

UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION

CHARTER OF THE AUDIT COMMITTEE

This Audit Committee Charter (this “**Charter**”) establishes the purpose, composition and qualifications, duties and responsibilities, and processes of the Audit Committee (the “**Committee**”) of the Board of Directors (“**Board**”) of the United Coconut Planters Assurance Corporation (the “**Company**” or “**COCOLIFE**”).

I. PURPOSE

The purpose of the 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:

- a. To assess the completeness and fairness of the presentation of the financial statements and financial reports of COCOLIFE to shareholders and regulators;
- b. 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;
- c. To monitor and advise the Board with respect to Internal Audit’s annual operating and capital expenditures budget, and
- d. To review and endorse for the approval of the Board, the recommendation of Management on the selection of COCOLIFE’s independent external auditors; consider the independence of external auditors, provide inputs on the scope of their work, and evaluate and assess their performance.

II. COMPOSITION

1. Membership

The Committee shall be composed of at least three (3) Board members designated by the Board. At least two (2) members of the Committee should be independent non-executive directors. The Chairman and members of the Committee shall serve until their successors are duly elected and qualified.

In order to be considered an independent director, a 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, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

2. Chairman

The Chairman will be selected by the Board from among the members of the Committee. The Chairman should not be the Chairman of the Board of any other committees.

3. Qualifications

The Committee members shall preferably have accounting, auditing or related financial management expertise or experience.

III. MEETINGS

1. Schedule of Meetings

The Committee shall meet regularly at least once each month or on a more frequent basis upon the request of its Chairman or any two (2) members of the Committee.

The Committee shall meet at least once annually separately with Management, the Internal Auditor, and the independent external auditors to discuss matters

that the Committee or any of said parties believe should be discussed privately with the Committee.

2. Mode of Meetings

Meetings shall generally be held in person at the COCOLIFE Head Office. However, members of the Committee may participate in a meeting through remote communication such as teleconferencing, videoconferencing or other alternative modes of communication that allow them reasonable opportunities to participate.

3. Notice and Agenda

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 Committee members at least five (5) days prior to the meeting date. On instances that the report/s cannot be delivered five (5) days prior to the meeting, the Internal Auditor shall inform the Committee accordingly.

4. Quorum

A quorum at a meeting of the Committee shall consist of a majority of all the members thereof.

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

5. Urgent Actions

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.

IV. STATEMENT OF POLICY

The Committee shall provide assistance to the Board 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 Committee. The Committee shall review the performance of the external auditors and endorse Management's recommendation for approval of the Board on their appointment or discharge. The Committee shall be responsible for the resolution of any disputes between Management and the independent external auditors regarding financial reporting.

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

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

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

V. DUTIES AND RESPONSIBILITIES

The primary responsibility of the Committee is to oversee COCOLIFE's financial reporting and financial management processes on behalf of the Board and report the results of their activities to the Board. It is not the duty of the 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 Committee's policies and procedures should remain flexible to enable it to react to the changing conditions and circumstances.

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

- a. Annually, the Committee shall review the Management's proposal, for the appointment of COCOLIFE's independent external auditors who shall be duly accredited by the Insurance Commission, the nature and scope of the audit and the corresponding fees. After review, the Committee shall endorse for approval of the Board 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. The Committee shall ensure proper coordination if more than one independent external auditor is involved to secure proper coverage and minimize duplication of efforts.
- b. Prior to the engagement, the Committee shall ensure that the independent external auditors submit a formal written statement disclosing all relationships between the independent external auditors and COCOLIFE. The 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 take appropriate action to satisfy itself of the independent external auditor's independence.

- c. The Committee shall perform oversight functions over the COCOLIFE's internal and external auditors. It shall ensure the independence of internal and external auditors, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
- d. The Committee shall provide for the engagement of the independent external auditors to provide non-audit services. The Committee shall periodically review the non-audit fees paid to the independent external auditor in relation to the total fees paid to him and to COCOLIFE's overall consultancy expenses. The Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the COCOLIFE's Annual Report and Annual Corporate Governance Report.
- e. The Committee shall require the independent external auditors to communicate with the Committee on a timely basis the following viz:
 - i. all critical accounting policies and practices to be used;
 - ii. any disagreements with management on accounting, auditing or reporting matters;
 - iii. 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

- iv. other material written communications between the independent external auditors and management, such as any management letter, representation letters or schedule or unadjusted differences.

