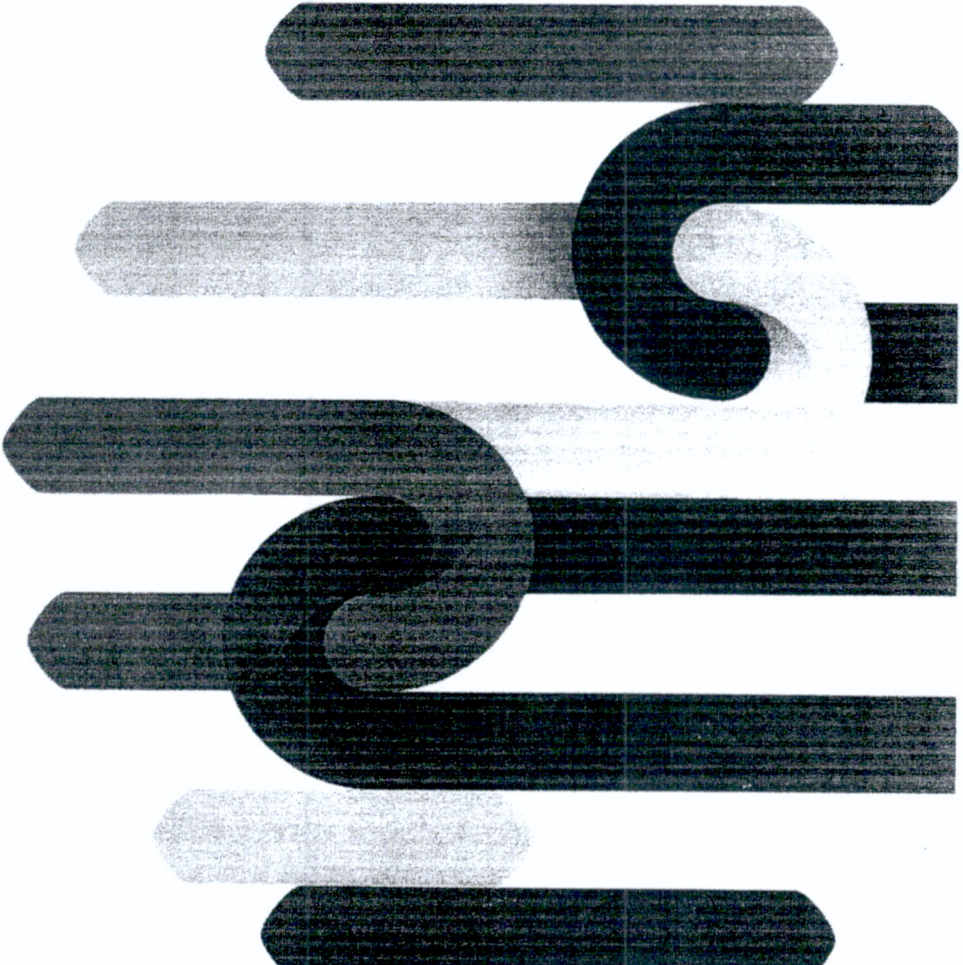


# United Coconut Planters Life Assurance Corporation

Proposal for Professional Services

Received by: Oscar Lawrence Bernardo 11/24/2020





**P&A**  
**Grant Thornton**

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**Atty. Jose Martin A. Loon**  
President  
**United Coconut Planters Life Assurance Corporation**  
Cocolife Building, 6774 Ayala Avenue  
Makati City

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**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines  
T +63 2 8 988 22 88

October 1, 2020

Gentlemen:

This is to confirm the terms of our engagement in connection with the audit of the consolidated financial statements of **United Coconut Planters Life Assurance Corporation (the "Company" or "Cocolife") and Subsidiaries** (collectively referred to as "**Group**"), as well as, the separate financial statements of **Cocolife and its Subsidiaries** as of and for the year ending December 31, 2020.

If the terms stated herein meet your approval, we will appreciate your signing the duplicate copy of this letter to acknowledge your understanding and acceptance of the arrangements, and returning it to us.

Thank you for giving us the opportunity to be of continuing service to you.

Very truly yours,

**PUNONGBAYAN & ARAULLO**

  
By: **Jerald M. Sanchez**  
Partner



P&A  
Grant Thornton

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CONFORME:

We acknowledge that the engagement letter and the attached standard terms and conditions form a binding agreement between **Punongbayan & Araullo** and **United Coconut Planters Life Assurance Corporation**.

By:

  
ATTY. JOSE MARTIN A. LOON

Name and Signature

PRESIDENT & CEO

Position

10/22/2

Date

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# Scope of Work

## Purpose of the Audit and Limitations

Our work will consist of an audit of the **consolidated financial statements** of Cocolife and its subsidiaries, and the **separate financial statements** of Cocolife and the individual subsidiaries, which comprise the statement of financial position as of December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ending, and notes to the financial statements, including a summary of significant accounting policies, to enable us to express an opinion on the fair presentation of the Group's and Cocolife's financial position as of December 31, 2020, and the results of its operations and its cash flows for the year then ending in accordance with Philippine Financial Reporting Standards (PFRS).

