

SMC GLOBAL POWER HOLDINGS CORP.

AUDIT AND RISK OVERSIGHT COMMITTEE CHARTER

This Audit and Risk Oversight Committee Charter (this “Charter”) sets out the purpose, membership and qualifications, structure and operations, duties and responsibilities of the Audit Committee (the “Committee”) of SMC Global Power Holdings Corp. (the “Company”), and the procedures which guide the conduct of its functions.

1. PURPOSE

Pursuant to the Company’s Amended By-laws and Amended Manual on Corporate Governance (the “Amended Manual”), the Board of Directors of the Company (the “Board”) constituted the Committee to enhance the Board’s oversight capability over the Company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations, as well as oversight over the Company’s enterprise risk management (“ERM”) system to ensure its functionality and effectiveness. The Committee is accountable to the Board for its performance.

2. MEMBERSHIP AND QUALIFICATIONS

2.1 Composition

The Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom should be Independent Directors. The Chairperson shall be an Independent Director and should not be the Chairman of the Board or the chairperson of any other Committee.

2.2 Qualification

Each member of the Committee shall have the qualifications and none of the disqualifications of a Director, as set out in the Amended Manual. The Chairperson and the members of the Committee are appointed by the Board.

The members of the Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance and at least one (1) member of the Committee must have relevant thorough knowledge and experience on risk and risk management.

2.3 Appointment

The Chairperson and the members of the Committee shall be appointed by a majority vote of the members of the Board present either during the Organizational Board Meeting of the Company or, if there is a vacancy, during any meeting of the Board. Membership shall be reviewed every year after election of the Board by the Company’s stockholders at their annual meeting, or earlier if the Board deems necessary.

2.4 Resignation / Removal

In the event that the Chairperson or any member of the Committee tenders his/her resignation from the Committee, such resignation shall become effective upon acceptance by the Board.

The Chairperson of the Committee or any of its members may be removed from office by action of the Board.

3. STRUCTURE AND OPERATIONS

3.1 Meetings

The Committee shall meet at least quarterly without the presence of the President and Chief Executive Officer or other Management team members, and periodically meet with the Internal Audit Group Head, and at such times and places as it considers appropriate and as designated in the notice. The Chairperson of the Committee, any Committee member, or the Corporate Secretary of the Company may call a meeting of the Committee.

3.2 Quorum

Attendance of at least a majority of all the Committee members shall constitute a quorum for the Committee to transact business in a meeting to be convened. The Committee shall act only on the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum.

3.3 Chairperson

The Chairperson of the Committee shall preside in all meetings of the Committee. In the absence of the Chairperson, the Committee members present shall elect one of their members as chairperson of the meeting.

3.4 Secretary of the Meeting

The Company's Corporate Secretary shall be the secretary of the Committee.

3.5 Notice of the Meeting

A notice of each meeting setting out the date, time, venue, and agenda shall be sent to each member of the Committee at least two (2) working days prior to the date of the meeting.

3.6 Record of Meetings

Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary. Notices, minutes, agenda and materials presented during meetings will be made available to any Committee member upon request to the Corporate Secretary.

3.7 Other Attendees

As necessary, the Committee may invite members of management and the organizational staff to attend the Committee meetings to provide relevant information or data necessary for the matters for discussion during the Committee meeting. At the discretion of the Committee, separate meetings 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.

3.8 Access to Resources

The Committee shall have full access to management, personnel and records for the purpose of performance of its duties and responsibilities hereunder. The Committee may also obtain external legal counsel or independent professional advice if it considers it necessary in the performance of its functions.

3.9 Authority

The Committee shall have the authority to conduct or order the investigation into any matter within its scope of responsibility and all directors, officers and employees of the Company are enjoined to cooperate as requested by the Committee, without interference or censorship by management.

4. DUTIES AND RESPONSIBILITIES

The Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework and functional and effective ERM system. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

The Committee shall have the duties and responsibilities, namely:

- a. recommend the approval of the Internal Audit Charter, which formally defines the role of Internal Audit and the audit plan, as well as oversee the implementation of the Internal Audit Charter;
- b. enhance the oversight capability of the Board over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations;
- c. prior to the commencement of the audit, discuss with the External Auditor the nature, scope and audit resources/expenses, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- d. have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the External Auditor duly accredited by the Securities and Exchange Commission ("SEC"), who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders. The

appointment, reappointment, and removal of the External Auditor shall be recommended by the Committee and approved by Board and ratified by the shareholders;

- e. be responsible for assessing the integrity and independence of the External Auditor and exercising effective oversight to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements, as well as be responsible for reviewing and monitoring the External Auditor's suitability and effectiveness on an annual basis;
- f. perform oversight functions with respect to the Internal and External Auditors of the Company, ensuring the independence of one from the other, freedom from interference from outside parties, and their unrestricted access to such records, properties and personnel of the Company necessary to enable them to perform their respective audit functions, and review the reports submitted by them;
- g. evaluate and determine any non-audit work performed by the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company'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 Company's Annual Report and Annual Corporate Governance Report. The Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the External Auditor's objectivity and independence;
- h. establish and identify the reporting line of the Internal Audit Group Head to enable him to properly fulfill his duties and responsibilities. For this purpose, the Internal Audit Group Head shall directly report to the Committee;
- i. through the Internal Audit Group, monitor and evaluate the adequacy and effectiveness of the Company'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 established in order to (i) safeguard the Company's resources and ensure their effective utilization, (ii) 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;
- j. oversee the Internal Audit Group, and recommend the appointment and/or grounds for approval of an Internal Audit Group Head. The Committee shall also approve the terms and conditions for outsourcing internal audit services;
- k. review and monitor the Management's responsiveness to the Internal Auditor's findings and recommendations;
- l. review and approve all interim and annual financial statements before submission to the Board, with particular focus on the following:
 - (i) any changes in accounting policies and practices;

