



D.M. WENCESLAO & ASSOCIATES, INC.

AUDIT AND RISK COMMITTEE CHARTER

Date Issued:
Aug. 13, 2020

Issue No.:
1

Revision No.:

Date Revised:

I. INTRODUCTION

Pursuant to the power of the Board of Directors (*"Board"*) of D.M. Wenceslao and Associates, Incorporated (*"Company"*), the Company's Revised Manual on Corporate Governance (*"Manual"*), Articles of Incorporation and By-Laws, to create committees and other bodies as may be necessary or beneficial in the operation and internal regulation of the Company, the Board hereby approves and adopts this Charter of the Audit & Risk Committee (*"Charter"*).

The Charter sets out the powers, composition, roles, responsibilities and accountabilities among others of the Audit & Risk Committee (*"Committee"*) of the Company.

II. FUNCTION OF THE COMMITTEE

The Committee's primary function is to enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws and regulations.

III. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The duties and responsibilities of the Committee are those provided under Item 3.5.2 of the Company's Revised Manual on Corporate Governance, which include, among others,

- Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard the Company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Company's financial data, and (d) ensure compliance with applicable laws and regulations;
- Oversees the Internal Audit Department and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit and Risk Committee shall also approve the terms and conditions for outsourcing internal audit services;
- Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's Annual Report and Annual Corporate Governance Report;

- Reviews and approves the Interim and Annual Financial Statements before their submission to the Board;
- Performs oversight functions over the Company's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Develops a formal enterprise risk management plan and oversees its implementation;
- Evaluates on an ongoing basis existing relation between and among businesses and counterparties to ensure that all related parties are continuously identified, Related Party Transactions (RPT) are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors;
- Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company's are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions;
- Reports to the Board on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures;

Related party transactions are generally allowed, provided, that these are done in a sound and prudent manner. The Company is expected to exercise appropriate oversight and to implement an effective system in managing these transactions.

All related party transactions which are considered in the usual course of business as stated in the Related Party Transactions policy, regardless of amount, which are substantially the same terms as those prevailing at the time for comparable products or services with unrelated parties are exempted from review of the Related Party Transactions Committee. However, all RPTs which are not in the usual course of business which are equal or greater than the materiality threshold of One Hundred Million Pesos (Php100 Million), shall be subject to the review of the Related Party Transactions Committee. The RPT Committee may, at any time ask for a review of any of the transactions. The Board of Directors reviews and approves all material RPTs endorsed by the Related Party Transactions Committee. All Board-approved material RPTs may be subject to ratification by a vote of the majority of the minority shareholders.

- Performs other duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board.

IV. MEMBERSHIP TO THE COMMITTEE

It shall be composed of at least three (3) non-executive members of the Board, majority of whom, including the Chairman, shall be independent. Each member shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, finance, risk and risk management.

V. COMMITTEE MEETINGS AND ACTIONS

A. Quorum

A majority of the Committee shall be necessary to constitute a quorum, and in every case the affirmative vote of a majority of the members shall be necessary for the passage of any resolution.

B. Vacancies

The members of the Committee may be removed or replaced, and any vacancies in the Committee shall be filled by the Board of Directors.

C. Term

Members to the Committee are appointed by the Board at its annual organizational meeting. Each member shall serve upon his appointment to the Committee until the next organizational meeting unless, earlier replaced or removed by the Board.

D. Conduct of the Meetings

To be presided by the Chairman of the Committee. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.

E. Voting Power

In all acts of the Committee, each member thereof shall be entitled to only one vote.

F. Records/Minutes of the Meetings

The Committee shall keep regular minutes of its proceedings and report its approvals or acts to the Board of Directors at the next meeting of the Board of Directors following such action and shall be subject to revisions by the Board of Directors provided, that no rights of third parties shall be affected by such revisions.

Regular minutes of the proceedings of the Committee shall be kept in a book provided for the purpose.

G. Validity of Acts

An act of the Committee, which is within the scope of its powers, shall not require ratification or approval for its validity and effectively. The Board of Directors, however, may redefine the powers of the Committee.

VI. COMMITTEE PERFORMANCE

The Committee adopts a self-assessment system to measure the performance of the Committee in accordance with the criteria provided for by the Board. It is the duty of the Committee to regularly carry out evaluations to appraise its performance as a body and assess whether it possesses the right mix of backgrounds and competencies.

The Committee shall conduct an annual self-assessment of its performance. Every three (3) years, the assessment shall be supported by an external facilitator.

To implement this, the Committee shall:

- a. As a body, evaluate its performance by filling out a self-assessment questionnaire to be used for benchmarking its practices against the expectations set out in this Charter and leading corporate governance practices.

b. The results of the self-assessment shall guide the Committee in formulating and implementing plans to improve its performance including but not limited to the identification of relevant training 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).

The Committee shall establish a feedback mechanism to receive comments from management, internal auditor, chief legal counsel and independent auditor. The mechanism's goal is to facilitate dialogue within the organization about possible ways to improve its performance.

The results of the above assessment shall be validated by the Company'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.

VII. MISCELLANEOUS

A. Committee Access to Information

Management must provide all members of the Committee with accurate and timely information that will enable the Committee to comply with its responsibilities to the Board.

B. Amendment

This Charter can only be amended through a Board action approving such amendment.

C. Effectivity

This Charter shall take effect when approved by the Board and shall apply prospectively.

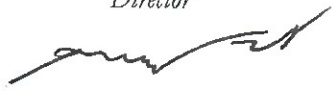
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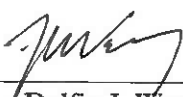
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