

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION

CHARTER OF THE AUDIT COMMITTEE

PURPOSE AND OBJECTIVES

This Charter governs the operations of the Audit Committee. The purpose of the Audit Committee shall be to oversee that the auditing, accounting, financial management principles and practices are in line with international and Philippine best practices and conform to all legislative and regulatory requirements. Its principal objectives shall be:

- (i) To assess the completeness and fairness of the presentation of the financial statements and financial reports of COCOLIFE to shareholders and regulators;
- (ii) To monitor the implementation of the internal audit program including the assessment of business, operational, compliance, reputational, control and fraud risks, risk management, governance and related policies;
- (iii) To monitor and advise the Board of Directors with respect to Internal Audit's annual operating and capital expenditures budget, and
- (iv) To review and endorse for the approval of the Board of Directors, the recommendation of Management on the selection of COCOLIFE's independent external auditors; consider the independence of external auditors and provide inputs on the scope of their work.

COMPOSITION AND COMPETENCIES

The Audit Committee shall consist of at least (3) independent directors. In order to be considered an independent director, an Audit Committee member must pass the relevant "fit and proper" test prescribed by the regulators. He may not have a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Audit Committee members shall preferably have accounting, auditing or related financial management expertise or experience.

The Committee Chair and members of the Audit Committee shall be appointed by the Board of Directors and shall serve until their successors are duly elected and qualified.

STATEMENT OF POLICY

The Audit Committee shall provide assistance to the Board of Directors in overseeing the financial reporting and financial management processes, the systems of internal accounting and financial controls, the performance and independence of the external and internal auditors, and the annual independent audit of COCOLIFE's financial statements.

The independent external auditors for COCOLIFE, in coordination with Management, shall report to the Audit Committee. The Audit Committee shall review the performance of the external auditors and endorse Management's recommendation for approval of the Board of Directors on their appointment or discharge. The Audit Committee shall be responsible for the resolution of any disputes between Management and the independent external auditors regarding financial reporting.

The Audit Committee is responsible for recommending for approval of the Board of Directors the appointment, reappointment, or replacement/dismissal of the Internal Auditor. For this purpose, the Internal Auditor shall report directly to the Audit Committee. Any action taken by the Audit Committee in the exercise of this function shall be done in coordination with the Human Resources Group.

The Audit Committee shall also be responsible for reporting to the Board of Directors the annual performance review of the Internal Auditor.

Even as the Audit Committee receives periodic reports from IAD on its performance, the performance appraisal of the IAD personnel shall be prepared by the Internal Auditor. The Audit Committee shall review and process the recommendations of the Internal Auditor on the performance appraisal of the IAD personnel.

Matters pertaining to compensation, promotion, bonuses and performance appraisal of the internal audit personnel shall be in accordance with COCOLIFE's Performance Management System/remuneration policy.

No member of the Committee may vote on any matter in which he, directly or indirectly, has a material interest.

Any resolution or decision of the Audit Committee shall require the vote of at least a majority of the members present at a meeting. In case of deadlock, the Audit Committee shall elevate the matter to the Chairman of the Board of Directors for his resolution.

RESPONSIBILITY AND PROCESSES

The primary responsibility of the Audit Committee is to oversee COCOLIFE's financial reporting and financial management processes on behalf of the Board of Directors and report the results of their activities to the Board of Directors. It is not the duty of the Audit Committee to assure COCOLIFE's compliance with laws; to plan or conduct audits; and to determine that COCOLIFE's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of management, the internal auditor (with respect to internal audit function) and the independent external auditors, respectively. In carrying out its responsibilities, the Audit Committee's policies and procedures should remain flexible in order to enable it to react to changing conditions and circumstances.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide for the Audit Committee. However, the Audit Committee may revise or supplement them as appropriate.

1. Annually, the Audit Committee shall review the Management's proposal, for the appointment of COCOLIFE's independent external auditors and the corresponding fees. After review, the Committee shall endorse for approval of the Board of Directors the Management's recommendation for the appointment of the independent external auditors. No independent auditing firm may be engaged to conduct COCOLIFE's independent audit if any director or senior management official (rank of vice president or higher) of COCOLIFE has worked for the auditing firm in the one year period to the new independent audit.
2. Prior to the engagement, the Audit Committee shall ensure that the independent external auditors submit a formal written statement disclosing all relationships between the independent external auditors and COCOLIFE. The Audit Committee is responsible for engaging in a dialogue with the independent external auditors with respect to such disclosed relationships that may impact on the objectivity and independence of the independent external auditors and recommending that the Board of Directors take appropriate action to satisfy itself of the independent external auditor's independence.
3. The Audit Committee shall provide for the engagement of the independent external auditors to provide non-audit services.

4. The Audit Committee shall require the independent external auditors to communicate with the Audit Committee on a timely basis the following viz:
 - a. all critical accounting policies and practices to be used;
 - b. any disagreements with management on accounting, auditing or reporting matters;
 - c. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent external auditors; and
 - d. other material written communications between the independent external auditors and management, such as any management letter, representation letters or schedule or unadjusted differences.
5. The Audit Committee shall 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.
6. The Audit Committee shall review and approve the audit plan, scope, frequency of audit, all major changes to the plan, and IAD budgets/resources and changes thereon. The Audit Committee shall ensure that these are presented to the Board of Directors for notation. The Audit Committee shall also ensure that the plan is aligned with the overall plan, strategy and budget of COCOLIFE and is based on robust risk assessment.
7. The Audit Committee shall suggest guidelines by which officers and staff may, 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 thereon.
8. The Audit Committee shall have full discretion to invite any director or executive officer to attend its meetings.

