



The Board of Directors (the "Board") of MAA General Assurance Phils., Inc. (the "Corporation") has adopted and approved this Charter, setting forth the purpose, responsibilities, authority and membership requirements of its Audit Committee (the "Committee").

## **1.0 MEMBERSHIP AND COMPOSITION**

The Committee shall consist of non-executive directors, with a minimum of three (3) directors.

The Committee shall elect a chairperson from among its members who is an independent non-executive director of the Company.

All members of the Audit Committee should be financially literate and at least one member of the Audit Committee: -

1. must be a member of the Philippine Institute of Certified Public Accountants or any government recognized professional accounting association of any country;
2. if he is not a member of the above, he must have at least three (3) years of working experience in finance division of a company.

No Alternate Director shall be appointed as a member of the Audit Committee.

In the event that a member of the Committee resigns, dies or for any other reason ceases to be a member resulting in the number of members reduced to under three (3), the Board of Directors of MAA General Assurance Philippines Ltd ("MAAGAP") shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

## **2.0 TERMS OF REFERENCE**

The Committee shall be governed by the following terms of reference:

### **Terms of Membership**

Members of a Committee shall be appointed for an initial term of three (3) years after which they will be eligible for re-appointment.

### **Meetings**

The Committee shall meet at least four (4) times a year or more frequently as circumstances dictate. The Chief Executive Officer, Finance Director and Chief Audit Executive should normally attend

meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Committee may meet with the External Auditors without the Executive Board members present at least once a year.

### **Secretary to the Committee**

The Secretary of the Committee shall be appointed by the chairperson. The Secretary shall be responsible for drawing up the agenda in consultation with the chairperson and shall be responsible for keeping the minutes of the meeting of the Committee, circulating them to committee members. The agenda together with relevant explanatory papers and documents shall be circulated to committee members prior to each meeting.

### **Quorum**

A quorum shall consist of at least three (3) Committee members.

### **Authority**

The Committee is authorized by the Board of MAAGAP to investigate any activity within its terms of reference. It has free access to all information and documents it requires for the purpose of discharging its functions and responsibilities.

The Committee is also authorized to obtain external auditors or other independent professional advice as it considers necessary as well as appoint an Audit Sub-committee.

## **3.0 DUTIES AND RESPONSIBILITIES**

The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman, Chief Executive Officer, Finance Director, Chief Audit Executive and the External Auditors in order to be kept informed of matters affecting the Company.

The duties of the Audit Committee should include the following:

- to consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
- to discuss with the External Auditor before the audit commences, the nature and scope of audit, and ensure coordination where more than one audit firm is involved;
- to observe the established process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor as recommended by the Audit Committee, approved by the Board and ratified by the shareholders. In case of removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public in accordance with required disclosures.

- to assess the integrity and independence of external auditors and exercise effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.
- to review and monitor the external auditor's suitability and effectiveness on an annual basis as discussed and reported during the annual shareholders' meeting before the members of the Board.
- to review the quarterly and year-end financial statements of the Board, focusing particularly on –
  1. any change in accounting policies and practices;
  2. significant adjustments arising from the audit;
  3. the going concern assumption; and
  4. compliance with accounting standards and other legal requirements.
- to discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss.
- to review the External Auditor's management letter and management's response;
- to monitor provision of non-audit services by External Auditors. The Committee shall evaluate and determine the nature of non-audit services, if any, of the external auditor. Further, the Committee periodically reviews the proportion of non-audit fees paid to the external auditor in relation to the corporation's overall consultancy expenses
- puts in place robust policies and procedures designed to promote auditor independence in the long run. In formulating these policies and procedures, the Committee is guided by nationally and internationally recognized best practices and regulatory requirements or issuances
- to do the following, in relation to Internal Audit Function –
  1. review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;
  2. review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations;
  3. review any appraisal of the performance and compensation of staff members;
  4. approve any appointment or termination of senior staff members; and
  5. take cognizance of resignations of staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.
- To review any material or significant related-party transactions that may arise within the Company or Group and determine whether or not they are in the best interest of the company and its shareholders, together with the Related Party Transactions Committee;
- To ensure that any related party transactions are conducted at arm's length;

- To consider the major findings of internal investigations and Management's response; and
- To consider other topics as defined by the Board.

#### **4.0 DELEGATION**

The Committee may, in its discretion, delegate all or a portion of its authority to act upon specific matters to a subcommittee consisting of one or more members of the Committee as it deems appropriate, unless prohibited by applicable law, regulation or exchange listing standard. Any such subcommittee shall have a charter and shall report any action to the full Committee at the next meeting. In addition, to the extent not prohibited by applicable law, as appropriate, the Committee may, if and to the extent determined by the Committee, delegate to the Chairman of the Committee certain of the Committee's duties and responsibilities.

#### **5.0 REPORTING, PERFORMANCE EVALUATION AND REVIEW OF CHARTER**

The Committee shall report its actions and recommendations periodically to the Board at regularly scheduled Board meetings and shall conduct an evaluation of the Committee's performance at least annually. The evaluation will address subjects including the Committee's composition, responsibilities, structure, process and effectiveness and the Committee shall report to the Board on its annual performance evaluation. The Committee shall review and reassess at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

#### **6.0 DISCLOSURE OF THE CHARTER**

This Charter, and any amendments thereto, shall be displayed on the Corporation's web site and a printed copy of such shall be made available to any shareholder of the Corporation who requests it.