

BOARD CHARTER OF THE AUDIT AND RISK OVERSIGHT COMMITTEE EURO-MED LABORATORIES PHIL., INC.

I. PURPOSE

The Audit and Risk Oversight Committee shall assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the organization's process for monitoring compliance with laws and regulations and the code of conduct.

The Audit and Risk Oversight Committee shall perform the functions of the following: (a) Audit Oversight, (b) Risk Oversight, and (c) Related Party Transaction Oversight.

II. AUTHORITY

The Audit and Risk Oversight Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the Corporation for external audit services only.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all audit and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties.
- Meet with the Corporation's officers, external auditors, or outside counsel as necessary.

III. COMPOSITION

The Audit and Risk Oversight Committee shall have at least three (3) appropriately qualified Non-Executive Directors, the majority of whom, including the Chairman of the Board, shall be independent.

Each audit committee member shall have an adequate understanding at least or competence at most of the Company's financial management systems and environment.

The Chairman of the Audit and Risk Oversight Committee shall not be the Chairman of the Board or any other committees.

IV. MEETINGS

The Committee shall hold meetings at such times and places as it considers appropriate.

Meetings of the Committee shall be convened by the Chairman of the Committee as and when he considers appropriate and the Chairman shall convene a meeting upon the request of a majority in number of the voting Members of the Committee.

A Committee meeting shall be convened at least four (4) times a year, notice via e-mail, specifying the place, date and time for the meeting and the general nature of the businesses to be transacted at the meeting.

Notwithstanding that a meeting is called by shorter notice, it shall be deemed to have been duly convened if it is so agreed by the Members of the Committee present in the meeting at which there is a quorum. A Member may consent to short notice and may waive notice of any meeting of the Committee and any such waiver may be retrospective.

The quorum for a meeting of the Committee shall be a majority of the Members of the Committee present throughout the meeting.

Members and Advisors of the Committee may participate in a meeting of the Committee through teleconference or video conference by means of which all persons participating in the meeting can hear each other.

Resolutions at a meeting of the Committee at which there is a quorum shall be passed by a simple majority of votes of the voting Members present at such meeting. Each Member, including the Chairman of the Committee shall have one (1) vote. In case of an equality of votes, the Chairman of the Committee shall not have a second or casting vote.

At least once a year, the Committee must meet and made a review of its functions and conduct a committee evaluation of its performance.

The Committee must conduct at least once a year or as often as it deems necessary, a meeting/s with the Company External Auditors without any Executive Officers present.

V. RESPONSIBILITIES

The Committee will carry out the following responsibilities:

A. On Audit Matters :

A.1 Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the audit committee under generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to audit committee members.

A.2 Internal Control

- Consider the effectiveness of the organization's internal control system, including information technology, security and control.
- 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.

A.3 Internal Audit

- Review with management and the Head of Internal Audit Department the charter, activities, staffing, and organizational structure of the internal audit function.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Head, Internal Audit Dept.

- At least once per year, review the performance of the Head, Internal Audit Dept. and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.
- On a regular basis, meet separately with the Head of Internal Audit Department to discuss any matters that the committee or internal auditing believes should be discussed privately.

A.4 External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal auditing.
- Review the performance of the external auditors and exercise final approval on their appointment or discharge.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Corporation, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately, without the presence of the management.

A.5 Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations.
- Review the process for communicating the code of conduct to the Corporation's personnel and for monitoring compliance therewith.
- Obtain regular updates from management and the Corporation's legal counsel regarding compliance matters.

A.6 Reporting

- Regularly report to the board of directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication among internal auditing, the external auditors, and the board of directors.

- Report annually to the shareholders, describing the Committee’s composition, responsibilities and how they were discharged, and any other information required by rule, including approval of nonaudit services.
- Review any other reports the organization issues that relate to the committee responsibilities.

