

AUDIT COMMITTEE CHARTER

Ferronoux Holdings, Inc.

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ARTICLE I - THE AUDIT COMMITTEE

The Audit Committee (the “**Committee**”) shall be primarily responsible for enhancing and developing the oversight function of the Board of Directors (the “**Board**”) over Ferronoux Holdings, Inc.’s (“**FERRO**” or the “**Corporation**”) financial reporting process, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The Committee shall coordinate with the senior management in order to establish and maintain an adequate, effective and efficient internal control framework. In regard of the foregoing, the Committee shall ensure that systems and processes are designed and adopted to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

ARTICLE II - MEMBERSHIP, COMPOSITION AND TERM

1. **Appointment** - The Board of Directors shall have the authority to duly appoint the members of the Committee in accordance with the requirements under the applicable law and this Charter.
2. **Composition** - The Audit Committee shall consist of at least three (3) appropriately qualified non-executive directors, majority of whom should be independent directors. The Chairman of the Committee must be an independent director and must not chair any other committee in the Corporation.
3. **Term** - The members of the Committee shall serve for a period of one (1) year from the time of their appointment, which shall be on the annual organizational meeting, and until their successors have been appointed in the following annual organizational meeting, unless removed or replaced by the Board or subsequently become disqualified.
4. **Vacancies** - The Board of Directors shall have the power to remove and replace the members of the Committee, and fill in vacancies thereto. The office of a member shall ipso facto be vacated upon the following -
 - (a) if he resigns his office as a member;
 - (b) if he is removed by a resolution of the Board;
 - (c) if he becomes of unsound mind; or
 - (d) if he is subsequently disqualified from becoming a member in accordance with Article III.

ARTICLE III - QUALIFICATIONS AND DISQUALIFICATIONS

1. **Qualifications** - All of the members of the Audit Committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.
2. **Citizenship** - Each member shall be a Philippine citizen if so required under applicable Philippine laws and regulations and/or the By-Laws.
3. **Disqualification** - A member shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the Board -
 - (a) a member ceases to meet any of the qualifications for independent directorship;
 - (b) a member ceases to possess any of the qualifications for directorship; or
 - (c) a member becomes disqualified from directorship based on any grounds for disqualification set forth in the Corporation's By-laws, Manual of Corporate Governance or other applicable laws and regulations.

ARTICLE IV - DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

1. **Internal Control and Internal Audit** - The Audit Committee shall oversee and ensure that an internal control system is in place in the Corporation by establishing a mechanism for monitoring compliance with laws, regulations and internal policies, and managing potential conflicts of interests of the management, board members and shareholders in order to safeguard the assets and foster efficiency in the operations of the Corporation. Without limiting the foregoing, the Audit Committee shall perform the following functions -
 - (a) Oversee the implementation of key control functions performed by the Board Risk Oversight Committee, the Compliance Officer and the internal audit head of the Corporation;
 - (b) Review the policies of the Corporation on human resource, conflict of interest situations, compensation program for employees and management succession plan;
 - (c) Recommend the approval of the Internal Audit Charter ("**IA Charter**"), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
 - (d) Oversee the Internal Audit Department ("**IA Department**"), recommend the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive ("**CAE**"), and also approve the terms and conditions for outsourcing the internal audit services, as the case may be;

- (e) In coordination with the 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;
 - (f) Ensure that the internal control procedures of the Corporation provide for an effective mechanism for checks and balances in order to: (i) safeguard the resources of the Corporation and ensure the effective utilization thereof; (ii) prevent occurrence of fraud and other irregularities; (iii) protect the accuracy and reliability of the Corporation's financial data, and (iv) ensure compliance with applicable laws and regulations;
 - (g) Perform oversight functions over the Internal auditor, and ensure the independence of the Internal auditor and the unrestricted access of the Internal auditor to all records, properties and personnel to enable it to perform its audit function;
 - (h) Establish and identify the reporting line of the internal auditor of the Corporation or the CAE to enable him to properly fulfill his duties and responsibilities. For this purpose, the CAE should directly report to the Audit Committee;
 - (i) Require the internal audit head/CAE to render to the Audit Committee an annual report on the Internal Audit Department's activities, purposes, and authorities, responsibilities and performance relative to the audit plans and strategies approved by the Committee. Such annual report shall include significant risk exposures and control issues, corporate governance issues and other matters requested by the Committee or the Board;
 - (j) Require a statement from the internal audit head/CAE that the activities of the internal audit organization are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing; if otherwise, a disclosure that the internal audit organization has not yet fully achieved compliance with the International Standards for the Professional Practice of Internal Auditing;
 - (k) Conduct an annual review and, if deemed appropriate, cause an update, of the Corporation's IA Charter; and
 - (l) Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
2. **External Auditor** - The Audit Committee shall exercise supervisory and oversight functions over the corporation's external auditor and ensure the independence of

the external auditor and the unrestricted access of the external auditor to all records, properties and personnel to enable it to perform its audit function. Without limiting the foregoing, the Audit Committee shall perform the following functions -

