

BDO LIFE ASSURANCE COMPANY, INC.
TERMS OF REFERENCE
AUDIT COMMITTEE

I. CONSTITUTION

The Audit Committee shall be established by the Board of Directors of BDO Life Assurance Company, Inc. (BDO Life).

The Audit Committee 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 BDO Life's compliance requisites as mandated by the appropriate regulatory bodies.

II. OBJECTIVES

1. To provide oversight on BDO Life's 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 BDO Life's internal controls, including financial, operational and compliance controls and risk management is conducted annually.
3. To provide oversight functions over BDO Life'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 perform oversight function over the Internal Audit Division.
- c. It shall review the annual internal audit plan to ensure its conformity with the objectives of BDO Life. The plan shall include audit scope, resources and budget necessary and timetable for its implementation.
- d. It shall ensure that Internal Audit Division examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization.
- e. 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, noncompliance with policies, laws and regulations and other issues identified by auditors.

- f. It shall conduct discussions with management on the effectiveness of the internal control system.
- g. It shall ensure that the internal audit function maintains an open communication with senior management, the Audit Committee, external auditors and supervisory authority.
- h. It shall report to the Board of Directors the annual performance appraisal of the head of Internal Audit and key audit officers.
- i. 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 Board the appointment, removal, 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 Board 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, and Anti-Money Laundering Compliance

- a. It shall review and approve the annual plan of the Compliance Office and Anti-Money Laundering Unit.
- b. It shall review the quarterly, half-year and annual financial statements before their submission to the Board.
- c. It shall review the reports of the Insurance Commission 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.

4. Reporting Hierarchy

- a. The Audit Committee shall submit to the Board the 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 Audit Committee 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 Audit Committee shall review BDO Life'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 a majority of independent directors. Adviser/s may also be appointed by the Board to the Audit Committee.
2. The Chairman of the Audit Committee shall be an independent director.
3. Audit Committee members shall preferably be with accounting, auditing, or related financial management experience. At least one of the independent directors shall have accounting expertise.
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.

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.
2. The Committee shall promulgate the guidelines or criteria to govern the conduct of its proceedings.

VII. OTHER MATTERS

1. At least once a year, the Audit Committee shall review its own performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and shall recommend any changes it considers necessary to the Board for approval.
2. The Audit Committee shall evaluate the performance of Internal Audit, Compliance and Anti-Money Laundering Unit and External Audit annually to ensure their effectiveness and achievement of objectives.