

**PHILIPPINE BRITISH ASSURANCE COMPANY, INC.
AUDIT AND COMPLIANCE COMMITTEE CHARTER**

The following Board Members constitute the Audit and Compliance Committee:

Chairman (Independent Director)	-	Jose G. Clemente
Member (Independent Director)	-	Dianne Lynne Baysac Committee
Member	-	Ernest Kenneth S. Cuyegkeng
Member	-	Christopher Karl W. Cuyegkeng

1. Overall Purpose /Objective

The Audit and Compliance Committee (the "Committee") shall assist the Board of Directors (the "Board") in fulfilling its oversight responsibilities by reviewing the :

- 1) Company's compliance, auditing, accounting and financial reporting processes (both internal and external ;
- 2) Company's system of internal controls and procedures ;
- 3) Management of financial and systematic risks;
- 4) Financial reports and other financial information provided by the Company to regulatory bodies or to the public, and
- 5) monitoring compliance with laws and regulations and its own code of business conduct.

In performing its duties, it is the responsibility of the Committee to maintain a free and open communication with the Board , management, officers and staff of the Company, external auditors and regulators and influence continuous improvement in the Company's policies and procedures that is aligned with new and existing laws, regulations and corporate standards of the Company.

Each Committee member shall endeavor to have a good understanding of the Company's business operations, its risk exposures and mitigating controls put in place to effectively perform a function.

The Committee shall operate pursuant to this charter which shall be reviewed periodically for adequacy and completeness subject to the approval of the Board.

2. Authority

The Board authorizes the Audit and Compliance Committee to:

- Seek any information it requires from
 - Any employee (and all employees are directed to cooperate with any request made by the Committee)
 - External parties
- Review and approve all auditing and non-audit services to be rendered by the external auditors and verify that such non-audit services are disclosed in the Company's periodic reports;

- Review and approve the annual compliance plan and audit plan and all major changes in the plan;
- Review the effectiveness of the internal audit program and the compliance program and to ensure compliance with Institute of the Internal Auditors (IIA) International Standards for the professional Practice in Internal Auditing, local and International accounting standards and regulator's requirements.
- Every January, review the full year performance of the Internal Audit Officers and the Compliance Officer.
- Engage outside legal or external professional advice to establish basis and consistency in the interpretation and implementation of accounting standards, rules and regulations, local laws and international standards that need to be considered in the formulation of internal control policies and procedures of the Company.
- Have unrestricted and full access to all operational areas, records and documents of the Company.

3. Organization

Membership

- 3.1 The Committee shall be comprised of four (4) members of the Board of Directors, two (2) of whom shall be independent Directors, including the Chairman.
- 3.2 The Chairman and members of the Audit & Compliance Committee shall be nominated by the Board
- 3.3 At least one of the 4 members of the Board assigned to the Committee has accounting, auditing or related financial management expertise or experience.
- 3.4 The members of the Committee are not full-time employees of the Company and are not and do not present themselves to be performing the functions of accountants or auditors.
- 3.5 A quorum for any meeting shall consist of at least two (2) members of the Committee
- 3.6 A secretary shall be appointed by the Committee.

Meetings

- 3.7 The Committee may invite such other officers, employees and external parties to its Meetings, as it deems necessary.
- 3.8 The Committee shall provide sufficient opportunity to internal auditors, external auditors and compliance officers to make presentations to the Committee without members of the management present to foster open communication. The Committee shall meet separately with the independent auditors, with the internal audit and compliance officers and with management.
- 3.9 Meeting shall be held not less than four (4) times a year. Special meetings may be convened as necessary.

- 3.10 The proceedings of all meetings shall be documented.
- 3.11 Meeting agenda, supporting materials, summary of findings from internal audits and compliance unit and other related materials shall be provided in advance whenever possible to allow members of Committee to adequately prepare for the Committee meetings.

4. **Roles and Responsibilities**

Internal Control

- 4.1 Evaluate whether the Board and Senior Management is setting the appropriate "control culture" environment by communicating the importance of internal control and risk management and ensuring that each employee has a clear understanding of its role and responsibilities.
- 4.2 Review internal control recommendations made by internal audit, external auditors, compliance and independent peer reviewers and likewise ensure timely and appropriate implementation by management.
- 4.3 Review with the members of the management that are responsible for administering the Company's self-assessment compliance programs any issue that could have a significant impact on the Company's financial statements. Also review and assess the adequacy of the Company's internal control questionnaires and certification processes.
- 4.4 Review the internal audit tracking status reports, compliance monthly, quarterly and annual performance reports and periodic status updates on new laws, rules and regulations issued by different regulatory agencies, regulatory reports on examinations, external auditors, special audit reviews and significant changes arising from new developments in local and international accounting standards and the impact of such changes on the financial statements.

