

CHARTER OF THE AUDIT AND RISK OVERSIGHT COMMITTEE

1.0. RATIONALE

The Board of Directors (the “Board”) of Citicore Energy REIT Corp. (the “Company”), in pursuit of good corporate governance, hereby constitutes an Audit and Risk Oversight Committee (the “AROC”) and adopts this AROC Charter (the “Charter”) to enhance its oversight capability over the Company’s (1) financial reporting, internal control system, internal and external audit processes; and (2) Enterprise Risk Management (“ERM”) system, which includes, among others:

- a. overall guidance and oversight on the establishment and implementation of the ERM system, manuals, programs, and procedures for the effective management of all risks relating to the strategic, financial, operational, security, human capital, and compliance activities of the Company (collectively, the “ERM Framework”);
- b. oversight on the risk appetite and limits of the Company;
- c. oversight on the risk management functions of the Chief Executive Officer (“CEO”);
- d. exercise of regular finance functions, including asset management, and review of bidding activities.

2.0. COMPOSITION OF THE AROC

2.1. Membership

The AROC shall have at least three (3) members, composed of Directors who shall be appointed by the Board on an annual basis and who shall preferably have accounting and finance backgrounds. The AROC shall be composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent.

The Board shall appoint the Chairman and Vice-Chairman of the AROC and ensure that the Chairman of the AROC shall not be the Chairman of the Board or of any other committees. Further, the Corporate Secretary of the Company or his/her designated assistant/s shall act as the Secretary of the AROC’s meetings.

The members of the AROC shall serve at the pleasure of the Board and under such terms as the Board may determine. The members of the AROC may be removed, with or without cause, by the action of the Board.

2.2. Role of the Chairman

The Chairman shall provide leadership in the AROC and ensure that it is properly performing its duties and responsibilities. The Chairman shall, among others:

- g. preside over meetings;
- h. approve the agenda of each meeting;
- i. convene or cancel meetings when, in his/her reasonable opinion, the same is warranted;
- j. ensure that sound decisions are being made, which are in accordance with the direction of the Board and the policies of the Company;
- k. encourage and promote open dialogue during meetings, where dissenting views may be expressed and discussed; and

1. ensure that members of the AROC receive accurate, timely, and relevant information necessary to carry out its functions.

2.3. Role of the Vice-Chairman

In the absence or inability of the Chairman to perform his/her role, the Vice-Chairman shall act in his/her stead, and shall have the authority to exercise the powers and fulfill the duties of the Chairman.

The Vice-Chairman shall perform any tasks or responsibilities delegated to him/her by the Chairman or the Board.

2.4. Role of the Secretary

The Corporate Secretary of the Company or his/her designated assistant/s shall serve as the Secretary of the AROC. The following are the key responsibilities of the Secretary:

- e. draft the agenda for each meeting and have the same reviewed by the Chairman or, in his/her absence, the Vice-Chairman;
- f. send notices and agendas of the meetings at least five (5) calendar days before the actual date of the meetings;
- g. take the minutes of the meetings and keep in his/her custody any and all documents and records pertaining to the AROC and its meetings; and
- h. perform other tasks and duties as assigned by the Chairman.

3.0. POWERS AND RESPONSIBILITIES OF THE AROC

3.1. Powers and Functions

The AROC shall have the explicit authority to investigate any matter in the performance of its duties and responsibilities as established in this Charter, including gaining full access to any Company files and information, as well as the complete cooperation of management, with full discretion to invite any Director or executive officer to attend its meetings. The AROC may form and delegate authority to sub-committees, as it may deem necessary or appropriate.

Moreover, the Board of the Company has delegated to the AROC the authority to approve all transactions, policies, procedures, rules, regulations, and all other activities, which are necessary, in relation, or incidental to its powers, functions, roles, and responsibilities, as provided in the Charter.

3.2. Roles and Responsibilities in relation to Audit

The key roles and responsibilities of the AROC in relation to its audit function, shall include, but not be limited to, the following:

- a. monitor and evaluate the adequacy and effectiveness of the Company's financial reporting procedure, system of internal control, and audit process;
- b. perform oversight activities over the Company's internal and external auditors. The AROC shall 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 objectively perform their respective audit functions. The AROC shall further guarantee that the internal and external

auditors shall be free from interference by outside parties in carrying out their work and duties;