The 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.

- f. The Committee shall review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - i. Any change/s in accounting policies and practices;
 - ii. Areas where a significant amount of judgment has been exercised;
 - iii. Significant adjustments resulting from the audit Going concern assumptions;
 - iv. Compliance with accounting standards; and
 - v. Compliance with tax, legal and regulatory requirements
- g. The Committee shall review the disposition of the recommendations in the external auditor's management letter.
- h. The Committee shall review and approve the audit plan, scope, frequency of audit, all major changes to the plan, and Internal Audit Division budgets/resources and changes thereon. The Committee shall ensure that these are presented to the Board for notation. The 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.
- i. The 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.

- j. The Committee shall invite the business units, as necessary, to discuss among others:
 - i. Briefing on certain processes to include:
 - 1) Risk management process and its effectiveness;
 - 2) Monitoring of main processes and key risks;
 - 3) Managing challenges and problems encountered by the unit;
 - 4) Actions taken to address compliance and other management issues; and
 - 5) Updates on instructions of the Committee and on open items on Corrective Action Tracking Report.
 - ii. Processes relevant and necessary to the complete and full deliberation of the agenda topics.
- k. The Committee shall oversee special assignments or initiate audit activities, as needed.
- l. The Committee shall review any other reports issued by COCOLIFE that relate to Committee responsibilities.
- m. The Committee, based on its findings, may refer issues or matters of concern to any disciplinary committee.
- n. The Committee shall require the Internal Auditor to render to the Committee an annual report on the Internal Audit Division'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.
- o. The 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.

- p. The Committee shall elevate to the President and/or CEO the summary of outstanding uncorrected items covering audit engagements conducted by Internal Audit Division.
- q. The Committee shall maintain minutes of its meeting and regularly submit to the Board a report of the Committee's activities, findings, actions, and recommendations. Likewise, the following are included in the executive summary of the Committee report addressed to the Board:
 - i. status of Committee directives to concerned units; and
 - ii. significant issues on concerned units, as discussed during the Committee meetings, for the Board to have an idea of the institution's circumstance, for deliberation or discussion as may be applicable.
- r. The Committee shall perform other activities consistent with this Charter, the Internal Audit Division Charter and applicable laws and regulations as the Committee or the Board deems necessary or appropriate.

VI. AUTHORITY

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

- a. To invite any director, executive officer, employee of COCOLIFE or COCOLIFE's independent external auditors, external counsels, consultants or advisers to attend meetings of the Committee or to meet with any member of, or consultants to, the Committee;
- b. To access any information, data or records of COCOLIFE and to require the production of the same by the concerned officer or employee;
- c. To conduct or authorize the conduct of an inquiry into any matter within the scope of its responsibility;
- d. 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;
- e. To resolve any disagreement between Management and the Internal Audit Division;
- f. 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
- g. 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 Committee has no authority to stop the implementation of business decisions approved by Management and relevant Committees.

VII. RELIANCE ON INFORMATION PROVIDED

In adopting this Charter, the Board acknowledges that the 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 Committee shall be entitled to rely on the integrity of those persons and firms within and outside COCOLIFE that have provided information to the Committee and the accuracy and completeness of the financial and other information provided to the Committee by such persons or firms in the absence of actual knowledge to the contrary.

VIII. TECHNICAL SUPPORT

The Internal Audit Division shall provide technical support to the Committee.

IX. PERFORMANCE ASSESSMENT

The Committee shall perform an annual self-assessment of the performance of its responsibilities as set out in this Charter.

X. REVIEW OF COMMITTEE CHARTER

The Committee shall review its Charter annually or as may be necessary. Any proposed amendments shall be approved by the Board.