

AUDIT COMMITTEE CHARTER

OF

FILIPINO FUND, INC.

I. INTRODUCTION

This Audit Committee Charter (the “Charter”) shall govern the operations of the Audit Committee (the “Committee”) of **Filipino Fund, Inc.** (the “Corporation”) and define its purpose, authority and responsibilities.

II. PURPOSE

The Committee shall assist the Board of Directors (the “Board”) of the Corporation in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Corporation’s process for monitoring compliance with laws and regulations.

In general, the Committee shall have oversight responsibilities over the following functions of the Corporation:

1. Financial Reporting and Disclosures;
2. Risk Management;
3. Internal Control;
4. Management;
5. Internal Audit; and
6. External Audit.

The foregoing oversight responsibilities shall be performed by the Committee in the manner hereafter set forth in this Charter. Among others, the Committee shall maintain free and open communication with the Corporation’s external auditors, Board of Directors and Management.

III. AUTHORITY

The Committee shall have authority to conduct or authorize investigations into any matter within the scope of its responsibility. The Corporation’s Management and employees shall cooperate fully with the Committee members. The Committee is specifically empowered to:

- Recommend a registered public accounting firm to be engaged by the Corporation as external auditor;

- Resolve any disagreements between Management and the auditor regarding financial reporting;
- Review and approve the annual internal audit plans and activities;
- Retain independent counsel, accountants, or others to advise the Committee or to 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; and
- Expand organizational resources (e.g. retain legal, accounting or other consultants) whenever necessary to carry out its responsibilities.

IV. COMPOSITION

The Committee shall be composed of at least three (3) members of the Board of the Corporation, who shall preferably have backgrounds in accounting or finance.

Of these members, one (1) shall be an independent director who shall be the Chairman of the Committee and another one (1) shall have audit experience.

Each member shall have adequate understanding of the Corporation’s financial management systems and environment.

V. MEETINGS

The Committee shall have at least one (1) meeting every year. All members of the Committee are expected to attend each meeting, in person or via teleconference or videoconference.

The Committee may invite any member of the Board or Management, auditors or others to attend meetings and provide pertinent information, as necessary, and may hold private meetings with auditors and executive sessions. Meeting agendas together with appropriate briefing materials will be prepared and provided by the internal auditor at least five (5) business days before the scheduled meeting to Committee members. The notices of such meetings shall be sent by the Chairman of the Committee.

The presence of a majority of the members of the Committee, in person or via teleconference or videoconference, shall be required to constitute a quorum for the purpose of conducting business. The Committee shall act only on the affirmative vote of a majority of its members.

Minutes of meetings of the Committee shall be recorded.

VI. RESPONSIBILITIES

The Committee is expected, through the provision of checks and balances, to support the corporate governance of the Corporation.

The Committee shall obtain the approval of the Board for this Charter and any revisions thereto, as may be recommended by the Committee upon its review and assessment of the Charter. For this purpose, the Committee shall review this Charter at least annually and as may be necessary, including cases where external bodies may require or suggest changes thereto.

The Committee will carry out the following responsibilities:

A. Management Activities

1. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation. This responsibility shall include, among others, receiving periodic information from Management on risk exposure and risk management activities.
2. The Committee shall render to the Board an annual report relative to the Corporation's approved audit plans and strategies. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board. In addition, the annual report of the Committee shall likewise be made available to Corporation's stockholders, if requested.

B. Financial Statements

1. Check all financial reports submitted by the internal and external auditors of the Corporation against its compliance with both its internal financial management systems and pertinent accounting standards, as well as with regulatory requirements.
2. Review the quarterly reports (on SEC Form 17-Q) and annual financial statements (as part of SEC Form 17-A) of the Corporation before submission of the same to the Board, focusing particularly on:
 - Any change/s in accounting policies and practices;
 - Major judgment areas;
 - Significant adjustments resulting from the audit;
 - Going concern assumptions;
 - Compliance with accounting standards; and
 - Compliance with tax, legal and other regulatory requirements.

3. Review the analysis of significant financial reporting issues and judgments made in connection with the Corporation's financial statements.

C. Internal Control

1. Perform oversight financial management functions of the Corporation, particularly over its internal and external auditors. The Committee shall ensure that the internal and external auditors shall act independently of 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.
2. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial, operational and compliance controls and information technology security.

D. Internal Audit

1. Set-up an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of his engagement and removal.
2. Review and approve the annual internal audit plan of the Corporation, including the audit scope and frequency to ensure its conformity with the objectives of the Corporation and respond to issues raised by the internal auditor. The plan shall also include the resources and budget necessary to implement it.
3. Ensure that internal audit examinations cover, at least, the evaluation of the adequacy and effectiveness of controls encompassing the Corporation's governance, operations, information systems, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts.
4. Ensure that the internal audit staff shall have free and full access to all the Corporation's records, properties and personnel relevant to the internal audit activity and that the internal audit activity is free from outside interference in determining the scope of internal audit examinations, performing audit work, and communicating the results of audit examinations.
5. Require the internal auditor to render to the Committee an annual report on the activity, purpose, authority, responsibility and performance relative the approved annual audit plan of the Corporation.
6. Require the internal auditor to report directly to the Committee.

