

PETROGEN CORPORATION

AUDIT AND RISK OVERSIGHT COMMITTEE CHARTER

INTRODUCTION

The Audit and Risk Oversight Committee of Petrogen Corporation (the “Company”) was constituted by the Board of Directors pursuant to the provisions of the by-laws and the new Manual on Corporate Governance of the Company (the “CG Manual”).

This Audit and Risk Oversight Committee Charter (this “Charter”) sets out the composition, functions and responsibilities of the Audit and Risk Oversight Committee and the rules of procedure that will guide the function of the Audit Committee.

PURPOSE

The Audit and Risk Oversight Committee is a standing committee of the Board of Directors constituted for the purpose of assisting the Board of Directors in the oversight of the senior Management in establishing and maintaining an adequate, effective and efficient internal control framework of the Company and functional and effective enterprise risk management system.

The Audit and Risk Oversight Committee ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

COMPOSITION

The Audit and Risk Oversight Committee shall be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom shall be independent directors.

The Chairperson shall be an independent director and shall not be the Chairperson of the Board of Directors or of any other board committee.

The members of the Audit and Risk Oversight Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance and at least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.

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The Board of Directors will appoint the members of the Audit and Risk Oversight Committee at the organizational board meeting that follows each annual stockholders' meeting or at any earlier time as the Board of Directors may deem necessary.

The Audit Committee may appoint one or more persons to act as advisor to the committee who may attend the meetings of the committee but shall have no right to vote.

MEETINGS; COMMITTEE APPROVALS

The Audit and Risk Oversight Committee shall meet at such times and places as it considers appropriate. The Chairperson may call a 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 Audit and Risk Oversight Committee to attend. In the absence of the Chairperson during any meeting, a chairperson for the meeting shall be designated by the members present.

As necessary, the Audit and Risk Oversight Committee will invite members of management and organization staff or any independent adviser to provide pertinent information or data.

The Audit and Risk Oversight Committee, through the committee secretary, distributes the notice, the agenda and the appropriate committee materials at least two (2) days before any meeting so the members can intelligently review the various matters raised.

A majority of the members of the Audit and Risk Oversight Committee shall constitute a quorum for the transaction of the committee's business.

The Audit and Risk Oversight Committee shall act only on the affirmative vote of a majority of its members at a meeting or, to the extent allowed by law, by unanimous written consent of the members.

The Audit and Risk Oversight Committee shall endeavor to meet with the Board of Directors at least every quarter without the presence of the Chief Executive Officer or other management team members. It shall also periodically meet with the head of the Internal Audit Group of the Company.

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DUTIES AND RESPONSIBILITIES

The Audit and Risk Oversight Committee has the following duties and responsibilities, among others:

- (1) recommends the approval of the Internal Audit Charter (if not yet approved), which formally defines the role of Internal Audit and the audit plan as well as oversee the implementation of the Internal Audit Charter;
- (2) enhances the oversight capability of the Board over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations;
- (3) prior to the commencement of the audit, discusses with the external auditor the nature, scope and audit resources/expenses, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- (4) have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the External auditor, 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. The appointment, reappointment, and removal of the external auditor shall be recommended by the Audit and Risk Oversight Committee and approved by Board and ratified by the shareholders.
- (5) be responsible for assessing the integrity and independence of the external auditor and exercising 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, as well as be responsible for reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis;

- (6) performs oversight functions with respect to the internal and external auditors of the Corporation, ensuring the independence of one from the other, freedom from interference from outside parties, and their unrestricted access to such records, properties and personnel of the Company necessary to enable them to perform their respective audit functions, and review the reports submitted by them;
- (7) evaluates and determines any non-audit work performed by 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. The Audit and Risk Oversight 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, shall be disclosed in the Corporation's required reports. The Audit and Risk Oversight Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity and independence;
- (8) establishes and identifies the reporting line of the Internal Audit Group Head to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit and Risk Oversight Committee;
- (9) through the Internal Audit Group, monitors and evaluates 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 shall be established in order to (a) safeguard the Corporation's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation's financial data, and (d) ensure compliance with applicable laws and regulations;
- (10) oversees the Internal Audit Group, and recommend the appointment and/or grounds for approval of an Internal Audit Group Head or Chief Audit Executive. The Audit and Risk Oversight Committee shall also approve the terms and conditions for outsourcing internal audit services;
- (11) reviews and monitors the Management's responsiveness to the Internal Auditor's findings and recommendations;
- (12) reviews and approves all interim (as may be legally required) and annual financial statements before submission to the Board, with particular focus on the following:
 - (a) any changes in accounting policies and practices;

- (b) areas where a significant amount of judgment has been exercised;
 - (c) significant adjustments resulting from audit;
 - (d) going concern assumptions;
 - (e) compliance with accounting standards; and
 - (f) compliance with tax, legal and regulatory requirements;
- (13) reviews the disposition of the recommendations in the External auditor's management letter; and
- (14) coordinates, monitors and facilitates compliance with laws, rules and regulations;

ACCESS TO INFORMATION AND RESOURCES

The Audit and Risk Oversight Committee shall be granted reasonably free and full access to the records, data, and properties of the Company and information from directors, officers, employees, or external parties that may be relevant in the discharge of its functions, duties, and responsibilities. It shall also be provided with the resources necessary for the purpose of fulfilling its duties and responsibilities under this Charter.

REPORTING PROCEDURES

The Chairperson of the Audit Committee, or in his absence, the member elected by the members present in a meeting, shall report at the meeting of the Board of Directors the decisions and recommendations made by the Audit and Risk Oversight Committee following each committee meeting.

PERFORMANCE EVALUATION; CHARTER REVISION

The Audit and Risk Oversight Committee shall periodically assess its effectiveness by comparing its performance with the requirements of this Charter and the CG Manual to ensure compliance with this Charter, the CG Manual, and best practice. The assessment will also for the basis for the formulation of objectives and plans for the improvement its performance.

The Audit and Risk Oversight Committee may likewise be subject to an independent assessment by the Board of Directors.

The Audit and Risk Oversight Committee shall also review and assess the adequacy of this Charter annually or as conditions dictate to ensure that this Charter is continuously aligned and consistent with the

objectives and responsibilities of the Board of Directors. It shall recommend any modifications to this Charter as deemed appropriate and obtain the approval of the Board of Directors for any such modifications.