A.7 Other Responsibilities

- Check all financial reports against its compliance with the internal financial management handbook and pertinent accounting standards, including regulatory requirements under laws, rules and regulations.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management. Its oversight functions shall include oversight over the Company’s Internal and External Auditors.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of external audit;
- Perform direct interface functions with the Internal and External Auditors;
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire Corporation;
- 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 (1) audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Through the Audit Officer, monitor and evaluate the adequacy and effectiveness of the Company’s internal control system, including financial reporting control and information technology security.
- Recommend the appointment and/or grounds for approval of an Audit Officer. The Committee shall also approve the terms and conditions for outsourcing internal audit services, if necessary.
- Review the reports submitted by the Internal and External Auditors;
- Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - ✚ Any change/s in accounting policies and practices
 - ✚ Major judgmental areas
 - ✚ Significant adjustments resulting from the audit
 - ✚ Going concern assumptions
 - ✚ Compliance with tax, legal and regulatory requirements
- Recommend to the Board the appointment, reappointment, removal, and fees of the External Auditor, duly accredited by the Securities and Exchange Commission.
- Disclose the nature of non-audit services performed by its External Auditor in the Annual Report to deal with any potential conflict of interest.

- 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 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 non-audit work, if allowed, shall be disclosed in the Company's Annual Report and Annual Corporate Governance Report.
- Ensure that, in the performance of the work of the Audit Officer, he or she shall be free from interference by outside parties.
- To enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations, the Committee shall meet with the Board at least once a year (or more, if warranted) without the presence of the President or other Executive Directors for the purpose of evaluating Management. Perform other activities related to this charter as requested by the board of directors.

B. On Risk Oversight Matters :

- Develop a formal enterprise risk management plan which contains the following elements: (a) common register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- Oversee the implementation of the enterprise risk management plan, conduct regular discussions on the Company's prioritized and residual risk exposures based on regular risk management reports and assess how the concerned units or offices are addressing and managing these risks;
- Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, revisit defined risk management strategies, look for emerging or changing material exposures, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- Review at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Company;
- Advise the Board on the Company's risk appetite levels and risk tolerance limits;
- Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Company and its stakeholders;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company; and

- Report to the Board on a regular basis, or as deemed necessary, regarding the Company's material risk exposures, the actions taken to reduce the risks, and recommend further action or plans, as necessary.

C. On Related Party Transaction Matters :

- Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured;
- Report to the Board and regulators, 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, related party transactions and changes in relationships;
- Evaluate all material related party transactions to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, 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 determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating related party transactions, the Committee shall take into account, among others, the following:
 - ✚ The related party's relationship to the Company and interest in the transaction
 - ✚ The material facts of the proposed related party transaction, including the proposed aggregate value of such transaction
 - ✚ The benefits to the Company of the proposed related party transaction
 - ✚ The availability of other sources of comparable products or services
 - ✚ An assessment of whether the proposed related party transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company shall have an effective price discovery system in place and exercise due diligence in determining a fair price for related party transactions
- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's related party transaction exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure shall 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;
- Ensure that transactions with related parties, including write-off of exposures, are subject to a periodic independent review or audit process; and
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related party transactions, including a periodic review of related party transaction policies and procedures.

VI. REMUNERATION OF MEMBERS

No fees or other remuneration shall be payable to the Members of the Committee in respect of their services provided in connection with the Committee or in respect of their attendance at meetings of the Committee, except fees or remuneration authorized and approved by the Board.

VII. MINUTES AND RECORDS

The Committee shall appoint a Secretary who shall prepare minutes of meetings of the Committee and keep books and records of the Committee.

The Committee shall cause records to be kept for the following:

- a) appointments and resignations of the Members of the Committee;
- b) all agenda and other documents sent to the Members of the Committee; and
- c) minutes of proceedings and meetings of the Committee.

Any such books and records shall be open for inspection by any Member of the Committee upon reasonable prior notice during usual office hours of the Company.

VIII. COMMITTEE REPORTS AND PERFORMANCE EVALUATION

The Committee shall report its activities to the Board on a regular basis and make such recommendations with respect thereto and other matters as the Committee may deem necessary or appropriate.

At least annually, the Chief Audit Officer and the Chief Executive Officer shall attest in writing to the Board of Directors that a sound internal control and compliance system is in place and working effectively.

The Committee shall prepare and review with the Board of Directors 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 of Directors on any improvements to the Charter deemed necessary or desirable by the Committee.

This Charter shall be reviewed on an annual basis and as required. This may not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by the Board of Directors.