



**CENTURY PACIFIC FOOD, INC.**

**CHARTER**

**AUDIT COMMITTEE**

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## **A. PURPOSE**

The purpose of the Audit Committee is to enhance the oversight capability of the Board over the Century Pacific Food, Inc.'s (the "Corporation") financial reporting process, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

It is responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. The Audit Committee ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

## **B. COMPOSITION**

1. The Audit Committee will consist of at least three (3) appropriately qualified non-executive directors, majority of whom should be independent directors.
2. The Chairman of the Audit Committee must be an independent director and must not chair any other committee in the Corporation.
3. The Board may appoint one or more persons to serve as advisor(s) to the Audit Committee and such advisor(s) shall have the right to attend and participate at any meeting of the Audit Committee, but shall have no right to vote in respect of any action by the Audit Committee.
4. The Chairman of the Audit Committee or any of its Members or advisor(s) may be removed from office only by the Board.

## **C. QUALIFICATIONS AND DISQUALIFICATION OF COMMITTEE MEMBERS**

1. All of the members of the Audit Committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.
2. Each member shall be a Philippine citizen if so required under applicable Philippine laws and regulations and/or the By-Laws.
3. The office of a member shall ipso facto be vacated:
  - (a) if he resigns his office as a member;
  - (b) if he is removed by a resolution of the Board;
  - (c) if he becomes of unsound mind; or
  - (d) if he is subsequently disqualified from becoming a Member.

4. A member shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board, a member ceases to meet any of the qualifications for independent directorship or to possess any of the qualifications for directorship, or he becomes disqualified from directorship based on any grounds for disqualification set forth in the Corporation's By-laws or Manual of Corporate Governance.

#### **D. CHIEF AUDIT EXECUTIVE**

1. The Corporation shall have a Chief Audit Executive ("CAE") who shall be appointed by the Board taking into account the recommendations of the Internal Audit Department.
2. The CAE reports functionally to the Committee and administratively to the Chief Executive Officer.
3. The CAE shall oversee and be responsible for the internal audit activity of the Corporation, including that portion that may be outsourced to a third-party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.
4. Specific responsibilities of the CAE are as follows:
  - (a) Periodically reviews the internal audit charter and presents it to senior management and the Audit Committee for approval;
  - (b) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
  - (c) Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
  - (d) Spearheads the performance of the internal audit activity to ensure it adds value to the Corporation;
  - (e) Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
  - (f) Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

## E. DUTIES AND POWERS

To carry out its purposes, the Committee shall have the following duties and powers, among others:

### 1. Internal Audit

- (a) Recommend 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;
- (b) Oversee the Internal Audit Department (“**IA Department**”) and recommends the appointment and/or grounds for approval of an internal audit head or CAE;
- (c) Approve the augmentation of the expertise of the Internal Audit Department through the engagement of external specialists, e.g., forensic, treasury specialists, IT/ telecommunication specialists, actuarial, etc., on a project or retainer basis when specialized skills are not available within the Internal Audit Department to carry out reviews of complex operations or sophisticated integrated systems. The Audit Committee should approve the terms and conditions for outsourcing internal audit services;
- (d) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee;
- (e) Perform oversight functions over the Internal Auditor, and ensure the independence of the Internal Auditor and the unrestricted access of the Internal Auditor to all records, properties and personnel to enable it to perform its audit function;
- (f) Require the internal audit head/CAE to render to the Audit Committee an annual report on the Internal Audit Department’s activities, purposes, and authorities, responsibilities and performance relative to the audit plans and strategies approved by the Committee. Such annual report shall include significant risk exposures and control issues, corporate governance issues and other matters requested by the Committee or the Board;
- (g) Require a statement from the internal audit head/CAE that the activities of the internal audit organization are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing; if otherwise, a disclosure that the internal audit organization has not yet fully achieved compliance with the International Standards for the Professional Practice of Internal Auditing; and
- (h) Conduct an annual review and, if deemed appropriate, cause an update, of the Corporation’s IA Charter.

## 2. Internal Control

- (a) Through the IA Department, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets;
- (b) Ensure well-designed internal control procedures and processes that will provide a system of checks and balances are in place in order to (i) safeguard the Corporation's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations; and
- (c) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

## 3. Financial Reporting and Disclosures

- (a) Through the IA Department, monitor and evaluate the integrity of financial reporting.
- (b) Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- (c) Meet with the Board at least every quarter without the presence of the Chief Executive Officer or other management team members.
- (d) Advise Management and the External Auditor that they are expected to provide to the Audit Committee a timely analysis of significant/critical financial reporting issues and practices.
- (e) Obtain and consider any reports or communications (and Management's and/or the internal audit head/CAE's responses thereto) submitted to the Audit Committee by the External Auditor as required by or referred to in the prevailing applicable Auditing Standard.
- (f) Have periodic meetings with the internal audit head/CAE to surface issues warranting the attention of the Committee.

- (g) Meet with Management, the internal audit head and/or the External Auditor to discuss any earnings press releases, and financial information and earnings guidance provided to analysts, rating agencies, and the general public.
- (h) Resolve disagreements between Management and the External Auditor regarding financial reporting.
- (i) Review on a semi-annual basis financial reporting and reporting responsibilities.
- (j) Have separate sessions periodically, with Management and with the External Auditor, as the Committee may deem necessary to surface issues warranting the attention of the Committee.

#### **4. Management**

- (a) Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations.
- (b) Review the disposition of the recommendations in the External Auditor's management letter.
- (c) Coordinate, monitor, and facilitate compliance with laws, rules, and regulations.
- (d) In case of failure by the CEO or the Corporation's General Counsel to adopt, as necessary, appropriate remedial measures or sanctions with respect to any reported material violation of securities law or breach of fiduciary duty or similar violations by the Corporation, consider such reported violation and recommend the appropriate sanction therefore.
- (e) Discuss with the Corporation's General Counsel or Chief Governance Officer/Compliance Officer any significant legal matters that may have a material effect on the financial statements, the Corporation's compliance policies, including material notices to or inquiries from governmental agencies.

