



BPI AIA LIFE ASSURANCE CORPORATION

Audit and Related Party Transactions Committee Charter

BPI AIA Restricted and Proprietary Information

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I. Definitions

1. For the purposes of these Charter (these **Charter**):

Audit and RPT Committee means the Audit and Related Party Transactions Committee established by resolution of the Board;

Board means the Board of Directors of the Company;

Company means BPI AIA Life Assurance Corporation

Directors mean the members of the Board;

Company Secretary means the Corporate Secretary of the Company;

Head of Internal Audit means the senior officer of the Company responsible for the internal audit as approved by this Committee from time to time;

Management means any persons discharging an executive management role within the Company;

Shareholders mean the shareholders of the Company

II. Constitution

2. The Audit and RPT Committee is established by resolutions of the Board, the members of which shall be appointed by the Board on an annual basis or from time to time as necessary.

III. Membership

3. The members of the Audit and RPT Committee shall be appointed by the Board from among the Directors after considering the recommendations of the Governance Committee, and shall consist of at least three (3) non-executive directors, majority of whom shall be independent including the Chairperson. The members should have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The quorum for meetings of the Audit and RPT Committee shall be at least two members.
4. Each member of the Audit and RPT Committee shall serve an initial term of one (1) year or until his replacement is duly appointed. The members of the Committee may be re-appointed by the Board.
5. A former partner of the Company's existing audit firm shall be prohibited from acting as a member of the Audit and RPT Committee for a period of two (2) years commencing on the date of his ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm; whichever is later.

6. The Chairperson of the Audit and RPT Committee shall be appointed by the Board. The Chairperson of the Audit and RPT Committee should not be the Chairperson of the Board or of any other Committees

IV. Frequency of Meetings

7. The Audit and RPT Committee should meet often enough to undertake its role effectively, and schedule to meet not less than four (4) times a year.
8. In addition, the Chairperson of the Audit and RPT Committee may call a meeting of the Committee if so requested by any member of the Audit and RPT Committee, the Chairperson of the Board or the external auditor of the Company.

V. Attendance at Meetings

9. The Audit and RPT Committee may invite any members of Management and representatives of the external and internal auditors to attend the meetings.
10. At least twice a year, the Audit and RPT Committee shall meet with the external and internal auditors separately without Management being present. The Audit and RPT Committee may also meet separately with any member of Management or anyone else they may wish to see.

VI. Conduct of Meetings

11. Reasonable notice of a meeting of the Audit and RPT Committee shall be given. An agenda and accompanying meeting papers should be sent in full to all members of the Audit and RPT Committee in a timely manner and at least three (3) business days before the intended date of a meeting of the Audit and RPT Committee (or such other period as agreed by its members).
12. On a quarterly basis, the agenda of the Audit and RPT Committee meetings shall regularly include, among others, the following: Quarter Review of Financial Position; Internal Audit Report; Compliance Report; Related Party Transactions; and other Finance-related developments, if any. On semi-annual basis, the following may be included in the agenda: Update on non-audit services performed by external auditor, if any; Major Litigation Update; and hiring of external auditor's employees, if any. On an annual basis, the following items shall also be included in the agenda (the inclusion and timing of which shall vary as may be determined by the Committee or the Company Secretary): Audited Financial Statements for the Fiscal Year; External Audit Report and External Audit Plan; Internal Audit Plan; Appointment of the External Auditor and Audit Fee for the Financial Year; Annual Tax Update; Review of the External Auditor's Independence, Objectivity and Effectiveness; Review of the Audit and RPT Committee's Compliance with these Charters; and Review of the Performance of the Head of Internal Audit, and Internal Audit Resources and Effectiveness. The Audit and RPT Committee, at its discretion, may include and

discuss other business, as it deems necessary to perform its functions under these Charters.

13. Meetings of the Audit and RPT Committee may be in person or held by means of such telephone, electronic, or other digital communication facilities as would permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such meeting shall constitute presence in person at such meeting.
14. Management is obliged to supply the Audit and RPT Committee with complete and reliable information in a timely manner, in order to enable it to make informed decisions. Where a Director requires more information than is provided by Management, the relevant Director should make additional necessary enquiries. The Board and each Director shall have separate and independent access to the Management.
15. A resolution in writing signed or approved by a majority of all of the members of the Audit and RPT Committee shall be effective for all purposes as a resolution of the members of the Audit Committee passed at a meeting duly convened, held and constituted.
16. Matters arising at any meeting shall be decided by the Committee or by the Company Secretary.

