

AUDIT AND RISK OVERSIGHT COMMITTEE CHARTER

This Audit and Risk Oversight Committee Charter (this “Charter”) sets out the purpose, membership and qualifications, structure and operations, duties and responsibilities, reporting process and performance evaluation of the Audit and Risk Oversight Committee (the “Committee”) of the Corporation.

SECTION 1. PURPOSE

In accordance with the Manual on Corporate Governance (the “CG Manual”) of the Corporation, the Board of Directors (the “Board”) of the Corporation constituted the Committee to enhance its oversight capability over the Corporation’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; be responsible for the oversight of the Corporation’s enterprise risk management system to ensure its functionality and effectiveness; and such other functions as the Board may designate, as well as those as may be provided by the Insurance Commission (the “Commission”). The Committee is accountable to the Board for its performance.

SECTION 2. MEMBERSHIP AND QUALIFICATIONS

1. Composition and Qualifications

The Audit and Risk Oversight Committee shall be composed of at least three (3) members of the Board who are non-executive, two (2) of whom shall be independent directors. The Committee Chairman shall be an independent director. Each member shall have, at least an adequate understanding, or competence at most, of the company's financial management systems and environment, which requires the relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance. The Chairman of the Committee shall be an Independent Director as defined in the CG Manual, and should not be the Chairman of the Board or of any other Committees.

2. Appointment

The Chairman and the members of the Committee shall be appointed by a majority vote of the members of the Board present during the Organizational Meeting of the Board. Any vacancy occurring in the Committee may be filled by the vote of at least majority of the remaining Directors, if still constituting a quorum, during any meeting of the Board.

Membership in the Committee shall be reviewed every year after election of the Board by the Corporation’s stockholders at their regular meeting or earlier, if the Board

deems necessary.

3 Removal

The Chairman of the Committee or any of its members may be removed from office by action of the Board.

3. STRUCTURE AND OPERATIONS

1 Meetings

The Committee shall meet at least quarterly, and periodically meet with the Chief Audit Executive, and at such times and places as it considers appropriate and as designated in the notice. The Chairman of the Committee, any Committee member, or the Corporate Secretary of the Corporation may call a meeting of the Committee.

2 Quorum

Attendance of at least a majority of all the Committee members shall constitute a quorum for the Committee to transact business in a meeting to be convened. The Committee shall act only on the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum.

3 Chairman

The Chairman of the Committee shall preside in all meetings of the Committee. In the absence of the Chairman, the Committee members present shall elect one of their members as Chairman of the meeting.

4 Secretary of the Meeting

The Corporation's Corporate Secretary shall be the secretary of the Committee. He/she shall record or see to the proper recording of the minutes and transactions of the Committee.

5 Notice of the Meeting

A notice of each meeting setting out the date, time, venue, and agenda shall be sent to each member of the Committee at least two (2) working days prior to the date of the meeting.

6 Record of Meetings

Full minutes of the proceedings of, and resolutions made during, Committee meetings, shall be kept by the Corporate Secretary or his/her appointee. Notices, minutes, agenda and materials presented during meetings will be made available to any Director upon request to the Corporate Secretary.

7 Other Attendees

As necessary, the Committee may invite members of Management and the organizational staff to attend the Committee meetings to provide relevant information or data necessary for the matters for discussion during the Committee meeting. At the discretion of the Committee, separate meetings with any member of the Corporation's Management may be held, whenever it is deemed appropriate by the Committee for the exercise of its functions.

8 Access to Resources

The Committee shall be given reasonable access to the Corporate Secretary, Management, personnel and records of the Corporation for the purpose of performing its duties and responsibilities hereunder. The Committee may also obtain independent professional advice if it considers it necessary in the performance of its functions. The Committee shall be provided sufficient resources by the Corporation to discharge its duties.

9 Authority

The Committee shall have the authority to conduct or order the investigation into any matter within its scope of responsibility, and all Directors, Officers and employees of the Corporation are enjoined to cooperate as requested by the Committee, without interference or censorship by Management.

