



# ***Audit Committee***

## **CHARTER**

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# Audit Committee Charter

Document No.:-

Version. No. 1.0

Governing policy:	N/A
Policy applies to:	<input type="checkbox"/> Company-wide <input checked="" type="checkbox"/> Specific group or employees only
Documented type:	<input checked="" type="checkbox"/> New <input type="checkbox"/> Revision of existing documented information
Policy document status:	<input type="checkbox"/> INITIAL DRAFT <input type="checkbox"/> INITIAL REVIEW <input type="checkbox"/> FINAL REVIEW <input checked="" type="checkbox"/> APPROVED
Policy / Process Control Review Authority:	<b>Audit Committee</b>
Audit Committee Secretariat	<b>ORIGINAL SIGNED</b> <b>Anthony Vergel B. Velasco</b> VP & Head of Internal Audit
Board approval authority:	<b>ORIGINAL SIGNED</b> <b>Roman Felipe S. Reyes</b> Chairman of the Audit Committee  <b>ORIGINAL SIGNED</b> <b>Jose P. de Jesus</b> Chairman of the Board
Implementation effectivity date:	<b>August 2023 (Amended charter)</b>
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Effectivity Date of original version	<b>May 5, 2021</b>
Date of governing policy review*	<b>August 2024</b>
	<b>*unless otherwise indicated, this policy will still apply beyond the review date.</b>
Related legislation, standards, policies, procedures, guidelines, and local protocols	<b>Amended Manual on Corporate Governance</b>

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## 1. Composition

The Board of Directors (the “Board”) of Converge Information and Communications Technology Solutions, Inc. (the “Company”) has established an Audit Committee pursuant to Recommendation 3.2 of the Code of Corporate Governance for Publicly Listed Companies or SEC Memorandum Circular No. 19, Series of 2016.

The Audit Committee shall be composed of at least three appropriately qualified non-executive directors, the majority of whom, including its Chairman, should be independent. All members of the Audit Committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance. The Chairman of the Audit Committee should not be the Chairman of the Board or of any other committee.

The Audit Committee shall appoint a Committee Secretary.

## 2. Purpose

The Audit Committee shall assist in fulfilling the Board’s oversight responsibilities for the following activities: (i) financial reporting process, (ii) the system of internal control, (iii) the audit process, and (iv) the process for monitoring compliance with laws and regulations, and the Corporation’s Code of Conduct.

## 3. Authority

The Audit Committee has the following authority:

- a. Review the Corporation’s material controls (including operational, financial and compliance controls) and risk management systems;
- b. Exercise effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant regulatory requirements (i.e., Philippine Financial Reporting Standard);
- c. Appoint, compensate, and oversee the work of an external auditor which is a registered public accounting firm, handling publicly listed corporations;
- d. Exercise effective oversight to review and monitor the external auditor’s integrity, independence, and objectivity;
- e. Enter into and pre-approve and review disclosures, when required, of all audit and non-audit services (consultancy) within its scope of responsibility;
- f. Retain independent accountants or others to advise the Audit Committee or assist in the conduct of an investigation as warranted;
- g. Oversee the operations of the internal audit function;
- h. Meet with Corporation officers, external auditors, or outside counsel, as necessary;
- i. Require any information and/or data from external parties and management and/or employees, all of whom are directed to cooperate with the requests of the Audit Committee; and
- j. Ensure independence of both the internal and external auditors from each other.

## 4. Duties and Responsibilities

The Audit committee shall carry out the following primary responsibilities:

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## Financial Statements

- a. Review 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;
- b. Review with management and the external auditors the results of the audit, including any difficulties encountered, if any;
- c. Review the annual and quarterly financial statements and consider whether they are complete, consistent with information made known and available to the Audit Committee members, and reflect appropriate accounting principles and prior to filing and/or disclosure with the regulators;
- d. Review other sections of the Annual Report and related regulatory filings before release and consider the accuracy and completeness of the information;
- e. Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted auditing standards.

## Internal Control

- a. Consider the effectiveness of the organization's internal control system, including information technology security and control;
- b. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses; and
- c. Provide an annual report commenting on the adequacy of the Corporation's internal controls/risk management systems.

