



CHARTER OF THE RISK MANAGEMENT AND RELATED PARTY TRANSACTIONS COMMITTEE

A. Purpose

The Risk Management and Related Party Transactions Committee (the “Committee”) of the Board of Directors (the “Board”) of Ayala Corporation (the “Corporation”) is established by the Board to provide assistance in fulfilling the Board’s oversight responsibilities in relation to risk governance in Ayala Corporation. The assistance includes ensuring that Management maintains a sound risk management framework and internal controls system, and helping in the identification of material risk exposures and assessment of its impact in achieving the Corporation’s objectives.

B. Committee Structure

The Committee shall be comprised of at least three (3) non-executive directors, majority of whom shall be independent directors of the Corporation. The Board shall designate one member, who must be an independent director, to serve as the Committee Chairman.

The Committee Chairman should not be the Chairman of the Board or of any other committee. At least one member of the Committee must have relevant thorough knowledge and experience on risk and risk management.

The Board shall appoint the Committee members at its annual organizational meeting. Membership shall be reviewed annually, subject to the approval of the Board.

C. Authority, Roles and Responsibilities of the Committee

The Committee shall have the following authority, roles and responsibilities:

1. Promote an open discussion regarding risks faced by the Corporation, as well as risks faced by its subsidiaries that may have potential impact on the Corporation’s operations, and ensure that risk awareness culture is pervasive throughout the organization.
2. Review and discuss with Management the Corporation’s risk governance structure and adequacy of policies and processes for risk identification, assessment and mitigation.
3. Review and recommend to the Management the Corporation’s levels of risk appetite and risk tolerance, and risk exposure allocation for approval by the Board of Directors.
4. Review the Corporation’s risk profile on an ongoing basis and re-evaluate the likelihood of occurrence, severity of impact of risk exposures, and any mitigating measures affecting those risks.
5. Monitor the implementation of the Corporation’s risk mitigation plans and other risk management activities with the assistance of the risk management function.

6. Review and discuss risk management-related reports and issues raised by the Management, internal auditors, external auditors, legal counsel and regulators that impact the Corporation's risk management framework.
7. Review disclosures regarding risk contained in the Corporation's Annual Report and other publicly-issued statements.
8. Review the objectivity, effectiveness and efficiency of the Corporation's risk management function in the context of the Corporation's size, scale, complexity and scope of operations.
9. Secure independent expert advice on risk management matters where considered necessary or desirable.
10. In coordination with the Audit Committee, ensure that the Corporation's internal audit work plan is aligned with risk management activities and that the internal control system considers all risks identified in the risk assessment process.
11. Determine the advisability of, and review and evaluate the terms and conditions of any material or significant related party transactions (RPTs) and their required reporting disclosures.
12. Perform other activities related to this Charter as requested by the Board.

D. Meetings and Schedule of Activities

The Committee shall meet at least twice a year, or more frequently as needed. All meetings shall be presided by the Committee Chairman and attended by all committee members, whether in person or via teleconference or videoconference. Meetings shall not proceed in the absence of a quorum; that is, more than half of the total number of committee members.

Separate executive sessions may be conducted by the Committee with the Chief Risk Officer, Chief Finance Officer, Chief Internal Auditor, other members of the Management team and/or external auditors, to foster open communication and discuss any matter that the Committee believes as needed to be discussed in private.

The Committee shall also hold additional meetings for review of RPTs as needed. Meetings may, at the discretion of the Committee, include members of the Company's management, legal counsel and such other persons as the Committee or its Chairman may deem fit.

Minutes of the Committee meeting shall be recorded and maintained by the Group Risk Management Unit and presented to the Committee at the next meeting for approval.

Aside from regular meetings, the Committee shall also construct and agree on an annual calendar, which will lay down the schedule of activities for the year. This shall provide a systematic guide for the discharge of the Committee's responsibilities. Accordingly, the Chief Risk Officer shall ensure that the schedule is followed as planned.

E. Other Matters

1. Reports to the Board

The Committee Chairman shall submit and present a report to the Board, containing updates on all actions initiated by the Committee at the Board meeting following the Committee meeting.

Similarly, the Committee Chairman shall also submit and present a year-end report to the Board, providing a summary of the Committee's activities during the year, confirmation of how the responsibilities in this Charter were discharged during the year, results of the assessment performed on the effectiveness of the Committee, and recommendations for improvement.

2. Performance Evaluation

The Committee shall review its performance annually with respect to the fulfilment of its functions and responsibilities as mandated in this Charter. It may also subject itself to an independent assessment by the Board of Directors.

3. Annual Charter Review

This Charter shall be reviewed annually by the Committee to ensure its continuing adequacy and consistency with the Board's objectives and responsibilities. Any proposed changes shall be approved by the Board.

4. Access to Information

The Committee shall have reasonably free and full access to the Corporation's data, records and properties, as well as information from employees, officers, directors or external parties that may be relevant in monitoring and assessing risk exposures and their implications to the Corporation.