

**AUDIT COMMITTEE CHARTER  
OF THE AUDIT COMMITTEE OF SAN MIGUEL BREWERY INC.**

This Audit Committee Charter ("this Charter") sets out the role, authority, duties and responsibilities of the Audit Committee (the "Committee") of San Miguel Brewery Inc. (the "Company"), and the procedures which guide the conduct of its functions.

**1. GENERAL ROLE AND AUTHORITY**

- 1.1 Pursuant to the Company's By-laws and Manual on Corporate Governance ("Manual"), the board of directors of the Company constituted the Committee to aid the board of directors in ensuring adherence by the Company to the best practices of good corporate governance. Specifically, the Committee is tasked to assist the board of directors in fulfilling its oversight duties and responsibilities in respect of the integrity of the Company's financial reports and financial reporting process, the effectiveness of its internal control and risk management systems, independence and performance of its internal and external audit functions, and compliance with accounting standards, and legal and regulatory requirements. The Committee is accountable to the board for its performance.
- 1.2 The Committee is authorized by the board of directors to investigate any activity within its functions and responsibilities as set out in this Charter and shall have full access to management, personnel, records, and internal and external auditors for this purpose. The Committee may also obtain external legal or other independent professional advice if it considers necessary in the performance of its functions. The Committee shall be provided with sufficient resources by the Company to discharge its duties.

**2. COMPOSITION AND QUALIFICATION**

- 2.1 The Committee shall be composed of at least three (3) members of the board of directors of the Company, at least two (2) of whom shall be independent directors as defined in the Company's Manual. One of the independent directors shall be the chairman of the Committee.
- 2.2 All members of the Committee shall preferably have accounting and finance backgrounds and one (1) member with audit experience. Each member shall have an adequate understanding of the Company's financial management systems and environment, including the Company's risk management and environment.
- 2.3 The chairman and the members of the Committee are appointed by the board of directors. Membership shall be reviewed every year after election of the board of directors by the Company's stockholders at their annual meeting, or earlier if the board of directors deems necessary.
- 2.4 Each member of the Committee shall have the qualifications and none of the disqualifications of a director as set out in the Company's Manual.
- 2.5 The chairman and members of the Committee may be removed from the Committee only by the board of directors.

**3. MEETINGS**

- 3.1 The Committee shall meet at such times and places as it considers appropriate, but no less than thrice a year.
- 3.2 A quorum will comprise any two Committee members.

- 3.3 The chairman of the Committee shall preside in all meetings of the Committee. In the absence of the Committee chairman, the Committee members present shall elect one of their members as chairman of the meeting.
- 3.4 The Company's corporate secretary shall be the secretary of the Committee.
- 3.5 The chairman of the Committee, any Committee member, or the secretary may call a meeting of the Committee.
- 3.6 A notice of each meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee at least [two (2)] working days prior to the date of the meeting. The notice for members will include the agenda items to be discussed.
- 3.7 Full minutes of the proceedings of, and resolutions made during, Committee meetings shall be kept by the secretary of the Committee. Draft minutes shall be sent to the Committee members for their comment. Notices, minutes, agenda and supporting papers will be made available to any director upon request to the secretary of the Committee.
- 3.8 The Committee may invite any person to attend the meetings of the Committee, but not necessarily for the full duration of the meeting. At the discretion of the Committee, separate meetings with the Company's external auditors and with any member of the Company's management may be held, whenever it is deemed appropriate by the Committee for the exercise of its functions.

#### **4. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee are:

##### **4.1 In respect of the financial reports and information of the Company:-**

- (a) review of the financial statements and accounts of the Company and ensure its integrity, before submission to the board, with particular focus on (i) any changes in accounting policies and practices; (ii) major judgmental areas; (iii) significant adjustments resulting from audit; (iv) going concern assumptions and any qualifications; (v) compliance with accounting standards; and compliance with tax, legal and regulatory requirements;

(b) in regard to (a) above:

- (i) members of the Committee shall liaise with the Company's board of directors, senior management, and compliance officer, and the Committee must meet, at least once a year, with the Company's auditors; and
- (ii) the Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and shall give due consideration to any matters that have been raised by the Company's senior management, auditors and compliance officer;

##### **4.2 In respect of the Company's financial reporting system and internal control procedures:-**

- (a) obtain, review and consider reports, communications and analysis submitted to the Committee by management, and the internal and external auditors the Company, on financial and internal controls and systems of the Company, and those required by the applicable auditing or accounting standards, including such reports, communications and analysis on:



