

SERVICE LEVEL AGREEMENT FOR INTERNAL AUDIT SERVICES

This Agreement made and entered into this NOV 06 2019 in Makati City by and between:

PRUDENTIAL GUARANTEE AND ASSURANCE, INC., a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Coyiuto House, 119 C. Palanca Street, Legaspi Village, Makati City, represented herein by its Deputy Chairman & Treasurer and duly authorized representative, **JAMES G. COYIUTO**, and hereinafter referred to as "**PGAI**";

and

PGA SOMPO INSURANCE CORPORATION, a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at 5th Floor, Corinthian Plaza, Paseo de Roxas, Legasp Village, Makati City, represented herein by its President & Chief Executive Officer and duly authorized representative, **FUMIHIKO HARADA**, and herein referred to as "**PGAS**";

PGAI and **PGAS** are hereinafter collectively referred to as the "**PARTIES**".

Copies of the Secretary's Certificates authorizing the representatives to sign this Agreement are hereto attached as Annexes "A" and "B", forming integral parts hereof.

WITNESSETH: THAT

For and in consideration of the premises, covenants, and agreements contained herein, the **PARTIES** hereby agree as follows:

ARTICLE I – SCOPE OF AUTHORITY

- A. **PGAI**, through its Internal Audit Department, has been engaged to provide **PGAS** with internal audit services as agreed amongst both parties, such as but not limited to the conduct of independent operational, financial, compliance and Information Technology (IT) audit and/or review engagements, co-sourced internal audit services with the regional internal audit bodies to which **PGAS** functionally reports thereunto, including any additional special projects, investigations, and other advisory services.
- B. **PGAS** shall be an independent business partner of **PGAI**. None of the terms of this Agreement shall be construed as creating an employer-employee relationship between the **PARTIES**.

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PGA SOMPO INSURANCE CORPORATION

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JAMES G. COYIUTO
Deputy Chairman and Treasurer


MARIA SOLEDAD B. REMITER
Witness


FUMIHIKO HARADA
President and Chief Executive Officer


MARIA ROSALINA T. COYIUTO
Witness

ARTICLE II – TERMS OF AGREEMENT

This Agreement shall be effective from July 01, 2019 and until June 30, 2022, automatically renewable for the same period unless otherwise terminated by both parties, and shall be in full force and effect unless either **PARTY** signifies its intent to terminate by giving thirty (30) working days prior written notice and accepted by the other **PARTY**.

ARTICLE III – APPLICABLE STANDARDS

The services defined above will be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPA) and other relevant laws, regulations, and best practices.

ARTICLE IV – REMUNERATION

- C. The **PARTIES** will review the financial arrangements at least annually and as appropriate, through the Audit Committee of **PGAS**.

ARTICLE V – CONFIDENTIALITY AND OWNERSHIP OF DATA

- A. The classification of all papers, information and material coming to the attention of and produced by **PGAI** shall be respected. They may not be disclosed to any person aside from **PGAS**, its regional internal audit bodies, and/or the stockholders of **PGAS** without the express permission of **PGAS**, unless expressly required by law.
- B. All reports, working papers, documents and other data held (including electronic) or generated by **PGAI** as a result of audit activity shall be the property of **PGAS** but will be held within the **PGAI**'s file management system.
- C. Personal data received and required as part of an audit will be stored, transferred, and destroyed securely in-line with the provisions of the Data Privacy Act of 2012.

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Deputy Chairman and Treasurer

MARIA SOLEDAD B. REMITER
Witness


FUMIHIKO HARADA
President and Chief Executive Officer

MARIA ROSALINA T. COYIUTO
Witness
11/05/19

ARTICLE V – PERFORMANCE

DUTIES, RESPONSIBILITIES, AND OBLIGATIONS

The **PARTIES** agree to observe their respective obligation, duties, and responsibilities, in compliance with the terms and conditions of this Agreement and pertinent laws and regulations.