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Philippine Standards on Auditing (PSA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We will conduct our audit in accordance with PSA. Those standards require that we comply with ethical requirements. As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In addition, we shall report on the supplementary information required under Revenue Regulations (RR) No. 15-2010 and, if applicable, supplementary schedules required under Securities Regulation Code (SRC) Rule 68, as amended, as prepared by management.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatement or irregularities may remain undiscovered. Moreover, an audit is not designed to detect fraud or insignificant error to the financial statements. However, any matter of governance interest that may come to our attention in the course of the audit will, of course, be reported to the management and audit committee or others of equivalent authority or responsibility.

#### **Compliance with Insurance Commission Requirements**

Under Section 4.3 of Circular Letter No. 2019-39 of the Insurance Commission (IC), we are required as the Company's external auditors to report to the IC within 15 calendar days after discovery, the following cases:

1. Any material findings involving fraud or error;
2. Losses or potential losses the aggregate of which amounts to at least ten percent (10%) of the consolidated assets of the regulated entity;
3. Significant doubt as to the ability of the regulated entity to continue as a going concern;
4. Material breach of laws or IC rules and regulations, such as but not limited to the prescribed net worth and risk-based capital requirements, of the regulated entity;
5. Material internal control weaknesses which may lead to financial reporting problems; and,
6. Findings on matters of corporate governance that may require urgent action by the IC.



Before sending any report to the IC, we shall submit and discuss our findings relating to the above matters to the Company's management. We shall include in our report to the IC, management explanations and corrective actions taken regarding our findings. The Company's management shall be given the opportunity to be present in our discussion with the IC regarding the audit findings, except in circumstances where we believe that the Company's management is involved in fraudulent act.

In case there are no matters to report (e.g. fraud, dishonesty, breach of laws, etc.), we shall submit directly to the IC within 15 calendar days after closing of the audit engagement, a notarized certification that there is none to report.

It is, however, understood that the accountability of an external auditor is based on matters within the normal coverage of an audit conducted in accordance with Philippines Standards on Auditing. The financial statements, together with the supplemental report, submitted to the IC are the primary responsibility of the Company's Board of Directors and management. The Company concurs with our compliance to the above requirements and our disclosure to the IC of information under Section 4.3 of Circular Letter No. 2019-39 shall be allowed and that this shall not be a ground for civil, criminal or disciplinary proceedings against us. Both the Company and us, shall comply with the requirements of Circular Letter No. 2019-39.

#### **Compliance with SEC requirements**

Under the Securities Regulations Code Rule 68 of the Securities and Exchange Commission (SEC or the Commission), the Company is required to report to the SEC its action on the following findings that we may discover during our audit within five (5) business days from the date of submission of our findings to the Company:

1. Any material findings involving fraud or error that will reduce the total assets, total liabilities or income of the Company by 5%;
2. Losses or potential losses the aggregate of which amounts to at least 10% of the total assets of the Company;
3. Any finding to the effect that the total assets of the Company, on a going concern basis, are no longer adequate to cover the total claims of creditors; and,
4. Material internal control weaknesses which may lead to financial reporting problems.

As part of our responsibility as an accredited external auditor of the SEC and as required by the Commission, we shall report to the Commission the above enumerated findings within 30 business days from the date of submission of our findings to the Company, in case the Company fail to submit the above report to the SEC.

Before sending any report to the Commission, we shall submit and discuss our findings relating to the above matters to the management of the Company and its audit committee or Board of Directors. We shall include in our final report to the Commission, management's explanations and/or corrective actions taken regarding our findings. Our disclosure to the Commission of the information relating to these findings shall not constitute a breach of confidentiality nor shall it be a ground for civil, criminal or disciplinary proceedings against us.

# Value-added Services

In addition to our report on the financial statements, we will provide you with the following services:

- Routine consultation with management on accounting and related matters affecting the Company's business;
- Review and assistance in the computation of the Company's annual income tax provisions; and,
- Submission of a separate letter to management of any suggestions (improvements in internal control and matters with potential for business efficiencies) we may have as more fully described later in this proposal.

As part of P&A's services, we will furnish you with our monthly publications, the Tax Brief, in electronic form, which summarizes rulings by the Bureau of Internal Revenue (BIR) and the Department of Finance as well as recent Court decisions on tax matters. As a client of P&A, you will also be included in our e-mail list for Accounting and Tax Alerts, which deal with new accounting, auditing or tax pronouncements or issues. These publications are also available at our website: [www.grantthornton.com.ph](http://www.grantthornton.com.ph).

