



**THE CHARTER OF THE
AUDIT COMMITTEE**

of the Board of Directors

INTRODUCTION

The Audit Committee

The Board of Directors of the of Pepsi-Cola Products Philippines, Inc. constituted the Audit Committee pursuant to Article III, Section 10 of the Amended By-Laws and Manual of Corporate Governance, to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The Audit Committee Charter

The Audit Committee, with the approval of the Board of Directors, promulgates this Charter stating its objectives, duties and functions, membership and organization, reporting process, resources, and other relevant information, as well as the standards for its performance evaluation, pursuant to and in compliance with Securities and Exchange Commission Memorandum Circular No. 19, Series of 2016, otherwise known as the *Code of Corporate Governance for Publicly-Listed Companies*, and the Corporate Governance Manual.

1 DEFINITION OF TERMS

The following capitalized terms shall have the meaning ascribed to them below:

<i>Articles of Incorporation</i>	refers to the Articles of Incorporation of the Company, as may be amended from time to time.
<i>Annual Stockholders' Meeting</i>	refers to the annual Stockholders' meeting of the Company held in accordance with the By-laws.
<i>Board</i>	refers to the Board of Directors of the Company.
<i>Enterprise Risk Management</i>	refers to a process, effected by the Board, Management and other personnel, applied in strategy setting and across the Company that is designed to identify potential events that may affect the Company, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
<i>By-Laws</i>	refers to the By-Laws of the Company, as may be amended from time to time.
<i>CG Code</i>	refers to the Securities and Exchange Commission Memorandum Circular No. 19, Series of 2016 otherwise known as the <i>Code of Corporate Governance for Publicly-Listed Companies</i> , as may be amended from time to time.



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<i>CG Manual</i>	refers to the Company's Manual on Corporate Governance, as may be amended from time to time.
<i>Charter</i>	refers to this Charter of the Audit Committee, as may be amended from time to time.
<i>Committee</i>	refers to the Audit Committee of the Company's Board of Directors.
<i>Board Committees</i>	refers to the Board committees constituted by the Board, as authorized by Article III, Section 10 of the By-Laws.
<i>Committee Chairman</i>	refers to the Chairman of the Audit Committee.
<i>Company</i>	refers to Pepsi-Cola Products Philippines, Inc.
<i>Corporate Governance</i>	<p>refers to the system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligations towards their Stakeholders.</p> <p>Corporate Governance is a system of direction, feedback, and control using regulations, performance standards and ethical guidelines to hold the Board and senior Management accountable for ensuring ethical behavior – reconciling long-term customer satisfaction with Stockholder value – to the benefit of the Stakeholders.</p>
<i>Director</i>	refers to a member of the Board of Directors of the Company.
<i>Enterprise Risk Management</i>	refers to a process, effected by the Board, Management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.
<i>Executive Director</i>	refers to a Director who has executive responsibility of day-to-day operations of a part or the whole of the organization.
<i>External Auditor</i>	refers to the External Auditor engaged by the Company;
<i>Independent Director</i>	refers to a Director who is independent of Management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director; and maintains all of the



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qualifications of Independent Directors set out in the By-Laws and CG Manual.

<i>Internal Control</i>	refers to a process designed and effected by the Board, senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.
<i>Internal Audit / Internal Auditor</i>	refers to the Company's local Internal Audit Department, the Internal Audit Department.
<i>Internal Audit Charter</i>	refers to the Internal Audit Charter of the Company, which formally defines the roles of Internal Audit and the audit plan.
<i>Management</i>	refers to a group of executives given the authority by the Board to implement the policies it has laid down in the conduct of the business of the Company.
<i>Material Related Party Transaction</i>	or " <u>MRPT</u> ", refers to a Material Related Party Transaction, as the same may be defined in a policy formulated and endorsed by the Audit Committee, and approved by the Board consistent with the principles of the CG Code.
<i>Non-Executive Director</i>	refers to a Director who has no executive responsibility and does not perform any work related to the day-to-day of a part or the whole operations of the Company. A Non-Executive Director is distinct from an Independent Director.
<i>Officer</i>	refers to an Officer of the Company as enumerated in Article IV of the Amended By-Laws, or elected or appointed by the Board of Directors.
<i>Philippine Stock Exchange</i>	or " <u>PSE</u> ", refers to the Philippine Stock Exchange.
<i>Related Party</i>	refers to a Related Party, as the same may be defined in a policy formulated and endorsed by the Audit Committee, and approved by the Board consistent with the principles of the CG Code.