7. Be responsible for the appointment, replacement, reassignment, or dismissal of the internal auditor.
8. Inform Management and the internal auditor of significant risks or exposures and assess the steps which the Management may take or may have taken to minimize such risk to the Corporation.
9. Ensure the quality of the auditing function by requiring adherence to professional standards and monitor performance of internal auditors in accordance with the International Standards for the Professional Practice of Internal Auditing (“ISPPA”).
10. Review the annual internal audit report which shall include, among others, a summary of major findings from completed internal audits, status of implementation of recommendations resulting from the internal audits, comparison of actual performance with the annual internal audit plan with explanations for any deviation from the original plan, and a certification from the internal auditor that their activities were conducted in accordance with the ISPPA.

E. External Audit

1. Recommend to the Board the external auditor who will be endorsed to the stockholders for selection and appointment.
 - 1.1. The Committee shall ensure that the external auditor shall not, at the same time, provide the services of an internal auditor to the Corporation.
 - 1.2. The Committee shall ensure that, consistent with Rule 68 of the Amended Implementing Rules and Regulations of the Securities Regulation Code, as amended, the external auditor or the handling partner shall be changed every five (5) years or earlier;
 - 1.3. The Committee shall ensure that the reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation’s annual and current reports. Said report shall include a discussion of any disagreement with the former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of the former auditor, would have caused reference to the subject matter of the disagreement in connection with its report;

- 1.4. If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are incorrect and incomplete, he shall also present his views in the said reports;
2. Discuss with the external auditor before the audit commences the nature and scope and expenses of the audit, and ensure proper coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
3. Pre-approve audit plans, scope and frequency before the conduct of the external audit.
4. Evaluate and determine the other non-audit work of the external auditor, if any, and ensure that the same shall not conflict with the audit functions of the external auditor. The Committee shall disallow any non-audit work that will conflict with his duties as external auditor or may pose a threat to his independence. The Committee shall also keep under review the non-audit fees paid to external auditor both in relation to their significance to the total annual income of the External Auditor and to the Corporation's total expenditures on consultancy. The non-audit work should be disclosed in the Corporation's annual report, if any.
5. Review with the external auditor any problems or difficulties the external auditor may have encountered during the course of their audit and any management letter which may have been provided by the external auditor and the Corporation's response to that letter.
6. Review with Management and the external auditor at the completion of the annual examination:
 - The Corporation's annual financial statements and related footnotes;
 - The external auditor's audit of the Corporation's financial statements and his or her report thereon;
 - Any significant changes required in the external auditor's audit plan; and
 - Any serious difficulties or disputes with Management encountered during the course of the audit.
7. Require the external auditor to report directly to the Committee.
8. Ensure that in the performance of the work of the external auditor, he/she shall be free from interference from outside parties.

F. Compliance

1. Review reports of internal and external auditors and issuances and pronouncements of regulatory agencies, where applicable, and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.
2. Coordinate, monitor and facilitate the Corporation's compliance with existing laws, rules and regulations.
3. Elevate to international standards the accounting and auditing processes, practices and methodologies of the Corporation, and develop a definitive timetable within which the accounting system of the Corporation will be fully compliant with the International Accounting Standards (IAS), as well as an accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.

G. Reporting Responsibilities

1. Periodically report to the Board about the Committee's activities, issues and related recommendations.
2. Provide an open avenue of communication among the internal auditor, the external auditor, Management and the Board.
3. Review any other report that relates to the Committee responsibilities.

H. Other Responsibilities

1. Perform other activities related to this Charter as may be requested by the Board.
2. Institute and oversee special investigations as needed.

VII. REVIEW OF THE CHARTER

This Charter shall be periodically reviewed and assessed by the Committee at least annually for its adequacy. The Committee shall also review this Charter as may be necessary, including cases where external bodies may require or suggest changes thereto. Upon conclusion of its review of this Charter, the Committee may recommend and propose amendments thereto to the Board for approval.

VIII. PERFORMANCE EVALUATION AND CONTINUOUS IMPROVEMENT

To ensure that the Committee continues to fulfill its responsibilities in accordance with global best practices and in compliance with the Revised Code of Corporate Governance and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually. In this regard the Committee shall:

1. As a body, evaluate its performance by filling up a self-assessment worksheet that shall benchmark its practices against the expectations set out in this Charter; and
2. Based on the results of the self-assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the Committee members up-to-date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern (e.g. emerging risks).

In addition, the Committee shall obtain and subject itself to an independent assessment by the Board relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities as specified in the Audit Committee Calendar of Activities.

IX. FUNCTIONAL AND SECRETARIAT SUPPORT

The management staff shall provide support to the Committee in the rendition of its functions.

APPROVED BY THE BOARD OF DIRECTORS ON 24 SEPTEMBER 2012.