# Management Responsibilities and Representations

## Preparation of Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management is responsible for the supplementary information as required by RR No. 15-2010 issued by the BIR. In addition, management is responsible for furnishing the BIR all the necessary information prepared by the Company pertinent to the year-end adjustments, in accordance with the RR No. 7-2007. Should regulatory agencies require us to provide the information (if the Company is unable to), we shall be compelled to do so. Accordingly, our disclosure of information as required by the regulatory agencies shall not be a ground for civil, criminal, or disciplinary proceedings against us.

Moreover, management is responsible for the supplementary information required by SRC Rule 68 that may be applicable to the Company.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Compliance with Laws and Regulations

Management, with the oversight of those charged with governance, is responsible in ensuring that the Company's operations are conducted in accordance with the provisions of laws and regulations, including fraud. Management is also responsible in communicating on a timely basis and providing written representations to us all known instances of identified or suspected non-compliance with laws and regulations, including fraud.

If we identify instances of non-compliance with laws and regulations, including fraud, we shall discuss the matter with the management and those charged with governance. However, we will not communicate non-compliance matters, including fraud, to the extent we are prohibited to do so by laws and regulations.



As part of our audit process, we will make specific inquiries from management and will request management's written confirmation concerning representations contained in the financial statements and the effectiveness of the internal control structure. The responses to those inquiries, the written representations, and the results of our audit tests compose the evidential matter that we will rely upon in forming an opinion on the financial statements. As such, we expect management to provide us with complete, accurate, and timely information in the course of our audit, as well as unrestricted access to whatever records, documentation and other information requested in relation to the audit.

#### **Keeping Updated Books**

The Company shall be responsible for keeping its books updated and shall help expedite the audit work by providing clerical assistance, if necessary, and by promptly and efficiently preparing any schedules and analyses, which may be required during the audit. We would also request that a suitable work area be provided to us during our fieldwork.

#### **Preparation of ITR and GFFS**

The preparation of the income tax return (ITR) and other tax returns and the general form of financial statements (GFFS) of the Company and the information contained therein are the responsibility of management. We will, however, assist the Company in computing its annual income tax provision. This assistance will not include the detailed preparation of the ITR and detailed verification of the items of income and expenses. Our responsibility is to ascertain that the income and expenses items agree with the Company's books of accounts. The GFFS, on the other hand, is required to be submitted by the Company to the SEC in electronic form.

#### **Required Assistance from the Company**

We emphasize that our ability to complete our work on a timely basis is dependent on the following assumptions:

- That the books of accounts (such as general ledgers and subsidiary ledgers for cash in bank, receivables, inventories, other assets, payables, and other important accounting records) are up-to-date and that all transactions have been recorded in the original books of entries and have been posted to the general ledgers;
- That the trial balances are prepared based on completed transactions (no significant additional adjusting entries are made after the period closing);
- That the subsidiary ledgers (i.e, receivables subsidiary ledgers, inventories, accounts payable subsidiary ledgers, fixed assets register and other significant accounts) are available and contain sufficient detail and these agree with the general ledger and trial balance;
- That the required schedules and analyses for various accounts in the general ledger are available and will be provided to us at the time these are needed;
- That the account reconciliations are available and updated and the account balances agree with the general ledger and trial balance;
- That the underlying source documents, invoices and receipts are complete, filed intact and available for our inspection; and
- That the Company's management and personnel will provide the required assistance in the resolution of all issues and exceptions noted during the conduct of the audit.



**Confidentiality and Non-Disclosure**

As a basic component of our practice, P&A will not disclose any confidential information obtained in the course of our professional engagement. However, P&A may be required by a regulatory authority or body from any relevant jurisdiction to provide information, working papers, documents, testimony, etc. The Company, hereby, expressly allows P&A to cooperate fully and provide the requirements of such regulatory authority or body. P&A will, of course, inform the Company about such requirements for the purpose of making management aware of the actions being taken by such regulatory authority or body before providing the required information.

# Reports

Upon completion of the audit, P&A will submit the following reports to the Company:

- An auditors' report containing our opinion on Cocolife and its subsidiaries' separate financial statements and the Group consolidated financial statements as of and for the year ending December 31, 2020. Though not required by PSA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, key audit matters, if any, may be communicated in our auditors' report in cases where the Company's management and those charged with governance voluntarily elect or a law or regulation will require to include such key audit matters in our auditors' report. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The form and content of our auditors' report may need to be amended in the light of our audit findings; and,
- A management letter detailing our findings, comments and recommendations, if any, for improving the Company's internal accounting controls and financial and administrative management procedures; and compliance with requirements of government regulatory agencies such as the BIR and SEC. To assist the Company in improving its operational efficiency, we will also include in our management letter any comments on business matters that may come to our attention during the course of our audit.

Draft reports may be issued for discussion purposes only. Please note, however, that these draft reports are not yet final and are still subject to revisions and adjustments until approved by management and concurred by us.