- (a) Establish standards for the appropriate selection of an external auditor;
- (b) 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 corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders. In case of removal or change of the external auditor, the Audit Committee shall ensure that the reasons for the removal or change are disclosed to the regulators and the public through the website of the Corporation and the required disclosures;
- (c) 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 secure proper coverage and minimize duplication of efforts;
- (d) 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 to the corporation's overall consultancy expenses. In regard of the foregoing, 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 corporation's Annual Report and Annual Corporate Governance Report;
- (e) Monitor any potential conflict of interest situations with respect to the guidelines and policies on non-audit services which may have the effect of impairing the external auditor's objectivity or independence;
- (f) Periodically review the proportion of non-audit fees paid to external auditor in relation to the Corporation's overall consultancy expenses;
- (g) Assess, review and monitoring, on an annual basis, the integrity and independence of external auditors and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.
- (h) Arrange periodic meetings of the non-executive directors with the external auditor, head of internal audit or the CAE, Compliance Officer, Chief Risk

Officer, without any executive directors present and which shall be chaired by the Lead Director, to ensure proper checks and balances;

- (i) Establish effective communication with the external auditor and require them to report all relevant matters help the Audit Committee to efficiently carry out its oversight responsibilities;
 - (j) Secure from the external auditor an annual formal written statement delineating all relationships between the external auditor and the Corporation (“**Statement**”) as required by the prevailing applicable Independence Standards, and discuss with the external auditor and evaluate any relationships or services disclosed in such Statement that may impact the objectivity, independence or quality of services of the external auditor and take appropriate action in response to such Statement to satisfy itself of the external auditor’s independence;
 - (k) Review, based upon the external auditor’s formal written statement submitted at least annually, the external auditor’s internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review of the external auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years, regarding one or more independent audits carried out by the external auditor; and any steps taken to deal with any such issues;
 - (l) Ensure the rotation, for at least once every five years or such shorter or longer period provided under applicable laws and regulations, of the external auditor, or its lead audit partner primarily responsible for the audit or review of the Corporation’s financial accounts; and
 - (m) Arrange periodic meeting in executive session with the external auditor to discuss any matters that the Audit Committee or the external auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of the management, financial and accounting controls.
3. **Financial Reports** - The Audit Committee shall enhance and develop the financial reporting process of the Corporation. Without limiting the foregoing, the Audit Committee shall perform the following functions -
- (a) Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters: (i) any change/s in accounting policies and practices; (ii) areas where a significant amount of judgment has been exercised; (iii) significant adjustments resulting from the audit; (iv) going concern assumptions; (v)

compliance with accounting standards; and (vi) compliance with tax, legal and regulatory requirements;

- (b) In coordination with the IA Department, monitor and evaluate the integrity of financial reporting;
 - (c) Advise the management and the external auditor on their obligation to provide the Audit Committee a timely analysis of significant/critical financial reporting issues and practices;
 - (d) Obtain, review and facilitate consideration of any reports or communications (and Management's and/or the internal audit head/CAE's responses thereto) submitted to the Audit Committee by the external auditor as required by or referred to in the prevailing applicable Auditing Standard.
 - (e) Have separate sessions periodically, with Management and with the external auditor, as the Committee may deem necessary to fulfill its functions effectively, as follows:
 - (i) Arrange a meeting with the Board at least once every quarter without the presence of the Chief Executive Officer or other management team members; and
 - (ii) Conduct periodic meetings with the internal audit head/CAE to identify and determine issues warranting the attention of the Audit Committee;
 - (f) Facilitate resolution on the disagreements between Management and the external auditor regarding financial reporting; and
 - (g) Review on a semi-annual basis financial reporting and reporting responsibilities.
4. **Disclosures** - The Audit Committee shall also establish corporate disclosure policies and procedures that are practical and consistent with the best practices and regulatory requirements. Without limiting the foregoing, the Audit Committee shall perform the following functions -
- (a) Meet with Management, the internal audit head and/or the external auditor to discuss any earnings press releases, and financial information and earnings guidance provided to analysts, rating agencies, and the general public;

