

## STI EDUCATION SYSTEMS HOLDINGS, INC. AUDIT COMMITTEE CHARTER

This Audit Committee Charter ("this Charter") sets out the purpose, membership and qualifications, structure and operations, duties and responsibilities of the Audit Committee (the "Committee") of STI Education Systems Holdings, Inc. (the "Company"), and the procedures which guide the conduct of its functions.

### *Section 1. Purpose*

Pursuant to the Company's By-Laws and Manual on Corporate Governance (the "Manual"), the Board of Directors of the Company (the "Board") constituted the Committee to assist the Board in fulfilling its oversight responsibility of the Company's corporate governance processes relating to the:

- Company's financial statements and financial reporting process;
- Company's internal control systems;
- Company's internal and external auditors;
- Compliance by the Company with accounting standards, legal and regulatory requirements, including the Company's disclosure policies and procedures;
- Risk management policies and processes; and
- Business practices and ethical standards.

### *Section 2. Membership*

- 2.1 Composition. The Committee shall be composed of at least three (3) appropriately qualified non-executive directors, a majority of whom should be Independent Directors. The Chairman of the Committee should be an independent director and should not be the Chairman of the Board or any other committee.
- 2.2 Qualifications. Each member of the Committee shall have the qualifications and none of the disqualifications of a Director, as set out in the Manual. All the members of the Committee should have relevant background, knowledge, skills and/or experience in accounting, audit and finance. Each member shall have adequate understanding at least, or competence, as well as the Company's business and the industry in which it operates.
- 2.3 Appointment. The Chairman and the members of the Committee are appointed by a majority vote of the members of the Board constituting a quorum either during the Organizational Board Meeting of the Company or, if there is a vacancy, during any meeting of the Board constituting a quorum.

Membership shall be reviewed every year after election of the Board by the Company's stockholders at their annual meeting, or earlier if the Board deems necessary.

- 2.4 Removal. The Chairman and members of the Committee may be removed from the Committee by a majority vote of the Board.

### *Section 3. Structure and Operations*

- 3.1 Meeting. The Committee shall meet at such times and places as it considers appropriate, but no less than thrice a year. The Chairman of the Committee, any Committee member, or the Corporate Secretary of the Company may call a meeting of the Committee.
- 3.2 Quorum. Attendance of at least two (2) Committee members shall constitute a quorum for the Committee to transact business. The Committee shall act only on the affirmative vote of at least a majority of the members present in a meeting at which there is a quorum.
- 3.3 Chairman. The Chairman of the Committee shall preside in all meetings of the Committee. In the absence of the Committee Chairman, the Committee members present shall elect one of their members as Chairman of the meeting.
- 3.4 Secretary of the Meeting. The Company's Corporate Secretary shall be the secretary of the Committee.
- 3.5 Notice of Meeting. A notice of each meeting confirming the date, time, venue and agenda shall be given to each member of the Committee at least two (2) working days prior to the date of the meeting. The notice will include the agenda to be discussed during the meeting.
- 3.6 Record of Meetings. Full minutes of the proceedings of, and resolution made during Committee meetings, shall be kept by the Corporate Secretary. Draft minutes shall be sent to the Committee members for their comment. Notices, minutes, agenda and supporting papers will be made available to any Director upon request to the Corporate Secretary.
- 3.7 Other Attendees. As necessary, the Committee may invite members of management and organization staff to attend the Committee meeting and provide pertinent information or data. At the discretion of the Committee, separate meetings with any member of the Company's management may be held, whenever it is deemed appropriate by the Committee for the exercise of its functions.

## *Section 4. Duties and Responsibilities*

The duties and responsibilities of the Committee are as follows:

### *4.1 Financial Reporting and Disclosures*

- 4.1.1 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;
- 4.1.2 Review the reports submitted by the internal and external auditors;
- 4.1.3 Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices;
  - Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - Going concern assumptions;
  - Compliance with accounting standards;
  - Compliance with tax, legal and regulatory requirements;
- 4.1.4 Elevate to international standards the accounting and auditing processes, practices and methodologies of the Company; and
- 4.1.5 Check all financial reports against its compliance with pertinent accounting standards, including laws and regulatory requirements.

### *4.2 Risk Management*

- 4.2.1 Assist the Board in ensuring that there is an effective and integrated enterprise risk management (ERM) program in place.
- 4.2.2 Develop and oversee the implementation of a formal enterprise risk management (ERM) program which includes 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 risk;
  - (d) the design and implementation of risk management strategies; and
  - (e) continuing assessments for the improvement of risk strategies, processes and measures;



- 4.2.3 Oversee the implementation of the ERM program and regularly monitor the Company's performance to ensure alignment with the parameters and guidelines indicated in the ERM program;
- 4.2.3 Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- 4.2.4 Review reports from senior management and internal audit regarding risk management and initiatives of the Company and its subsidiaries'
- 4.2.5 Evaluate the ERM program to ensure its continued relevance, comprehensiveness and effectiveness;
- 4.2.6 Conduct regular discussions on the 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;
- 4.2.7 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 of loss;
- 4.2.8 Advise the Board regarding its risk appetite levels and risk tolerance limits;
- 4.2.9 Review the Company's risk appetite levels and risk tolerance limits on at least an annual basis based on changes and developments in the business, the external economic and business environment, the regulatory framework and such major events as may be considered to have a major impact on the Company;
- 4.2.10 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 Company and its stakeholders; and
- 4.2.11 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 may be necessary.