#### **5. External Auditor**

- (a) Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Securities and Exchange Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.
- (b) Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should 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, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report.

- (c) Prior to the commencement of the audit, discuss with the External Auditor the nature, scope, and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- (d) Perform oversight functions over the corporation's External Auditor and ensure the independence of the External Auditor and the unrestricted access of the External Auditor to all records, properties and personnel to enable it to perform its audit function.
- (e) Monitor coordination of efforts between the External and Internal Auditors. The Committee shall ensure that the Internal and External auditors act independently from each other.
- (f) Ensure that the External Auditor prepares and delivers annually a formal written statement delineating all relationships between the External Auditor and the Corporation ("**Statement**") as required by the prevailing applicable Independence Standards, and discuss with the External Auditor and evaluate any relationships or services disclosed in such Statement that may impact the objectivity, independence or quality of services of the External Auditor and take appropriate action in response to such Statement to satisfy itself of the External Auditor's independence.
- (g) Review, based upon the External Auditor's formal written statement submitted at least annually, the External Auditor's internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review of the External Auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, regarding one or more independent audits carried out by the External Auditor; and any steps taken to deal with any such issues.
- (h) Ensure that the External Auditor, or its lead audit partner primarily responsible for the audit or review of the Corporation's financial accounts is rotated at least once every five years or such shorter or longer period provided under applicable laws and regulations.
- (i) Conduct a meeting in executive session with the External Auditor to discuss any matters that the Committee or the External Auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of the management, financial and accounting controls.
- (j) Assess, review and monitoring, on an annual basis, the integrity and independence of external auditors and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.



## 7. Other Duties and Powers

- (a) Perform other activities related to this charter as requested by the Board.
- (b) Institute and oversee special investigations as needed.
- (c) Prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of its Charter, set forth the goals and objectives of the Committee for the ensuing year and include any recommendation to the Board on any improvements to this Charter deemed necessary or desirable by the Committee; provided that such report to the Board may take the form of an oral report by the Chairman of the Committee or any other Member designated by the Committee to make such report.
- (d) Confirm annually that all responsibilities outlined in this charter have been carried out.
- (e) Evaluate the Committee's and individual members' performance on a regular basis.

## F. MEETINGS

1. The Committee should convene periodically. At the discretion of the Committee Chairman, attendees at the meetings will include the external and internal auditors, the executive management and other internal or external parties with relevant experience and expertise.
2. The Committee shall meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meet with the internal audit head/CAE. The minutes of all Committee meetings shall be circulated to the members of the Board.
3. Meeting agendas will be prepared and provided in advance to Members, along with appropriate briefing materials. Minutes will be prepared.
4. To foster open communication and appraise the audit efforts of the Corporation's external and internal auditors, the Committee should meet at least annually with the external auditors, the head of internal audit and management in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed in confidence.

## **G. REPORTING PROCESS**

1. To keep the Board apprised on the results of the Committee's activities, the Chairman of Committee shall submit a report every quarter to the Chairman of the Board and shall be ready to present the report to the full Board during its meeting for the quarter.
2. The Committee Chairman will also submit and present an Annual Committee report to the full Board during its first meeting following the immediate fiscal year.
3. The Committee will prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of its Charter, set forth the goals and objectives of the Committee for the ensuing year and include any recommendation to the Board on any improvements to this Charter deemed necessary or desirable by the Committee; provided that such report to the Board may take the form of an oral report by the Audit Committee Chairman or any other Member designated by the Committee to make such report.
4. The Committee will also prepare any report, including any recommendation of the Committee, required by the rules of the SEC to be included in the Corporation's annual proxy/information statement.

## **H. RESOURCES**

The Committee shall have the resources and authorities appropriate to discharge its function, duties and responsibilities including the authority to obtain advice from external consultants and functional specialists within the Corporation.

## **I. PERFORMANCE ASSESSMENT**

1. The Committee shall assess its effectiveness to ensure that its performance meets and complies with best practices and the PLC Code. In any such assessment, the Committee may be guided by this Charter or a self-assessment worksheet which shall be in substantial compliance with the Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange issued by the SEC.
2. The assessment shall be accomplished on an annual basis or in such short intervals as may be required by the Board. The results of the assessment shall be validated by the Compliance Officer and submitted to the Board.
3. The Committee shall establish a feedback mechanism to receive comments from management, the Internal Audit Department, general counsel, the external auditor, and any person, to facilitate dialogue within the organization about possible ways to improve its performance.

## **J. REMUNERATION**

1. No fees or other remuneration shall be payable to the Members and advisors in respect of their services provided in connection with the Committee or in respect of their attendance at meetings of the Committee, save and except fees or remuneration authorized and approved by the Board for such purposes.
2. No fees or compensation shall be paid directly or indirectly to any Member or his firm for consultancy or advisory services rendered to the Corporation directly by the Member or indirectly through his firm even if such Member is not the actual service provider. However, this prohibition shall not apply to ordinary compensation paid to a Member or his firm in respect of any other supplier or other business relationship or transaction that the Board has determined to be at arm's length terms and immaterial for purposes of its basic Member's independence analysis.

## **K. EFFECTIVITY AND PERIODIC REVIEW**

1. This Charter shall take effect immediately upon approval by the Board.
2. The Committee shall review the Charter at least annually and obtain the approval of the full Board for any revisions thereto or for any case where external bodies may suggest change. Suggestions by such external bodies, however, are subject to the approval of the Committee.
3. This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.