- (b) Regularly advise all directors and officers to disclose or report to the company any dealings in the Corporation's shares within three business days from such dealings, and coordinate the same to the committee on Related Party Transactions;
 - (c) Provide clear disclosure of policies and procedures for setting the remuneration of the directors and the top four management officers of the Corporation on an individual basis, as well as the level and mix of the same, including termination and retirement provisions;
 - (d) Provide a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders; and
 - (e) Ensure that the material and reportable non-financial and sustainability issues are disclosed with emphasis on management of economic, environmental, social and governance issues of its business, which underpin sustainability.
5. **Management** - The Audit Committee shall facilitate, coordinate and identify the key responses by the Management of the Corporation on significant findings rendered by the Internal auditor and external auditor. Without limiting the foregoing, the Audit Committee shall perform the following functions -
- (a) Review and monitor Management's responsiveness to the Internal auditor's findings and recommendations;
 - (b) Review the disposition of the recommendations in the external auditor's management letter;
 - (c) Coordinate, monitor, and facilitate compliance with laws, rules, and regulations;
 - (d) Meet with the Corporation's general counsel or Compliance Officer to identify and discuss any significant legal matters that may have a material effect on the financial statements, the Corporation's compliance policies, including material notices to or inquiries from governmental agencies; and
 - (e) In case of failure by the CEO or the Corporation's general counsel to adopt, as necessary, appropriate remedial measures or sanctions with respect to any reported material violation of securities law or breach of fiduciary duty or similar violations by the Corporation, consider such reported violation and recommend the appropriate sanction therefore.

6. **Other Duties and Powers** - The Audit Committee shall perform other activities related to this charter as requested by the Board. Without limiting the foregoing, the Audit Committee shall perform the following functions -
- (a) In coordination with the other committees, the Compliance Officer, the CAE, and the External auditor of the Corporation, identify instances of reported material violation of securities law or breach of fiduciary duty or similar violations by the Corporation;
 - (b) Institute and oversee special investigations as needed;
 - (c) Prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of its Charter, set forth the goals and objectives of the Committee for the ensuing year and include any recommendation to the Board on any improvements to this Charter deemed necessary or desirable by the Committee; provided that such report to the Board may take the form of an oral report by the Chairman of the Committee or any other Member designated by the Committee to make such report;
 - (d) Monitor and confirm that all responsibilities outlined in this charter have been carried out annually; and
 - (e) Evaluate the Committee's and individual members' performance on a regular basis.

ARTICLE V - INTERNAL AUDIT CHARTER

1. **Statement of Policy** - The Corporation should have in place an independent internal audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the operations of the Corporation.
2. **Internal Audit Functions** - A separate internal audit function is essential to monitor and guide the implementation of company policies. The following are the functions of the internal audit, among others -
 - (a) Provides an independent risk-based assurance service to the Board, Audit Committee and Management, by focusing on reviewing the effectiveness of the governance and control processes in: (i) promoting the right values and ethics, (ii) ensuring effective performance management and accounting in the organization, (iii) communicating risk and control information, and (iv) coordinating the activities and information among the Board, external and internal auditors, and Management;

- (b) Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
 - (c) Performs consulting and advisory services related to governance and control as appropriate for the organization;
 - (d) Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
 - (e) Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the company;
 - (f) Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
 - (g) Evaluates specific operations at the request of the Board or Management, as appropriate; and
 - (h) Monitors and evaluates governance processes.
3. **Internal Audit Department** - Subject to the recommendation of the Audit Committee taking into consideration the size, structure, risk profile and complexity of the operations of the Corporation, the internal audit activity may be a fully resourced activity housed within the Corporation or may be outsourced to qualified independent third-party service providers.

