



**AUDIT, RISK OVERSIGHT  
AND RELATED PARTY TRANSACTIONS COMMITTEE CHARTER  
(As approved by the Board on 23 October 2020)**

The Board of Directors of **Bright Kindle Resources & Investments, Inc.** (“BKR”; the “Company” or “Corporation”) hereby adopts this Charter of the Audit, Risk Oversight and Related Party Transactions Committee (the “Audit Committee”) which has primary oversight over the financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.<sup>1</sup>

**1. MEMBERSHIP**

- 1.1 The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent.<sup>2</sup> The Chairman of the Audit Committee shall not be the Chairman of the Board or of any other committees.<sup>3</sup> All Committee Members shall be appointed by the Board.
- 1.2 The term of the Committee Member shall be for one year. Committee Members may be replaced at any time by a majority vote of the members of the Board currently in office. A Member’s cessation as a Board Director means his automatic termination as a Committee Member.
- 1.3 Any vacancy in the Audit Committee due to death, resignation or disqualification of any member, or by any cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term.
- 1.4 All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.<sup>4</sup>
- 1.5 Each Member shall be diligent in disclosing relationships significant to the Company and related companies/parties or himself that might potentially compromise his independence in his oversight duties.
- 1.6 Committee Members shall be entitled to committee membership per diems or fees.

**2. COMMITTEE AUTHORITY**

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<sup>1</sup> Section 3.2, 2020 Revised Corporate Manual.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

- 2.1. The Committee shall have unrestricted access to all Company information and all employees are directed to cooperate and comply with requests of Committee Members relating to its authority under this Charter.
- 2.2. The Committee has the authority to engage or retain, at the Company's expense, persons having special competencies (including, without limitation, legal, accounting or other consultants and experts) to assist or advise the Committee in fulfilling its responsibilities.
- 2.3. The Committee may form and delegate authority to subcommittees when appropriate.
- 2.4. The Committee shall provide an open avenue of communication among the internal auditors, external auditors, and the Board. This includes direct communication and interaction of the Committee with the Chief Audit Executive, internal auditors and external auditors, as well as separate or private sessions as appropriate and necessary.

### **3. COMMITTEE MEETINGS**

- 3.1 The Committee shall meet internally with the Board at least once every quarter without the presence of the President or other Management team members, and periodically shall meet with the head of the internal audit.<sup>5</sup>
- 3.2 It is the responsibility of the Chairman to schedule all meetings of the Committee. The Chief Audit Executive shall be responsible for the agenda and relevant meeting materials to be provided to the Members at least three (3) days before each meeting and any other person/s invited by the Committee.
- 3.3 A majority of the Committee Members shall constitute a quorum, and the act of a majority of those present at any Committee meeting at which there is a quorum shall be the act of the Committee.
- 3.4 A resolution in writing signed or approved by letter, or email by a majority of Committee Members shall be as effective for all purposes as a resolution passed at a meeting of the Committee duly convened, held and constituted.
- 3.5 The Committee shall meet with Management, internal auditors and the external auditor in separate executive sessions at least once a year.
- 3.6 The Committee may request any officer or employee, outside counsel or the external auditor of the Company to attend a Committee meeting or to meet with any Committee Member or consultant to the Committee.

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<sup>5</sup> 3.2.I.A.a, *ibid.*

- 3.7 The Company's Compliance Officer, Corporate Secretary or any other person nominated by the Committee shall be the Secretary of the Committee in its meetings.
- 3.8 The Committee shall provide copies of the minutes of each meeting to the Board as soon as practicable after each Committee meeting.