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Related Party Transactions refers to a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged.

This is interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party.

Securities and Exchange Commission or “*SEC*”, refers to the Securities and Exchange Commission of the Philippines.

2 OBJECTIVES

The Committee shall primarily assist with the Board’s oversight capability over the Company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

Enterprise Risk Management Responsibilities

The Committee shall also assist with the Board oversight capability over the Company’s Enterprise Risk Management responsibilities to ensure its functionality and effectiveness.

Related Party Transaction Responsibilities

The Committee shall also assist with the Board’s oversight capability over all material Related Party Transactions of the Company.

3 DUTIES AND FUNCTIONS

3.1 Financial Reporting, Internal Controls, Audit Processes, and Regulatory Compliance

In the exercise of its oversight responsibility for the financial reporting process, audit process, and monitoring of compliance with applicable laws, rules and regulations, including supervising the formulation of rules and procedures on financial reporting and internal control, the Committee has the following duties and functions:

- (a) Ensure that the extent of Management’s responsibility in the preparation of the financial statements vis-à-vis the responsibility of the external auditor is clearly stated, and that an effective system of internal control is maintained that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all its shareholders and stakeholders;
- (b) Check all financial reports against its compliance with both internal financial management policies, and pertinent accounting standards and regulatory requirements;

- (c) Perform oversight financial management functions, specifically in the exercise of managing credit, market liquidity, operational, legal, and other risks of the Company, and crisis management;
- (d) Review and approve the quarterly unaudited financial statements, and review the annual audited financial statements prior to its endorsement to the Board for approval, with particular focus on the following matters:
 - Changes in accounting policies and practices;
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - Going concern assumptions;
 - Compliance with accounting standards; and
 - Compliance with tax, legal and regulatory requirements;
- (e) Endeavor to elevate the accounting and auditing processes practices, and methodologies to international standards in accordance with applicable laws and regulations; and
- (f) Develop a transparent financial management system that will ensure the integrity of the internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization.

3.2 Internal Controls

In the exercise of its oversight responsibility for the internal controls, the Committee has the following duties and functions:

- (a) Recommends the approval the Internal Audit Charter, which formally defines the role of Internal Audit and the audit plan as well as oversees its implementation;
- (b) Through the Internal Audit Department, monitors and evaluates the adequacy and effectiveness of the Company'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 should be in place in order to (i) safeguard the Company's resources and ensure their effective utilization, (ii) prevent occurrence of fraud and other irregularities, (iii) protect the accuracy and reliability of the Company's financial data, and (d) ensure compliance with applicable laws and regulations;
- (c) Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

- (d) Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee; and
- (e) Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations.

3.3 Interface with the Internal Auditor and External Auditor

In the exercise of its oversight responsibility for the appointment, reappointment, removal, and payment of the fees of the External Auditor, the Committee has the following duties and functions:

- (a) Adopt a robust process for approving and recommending the appointment, reappointment, removal, and fees of the External Auditor;

The appointment, reappointment, removal, and fees of the External Auditor shall be recommended by the Committee, approved by the Board, and ratified by the stockholders. For removal of the External Auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the Company's website and required disclosures;

- (b) Pre-approve all audit plans, scope, and frequency before the conduct of external audit;
- (c) Perform direct interface functions with the Internal Auditor and External Auditor;
- (d) Review reports submitted by the Internal Auditor and External Auditor; and
- (e) Evaluate, determine and disclose the non-audit work, if allowed, of the External Auditor in the annual report, and periodically review 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 Company's overall consultancy expenses.

The Committee shall disallow any non-audit work that will conflict with the External Auditor's duties or that may pose a threat to its independence.

3.4 Risk Management Process

In the exercise of its oversight responsibility for the risk management process of the Company, the Committee has the following duties and functions:

- (a) Develop a formal Enterprise Risk Management plan which contains the following elements: (i) common language or register of risks, (ii) well-defined risk management goals, objectives, and oversight, (iii) uniform processes of assessing risks and

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developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk strategies, processes and measures;

- (b) Oversee the implementation of the Enterprise Risk Management plan.

The Committee shall conduct regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and shall assess how concerned units or offices are addressing and managing these risks;

- (c) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness;

The Committee shall revisit defined risk management strategies, look for emerging or changing material exposures, and stay 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 Company'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 events or occurrences that are considered to have major impact on the Company;

- (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 most likely to occur and to impact the performance and stability of the Company and its Stakeholders;

- (g) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This includes regularly receiving information on risk exposures and risk management activities from Management; and

- (h) Report to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary.

