



**TERMS OF REFERENCE
BOARD AUDIT COMMITTEE
(as of 31 May 2025)**

I. Constitution

The Board Audit Committee (BAC) shall be established by the Board of Directors (Board) of BDO Unibank, Inc. (BDO Unibank or Bank). It follows the rationale for the establishment of an audit committee as required and directed by the Bangko Sentral ng Pilipinas (BSP) (i.e., Circular No. 456 Series of 2004 as amended by BSP Circulars No. 749 Series of 2012, No. 969 Series of 2017 and No. 871 Series of 2015) and Securities and Exchange Commission (SEC Memorandum Circular No. 19, Series of 2019). As such, the BAC of the BDO Unibank is an extension of the BDO Unibank Board.

II. Purpose

1. To provide oversight on the BDO Unibank financial reporting process, system of internal control, audit process and monitoring of compliance with applicable rules and regulation.
2. To ensure that a review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls and risk management is conducted annually.
3. To provide oversight functions over the Bank's internal, compliance and external audit functions.
4. To provide oversight on the Bank's compliance requisites as mandated by the appropriate regulatory bodies.

III. Authority

1. The BAC shall have the authority to investigate any matter within its terms of reference, full access to management and full discretion to invite any director, executive officer(s) or staff to attend its meetings. It shall be extended full cooperation by management and be provided with adequate resources to enable it to effectively discharge its functions.
2. The BAC shall ensure that the internal and external auditors act independently from each other and that both are given unrestricted access to all properties and personnel to enable them to perform their respective audit functions.



3. The BAC shall review the Bank's processes that allow the employees to raise concerns, in confidence, about possible issues in financial reporting and/or other matters.

IV. Membership and Tenure

1. The Audit Committee shall be composed of at least three (3) independent and non-executive directors, majority of whom are independent directors including the Chairperson. The Audit Committee Members shall serve for a term of one (1) year from date of appointment or re-appointment unless sooner resigned or replaced.
2. The BAC Chairperson shall not be the chairperson of the Board or any other board-level committee.
3. BAC members shall preferably be with accounting, auditing, or related financial management experience commensurate with the size, complexity of operations and risk profile of the Bank.
4. The Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions, shall not be appointed as members of the Audit Committee.
5. The Board of Directors may appoint Advisors of the BAC. Their primary role is to provide independent and/or expert advice on matters that concern the BAC. The appointment of a BAC Advisor must consider competence (i.e., must have relevant education, competencies, skills, financial literacy, training, experience) that is relevant and will add value to the work of the BAC to which such Advisor is appointed. Advisors shall have no voting rights and shall inhibit themselves from participating in discussions that may pose a potential conflict of interest.

V. Meetings

1. The BAC shall meet regularly, at least once a month in the presence of at least one independent director.
2. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee and allowed under existing government regulations. The ability to act on matters can be by verbal or written consent by the majority of the Committee members.
3. The presence of a majority of all members of the Committee shall constitute a quorum. Every decision made by a majority of Committee members present at such meeting with a quorum shall be valid, unless a specific number of votes is required by existing laws and regulations. Members participating via remote communication shall be considered present for quorum purposes.



4. The designated Secretary of the Meeting shall attend all Committee meetings and shall ensure that appropriate records (e.g., minutes of meetings or summary of matters reviewed, and decisions taken) of Committee deliberations / decisions are maintained.
5. The Committee members and meeting attendees should be furnished with copies of the minutes of each meeting.

VI. Duties and Responsibilities over the following:

1. General Matters

- a. At least once a year, review its own performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes it considers necessary to the BOD for approval. It shall assess its performance with regard to its oversight of the bank's financial reporting process and system of internal control as well as its oversight over the Internal Audit, External Audit and Compliance functions.
- b. Evaluate the performance of the Chief Audit Executive, Chief Compliance Officer and External Auditor annually to ensure their effectiveness and achievement of objectives.
- c. Perform any other duties and responsibilities expressly delegated by the Board to the BAC from time to time.

2. Internal Audit Group

To establish, maintain, and ensure that BDO Unibank, Inc.'s internal audit function has sufficient authority to fulfill its duties, the BAC will:

- a. Be responsible for organizing the Internal Audit Group as well as appointing or removing the Chief Audit Executive and key internal auditors.
- b. Review and approve the interlocking positions of the Chief Audit Executive in other entities and ensure its compliance with the Bank's Interlocking Policy.
- c. Perform oversight function over the Internal Audit Group.
- d. Ensure the Chief Audit Executive has unrestricted access to and communicates and interacts directly with the Board Audit Committee.
- e. Review and recommend the approval of the Internal Audit Charter, which includes the Internal Audit mandate and the scope and types of internal audit services, and oversee its implementation.

- f. Review and approve the annual internal audit plan.
- g. Approve the internal audit function's budgets
- h. Ensure that Internal Audit Group examines, evaluates and recommends improvements to the effectiveness of risk management, internal control and governance processes of the organization.
- i. Review the internal audit reports, report major issues to the Board and ensure that management is taking corrective actions in a timely manner to address weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.
- j. Conduct discussions with management on the effectiveness of the internal control system.
- k. Ensure that the internal audit function maintains open communication with senior management, the BAC, external auditors and supervisory authority.
- l. Review and approve and report to the Board the annual performance appraisal of the Chief Audit Executive.
- m. Recommend for approval of the Board the remuneration of the Chief Audit Executive as well as the key audit officers.

3. External Audit

- a. It shall recommend to the Board the appointment, re-appointment and/or change of external auditor.
- b. It shall review the Engagement Letter and discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work.
- c. It shall annually evaluate the External Audit's performance, effectiveness, integrity, independence, and objectivity to ensure compliance with corresponding laws, rules and regulations.
- d. It shall review the Management Letter submitted by the external auditor, as well as management's response to the external auditor's findings and recommendations before endorsing the same to the Board for its approval.
- e. It shall evaluate non-audit work if any is done by the external auditors and disallow it if it conflicts with their duties as external auditors.



- f. It shall review the Management Representation Letter stating management's responsibility for the financial statements and financial reporting process.

4. Operational, Financial, Regulatory and Anti-Money Laundering Compliance

- a. It shall review and approve the annual plans of the Regulatory Compliance (including Trust Compliance) and Anti-Money Laundering Department including their annual budget.
- b. It shall review and approve the performance and compensation of the Chief Compliance Officer.
- c. It shall review and approve the interlocking positions of the Chief Compliance Officer in other entities and ensure its compliance with the Bank's Interlocking Policy.
- d. It shall review and recommend the approval of the Compliance Charter that defines the compliance function's standing, authority and independence.
- e. It shall review the quarterly, half-year and annual financial statements before their submission to the Board.
- f. It shall review the reports of BSP and other regulatory bodies as well as notices on financial or administrative penalties incurred due to delayed / non-submission / erroneous submission of required regulatory reports.
- g. It shall review and endorse to the Board the responses and updates of Bank Management to the report of examination of the BSP and other regulatory bodies including Letter of Commitment (LOC), if any.

VII. Reporting Hierarchy

- a. The BAC shall report its discussion to the Board by distributing the highlights thereof and where appropriate, by oral report of the BAC Chair at the next Board meeting.

VIII. Disclosure

The BAC membership and its activities shall be disclosed and published in the Bank's annual regulatory disclosures. The Terms of Reference shall be published on the Bank's website.