




**AUDIT & RISK
COMMITTEE CHARTER**

| Page | 1 of 6

APPROVED BY:


Guillermo L. Parayno Jr.
Audit & Risk Committee Chairman

Ver No. 01

Revision Date:
March 10, 2016

Effective date:
March 28, 2016

PURPOSE

The Audit & Risk Committee shall assist the Board of Directors in fulfilling its oversight responsibilities on the management and financial reporting process, the system of internal control, the maintenance of an effective audit process, the process for monitoring compliance with the code of conduct and the overall risk management function and/or program.

AUTHORITY

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. In its expanded role as a risk oversight committee, the Committee shall also have authority over the management of areas or activities that pose great hazards to the business. The Committee shall have functional authority over the Internal Audit Head and the designated Risk Officer.

In the performance of its functions, the Committee is empowered to:

1. Recommend to the Board appointment, compensation, and oversee the work of any registered public accounting firm and auditors employed by the organization (i.e. external auditors, internal auditors);
2. Resolve any disagreements between management and the auditor regarding financial reporting;
3. Pre-approve audit plans and all auditing and non-audit services of the company;
4. Pre-approve performance of non-audit services by external or internal auditors on subsidiaries and Vicsal group majority-owned affiliates in particular processes/functions where there are transactions affecting the company;
5. Pre-approve the company's risk assessment and risk management practices including their guidelines policies and processes;
6. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation;
7. Engage outside advisors or services, including legal counsel, accountants, IT & security experts, risk consultants and other advisors or services as it determines necessary to carry out its duties;
8. Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties;






**AUDIT & RISK
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| Page | 2 of 6

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9. Meet with company officers, external auditors, or outside counsel as necessary;
10. Review and discuss reports or updates by internal and external counsels and regulatory agencies when applicable, and ensure that management is taking appropriate actions to address regulatory issues as well as on litigations, claims, and contingencies, if any.

COMPOSITION

The Committee shall be composed of at least two (3) members of the Board, with accounting, audit, risk, finance, or legal background. Each member must have an adequate understanding of the company's financial management systems and environment. At least one (1) member must have an understanding of generally-accepted accounting principles; experience in analyzing or evaluating financial statements; experience with risk and internal controls; and understanding of Committee functions.

The Chairman of the Board shall designate the chairman of the Committee. The chairman of the Committee shall be an independent director.

MEETINGS

The Committee will meet at least quarterly and may convene additional meetings as circumstances require. Meetings may be attended in person or via tele- or video-conference. Meeting agenda shall be prepared and provided in advance to members along with appropriate briefing materials. Minutes will be prepared.

The Committee members are requested to attend every meeting. The Committee shall invite to the meetings members of management, selected representatives from internal and external auditors, and/or other functional groups of the company as necessary.

RESPONSIBILITIES

The Committee will have the following responsibilities:

1.0 Financial Statements


- 1.1 Review prior to filing with regulators quarterly or any interim financial statements with management and the annual financial statements with management and external auditors while considering whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles;



**AUDIT & RISK
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| Page | 3 of 6

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- 1.2 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;
- 1.3 Review with management and the external auditors audit results including any difficulties encountered;
- 1.4 Review disclosures of material information, related party transactions, and subsequent events;
- 1.5 Recommend to the Board of Directors the approval of the Audited Financial Statements.

2.0 External Audit

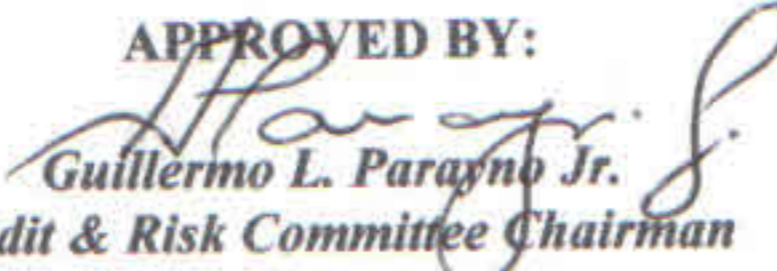
- 2.1 Review the external auditor's proposed audit scope and approach, including coordination of audit efforts with internal audit;
- 2.2 Review the performance of external auditor and recommend to the Board the appointment or discharge of the auditors;
- 2.3 Review and confirm the independence of the 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;
- 2.4 Ensure that auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions without inferring scope limitation;
- 2.5 Meet regularly with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately;
- 2.6 Review and approve permitted non-audit services to be rendered by the external auditors including related non-audit fees;
- 2.7 Review and assess regularly the external auditors' fees and shall ensure that the fees charged by the company's external auditors shall be commensurate with their reputation, level of expertise, and required scope of work, and shall be in accordance with current industry standards.






