



Audit Committee Charter



Contents

A. PREAMBLE	3
B. PURPOSE	3
C. AUTHORITY	3
D. COMPOSITION	3
E. MEETINGS / COMMUNICATION PLAN	4
F. RESPONSIBILITIES	4
G. SELF-ASSESSMENT	7



Audit Committee Charter

A. PREAMBLE

This Audit Committee Charter (the "Charter") has been adopted by the Board of Directors ("Board") of PhilNaRe (the "Company") on August 22, 2008 and was last updated September 9, 2011, to guide them in the execution of their duties and responsibilities.

This was based on the framework and model charters provided by Institute of Internal Auditors (www.iaa.org) and Audit Committee Institute (www.auditcommitteeinstitute.ie) in its respective web site.

The Audit Committee of the Board shall review and reassess this charter as necessary, request board approval for proposed changes, and ensure appropriate disclosure as may be required by applicable law or regulation.

B. PURPOSE

To assist the Board in fulfilling its oversight responsibilities on:

1. Financial reporting process
2. System of internal control
3. External and Internal Auditors' independence, qualifications and performance
4. Company's process for monitoring compliance with laws and regulations and the code of conduct.

C. AUTHORITY

The Audit Committee has the authority to:

1. Recommend for approval the Internal Audit Charter, which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the Internal Audit Charter.
2. Approve the Chief Audit Executive's (CAE) appointment, dismissal, compensation, and salary adjustment relative to annual performance evaluations and ensure that there are no unjustified restrictions or limitations thereto.
3. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities.
4. Recommend the appointment and compensation of the independent external auditor and oversee their work performance.
5. Resolve any disagreements between management and the auditor regarding financial reporting.
6. Recommend the approval of all auditing and audit-related services including the approval of the terms and conditions for outsourcing internal audit services.
7. Conduct or authorize investigations into any matters within its scope of responsibility.

8. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
9. Seek any information it requires from Company Officers and Employees---all of whom are directed to cooperate with the committee's requests---or external parties.
10. Meet with Company Officers, Internal Auditors, External Auditors, or outside counsel, as necessary.

D. COMPOSITION

The Audit Committee shall be composed of at least three (3) directors, preferably with accounting and finance background, and such other qualifications as may be required under the applicable rules and regulations promulgated by the Insurance Commission (IC), Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE).

As required by IC, all members of the Audit Committee shall be independent directors. The Board or its Nominating Committee will appoint the committee chair and the committee members.

E. MEETINGS / COMMUNICATION PLAN

The committee will meet at least four times a year, with authority to convene additional meetings as circumstances require. All committee members are expected to attend each meeting --- in person or via teleconference or videoconference. The committee may invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions.

Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and approved after every meeting.

F. RESPONSIBILITIES

The Audit Committee will carry out the following responsibilities:

1. Financial Statements
 - a. Review significant accounting and financial reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
 - b. Review with management and the auditors the results of the audit, including any difficulties encountered.
 - c. Review the annual financial statements and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.

- d. Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- e. Review with management and the auditors all matters required to be communicated to the committee under generally accepted auditing standards.
- f. Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.
- g. Review interim financial reports with management and the auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

2. Internal Control

- a. Consider the effectiveness of the company's internal control system, including information technology security and control.
- b. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- c. Monitor, oversee and evaluate the duties and responsibilities of management, the internal audit activity and the External Auditors as these duties and responsibilities relate to the company's processes for controlling its operations.
- d. Through the Internal Audit Department, evaluate the adequacy and effectiveness of the corporation's integrity of financial reporting, and security of physical and information assets.
- e. Deliberate the findings noted in control and reporting process.

3. Internal Audit

- a. Review and confirm the independence of the Chief Audit Executive (CAE) and its Staff by obtaining statements from the auditors and other sources, annually.
- b. Review the scope of internal audit work for the ensuing year in light of risk assessment of the operations of the company. Have final authority to approve the annual audit plan and all major changes to the plan.
- c. Review with Senior Management and the CAE the charter, plans, activities, budget, staffing and organizational structure of the internal audit function.
- d. Evaluate the performance of the CAE and its staff.

- e. Review and approve the CAE's appointment, dismissal, compensation, and salary adjustment relative to annual performance evaluations and ensure that there are no unjustified restrictions or limitations thereto.
- f. Review the effectiveness of the internal audit function, which may include compliance with 'The Institute of Internal Auditors' International Professional Practices Framework (IPPF).
- g. On a regular basis, meet separately with the CAE to discuss any matters that the committee or internal audit believes should be discussed privately.
- h. Review and recommend for approval the Internal Audit Charter, which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the Internal Audit Charter.
- i. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities.
- j. Review and monitor management's responsiveness to the Internal Auditor's findings and recommendations.
- k. Review and approve the terms and conditions for outsourcing internal audit services.

4. External Audit

- a. Review and confirm the independence of the External Auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- b. Review the External Auditors' proposed scope and their approach in the annual audit and special engagements, including coordination of audit effort with internal audit and the terms of their engagements.

The committee's duty is confined to the oversight responsibilities on the planning or conducting of external or internal audits. It is management's and the External Auditors' main responsibility to determine that the company's financial statements and disclosures are complete, accurate and in accordance with Philippine Financial Reporting Standards, generally accepted accounting principles and applicable rules and regulations.

- c. Review the performance of the External Auditors and exercise final approval on the appointment or discharge of the auditors.
- d. On a regular basis, meet separately with the External Auditors to discuss any matters that the committee or auditors believe should be discussed privately.

- e. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the non-audit fees paid to the External Auditor in relation to the total fees paid to them and to the corporation's overall consultancy expenses.
- f. Review the disposition of the External Auditor's recommendations as indicated in the management letter.
- g. Review the engagement and rotation process of external auditor or firm
- h. Ensure completeness and timeliness of communication with external auditor as to critical policies, alternative treatment, observation on internal control, audit adjustments, independence, limitation on the audit work set by the management, and other material issues that affect the audit and financial reporting

5. Compliance

- a. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- b. Review the findings of any examinations by regulatory agencies and any auditor observations.
- c. Review the process for communicating the code of conduct to company personnel and for monitoring compliance therewith.
- d. Obtain regular updates from management thru the Compliance Officer's and legal counsel's reports regarding compliance matters.

6. Reporting Responsibilities

- a. Report regularly to the Board about committee activities, issues and related recommendations.
- b. Provide an open avenue of communication between internal audit, the External Auditors and the Board.
- c. Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by applicable law or regulation.
- d. Review any other reports the company issues that relate to committee responsibilities.

7. Other Responsibilities

- a. Perform other activities related to this charter as requested by the Board.
- b. Institute and oversee special investigations as needed.
- c. Confirm annually that all responsibilities outlined in this charter have been carried out.
- d. Evaluate the committee's and individual members' performance on a regular basis.
- e. Review Management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions
- f. Review and approval of management representation letter before submission to external auditor.
- g. Obtain management's assurance on the state of internal controls

G. SELF-ASSESSMENT

The Chairman of the Audit Committee and its members will manage the quality assurance and improvement program to cover all aspects of its function and to monitor their effectiveness. Periodic quality assessments will be performed, internally and externally.