

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 1 of 12
Class: Policy		Version: 1
Index No.:		

I. ORGANIZATIONAL PRINCIPLES

Introduction

The Audit Committee plays an important role in providing oversight of the organization's governance, risk management, and internal control policies. This oversight mechanism also serves to provide confidence in the integrity of these practices. The audit committee perform its role by providing independent oversight to the governing body e.g. board.

Background

The Audit Committee was established on 2002 in Panasonic Manufacturing Philippines Corporation (**PMPC**). At that time, the charter for the committee was established. The charter, which governs the work of the committee, was received and updated in October 2017.

Purpose

The purpose of the audit committee is to provide a structured, systematic oversight of the PMPC's governance, risk management, and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the PMPC's initiative for:

- Values and ethics
- Governance structure
- Risk Management
- Internal Control Framework
- Oversight of the internal audit activity, external auditors, and other providers the board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices.

Mandate

The mandate for the establishment of the audit committee was derived from SEC's Code of Corporate Governance for public listed companies.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 2 of 12
Class: Policy		Version: 1
Index No.:		

Authority

The audit committee charter sets out the authority of the audit committee to carry out the responsibilities established for it by the board as articulated within the Audit Committee Charter.

In discharging its responsibilities, the audit committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee also will have unrestricted access to records, data, and reports. If access to requested document is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, board approved mechanism for resolution of the matter.

The audit committee may engage independent counsel and/or other advisor it deems necessary to carry out its duties.

The audit committee is empowered to:

- Appoint, compensate, and oversee all audit and non-audit services performed by external auditors, including the work of any registered public accounting firm employed by PMPC.
- Resolve any disagreements between management and the external auditor regarding financial reporting and other matters.
- Preapprove all auditing and non-auditing services performed by external auditors.

Composition of the Audit Committee

- The Audit Committee shall consist of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All members of the Committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance.
- The Chairman of the Audit Committee should not be the Chairman of the Board or any other committees.
- For purposes hereof, an "independent" director is a director who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. He is automatically disqualified if his beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of the company.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 3 of 12
Class: Policy		Version: 1
Index No.:		

Term of Office

- The Board’s independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders’ approval during the annual shareholders’ meeting.
- Independent directors (IDs) who have served for nine years may continue as a non-independent director of the company. Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 9, Series of 2011.

Quorum

The quorum for the audit committee will be a majority of the members.

II. OPERATIONAL PRINCIPLES

Audit Committee Values

The audit committee will conduct itself in accordance with the code of values and ethics of PMPC and SEC’s Code of Corporate Governance. The audit committee expects that management and staff of PMPC will adhere to these requirements.

Communication

The audit committee expects that all communication with management and staff of the PMPC as well as with any external assurance providers will be direct, open, and complete.

Work Plan

The audit committee chair will collaborate with senior management and the chief audit executive (CAE) to establish a work plan to ensure that the responsibilities of the audit committee are scheduled and will be carried out,

Meeting Agenda

The chair will establish agendas for audit committee meetings in consultation with audit committee members, senior management, and the CAE.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 4 of 12
Class: Policy		Version: 1
Index No.:		

Information Requirements

The audit committee will establish and communicate its requirements for information, which will include the nature, extent, and timing of information. Information will be provided to the audit committee at least one week prior to each audit committee meeting.

Executive Sessions

The audit committee will schedule, and hold if necessary, a private session with the chief executive officer (CEO), the chief financial officer (CFO), the CAE, external assurance providers, and with any other officials that the audit committee may deem appropriate at each of its meetings.

Preparation and Attendance

Audit Committee members are obligated to prepare for and participate in committee meetings.

Conflict of Interest

Audit committee members should adhere to the PMPC's Code of Conduct and any values and ethics established by the PMPC. It is the responsibility of audit committee members to disclose any conflict of interest or appearance of a conflict of interest to the committee. If there is any question as to whether audit committee member(s) should rescue themselves from a vote, the committee should vote to determine whether the member should rescue himself or herself.