9. The Audit Committee shall invite the business units, as necessary, to discuss among others:
 - a. Briefing on certain processes to include:
 - Risk management process and its effectiveness
 - Monitoring of main processes and key risks
 - Managing challenges and problems encountered by the unit
 - Actions taken to address compliance and other management issues
 - Updates on instructions of the Audit Committee and on open items on Corrective Action Tracking Report.
 - b. Processes relevant and necessary to the complete and full deliberation of the agenda topics.
10. The Audit Committee may request any officer or employee of COCOLIFE or COCOLIFE's independent external auditors, external counsels, consultants or advisers to attend meetings of the Audit Committee or to meet with any member of, or consultants to, the Audit Committee.
11. The Audit Committee shall oversee special assignments or initiate audit activities, as needed.
12. The Audit Committee shall review any other reports issued by COCOLIFE that relate to Audit Committee responsibilities.
13. The Audit Committee, based on its findings, may refer issues or matters of concern to any disciplinary committee.
14. The Audit Committee shall require the Internal Auditor to render to the Committee an annual report on the IAD's activity, responsibility and performance relative to the audit plans and strategies approved by the Committee. Such annual report shall include significant risk exposures and control issues, compliance issues, corporate governance issues and other matters needed or requested by the Committee and the Board of Directors.

15. The Audit Committee shall ensure that the internal auditors have free and full access to all COCOLIFE's records, properties and personnel relevant to the internal audit activity, and that the internal audit activity is free from interference in determining the scope of internal audit examinations, performing audit work, and communicating the results of the audit.

Documents and information given to internal auditors during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

16. The Audit Committee shall assess at least annually its own performance in relation to its responsibilities under this Charter. It shall review and reassess this Charter annually and recommend any appropriate changes to the Board of Directors.

17. The Audit Committee shall endorse for approval of the Board of Directors the Internal Audit Charter and appropriate changes to it.

18. The Audit Committee shall meet regularly at least once each month. The Committee may be convened in a special meeting as and when determined by the Chair of the Committee. Majority of the members of the Committee shall constitute a quorum.

19. The Audit Committee shall meet at least once annually separately with management, the internal auditor and the independent external auditors to discuss matters that the Audit Committee or any of said parties believe should be discussed privately with the Committee.

20. Members of the Audit Committee may participate in a meeting of the Audit Committee by means of a conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. Except under extraordinary circumstances as determined by the Committee Chair, notice and agenda of every meeting together with the relevant documents, shall be delivered to all Audit Committee members at least a day prior to the meeting date. On instances that the report/s cannot be delivered a day prior to the meeting, the Internal Auditor shall inform the Audit Committee of such.

21. Any urgent action required or permitted to be taken at a meeting of the Committee may be taken without a meeting if consent in writing setting forth the action so taken, is signed by majority of the members of the Committee.
22. The Audit Committee shall elevate to the President and/or CEO the summary of outstanding uncorrected items covering audit engagements conducted by IAD.
23. The Audit Committee shall maintain minutes of its meeting and regularly submit to the Board of Directors a report of the Committee's activities, findings, actions and recommendations. Likewise, the following are included in the executive summary of the Audit Committee report addressed to the Board of Directors:
 - status of Audit Committee directives to concerned units;
 - significant issues on concerned units, as discussed during the Audit Committee meetings, for the Board to have an idea of the institution's circumstance, for deliberation or discussion as may be applicable.
24. The Audit Committee shall perform other activities consistent with this Charter, the IAD Charter and applicable laws and regulations as the Committee or the Board deems necessary or appropriate.

AUTHORITY

In addition to the authorities granted to the Audit Committee elsewhere in this Charter, the Committee is authorized:

- a. to access any information, data or records of COCOLIFE and to require the production of the same by the concerned officer or employee;
- b. to conduct or authorize the conduct of an inquiry into any matter within the scope of its responsibility;
- c. to hire accounting, audit, technology, legal or other consultants who will assist the Committee in carrying out its functions and duties under this Charter including the skills enhancement and training of the officers and staff of the Internal Audit Division;
- d. to resolve any disagreement between Management and the Internal Audit Division;
- e. to reorganize the Internal Audit Division to enhance its capability to deliver the required services and make it more responsive to changes and emerging trends in audit standards, methodologies and best practices; and

- f. to determine the internal audit functions that may be outsourced and to approve the outsourcing of such functions within the context of existing regulatory policies.

The Audit Committee has no authority to stop the implementation of business decisions approved by Management and relevant Committees.

RELIANCE ON INFORMATION PROVIDED

In adopting this Audit Committee Charter, the Board of Directors acknowledges that the Audit Committee members are not employees of COCOLIFE and are not providing any expert or special assurance as to COCOLIFE's financial statements or any professional certification as to the independent external auditors' work or auditing standards. Each member of the Audit Committee shall be entitled to rely on the integrity of those persons and firms within and outside COCOLIFE that have provided information to the Audit Committee and the accuracy and completeness of the financial and other information provided to the Audit Committee by such persons or firms in the absence of actual knowledge to the contrary.