



## Annex "A"

### **CHARTER OF THE AUDIT COMMITTEE Macay Holdings, Inc. (the "Corporation")**

#### **Purpose and Objective**

The Audit Committee (the "Committee") shall assist the Board of Directors (the "Board") in the performance of its oversight function over the Corporation's financial reporting process, systems of internal control, internal and external audit processes, compliance monitoring procedures, and risk management. It shall be primarily responsible in recommending the appointment, re-appointment, or removal of the internal and external auditor. The Committee shall assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, and auditing and financial reporting practices.

The Committee will report its activities to the Board on a regular basis and make recommendations thereon as it may deem appropriate.

#### **Membership**

The Committee shall be composed of at least three (3) Board members, all of whom must be capable of exercising independent judgment and shall be non-executive directors. At least one member shall have an accounting and finance background or related financial management expertise or experience, and at least two (2) members shall be independent directors, which shall include the Chairman of the Committee.

With respect to Committee members, the basis for determining independence shall be the requirements imposed upon independent directors by the Securities Regulation Code and other applicable laws, rules, and regulations. The Committee members will not receive, directly or indirectly, through their affiliations or relatives up to the fourth degree of consanguinity, any consulting, advisory, or other compensatory fee from the Corporation or its subsidiaries other than a director's fees or fixed compensation as may be provided in the Corporation's By-laws. The Board of Directors shall review the composition of the Audit Committee and its independence annually.

#### **Terms of Office**

A member of the Audit Committee shall have a term of one year but may be extended upon such terms as may be approved by the Board of Directors.



Termination of the terms of office of the members may be staggered to allow the retention of seasoned members and to ensure continuity in the performance of the Committee's duties and responsibilities.

### **Meetings**

The Committee shall meet regularly at least once every quarter. However, special meetings may be called by any member of the Committee or upon request of the internal or external auditors as the need arises subject to the required quorum.

The Committee may meet separately with the Chief Executive Officer and Treasurer or Chief Financial Officer of the Corporation at such times as are appropriate to review the financial affairs of the Corporation. The Audit Committee may also meet separately with the external auditors of the Corporation as it may deem necessary to review the external auditor's examination and management report and to otherwise fulfill its responsibilities under this Charter.

### **Minutes**

The Audit Committee will maintain written minutes of its meetings. Said minutes, as approved by the Committee, shall be filed with the minutes of the meetings of the Board of Directors.

### **Quorum**

The quorum shall be at least 51% of the regular members, one of which should be the Chairperson of the Committee or, in his absence, the designated vice-chairman who shall chair the meeting. A majority vote among those present shall be required to pass or defeat any resolution at the meeting, provided such majority vote shall always include the vote of the Chairperson or, in his absence, the Vice Chairperson.

### **Duties and Responsibilities**

The Committee shall:

- 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 the Management's activities in managing investments, credit, market, liquidity, operational, legal and other

risks of the Corporation. This function includes regular receipt from Management of information on risk exposures and risk management activities.

- c) Perform oversight functions over the Corporation'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 Corporation. The plan shall include 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) Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors and regulatory agencies, where applicable, and ensure that Management is taking appropriate measures and corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.
- i) Review the quarterly, half year and annual financial statements before submission to the Board, focusing particularly on:
  - Any changes in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumption
  - Compliance with accounting standards
  - Compliance with tax, legal and other regulatory requirements

- j) Be responsible for coordinating, monitoring and facilitating compliance with existing laws, rules and regulations.
- k) Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor, if any, both in relation to their significant to the total annual income of the auditor and the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the auditor's duties or may pose a threat to independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.
- l) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. The internal auditor shall report to the audit committee functionally and to the President/Chief Executive Officer administratively. The Committee shall ensure that the internal auditor/s shall have free and full access to all the Corporation's records, properties and personnel relevant to the Internal Audit activity and that the Internal Audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results.
- m) Have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by Management and full discretion to invite directors or executive officers to attend its meetings and adequate resources to enable it to effectively discharge its functions.
- n) Review and assess the adequacy of the Committee Charter periodically, requesting Board approval for proposed changes.
- o) Address all issues and concerns from the external auditor expeditiously and effectively to avoid the possibility of their having to render a qualified or adverse opinion, including substantive and significant disclaimers.
- p) Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.
- q) Ensure that the external audit firm is selected on the basis of a fair and transparent tender process.



- r) Conduct regular meetings and dialogues with the external audit team without anyone from Management present.
- s) Ensure that, should the external auditor not be rotated, the lead audit partner is rotated every five years.

### **Independent Advice**

The Committee shall have the authority to obtain independent professional advice and assistance from external legal, accounting, and other advisors as may be deemed necessary by the Committee to carry out its duties, at the Corporation's expense.