VII. Annual Shareholders Meeting

17. The Chairperson of the Audit and RPT Committee shall attend the Company's annual shareholders' meeting and be prepared to respond to any shareholder's questions on the Audit and RPT Committee's activities or in his absence, another member of Committee, or his duly appointed delegate.

VIII. Authority

18. The Audit and RPT Committee is authorized by the Board to investigate any activity within these Charter. It is authorized to seek any information it requires from any employees and all employees are directed to cooperate with any request made by the Audit and RPT Committee.
19. The Audit and RPT Committee is authorized by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
20. The Audit and RPT Committee shall be provided with sufficient resources to discharge its duties. It shall be responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external party who advises the Committee.

IX. Audit and RPT Committee Objectives

21. The Board has, amongst other things, the responsibility to oversee the Company's financial reporting system and internal control procedures. It should ensure that the Company establishes and maintains appropriate and effective internal control system and oversee such system on an ongoing basis. The Audit and RPT Committee should provide advise to and assist the Board in fulfilling such responsibilities and any other responsibility as may be delegated by the Board from time to time.

X. Duties

22. The Audit and RPT Committee shall, in addition to and to supplement the duties and responsibilities provided for in the Revised Corporate Governance Policy and Procedure Manual of the Company, shall perform the following duties:

Relationship with the Company's External Auditors

- (a) Being primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and on the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that auditor. The appointment, reappointment and removal of the external auditors shall be based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) technical competence and expertise of the auditing staff; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's report;
- (b) Performing oversight functions over the external auditor, and annually reviewing and monitoring the external auditor's technical competence, suitability, independence, objectivity and the overall effectiveness of the audit process in accordance with applicable standards, and rules, regulations and circulars issued by the regulators.
- (c) Developing and implementing policy on the engagement of an external auditor to supply non-audit services; evaluating the non-audit work, if any, and reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; The Committee shall disallow any non-audit work that will conflict with the external auditor's duty as such or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in the Company's Annual Report;

- (d) Discussing with the external auditor before the audit commences, the nature and scope of the audit and the reporting obligations; setting, or delegating the same to management, the compensation of the external auditor in relation to the scope of its audit; and ensuring co-ordination where more than one audit firm is involved;
- (e) Discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of Management where necessary), and establishing a system of reporting where the external auditor can communicate directly to the Audit and RPT Committee on a timely basis, as well as a system that addresses, in a timely and effective manner, any findings of fraud or error on the financial statements;

Relationship with the Company's Internal Auditors

- (f) Organizing an internal audit department, and considering and approving the appointment and removal of the Head of Internal Audit and the terms and conditions of his engagement and removal as well as performing independent assessment of the effectiveness of the performance of the Head of Internal Audit in carrying out its role. The performance evaluation standard for the Head of Internal Audit is attached and forms part of this Charter;
- (g) Performing oversight functions over the Company's internal auditors, and ensuring that the internal and external auditors act independently from each other, and that both parties are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions, including access to the Audit and RPT Committee, the Board, and Management;
- (h) Recommends the approval of the Internal Audit Charter (IA Charter) which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter.
- (i) Reviewing the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources, and budget necessary to implement it. The Committee shall also review other reports and findings submitted by Internal Audit and ensure that management action plans are in place and implemented to address the findings.
- (j) Establishing and identifying the reporting line of the Internal Auditor, who shall functionally report directly to the Audit and RPT Committee and shall be free from interference by outside parties, to enable him to properly fulfill

his duties and responsibilities. The internal audit shall be independent and audits shall be done with impartiality and with due professional care.

Review of financial information of the Company

- (k) monitoring the integrity of the Company's financial statements, annual reports and accounts, half-year reports and, if prepared, quarterly reports, and reviewing significant financial reporting judgments contained in them.

In this regard, in reviewing the Company's annual reports and accounts, half-year reports and, if prepared, quarterly reports before submission to the Board, the Audit and RPT Committee shall focus particularly on:

- (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with any legal requirements in relation to financial reporting;
- (l) in respect of (f) above:
 - (i) liaising with the Board and Management;
 - (ii) meeting, at least twice a year and more frequently if the Audit and RPT Committee thinks fit, with the Company's auditors; and
 - (iii) considering any significant or unusual items that are, or may need to be, reflected in such financial statements, reports and accounts and giving due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Company's financial reporting system and internal control procedures

- (m) Reviewing the adequacy of the processes put in place by the internal audit function to deal with recommendations raised in the internal audit reports in a timely manner;
- (n) Assisting the Board to obtain an annual confirmation from Management on the effectiveness of the internal control system;

