

I. Introduction

The Board supports and endorses the establishment of the Board Audit Committee (BAC). This Charter defines the purpose, authority and responsibilities of the BAC of Chemical Industries of the Philippines, Inc. (CIP). Approval of this Charter resides with the Board of Directors.

II. Purpose

The BAC has been established by the Board of Directors of CIP 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.
- in the development and oversight of the company's risk management program
- in the review of all material related party transactions (RPTs) of the Company and ensure that said transactions are conducted at arms' length.

III. Authority

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

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or any person or group with relevant experience or expertise to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.
- Obtain outside legal or other independent professional advice at Company's expense.

IV. Responsibilities

The BAC shall carry out the following duties and responsibilities:

Audit

- Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;

- Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard 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;
- Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee shall also approve the terms and conditions for outsourcing internal audit services;
- Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit Committee;
- Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
- Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Areas where a significant amount of judgment has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- Reviews the disposition of the recommendations in the External Auditor's management letter;
- Performs oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders; and

Risk Oversight

- Develops a formal enterprise risk management plan.
- Oversees the implementation of the enterprise risk management plan.
- Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROCC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss.
- Advises the Board on its risk appetite levels and risk tolerance limits.
- Reviews at least annually 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.
- Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders.
- Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- Reports 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.

Related Party Transactions

- Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.
- Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
- Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.
- Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

V. Membership

The Chairman and members of the BAC shall be appointed by a majority vote of the Board and shall serve until their successors are duly appointed.

The Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom shall be independent directors, including the Chairman. The Chairman shall not be the Chairman of the Board or of any other committee. All members of the committee must have relevant background, knowledge, skills and/or experience in the area of accounting, auditing and finance.

The Chief Audit Executive (CAE) shall serve as secretary of the BAC unless the Board appoints another person to act as secretary of the BAC.

VI. Meetings

The BAC shall convene at least once every quarter or as deemed necessary. A simple majority of the members must attend to constitute a quorum.

Actions to be taken by the BAC shall require the affirmative votes of a majority of the votes cast by the BAC members present at any meeting.

The BAC Chairman and the Secretary of the Committee shall develop and distribute an agenda for each meeting.

The BAC may invite any officer or employee and external parties of the Company to attend its meeting as it deems necessary.

Committee members may attend meetings in person or by electronic or tele/video communication means.

Endorsements and approvals via email or fax may be resorted to for urgent matters which shall be confirmed/ratified in the Committee's next meeting. The respective emails are to be collected by the Secretariat.

The BAC shall maintain minutes or records of its meetings and shall give regular reports to the Board on such meetings and such other matters as required by this Charter or as the Board shall, from time to time, specify. Reports to the Board may take the form of oral reports by the BAC Chairman or any member of the BAC designated by the BAC Chairman to give such report.

VII. Reporting

The Chairman of BAC shall report its activities to the Board of Directors and its recommendations for action every Board Meeting.

VIII. Review

The BAC shall conduct an annual review of its performance and effectiveness by reference to this Charter and leading practices. This review process shall include a review of this Charter. BAC is to refer any recommended changes for decision by the Board.