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.
- b. Reviewing the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.

- c. Reviewing and approving management representation letter before submission to the independent auditor.
- d. Ensuring 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.
- e. Elevating to international standards the accounting and auditing processes, practices and methodologies.
- f. Ensuring that actions and measures in case of finding of error or fraud in the financial statements and related disclosures are in place and followed.
- g. Reviewing unusual or complex transactions.
- h. Communicating with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements.

3.3 Independent Audit

- a. Recommending 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.
- b. Reviewing and pre-approving the Independent Auditor's plans one (1) month 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.
- c. 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.
- d. Monitoring the coordination of efforts between the independent and internal auditors.
- e. Reviewing the reports of the Independent Auditors and regulatory agencies, where applicable, and ensuring that management is taking appropriate corrective actions in a timely manner, including addressing control, governance and compliance issues.
- f. Conducting 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.

- g. Reviewing and approving the proportion of audit versus non-audit work both in relation to their significance to the Independent Auditor and in relation to the Corporation's year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the Independent Auditor. The amount of both audit and non-audit work of Independent Auditors shall be disclosed in the annual report.
- h. Ensuring that there is a process in place for understanding disagreements between the independent auditor and the management of the Corporation.
- i. Ensuring that the Independent Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by their function.

4. Membership

- a. The Committee shall consist of three (3) directors entirely non-executive, majority of whom shall be independent directors.
- b. An independent director shall chair the Committee and shall be responsible for ensuring the effective interaction among Committee members and with Management and the internal and independent auditors.
- c. 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.
- d. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

5. Meetings and Schedule of Activities

- a. 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 CAE will ensure that the schedule is carried as planned.
- b. The Committee shall meet at least quarterly. The quarterly meetings shall be held prior to the meeting of the Board. In cases when there is a need for special meetings to take up any critical items that would need approval in between the quarterly meetings, it shall be up to the CAE to propose such meeting and for the Chairman of the Committee to call for a special meeting.

- c. The agenda for the meetings will be developed by the CAE based on the agreed calendar of activities and inputs from the Committee members, subject to the approval of the Chairman. 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.
- d. The President or the Chief Executive Officer and the Chief Financial Officer may be requested to attend Committee meetings. As and when appropriate, the Committee may require other members of Management to be present at the meetings. External subject experts, such as the appointed independent auditors and other consultants, may also be invited to the meetings.
- e. The Committee shall meet with the internal and the independent auditors in executive session at least once a year.

6. Reporting Procedures

To keep the Board apprised on the results of the Committee's activities, the Chairman of the Committee shall submit an Audit Committee report every quarter to the Chairman of the Board; and shall be ready to present the report to the Board during its meeting for the quarter.

The Committee Chairman will also submit and present an annual Audit Committee report to the Board during its first meeting in the immediately succeeding calendar year.

7. Performance Evaluation and Continuous Improvement

To ensure that the Committee continues to fulfill its responsibilities in accordance with global leading practices and in compliance with the Manual on Corporate Governance and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually. In this regard, 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. The current form of the questionnaire is Annex A.
- 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.

8. Functional and Secretariat Support

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

- a. Internal Audit shall provide all the secretariat support to the Committee.
- b. The CAE shall attend all the Committee meetings.
- c. Internal Audit 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.
- d. 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.

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