

DISCOVERY WORLD

AUDIT COMMITTEE CHARTER

I. PURPOSE

The Audit Committee is established by and among the Board of Directors for the primary purpose of assisting the Board in overseeing the integrity of the company's financial statements and the company's accounting and financial reporting processes and the audit of the Company's financial statement; the Company's compliance with legal and regulatory requirements; the performance of the Company's External and Internal Audit function; the Company's systems of disclosure controls and procedures, internal controls over financial reporting and compliance with ethical standards adopted by the Company; the Company's related party transaction policy and procedure.

This Charter sets out the roles, responsibilities, and authority of Discovery World Corporation's Audit Committee, including the rules of procedures that will guide the function of the Committee, as approved by the Board of Directors. The Committee will have such other duties and responsibilities as are described in this Charter or as are assigned to it from time to time by the Board of Directors.

II. COMMITTEE MEMBERSHIP AND STRUCTURE

- A. *Composition.* The Audit Committee shall be composed of at least three (3) qualified Non-Executive Directors, majority of whom, including the Chairman, should be independent.
- B. *The Chairman of the Committee.* The Chairman of the Audit Committee should: (i) be an Independent Director and (ii) not be the chairman of any other Board Committee.
- C. *Qualification of Members.* All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance and one has relevant thorough knowledge and experience on risk and risk management.
- D. *Appointment and Removal.* The Chairman and Members of the Committee shall be appointed and may be removed from office, by a majority vote of the members of the Board constituting a quorum. In case of vacancy in the membership of the Committee, the Board shall appoint a new member from among the directors. In

case of vacancy in the position of Chairman, the Board shall appoint a new Chairman from the members of the Committee. The Chairman of the Committee or any of its Members or Advisors may be removed from office only by the Board.

III. MEETINGS

A. *Schedule of Meetings.* The Audit Committee shall meet once every quarter but the Chairman of the Committee may call a special meeting at any time as needed. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The meetings are limited to the committee members and whoever is authorized by the Committee to attend. As necessary, the committee will invite members of management and organization staff to provide pertinent information or data. It may hold separate private meetings with Internal Auditors and if needed, executive sessions with the President and/or Chairman.

When deemed necessary by the Committee or its Chairman and in lieu of a meeting, the Committee may also act by written consent (in physical, electronic or digital format) by majority of the members.

B. *Notice and Agenda.* The committee through the Internal Audit Department shall distribute the agenda and appropriate committee materials at least one week before the meeting so the members can intelligently review the various matters raised. The meetings begin with the reading and approval of the minutes of the previous meeting.

C. *Quorum.* A majority of the members of the Committee shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of those present shall be necessary for any action by the Committee.

D. *Minutes of the Meeting.* The Corporate Secretary or his designated representative shall act as secretary for the meetings. The minutes of the Committee meeting will be recorded and maintained by the Corporate Secretary and presented to the Committee at the next Committee meeting for approval.

IV. DUTIES AND RESPONSIBILITIES

The Audit Committee has the following duties and responsibilities:

A. General Duties and Responsibilities:

- a. 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;

- b. Shall meet with the Board at least every quarter without the presence of the CEO or other management team members, and periodically meets with the head of internal audit.
 - c. Perform oversight functions over the Company'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. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- B. Internal Audit Oversight.
- a. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal. The Committee shall approve the terms and conditions for outsourcing internal audit services;
 - b. Recommend approval of the Internal Audit Charter, which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the Internal Audit Charter.
 - c. 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;
 - d. Through the Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization; (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
 - e. 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.
 - f. Ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