# Engagement Team

We have assigned to this engagement the following senior personnel whom you can consult with for any assistance that you may require:

Engagement Partner	-	Jerald ( <i>Je</i> ) M. Sanchez
Engagement Senior Manager	-	Arman ( <i>Kit</i> ) B. Neptuno

# Professional Fees

✓ P&A's professional fees are based on estimated time to be spent on the engagement, multiplied by set hourly rates for particular staff levels. Based on our estimated timetable for the audit of Cocolife, including the audit of the consolidated financial statements, our proposed fee amounts to ✓ **P1,210,000**, exclusive of out-of-pocket expenses (OPE) and value-added tax (VAT).

## Fixed OPEs

OPE is charged based on a fixed rate of ✓ **12%** to be applied on professional fee billings. This fixed amount covers all routine transportation expenses, premium and meal subsidy for overtime work, report and reproduction costs (i.e., printing, photocopying, binding, and archiving done within P&A office), communication (i.e., telephone calls from P&A to your office), charges for the use of computers and other equipment, supplies and other necessary expenses (i.e., compact disc for file storage, bond paper used in the report and reproduction) incurred by our professional staff during the course of conducting their work.

## Non-Standard OPEs Excluded from OPEs and Professional Fees Identified Above

Hotel accommodation, per diem allowances of staff, if any, and other necessary travel-related expenses (i.e., taxi fare from/to the airport, airport terminal fee) that we incurred for out-of-town engagements will be billed to you separately based on actual expenses incurred. Alternatively, decent and proper out-of-town accommodations for our professional staff during the course of the engagement can be arranged by you.

Likewise, representation expenses for meetings with third parties, government or regulatory agency personnel, as may be required under the engagement shall be billed based on the actual amount incurred.

Other non-standard OPEs shall be billed to you together with our regular billings.

**Billings**

We propose to bill the Group a **monthly retainer fee of P70,000**. This monthly retainer fee has no effect on the total agreed fee as the total of these monthly retainer billings will be creditable against the total agreed fee for the year. The balance of our fees will be billed during the progress and upon completion of the audit.

The above fee arrangement contemplates that the Company will provide help by way of keeping updated books and giving clerical assistance in such areas as timely preparation of necessary schedules and analyses of accounts requested by us.

**Additional billings**

We will engage the services of an independent valuation specialist to determine the reasonableness of the Group's actuarial assumptions on determining its legal policy reserves/ insurance contract liabilities. We will agree during our planning meeting on how the fees incurred for these services will be billed to you.

**Other Fee Matters**

Subject to advance mutual discussions between the parties, we reserve the right to adjust our fee if this engagement extends beyond agreed timetable to compensate for the additional time spent on the engagement. We will present to you our proposed adjusted fee for your approval.

# Other Services

Special services requiring extended work or research or a written opinion or report which may be performed at your request, such as conduct and submission of tax compliance audit report to tax authorities, preparing tax opinions or studies, contesting tax assessments, certifying to special statements required by government agencies, systems work, special accounting or auditing assistance, etc., will be billed separately from the regular audit work.



# Standard Terms and Conditions

These standard terms and conditions are to be read together with our engagement letter to you dated October 1, 2020. They apply to all services that we perform for you that are described in that letter (called "**the Services**"). Together, the engagement letter and these terms are called "**this agreement**." If the two documents are inconsistent, the terms in these standard terms and conditions shall prevail over the engagement letter, except to the extent amended in the engagement letter by specific reference to the relevant clause of these standard terms and conditions.

## **Our obligations**

Punongbayan & Araullo and its affiliates (collectively referred to as **Punongbayan & Araullo**, "**us**" or "**we**") must use all reasonable commercial efforts to complete the Services within the set time. We will perform the Services with due care, competence and diligence. However, the quality of the Services will depend on the inputs gathered from you and other necessary parties.

Except as provided in the engagement letter and in the Related Services section below, we shall not be responsible for providing or reviewing specialist advice or services including legal, regulatory, accounting or taxation matters, due diligence or any other investigative services. We make no representations concerning questions of legal interpretation.

## **Related Services**

As a business adviser to you, we shall keep you, through your representatives and designated personnel, informed of relevant and material business and professional developments in accounting, auditing, tax and general business. In this relation, we shall inform you, from time to time, either through alerts, publications, articles, and/or face-to-face meetings, briefings, forums, seminars or such other form of delivery that we believe may be most effective and appropriate. We may, at our option, continue to inform you of these developments even after the termination of this engagement letter. Nonetheless, your representatives and designated personnel may also inform us, in writing or through e-mail, should you wish to discontinue subsequently.