4.5 Conflict of Interest

Conflict of interest involving any person with the decision-making authority, including directors, with respect to the operations of the Corporation, shall be disclosed to the Board and the CEO for the proper action, taking into account the overriding interests of policyholders, claimants, creditors and the public in general.

Disclosure of conflicts of interest involving the CEO and senior officers with at least the rank of VP (Vice President) shall be made to the whole Board, while those involving line managers, executive employees and other personnel shall be made known to the CEO.

Financial Reporting

a) General

- 4.6** Review the financial risks exposure of the company and management of such exposures. Consult the internal and external auditors regarding the significant risks and potential exposures and require management to develop and implement the mitigating controls to address such risks.
- 4.7** Evaluate with internal audit, external auditors and independent reviewers on the root cause/s or the circumstances that may have triggered the fraud, illegal acts and/or deficiencies in internal controls identified in the reviews and assess if the correction actions to restore the breakdown of controls are adequate to fully address the risk concerns.
- 4.8** Review significant accounting and reporting issues ; including recent professional and regulatory pronouncements and understand their impact on the financial statements.
- 4.9** Review pending and anticipated legal issues which could have significant impact on the financial condition of the Company.

b) Annual Financial Statements

- 4.10** Review the annual financial statements and the disclosures contained in the annual reports as to the completeness , consistency of the information known to the Committee members vs. standard and assess that audited the financial statements reflect appropriate accounting principles.
- 4.11** However, it should be noted that it is not the Committee's duty to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or in accordance with generally accepted accounting principles. These are the responsibilities of management and the external auditors.
- 4.12** Meet with management and the external auditors to review the financial statements and the results of the audit reviews. In the event of a qualified opinion rendered by the external auditors , require deliberation with management to evaluate the severity of the issues and to formulate corrective actions until all concerns are resolved.

Internal Audit

- 4.13** Review the functions and organizational structure of the internal audit and compliance to ensure that no unjustified restrictions or limitations exists.
- 4.14** Establish the minimum qualifications of internal audit and compliance personnel and respective head of internal audit and head of compliance.

- 4.15 On a regular basis, the Committee should meet separately with the Internal Audit Officer and/or the Compliance Officer to discuss in confidentiality matters as appropriate.

Selection of External Auditor


- 4.16 Evaluate the external auditor's proposal on the scope of audit work, methodology, timing and the related fees to ensure that engagement program is through , performed independently and within the agreed timeframe.
- 4.17 Review the performance of the external auditors and have a clear understanding with them that the external auditors are accountable to the Committee, as the shareholders' representatives.
- 4.18 Review the range of non-audit services that the external auditor has provided to the Company and ensure that the auditing services maintained the continued independence.
- 4.19 Endorse to the Board the appointment or re-appointment of the external auditors.

Compliance with Laws and Regulations and Code of Ethics

- 4.20 Evaluate the effectiveness of the system of monitoring compliance with laws, rules and regulations and the Company's Code of Ethics, escalation of issues to management, resolutions reflecting the management disciplinary actions and/or sanctions on employees involved in fraudulent acts or violations.
- 4.21 Review, oversee and approve that all related activities between the Parent Company And its subsidiaries and affiliates , directors , stockholders and related interest are not in violation of applicable local and host country laws, rules and regulations.
- 4.22 Review all the findings of examinations conducted by local and host country regulatory agencies.
- 4.23 Perform other oversight functions consistent with this Charter, the Company's By-Laws and as the Committee or the Board of Directors may require.
- 4.24 Conduct special investigators and as appropriate engage technical services of external parties e.g, legal, information security.
- 4.25 Submit the minutes of the Audit and Compliance Committee meetings to the Board.

Approved By:

AUDITED COMMITTEE


JOSE Z. CLEMENTE
Chairman (Independent Director)


ERNEST KENNETH S. CUYEGKENG
Member

DIANNE LYNNE BAYSAC NATIVIDAD
Independent Director


CHRISTOPHER KARL W. CUYEGKENG
Member