

AUDIT AND RISK COMMITTEE CHARTER

I. PURPOSE

This Audit and Risk Committee Charter (the "Charter") sets out the policies, powers, responsibilities and structure of the Audit and Risk Committee (the "Committee") of NOW CORPORATION (the "NOW" or the "Company") for the performance of the Committee's oversight responsibilities mandated by the Code of Corporate Governance and the Company's Revised Manual on Corporate Governance.

The Committee is expected to support the corporate governance process through the provision of checks and balances provided in this Charter.

II. STRUCTURE

A. Membership

The Committee whose members shall preferably have accounting and finance backgrounds, will consist of at least three (3) members of the Board of Directors of the Company (the "Board") and shall have the following qualifications:

- a. Must own at least one (1) share of stock of the Company standing in his/her name;
- b. Must have a college education or equivalent academic degree;
- c. Must be at least twenty-one (21) years old;
- d. Must possess integrity and probity;
- e. Must have a practical understanding of the business of the Company or previous business experience; and
- f. Must have attended a seminar on corporate governance conducted by a duly recognized private or government entity or must undertake to attend such a seminar as soon as practicable.

The Chairperson of the Committee shall be an independent director, as defined in the Company's Revised Manual on Corporate Governance.

The Nomination Committee may consider and recommend to the Board other qualifications which are now or may hereafter be provided in the relevant existing laws or any amendments thereto or new laws applicable to the Company.

The Board shall appoint the Committee members at the annual organizational meeting of the Board and shall serve until the next such organizational meeting of the Board or until their successors shall be duly elected and qualified. A member of the Committee may be removed, with or without cause, by a majority vote of the Board. Any vacancy in the Committee may be filled by a majority vote of the members the Board, constituting a quorum, during a regular or special meeting.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate. Such delegated authority shall include, without limitation, the authority to grant pre-approvals of audit and permitted non-audit services; provided that decisions of such subcommittee to grant pre-approvals shall be presented to the full Committee at its next scheduled meeting.

B. Meetings

The Committee will meet, at least, annually and may convene additional meetings, as circumstance require. The quorum for a meeting of the Committee shall be at least a majority of the Members present throughout the meeting. Meetings may be attended in person or via tele- or video-conference. Meetings will be minuted.

All members of the Board who are not members of the Committee may attend meetings of the Committee but may not vote. The Committee may invite to its meetings any management or other personnel of the Company, or any third parties, as it deems appropriate in order to carry out its responsibilities. External subject experts, such as the appointed external auditors and other consultants, may also be invited to the meetings.

A Committee meeting shall be convened upon notice in writing at least three (3) working days prior to the meeting, and specifying the place, date and time of the meeting and the matters to be discussed 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 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.

Notice shall be deemed duly served upon a Member/Advisor if it is given to him personally, or sent to him by e-mail, mail or facsimile transmission to address provided by the Member.

The Committee shall timely refer to the Board its recommendations or decisions which require ratification or approval by the Board or, if otherwise, as it may deem necessary or proper.

C. Resources

The Committee shall have the resources and authority appropriate to discharge its responsibilities, including the authority to engage external auditors for special audits, reviews and other procedures and to retain and obtain advice from special counsel and other experts or consultants, without need for Board approval. The Committee shall have also the authority to approve the fees payable to such advisors and any other terms of retention, without need for Board approval.

The Committee shall be given full access to the Company's internal audit group, management, personnel and external auditors as necessary to carry out its responsibilities.

III. POWERS AND DUTIES

While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that it deems appropriate.

The primary responsibility of the Committee is oversight. Management is responsible for the integrity of the Company's financial statements and disclosures and for maintaining effective internal controls. The external auditors are responsible for the proper audit and review of the Company's financial statements as may be required prior to the filing thereof with various government entities and stock exchanges. In fulfilling their responsibilities hereunder, it is recognized that Committee members are not full-time employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing. As such, as it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures and each member will be relying in part on the expertise of Management and the external auditors.

Each member shall be entitled to rely on:

- a. the integrity of those persons and organizations within and outside the Company that it receives information from;
- b. the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board); and
- c. the representations made by Management as to any information technology, internal audit and other non-audit services provided by the external auditors to the Company.

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities:

A. Financial Reporting and Disclosures

1. The Committee shall review, with management and the external auditors and approve, prior to public dissemination, the Company's annual audited financial statements and any quarterly financial statements and reports, including the Company's disclosures under the "Management's Discussion and Analysis of Financial Condition and Results of Operations," and discuss with the independent auditors the matters required to be discussed to ensure compliance with pertinent accounting standards and financial reporting regulations, with particular focus on the following matters:
 - a. Any change/s in accounting policies and practices;
 - b. Major judgmental areas;
 - c. Significant adjustments resulting from the audit;