**Your obligations**

You must instruct us fully and, in a timely fashion, give Punongbayan & Araullo each of the following (as they are ordinarily reasonably required to perform the Services):

- a) information – Punongbayan & Araullo is entitled to rely on the accuracy of that information without independently verifying it. That is so whether the information is provided by you, your representatives, or your advisers;
- b) access – we should be given access to files, records and information technology systems, to premises and to people (whether management or staff) with relevant skills and experiences; and,
- c) resources – you must provide (and designate to the engagement) all resources that are reasonably necessary to ensure timely approval, development and sign-off of all project plans, specifications, accounts and deliverables.

In the process of performing the Services, you may provide us with files and records through electronic transmission or grant us remote or viewing access to your information technology system using available tool(s). In addition, we communicate and transmit to you information and documents through electronic channel of communication. In this respect, you accept and acknowledge that P&A should not be held responsible for any lapses in cybersecurity or intrusion into your information technology infrastructure and system that may occur or have occurred during the course of performing the Services despite our efforts and mechanisms to prevent such from occurring.

Prior to the start of the Services, we shall agree with you on all documents, schedules, information, analyses, etc. that we will require to complete the Services and on the dates when such requirements shall be submitted. The work shall not commence until you have submitted all the requirements and until we have checked the submitted requirements for propriety and completeness.

If you have not submitted the requirements on the earliest agreed submission date, and we have already allocated resources or identified members of the engagement team, we shall inform you that the engagement team members will be released back to the professional pool. A mobilization period of at least one week from the complete submission of the requirements will be needed before the engagement is restarted.

**Conflicts of interest**

For reasons of auditor independence rules and other regulatory requirements, there are certain checking procedures that we have to undertake either before providing the services to you or during and after our engagement to ascertain if there are any conflicts of interest or other factors which may affect our engagement with you. Depending on the results of the checks, there are services that we may not be permitted to provide to you.

While we have exerted efforts to identify where a conflict of interest might arise, we cannot be certain that we have identified all such situations which exist or may develop, in part because it is difficult for us to anticipate what you might also perceive to be a conflict and there may also be some information that may not have come to our attention which could affect our independence.

To ensure that all conflicts of interest issues are properly addressed, you are also obligated to check at your end, any actual or potential conflicts affecting our engagement before, during or even after the engagement. If you have any reasons to believe that the results of our conflict checks are incorrect or if the circumstances changes, you undertake to inform us without delay about this fact. Please note that if the circumstances change and we are no longer permitted to provide services to you because of auditor independence rules or other regulations, we reserve the right to either revise our engagement letter so that we will not be in breach of such rules and regulations or to terminate this engagement. If termination occurs, you agree to compensate us for all services up to the date of termination of the engagement.

#### **Emergence of reputational and business risks**

During the course of the Services, you will notify us of any significant matter that may affect the conduct and outcome of the Services. Punongbayan & Araullo reserves the right to assess whether to continue or terminate the Services in light of developments that could expose us to reputational risks, business risks, or any other similar risks that could negatively impact us.

#### **Delays**

Punongbayan & Araullo will not be liable for any failure or delay in performing the Services if that failure or delay arises from anything beyond its control - including the untimely performance by you of your obligations or when the engagement occurs during or it has been delayed due to national emergency, calamities, or other unforeseen events limiting or restricting the performance of our work with no practical alternative ways to complete the engagement. If the Services is suspended due to delay in the submission of items that we have requested from you or due to physical limitations and restrictions on performing our work, both parties shall agree on the date of submission of pending items, the alternative arrangements in conducting our work remotely as may be applicable and appropriate under the circumstance, and resumption of work. Punongbayan & Araullo reserves the right to terminate the engagement if the engagement remains inactive or delayed for a period of six months after the agreed date of resumption.

#### **Fees and expenses**

Before the commencement of the Services by Punongbayan & Araullo, we will provide an estimate and agree with you on the total fee for those Services.

If any variation is required in the Services to be performed, fees additional to the total fee will be chargeable. Punongbayan & Araullo will discuss and agree with you the additional fees before commencing the Services.

If, for any reason, Punongbayan & Araullo performs the Services without agreement on the total fee, the fees charged will be based on the time spent by professional staff at rates based on the level of skill, experience and responsibility required to perform the Services.

If the engagement does not commence or proceed within sixty (60) days from acceptance of this agreement or if the Services are still being performed (including any variations or related services) for more than twelve (12) months from commencement of work, Punongbayan & Araullo shall be entitled to review and adjust the fees previously agreed.



In addition to the fees, you agree to pay:

- a) all reasonable expenses including (but not limited to) travel, meals and accommodation; and
- b) any tax or other charges imposed on us (now or in the future) in relation to any transactions arising in connection with, or as an outcome of, this agreement including (but not limited to) a value-added tax (VAT). *Note: any fees chargeable under this agreement may be varied to reflect the net financial impact of any change in law affecting the cost to Punongbayan & Araullo of providing the Services including, without limitation, the introduction or change in the rate of VAT in relation to the Services provided by us under this agreement.*

If, during the course of the Services, you would request us to perform additional work beyond the agreed scope of work and deliverables, we reserve the right to review the fees and request a fee adjustment.

