



FAR EASTERN UNIVERSITY

Audit Committee Charter



I. PURPOSE

The primary responsibility of the Audit Committee (the “Committee”) is to assist the Board of Trustees (the “Board”) in fulfilling its oversight responsibilities over Far Eastern University, Incorporated. (henceforth referred to for brevity as “FEU” or the University”) – the scope of which covers the systems and processes of the parent company and its major subsidiaries, including but not limited to those involving financial reporting, internal controls, and monitoring compliance with laws and regulations.

II. COMPOSITION

The Committee shall be composed of at least three (3) non-executive trustees, a majority of whom, including the Chairperson, should be independent and shall not head or chair any other committee of the Board. Furthermore, at least one (1) member of the Committee should have an accounting or finance background. The Board may appoint other members of senior management to the Committee as committee advisers or resource persons to give their insights and inputs to the Committee as may be necessary.

Members of the Committee should have an adequate understanding of FEU’s financial and management systems, operating environment, and capital structure.

The Committee shall be provided with adequate resources to undertake its duties. The Committee will also provide its members with continuing education and training opportunities focusing on leading practices regarding audit, risk governance and management, and oversight.

The Committee should ensure that a succession plan is in place. In the absence of the Chairperson, an independent trustee shall take his or her place. Any vacancy in the Committee shall be replaced through the action of the Board.

III. MEETINGS

The Committee shall meet at least once every quarter or at least four (4) times a year, and more frequently as needed. All members are expected to attend each meeting, in person or via video conference. The Committee may invite members of management, auditors, both internal and external,

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or others to attend meetings and provide pertinent information as necessary.

Meeting agendas shall be prepared and provided in advance to the Committee members, along with the appropriate briefing materials. Minutes of the meeting will be prepared.

IV. **AUTHORITY**

The Committee will have the following authority and responsibilities:

A. Financial Reporting and Disclosures

1. Review the quarterly, half-year, 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) significant adjustments resulting from the external audit; (c) going concern assumptions; (d) compliance with tax, legal, and regulatory requirements.
2. Assist the Board in ensuring that the University consistently complies with the financial reporting requirements of the Securities and Exchange Commission.
3. Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.

B. Internal Audit

1. Review and approve the internal audit charter and subsequent revisions thereto.
2. Review the appointment, performance, removal, and replacement of the internal audit head who shall functionally report to the Committee and administratively to the Chairperson of the Board and Chief Executive Officer.
3. Review and approve, for Board ratification, the annual audit plan (which shall include the audit scope, resources, and budget necessary to implement it) as well as all major changes to the plan and ensure that internal audit examinations cover the evaluation of the adequacy and effectiveness of controls.
4. Review the periodic reports submitted by the internal audit department on its activities, responsibilities, and performance relative to the audit plans and strategies approved by the Committee. The reports shall include significant risk exposures and control issues.
5. Ensure that internal audit activities are conducted in accordance with the *International Standards on the Professional Practice of Internal Auditing*; or otherwise provide a disclosure report that.



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the internal audit department has not yet fully complied with the said standards.

6. Ensure that the internal auditors have free and full access to all the University records, personnel, and resources relevant to and required by its function.
7. Monitor and evaluate the adequacy and effectiveness of the internal control systems and structures (including financial reporting control and information technology security and control) and recommend measures for their improvement.
8. Ensure that the internal auditors' independence or objectivity is not impaired in fact or appearance.
9. Monitor the coordination of efforts between management and external and internal auditors and ensure that they act independently of each other.

C. Risk Management

In coordination with the Risk Management Committee of the Board, ensure the implementation of the Board-approved risk oversight plans, and monitor management's activities in managing credit, market, liquidity, operational, legal, and other relevant risks of the University. This function shall include receipt from management of appropriate information on risk exposures and risk management activities.

D. External Audit

1. Prior to their appointment, discuss with the external auditors the nature and scope of the audit, including the related audit fees.
2. Evaluate and determine the non-audit work, if any, of the external auditors and review periodically their non-audit fees as to materiality. The Committee shall disallow any non-audit work that will conflict with the duties or independence of the external auditor. The non-audit work, if allowed, should be disclosed.
3. Review the performance of the external auditors and recommend their reappointment or dismissal to the Board. Ensure that the external auditors or, in the case of an audit firm, the signing partner is replaced after every five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor.
4. Review and confirm the independence of the external auditors by obtaining statements from the auditors on their relationships with the University, including non-audit services, if any.
5. Review the reports of the external auditor and ensure that management is taking appropriate actions in a timely manner.



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E. Reporting and Other Responsibilities

1. Regularly report to the Board about Committee activities, issues, and related recommendations.
2. Report annually to the shareholders, describing the Committee's composition, responsibilities, and any other information required by regulations, including the approval of non-audit services.
3. Provide an open avenue of communication between internal audit, the external auditors, and the Board.
4. Confirm annually that all responsibilities outlined in this charter have been carried out.
5. Perform other activities related to this charter as requested by the Board.

V. **AMENDMENT**

The Committee shall review and assess the adequacy of the charter on a periodic basis and recommend to the Board any revision that may be necessary. The Board shall approve any proposed revision to the Charter.



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