- (ii) areas where a significant amount of judgment has been exercised;
 - (iii) significant adjustments resulting from audit;
 - (iv) going concern assumptions;
 - (v) compliance with accounting standards; and
 - (vi) compliance with tax, legal and regulatory requirements;
- m. review the disposition of the recommendations in the External Auditor's management letter;
- n. coordinate, monitor and facilitate compliance with laws, rules and regulations;
- o. ensure that the accounting and auditing processes, practices and methods of the Company comply with Philippine and internationally-accepted standards;
- p. develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization;
- q. supervise Management in Management's formulation of rules and procedures on financial reporting and internal controls in accordance with the following and such other guidelines as may be determined by the Board, namely:
- (i) the extent of Management's responsibility in the preparation of financial statements of the Company and the delineation of the responsibilities pertaining to the External Auditor must be clearly set out;
 - (ii) the system of internal control should be effective in ensuring the integrity of financial reports and maintaining protection of the assets of the Company for the benefit of all stockholders and other stakeholders;
 - (iii) the scope of the internal audit examinations based on approved audit plans should include, at the minimum, evaluation of adequacy and effectiveness of controls on governance, operations, information systems, protection of assets and compliance with contracts, laws, rules and regulations; and
 - (iv) there should be consistent compliance with SEC's financial reporting requirements;
- r. develop a formal ERM plan which contains the following elements:
- (i) common language or register of risks;
 - (ii) well-defined risk management goals, objectives and oversight;
 - (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks;
 - (iv) designing and implementing risk management strategies; and
 - (v) continuing assessments to improve risk strategies, processes and measures;
- s. oversee the implementation of the ERM plan, conduct regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports, and assess how the concerned units or offices are addressing and managing these risks;

- t. evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- u. advise the Board on its risk appetite levels and risk tolerance limits;
- v. review 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;
- w. assess the probability of each identified risk becoming a reality and estimate 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 Company and its stakeholders;
- x. provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management;
- y. 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 recommend further action or plans, as necessary; and
- z. perform other activities which the Committee deems appropriate as necessary and desirable for the performance of its duties and function under this Charter, as well such other responsibilities which the Board may assign to the Committee from time to time.

5. REPORTING PROCESS

5.1 Report of Meetings Convened

The Chairperson of the Committee, or in his absence, the chairperson of the meeting, shall report to the Board on the decisions and recommendations made by the Committee during the meeting it has convened in the next scheduled Board meeting.

5.2 Other Reports

The Committee shall prepare such reports as may be necessary to document the activities of the Committee in the performance of its functions and duties. Such reports shall be included in the Company's annual report and other corporate disclosures as may be required by the SEC, the Philippine Dealing & Exchange Corp. ("PDEX") and/or the Philippine Stock Exchange, Inc. ("PSE").

5.3 Report on Critical Issues / Issuance of Certifications

The Committee shall render the necessary reports to the Board and issue such certifications as it may deem appropriate on critical compliance issues which it has discovered, reviewed and evaluated in the performance of its functions under this Charter, including but not limited to those relating to material errors, fraud and sufficiency of risk controls.

6. PERFORMANCE EVALUATION

6.1 Periodic Assessment

The Committee shall assess its effectiveness periodically, with the end in view of ensuring that its performance accords with best practice. Such assessment must compare its performance with the requirements of this Charter and the Amended Manual, 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.

The Committee shall assess its performance through a self assessment worksheet (the "Assessment") that substantially adopts the pertinent and relevant guidelines of the SEC.

The Assessment shall be accomplished by the Committee on an annual basis or in such shorter intervals as may be set by the Board. The results of the Assessment shall be validated by the Company's Compliance Officer.

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.

The entire assessment process shall be documented and shall form part of the records of the Company that may be examined by the SEC, PDEX and/or the PSE, where appropriate, from time to time.

6.2 Annual Review

This Charter shall be reviewed annually, updated as required, and copies of this Charter shall be made available to any requesting party upon written request to the Corporate Secretary.

7. AMENDMENT

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.

(Signature page follows)

Adopted by the Board of Directors of SMC Global Power Holdings Corp. on 08 August 2017.

Certified correct:

RAMON S. ANG

Chairman and Chief Executive Officer
and President and Chief Operating Officer

FERDINAND K. CONSTANTINO

Vice Chairman

AURORA T. CALDERON

Director

VIRGILIO S. JACINTO

Director, Corporate Secretary
and Compliance Officer

JACK G. ARROYO, JR.

Independent Director

CONSUELO M. YNARES-SANTIAGO

Independent Director