#### 4.3 Internal Control

- 4.3.1 Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- 4.3.2 Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company; and
- 4.3.3 Coordinate, monitor and facilitate compliance with laws, rules and regulations.

#### 4.4 Internal Audit

- 4.4.1 Perform oversight functions over the Company's internal auditors. It should ensure that the internal auditors act independently, and that said auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions;
- 4.4.2 Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- 4.4.3 Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- 4.4.4 Review the reports submitted by the internal auditors; and
- 4.4.5 Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Committee. The Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

#### 4.5 External Audit

- 4.5.1 Perform oversight functions over the Company's external auditors. It should ensure that the external auditors act independently, and that said auditors are given unrestricted access to all records, properties and personnel to enable them to perform their audit functions;

- 4.5.2 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 (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 4.5.3 Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit;
- 4.5.4 Review the reports submitted by the external auditors;
- 4.5.5 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 committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report; and
- 4.5.6 Recommend to the Board the appointment, reappointment, removal and fees of the external auditor, duly accredited by the Securities and Exchange Commission, who undertakes an independent audit of the Company and provides an objective assurance on the manner by which the financial statements are prepared and presented to the stockholders.

## *Section 5 Chief Audit Executive*

The Chief Audit Executive shall have the following duties and responsibilities:

- 5.1 Oversee and be responsible for the internal audit activity of the Company;
- 5.2 Periodically review the internal audit charter and presents it to senior management and the Audit Committee for approval;
- 5.3 Establish a risk-based internal audit plan, including policies and procedures to determine the priorities of the internal audit activity, consistent with the Company's goals;
- 5.4 Communicate the internal audit activity's plans, resource requirements, and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- 5.5 Spearhead the performance of the internal audit activity to ensure it added value to the Company;



- 5.6 Report periodically to the Audit Committee on the internal audit activity's performance relative to its plan;
- 5.7 Present findings and recommendations to the Audit Committee and give advice to senior management and the Board on how to improve internal processes;
- 5.8 Develop, document, implement, test, and maintain a comprehensive internal audit plan and system of internal controls to help provide assurance that applicable laws, regulations, and policies and procedures are complied with judiciously;
- 5.9 Examine financial transactions for accuracy and compliance with institutional policies and applicable laws and regulations;
- 5.10 Evaluate financial and operational procedures to assure adequate internal controls are present;
- 5.11 Identify, assess, and evaluate risk areas; make appropriate recommendations for improved internal controls and accounting procedures; and research and adopt industry best practices where appropriate;
- 5.12 Direct research and strategic planning efforts related to tax issues; and
- 5.13 Advise senior management on policy and procedure developments with respect to tax issues.

#### *Section 6. Reporting Process*

The Chairman of the Committee, or in his absence, the Chairman of the meeting, shall report to the Board on the decisions and recommendations made by the Committee following each meeting.

#### *Section 7. Performance Evaluation*

- 7.1 The Committee shall assess its effectiveness periodically, with a view to ensuring that its performance accords with best practice. Such assessment must compare its performance with the requirements of this Charter, which shall be the basis of its formulation of objectives and plans to improve its performance, including any recommendations for amendments to this Charter for approval by the Board.

- 7.2 The Committee shall assess its performance through a self-assessment worksheet (the "Assessment") that substantially adopts the Securities and Exchange Commission ("SEC") Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange.
- 7.3 The assessment shall be accomplished by the Committee on an annual basis or in such shorter intervals as may be set by the Board. The results of the Assessment be validated by the Company's Compliance Officer.
- 7.4 A feedback mechanism shall be in place to receive comments from management, the internal audit function, the general counsel and external auditor. This should facilitate dialogue within the organization about possible ways to improve its performance.
- 7.5 The entire assessment process shall be documented and shall for part of the records of the Company that may be examined by the SEC from time to time.
- 7.6 This Charter shall be reviewed annually, updated as required, and shall be made available to any requesting party upon written request to the Corporate Secretary.

#### *Section 8. Resources*

The Committee shall have full access to management, personnel and records for the purpose of performance of its duties and responsibilities hereunder. The Committee may also obtain external legal counsel or independent professional advice if it considers it necessary in the performance of its functions. The Committee shall be provided with sufficient resources by the Company to discharge its duties.

#### *Section 9. Amendment*

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

20 July 2020, Makati City.

Approved by:

  
**EUSEBIO H. TANCO**

*Chairman of the Board of Directors*

  
**JESLI A. LAPUS**

*Chairman of the Audit Committee*