



CHARTER

OF THE

**AUDIT and COMPLIANCE
COMMITTEE**

**1. OVERVIEW**

This Charter shall ensure compliance with the requirements of BSP Circular No. 871, series of 2015 re: Internal Control and Internal Audit; BSP Circular No. 972, series of 2017 re: Enhanced Guidelines in Strengthening Compliance Frameworks; BSP Circular No. 969, series of 2017 re: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions, BSP Circular No. 950, series 2017 re: Amendment to Part 8 or the Anti-Money Laundering Regulations of the Manual of Regulations for Banks and the Code of Corporate Governance of the Securities and Exchange Commission (SEC) that identify the functions related to audit and compliance management under a board-level committee, thus, the creation of a joint Audit and Compliance Committee.

2. PURPOSE

The Audit and Compliance Committee shall assist the Board of Directors in fulfilling its oversight responsibilities specifically:

2.1. FOR INTERNAL AUDIT AND INTERNAL CONTROL (BSP Circular 871)

- a. To oversee the Management in establishing and maintaining an adequate, effective and efficient internal control framework; it shall ensure 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
- b. To oversee the internal audit function

2.2. FOR COMPLIANCE (BSP Circulars 972 and 950)

- a. To oversee the implementation of the Bank's Compliance Program
- b. To ensure that oversight on the Bank's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance management is adequate



3. COMPOSITION

- a. The Audit and Compliance Committee shall be composed of at least three (3) of the Board of Directors, wherein all shall be non-executive directors, majority of whom shall be independent directors including the Chairperson. It shall include a Chairperson, and two (2) members, who shall be appointed/ designated by the Board of Directors. The Chairperson shall not be the Chairperson of the Board of Directors or of any other board-level committees.
- b. Members of the Audit and Compliance Committee shall preferably be with accounting, auditing or related financial management expertise or experience.
- c. No member shall simultaneously serve on the Audit and Compliance Committee of other agencies.

4. MEETINGS AND PROCEDURES

- a. The Audit and Compliance Committee shall meet at least once a month with authority to convene for special meetings, as the circumstances require.
- b. The Chairperson, shall be the presiding officer during committee meetings. In his absence, any of the members may preside.
- c. The presence of two (2) members shall constitute a quorum in all committee meetings.
- d. The Corporate Secretary shall serve as the Secretariat of the committee. The Head, Central Point of Contact, in consultation with the Corporate Secretary, shall be responsible for determining meeting agendas subject to the approval of the Committee. The Corporate Secretary shall keep written Minutes of Meetings, audio recordings during meetings, and other documents/reports that may deem necessary, for a period consistent with the Bank’s retention policy.

5. RESPONSIBILITIES/FUNCTIONS

The Audit and Compliance Committee shall have the following duties and responsibilities:



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- a. Oversee the financial reporting framework (i.e., financial reporting process, practices and controls). It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
- b. Ensure that a review of the effectiveness of the Bank’s internal controls including financial, operational and compliance controls and risk management, is conducted at least annually.
- c. Oversee the performance of internal audit service provider (may it be for an assurance, consulting or any engagement in which internal audit activity would require resource and competence/expertise from third party).
- d. Provide functional supervision over the Central Point of Contact (CPC) Unit related to internal controls and compliance with regulatory requirements to ensure effective performance of its functions.
- e. Assess the reports from LBP-Internal Audit Group (IAG), external auditors and regulatory agencies, and ensure that management judiciously and appropriately acts on recommendations on significant deficiencies and/or material weaknesses identified.
- f. Recommend formulation or amendments to policies, systems and procedures based on results of its evaluation of the reports from LBP-IAG, compliance, external audit and regulatory bodies.
- g. Utilize the work conducted by internal audit and compliance functions pursuant to parent bank’s implementation of groupwide structure of independent control functions by undertaking timely and effective actions on issues identified.
- h. Exercise explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management, full discretion to invite any director or officer to attend its meetings, and adequate resources to enable effective discharge of its functions.
- i. Establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.



- j. Provide an open avenue of communication, among the internal auditors, external auditors, Senior Management, the Board of Directors and other supervisory authority.
- k. Assess the organizational structure and staffing of the CPC Unit, subject to the Bank’s standard guidelines, for the effective performance of their assigned tasks and endorse the same to management.

5.1 RESPONSIBILITIES IN THE FUNCTIONAL SUPERVISION OVER CPC UNIT UNDER THE IMPLEMENTATION OF GROUPWIDE STRUCTURE OF INDEPENDENT CONTROL FUNCTIONS

a. Internal Audit

- a.1 Ensure that LBP-IAG Audit Team have free access to all Bank’s records, personnel and properties relevant to the performance of their functions.
- a.2 Communicate and interact directly with the Head of CPC Unit and external auditors, including separate or private sessions as appropriate and necessary. It shall also ensure that there is coordination of audit effort between LBP-IAG and external auditor (COA) in terms of audit scope, approach, independence, and performance thru the CPC Unit.
- a.3 Receive key audit reports, and ensure that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by the auditors.

b. Compliance

- b.1 Ensure that the Compliance Program is defined for the Bank and that compliance issues are resolved expeditiously.
- b.2 Ensure that Bank personnel adhere to the pre-defined compliance standards of the Bank.
- b.3 Oversee the implementation of the Compliance Program and Money Laundering and Terrorist Financing Prevention Program (MTPP).



- b.4 Ensure that LBP-Chief Compliance Officer (CCO) have the right to obtain access to information necessary to carry out its responsibilities and conduct investigations of possible breaches of the compliance policy.

- b.5 Review reports submitted by LBP-CCO including Minutes of Meeting and resolutions of the Management Committee (ManCom) and all other matters related to AML and TF compliance and their risk management.

- b.6 Provide the Board of Directors with regular reports on the findings of regulatory bodies together with the actions of Management on said findings.

- b.7 Review and approve the Compliance Manual and Money Laundering and Terrorist Financing Prevention Program (MTPP) and any amendment/s thereto and endorse the same to the Board of Directors for approval.

5.2 OTHER RESPONSIBILITIES

- a. The Audit and Compliance Committee, through the Chairperson, shall regularly report to the Board of Directors its activities, issues and related recommendations.

- b. Obtain any information and or training needed to enhance the members' understanding/competence on the areas of financial reporting policies, practices and control, internal and external audit functions, and compliance function.

- c. Review and update this Charter at least annually or as often as necessary, whenever there are significant changes, and endorse the same to the Board for approval.

- d. Conduct annual self-assessment of the committee's performance including its effectiveness and compliance with this Charter.