

## EMPERADOR INC.

### AUDIT COMMITTEE CHARTER

This Audit Committee Charter (the "Charter") is promulgated by the Audit Committee (the "Committee") of Emperador Inc. (the "Corporation") to provide for the purpose, membership, structure, operations, duties and responsibilities of the Committee, including the procedures which shall guide the conduct of its functions.

#### I. Purpose

Pursuant to the Manual of Corporate Governance of the Corporation (the "Manual"), the Audit Committee shall have oversight responsibilities for the financial reporting process, internal control, risk management, internal audit, external audit, management and legal, tax and regulatory compliance.

#### II. Structure

A. Membership. The Committee shall be composed of at least three (3) members of the Board of Directors (the "Board"). The Chairman of the Committee shall be an independent director.

B. Qualifications. Each member of the Committee shall have the qualifications and none of the disqualifications of a director provided under the Manual. The members of the Committee shall preferably have accounting and finance backgrounds. At least one member shall be an independent director and another shall have audit experience. The members of the Committee must have a good understanding of the Corporation's business and the industry in which it operates.

C. Appointment and Removal. The Chairman and members of the Committee shall be appointed, and may be removed from office, by a majority vote of the members of the Board constituting a quorum. In case of vacancy in the membership of the Committee, the Board shall appoint a new member from among the directors. In case of vacancy in the position of Chairman, the Board shall appoint a new Chairman from the members of the Committee.

D. Committee Secretary. The Corporate Secretary or in his absence, the Assistant Corporate Secretary, shall act as the Committee Secretary who shall prepare the minutes of the meetings and keep the records of the Committee.

#### III. Operation

A. Meetings. The Committee shall meet at such times and places as it considers appropriate, preferably at least four (4) times a year. The Chairman of the Committee, any Committee member, or the Corporate Secretary of the Corporation, may call a meeting of the Committee.

The Chair shall preside in all meetings. In the absence of the Chair, any member shall preside.

Meetings may be held, and the members can participate in meetings of the Committee, through teleconference, video conference or other similar means.

B. Quorum. Attendance of at least two (2) Committee members shall constitute a quorum for all meetings.

C. Voting. The affirmative vote of a majority of such quorum shall be required to authorize any corporate action.

D. Notices. A notice of each meeting of the Committee specifying the place, date, time, and agenda and matters to be discussed during the meeting shall be given to each member of the Committee personally, in writing or orally, or sent to him by mail, facsimile, electronic mail or other similar means at least two (2) days prior to the date of the meeting. Each member shall give the Committee Secretary his address, facsimile number and electronic mail address for the service of notices of meetings. A member may waive notice of any meeting of the Committee and may consent to shorter notice of any meeting. Any Committee meeting called by shorter notice shall be deemed to have been duly convened if it is so agreed by the members present in the meeting at which there is a quorum.

E. Minutes and Record. The Committee Secretary shall maintain minutes or other records of the Committee meetings and activities.

#### **IV. Duties and Responsibilities**

The duties and responsibilities of the Committee are as follows:

##### **(a) Financial Reporting**

1. Review all interim and annual financial statements before submission to the Board and prior to disclosure to the public, with particular focus on the following:

- i) compliance with pertinent Philippine and internationally accepted accounting standards, internal financial management, as well as tax, legal and other regulatory requirements;
- ii) changes in accounting policies and practices;
- iii) major financial reporting issues;
- iv) reasonableness of estimates, assumptions, and judgments;
- v) significant adjustments resulting from the audit;
- vi) going concern assumptions;
- vii) review of unusual or complex transactions including significant related party transactions;
- viii) identification and correction of material errors, indications of fraud, and sufficiency of risk controls;
- ix) clarification of significant legal risks, contingencies and issues;
- x) disclosure of material information, subsequent events and related party transactions;
- xi) review and approval of management representation letter in recognition of management's responsibility over the financial statements.