Orientation and Training

Audit Committee members will receive formal orientation training on the purpose and mandate of the committee and on the organization's objectives. They are also required to attend the continuing education on corporate governance matters. A process of continuing education will be established.

III. OPERATIONAL PROCEDURES

Meetings

The audit committee will meet at least once a month or twelve (12) times annually or more frequently as the committee deems necessary. The time frame between audit committee meetings should not exceed two months.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 5 of 12
Class: Policy		Version: 1
Index No.:		

Minutes

Minutes will be prepared in accordance with applicable law, regulation, by-law, policy, procedure, and/or other applicable requirements. Meeting minutes will be provided in draft format at least one (1) weeks after the committee meeting.

Required Attendance

The CAE and the Chairman of the Audit Committee are required to attend all audit committee meetings.

Secretariat Services

The CAE will facilitate and coordinate meetings as well as provide ancillary support to the committee, as time and resources permit.

Remuneration of Committee Members

Committee members may be reimbursed for travel and committee-related expenses. Payment rates and allowances for committee members' time and/or services are established in Board Remuneration and Compensation Policy.

Responsibilities

It is the responsibility of the audit committee to provide the board with independent, objective advice on the adequacy of management's arrangement with respect to the following aspect of the management of PMPC:

Values and Ethics

To obtain reasonable assurance with respect PMPC's values and ethics practices, the audit committee will:

- Review and assess the policies, procedures, and practices established by the governing body to monitor conformance with its code of conduct and ethical policies buy all managers and staff of PMPC.
- Provide oversight of the mechanism established by management to establish and maintain high ethical standards for all of the managers and staff of PMPC.
- Review and provide advice on the systems and practices established by management to monitor compliance with laws, regulations, policies, and standards of ethical conduct and identify and deal with any legal or ethical violations.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 6 of 12
Class: Policy		Version: 1
Index No.:		

Organizational Governance

To obtain reasonable assurance with respect to the PMPC's governance process, the audit committee will review and provide advice on the governance process established and maintained within PMPC and the procedures in place to ensure that they are operating as intended.

Risk Management

To obtain reasonable assurance with respect to the PMPC's risk management policies, the audit committee will:

- Annual review the PMPC's risk profile.
- Obtain from the CAE an annual report on management's implementation and maintenance of an appropriate enterprise risk management process.
- Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
- Provide oversight of the adequacy of the combined assurance being provided.
- 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.

Fraud

To obtain reasonable assurance with respect to PMPC's procedures for the prevention and detection of fraud, the audit committee will:

- Oversee management's arrangements for the prevention and deterrence of fraud.
- Ensure that appropriate action is taken against known perpetrators of fraud.
- Challenge management and internal and external auditors to ensure that the entity has appropriate anti-fraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.

Control

To obtain reasonable assurance with respect to the adequacy and effectiveness of PMPC's controls in responding to risks within the PMPC's governance, operations and information system, the audit committee will:

- Consider the effectiveness of PMPC's control framework, including information technology security and control.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 7 of 12
Class: Policy		Version: 1
Index No.:		

- Review and provide advice on the control of the organization as a whole and its individual units.
- Receive reports on all matters of significance arising from work performed by other providers of financial and internal control assurance to senior management and the board.

Compliance

The Audit Committee will:

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the observation and conclusions of internal and external auditors and the findings of any regulatory agencies.
- Review the process for communicating the code of conduct to PMPC's personnel and for monitoring compliance.
- Obtain regular updates from management and PMPC's legal counsel regarding compliance matters.

IV. OVERSIGHT OF THE INTERNAL AUDIT ACTIVITY AND OTHER ASSURANCE PROVIDERS.

Internal Audit Activity

To obtain reasonable assurance with respect to work of the internal audit activity, the audit committee will provide oversight related to:

Internal Audit Charter and Resources

- Review and approve the internal audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the internal audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of the IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of PMPC and reflects developments in the professional practice of internal auditing.
- Advise the board about increases and decreases to the requested resources to achieve the internal audit plan. Evaluate whether any additional resources are needed permanently or should be provided through outsourcing.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 8 of 12
Class: Policy		Version: 1
Index No.:		

CAE Performance

- Advise the board regarding the qualifications and recruitment, appointment, and removal of the CAE.
- Provide input to management related to evaluating the performance of the CAE.
- Recommend to management or the governing body the appropriate compensation of the CAE.

