



**TERMS OF REFERENCE
BOARD AUDIT COMMITTEE
(as of 25 May 2024)**

I. Constitution

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

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) and 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.

It shall also oversee the Bank's compliance requisites as mandated by the appropriate regulatory bodies.

II. Objectives

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 and external audit functions.

III. Duties and Responsibilities over the following:

1. Internal Audit Division

- a. It shall be responsible for organizing the Internal Audit Division as well as appointing or removing the head of Internal Audit and key internal auditors.
- b. It shall 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. It shall perform oversight function over the Internal Audit Division.
- d. It shall recommend the approval of the Internal Audit Charter which formally defines the role of Internal Audit and oversee its implementation.
- e. It shall review the annual internal audit plan to ensure its conformity with the objectives of the Bank. The plan shall include audit scope, resources and budget necessary and timetable for its implementation.
- f. It shall ensure that Internal Audit Division examines, evaluates and recommends improvements to the effectiveness of risk management, internal control and governance processes of the organization.
- g. It shall 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.
- h. It shall conduct discussions with management on the effectiveness of the internal control system.
- i. It shall ensure that the internal audit function maintains an open communication with senior management, the Audit Committee, external auditors and supervisory authority.
- j. It shall review and approve and report to the Board of Directors the annual performance appraisal of the head of Internal Audit.
- k. It shall recommend for approval of the Board of Directors the remuneration of the head of Internal Audit as well as the key audit officers.

2. External Audit

- a. It shall recommend to the BOD 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 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 BOD for its approval.
- d. It shall evaluate non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.
- e. It shall review the Management Representation Letter stating management's responsibility over the financial statements and financial reporting process.



3. 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 BOD.
- 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 BOD 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.

4. Reporting Hierarchy

- a. The BAC shall report to the BOD minutes of its meeting. The minutes shall be noted by the Corporate Secretary and shall include recording of names of those present.

IV. Authority

1. 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.
2. 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.



V. Membership

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 Chairman. Adviser/s may also be appointed by the BOD to the BAC.
2. BAC members shall preferably be with accounting, auditing, or related financial management experience.
3. 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.
4. Advisors of the BAC may be appointed from among the members of the Board of Directors, Board Advisors or Senior Management within the BDO Group. Their primary role is to provide independent and/or expert advice on matters that concern the BAC. The appointment of a Committee 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 BAC to which such Advisor is appointed. Advisors shall have no voting rights and shall inhibit from participating in discussions that may pose a potential conflict of interest.

VI. Meetings

1. Frequency of Meetings – at least once a month with the presence of at least one independent director. The Minutes of the meetings shall be circulated promptly to all members of the Committee.

VII. Other Matters

1. 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 on 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.
2. Evaluate the performance of the Chief Internal Auditor, Chief Compliance Officer and External Audit annually to ensure their effectiveness and achievement of objectives.