- (i) significant or critical financial reporting and internal control issues and practices, including weaknesses and deficiencies noted in these systems, processes and practices;
  - (ii) external auditor's responsibility under applicable auditing or accounting standards;
  - (iii) detection of fraud and illegal acts affecting integrity of internal controls and financial reporting systems and process, and which cause a material misstatement in the financial statements;
  - (iv) significant accounting policies and practices, and changes in such policies and practices;
  - (v) management's judgments and accounting estimates;
  - (vi) adjustments arising from audit;
  - (vii) any material communications between management and the external auditor, including management letters;
  - (viii) any significant disagreements with management;
  - (ix) difficulties in the audit or restrictions in the audit scope, and access to information;
  - (x) any material queries raised by the auditors to management in respect of the accounting records, financial accounts or systems of control and management's response thereto;
- (b) meet with management to discuss internal control system issues and concerns, including any proposed changes in the Company's accounting and auditing policies, procedures, processes, controls and systems ;
  - (c) ensure that management maintains and regularly reviews/evaluates the effectiveness and adequacy of internal control system;
  - (d) conduct investigations, and consider and make recommendations relating to any communication or report referred to it under the Whistleblowing Policy procedures of the Company, or relating to any findings of major investigations on internal control or financial reporting matters as delegated by the board or on its own initiative and management's response thereto;
  - (e) consider and make recommendations relating to any communication or report by regulatory agencies relating to the financial statements of the Company, and ensure that management undertakes corrective actions, where necessary, in a timely manner;
  - (f) ensure the development of a transparent financial management system to ensure the integrity of internal control activities by ensuring that management formulates a procedures and policies handbook that will be used by the Company;
  - (g) supervise management in the formulation of rules and procedures on financial reporting and internal controls that will, among others, clearly set out the delineation of management's and the external auditor's responsibilities in the preparation of financial statements; and ensure integrity of financial reports and protection of the Company's assets, and consistent compliance with legal and regulatory financial reporting requirements; and
  - (h) resolve disagreements between management and external auditors regarding financial reporting.

#### 4.3 In respect of the external auditor:-

- (a) to be primarily responsible for making recommendation to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor;
- (b) assess and monitor the (a) external auditor's independence and objectivity and require the external auditor to make the statements required by applicable auditing standards as its relationships and services with the Company in this regard, discussing any relationship or services which may derogate

its independence or objectivity; and (b) the effectiveness of the audit process in accordance with applicable standards;

- (c) obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the Company's securities are listed;
- (d) review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences;
- (e) review the reports or communications of the external auditors and ensure that management or the board will provide a timely response to the issues raised in such reports or communications;
- (f) develop and implement policies on the engagement of an external auditor to supply non-audit work, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions;
- (g) ensure that the external auditor or the signing partner of the auditing firm engaged by the Company is changed every five (5) years or earlier.

#### 4.4 In respect of the internal auditor:-

- (a) review and recommend the approval of the internal audit charter and any subsequent amendment thereto for approval of the board of directors;
- (b) establish and identify the reporting line of the head of internal auditor in order that the internal audit function may fulfill its responsibilities free from the interference of outside parties. The head of the internal audit function shall functionally report directly to the Committee;
- (c) review and approve the internal audit work plans, including scope and audit resources/expenses; and ensure that (a) the scope of its examination includes evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts and applicable laws, rules and regulations, and (b) the internal auditor has the sufficient resources to carry out its functions;
- (d) review the reports and communications of independent auditors, which shall include key findings and recommendations, internal control ratings and status of the audit plan including planned and completed audit engagements;
- (e) require the internal audit to submit an annual report to the Committee and Management of its activities and performance relative to the audit plans and strategies approved by the Committee, which shall include significant risk exposures, control issues and such other issues as may be requested by the Committee; and
- (f) require the internal audit to certify that it conducts its activities in accordance with the International Standards on the Professional Practice of Internal Auditing or to explain its non-compliance should it fail to make such certification.

#### 4.5 In respect of enterprise risks and risk management system:-

- (a) ensure that the Company has established risk management policies and procedures, and discuss with management and the internal auditor such policies and procedures adopted, particularly those relating to risk identification, assessment and management;

- (b) regularly evaluate the adequacy and effectiveness of the enterprise risk management framework or processes of the Company and monitor risk management activities by requiring the head of the risk management function to provide periodic risk assessment reports and an annual risk assessment report which shall include identification of existing or emerging risks and the related risk-mitigating action undertaken; and
- (c) meet periodically with management to discuss the risk management strategies adopted by the Company.

## **5. REPORTING PROCEDURES**

- 5.1 The chairman of the Committee, or in his absence, the member elected by the members present in a meeting, shall report to the board on the decisions and recommendations made by the Committee following each meeting.
- 5.2 The Committee shall prepare an annual report of its activities to the board of directors for inclusion in the Company's annual report.

## **6. PERFORMANCE EVALUATION**

- 6.1 The Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice. Such assessment must compare its performance with the requirements of this Charter, which shall be the basis of its formulation of objectives and plans to improve its performance, including any recommendations for amendments to this Charter for approval by the board of directors.
- 6.2 The performance of the Committee shall be assessed through a self assessment worksheet (the "Assessment") that substantially adopts the Securities and Exchange Commission ("SEC") Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange.
- 6.3 The Assessment shall be accomplished by the Committee on an annual basis or in such shorter intervals as may be set by the board of directors. The results of the Assessment shall be validated by the Company's Governance and Nomination Committee.
- 6.4 A feedback mechanism shall be in place to receive comments from management, the internal audit function, the general counsel and external auditor. This should facilitate dialogue within the organization about possible ways to improve its performance.
- 6.5 The entire assessment process shall be documented and shall form part of the records of the Company that may be examined by the SEC from time to time.
- 6.6 This Charter shall be reviewed annually, updated as required, and shall be made available to any requesting party upon written request to the Company secretary.