



SBS PHILIPPINES CORPORATION

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

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

1. Purpose

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities to shareholders and other stakeholders to safeguard the Company’s assets, maintain adequate accounting records and effective systems of internal control and risk management, and ensure the integrity of financial statements and its audit process and compliance with the legal, regulatory and corporate governance requirements.

2. Membership

2.1 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.

2.2 It shall be composed of at least three (3) members and at least one of whom is an Independent director. An Independent Director shall be designated as the Chairman of the Committee and preside over its meetings.

2.3 The Committee members shall have an adequate understanding of accounting and auditing principles and business financial management systems.

2.4 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.

3. Duties and Responsibilities

3.1 Review significant financial reporting issues and compliance matters as well as announcements and disclosures relating to the Company’s financial results;

3.2 Monitor and review, together with the Company’s internal audit division, the quality of the Company’s management, financial and accounting controls;

- 3.3 Review the scope of the audit program for the Company in line with the objectives of the Company as well as the outcomes of such audit procedures, and for this purpose, ensure that both internal and external auditors of the Company have access to the records, properties and personnel of the Company in connection with their audit;
- 3.4 Report to the Board on the adequacy of the Company's internal controls and results of the auditor's reports, with particular focus on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concerns assumptions, compliance with accounting standards, and compliance with tax, legal and regulatory requirements;
- 3.5 Monitor and review risk exposures and risk mitigation plans of the Company and evaluate the Company's risk management systems for its effectiveness and adequacy;
- 3.6 Make recommendations to the Board on the appointment, re-appointment, resignation, and removal of external auditors as well as their remuneration and terms of engagement; In case of a potential engagement for non-audit work of the external auditor, to evaluate and determine if such work will have some conflict with their independent audit role;

4. Performance Assessment

- 4.1 The Committee shall conduct an annual evaluation of its performance to ensure that the Board is in compliance with its Charter, the Revised Manual of Corporate Governance, listing standards and other regulatory requirements. In this connection, it shall cause members of the Committee to complete a self-assessment questionnaire to benchmark its practices against the criteria provided in the Revised Manual of Corporate Governance.
- 4.2 Based on the results of its self-rating assessment. It shall prepare plans for the continuous improvement of the Committee performance 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

5. Meetings

- 5.1 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.
- 5.2 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.

5.3 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. The Committee Chairman shall report to the Board on its proceedings after each meeting.

5.4 Actions of the Committee may also be taken by unanimous written consent (in physical, electronic or digital format) when deemed necessary.

5.5 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.

Approved:

By resolution of the Board
5 March 2015