



LOPEZ HOLDINGS CORPORATION AMENDED AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee shall assist the board of directors in fulfilling its oversight responsibilities for management and financial reporting process, the system of internal control, the maintenance of an effective audit process, and the company's process for monitoring compliance with laws and regulations.

AUTHORITY

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

- Recommend to the Board the appointment, and compensation of any registered public accounting firm employed by the organization (i.e. external auditors), and to oversee its work;
- Resolve any disagreements between management and the auditor regarding financial reporting;
- Pre-approve all auditing and non-audit services;
- Retain independent counsel, accountants, or others 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; and
- Meet with company officers, external auditors, or outside counsel as necessary.

COMPOSITION

The Audit Committee shall be composed of at least three (3) members of the Board, with accounting, audit, finance or legal background. All members shall be non-executive directors, and a majority shall be independent directors. Each member must have an adequate understanding of the company's financial management systems and environment.

At least one (1) member must have an understanding of generally-accepted accounting principles; experience in analyzing or evaluating financial statements; experience with internal controls; and an understanding of audit committee functions.

The Board shall appoint committee members and designate the chairman of the Audit Committee. The chairman of the Audit Committee shall be an independent director.



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The Chairman of this committee should be responsible for inculcating in the minds of the Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

MEETINGS

The committee shall meet at least quarterly with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele-conference or video-conference. The committee will invite members of management, auditors and others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. The meeting agenda will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The review of the financial statements of the company shall be done by the Audit Committee in the following context:

- Management has the primary responsibility for the financial statements and the financial reporting process; and
- The external auditor is responsible for expressing an opinion on the conformity of the company's consolidated financial statements with the Philippine Financial Reporting Standards

The Audit Committee shall review the quarterly financial statements with management and the annual financial statements with the external auditor, focusing particularly on:

- Significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- The results of audit, including any difficulties encountered;
- The annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
- Interim financial reports review with management prior to filing with regulators, and consider whether they are complete and consistent with the information known to committee members;
- Disclosures of material information, related party transactions, and subsequent events

Internal Control System

- Monitor and evaluate the adequacy and effectiveness of the company's internal control system including information technology security and control to ensure:
 - Effectiveness and efficiency of operations
 - Reliability of financial reporting
 - Compliance with policies, laws and regulations
 - Safeguarding of assets
 - Economical and efficient use of resources.
- Understand the scope of internal and external auditors' assessment of internal control and review the status of all internal and external audit recommendations and their implementation.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the corporation, and crisis management.

Internal Audit

- Review and approve the audit scope and frequency, and the annual internal audit plan. The internal audit activities should be in accordance with the Standards for Professional Practice of Internal Auditing (SPPIA).
- Require the internal auditor to report directly to the Audit Committee and to provide the Board, senior management, and stockholders with reasonable assurance that its key organizational and procedural controls are effective, appropriate and complied with.
- Require the Internal Auditor to render to the Audit Committee and senior management an annual report on the internal audit department's activities, purpose, authority, responsibility, and performance relative to audit plans and strategies approved by the Audit Committee.
- Approve the appointment or removal of the internal auditor.

External Audit

- Review the external auditor's proposed audit scope and approach, including coordination of audit efforts with internal audit;
- Review the performance of external auditor and recommend to the Board the appointment, re-appointment or removal of the auditors;
- Review and confirm the independence of the external auditor by obtaining statements from the auditor on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditor;
- Review and consider the rotation of the external auditor every five (5) years or earlier.

- The Committee shall regularly review and assess external auditor's fees and shall ensure that the fees charged by the company's external auditors shall be commensurate with their reputation, level of expertise, and required scope of work, and shall be in accordance with current industry standards.
- Receive and review information covering the reports of the external auditor and ensure that management is taking appropriate corrective actions, in a timely manner in addressing control.
- Ensure that the reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor are reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, what it would have caused if not resolved to the satisfaction of the former auditor making reference to the subject matter of the disagreement in connection with its report.
- Ensure that the external auditor of the company does not at the same time provide the services of an internal auditor. The corporation ensures that other non-audit work shall not be in conflict with the functions of the external auditor.
- On a regular basis, meet separately with the external auditor to discuss any matters that the committee or auditor believe should be discussed privately.
- Review the external auditor's quality control procedures.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the board of directors about committee activities, issues and related recommendations;
- Report annually to the shareholders, describing the committee's composition responsibilities, and how they were discharged, and any other information required by rule, including approval of non-audit services;
- Review any reports (e.g. to SEC and PSE) the company issues that relate to committee responsibilities; and
- Review any other reports the company issues that relate to committee responsibilities.
- Provide an open avenue of communication between internal audit, the external auditor, and the board of directors.

Other Responsibilities

- Institute and oversee special investigations as needed and, where appropriate, refer further investigations to a competent body or agency.
- Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.
- Perform other activities related to this charter as requested by the board of directors.

Approved by the Audit Committee


By:


Cesar E. A. Virata
Audit Committee Chairman

Date: September 17, 2012

Approved by the Board of Directors

By:


Manuel M. Lopez
Chairman of the Board

Date: September 17, 2012