**AUDIT & RISK
COMMITTEE CHARTER**

| Page | 4 of 6

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3.0 Internal Control System

- 3.1 Consider and monitor the effectiveness of the company's internal control system (including information technology security and control) that ensures achievement of company objectives and compliance with laws, regulations, and internal policies;
- 3.2 Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain and evaluate reports on significant findings and recommendations, together with management responses;
- 3.3 Review frameworks for fraud prevention and detection including whistleblower program, if any.

4.0 Risk Management

With the assistance of a designated Risk Officer, the Committee shall provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities. The Committee shall perform the following risk management activities:

- 4.1 Conduct a regular risk assessment which includes a) identifying key company risks; b) evaluating risk impact & probability; and c) prioritizing areas of concerns;
- 4.2 Develop risk management strategies based on priority areas while taking into consideration costs to mitigate risks;
- 4.3 Oversee the implementation of a risk management plan;
- 4.4 Review and update the risk management plan;
- 4.5 Report to the Board on the risk management plan and strategies as needed.

5.0 Internal Audit

- 5.1 Ensure the existence of a working internal audit group, which shall be headed by a competent Internal Audit Head, to identify audit issues, propose resolutions to these issues, and provide reasonable assurance that key





**AUDIT & RISK
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| Page | 5 of 6

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- organizational and procedural controls as promulgated by Management are effective, appropriate, and enforced;
- 5.2 Establish a direct reporting line of the internal audit to the Committee to prevent impediments in the conduct of internal audit activities and the conveyance/presentation of audit findings;
- 5.3 Review with the Internal Audit Head the plans, activities, staffing and organizational structure of the internal audit function. As deemed appropriate by the Committee, plans and activities may include inquiry into the internal controls of subsidiaries and affiliates which the company has significant transactions with. The annual internal audit plan must consider the company's objectives and risk assessment and shall include the audit scope, resources and budget necessary to implement it;
- 5.4 Review at least annually, the performance of the Internal Audit Head and concur with the annual compensation and salary adjustment;
- 5.5 Ensure that there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Audit Head;
- 5.6 Review the effectiveness of internal audit function, including compliance with the International Standards for the Professional Practice of Internal Auditing;
- 5.7 Meet separately on a regular basis with the Internal Audit Head to discuss any matters that the Committee or internal audit believes should be discussed privately;
- 5.8 Review periodically the internal audit charter and amend any revisions thereto as applicable.

6.0 Reporting responsibilities

- 6.1 Report regularly to the board of directors about Committee activities, issues, and related recommendations;
- 6.2 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;
- 6.3 Review any other reports (e.g. to SEC and PSE) the company issues that relate to Committee responsibilities.






**AUDIT & RISK
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| Page | 6 of 6

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7.0 Other Responsibilities

- 7.1 Perform other activities related to this charter as requested by the Board of Directors;
- 7.2 Institute and oversee special investigations as needed;
- 7.3 Review and assess the adequacy of Committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation;
- 7.4 Conduct an assessment on the performance of the Committee on an annual basis or in such shorter intervals as may be set by the Board of Directors and in compliance with the relevant regulatory requirements;
- 7.5 Confirm annually that all responsibilities outlined in this charter have been carried out.

8.0 Review and Amendments

The Committee shall periodically revisit and/or review this Charter specifically for the purpose of adapting changes hereto in accordance with the Metro Retail Stores Group's Manual on Corporate Governance and in keeping with new standards and emerging trends.



