



CHARTER OF THE AUDIT COMMITTEE

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Charter of the Audit Committee

This Charter 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. The Committee is part of the Board and is accountable to the Board for its performance.

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 to the shareholders 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 and efficiency 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, contractual agreements, and industry guidelines;
- f. the preparation of a year-end report of the Committee for approval of the Board and to be included in the annual report.

The Committee shall also oversee the implementation of the Corporation’s Business Integrity Program spearheaded by the Ethics Committee.

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

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.

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 and efficiency of the organization's corporate governance, risk management and internal control 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 Oversight on Risk Management and Internal Controls

- a. Coordinate with the Board Risk Oversight Committee for the review of financial statement, corporate governance, operational, legal and other related risks.
- b. Review internal control framework implemented by management for fraud prevention and detection including ALI Group Business Integrity Program.
- c. On an annual basis, management, together with internal audit, shall assess the effectiveness of the Company's fraud framework and present the results of its assessment to the Committee, together with proposed improvement on the fraud policies and controls to be adopted to address any gaps noted from the review.
- d. Obtain management's assurance on the state of internal controls.

3.2 Oversight on Financial Reporting

- a. Review the financial statements and all related disclosures and reports certified by the CFO 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. Review 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. Review and approve the management representation letter before submission to the Independent Auditor.
- d. 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.
- e. Elevate to international standards the accounting and auditing processes, practices and methodologies.
- f. 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.
- g. Review unusual or complex transactions.
- h. Communicate with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements.

3.3 Oversight on Internal Audit

- a. Review and approve the Internal Audit Charter, 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. Set up the Internal Audit Division (IAD), 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. Ensure that the Internal Auditors have free and full access to all the Corporation's records, properties, information systems and personnel relevant to and required by their function and that the IAD shall be free from interference in determining its scope, performing its work and communicating its results.

- d. Approve the Annual Internal Audit Plan and all deviations therefrom, ensuring that the audit resources are reasonably allocated to the areas of highest risk. Internal audit examinations 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 operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.
- e. 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 functions.
- f. Review reports of the Internal Auditors and regulatory agencies, where applicable, ensuring that Management is taking appropriate corrective actions in a timely manner, including addressing governance, risk management, internal control and compliance issues.
- g. Review IAD's periodic and annual reports. 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 the implementation of the agreed actions. The Annual Report shall discuss the IAD's activities and performance relative to the audit plans and strategies approved by the Committee.
- h. Conduct separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.
- i. Provide inputs on the performance of the IAD 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.
- j. Institute special investigations as necessary and, if appropriate, hire special counsel or experts to provide the required assistance.
- k. Review evaluation of compliance with the Code of Conduct for Employees.
- l. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' ISPPA.

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

3.4 Oversight on Independent Audit

- a. Review the performance and recommend to the Board for ratification by the shareholders the appointment, retention or discharge, and fixing of the remuneration of the Independent Auditors.

In case of resignation, dismissal or cessation from service of an Independent Auditor, ensure that there is a process for reporting in the annual and current reports and disclosing to the regulators and the public through the Corporation's website, the reasons for cessation from service and the date thereof, of an independent auditor. Said report shall include a discussion of any disagreement with said former Independent Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

A preliminary copy of the said report shall be given by the Corporation to the independent auditor before its submission.

- b. 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 ALI's Policy on Audit, Audit-Related and Non-Audit Services (NAS) Awarded to Independent Auditors). The amount of both audit and non-audit work of Independent Auditors shall be disclosed in the annual report and Annual Corporate Governance Report.
- c. Conduct an assessment of the Independent Auditor's independence and professional qualifications and competence on an annual basis and ensuring that a rotation process is observed in the engagement of Independent Auditor in accordance with the requirements prescribed by applicable laws and regulations.
- d. Review and pre-approve the Independent Auditor's plans one month before the conduct of independent audit to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit and their compliance with auditing standards
- e. Discuss with the Independent Auditors, before the audit commences, the nature and scope of the audit, and ensure cooperation when more than one (1) professional service firm is needed.
- f. Monitor the coordination of efforts between the Independent and Internal Auditors.
- g. 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 governance, risk management, control, and compliance issues.
- h. Conduct a separate meeting in executive session, with the Independent Auditors to discuss any matter that the Committee or Independent Auditors believes should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.
- i. Ensure that the Independent Auditors have free and full access to all the Corporation's records, properties, information systems and personnel relevant to and required by their function.
- j. Review with the Independent Auditor any disagreements, problems or difficulties,

including any restrictions on the scope of the Independent Auditor's activities or on access to requested information and any significant disagreements with Management. The review may also include discussion of any proposed accounting adjustments that were "passed" or not recorded.

