

CHARTER OF THE AUDIT AND RISK MANAGEMENT COMMITTEE OF SOLAR PHILIPPINES NUEVA ECIJA CORPORATION

Introduction:

This charter ("Charter") of the Audit and Risk Management Committee ("Committee") of Solar Philippines Nueva Ecija Corporation ("Company") was duly adopted by the Board of Directors ("Board") in a meeting dated 02 July 2021. This Charter shall serve as the guide of the Committee in the conduct of its business. This Charter shall supplement the Company's By-laws ("By-laws") and the Company's Manual on Corporate Governance ("Manual").

Composition:

The Audit and Risk Management Committee shall be composed of at least three (3) Directors, preferably with accounting, auditing, and finance background, and such other qualifications as may be required under the applicable rules and regulations promulgated by the Securities and Exchange Commission and other relevant regulatory bodies. The Committee Chairperson and the members of the Committee shall be appointed by the Board from among its members at a meeting duly called for such purpose.

Purpose, Roles, and Responsibilities:

The Committee shall be responsible for: recommending the appointment of external auditors whose report they review; monitoring the system of internal controls and corporate compliance with laws, regulations and code of ethics; and serve as a direct channel of communications to the Board for the internal auditors.

Further, the Committee shall:

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- 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, and monitors the Management's responsiveness to the internal auditor's findings and recommendations;
- Perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
- Perform oversight functions in making sure that there are well-designed internal control procedures and processes that will provide a system of checks and balances

should be in place in order to (a) safeguards the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before their submission to the Board, with focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements.
- Evaluate and pre-approve the non-audit work, if any, of the external auditor, and review periodically the 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. The committee shall disallow any non-audit work that will conflict with their duties as an external auditor or may pose a threat to their independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report;
- Recommend the appointment and removal of an internal auditor as well as their qualifications, and grounds for appointment and removal. Establish and identify the reporting line of the Internal Auditor to enable them to properly fulfill their duties and responsibilities. He shall functionally report directly to the Audit and Risk Management Committee;

The Committee shall also:

- Perform oversight functions in the development of a formal enterprise risk management plan, oversee the implementation of such plan, and evaluates the plan to ensure its continued relevance, comprehensiveness and effectiveness;
- Advise the Board on its risk appetite levels and risk tolerance limits;
- Review the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation.
- Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

The Committee shall also have such other functions as may be approved by the Board from time to time.

Meetings:

The Committee may meet on such dates, times, and places as may be determined by the Committee. The Committee may conduct its meetings in the same manner as the Board is allowed to conduct its meetings as provided in the By-laws. The Committee shall endeavor to have a meeting at least once every quarter.

The rules for sending notices for meetings of the Board as provided in the By-laws shall also be applicable to notices of meetings of the Committee.

Quorum:

The quorum of the Committee for the valid conduct of its business shall be the majority of its current members.

Number of Votes to Pass a Resolution:

All decisions and resolutions of the Committee shall be approved by the affirmative vote of the majority of the Committee members present during the meeting. In no case, however, shall a decision or resolution be approved without the approval of at least two (2) members of the Committee.

Any matter decided upon by the Committee which requires Board approval shall be referred to the Board and shall be included in the agenda of the meeting of the Board as soon as practicable.

Secretary:

The Corporation's Corporate Secretary, and in their absence, the Assistant Corporate Secretary, shall function as the secretary of the meeting of the Committee. In the absence of the Corporate Secretary and the Assistant Corporate Secretary, the members of the Committee present during the meeting shall appoint from among themselves the secretary of the meeting.

The secretary of the meeting shall proceed to record the minutes of the meeting and shall have such minutes read and approved by the Committee at the next meeting of the Committee.

Amendment of Charter:

This Charter may be changed or amended from time to time. Any changes or amendments to this Charter shall be proposed by the Committee to the Board. Such changes or amendments shall become effective upon approval by the Board.