

## AUDIT COMMITTEE CHARTER

### Section 1 - Purpose

The Audit Committee (the "Committee") is appointed by the Board of Directors (the "Board") of the **BPI-Philam Life Assurance Corporation (BPLAC)**. It shall monitor and evaluate the adequacy and effectiveness of the internal control system. It shall provide oversight over the:

- overall management of operating risks.
- financial reporting and control
- internal audit department and external auditors
- quality of compliance with the Corporate Governance Manual.<sup>1</sup>
- examination of its books, records, accounts and vouchers by the Commissioner<sup>2</sup>

### Section 2 - Committee Membership

The Audit Committee shall be composed of at least three (3) members of the Board, two (2) of whom shall be independent directors, including the chairman, preferably with accounting, auditing or related financial management expertise or experience.

### Section 3 - Meetings

The Audit Committee shall meet regularly, preferably every quarter, at such date, time, and place to be fixed by the Committee. Special meetings shall be convened by any member of the Audit Committee or the **Internal Audit Head** anytime as the need arises.

The **Internal Audit Head**, in consultation with the Secretary of the Board and/or external auditors, shall be responsible for determining meeting agendas and attendees, subject to the overall authority of the Committee. The Committee may request any officer or employee of **BPLAC** or **its** counsel or external auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Secretary of the Board, or in his absence, the Assistant Secretary to the Board, shall act as the Secretary of the Committee.

### Section 4 - Committee Authority

The Committee is empowered by the Board to:

- a. Investigate any matter within its terms of reference;
- b. Seek any information it requires from employees, all of whom are directed to fully cooperate with the Committee's requests.
- c. Obtain assurances, and when appropriate, reports from Bank officers, external auditors, or outside counsel, **and serve as direct channel of communication to the Board for internal auditors, compliance officers and general counsel.**
- d. Invite any director or executive officer to attend its meetings

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<sup>1</sup> BPLAC Corporate Governance

<sup>2</sup> Title 12 of the Insurance Code of the Philippines

## AUDIT COMMITTEE CHARTER

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- e. Secure adequate resources to enable it to effectively discharge its functions.
- f. Monitor the system of internal controls and corporate compliance with laws, regulations and Code of Ethics, specifically where they relate to mandate from the Insurance Commissioner.**
- g. Recommend the appointment of external auditors.**
- h. Recommend the appointment of Internal Audit Head and delegate its responsibility as to the appointment of other internal auditors.**

### Section 5 - Duties and Responsibilities

The Audit Committee shall have the following duties and responsibilities.

#### 5.1 General Procedures

- a. Review and reassess the adequacy of this Charter at least annually and submit the revised Charter, if any, to the Board of Directors for re-approval.
- b. Undertake an annual evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in this Charter, with such evaluation being reported to the Board of Directors.
- c. Ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

#### 5.2 Internal Audit

- a. By virtue of the **acquisition of 51% of BPLAC Shares, Philamlife Internal Audit shall be the lead Internal Auditor but BPI Internal Audit may conduct its own audit as it may deem necessary and report its findings to the Audit Committee.**
- b. The **Philamlife Internal Audit Head shall also be the BPLAC Internal Audit Head** shall report directly to the Audit Committee.
- c. Review the internal audit function of **BPLAC** including its independence and the authority of its reporting relationships. Ensure that the **Internal Audit Head** is not dependent on any **BPLAC** executive or operating officer for the security of his or her position. Additionally, to ensure that the **Internal Audit Head** has access to the Board, on a confidential basis, and that the Internal Audit is independent of **BPLAC** management, both by intent and actual practice.
- d. Review the final audit reports prepared by the Internal Audit for matters deemed significant by the **Internal Audit Head** and management's response to such reports.
- e. Ensure that internal auditors have free and full access to all **BPLAC's** records, properties and personnel relevant to and required by its function and that the Internal Audit shall be free from interference in determining its scope, performing its work and communicating its results.

#### 5.3 External Audit

- a. Appoint, subject to confirmation by the Board of Directors and Stockholders, an accredited external auditor for the purpose of preparing or issuing an audit report or related work. Assess the external auditor's effectiveness, independence and objectivity, ensuring that key partners are

## AUDIT COMMITTEE CHARTER

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rotated at appropriate intervals; and remove the external auditors if circumstances warrant. The Committee shall oversee the resolution of disagreements between management and the external auditors in the event that they arise.

- b. Review with the internal auditor the scope of the proposed external audit for the current calendar year, considering the coordination of internal and external audit procedures to promote an effective use of resources and ensure a complete but non-redundant audit.
- c. Approve all audit and non-audit services to be provided by the external auditor to **BPLAC** and its subsidiaries, if any.
- d. Ensure that the external auditor and the members of the audit team adhere to the highest standards of professional conduct, including integrity and objectivity by the external auditor and members of the audit team.
- e. Review with the external auditor any problems or difficulties encountered and management's response; review the external auditor's attestation and report on management's internal control report, and hold timely discussions with the external auditors regarding the following:
  - i. all critical accounting policies and practices;
  - ii. all alternative treatments of financial information within generally accepted accounting principles (GAAP) and the International Accounting Standards (IAS) that have been discussed with management, implications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor;
  - iii. other material written communications between the external auditor and management including, but not limited to, the management letter and schedule of unadjusted differences; and
  - iv. an analysis of the auditor's judgment as to the quality of the **BPLAC's** accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
- f. Receive and review reports of external auditors, including reports of regulatory agencies, and ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies.

### 5.4 Financial Statements and Disclosure Matters

- a. Review and discuss with management the quarterly financial reports, and with the external auditor the annual financial statements, before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and stock exchange requirements;
- b. Discuss with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of **BPLAC's** financial statements, including any significant changes in **BPLAC'S** selection or application of accounting principles, any major issues as to the adequacy of **BPLAC's** internal controls and any special steps adopted in light of material control deficiencies.

### 5.5 Controls

## AUDIT COMMITTEE CHARTER

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- a. Discuss with management **BPLAC's** major financial risk exposures and the steps management has taken to monitor and control such exposures, including its risk assessment and risk management policies and control and governance processes. Review with management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of **BPLAC**.
- b. Oversee the quality of compliance by operating management in their performance of the following tasks:
  - i. Employing the proper documentation to ensure enforceability of rights and contracts.
  - ii. Employing appropriate technology and operating hardware and software systems to ensure the proper recording, storage, retrieval and analysis of transaction data;
  - iii. Installing the appropriate control mechanisms, systems and processes (e.g., policy manuals, risk measurement and control systems, performance reports, internal audit programs, reviews, and reports, external audit program and reports, etc.) to ensure the identity & authority of counterparties, the validity and integrity of transactions and data, and the competent management of risks;
  - iv. Ensuring the preparation of contingency plans to ensure business continuity in the event of any major crisis;
  - v. Ensuring the alignment of financial accounting, measurement, reporting and auditing methodologies and practices with international standards and best practices;
  - vi. Ensuring full compliance with the law and regulations and the specific requirements of the IC, SEC, AMLC and other regulatory bodies, where applicable.
- c. Ensure that **BPLAC** maintains its compliance with the international standards on accounting processes, practices, and methodologies.
- d. Ensure sound operation of a transparent financial management system that will ensure the integrity of internal control activities throughout **BPLAC** through a procedures and policies handbook that will be used by the entire organization;

### Section 6 - Support

The Internal Audit of **Philamlife** shall support the Audit Committee of **BPLAC** in the rendition of its function.