

# **ABS-CBN HOLDINGS CORPORATION**

## **AUDIT COMMITTEE CHARTER**

### **I. PURPOSE**

The Audit Committee shall assist the board of directors in fulfilling its oversight responsibilities for financial reporting process, the maintenance of an effective audit processes, and the company's process for monitoring compliance with laws and regulations.

### **II. AUTHORITY**

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

1. Recommend to the Board the appointment, and compensation of any registered public accounting firm duly accredited by the Securities and Exchange Commission (SEC) , and to oversee its work;
2. Meet with company officers, external auditors, or outside counsel as necessary to resolve any disagreements regarding financial reporting;
3. Recommend approved engagement of auditing and non-audit services;
4. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation and seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – and duly acknowledged third parties.

### **III. COMPOSITION**

The Audit Committee shall be composed of at least three (3) members of the Board, with accounting, audit, finance, or legal background. All members shall be non-executive directors, and a majority shall be independent directors. Each member must have an adequate understanding of the company's financial system.

The Committee must have a good understanding of generally-accepted accounting principles; experience in analyzing or evaluating financial statements; appreciate the necessity of controls; and an understanding of audit committee functions.

The Board shall appoint committee members and designate the chairman of the Audit Committee. The chairman of the Audit Committee shall be an independent director and shall not be the chairman of the Board or of any other committee.

### **IV. MEETINGS AND RESOURCES**

The Chairman shall preside during the committee meetings. The Committee shall appoint a Secretary, who may or may not be a director or member of the Committee, to prepare minutes of meetings of the Committee and keep appropriate books and records thereof, if necessary. If the Chairman is absent, then other members could agree on the presiding member.

A majority of the whole number of members shall constitute a quorum for the transaction of business and every decision of a majority of the quorum duly assembled shall be valid as an act of the Committee. Each member shall have one (1) vote. In case of a deadlock in the voting, the Chairman of the Committee shall break the deadlock by casting a second vote. Decisions and resolutions of the Committee should be submitted to the Board. Individual members of the Committee have no powers.

Regular quarterly meetings shall be held at such time and place and upon such notice, if any, as the Committee may prescribe. Special meetings may be called by the Chairman of the committee or by request of a majority of the Committee members with at least one day's notice of the time and place of the meeting, given personally or by letter, telegram, telephone, electronic mail, short messaging system or facsimile. Meetings may be held at any time and place without notice if all the members are present. Meetings may be held in person, or via telephone or video conference. All committee members are expected to attend each meeting. It may hold private meetings with auditors and hold executive sessions. The meeting agenda will be prepared and provided in advance to members, along with appropriate briefing materials.

Summaries of matters discussed at committee meetings are to be presented at the next succeeding meeting of the Board. Relevant information on meetings shall be included in the Corporation's annual report.

The Audit Committee shall meet with the Board at least every quarter and may request for Executive sessions.

## **V. DUTIES AND RESPONSIBILITIES**

1. The review of the financial statements of the company shall be done by the Audit Committee and it may call on the external auditor who is responsible for expressing an opinion on the conformity of the company's consolidated financial statements with the Philippine Financial Reporting Standards.
2. The Audit Committee shall review the quarterly financial statements and the annual financial statements with the external auditor, before their submission to the Board.
3. With respect to external audit, the Audit Committee shall:

- a) prior to the commencement of the audit, discuss with the external auditor, the nature, proposed scope, approach, and expenses of the audit;
- b) evaluate and determine any non-audit work of the external auditor, and review periodically any non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses, and shall disallow any non-audit work that will conflict with duties as an external auditor or may pose a threat to the external auditor's independence, provided, that any non-audit work allowed should be disclosed in the Corporation's annual report and annual corporate governance report;
- c) perform oversight functions over the external auditor, ensuring its independence and unrestricted access to all records, properties and personnel to enable the performance of the external audit functions, and ensuring that the external auditor provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders;
- c) review the performance of the external auditor and recommend to the Board the appointment, re-appointment or removal of the external auditor who shall be duly accredited by the SEC;
- d) review and confirm the independence of the external auditor by obtaining statements from the auditor on any relationship between the auditor and the company, including rendering of any non-audit service;
- e) review and consider the rotation of the external auditor every five (5) years or earlier.
- f) regularly review and assess external auditor's fees and ensure that such fees are commensurate with the external auditor's reputation, level of expertise, and required scope of work, and are in accordance with current industry standards;
- g) receive and review information covering the reports of the external auditor and ensure that appropriate corrective actions are taken, in a timely manner in addressing control, and reviews the disposition of the recommendations in the external auditor's management letter;
- h) ensure that any reason for the resignation, dismissal or cessation from service and the date thereof of an external auditor are reported in the company's annual and current reports, which shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, what it would have caused if not resolved to the satisfaction of the former auditor making reference to the subject matter of the disagreement in connection with its report, and ensure that an event of removal or change of the external auditor and the reason for such be stated in the disclosures to the regulators and in the Corporation's website;
- i) on a regular basis, meet separately with the external auditor to discuss any matters that the committee or auditor believe should be discussed privately; and
- j) assess the external auditor's integrity, independence, suitability and effectiveness of the audit process and review the external auditor's quality control procedures.

5. With respect to compliance, the Audit Committee shall:
  - a) review the effectiveness of the system for monitoring compliance with laws and regulations and follow-up (including disciplinary action) on any instance of non-compliance;
  - b) review findings of any examination by any regulatory agency, and any auditor observation; and
  - c) obtain regular updates from the company's compliance officer and legal counsel regarding compliance matters.
  
6. The reporting responsibilities of the Audit Committee are as follows:
  - a) regularly report to the board of directors about committee activities, issues and related recommendations;
  - b) report annually to the shareholders, describing the committee's composition and how their responsibilities were discharged, and any other information required to be disclosed, including approval of non-audit services;
  - c) review any report to the SEC, Philippine Stock Exchange, and other regulatory body, as well as all other reports to be issued by the company that relate to Audit committee responsibilities; and all
  - d) provide an open avenue of communication between the auditors and the board of directors.
  
7. The following are the other responsibilities of the Audit Committee:
  - a) to review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes;
  - b) to confirm annually that all responsibilities outlined in this charter have been carried out; and
  - c) to perform other activities related to this charter as requested by the board of directors.

## **VI. PERFORMANCE EVALUATION**

The members of the Committee shall evaluate the Committee's performance in the discharge of its duties and responsibilities under this committee charter using as standard the best practices set out in memorandum circulars and other issuances of the Securities and Exchange Commission, and the ASEAN Corporate Governance Scorecard concerning audit committees. Committee members shall fill up a self-assessment questionnaire that is developed by the Corporate Governance Committee.

The results of the performance evaluation and any recommendation for improvement shall be reported to the Board.

## **VII. DISCLOSURE**

This committee charter shall be fully disclosed on the company's website.