



AUDIT COMMITTEE CHARTER

I. Purpose

The purpose of the Audit Committee (the ‘Committee’) of the Board of Directors (the “Board”) of **Pacific Online Systems Corporation** (the “Company”) is to represent and assist the Board in its general oversight of the Company’s accounting and financial reporting processes, audits of the financial statements, and internal control and audit functions. Management is responsible for preparing the Company’s financial statements, and the external auditors are responsible for auditing those financial statements.

The Audit Committee members are not professional accountants or auditors and their functions are not intended to duplicate or to certify the activities of Management and the internal and external auditors under applicable rules. The Audit Committee serves a board level oversight role where it oversees the relationship with the internal and external auditors, as set forth in this Charter, and provides advice, counsel and general direction, as it deems appropriate, to Management and the internal and external auditors on the basis of the information it receives, discussions with the internal and external auditors, and the experience of the Committee’s members in business, financial and accounting matters.

II. Membership

The Committee shall be appointed by the Board and shall comprise of at least three directors who meet the experience and independence standards of the Securities and Exchange Commission (“SEC”) and the Philippine Stock Exchange (“PSE”) and other applicable laws and regulations.

The Committee shall consist of non-executive directors, majority of whom shall be independent.

All Committee members should be financially literate, have adequate understanding of the Company’s financial management systems and environment and at least one member of the Committee should have accounting or related financial management expertise or relevant business experience as determined by the Board.

In case of any vacancy in the Committee, the Board shall appoint a replacement who will fill the vacancy at any meeting of the Board subject to the provision of this Charter.

Committee members may not receive compensation from the Company other than reasonable *per diem*.

III. Meeting

The Committee shall meet as often as may be deemed necessary or appropriate in its judgment, or at least once every quarter, and at such times and places as the Committee shall determine.

A majority of the members of the Committee shall constitute a quorum.

The Committee will meet separately with the internal auditor, external auditors and/or Management to discuss any matters that they wish to bring to the Committee's attention.

The Committee shall report to the Board with respect to its meetings, including any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, and/or the performance and independence of the Company's external auditors. The Committee shall also schedule quarterly meetings with the Board without the presence of Management.

IV. Committee Authority and Responsibilities

The primary responsibility of the Committee is to oversee the Company's financial controls and reporting processes on behalf of the Board and report the results of its activities to the Board. The Committee in carrying out its responsibilities, policies, and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The Committee shall have the following responsibilities:

- 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 Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities.

- c. Perform oversight functions over the Company'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 Company. 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. review the disposition of the recommendations in the external auditor's management letter;
- g. Organize an internal audit department and consider whether it will be more beneficial for the Company to appoint an Internal Auditor or outsource internal audit services. The Audit Committee shall submit its recommendations to the Board for approval, including the terms and conditions of the engagement and removal of an Internal Auditor;
- h. Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security, and ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and other stakeholders.
- i. Review the reports submitted by the internal and external auditors.
- j. Review the quarterly, half-year, and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - i. Any change/s in accounting policies and practices;
 - ii. Areas where a significant amount of judgment has been exercised;
 - iii. Significant adjustments resulting from the audit;
 - iv. Going concern assumptions;

- v. Compliance with accounting standards; and
 - vi. Compliance with tax, legal, and regulatory requirements.
- k. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
 - l. 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 and Annual Corporate Governance Report;
 - m. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

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 monitor Management's responsiveness to the Internal Auditor's findings and recommendations.
- o. Recommend the approval of an Internal Audit Charter which shall formally define the role of Internal Audit and the audit plan, as well as oversee the implementation of the Internal Audit Charter.
- p. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders.

V. Outside Advisors. The Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it deems appropriate to assist the Committee in the performance of its functions. The Committee shall have sole authority to approve related fees and retention items. The Company will provide appropriate funding, as determined by the Committee, to compensate any such outside advisors engaged by the Committee.

VI. Miscellaneous. Nothing contained in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.