A. PGAI RESPONSIBILITIES

1. The Chief Audit Executive of **PGAI** will lead the provision of services to **PGAS**.
2. In accordance with the agreed scope of authority, **PGAI** will:
 - a. Develop an annual internal audit plan using an appropriate risk-based approach, which meets the needs of **PGAS** and takes account of other sources of assurance;
 - b. Meet with the External Auditors of **PGAS** to co-ordinate the respective scope of work and provide access to internal audit documentation as required;
 - c. Deploy internal auditors with sufficient knowledge, skills, and experience to deliver the agreed scope of work;
 - d. Meet with the assigned Department Head / Audit Client at **PGAS** in advance of each engagement to be delivered by PGAI, to discuss and subsequently agree a formal term of reference including the following, *inter alia*.
 - i. scope and limitations;
 - ii. approach;
 - iii. the internal audit team;
 - iv. key contacts for **PGAS**;
 - v. timetable for delivery; and,
 - vi. budget/fees (if applicable);
 - e. Meet with the key contacts and assigned Department Head / Audit Client at **PGAS** at the end of the fieldwork to discuss the internal audit findings;
 - f. Provide a draft report or equivalent, with details of the findings, implications and proposed actions for review and agreement by the key contacts and assigned Department Head / Audit Client at **PGAS**, before submission and finalization of the report with the Audit Committee of **PGAS** and its regional internal audit bodies;

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11/09/19

- g. Hold meetings, on a frequency as agreed between the two parties, to update the Key Contacts at **PGAS** on the progress against, results of, and issues impacting the ability to deliver the agreed scope of work.
- h. Provide reports to the Audit Committee of **PGAS** on a quarterly basis, and to the regional internal audit bodies of **PGAS** on a quarterly basis, on the progress against and results of the agreed scope of work.
- i. Provide a quarterly Accomplishment Report to the Audit Committee of **PGAS** which will include:
 - i. A review of the work undertaken in the last quarter and developments in governance, risk management, and compliance during the period; and,
 - ii. An opinion on the adequacy and effectiveness of **PGAS**' framework of governance, risk management, and compliance;
- j. Other responsibilities as agreed between the **PARTIES**.

B. PGAS RESPONSIBILITIES

1. The Board of PGAS are responsible for ensuring there are effective arrangements for governance, risk management (including advice about and scrutiny of key risks) and compliance, including the assessments thereof;
2. Appoint Key Contacts for Internal Audit, who will be responsible for providing input to the development of the internal audit plan, including provision of an Assurance Framework to enable **PGAI** to ensure proper coverage, that its resources are used efficiently and to minimize duplication of effort;
3. Ensure that the internal audit plan developed by **PGAI** is reviewed and approved by the Audit Committee and the regional internal audit bodies of **PGAS**;
4. Assign an Engagement Sponsor, whether it be the Department Head or its contemporary, for each review;
5. Provide access to all necessary information including records, documents and correspondence relating to the agreed audit activity, including information requiring security clearance to review, for which **PGAI** will have a duty to safeguard and handle appropriately subject to pertinent information security laws;
6. Allow access at all reasonable time to any premises or member of staff of **PGAS**;

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 EUMIHIKO HARADA
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7. Meet appointments, information requests and agreed deadlines for responses and recommendations, providing explanations concerning any matter relevant to the agreed audit activity;
 8. Regularly update **PGAI**, on a frequency as agreed between the two parties, on issues which may impact on the delivery of the internal audit plan and changes thereto, and on any unplanned work; and any specific governance, risk management and compliance related issues;
 9. Agree a mechanism with **PGAI** for customer satisfaction surveys; and,
 10. Other responsibilities as agreed between the **PARTIES**.
- C. **PGAI** has right of direct access to **PGAS'** Key Contacts and is able to raise any matter with the Key Contacts. Any serious matters identified should be raised in a timely manner with the Key Contacts, and where necessary, to the Audit Committee.
- D. In any and all cases, requests for clearance to access information, resources, and premises of **PGAS** shall be subject to the approval of any one (1) of the identified Key Contacts of **PGAS**.

ARTICLE VI - DATA PRIVACY

All personal information provided by the **PARTIES** pursuant to this Agreement shall be processed in accordance with the Data Privacy Act of 2012, its Implementing Rules and Regulations and other relevant issuances of the National Privacy Commission. Such personal information shall be processed solely for the purpose of implementing this Agreement and, unless required by law, shall not be further processed or disclosed without the express consent of **PGAI** and the data subject concerned.

ARTICLE VII - TERMINATION

This Agreement may be terminated by either **PARTY** by giving a written notice to the other **PARTY** no later than thirty (30) days prior to the date of the effectivity of said termination. In case of a violation of any provision of this Agreement, the thirty (30) day prior written notice shall be waived.

