

Internal Policy

AUDIT COMMITTEE CHARTER

DOCUMENT CONTROL

Document Review and Change Summary:

Version	Revision Date	Changes/Modifications	Author	Approval Date
1.0		Establishment of document	Corporate Secretary	28 May 2020
2.0	24 September 2024	<ul style="list-style-type: none"> • Appointment of the Audit Committee Chairman under Section II. • Additional details on appointment of substitute Chair, and Record Keeping under Section IV. • Matters to be reported in meeting under Section V. 	Corporate Secretary	30 January 2025

I. PURPOSE

The Audit Committee of PGA Somp Insurance Corporation (the “Company”) is established to enhance the Board of Director’s (“Board”) oversight capability over the Company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.

The Audit Committee ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

II. COMMITTEE COMPOSITION

The Audit Committee shall be composed of at least three (3) appropriately qualified Non-Executive Directors, the majority of whom, including the Chairman, shall be independent. All of the members of the Committee shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

The Audit Committee Chairman should be appointed by the Board, after taking into consideration the recommendations of the Nominations Committee as provided by in the Corporate Governance Charter. He/she shall not be the Chairman of the Board or of any other committees.

III. DUTIES AND RESPONSIBILITIES

The Audit Committee shall have the following duties and functions:

1. Evaluates the reliability and integrity of information and the means used to identify, measure, classify and report such information;
2. Evaluates the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on the organization;
3. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as plan;
4. Monitors and evaluate governance processes;
5. Performs consulting and advisory services related to governance, risk management and control as appropriate for the organization;

6. Reports periodically on the internal audit activity's purpose, authority, responsibility and performance relative to its plan;
7. Reports significant risk exposures and control issues, including fraud risk, governance issues and other matters needed or requested by the Board;
8. Evaluates specific operations at the request of the Board or management as appropriate;
9. Recommends the approval the Internal Audit Charter ("IA Charter"), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
10. Through the Internal Audit ("IA") Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to:
 - a. Safeguard the Company's resources and ensure their effective utilization;
 - b. Prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the Company's financial data; and
 - c. Ensure compliance with applicable laws and regulations.
11. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
12. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Company's Annual Report and Annual Corporate Governance Report;
13. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - a. Any change/s in accounting policies and practices;
 - b. Areas where a significant amount of judgment has been exercised;
 - c. Significant adjustments resulting from the audit;
 - d. Going concern assumptions;
 - e. Compliance with accounting standards;
 - f. Compliance with tax, legal and regulatory requirements.

14. Reviews the disposition of the recommendations in the External Auditor's management letter;
15. Performs oversight functions over the Company's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; Coordinates, monitors and facilitates compliance with laws, rules and regulations;
16. Evaluates the integrity and independence of external auditors and exercises effective oversight to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements;
17. Reviews and monitors the external auditor's suitability and effectiveness on an annual basis;
18. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Insurance Commission, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and,
19. Provides oversight on the adequacy of resources and remuneration of the internal audit staff to maintain the independence of the internal audit functions. The AC should decide on the appointment, remuneration, performance appraisal, transfer and removal of the Head of Internal Audit (i.e. Chief Internal Auditor), subject to the approval of the BOD or relevant board committees;

IV. MEETINGS

The Committee shall hold meetings at such times and places as it considers appropriate provided that not less than four (4) meetings shall be held each year. The meetings shall be upon a call of the Chairman of the Committee or at least majority of the members, with the majority of them present in person or via tele/videoconferencing. The Chairman, in his/her absence, may appoint one of the members as Chairman of the specific meeting.

The Committee may meet with the Board at least on an annual basis without the presence of the President and CEO or other management team members and periodically meet with the head of the internal audit.

Minutes of the Meetings

The Corporate Secretary is responsible for keeping the minutes of meetings of the Audit Committee, timely circulation to members and other members of the Board and following up on outstanding matters in relation to the meetings.

The Corporate Secretary is responsible for keeping report and records of the papers tabled and deliberated at the Audit Committee Meeting. The minutes of the meeting shall be kept without any limitation period.

V. MATTERS TO BE REPORTED AND DISCUSSED AT THE MEETING

The papers that are to be presented or tabled at the Audit Committee may include, but not limited to the following:

- a. Internal audit's review and investigation reports;
- b. Internal audit plan/charter;
- c. Performance appraisal of the Head of Internal Audit;
- d. Independent review reports prepared by third party;
- e. Assessment for appointment/reappointment of external auditors for annual external audit;
- f. External auditors' review planning memorandum;
- g. External auditors' report to the Audit Committee and management letter;
- h. Interim/annual financial statements;
- i. Appointment of external auditors for non-audit services;
- j. Directors' conflict of interest declaration; and,
- k. Directors' disclosures on gifts and entertainments.

VI. REMUNERATION OF THE MEMBERS

The members of the Audit Committee shall not receive any fees or remuneration in their capacity as such and in connection with the services provided with the Committee except for per diems as may be authorized and approved by the Board.

VII. RESOURCES AND AUTHORITIES

1. The Committee shall have the resources and authorities appropriate to discharge its functions, duties, and responsibilities including the authority to engage appropriate internal and external consultants and other experts;
2. The Committee shall report directly to the Board on its decision or recommendation unless there are legal or regulatory restrictions on its ability to do so;

3. The Committee shall have the right to require Management of the Company to attend the Committee Meetings or to provide information and reports that may be required in performing its duties.

VIII. PERFORMANCE ASSESSMENT

1. The Committee shall be subject to an annual performance evaluation by the Board;
2. Such assessments shall cover the following aspects:
 - a. The Committee Charter and the requirements thereto;
 - b. Composition of the Committee;
 - c. Duties and Responsibilities;
 - d. Meetings; and,
 - e. Individual Performance of the Members including their attendance at the Committee meetings.

IX. AMENDMENT OF THE CHARTER

The Committee shall revisit, review, and evaluate the contents of this Charter at least annually. The updates and amendments thereto shall be approved by the Board.

This Audit Committee Charter was approved by the Board on 30 January 2025.