

**BPI/MS INSURANCE CORPORATION
AUDIT COMMITTEE CHARTER**

Section 1 - Purpose

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of BPI/MS Insurance Corporation (BPI/MS). It shall monitor and evaluate the adequacy and effectiveness of the internal control system including financial reporting control and information technology security. It shall provide oversight over the:

- financial reporting, systems of internal controls, risk management and governance process
- internal and external auditors
- monitoring of compliance with applicable laws, rules, and regulations
- quality of compliance with the Corporate Governance Manual.
- review conducted by the Insurance Commission (IC)

The Audit Committee shall report regularly to the Board regarding the execution of the Audit Committees’ duties, responsibilities, activities, and any issues encountered and any recommendations.

Section 2 - Committee Membership

The Audit Committee shall be composed of at least three (3) members of the Board, who shall all be non-executive directors, ¹majority of whom shall be independent directors, including the chairman, preferably with accounting, auditing or related financial management expertise or experience. ¹The Chairman of the Audit Committee shall not be the chairman of the Board or of any other committees. The Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions shall not be appointed as members of the Audit Committee.

The selection and appointment of the Audit Committee members, including its Chairman shall rest with the Board in accordance with existing rules and regulations.

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 Chief Audit Executive anytime as the need arises. ¹The Audit Committee shall meet with the Board of Directors at least quarterly without the presence of the Chief Executive Officer or other management team members, and periodically with the head of Internal Audit, and external auditor.

The Chief Audit Executive, 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 BPI/MS, it’s outside 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;

¹IC Cir Letter (CL) No. 2020-71 Revised Code of Corporate Governance for Insurance Commission Regulated Companies, dated June 13, 2020 (supersedes CL No.31-2005 dated September 26, 2005)

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- 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 BPI/MS officers, external auditors, or outside counsel;
- d. Invite any director or executive officer to attend its meetings;
- e. Secure adequate resources to enable it to effectively discharge its functions;

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. BPI/MS Corporation shall adopt the parent BPI's Internal Audit Charter, where applicable.
- b. By virtue of the BSP approved assignment of the BPI's Chief Audit Executive as the Audit Head of all its subsidiaries, the BPI's Internal Audit Charter shall be applied to BPI/MS.
- c. The Chief Audit Executive shall report directly to the Audit Committee.
- d. Review the internal audit function including its independence and the authority of its reporting relationships. Ensure that the Chief Audit Executive is not dependent on any BPI/MS executive or operating officer for the security of his or her position. Additionally, to ensure that the Chief Audit Executive has access to the Board, on a confidential basis, and that the Internal Audit is independent of BPI/MS management, both by intent and actual practice.
- e. Review and approve the annual internal audit risk assessment and plan, including the audit scope and frequency, and any significant changes to the internal audit plan. It shall also review at the end of calendar year the implementation of the approved internal audit plan. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services, if any.
- f. Review the final audit reports prepared by the Internal Audit for matters deemed significant by the Chief Audit Executive and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.
- g. Ensure that internal auditors have free and full access to all BPI/MS 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.

- h. Ensure that Internal Audit complies with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Code of Ethics.

5.3 External Audit

- a. Ensure that a BSP/SEC accredited external auditor had been appointed by the BPI Board of Directors and Stockholders for the purpose of preparing or issuing an audit report or related work. External auditor shall be selected from the List of Selected External Auditors for BSFIs under the Bank's category². Assess the external auditor's effectiveness, integrity, independence, and objectivity ensuring that key partners and quality control partners of the audit firm are rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountants in the Philippines as adopted by the Philippine Board of Accountancy² 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 BPI/MS and its subsidiaries. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in BPI/MS' annual report and Annual Corporate Governance report.
- d. Ensure that in the selection of external auditor:
 - (i) no external auditor may be engaged by BPI/MS if he/she or any member of his/her immediate family had or has committed to acquire any direct or material indirect financial interest in the company
 - (ii) the external auditor and the members of the audit team do not have/shall not have outstanding loans or any credit accommodation with BPI/MS at the time of signing the engagement and during the engagement.
- e. Ensure that external auditors have free and full access to all BPI/MS' records, properties, and personnel to enable them to perform their functions.

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 audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and stock exchange requirements;
- b. Review and discuss with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including any significant changes in the selection or application of accounting principles, any major issues as to the adequacy of internal controls and any special steps adopted in light of material control deficiencies.

²Adopted from BPI Audit committee Charter, pursuant to BSP cir 1040 series of 2019 Revised Framework on the Selection of External auditors. This circular is in accordance with the cooperative arrangement among the financial sector supervisors which include the Insurance Commission.

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- c. 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 BPI/MS accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements.
- d. 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.

5.5 Internal Controls

- a. Ensure that a review of the internal auditor's evaluation of the effectiveness of the internal controls, including financial, operational, information technology, and compliance controls, and risk management, is at least conducted annually.
- b. Discuss with management BPI/MS major risk exposures and the steps management has taken to monitor and control such exposures, including BPI/MS risk assessment and risk management processes, policies and control and governance processes.
- c. 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.
- d. Ensure that BPI/MS maintains its compliance with the international standards on accounting

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processes, practices, and methodologies.

- e. Ensure sound operation of a transparent financial management system that will ensure the integrity of internal control activities throughout BPI/MS through a procedures and policies that will be used by the entire organization;
- f. Ensure that BPI/MS has a framework for fraud prevention and detection including whistle-blower policy/program by which officers and staff shall, in confidence, raises concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

5.6 Compliance Function

- a. Oversee the Compliance System by periodically reviewing BPI/MS' policy/program and manuals.
- b. Review the quarterly update prepared by Compliance Unit, and ensure that senior management is taking necessary corrective actions in a timely manner to address compliance issues.

Section 6 - Support

The Internal Audit of BPI shall support the Audit Committee of BPI/MS in the rendition of its function.