

BOARD AUDIT & COMPLIANCE COMMITTEE CHARTER

I. OVERALL PURPOSE

The Board Audit and Compliance Committee (BACC) of PNB General Insurers Company, Inc. (the “PNB Gen”) is a standing Committee of the Board of Directors (the “Board”).

The purpose of the Committee is to:

- Provide oversight functions of the institution’s internal and external auditors;
- Setting-up of Internal Audit Division, and the appointment of the Internal Auditors;
- Monitor and evaluate the adequacy and effectiveness of the internal control system of the Company;
- Provide oversight over compliance functions and/or oversee the compliance program of the Company;
- Assist the Board in the performance of its oversight responsibility of monitoring compliance with applicable laws, rules and regulations; and
- The fulfillment of the other responsibilities set out herein.

While the Committee has the responsibilities and powers as set forth in this Charter, it is not the duty of the BACC to determine that PNB Gen’s financial statements and disclosures are complete and accurate and are in accordance with the Generally Accepted Accounting Principles and applicable rules and regulations. These are the responsibilities of Management and the External Auditors.

II. MEMBERSHIP

The Board Audit and Compliance Committee shall be comprised of independent board members, preferably with accounting and finance experiences.

The presence of fifty percent (50%) of the members plus one will constitute a quorum for the business agenda and shall be valid as an act in all the meetings of the Committee.

The Committee shall designate a Secretariat that will handle the administrative requirements of the Committee.

III. MEETINGS

The Committee shall hold a meeting at such time and place as it considers appropriate, provided that a meeting shall be held at least four (4) times a year. Special meetings may be convened as necessary.

The Committee shall invite resource person(s) in any of its meetings to render a report, clarify and provide guidance to the Committee on any relevant issue(s) the Committee is/are confronted with.

IV. AUTHORITY

The BACC shall have explicit authority to investigate any matter within its terms and reference, full access to and cooperation by Management and full discretion to invite any Director or Executive Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

The BACC shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants on audit related matters to advise the Committee. PNB Gen shall provide funding, as determined by the BACC, for payment of compensation to the External Auditors and to any advisors employed by the BACC.

The BACC may form and delegate authority to sub-Committees, comprised of one (1) or more members of the Committee, as necessary or appropriate. Each sub-Committee shall have the full power and authority of the BACC.

The BACC shall ensure that a review of the effectiveness of the Company's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

V. DUTIES AND RESPONSIBILITIES

The Board Audit and Compliance Committee shall have the following duties and responsibilities:

➤ On Financial Statements

Review the quarterly, semi-annual, annual and any periodic financial statement signed by the President/CEO and PNB Gen Controller prior to submission to the Board, with particular focus on the following:

- Any change/s in accounting policies and practices
- Major judgmental areas
- Significant adjustments
- Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal, and stock exchange requirements

➤ **Oversight of the PNB Gen's External Auditor**

- Review/approve the Audit Program of the External Auditor prior to any audit undertaking, the scope among which includes the nature, coverage, expenses of the audit, and ensure proper coordination if more than one (1) audit firm and/or internal independent review/external examination is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Evaluate and determine non-audit work/services by External Auditor and keep under review the non-audit fees paid to the External Auditor both in relation to their significance to the auditor and in relation of the Company's total expenditure on consultancy and whether provision of non-audit services is compatible with maintaining the External Auditor's independence. The non-audit work should be disclosed in the annual report.
- Review and discuss with Management and the External Auditor the annual audited financial statements and disclosures and matters such as, but not limited to, accounting policies and practices, management letter, significant disagreement with Management.

➤ **Oversight of the PNB Gen's Internal Auditor**

- Responsible for the establishment of the Internal Audit Division and the appointment and replacement of the Head of Internal Audit Division (who will report directly to the BACC functionally) including annual performance review of the Internal Audit Division Head, accepting the resignation and/or dismissal subject to due process.
- Review, evaluate and approve the Annual Audit Plan to include the audit scope, frequency and prioritization of high risk business units/entities as well as approve any significant change to the Annual Internal Audit Plan.
- Ensure that the Internal Audit Division (IAD) has adequate resources in terms of manpower, budget and training to effectively fulfill its independent duties in the expedient implementation of the Annual Audit Plan.
- Review and approve audit reports to the extent that BACC Chair may issue directives to Senior Management to develop and implement the necessary corrective actions in a timely manner and/or require submission of a Project Plan to address promptly any significant weaknesses in internal controls, non-compliance with corporate policies and procedures/standards, potential violations to laws and regulations and recommendations by the Internal Audit Division to align the Company with global or industry practices.
- Review and evaluate the adequacy of the work performed by the Head of Internal Audit Division and the IAD.

The Committee shall ensure that the Internal Auditors shall have free and full access to all the Company's records, properties and personnel relevant to the Internal audit activity and that the Internal Audit activity should be free from interference in determining the scope of Internal Auditing examinations, performing work, and communicating results.

➤ **Oversight of the PNB Gen's Compliance Officer**

- Review and approve the Compliance Organizational structure including the appointment of Compliance Officer with the concurrence of the PNB Global Compliance Group (GCG).
- Evaluate and recommend to the Board the appointment of the Chief Compliance Officer who shall report directly to the Chairman of the Board through the BACC.
- Review and approve the Annual Compliance Program/Plan submitted by the Chief Compliance Officer and significant amendments to the Annual Compliance Plan including the accomplishments vs. the approved Compliance Plan every January.
- Oversees the Board approved Compliance Program/Plan and ensure compliance recommendations are addressed by the President and Senior Management of PNB Gen on a timely basis.
- Oversee the AML Compliance Framework through the Compliance Department to ensure effective Senior Management oversight, coordination, monitoring and escalation of significant weaknesses in AML policies and procedures and potential violations with AML implementing rules and regulations.
- Review and approve AML Compliance Testing Review reports to the extent that the BACC Chairman may issue directives to the President, Senior Management to implement corrective actions or provide Project Plans primarily to address significant weaknesses in AML Compliance.

VI. OTHER DUTIES AND RESPONSIBILITIES

The Committee shall:

- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system including financial reporting control and information technology security.
- Receive and review reports of internal and external auditors, compliance and regulatory agencies, where applicable and ensure that Management is taking appropriate corrective actions, in a timely manner.
- Conduct self-assessment of the performance of the BACC as a whole as well as the individual performance of each Committee member annually. The results of the self-assessment shall be validated by the Board Corporate Governance Committee and endorsed to the Board for approval. The entire assessment process should be documented and should form part of the records of the Company that may be examined by the regulators from time to time.
- Review and assess the adequacy of this Charter annually and recommend any proposed changes for approval of the Board of Directors.