- c. recommend and approve the appointment, reappointment, removal, and fees of the external auditor which shall be approved by the Board and ratified by the shareholders;
- d. assess, oversee, review, and monitor the external auditor’s independence, integrity, and objectivity and shall ensure that the external auditor has adequate quality control procedures. The AROC shall review the external auditor’s suitability and effectiveness on an annual basis and shall implement a policy of rotating the external auditor’s lead audit partner every five (5) years;
- e. prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure coordination, if more than one audit firm is involved in the activity, to secure proper coverage and minimize duplication of efforts;
- f. review the quarterly, semi-annual, and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - a. any change/s in accounting policies and practices;
 - b. major judgmental areas;
 - c. significant adjustments resulting from the audit;
 - d. going concern assumptions;
 - e. compliance with accounting standards; and
 - f. compliance with tax, legal, and regulatory requirements;
- g. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically 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 AROC shall disallow any non-audit work that will conflict with the external auditor’s duties or may pose a threat to his/her independence. The non-audit work, if allowed, should be disclosed in the annual report of the Company;
- h. the AROC shall also approve the terms and conditions for outsourcing internal audit services;
- i. periodically review the risk-based annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, and the resources and budget necessary to implement the same;
- j. review the reports submitted by the internal and external auditors. Evaluate and monitor management’s responsiveness to the internal and external auditors’ findings and recommendations;
- k. coordinate, monitor, and facilitate the Company’s compliance with applicable laws, rules and regulations; and
- l. perform such other functions as may be delegated or authorized by the Board.

3.3. Duties and Responsibilities in Relation to ERM

The duties and responsibilities of the AROC in relation to ERM shall be as follows:

- a. provide guidance and ensure that the CEO of the Company, who shall be the ERM Head, or in his absence, the Company’s Chief Financial Officer, has established an effective and sustainable ERM Framework;
- b. develop methodologies, and define the boundaries and limits that clearly exclude behaviors and actions that are unacceptable from a risk-reward perspective;
- c. evaluate the risk appetite and risk tolerance levels of the Company and its operating units, to ensure that these levels are commensurate to a well-founded risk-reward strategy;
- d. oversee the effectiveness and sustainability of the Company’s ERM Framework as a whole, taking into consideration the critical, imminent, and emerging risks in the Company’s internal and external operating environments;
- e. periodically review (at least annually) the ERM Framework and its implementation to make sure that the ERM Framework is communicated throughout the Company so that this will be embedded as part of the Company’s corporate culture;
- f. encourage growth and innovation without creating unacceptable exposure to risks, and ensure that performance measures and targets do not encourage excessively risky behavior;
- g. promote an enterprise-wide view of risks, rather than a narrow unit or functional view, when selecting strategies to optimize risk and reward for the enterprise as a whole;
- h. oversee the development, maintenance, and continuous improvement of the policies, procedures, and systems intended to manage security risks, which include both physical assets and information technology systems risks, and shall cover disaster recovery and business continuity capabilities against such security risks;
- i. obtain assurance from the CEO that effective internal controls and checks and balances are in place in high-risk areas;
- j. delegate to management certain authorities in the interest of instituting an efficient and responsive risk management infrastructure; and
- k. perform other roles and responsibilities as the Board may deem appropriate in order to comply with existing and future laws, rules, and regulations issued by the national and local government units and agencies.

3.4. Duties and Responsibilities in Relation to Finance

The duties and responsibilities of the AROC in relation to finance shall be as follows:

- a. overview of management discussion and analysis;

The AROC shall ensure that the Company shall prepare timely and accurate management reports that will assist the Board in its oversight functions, and help boost decision-making and strategy execution by the management and senior officers of the Company.

Aside from the accuracy of the financial data, management reports must present valuable insight to the Board and management on driving operating performance and providing early warning signals for significant business risk exposures.

- b. evaluation of major capital expenditures and projects;

The AROC shall play a key role in overseeing the planning and execution of major capital projects, ensuring, for example, that the projects are on schedule at all times, within budget, and do not pose any potential business risk exposures to the organization. The top-level review and evaluation prior to the Board approval shall be performed by the AROC.

- c. share capital structuring and restructuring exercises;

Share capital transactions may include increase or decrease in issued and paid-up capital, recapitalization, or share buy-back. Shareholdings are subject to change for a variety of reasons, such as (i) invitation of prospective investors; (ii) creation of group structures; (iii) tax and succession planning; (iv) necessity of raising capital funds for expansion and other purposes; (v) transfer of controlling interests, and; (vi) amending stockholders' rights and interests. Prior to Board approval, the AROC shall have the final review of all share capital transactions focusing on sensitive areas such as conflict of interest, insider trading, and other irregularities.

- d. management of the Company's working capital funds and long-term investments;

The AROC shall monitor management's policies and procedures on the proper sources and uses of corporate funds and other liquid resources. Its functions shall cover the review of management's plans and strategies and all intercompany activities relating to the maintenance of cash and bank balances, investment portfolios, and intercompany loan transactions. The AROC shall also ensure that all long-term investments are decided upon based on established investment guidelines and limits.