#### **4. COMMITTEE DUTIES AND RESPONSIBILITIES**

The Audit Committee shall be responsible for overseeing the Management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.<sup>6</sup>

In line therewith, the Audit Committee shall have the following duties and responsibilities:

##### **4.1 Financial Reporting Process and Internal Control System Oversight**

- a. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:<sup>7</sup>
  - Any change/s in accounting policies and practices
  - Areas where a significant amount of judgment has been exercised
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- b. Review with Management and the external auditors the results of the audit of the financial statements, including any disagreements, problems or difficulties encountered;
- c. Perform oversight functions over the Corporation's Internal and External Auditors and ensure their independence and unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions taking into consideration relevant Philippine professional and regulatory requirements;<sup>8</sup>
- d. Evaluate on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, the Related Party Registry is updated to capture subsequent

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<sup>6</sup> Ibid.

<sup>7</sup> 3.2.I.B.f, 2020 Revised Corporate Manual

<sup>8</sup> 3.2.I.B.h, *ibid.*

changes in relationships with counterparties (from non-related to related and vice versa);<sup>9</sup>

- e. Understand the scope of internal and external auditors' review of internal control over financial reporting, which review shall include the identification of material errors and fraud, and obtain reports on significant findings and recommendations, actions and measures in case of error and fraud, together with Management's responses;
- f. Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard the Corporation's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;<sup>10</sup>
- g. Discuss with Management, internal auditors and external auditor the adequacy and effectiveness of accounting and financial reporting controls, information technology systems and data security, and any appropriate Management action adopted in light of material control deficiencies and identified or reported material errors and fraud.
- h. Recommend and direct Management to develop and/or to formalize all policies and procedures to promote a transparent financial management system and integrity of internal control activities.
- i. Coordinate, monitor and facilitate compliance with laws, rules and regulations;<sup>11</sup>

#### **4.2 Internal Audit Oversight**

- a. Recommend the approval of the Internal Audit (IA) Charter, which formally defines the responsibilities, powers and authority of the IA Department, the audit plan of the IA Department, as well as oversees the implementation of the IA Charter;<sup>12</sup>
- b. Oversee the IA Department, and recommend the appointment and removal of an internal audit head or Chief Audit Executive (CAE) as well as his qualifications, and grounds for appointment and removal. The Audit Committee shall also

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<sup>9</sup> 3.2.I.B.k, *ibid.*

<sup>10</sup> 3.2.I.A.c, *ibid.*

<sup>11</sup> 3.2.I.B.i, *ibid.*

<sup>12</sup> 3.2.I.A.b, *ibid.*

approve the terms and conditions for outsourcing internal audit services, if applicable;<sup>13</sup>

- c. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his/her duties and responsibilities. For this purpose, he shall directly report to the Audit Committee;<sup>14</sup>
- d. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;<sup>15</sup>
- e. Approve the remuneration of the CAE.
- f. Review annually the Internal Audit Charter, internal audit plan and adequacy of resources. Recommend changes in the planned scope of the internal audit function.
- g. Discuss and review the internal auditors' evaluation of internal controls, and monitor Management's responses to audit findings and recommendations.
- h. Review the performance and independence of the internal audit function to be in conformance to International Standards for the Professional Practice of Internal Auditing during the year and report the Committee's conclusions to the Board.
- i. Subject to confidentiality requirements, ensure that internal auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit function.

### 4.3 External Audit Oversight

- a. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to identify proper coverage and minimize duplication of efforts;<sup>16</sup>
- b. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to him and the Corporation's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with the duties of an External Auditor or may pose a threat to his/her independence.

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<sup>13</sup> 3.2.I.B.a, *ibid.*