- d. Going concern assumptions;
 - e. Compliance with accounting standards;
 - f. Reasonableness of estimates, assumptions and judgments used in the preparation of financial statements;
 - g. Completeness, clarity, consistency and accuracy of disclosures of material information, including on subsequent events and related party transaction; and
 - h. Compliance with tax, legal and regulatory requirements.
2. The Committee shall review and identify material errors and fraud, and ensure establishment of measures for sufficient risk control.
 3. The Committee shall review unusual or complex transactions including all related party transactions.
 4. The Committee shall review and determine, with management and the external auditors and approve the impact of new accounting standards and interpretations.
 5. The Committee shall communicate with legal counsel on litigation, claims, contingencies or other significant legal issues that impact the financial statements.
 6. The Committee shall review and discuss with management and the external auditors the Company's earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies.
 7. The Committee shall review any significant disagreement between management and the independent auditors or the Internal Audit Department in connection with the preparation of the financial statements and management's response to such matters.
 8. The Committee shall assess the correspondence between the Company and regulators regarding financial filings and disclosures.

B. Risk Management and Internal Controls

1. The Committee shall obtain Management's assurance on the state of internal controls.
2. The Committee shall review internal auditors' evaluation of internal controls.
3. The Committee shall evaluate the internal control issues raised by external auditors and assess the control environment, including IT systems and functions.
4. The Committee shall set a framework for fraud prevention and detection, including the establishment of the whistle-blower program.
5. The Committee shall deliberate on findings of weakness in controls and reporting process.
6. The Committee shall evaluate the sufficiency and effectiveness of risk management processes and policies and meet with Management to discuss the Committee's observations and findings on the risk processes and policies of the Company.
7. The Committee shall prepare and implement a Business Continuity Plan.
8. The Committee shall also promote risk awareness in the Company.

C. Management and Internal Audit

1. The Committee shall evaluate Management's compliance with the Code of Conduct.
2. The Committee shall ensure unrestricted access of the internal auditors to all records, properties and personnel of the Company to enable them to perform their internal audit functions.
3. The Committee shall set up the Internal Audit Department and appoint the Chief Internal Auditor. It shall establish and identify the structure of the Internal Audit Department, with the Chief Internal Auditor reporting directly to the Committee functionally. The Committee shall also approve the Internal Audit Charter and subsequent amendments thereto for approval of the Board. The removal, suspension, qualifications of the Chief Internal Auditor and the internal auditors shall be provided in the Internal Audit Charter. The Committee shall also assess adequacy of resources and ensure the independence of the Internal Audit Department.
4. The Committee shall ensure compliance by the Internal Audit Department with International Standards on the Professional Practice of Internal Auditing.
5. The Committee shall also review and approve the internal audit annual plan, ensuring that it conforms to the objectives of the Company. It shall also approve the extent and scope of the internal audit work, ensuring that the audit resources are reasonably allocated to the areas of highest risk.
6. The Committee shall review the reports of the internal auditors and regulatory agencies, where applicable, ensuring that Management is taking appropriate corrective actions in a timely manner.
7. Should the Company become a subsidiary of a foreign corporation covered by the Code of Corporate Governance, the Committee shall ensure that the internal auditor is independent of the Philippine operations and shall report to the regional corporate headquarters.

D. External Audit

1. The Committee shall assess and ensure the independence and professional qualifications of the external auditors. It shall recommend the appointment of the external auditors and their remuneration to the Board. The Committee shall ensure that the external auditors are rotated or changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the Company, should be changed with the same frequency.
2. The Committee shall discuss with the external auditor, prior to the commencement of the audit, the nature, scope and expenses of the audit. It shall also review the reports submitted by the external auditors, and ensure the external auditors' compliance with auditing standards.
3. The Committee shall evaluate and determine the non-audit work, if any, of the external auditors, and review periodically the non-audit fees paid to the external auditors in relation to their significance to the total annual income of the external auditors and to the Company's overall consultancy expenses. It shall

disallow any non-audit work that will conflict with the duties of the external auditors or may pose a threat to their independence.

4. The Committee shall evaluate and understand agreements between the external auditor and Management.
5. The Committee shall also ensure that Management is taking appropriate corrective actions on the findings of the external auditors in a timely manner.
6. The Committee shall ensure Management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions.
7. The Committee shall ensure that Management shall timely and completely communicate with external auditor the critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting.
8. The Committee shall ensure unrestricted access of the external auditors to all records, properties and personnel of the Company to enable them to perform their external audit functions.

The Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purpose of the Committee outlined in Section I of this Charter, including review of any certification required to be reviewed in accordance with applicable law or regulations of the Securities and Exchange Commission (the "SEC").

V. ANNUAL PERFORMANCE EVALUATION

The Committee shall perform a review and evaluation, at least annually, of its performance and its members, including reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable.

The Committee shall establish a feedback mechanism to receive comments from management, internal and external auditors and legal counsel. Such mechanisms shall facilitate dialogue within the Company on possible ways to improve its performance.

The results of the evaluation shall be validated by the Company's Compliance Officer and shall form part of the records of the Company ready for examination by the SEC.

IV. AMENDMENT

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.