

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, majority of whom shall be independent directors, including the chairman, preferably with accounting, auditing or related financial management expertise or experience. The 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 and Consent Resolution¹

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. The Audit Committee shall meet with the non-executive members of the Board at least once a year, and with the external auditor, and heads of Internal Audit, Compliance, and Risk Management functions.

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, its outside counsel or external auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

- a. While the Committee is governed by the same rules regarding meetings as are applicable to the BPI Board of Directors, the Committee is authorized to adopt its own rules of procedure not inconsistent with any provision of this Charter, the Articles of Incorporation or By-laws of BPI, or any applicable law.
- b. Special meetings or actions may be called for as needed.
- c. Action required or permitted to be taken by the Committee may be taken without a meeting by written consents, identical in content, setting out the action taken and signed by all the members of the Committee. The written consents shall have the same effect as a unanimous vote and may be made in electronic counterparts. The written consents shall be documented as minutes of action.

¹ Approved for adoption by the Parent’s Board of Directors and its various committees on September 20, 2023

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- d. Unanimous consent resolutions shall be documented as minutes of action. The written actions effective and dated as of the date that the last board or committee member (as the case may be) has given his/her consent by electronic mail, unless a different effectivity date is provided in the resolution.
 - i. Any member of the Committee may request that the proposal for which a written consent is sought be discussed and deliberated upon by the Committee, in which case the proposal shall be included in the agenda of the next meeting.
 - ii. Directors shall be paid a per diem for every decision-making exercise or instance utilizing written unanimous consent resolutions, which is half the per diem allocated in an actual meeting (physical or virtual).
- e. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent (i.e., minutes of action).
- f. The key matters reviewed and approved by the Committee and the minutes of meetings, minutes of action including agenda and supporting materials if needed, are to be presented regularly to the full Board of Directors for confirmation.

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 BPI MS officers, external auditors, or outside counsel;
- d. Obtain professional advice at BPI MS's expense and secure the attendance of outsider with relevant experience/expertise whenever deemed necessary.
- e. Invite any director or executive officer to attend its meetings;
- f. 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 Corporate Governance Committee
- 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 BPI MS engage a BSP/SEC/IC accredited external auditor belonging to the same category as BPI MS, and rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountants in the Philippines and the implementing rules and regulations as adopted and issued by the Philippine Board of Accountancy (BOA) at the time of audit².
- a. 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. Ensure that the scope of external audit work appropriately covers areas relevant to BPI MS operations, risk exposure and regulatory compliance requirements, which include, but not limited to:
 - (i) Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
 - (ii) Assessment of the propriety and adequacy of the required and supplemental disclosures or reports in the financial statements as required by the IC
 - (iii) Assessment of the adequacy and effectiveness of internal controls and risk management policies;
 - (iv) Assessment of the adequacy of BPI MS' net worth or risk based capital requirements by the IC; and

² IC Cir 2024-03 Revised Framework on the Accreditation of External Auditors, issued January 29, 2024

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- (v) Evaluation of the quality of corporate governance
- b. 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.
- c. 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.
- 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.

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- 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 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 whistleblower policy/program by which officers and staff shall, in confidence, raise 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 and the updates and developments of its Compliance Program;
- b. Review the quarterly update prepared by Compliance Unit, which includes but is not limited to Dishonest and Unlawful Acts (DUA)/ fraud, AML/CFT, and market practice, data privacy, corporate governance and litigation reports 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.