- e. debt and equity financing;

The AROC's financing policy will greatly influence the Company's market value. Thus, searching for a financing mix with optimum benefits will always be a serious challenge to the Board and management. Equity financing may be less costly but would redound to diminution of equity interest. Conversely, debt financing results in additional costs (interest), and a high debt-equity ratio could send a wrong signal that the Company is in a highly leveraged situation that could lead to bankruptcy. On a regular basis, the AROC must monitor how management determines the right debt-equity mix for the Company that would result in high market valuation of its shares.

- f. foreign exchange transactions;

The AROC shall ascertain that there are Board approved plans and strategies to manage the foreign currency exchange transactions and other exposure to economic risks of the Company and its business units.

- g. capital budgeting, allocation, and forecasting;

The AROC shall oversee the Company's annual budgeting process. It shall review and give recommendations, if necessary, on the annual budgets submitted to the Company's CEO.

- h. asset management; and

Asset management refers to a proactive, systematic and holistic approach to safeguard the assets and other resources of a company and deriving maximum economic value from their use. The AROC must ensure that each business unit has an established asset management plan that is aligned with the Company's overall strategic objectives. The said asset management plan shall be subject to annual review and possible revisions.

- i. other functions as may be delegated or authorized by the board.

The AROC may be given further oversight responsibilities by the Board relating to financial matters.

The AROC shall also be responsible in developing the Company’s overall short-term, mid-term, and long-term strategic financial plans for Board consideration, and providing strategic oversight monitoring and guidance over their implementation.

4.0. POLICIES AND PROCEDURES OF THE AROCC

4.1. Meetings

- a. **Schedule.** The AROC shall meet at least once every calendar quarter and at such dates, times, and places, as deemed appropriate by the Chairman, or upon the request of a majority of its members.
- b. **Attendance.** All members are expected to attend the meetings of the AROC. They are required to attend in person, but in special circumstances are allowed to be present by means of video conference, teleconference, or other electronic means. Should any member or advisor participate in the meeting through teleconference or video conference, all persons personally participating in the meeting should be able to hear each other clearly.
- c. **Quorum.** The quorum for any meeting of the AROC shall be at least a majority of the members present throughout the meeting, and every decision of a majority of those present in which there is a quorum shall constitute a valid and effective act or decision of the AROC. However, in no case shall a meeting proceed without the presence of the Chairman or, in his/her absence, the Vice-Chairman.
- d. **Notices and Agendas.** The Secretary shall send notice of each meeting to the members of the AROC at least five (5) calendar days before any meeting, specifying the place, date and time, and the agenda thereof.

The agenda of the AROC’s meetings shall be prepared by the Secretary and approved by the Chairman or, in his/her absence, the Vice-Chairman. The agenda shall include, among others, the following: (i) updates on the previous action items or deliverables from the previous meeting of the AROC; (ii) review of strategic initiatives; (iii) core matters for discussion by the AROC; and (iv) any other items, as determined by the AROC and/or the Chairman or the Vice-Chairman, as the case may be, of the AROC.

- e. **Other Invitees.** The AROC may invite officers, employees, or any members of the departments or teams of the Company to attend or report during its meetings.
- f. **Minutes and Records.** The Secretary shall prepare the minutes of the meetings and take custody of its records. Such records shall be open for inspection by any member upon reasonable prior notice and during office hours. The minutes of any meeting shall be signed by the AROC’s Chairman and the members present during the meeting.

4.2. External Advisors and Access to Information

- a. **Engagement of External Advisors.** In carrying out its duties or responsibilities, the AROC may directly engage external advisors, such as, but not limited to, legal, accounting, and audit. The Company shall provide the necessary funding therefor, as recommended by the AROC. The advisors may be required by the AROC to submit written opinions or to attend any part of its meetings. Any member of the AROC may, however, ask for the exclusion of any advisor from its meetings.
- b. **Access to Information and Employees.** The AROC is empowered to inquire, should it deem necessary or appropriate, any matter in relation to its purpose, duties or responsibilities and shall have full and direct access to all books, records, facilities, and personnel of the Company.

4.3. Performance Evaluation

The AROC shall review its performance annually with respect to the fulfillment of its duties, functions, and responsibilities, as mandated by this Charter.

4.4. Review of this Charter

This Charter shall be reviewed at least annually by the Board to ensure its continuing adequacy and consistency with its direction or initiatives, including the Company’s policies and programs. Furthermore, the provisions of this Charter will be modified, to the extent necessary, to comply with the Revised Corporation Code of the Philippines, or any amendments thereto, its implementing rules and regulations, and circulars, as well as other applicable local and foreign laws.

4.5. Approval and Effectivity

This Charter was approved by the Board on 26 July 2021 and shall take effect immediately upon such approval.