<sup>14</sup> 3.2.I.B.b, *ibid.*

<sup>15</sup> 3.2.I.B.c, *ibid.*

<sup>16</sup> 3.2.I.B.d, *ibid.*

The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;<sup>17</sup>

- c. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the shareholders;
- d. Assess and exercise oversight of the professional qualifications, independence, integrity, appointment, reappointment or replacement of the external auditor to the Board.
- e. Pre-approve all audit and non-audit work engagements, scope, remuneration, fees and terms of the external auditor.
- f. Confirm with the external auditor that audit scope has not been unreasonably restricted by Management, and ensure that external auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit function;
- g. Review, evaluate and ensure disclosure on nature of non-audit or taxation services, if any, performed by the external auditor, and assess 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.
- h. At the conclusion of the annual audit, discuss with Management and the external auditor, significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, and including the following :
  - a. any significant changes in the Company's selection or application of accounting principles,
  - b. any major issues as to the adequacy of the Company's internal controls, the development, selection and disclosure of critical accounting estimates,
  - c. analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements, and
  - d. audit adjusting entries noted or proposed but passed as immaterial or otherwise.
- i. Review and monitor the external auditor's independence and objectivity and the effectiveness of the external audit process, taking into consideration relevant Philippine professional and regulatory requirements or issuances, and nationally and internationally recognized best practices.

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<sup>17</sup> 3.2.I.B.e, *ibid*

- j. Review and monitor the external auditor's suitability and effectiveness on an annual basis.
- k. Establish effective communication with the external auditor and require them to report all relevant matters that help the Audit Committee to efficiently carry out its oversight responsibilities.
- l. Review external audit findings in respect of any significant deficiencies or weaknesses in controls and the disposition of the recommendations in the external auditor's management letter, and ensure that Management responds appropriately with timely corrective action.
- m. Resolve disagreement, if any, between Management and the external auditor.

#### **4.4 Governance and Risk Oversight<sup>18</sup>**

- a. Develop a formal Enterprise Risk Management (ERM) plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- b. Oversee the implementation of the ERM and conduct regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks;
- c. Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. Revisit defined risk management strategies, look for emerging or changing material exposures, and keep abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advise the Board on its risk appetite levels and risk tolerance limits;
- e. Review at least annually the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the Corporation;
- f. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Corporation and its stakeholders;

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<sup>18</sup> 3.4, *ibid.*

- g. Oversee the Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function shall include regularly receiving information on risk exposures and risk management activities from Management;
- h. Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary; and
- i. Perform other duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board.

#### **4.5 Related Party Transactions (RPTs) Review**

- a. Evaluate on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related Parties, RPTs and changes in relationships shall be reflected in the relevant reports to the Board and regulators/supervisors;
- b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the RPT Committee takes into account, the following criteria in conjunction with those in the Material Related Party Transaction Policy:
  - i) The related party's relationship to the Corporation and interest in the transaction;
  - ii) The material facts of the proposed RPT;
  - iii) The aggregate value of the proposed transaction;
  - iv) The benefits to the Corporation of the proposed RPT;
  - v) The availability of other sources of comparable products or services; and
  - vi) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation shall have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;

- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties;
- d. Report to the Board of Directors on a regular basis the status and aggregate exposures to each related party;
- e. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process;
- f. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures; and
- g. Perform other duties and responsibilities as the RPT Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board.

## **5. PERFORMANCE ASSESSMENT AND CONTINUOUS IMPROVEMENT**

- 5.1 The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for review and approval.
- 5.2 The members of the Audit Committee shall evaluate its performance based on best practices and expectations set out in this Charter and in applicable SEC and PSE issuances.
- 5.3 The Audit Committee shall obtain and subject itself to an independent assessment by the Board based on best practices.
- 5.4 The Audit Committee shall formulate and implement plans to improve its performance which may include relevant training needs to keep the Members up-to-date with corporate governance best practices, accounting and auditing standards.

## **6. COMMITTEE REPORTING**

- 6.1 The Audit Committee Chairman shall render a report on matters requiring the Board's proper disposition and attention regularly.

6.2 The Audit Committee Chairman shall also prepare an annual report to the Board and shareholders that all responsibilities outlined in its Charter have been carried out, i.e. performance of oversight duties during the year, describing the Committee's composition, responsibilities and how they were discharged, any other regulatory information, approval of non-audit services, among others.

**7. AMENDMENT OR ALTERATION OF THIS CHARTER**

This Charter shall not be amended, alter or varied unless duly approved by resolution of the Board.