

MAA GENERAL ASSURANCE PHILIPPINES

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

MEMBERSHIP AND COMPOSITION

The Committee shall consist of non-executive directors, with a minimum of three (3) directors.

The Committee shall elect a chairperson from among its members who is an independent non-executive director of the Company.

All members of the Audit Committee should be financially literate and at least one member of the Audit Committee: -

1. must be a member of the Philippine Institute of Certified Public Accountants or any government recognized professional accounting association of any country;
2. if he is not a member of the above, he must have at least three (3) years of working experience in finance division of a company.

No Alternate Director shall be appointed as a member of the Audit Committee.

In the event that a member of the Committee resigns, dies or for any other reason ceases to be a member resulting in the number of members reduced to under three (3), the Board of Directors of MAA General Assurance Philippines Ltd ("MAAGAP") shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

TERMS OF REFERENCE

The Committee shall be governed by the following terms of reference:

Terms of Membership

Members of a Committee shall be appointed for an initial term of three (3) years after which they will be eligible for re-appointment.

Meetings

The Committee shall meet at least four (4) times a year or more frequently as circumstances dictate. The Chief Executive Officer, Finance Director and Chief Audit Executive should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Committee may meet with the External Auditors without the Executive Board members present at least once a year.

Secretary to the Committee

The Secretary of the Committee shall be appointed by the chairperson. The Secretary shall be responsible for drawing up the agenda in consultation with the chairperson and shall be responsible for keeping the minutes of the meeting of the Committee, circulating them to committee members. The agenda together with relevant explanatory papers and documents shall be circulated to committee members prior to each meeting.

Quorum

A quorum shall consist of at least three (3) Committee members.

Authority

The Committee is authorised by the Board of MAAGAP to investigate any activity within its terms of reference. It has free access to all information and documents it requires for the purpose of discharging its functions and responsibilities.

The Committee is also authorised to obtain external auditors or other independent professional advice as it considers necessary as well as appoint an Audit Sub-committee.

Duties and Responsibilities

The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Chairman, Chief Executive Officer, Finance Director, Chief Audit Executive and the External Auditors in order to be kept informed of matters affecting the Company.

The duties of the Audit Committee should include the following:

- to consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
- to discuss with the External Auditor before the audit commences, the nature and scope of audit, and ensure coordination where more than one audit firm is involved;
- to review the quarterly and year-end financial statements of the Board, focusing particularly on –
 1. any change in accounting policies and practices;
 2. significant adjustments arising from the audit;
 3. the going concern assumption; and
 4. compliance with accounting standards and other legal requirements.
- to discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss.
- to review the External Auditor's management letter and management's response;
- to monitor provision of non-audit services by External Auditors;
- to do the following, in relation to Internal Audit Function –

1. review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;
 2. review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate actions are taken on the recommendations;
 3. review any appraisal of the performance and compensation of staff members;
 4. approve any appointment or termination of senior staff members; and
 5. take cognizance of resignations of staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.
- To review any material or significant related-party transactions that may arise within the Company or Group and determine whether or not they are in the best interest of the company and its shareholders;
 - To ensure that any related party transactions are conducted at arm's length;
 - To consider the major findings of internal investigations and Management's response; and
 - To consider other topics as defined by the Board.

Report to the Board of Directors

The Committee is not a decision-making body and shall report its recommendation to the full board of the Company, as the case may be, for the final decision.