3.5 Related Party Transactions

In assisting the Board in ensuring that transactions with Related Parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the Company's Shareholders and other Stakeholders, the Committee has the following duties and functions:

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- (a) Institutionalize an overarching policy on the management of Material Related Party Transactions to ensure effective compliance with existing laws, rules and regulations at all times and that Material Related Party Transactions are conducted on an arm's length basis, and that no Shareholder or Stakeholder is unduly disadvantaged thereby;
- (b) Endorse the approval of Material Related Party Transactions that cross the materiality threshold and the write off of material exposures to Related Parties, as well as any renewal or material change in the terms and conditions of Material Related Party Transactions approved in accordance with the Board's Material Related Party policy, to the Board;
- (c) Establish an effective audit, risk and compliance system to (i) determine, identify, and monitor Related Parties and Material Related Party Transactions, (ii) continuously review and evaluate existing relationships between and among businesses and counterparties, and (iii) identify, measure, monitor and control risks arising from Material Related Party Transactions; and
- (d) Oversee the integrity, independence, and effectiveness of the policies and procedures for whistleblowing, and ensure that senior Management addresses legitimate issues on the Material Related Party Transactions raised.

The Committee shall inform the Board of concerns raised by Stakeholders, and the Board shall ensure that these Stakeholders are protected from detrimental treatment or reprisals.

4 RESOURCES AND AUTHORITY

The Committee shall have the resources and authorities appropriate to discharge its responsibilities, including the authority to engage and obtain external advice, counsel or consultancy services as it deems appropriate without need for Board approval.

The Committee may invite other individuals, such as members of Management, auditors, counsel, or other technical experts, to attend meetings and provide pertinent information, as necessary.

The External Auditor and/or Head of Internal Auditor may request a meeting with the Committee whenever deemed necessary.

5 COMMITTEE MEMBERSHIP AND ORGANIZATION

Composition

The Committee shall be composed of four (4) members, at least two (2) of whom shall be Independent Directors.

The Committee Chairman

The Committee Chairman shall be an Independent Director. The Committee Chairman should not be the Chairman of the Board or of any other Board Committee, and should ensure effective interaction among the Committee members, with Management, and the internal and external auditors. The Committee Chairman shall preside over all meetings of the Committee.

Term

The Board shall appoint the members of the Committee at its Organizational Meeting and each member shall serve upon his election until the next organizational meeting of the Board, unless removed or replaced by the Board.

Appointment

The Committee Chairman and the members of the Committee are appointed by the majority vote of the Directors at the organizational Board meeting.

Vacancies

Any vacancy in the Committee by any cause, may be filled by the Board in a regular or special meeting. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and qualified.

Removal

The Committee Chairman and the members of the Committee may be removed from the Committee only by a majority of the Board.

Qualifications

The Committee Chairman and the members of the Committee shall possess all of the qualifications and have none of the disqualifications for membership in the Board as provided for in the By-Laws, CG Manual, the charters of the Board Committees, the Corporation Code, the Securities Regulation Code, and other relevant laws. Moreover, the Committee members who are Independent Directors must meet the qualifications of Independent Directors set out in the Company's CG Manual.

All of the members of the Committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance. At least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.



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The members of the Committee shall attend seminars on corporate governance and such other trainings as are appropriate conducted by duly recognized private or government entities to keep their skills and expertise current and relevant.

Independent Directors

The Independent Director shall be free from any relationships that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

6 MEETINGS

Regular and Special Meetings

The Committee shall hold meetings at such times and places as it considers appropriate, but not less than once every quarter. Preferably, the quarterly meetings shall be held prior to the meeting of the Board.

In cases where there is a need for a special meeting to take up any critical items that would need approval in between the quarterly meetings, it shall be up to the Committee Chairman to call for a special meeting.

Meetings of the Committee shall be convened by the Committee Chairman as and when he considers appropriate or upon the request of a majority of the members of the Committee.

Presiding Officer

The Committee Chairman shall preside over all meetings.

Agenda

The agenda for the meetings shall be developed by the Chief Financial Officer in coordination with the Corporate Secretary and such other officers relevant to the performance of the Committee's functions.

The quarterly meetings shall include the review and discussion of the quarterly or year-end financial statements, the related disclosures and other reportorial requirements, and updates on internal audit activities.