ARTICLE VI - THE CHIEF AUDIT EXECUTIVE

1. **Appointment** - There shall be a Chief Audit Executive ("CAE") appointed by the Board, who shall oversee and be responsible for the internal audit activity of the Corporation, including that portion that may be outsourced to a third-party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the responsibility for managing the fully outsourced internal audit activity.
2. **Report of the CAE** - The CAE reports functionally to the Committee and administratively to the Chief Executive Officer.
3. **Duties and Responsibilities** - Specific responsibilities of the CAE are as follows:
 - (a) Periodically reviews the internal audit charter and presents it to senior management and the Audit Committee for approval;

- (b) Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- (c) Communicates 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;
- (d) Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- (e) Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- (f) Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

ARTICLE VI - MEETINGS

1. **Meetings** - The Committee should convene periodically. At the discretion of the Committee Chairman, attendees at the meetings will include the external and internal auditors, the executive management and other internal or external parties with relevant experience and expertise.
 - (a) The Audit Committee shall meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meet with the internal audit head/CAE.
 - (b) The Audit Committee should meet at least annually with the external auditors, the head of internal audit and management in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed in confidence.
2. **Agenda and Minutes** - Meeting agendas will be prepared and provided in advance to Members, along with appropriate briefing materials. Minutes will be prepared and circulated to the members of the Board.
3. **Quorum and Voting** - A majority of the members of the Audit Committee shall constitute a quorum and every decision of at least a majority of the Audit Committee members present at a meeting at which there is a quorum shall be valid, unless a specific number of votes is required by existing laws and regulations.

4. **Report to the Board** - The results of the meeting or any action or decision taken by the Committee therein shall be reported by the designated member of the Committee to the Board. In addition to the foregoing, the Committee shall report to the Board as follows:
 - (a) To keep the Board apprised on the results of the Audit Committee's activities, the Chairman of Committee shall submit a report every quarter to the Chairman of the Board and shall be ready to present the report to the full Board during its quarterly meetings;
 - (b) The Committee will also prepare any report, including any recommendation of the Committee, required by the rules of the SEC to be included in the Corporation's annual proxy/information statement; and
 - (c) The Committee will prepare and review with the Board an annual performance evaluation of the Committee, which evaluation must compare the performance of the Committee with the requirements of its Charter, set forth the goals and objectives of the Committee for the ensuing year and include any recommendation to the Board on any improvements to this Charter deemed necessary or desirable by the Committee; provided that such report to the Board may take the form of an oral report by the Audit Committee Chairman or any other Member designated by the Committee to make such report.

ARTICLE VII - PERFORMANCE ASSESSMENT AND REMUNERATION

1. **Performance Assessment** - The Committee shall assess its effectiveness to ensure that its performance meets and complies with best practices and the PLC Code.
 - (a) The Committee may be guided by this Charter or a self-assessment worksheet which shall be in substantial compliance with the Guidelines for the Assessment of the Performance of Audit Committees of Companies Listed on the Exchange issued by the SEC.
 - (b) The assessment shall be accomplished on an annual basis or in such short intervals as may be required by the Board. The results of the assessment shall be validated by the Compliance Officer and submitted to the Board.
 - (c) The Committee shall establish a feedback mechanism to receive comments from management, the IA Department, general counsel, the external auditor, and any person, to facilitate dialogue within the organization about possible ways to improve its performance.
2. **Remuneration** - The Audit Committee shall provide clear disclosure of policies and procedures for setting the remuneration of the directors and the management officers of the Corporation. In the foregoing regard -

- (a) No fees or other remuneration shall be payable to the Members and advisors in respect of their services provided in connection with the Committee or in respect of their attendance at meetings of the Committee, save and except fees or remuneration authorized and approved by the Board for such purposes.
- (b) No fees or compensation shall be paid directly or indirectly to any Member or his firm for consultancy or advisory services rendered to the Corporation directly by the Member or indirectly through his firm even if such Member is not the actual service provider. However, this prohibition shall not apply to ordinary compensation paid to a Member or his firm in respect of any other supplier or other business relationship or transaction that the Board has determined to be at arm's length terms and immaterial for purposes of its basic Member's independence analysis.

ARTICLE VIII - EFFECTIVITY AND PERIODIC REVIEW

1. **Effectivity** - This Charter shall take effect immediately upon approval by the Board.
2. **Review** - The Committee shall review the Charter at least annually and obtain the approval of the full Board for any revisions thereto or for any case where external bodies may suggest change. Suggestions by such external bodies, however, are subject to the approval of the Committee.
3. **Amendment or Revisions** - Any amendments, alterations or variations of this Charter shall not be valid unless such changes shall have been approved by a resolution of the Board.

Approved by the Board of Directors held on June 20, 2019.

(Original Signed)

MICHAEL C. COSIQUIEN
Chairman & President

(Original Signed)

ALLESANDRA FAY V. ALBARICO
Compliance Officer