

## **Audit Committee**

The Board of Directors (“Board”) of Leisure and Resorts World Corporation (the “Corporation”) hereby adopts this Charter of the **AUDIT COMMITTEE** (the “Committee”)

### **Purpose of Audit Committee**

The **Audit Committee** shall have oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance. The Committee shall be composed of at least three (3) members of the board. Audit Committee members, preferably, shall have accounting and finance backgrounds. At least one of the members should be an independent director, who shall also be the Chairman. Another Audit Committee member shall have audit experience. Each member must have at an adequate understanding of the Corporation’s financial management systems and environment.

### **Duties and Responsibilities:**

- 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.
- 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;
- Perform oversight functions over the Corporation’s internal and external auditors. It should ensure the independence of both internal and external auditors from each other. Furthermore, the audit committee shall make certain that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The internal audit plan will include the scope of the audit, resources and budget necessary to implement it.
- Prior to commencing an audit, there will be a meeting with the external auditor about 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.
- Pre-approve all audit plans, scope and frequency one month before the conduct of external audit.
- As needed, elevate to international standards the accounting and auditing, process, practices and methodologies and develop the following in relation to this reform:
  - Provide, if needed, a definitive timetable within the accounting system of the Corporation will be 100 percent Philippine Financial Reporting Standard (PFRS) compliant.
  - Develop an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.

- Develop a transparent financial management system to 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.
- Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Supervise Management in the formulation of rules and procedure on financial reporting and internal control in accordance with the guidelines provided in the Revised Code of Corporate Governance.
- Review the reports submitted by the internal and external auditors as well as review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - Any changes in accounting policies and practices;
  - Major judgement areas;
  - Significant adjustments resulting from the audit;
  - Going concerns assumptions;
  - Compliance with accounting standards;
  - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- Evaluate and determine the non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the total annual income of the external auditor and to the Corporation's overall consultancy expenses.
- Disallow any non-audit work that will conflict with these duties as external auditor or may pose threat to this independence. Disclose in the Corporation's annual report any permitted non-audit work.
- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfil his duties and responsibilities. He shall report directly to the Audit Committee.
- Ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference of outside parties.

The Audit Committee shall have a robust process of approving, recommending approval, appointment, reappointment and renewal of external auditor's services as ratified by the shareholders. The Audit Committee shall also be responsible for assessing the integrity of external auditors.