ARTICLE VIII – ACCEPTANCE

1. The attached Annexes, is/are hereto incorporated and made an integral part hereof by reference; provided nothing herein shall be construed as impairing existing contractual obligations.

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MARIA ROSALINA T. COJIUTO

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11/08/19

2. No supplement to or change or modification in this Agreement shall be made, except in writing and signed by the **PARTIES**.
3. Each **PARTY** agrees to hold harmless and indemnify the other **PARTY** and/or any of its officers or representatives from any and all liabilities, claims, damages, and suits of whatever nature to include reasonable attorney's fees by reason of, arising from or connected with its failure to comply with the provisions of this Agreement and with all applicable laws, IC rules and regulations in the performance of their respective obligations under this Agreement.

ARTICLE IX - GENERAL PROVISIONS

1. No waiver, permit, consent or approval of any kind or character or any breach of any provision or condition of this Agreement shall be effective unless in writing and signed by the **PARTIES'** duly authorized representatives.
2. This Agreement supersedes all prior agreements contracts and memoranda entered into by the **PARTIES**.
3. **FORCE MAJEURE**. Either **PARTY** shall be excused from performance and shall not be liable for any delay in the delivery or non-delivery, in whole or in part, caused by Force Majeure. Force Majeure means the occurrence of any contingency beyond the control of the **PARTIES** including, but not limited to, work stoppages, fires, civil disobedience, riots, rebellions, accident, explosion, flood, storm, and similar occurrence.

ARTICLE X - UNETHICAL PRACTICES

The **PARTIES** are prohibited from committing any unethical act such as misrepresentation, business twisting, and the like or in general, which violates any provision of pertinent laws and regulations.

ARTICLE XI - CUMULATIVE RIGHTS

The rights and remedies of the **PARTY** under this Agreement do not exclude any other right or remedy provided by law.

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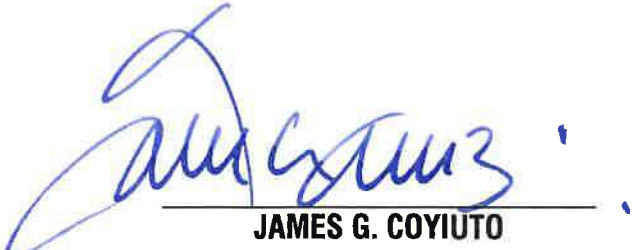
11/08/19

ARTICLE XII - SEPARABILITY AND CHANGES TO LAW CLAUSE

1. If any provisions of this Agreement and its annexes are declared invalid or unenforceable by a competent court, the other provisions shall not be affected and shall continue in full force and effect.
2. If any law or regulation relevant to the construction of this Agreement is amended or replaced, this Agreement shall be read as though the amended or new law or regulation was incorporated in it. If this produces any ambiguity, this Agreement shall be construed as to most nearly give effect to the intentions of the **PARTIES** at the time it was executed.

IN WITNESS WHEREOF, the **PARTIES** have hereunto set their hands on the date and place above written.

By:




JAMES G. COYIUTO
Deputy Chairman and Treasurer
Prudential Guarantee and Assurance, Inc.



FUMIHIKO HARADA
President and Chief Executive Officer
PGA Sampo Insurance Corporation

Signed in the presence of:



MARIA SOLEDAD B. REMITER
Witness
Prudential Guarantee and Assurance, Inc.



MARIA ROSALINA T. COYIUTO
Witness
PGA Sampo Insurance Corporation

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.


BEFORE ME, a Notary Public for and in the above jurisdiction, this NOV 06 2019,
personally appeared:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Date/Place of Issue</u>
JAMES G. COYIUTO FUMIHIKO HARADA		

Known to me, and to me known to be the same persons who executed the foregoing instrument, and they acknowledged to me that the same is their free and voluntary act and deed and that of the corporations herein represented.

This Agreement, consisting of **EIGHT (8) PAGES**, including the page wherein this acknowledgment is written and has been signed by the **PARTIES** and their instrumental witnesses.

WITNESS MY HAND AND SEAL this NOV 06 2019 in Makati City.



ATTY. JOHN HENRY M. PASCUAL
Commission No. M-274
Notary Public for Makati City
Until December 31, 2020
Coyiuto House, 119 C. Palanca Street
Legaspi Village, Makati City
Roll No. 43931; 05.07.99
PTR No. 7377924; 1.9.19; QC
IBP No. 057693; 12.21.18; QC
MCLE No. V-0016302; 3.9.16

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