## Internal Audit

- a. Review with management and the Chief Audit Executive (CAE)/VP and Head of Internal Audit the charter, plans, activities, staffing, and organizational structure of the internal audit activity;
- b. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the CAE/ VP and Head of Internal Audit;
- c. Review the effectiveness of the internal audit activity, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*; and
- d. Meet separately, on a regular basis, with the CAE/ VP and Head of Internal Audit to discuss any matters that the Audit Committee or internal audit believes should be discussed without anyone from management present.

## External Audit

- a. Review the external auditors' proposed audit scope and approach, including coordination of audit efforts with internal audit;
- b. Review the performance of the external auditors and recommend for final approval by the Board on the appointment, re-appointment or removal of the auditors. The reasons for removal or change are disclosed to the regulators and the public through the Corporation website and required disclosures;
- c. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Corporation, including non-audit services, and discussing the relationships with the auditors;
- d. Approve non-audit services of external auditor;

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- e. Disclose the nature of non-audit services performed by its external auditor in its annual report to deal with the potential conflict of interest;
- f. Stay 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;
- g. Review and approve fees of external auditor and ensure that the fees paid for non-audit services do not outweigh the fees paid for audit services;
- h. Ensure that external auditor is duly accredited by the Securities and Exchange Commission (the "SEC") under Group A category;
- i. Ensure that the external auditor has agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA);
- j. Review and monitor the external auditor's suitability and effectiveness on an annual basis;
- k. Ensure that the external auditor is credible, competent and has the ability to understand complex financial transactions;
- l. Ensure that a policy is in place on the rotation of the lead audit partner every five (5) years;
- m. Ensure that the external auditor has adequate quality control procedures; and
- n. Meet separately, on a regular basis, with the external auditors to discuss any matters that the Audit Committee or auditors believe should be discussed without anyone from management present.

## Compliance

- a. 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;
- b. Review the findings of any examinations by regulatory agencies and any auditor observations; and
- c. Obtain regular updates from management and the Corporation's legal counsel regarding compliance matters.

## Reporting Responsibilities

- a. Regularly report to the Board about the activities, issues, and related recommendations of the Audit Committee;
- b. Provide an open avenue of communication between the internal auditor, the external auditors, and the Board; and
- c. Report annually to the shareholders, describing the Audit Committee's composition, discharge of responsibilities, and any other information required by law and regulations.

## Other Responsibilities

- a. Perform other activities related to this Charter as requested by the Board;
- b. Institute and oversee special investigations, as may be needed; and
- c. Review and assess the adequacy of the Committee Charter annually, requesting the Board's approval for proposed changes, and ensure appropriate disclosures as may be required by law or regulations.

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## 5. Meetings and Resources

The Audit Committee will meet at **least four (4) times a year**, with the authority to convene additional meetings as circumstances may require. All members are expected to attend each meeting — in person or via teleconference or videoconference. A majority of the members shall constitute a quorum for the transaction of the business and the majority of those present would be sufficient for the approval of the matter on hand.

The Audit Committee, through the Committee Secretary, must send the notice, agenda and relevant documents and materials at least five (5) days before the scheduled meeting to give time to the members to prepare, therefore. Minutes will be prepared by the CAE/ VP and Head of Internal Audit.

The Audit Committee may invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. It may hold meetings with auditors without anyone from management present.

## 5. Performance Evaluation

The members of the Audit Committee shall evaluate the Committee's performance in the discharge of its duties and responsibilities under this committee charter through a self-assessment questionnaire. The creation and implementation of such self-assessment, including its salient features, can be disclosed in the Company's annual report.

The results of the performance evaluation and any recommendation for improvement shall be reported to the Board.

It shall also evaluate the performance of the Chief Audit Executive / VP and Head of Internal Audit and External Auditor to ensure that the objectives set are attained.

## 6. Annual Review

The Committee shall review this Charter annually. Any proposed changes shall be submitted and approved by the Board.

## 7. Disclosure

This Committee Charter shall be fully disclosed on the company's website.

## 8. Related Document References

- Amended Manual on Corporate Governance

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