- g. Review and monitor Management's responsiveness to the Internal Auditor's findings and recommendations;
 - h. Review the reports submitted by the internal auditors;
- C. External Audit Oversight
- a. 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;
 - b. Recommends 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 Company, and provides an objective assurance in the manner by which the financial statements should be prepared and presented to the stockholders;
 - c. Oversee the overall relationship of the Company and its Management with the External Auditor;
 - d. Review and monitor the independence of the External Auditor and, in particular the, provision of additional services to the Company, including the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level;
 - e. Exercise effective oversight to review, assess and monitor the external auditor's integrity, independence and objectivity, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements;
 - f. Oversee the External Audit of the annual and consolidated accounts;
 - g. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - 1. Any change/s in accounting policies and practices
 - 2. Areas where a significant amount of judgment has been exercised
 - 3. Significant adjustments resulting from the audit
 - 4. Going concern assumptions
 - 5. Compliance with accounting standards
 - 6. Compliance with tax, legal and regulatory requirements

- h. Discuss with the External Auditor key matters arising from the audit, and in particular any identified material weaknesses in internal control in relation to the financial reporting process;
- i. Discuss the written representations the External Auditor is requesting from senior management and, where appropriate, those charged with governance;
- j. Review the disposition of the recommendations in the External Auditor's management letter;
- k. Develop and implement a policy on the engagement of the External Auditor for the supply of non-audit services, taking into account relevant ethical guidelines on the provision of non-audit services by the External Audit firm;
- l. 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 fees paid to him 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 nature of non-audit work, if allowed, should be disclosed in the Company's Annual Report and Annual Corporate Governance Report;
- m. Periodically review the proportion of non-audit fees paid to the external auditor in relation to the Company overall consultancy expenses in order for the Committee to disallow the same auditor to perform non-audit services for the company if there is potential conflict between the auditor and the company; and
- n. Approve the total fees charged for the audit of the financial statements and for non-audit services provided by the External Auditor to the Company and its components controlled by the Company.

D. Related Party Transactions

- 1. Ensure that a Related Party Transactions Policy includes the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations.
- 2. Evaluate on an ongoing basis existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs

and changes in relationships should be reflected in the relevant reports to the Board and regulators/ supervisors;

3. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Audit Committee takes into account, among others, the following:
 - a. The related party's relationship to the Company and interest in the transaction;
 - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - c. The benefits to the Company of the proposed RPT;
 - d. The availability of other sources of comparable products or services; and
 - e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.
4. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;
5. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
6. Ensure that transactions with related parties, including write-off of exposures are subject to periodic independent review or audit process; and
7. Oversee the implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including a periodic review of RPT policies and procedures.

V. AUTHORITY

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures, and practices at all levels. The Audit Committee should also provide for open communication among the External Auditor, financial and senior management, the Internal Audit function, and the Board of Directors.

The Audit Committee has the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from outside legal, accounting, or other advisers, as necessary, to perform its duties and responsibilities.

In carrying out its duties and responsibilities, the Audit Committee shall also have the authority to meet with and seek any information it requires from employees, officers, directors, or external parties.

The Company will provide appropriate funding, as determined by the Audit and Risk Management Committee, for compensation to the External Auditor, to any advisers that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

VI. LIMITATIONS

While the Audit Committee is responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the Management's responsibility to determine the extent of internal control in the Company's systems which should not depend on Internal Audit as a substitute for effective controls. Internal audit, as a service to the Company, contributes to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness. Internal audit activity may lead to the strengthening of internal control as a result of management response.

It is a Management responsibility to maintain the internal control system and to ensure that the Company's resources are properly applied in the manner and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

VII. REPORTING

The Committee shall regularly report to the Board on all significant matters that are within its responsibilities.

VIII. ANNUAL PERFORMANCE EVALUATION OF THE COMMITTEE

The Committee will conduct an annual self-evaluation to determine whether it is functioning effectively. The Chairman of the Committee, together with the Chairman of the Board shall determine the form and nature of the annual self-evaluation.

IX. CHARTER REVIEW

The Board shall review and reassess the adequacy of this Charter at least once a year or as often as deemed necessary. Any proposed amendments and revisions to this Charter must be reviewed and approved by the Board prior to posting it to the Company's website.