2. Review with management and external auditors the results of the audit, including any difficulties encountered and other issues warranting the attention of the Committee, and resolve

any disagreements between management and the external auditors regarding financial reporting.

### **(b) Internal Control**

1. Review the adequacy and effectiveness of the Corporation's financial and internal controls and systems including financial reporting control and technology security, based on the state of internal controls provided by management and evaluation of internal control by the Internal Audit Group, and discuss recommendations for improving the same such as the inclusion of fraud prevention measures.

2. Review and make recommendations relating to any communication or report by regulatory agencies relating to the financial statements of the Corporation and ensure that management undertakes corrective actions, where necessary, in a timely manner.

3. Review, conduct investigations and make recommendations relating to any communication or report relating to any findings or major investigations on internal controls or financial reporting matters or fraud in connection therewith including issues raised by the external auditor and management's response thereto.

### **(c) Internal Audit**

1. Review with management and the head of the Internal Audit Group the qualifications of an internal auditor and the organizational structure of the internal audit function, to ensure adequacy of resources and independence of the Internal Audit Group.

2. Review and approve the annual audit plans prepared by the Internal Audit Group and major changes to the plans, if any, including the scope and extent of audit work to ensure adequacy of resources and independence of the Internal Audit Group and compliance with International Standards on the Professional Practice of Internal Auditing. The scope of the internal audit examination should cover the evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with applicable laws, rules and regulations.

3. Review with management significant findings and recommendations of the Internal Audit Group and management's response thereto including an action plan for implementation to correct weaknesses and any difficulties encountered by the auditors in the course of their audit.

4. Require the Internal Audit Group to submit an annual report to the Committee and management of its activities and performance relative to the audit plan approved by the Committee.

### **(d) External Audit**

1. Review and evaluate the professional qualifications, performance and independence of the external auditor and the lead partner.

2. Review and approve with the external auditor, before the audit commences, the nature and scope of the audit plans, including scope, audit resources and expenses, and reporting obligations.

3. Review and approve the fees, remuneration and terms of engagement of the external auditor for audit and non-audit services.

4. Evaluate and approve non-audit work by external auditor, including the fees payable therefor, and evaluate any non-audit work undertaken to ensure that the same does not conflict with audit functions.

5. Review the reports or communications of the external auditors as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management and other material issues that affect the audit and financial reporting, and ensure that management or the Board will promptly address the issues raised.

6. Ensure that the external auditor complies with auditing standards.

7. Ensure that the external auditor or the lead, engagement, or handling partner having primary responsibility for the audit or review of the Corporation is changed every five (5) years or earlier.

## **V. Authority and Resources**

A. Authority. The Committee shall have the authority to conduct or order the investigation into any matter within the scope of its responsibilities. The Committee may invite members of management, organization staff, the Internal Audit Group or external auditor to attend and provide pertinent information or data.

B. Resources. The Committee shall have full access to management, personnel and records in the performance of its duties and responsibilities. The Committee may also engage external legal counsel or independent professional advisors if it considers necessary in the performance of its functions. The Committee shall be provided by the Corporation with sufficient resources to enable it to fully discharge its duties and functions hereunder including resources for the training and education of its members and staff.

## **VI. Reporting**

The Chairman of the Committee, or in his absence, the Chairman of the meeting, shall report to the Board on the decisions and recommendations made by the Committee following each meeting.

The Committee shall prepare an annual report of its activities to the Board and such other reports and certifications that the Board may require from the Committee such as those on critical compliance issues.

## **VII. Performance Assessment**

A. The Committee shall assess its effectiveness to ensure that its performance meets and complies with best practices. In any such assessment, the Committee may be guided by 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 Securities and Exchange Commission.

B. 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.

C. The Committee shall establish a feedback mechanism to receive comments from management, the Internal Audit Group, general counsel, the external auditor, and any person, to facilitate dialogue within the organization about possible ways to improve its performance.