You shall be solely responsible for the work and fees of any other party engaged by you to participate in the engagement regardless of whether such party was introduced to you by us.

If we receive any legally enforceable notice or demand issued by any third party including any government statutory body or instrumentality, any court or tribunal in relation to or in connection with this engagement, you agree to pay our reasonable professional cost and expenses (including legal expenses) in complying with such notice or demand to the extent that our costs and expenses are not recovered or recoverable from the party issuing the notice or demand.

### **Payment**

You agree to pay fees and expenses within thirty (30) days of the billing date. We reserve the right to perform no further work for you until all outstanding accounts are paid in full. If we do not receive payment of any invoice relating to our fees within 30 days of the billing date, we shall be entitled to charge a commercial rate of interest on the outstanding fees. We shall also send you a collection letter for the outstanding amount. If the billing continues to be unpaid three months after the second collection letter is sent, we are entitled to terminate the Services.

If you disagree with or question any amount due under an invoice, you must inform us in writing within seven (7) days from your receipt of the billing. You agree to waive any claim not made in writing within that period.

### **Confidentiality**

All data relating specifically to your business and any other information which reasonably should be understood to be confidential to you are considered confidential information. We will use confidential information only in relation to the provision of the Services and will not disclose such confidential information to any third party without your prior written consent. However, we will not be obligated to treat as confidential any information disclosed to us which:

- a) is rightfully known to us prior to its disclosure by you;
- b) you released to any other person or entity without restriction;

- c) we independently developed without any use or reliance on confidential information;
- d) is in or enters the public domain without breach of this confidentiality obligation; or,
- e) may be lawfully obtained by us from any third party.

Our confidentiality obligations under this agreement will terminate three (3) years from the date set forth in the engagement letter.

In relation to engagements and the provision of the Services, we may share confidential information where necessary with other Grant Thornton firms involved in the provision of the Services, such as in the context of international assignments or audits involving multiple Grant Thornton firms. For example, the group auditor may need to be informed about the results of the audit work performed by Grant Thornton firms in the financial statements of subsidiaries for group reporting purposes. Similarly, on non-audit engagements involving multiple Grant Thornton firms, confidential information may be shared in the context of such engagements.

Due to regulatory, risk management and quality review requirements, we may be required to disclose confidential information, including information subject to privilege, to third parties such as national and international regulatory bodies, civil or criminal courts, insurers and professional advisers or other third parties as may be required by law, statutes, rule or regulation that may be determined to be applicable to us either as a Philippine firm or as a member firm within Grant Thornton International Ltd. as long as the purpose of the disclosure is not prohibited as provided in Presidential Decree (P.D.) 1718. In the event that P.D. 1718 is applicable, we will undertake to obtain the required consent from the appropriate government office before complying with the same, but we assume no responsibility if the authorization is not granted at all or obtained within the required period of time. Punongbayan & Araullo may also share confidential information with other affiliated firms for independence, risk management and quality review purposes.

Both Punongbayan & Araullo and you agree to take reasonable steps to maintain (within our respective organizations) the confidentiality of any proprietary or confidential information of the other. If you wish to provide a third party with copies of Punongbayan & Araullo reports, letters, information or advice, then Punongbayan & Araullo reserves the right to:

- a) set the terms on which those copies are given or used; or,
- b) require the third party to enter into a direct relationship with us.

#### **Data processing and protection**

You authorize us to process personal data, including sensitive personal information, on your behalf, as may be reasonably necessary to enable us to deliver the Services. We shall act on your instructions when processing your personal data, except as required by law or order of a competent court or tribunal.

When we process personal data, we shall take appropriate security measures designed for the confidentiality and protection of personal data, against unauthorized or unlawful processing and against accidental loss or destruction of, or damage to, personal data.



We may subcontract our processing of personal data and, in doing so, transfer personal data to other Grant Thornton firms or third parties who are bound by appropriate confidentiality and security obligations. We shall answer your reasonable requests to enable you to confirm our compliance with this clause. We shall likewise assist you, to the extent possible, in fulfilling your obligation to respond to requests relative to the exercise of data protection rights, and in ensuring compliance with applicable data protection laws taking into account the nature of processing and the information available us. In line with this commitment, we will immediately inform you if, in our opinion, an instruction infringes applicable data protection laws.

When you provide personal data to us about your employees, contractors, clients and other individuals, you confirm that you have the authority to act as their agent and that you have complied with applicable laws. After our agreed retention period of 10 years from the termination of our Services, and at your instruction, we shall delete or return to you all personal data that you provided to us.

Information about contacts we have at your organization may be used by us to provide our Services to you and to occasionally provide marketing communications which we believe may be of interest.

Subject to confidentiality and data processing and protection clauses above, we may cite the performance of our Services to our clients and prospective clients, or include a reference in other electronic or printed marketing materials or publications as an indication of our experience.