The meeting agenda shall be prepared for every meeting and provided to the Committee members, along with the briefing materials, seven (7) days before the scheduled Committee meeting.

Notices

A Committee meeting shall be convened upon notice thereof made in the most convenient manner not less than seven (7) days before such meeting specifying the date, time, place, and agenda of the meeting.

Notices of meetings, and any other forms of notification to be sent to the Committee shall be initiated by the Corporate Secretary and approved by the Committee Chairman. Replies to notices shall also be sent to the Corporate Secretary. Each member shall give to the Corporate Secretary an office address and email address for the service of notices of meetings of the Committee.

Notice of a meeting of the Committee shall be deemed to be duly served upon a member if it is given to him personally, or delivered to him by mail or email as appropriate, given by him to the Corporate Secretary in accordance with the immediately preceding paragraph.

Waiver of Notice

Notwithstanding that a meeting is called by shorter notice, it shall be deemed to have been duly convened if it is so agreed by all the members present in the meeting. A member may consent to short notice and may waive notice of any meeting of the Committee and any such waiver may apply retrospectively.

Manner of Attendance

The members and advisors of the Committee shall be authorized to attend the Committee meetings by any of the following means of communication: teleconferencing, videoconferencing, web conferencing and other remote or electronic means. The requirement of presence is met if members of the Committee are able to communicate simultaneously.

Quorum

At any meeting of the Committee, quorum shall consist of at least three (3) members, with at least one (1) Independent Director. A meeting shall not proceed in the absence of a quorum.

Voting

All resolutions of the Committee shall require the consensus or unanimous vote of all the members of the Committee.

If a consensus or unanimous vote cannot be achieved, the unresolved issue or matter for the decision by the Committee shall be elevated to the Board for consideration and approval which shall decide the same by majority vote, unless it is one of those corporate acts requiring the vote of three-fourths (3/4) or seventy-five percent (75%) of the members of the Board.

Minutes

Minutes of Committee meetings shall be prepared by the Corporate Secretary, and signed by the Committee Chairman and the members of the Committee present.

Contents

The Committee Minutes shall contain a record of the following:

- (a) Date, place and time of the meeting;
- (b) Presence and absence of the members of the Committee and other participants;
- (c) Name and signature of the Committee Chairman, Corporate Secretary and the members of the Committee present;
- (d) Wording of resolutions passed, indicating the outcome of the votes and objections put to record of any member of the Committee;
- (e) Summary of the main points of the discussions;
- (f) Statements for the record made by a member of the Committee; and
- (g) Requests for information and summary of the respective replies.

Records

The Committee shall cause records to be kept for the following:

- (a) All agenda and other documents sent to the members/advisors; and
- (b) Minutes of proceedings and meetings of the Committee.

Any such records shall be opened for inspection by any member, or by any advisor with the approval of the Committee Chairman, upon reasonable prior notice during usual office hours of the Company.

Approval

The minutes shall be circulated to the members of the Committee within seven (7) days after the meeting and submitted for approval at the next Committee meeting.

7 REPORTING PROCESS

Matters for Board Approval

The Committee Chairman, or in his absence, any other member of the Committee, shall report to the Board following each meeting significant matters discussed and acted upon to keep the Board apprised on the results of the Committee's activities. Further, the minutes of the Committee meetings shall be presented for ratification by the Board following each meeting.

Matters approved by the Committee for endorsement to the Board must be presented for approval of the Board by the Committee Chairman, or in his absence, any other Committee member, who shall apprise the Board during the meeting of any relevant points of discussion and decisions reached by the Committee, in its endorsement.

8 PERFORMANCE EVALUATION

The Committee shall, in coordination with the Compliance Officer and the Nomination and Governance Committee, conduct an assessment of its performance at least annually to ensure that the Committee continues to fulfill its responsibilities in accordance with best practice and in compliance with the SEC Memorandum Circular No. 4, Series of 2012, or the *Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange*, the CG Code and other relevant regulatory requirements.

9 FINAL PROVISIONS

Effectivity

This Charter was approved by the Board on 11 December 2019, and is immediately effective until amended, altered, or varied.

Review and Amendment

This Charter shall be reviewed by the Committee as and when deemed appropriate, but no less than once every two (2) years. The Committee shall then endorse the same to the Board.

This Charter shall not be amended, altered, or varied unless such amendment, alteration, or variation shall have been approved by resolution of the Board.