

Premier Island Power REIT Corporation (PREIT)
Audit Committee Charter

Objective

The Board of Directors (the “Board”) and Management of Premier Island Power REIT Corporation (the “Corporation”) shall establish an Audit Committee (the “Audit Committee” or the “Committee”) to enhance its oversight capability over the Corporation’s financial reporting, risk management and internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The Board and Management of the Corporation hereby commit themselves to the principles and best practices contained in this Charter and acknowledge that the same may guide the attainment of our corporate goals.

Membership and Meetings

1. The Committee shall be composed of at least three (3) members, majority of which should be independent directors. Members of the Committee shall preferably have accounting and finance backgrounds.
2. The Audit Committee Chairman shall be an independent director and shall not be a chairman of any other committee.
3. The Committee shall agree on an annual calendar/schedule of activities that shall determine the agenda for each meeting, subject to adjustments and/or revisions as needed. The Audit Committee Chairman shall ensure that the schedule is carried as planned.
4. The Committee shall meet at least once every quarter.
5. The agenda for the meetings of the Committee will be developed by the Audit Head or the Chief Audit Executive based on the calendar of activities and inputs from the Committee members.
6. The quarterly meetings will include the review and discussion of quarterly or year-end financial statements, the related disclosures and other reportorial requirements, and updates on internal audit activities.
7. At least once a year, the Committee shall conduct a separate meeting or executive session with the Audit Head and External Auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
8. The Internal Audit Department shall support the Committee in the performance of its functions.

Duties and Responsibilities

1. **Oversight functions in general:**
 - a. Assist the Board in the performance of its oversight responsibility for the financial reporting process, risk management and internal control system, audit process, and

monitoring of compliance with applicable laws, rules and regulations;

- b. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c. Perform oversight functions over the Corporation's internal and External Auditors. It should 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 perform their respective audit functions;
- d. Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- e. 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 audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- h. Review the reports submitted by the internal and External Auditors;
- i. Review the quarterly, half-year 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) Major judgmental areas
 - (iii) Significant adjustments resulting from the audit
 - (iv) Going concern assumptions
 - (v) Compliance with accounting standards
 - (vi) Compliance with tax, legal and regulatory requirements.
- j. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- k. 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 Corporation'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 Corporation's annual report

- l. 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 Audit Committee
- m. The Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

2. External Audit Oversight

An External Auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the Corporation. The Committee shall perform the following oversight responsibilities:

- a. Recommend to the Board the appointment, reappointment, removal, and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Corporation, and provides an objective assurance on how the financial statements should be prepared and presented to the stockholders; and

In case of resignation, dismissal, or cessation from service of External Auditor, the date and the reason/s thereof shall be reported in the Corporation's annual and current reports. Said report shall include a discussion of any disagreement with said former External Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

- b. Assess the integrity and independence of External Auditors and exercise effective oversight to review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The Committee shall be responsible for reviewing and monitoring the External Auditor's suitability and effectiveness on an annual basis.
- c. Ensure that other non-audit work shall not conflict with the functions of the External Auditor. The External Auditor of the Corporation shall not at the same time provide services of an internal audit service to the same client.
- d. Evaluate and determine the non-audit work, in 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 Corporation'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 Corporation's annual report.
- e. Ensure rotation of Corporation's External Auditor. Hence, the Corporation's External Auditor shall be rotated, or the handling partner shall be changed every five (5) years or earlier.

If an External Auditor believes that the statements made in the Corporation's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

- f. Ensure that the internal and External Auditors act independently from each other.
- g. Ensure that External Auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
- h. 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 audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- i. Review the reports submitted by the External Auditors.
- j. Review the disposition of the recommendations in the External Auditor's management letter.

3. Internal Audit Oversight

The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Committee shall perform the following oversight responsibilities:

- a. Recommend for approval the Internal (“IA”) Audit Charter (the “IA Charter”), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- b. Through 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.

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 Corporation’s resources and ensure their effective utilization,
 - (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.
- c. Oversee the IA Department and recommend the appointment and/or grounds for approval of an Audit Head. The Committee shall also approve the terms and conditions for outsourcing internal audit services.
 - d. Establish and identify the reporting line of the Audit Head to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit 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.
 - e. Monitor the Management's responsiveness to the Internal Auditor's findings and recommendations;

- f. Ensure that internal auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
- g. Review the annual IA plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
- h. Ensure that the Audit Head submits to the Committee and Management an annual report on the internal audit department's activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management.
- i. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations.
- j. Ensure that the IA Department should certify that they conduct the activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

Reportorial or Disclosure System

1. The reports or disclosures required under this Charter shall be prepared and submitted to the Board by the Committee or officer through the Corporation's Compliance Officer.
2. All material information i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related part transactions, shareholdings of directors and changes to ownership.
3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off-balance sheet transactions.
4. All disclosed information shall be released via the approved stock exchange procedure for Corporation announcements as well as through the annual report.
5. The Committee shall always commit to fully disclose material information dealings. It shall cause the filing of all required information for the interest of stakeholders.

Monitoring and Assessment

1. The Committee shall report regularly to the Board of Directors.
2. The Compliance Officer shall establish an evaluation system to determine the measure of compliance with this Charter. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Corporation's Manual on Corporate Governance.
3. The establishment of such evaluation system, including the features thereof, shall be disclosed in the Corporation's annual report (SEC Form 17-A) or in such form of report that is applicable

to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

4. The Charter shall be subject to annual review unless the same frequency is amended by the Board.