In this clause, personal data means any information relating to an individual, as defined under the Philippine Data Privacy Act (Republic Act No. 10173) and its implementing rules and regulations.

To learn more about our Firm's Privacy Policy, you may visit:  
<http://www.grantthornton.com.ph/privacy-policy1/>.

### **Intellectual property rights**

Punongbayan & Araullo will not acquire any ownership rights over any information provided to it by you or your representatives or advisers although you consent to us inserting your company name, logos and other similar intellectual property on our deliverables where appropriate, and in client listings, proposals, presentations and other collaterals to provide relevant information regarding the Firm's background and work experience unless you notify us to the contrary.

When you have paid all amounts owing to Punongbayan & Araullo in relation to the Services (and related services), Punongbayan & Araullo assigns you all copyright (and other intellectual property rights) to all reports, written advice and other deliverables (except software) we have provided. However, you grant Punongbayan & Araullo a non-exclusive, irrevocable, royalty free license to use, copy, modify and exploit those deliverables so long as doing so would not disclose any of your confidential information. Punongbayan & Araullo (and its vendors and subcontractors) retain:

- a) as confidential information the processes, ideas, concepts and techniques developed in the course of providing the Services; and,
- b) all copyright and other intellectual property rights in:



- (i) data, designs, models, methodologies, analysis frameworks, leading practices, specifications and other elements of the deliverables which were owned or developed by Punongbayan & Araullo (or its vendors or subcontractors) before, or independently from, the Services; and,
- (ii) all tools (and any enhancement, improvement or other derivative of those tools) including but not limited to software and working papers (whether or not these are supplied to you) used by Punongbayan & Araullo (or its subcontractors) in performing the Services.

#### **Indemnity for liability to third parties**

You agree to indemnify Punongbayan & Araullo against all liabilities, claims, costs and expenses collectively referred to as "Loss" (including any VAT payable by Punongbayan & Araullo on amounts paid by you under this indemnity) incurred by Punongbayan & Araullo in respect of any claim by a third party which is related to, arises out of, or is in any way associated with the Services or this engagement. However, the indemnity does not apply to any Loss in respect of any matters which are finally determined to have resulted from Punongbayan & Araullo's gross negligence, wrongful or willful acts or omissions.

In the course of providing the Services, we may, at our discretion, draw on the resources of other Grant Thornton firms but provision of the Services will remain our responsibility alone. You agree that you will not bring any claim [whether in contract, tort (including negligence) or otherwise] against any other Grant Thornton firm or its personnel in respect of the Services. Any partner or employee of another Grant Thornton firm who deals with you in connection with the Services does so solely on our behalf.

#### **Exclusions and limitations of liability**

Punongbayan & Araullo shall be liable only for actual damages sustained by you as a direct result of Punongbayan & Araullo's grossly negligent act or willful act or omission arising out of, or in connection with, this Agreement provided that, in all cases, Punongbayan & Araullo's liability (including liabilities for any consequential damages, economic loss or failure to realize anticipated profits, savings or other benefits) shall be only up to the extent of the fees (less VAT) received by Punongbayan & Araullo for providing the Services. In cases where the engagement is for a period of more than twelve (12) months, the limitations on the liability herein applies to the fees received by Punongbayan & Araullo for the engagement's last twelve (12) months.

Notwithstanding the foregoing, Punongbayan & Araullo shall not be liable for damages:

- a) to the extent that you are responsible for an act or omission that contributed to your loss;
- b) resulting from any processing deficiency (in any system) that is caused (in whole or in part) by input data that contains any date that is ambiguous as to the year; or,
- c) resulting from any defect or deficiency in the system or service that is not developed or provided by Punongbayan & Araullo under this agreement, which includes, without limitation, your production and legacy systems and systems that receive data from systems produced by Punongbayan & Araullo.

Article I.

You accept and acknowledge that in relation to the Services and this Agreement, your relationship is solely with Punongbayan & Araullo and that no other parties, including Punongbayan & Araullo employees, partners, principals and any Punongbayan & Araullo subcontractor who perform work

in connection with the Services, will have any liability to you in connection with the Services or this agreement. You therefore agree not to bring a claim of any nature against any such third party relating to the Services or this contract except where such a claim cannot be excluded by law.

#### **Professional services rendered for entities registered with the US SEC**

This provision applies where Punongbayan & Araullo undertakes work either for (i) an entity that is registered with the US Securities and Exchange Commission, or (ii) an affiliate of any such registrant. In such a situation, any provision or terms of this agreement that would, but for this clause, be prohibited by, or impair the independence of, any member firm of Grant Thornton International Ltd. under any law or regulation applying to any such entity (e.g. relevant provisions under "indemnity for liability to third parties" and "exclusion and limitations of liability"), shall not apply to the extent that is necessary only to avoid such prohibition or impairment.