Internal Audit Strategy and Plan

- Review and provide input on the internal audit activity's strategic plan, objectives, performance measure and outcomes.
- Review and approve proposed risk-based internal audit plan and make recommendations concerning internal audit projects.
- Review and approve the internal audit plan and engagement work program, including reviewing internal audit resources necessary to achieve the plan.
- Review the internal audit activity's performance relative to its audit plan.

Internal Audit Engagement and Follow Up

- Review internal audit reports and other communications to management.
- Review and track management's action plans to address the result of internal audit engagement.
- Review and advise management on the results of any special investigations.
- Inquire of the CAE whether any internal audit engagement or non-audit engagements have been completed but not reported to the committee; if so, inquire whether any matter of significance arose from such work.
- Inquire of the CAE whether any evidence of fraud has been identified during internal audit engagements and evaluate what additional actions, if any, should be taken.

Standards Conformance

- Inquire of the CAE about the steps taken to ensure that the internal audit activity conforms with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards).
- Ensure that the internal audit activity has a quality assurance and improvement program and that the results of these periodic assessments are presented to the Audit Committee.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 9 of 12
Class: Policy		Version: 1
Index No.:		

- Review the result of the independent external quality assurance review and monitor the implementation of the internal audit activity's action plans to address any recommendations.
- Advise the board about any recommendations for the continuous improvement of the internal audit activity.

External Auditors

To obtain reasonable assurance with respect to work of the external assurance providers, the audit committee will meet with the external assurance providers during the planning phase of the engagement, the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management.

The audit committee will:

- Ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the Internal Audit activity.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of external auditors.
- Obtain statement from the external auditors about their relationships with PMPC, including non-audit services performed in the past, and discuss the information with the external auditors to review and confirm their independence.
- Have regularly scheduled exclusive meetings with external auditors to discuss any sensitive matters.
- Monitor management's progress on action plan.
- Ensures that the audit engagement partner is rotated every five (5) years to comply with the SEC's rules and regulation.
- Ensures that the external auditor has adequate quality control procedures.

To obtain reasonable assurance that management has acted on the results and recommendations of internal and external audit engagements, the audit committee will regularly review reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audit engagement.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 10 of 12
Class: Policy		Version: 1
Index No.:		

Financial Statement and Public Accounting Reporting

The audit committee is responsible for oversight of the independent audit of the entity's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

The audit committee will:

- Review with management and external auditors the results of audit engagements, including any difficulties encountered.
- 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 statements.
- Review other section of the annual report and related regulatory filings and consider the accuracy and completeness of the information before it is released.
- Review with management and external auditors all matters required to be communicated to the audit committee under generally accepted external auditing standards.
- Understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans.
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement in the process.
- Reviews the quarterly, half-year and annual financial statements before submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements.

Other Responsibilities

In addition, the audit committee will:

- Perform other activities related to this charter as requested by the governing body.
- Institute and oversee special investigation as needed.
- Review significant related-party transaction of PMPC.
- Regularly evaluate its performance and that of its individual members.

PMPC	PMPC AUDIT COMMITTEE CHARTER	Page 11 of 12
Class: Policy		Version: 1
Index No.:		

Reporting on Audit Committee Performance

The audit committee will report to the board annually, summarizing the committee's activities and recommendations. The report may be delivered during an audit committee meeting attended by the board or during a regularly scheduled meeting of the board.

The report should include:

- A summary of the work the audit committee performed to fully discharge its responsibilities during the preceding year.
- A summary of management's progress in addressing the result of internal and external audit engagement report.
- An overall assessment of management risk, control, and compliance processes, including details of any significant emerging risks or legislative changes impacting PMPC.
- Details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.
- Provide information required, if any, buy new or emerging corporate governance developments,
- The committee may report to the governing body at any time regarding any other matter it deems of sufficient importance.

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Date of Signing:

October 6, 2017