



AUDIT COMMITTEE CHARTER

PURPOSE

To assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and code of conduct.

AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the audit committee.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the company's external audit firm.
- Retain independent counsel, accountants, or other to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees--all of whom are directed to cooperate with the committee's requests--or external parties.
- Meet with company officers, external auditors, or outside counsel as necessary.
- The committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next scheduled meeting.

COMPOSITION

The audit committee shall be composed of not less than three (3) Directors, preferably with accounting and finance background, one (1) of them shall be an independent director and another with related audit experience. Each member shall have adequate understanding or competence of Fil-Estate's financial management systems and environment. The members of the Audit Committee shall serve a period of one (1) year or until their successors shall have been duly appointed and qualified.

MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting in person. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, with Chief Audit Executives and with external auditors. It will also meet periodically in executive session. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The committee will carry out the following responsibilities:

Financial Reporting and Disclosures Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filing before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under internally accepted auditing *Standards*.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to the committee members.

RISK MANAGEMENT

- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation.

INTERNAL CONTROL

- Monitor and evaluate the adequacy and effectiveness of the company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

INTERNAL AUDIT

- Review with management and the chief audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Review the effectiveness of the internal audit function, including compliance with *Standards for the Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

EXTERNAL AUDIT

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors.
- Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.
- Review and confirm the independence of the external auditor by obtaining statements from the auditors on relationships between the auditors of the company, including non-audit services, and discussing the relationships with the auditors.
- Present its conclusions with respect to the independent auditor to the full board.
- On a regular basis, met separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

COMPLIANCE

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

REPORTING RESPONSIBILITIES

- Regularly report to the board of directors about committee activities and issues and related recommendations.
- Provide an open avenue of the communication between internal audit, the external auditors, and the board of directors.
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review of any other reports the company issues that relate to committee responsibilities.

OTHER RESPONSIBILITIES

- Discuss with management the company's major policies with respect to risk management
- Perform other activities related to this charter as requested by the board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting the board approval for proposed changes, and ensure appropriate disclosures as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance at least annually.

IN WITNESS WHEREOF, we have hereunto affixed our signatures on _____
in Pasig City.

FRANCISCO C. GONZALEZ
Chairman of Audit Committee

ROBERT JOHN L. SOBREPEÑA
Chairman of the Board

FERDINAND T. SANTOS
Audit Committee Member

ROBERTO S. ROCO
Audit Committee Member

EDUARDO R. SANTOS
Audit Committee Member

Audit Committee Member