

Philippine National Construction Corporation

AUDIT COMMITTEE CHARTER

PURPOSE. To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

AUTHORITY. The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Resolve any disagreements between management and internal audit regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Seek any information it requires from any director, officer, or employee who shall be directed to cooperate with the committee's requests.
- Meet with company officers, state auditors, or statutory or in-house counsels, as necessary.

COMPOSITION. The Audit Committee will consist of at least three (3) and but not more than six (6) members of the board of directors. The Board or its Nominating Committee will appoint committee members and the committee chair. Each committee member will be both independent and financially knowledgeable.

MEETINGS. The committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting in person. The committee will invite members of management, state auditors, statutory counsel, or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

VOTING AND QUORUM REQUIREMENTS. Majority of the members of the committee shall constitute a quorum; each member is allowed to vote for matters brought to the attention of the committee for action. Every decision of at least a majority of the committee members present at a meeting at which there is a quorum shall be valid, unless a specific number of votes is required by existing laws and regulations.

RESPONSIBILITIES. The committee will carry out the following responsibilities:

Financial Statements

- 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 with management and the internal auditors the results of the internal audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
- Understand how management develops interim financial information, and the nature and extent of internal auditor involvement.
- Review interim financial reports with management before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

Internal Control

- Consider the effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

- Approve the Internal Audit Charter.
- Approve decisions regarding the appointment and removal of the Chief Audit Executive. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.
- Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.

- Review with the Chief Audit Executive the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- At least once per year, review the performance of the Chief Audit Executive and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards), Administrative Order No. 278, and PNCC's relevant policies and procedures.
- On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately.

Compliance

- 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 noncompliance.
- Review the findings of any examinations by regulatory agencies, non-audit services provider and internal auditor observations, except findings of the state auditors from the Commission on Audit ("COA").
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the COA, and the board of directors.
- 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.
- Review any other reports the company issues that relate to committee responsibilities.

Other Responsibilities

- Perform other activities related to this Charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- 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.
- 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.

This Charter is approved on 5th day of October, 2017.