



**AUDIT COMMITTEE CHARTER  
P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.**

**1. INTRODUCTION**

This charter sets out the roles, responsibilities, and authority of the Audit Committee (Committee) of Phoenix Petroleum Philippines, Inc. (Corporation). It includes the purpose, authority and responsibilities that guide the function of the Committee, as approved by the Board of Directors (Board), pursuant to the Corporation's Revised Corporate Governance Manual approved on 28 January 2011 by the Board and became effective on April 1, 2011.

**2. PURPOSE**

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities to its shareholders relating to:

- the Corporation's management of financial risks that affect financial reporting and the integrity of and any announcement affecting the Corporation's financial performance prior to its release
- the Corporation's system of internal control and how management designs and implements such system
- the Internal Audit Group's audit process, independence and proficiency
- the external auditor's audit process, qualifications and independence, and
- the Corporation's process for ensuring compliance with laws and regulations and the code of conduct.

**3. AUTHORITY**

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It must have unrestricted access to internal and external auditors as well as access to information, including records, property and employees of the Corporation and be provided with adequate resources in order to fulfill its responsibilities. It is empowered to:

- Appoint, compensate and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests-or external parties.
- Meet with Corporation's officers, internal auditors, external auditors, or outside counsel, as necessary.

#### **4. COMMITTEE STRUCTURE**

Every year, the Board of Directors appoints **at least 3** members of the Audit Committee from a list of suitable candidates provided by the Nominations Committee. In accordance with the Corporation's Articles of Incorporation and By-Laws, the Committee will be composed of at least three (3) Board members, preferably with accounting and finance background, one of whom is an independent director and another with related audit experience or at least adequate understanding of the Corporation's financial management systems and environment. The Chair of the Committee must be an independent director.

The Board may terminate membership of any person serving in the Committee on recommendation of the Committee.

#### **5. COMMITTEE PROCEDURES**

##### **5.1. Meetings**

- The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members should attend meetings in person, or through modern technology such as teleconference devices.
- The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It must hold private meetings with internal and external auditors at least once a year.
- Meeting agenda are to be prepared and provided in advance to members, along with appropriate briefing materials.

##### **5.2. Escalation**

Recommendations or decisions that require ratification or approval by the Board must be referred to the Board in a timely manner, as the Committee may deem necessary.

#### **6. RESPONSIBILITIES**

The Committee will carry out the following responsibilities:



### 6.1. External Audit

- Recommend the appointment of an External Auditor duly accredited by the SEC.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors and exercise final approval on the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors. (Statement of Independence).
- Review with management and the external auditors the results of the audit, 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.
- Ensure that the Corporation's External Auditor should be rotated or the handling partner should be changed every five (5) years or earlier.

### 6.2. Internal Audit

- Review and approve the Internal Audit Charter and subsequent revisions thereto.
- Concur with the President and CEO, decisions regarding the appointment, and removal of the Internal Audit Manager.
- Ensure that internal auditors are given unrestricted access to all records, systems, properties and personnel to enable them to perform their audit functions.
- Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan includes audit scope, resources and budget necessary to implement it.
- 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 internal control and compliance issues.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards*.
- Evaluate the performance of the Internal Audit Manager.
- On a regular basis, meet separately with the Internal Audit Manager to discuss any matters that the Committee or internal audit believes should be discussed privately.

### 6.3. Management

- Provide oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function includes regular receipt from management of information on risk exposures and risk management activities.

- Review the quarterly, half year and annual financial statements, before their submission to the Board, with particular focus on the following matters:
  - 1) Any change/s in accounting policies and practices;
  - 2) Major judgmental areas;
  - 3) Significant adjustments resulting from the audit;
  - 4) Going concern assumptions;
  - 5) Compliance with accounting standards;
  - 6) Compliance with tax, legal and regulatory requirements.
- Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

#### 6.4. Others

- Perform other activities related to this charter as requested by the Board.
- Regularly report to the Board about committee activities, issues and related recommendations.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Review any other reports the company issues that relate to Committee responsibilities.
  - Confirm annually that all responsibilities outlined in this charter have been carried out.
  - Evaluate the Committee's and individual members' performance on a regular basis.

## **7. FUNCTIONAL AND SECRETARIAT SUPPORT**

The Internal Audit Group shall support the Audit Committee in the rendition of its functions, specifically in the following matters:

- 7.1 Internal Audit provides all the secretariat support to the Committee and must keep the following records:
- appointments and resignations of the Members;
  - all agenda and other documents sent to the Members;
  - attendance of members to the meetings;
  - minutes of proceedings and meetings of the Committee
- 7.2 The Internal Audit Manager attends all the Committee meetings and be primarily responsible for recording the minutes of the meetings.
- 7.3 Internal Audit keeps all minutes of the meetings and makes these available for inspection by any member of the Audit Committee or the Board of Directors, as and when requested.

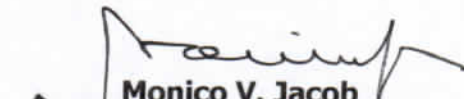


7.4 Internal Audit reviews all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and Internal Audit, these are to be highlighted to the Committee for consideration and decision.

**8. APPROVAL AND DATE OF EFFECTIVITY**

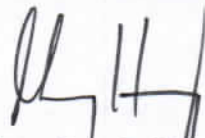
This Charter was revised and approved by the members of the Audit Committee during its meeting on \_\_\_\_\_ at \_\_\_\_\_.

The revised Charter takes effect upon approval of the Board of Directors under Board Resolution No. \_\_\_\_\_ dated \_\_\_\_\_

  
**Monico V. Jacob**  
Audit Committee Chairman

  
**Paul G. Dominguez**  
Audit Committee Member

  
**Domingo T. Uy**  
Audit Committee Member

  
**Cherylyn C. Uy**  
Audit Committee Member