#### **Termination**

The engagement will terminate when the Services have been provided. However, either party may terminate the engagement upon fourteen (14) days prior written notice to the other party. If this occurs, you will be invoiced for time and expenses incurred up to the termination date together with reasonable time and expenses incurred to bring the Services to a close in a prompt and orderly manner.

Upon termination for any reason, the parties shall return each other's confidential information, except that Punongbayan & Araullo may retain one copy of documents and/or files to maintain a professional record of our involvement in the engagement even if they contain confidential information.

#### **Governing law and jurisdiction**

All aspects of the Services and the engagement letter are governed by, and construed in accordance with, the laws of the Republic of the Philippines. Both you and Punongbayan & Araullo irrevocably submit to the exclusive jurisdiction of the appropriate courts of Makati City, Metro Manila, to the exclusion of all other courts.

#### **Severance**

If any provision of this agreement is found to be illegal, unenforceable or otherwise invalid then, despite that invalidity:

- this agreement will remain in full force and effect; and,
- that provision will be deemed to be deleted and substituted by a valid one which in its economic effect comes so close to the invalid provision that it can be reasonably assumed that the parties would have contracted also with this new provision.

#### **Variation and survival**

This agreement may be varied or changed by written agreement of the parties. Provisions of this agreement that are not affected by the variations or changes will continue to be in effect.

#### **Dispute resolution**

Any dispute between the parties arising from this agreement shall be settled by amicable negotiations or conciliation between the parties in any province or city within the Philippines so agreed upon in writing by the parties. If within thirty (30) days from the time one party requested



the other party for conference or conciliation meeting on the dispute, the dispute remains unsettled, the matter in dispute shall be finally settled by arbitration in the Philippines by a panel of arbitrators, one to be designated by Punongbayan & Araullo, the other to be designated by the other party and the third to be chosen by the arbitrators so designated by the parties. The decision of the majority of the arbitrators shall be final and binding on the parties. The selection of arbitrators and the procedure for arbitration shall be in accordance with the rules of the Philippine Dispute Resolution Center, Inc., the arbitration arm of the Philippine Chamber of Commerce and Industry.

You accept that any proceedings, legal or otherwise, arising from or in connection with the engagement must be commenced within one (1) year from the date when you become aware of or ought to have reasonably been aware of the facts which may give rise to our alleged liability and in any event not later than three (3) years after any alleged breach of contract or act of negligence or commission or any other tort.

**No implied waiver**

No failure or delay on the part of either party in exercising any right, power or remedy accruing to it upon any breach or default of the other party shall impair any such right, power or remedy nor shall it be construed as a waiver of any breach or default thereafter occurring, nor shall a waiver or any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder.

**General**

You confirm and undertake that you or your authorized representative/s who signed this agreement have all necessary powers and have obtained all necessary authorizations, consents and approvals to enter validly and lawfully into this agreement.

We will provide the Services as an independent contractor. Nothing shall be construed to create a partnership, joint venture or other relationship. No party has the right, power or authority to oblige or bind the other in any manner.

Unless expressly mentioned in the engagement letter, the Services are not designed to and are not likely to reveal fraud or misrepresentation. Accordingly, we do not accept responsibility for detecting fraud or misrepresentation.

You accept and acknowledge that we have not made any warranties or guarantees of any nature in respect of the Services or satisfactory conclusion of the Services or with respect to the economic, financial or other results which you may experience as a result of the provision of the Services.

We will use all reasonable efforts to ensure that the named individual(s) in the engagement letter are available to support our work for you. Where any changes in our named staff are necessary, we will undertake to replace them with staff of similar qualification. Where applicable, we may make use of staff from our affiliated firms.

Where a timetable is agreed, we will each use reasonable efforts to carry out our respective obligations in accordance with the timetable. However, unless both of us specifically agree otherwise in writing, dates contained in the timetable are intended for planning and project management purposes only and are not contractually binding.

If during the course of our work, we have come to know or suspect that anyone is involved in money laundering activities that is considered a serious criminal offense, we may be required to report such knowledge or suspicions to relevant authorities in accordance with Philippine laws or regulations.

You agree not to employ any Punongbayan & Araullo personnel that was involved in providing the Services within one (1) year after the date of submission of our final report or other deliverables under the engagement, without obtaining the prior written consent of Punongbayan & Araullo. In the event that you or any of your associated companies employs any such Punongbayan & Araullo personnel, you shall pay Punongbayan & Araullo an amount equivalent to fifty percent (50%) of the gross annual compensation (including any bonus) of such personnel.

All of the terms and provisions in this agreement, including but not limited to rights, privileges, obligations, and liabilities shall be binding upon and shall inure to the benefit of the parties and their respective successors in interest, including but not limited to successors in interest resulting from merger, acquisition, change in affiliation, or any other type of combination, without further act or deed.

**-End-**