- k. Review the Independent Auditor's evaluation of internal accounting controls. Independent Auditors shall provide feedback to the Audit Committee on their observations of internal control weaknesses arising from statutory financial audits. Independent Auditors should highlight findings which are disputed by Management or where Management has not agreed to implement remedial actions that would rectify the identified weaknesses.

4. Membership

- a. The Board shall appoint the members of the Audit Committee at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board, unless removed or replaced by the Board. The Board, through the Committee, shall ensure that there is an established training and succession plan which is regularly reviewed and updated.
- b. The Committee shall consist of three (3) directors entirely non-executive, majority of whom shall be independent directors.
- c. 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.
- d. 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 member should have auditing experience and accounting expertise.
- e. 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 or just allow the routing of the covering paper.
- 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. Committee materials shall be distributed to all members at least five (5) business days prior to each Audit Committee meeting.

- d. The President/Chief Executive Officer and the CFO 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 of 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 which shall be included in the Corporation's Annual Report.

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

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 IAD shall support the Committee in the rendition of its functions, specifically:

- a. IAD shall provide all the secretariat support to the Committee.
- b. The CAE shall attend all the Committee meetings.
- c. IAD 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. IAD 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 IAD, these shall be highlighted to the Committee for consideration and decision.

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ANNEX A



Audit Committee Self-Assessment Questionnaire

Specific Areas/ Dimensions	ASSESSMENT		
	Part of the Charter?		Has this been implemented? If "Yes", cite reference document If "No", Please State Follow-up Actions Needed
	Yes	Ref	
I. Setting of Committee Structure and Operation			
1. Committee size			
2. Independence requirement			
3. Qualifications, skills and attributes of members and Chair			
4. Financial knowledge of members			
5. Succession plan for members and Chair			
6. Meetings (frequency, etc.)			
7. Reporting to the Board and issuance of certifications on critical compliance issues			
8. Performance Evaluations			
9. Resources including access to outside advisors			
10. Training and education			
II. Oversight on Financial Reporting and Disclosures			
1. Extent of understanding of the company's business and industry in which it operates			
2. Compliance with financial reporting regulations			
3. Recognition of management's responsibility over the financial statements			
4. Appropriateness of accounting policies adopted by management			
5. Reasonableness of estimates, assumptions, and judgments used in the preparation of financial statements			
6. Identification of material errors and fraud, and sufficiency of risk controls			
7. Actions or measures in case of finding of error or fraud in financial reporting			
8. Review of unusual or complex transactions.			
9. Determination of impact of new accounting standards and interpretations			
10. Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including on subsequent events and related party Transactions			
11. Review and approval of management representation letter before submission to external auditor			
12. Communication of the Committee with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact financial statements			

Specific Areas/ Dimensions	ASSESSMENT		
	Part of the Charter?		Has this been implemented? If "Yes", cite reference document If "No", Please State Follow-up Actions Needed
	Yes	Ref	
13. Fair and balance review of financial reports			
14. Assessment of correspondence between the company and regulators regarding financial statement filings and disclosures			
III. Oversight on Risk Management and Internal Controls			
1. Obtaining management's assurance on the state of internal controls			
2. Review of internal auditor's evaluation of internal controls			
3. Evaluation of internal control issues raised by external auditors			
4. Assessment of control environment including IT systems and functions			
5. Setting a framework for fraud prevention and detection including whistleblower program			
6. Deliberation on findings of weaknesses in controls and reporting process			
7. Understanding and assessment of identified risks			
8. Evaluation of sufficiency and effectiveness of risk management processes and policies			
9. Preparation and implementation of a Business Continuity Plan			
10. Promotion of risk awareness in the organization			
IV. Oversight on Management and Internal Audit			
1. Evaluation of compliance with the Code of Conduct for management			
2. Communication with management and internal auditor			
3. Assessment of adequacy of resources and independence of Internal Auditor			
4. Qualifications of an Internal Auditor			
5. In-house or outsource 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			
V. Oversight on External Audit			
1. Assessment of independence and professional qualifications and competence of external auditor			
2. Engagement and rotation process of external auditor or firm			

Specific Areas/ Dimensions	ASSESSMENT		
	Part of the Charter?		Has this been implemented? If "Yes", cite reference document If "No", Please State Follow-up Actions Needed
	Yes	Ref	
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 materials issues that affect the audit and financial reporting.			