- (o) reviewing the Company's financial controls, internal control, information technology security and risk management systems;
- (p) discussing with Management any matters in relation to the Company's internal control system and ensuring that Management has discharge its duties in establishing and maintaining an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;
- (q) considering any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and Management's response;
- (r) ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring the effectiveness of the internal audit function;
- (s) reviewing the Company's financial and accounting policies and practices;
- (t) reviewing the external auditor's management letter, any material queries raised by the auditor to Management in respect of the accounting records, financial accounts or systems of control and Management's response;
- (u) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (v) reporting to the Board on the matters set out in these Charter;
- (w) reviewing arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters and ensuring that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action;
- (x) acting as the key representative body for overseeing the Company's relationship with the external auditor;
- (y) overseeing compliance with applicable law and regulatory policy with respect to the Company's operations; and
- (z) considering any other topics, as defined by the Board.

Related Party Transactions

- (aa) assisting the Board of Directors in carrying out its responsibilities pertaining to related party transactions, particularly in ensuring that all transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance

with applicable laws and regulations, in order to protect the interest of the Company, its shareholders, policyholders, clients, creditors and other stakeholders;

(bb) evaluating on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the Board and regulators;

(cc) evaluating all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the Company are misappropriated or misapplied; and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee shall take into account, among others, the following: i. The related party's relationship to the Company and interest in the transactions; ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction; iii. The benefits to the Company of the proposed RPT; iv. The availability of other sources of comparable products or services; or v. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Company shall have in place an effective price discovery system and have exercised due diligence in determining a fair price for RPTs;

All RPTs that are considered material, including write-off of material exposures, based on the Company's Internal RPT Policy, shall be endorsed by the Audit and RPT Committee to the Board of Directors for approval and to the stockholders of the Company for confirmation, during the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be endorsed by the Audit and RPT Committee to the Board of Directors for approval;

(dd) ensuring that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interests. The disclosure shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies; and conflicts that could arise as a result of the Company's affiliation or transactions with other related parties;

(ee) reporting to the Board of Directors on a regular basis, the status and aggregate exposure to each related party as well as the total amount of exposures to all related parties;

(ff) ensuring that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process; and

- (gg) overseeing implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review of RPT policies and procedures.

XI. Relationship with Other Board Committees

- 23. The Chairperson of the Audit and RPT Committee shall coordinate with the Chairperson of the Board Risk Committee to help to ensure that both the Board Risk Committee and the Audit and RPT Committee have received all information necessary to permit them to fulfill their duties and responsibilities with respect to risk assessment and risk management.

XII. Reporting Procedure

- 24. Full minutes of the Audit and RPT Committee's meetings shall be kept by the Company Secretary or a duly appointed secretary of the meeting, and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
- 25. Minutes of meetings of the Audit and RPT Committee shall record in sufficient detail the matters considered by the Audit and RPT Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes of such meetings should be sent to all members of the Audit and RPT Committee for their comment and records respectively, in both cases within a reasonable time after such meetings.
- 26. Without prejudice to the generality of the duties of the Audit and RPT Committee set out in these Charter, the Audit and RPT Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations and of any material issues regarding conflicts of interest, misconduct, anomalies or material defects in the internal control systems and violations of laws relating to the Company's operations, unless there are legal or regulatory restrictions on its ability to do.
- 27. The members of the Committee shall disclose to the Committee whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Company. Any member who has personal interest in the transaction shall abstain from the discussion, approval, and management of such transaction or matter affecting the Company.
- 28. To ensure that the Committee continues to fulfill its responsibilities in accordance with best practices and in compliance with the Code of Corporate Governance and other relevant regulatory requirements, the Committee shall conduct an assessment of its performance at least annually.
- 29. Likewise to ensure that the Head of Internal Audit continues to fulfill its responsibilities in accordance with best practices and in compliance with the Code of Corporate Governance and other relevant regulatory requirements, the Committee shall also conduct an annual

assessment of the overall performance of the Head of Internal Audit and other relevant officers, if necessary.

XIV. Charter Available

30. The Audit and RPT Committee shall make available these Charter on request and by inclusion on the Company's website, thereby explaining its role and authority delegated to it by the Board.

XV. Performance Evaluation

31. An annual assessment of the performance of the Audit and RPT Committee shall be undertaken by the Board to measure its effectiveness in relation to its duties as above specified and as detailed in the Revised Corporate Governance Policy and Procedure Manual. The Board should regularly carryout evaluation to appraise the performance of the committee and/or its members. Performance Standards shall be developed for the purpose and shall form part of this Charter

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