

PILIPINAS SHELL PETROLEUM CORPORATION

AUDIT COMMITTEE CHARTER

In line with Revised Code of Corporate Governance (“Code”) issued by the Securities and Exchange Commission, Republic of the Philippines in 2009, the Audit Committee (“Committee”) is governed by the following charter:

Constitution

The Board of Directors established the Committee to:

- a. Assist in discharging the Board’s responsibilities relating to the Company’s management of internal controls, accounting policies and financial reporting;
- b. Provide by way of regular meetings, a line of communication between the Board and the Company’s internal and external auditors.

Membership

- a. The Committee is appointed by the Board and consists of at least three members. All the Committee members must be non-executive directors, with at least one of them being independent and another with audit experience to fully comply with Article 3, paragraph K, sub paragraph (i) of the Code.
- b. The Chair of the Audit Committee is the appointed independent non-executive director. In the absence of the Chair, the meeting shall be chaired by another non-executive director.
- c. The members shall preferably have accounting and finance background

In the event of any vacancy resulting that the number of members is reduced to below three, the vacancy must be filled within 3 months.

Quorum and Frequency of Meeting

- a. A quorum shall be at least 2 members
- b. Meetings shall be held at least four times each calendar year, usually preceding the meetings of the Board.
- c. The external auditors and internal auditors may request a meeting if they consider it necessary in any Committee meeting.
- d. At least once a year, the Committee shall meet with the external auditors without the Management present.
- e. The VP Finance & Treasurer shall attend the quarterly meetings although he/she does not have any voting rights

- f. The Committee may call for a meeting as and when required with reasonable notice as the Committee members deem fit

Secretary

The Company Secretary (or any one or more of it, if more than one company secretary) or such other approved person shall be the secretary of the Committee (the "Committee Secretary"). The Committee Secretary shall provide assistance to the members of the Committee, including but not limited to assist the Committee Chair in planning the work of the Committee, formulating meeting agendas, maintenance of committee minutes, collation and distribution of information required by the Committee and provide practical support, as and when needed.

Authority

- a. The Committee is authorised by the Board to investigate any activity within its charter and shall have full and unrestricted access to information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee
- b. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise whenever it deems necessary

Duties and Responsibilities

The committee shall have the following functions:

- a. 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;
- b. 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;
- c. 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;
- d. 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;
- e. 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;
- f. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

- g. Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- h. Review the reports submitted by the internal and external auditors;
- i. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - a. Any change/s in accounting policies and practices
 - b. Major judgmental areas
 - c. Significant adjustments resulting from the audit
 - d. Going concern assumptions
 - e. Compliance with accounting standards
 - f. Compliance with tax, legal and regulatory requirements.
- j. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- k. Evaluate and determine 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 his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report;
- l. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. He shall functionally report directly to the Audit Committee.
- m. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
- n. Review and recommend to the Board matters regarding Significant Related Party Transactions including disclosures, values of mandates and situations involving potential conflict of interest that may arise within the Company, including any transaction, procedure or course of conduct that raises questions on management integrity.

This charter was reviewed and approved by the Board of Directors on 22nd March 2016