SECTION 4. DUTIES AND RESPONSIBILITIES

Audit Functions. The Committee shall establish and maintain an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. The Committee shall have the following duties and responsibilities:

- (a) Enhance the oversight capability of the Board over the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance

with applicable laws and regulations;

- (b) Assist the Board in the performance of its oversight responsibility for financial reports and financial reporting process, internal control system, audit process and in monitoring and facilitating compliance with both the internal financial management handbook and pertinent accounting standards, legal and regulatory requirements;
- (c) Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the, and crisis management;
- (d) Prior to the commencement of the audit, discuss and review all audit plans, scope and audit resources/expenses, and ensure proper coordination;
- (e) Formulate, adopt and implement a robust process for approving and recommending the appointment, reappointment, removal, and fees of the External Auditor. The appointment, reappointment, and removal of the External Auditor shall be recommended by the Committee and approved by the Board and ratified by the shareholders;
- (f) Be responsible for assessing the integrity and independence of the External Auditor and exercising 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, as well as be responsible for reviewing and monitoring the External Auditor's suitability and effectiveness on an annual basis;
- (g) Perform oversight functions with respect to the Internal and External Auditor of the Corporation, ensuring the independence of one from the other, freedom from interference from outside parties, and their unrestricted access to such records, properties and personnel of the Corporation necessary to enable them to perform their respective audit functions, and review the reports submitted by them;
- (h) Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- (i) Check all financial reports and ensure that the accounting and auditing processes, practices and methods of the Corporation comply with Philippine and internationally-accepted standards;
- (j) Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation;
- (k) Supervise Management in the formulation of rules and procedures on financial reporting and internal controls, and ensuring that the system of internal control should be

effective in ensuring the integrity of financial reports and maintaining protection of the assets of the Corporation for the benefit of all stockholders and other stakeholders;

Risk Oversight Functions. The Committee shall have the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place to guide the Board in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee shall have the following duties and responsibilities, among others:

- (l) Develop a formal enterprise risk management plan which contains the following elements: (1) register of risks, (2) risk management goals, objectives and oversight, (3) uniform processes of assessing risks and developing strategies to manage prioritized risks, (4) designing and implementing risk management strategies, and (5) continuing assessments to improve risk strategies, processes and measures;
- (m) Oversee the implementation of the enterprise risk management plan through regular discussions on the Corporation's prioritized and residual risk exposures based on regular risk management reports, and assess how the concerned units or offices are addressing and managing these risks;
- (n) Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness, and stay abreast of significant developments that seriously impact the likelihood of harm or loss;
- (o) Advise the Board on its risk appetite levels and risk tolerance limits;
- (p) Regularly review the Corporation's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, and the external economic and business environment;
- (q) Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence, most especially risks that will impact the performance and stability of the Corporation and its stakeholders;
- (r) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- (s) Report to the Board on a regular basis, or as deemed necessary, the Corporation's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary.

5. REPORTS TO THE BOARD

The Chairman of the Committee, or in his/her absence, the Chairman of the meeting, shall report to the Board on the decisions and recommendations made by the Committee. The Committee shall prepare such reports as may be necessary to document the activities of the Committee in the performance of its functions and duties.

The Committee shall also issue such certifications as it may deem appropriate on critical compliance issues which it has discovered, reviewed and evaluated in the performance of its functions under this Charter, including but not limited to those relating to material errors, fraud and sufficiency of risk controls.

6. PERFORMANCE EVALUATION

The Committee shall assess its effectiveness periodically to ensure that its performance accords with best practice. The Committee shall assess its performance through a self-assessment worksheet (the "Assessment") that substantially adopts the pertinent and relevant guidelines the Commission may have. The Assessment shall be accomplished by the Committee on a regular basis as may be set by the Board, and its results shall be validated by the Corporation's Compliance Officer.

A feedback mechanism shall be in place to receive comments from Management, the internal audit function, the general counsel and external auditor. This should facilitate dialogue within the organization about possible ways to improve its performance. The entire assessment process shall be documented and shall form part of the records of the Corporation that may be examined by the Commission where appropriate, from time to time.

7. REGULAR REVIEW

This Charter shall be reviewed and updated as required as directed by the Board, and copies of this Charter shall be made available to any requesting party upon written request to the Corporate Secretary.

8. AMENDMENT

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.