



**CHARTER OF THE AUDIT COMMITTEE
OF COL FINANCIAL GROUP, INC.**

The Board of Directors (“Board”) of COL Financial Group, Inc. (“Corporation”) hereby adopts this Charter of the Audit Committee.

1. MEMBERSHIP

- 1.1 The Committee shall consist of at least three (3) non-executive directors who shall preferably have accounting and finance backgrounds, at least one of whom shall have audit experience.
- 1.2 The chair of the Committee (“Chair”) shall be an independent director. The Chair must not be the Chairman of the Board or the chairman of any other Board committee.
- 1.3 The members and Chair shall be appointed by the Board. The Board may likewise change the composition of the Committee from time to time, for as long as the minimum qualifications enumerated in Section 2.1 are met.
- 1.4 The Committee shall formulate a succession plan, subject to the approval of the Board.
- 1.5 The Committee shall appoint a Committee Secretary who shall prepare the minutes of the meetings and keep all records of the Committee.

2. MEETINGS

- 2.1 The Committee shall meet as often as necessary, provided that the Committee shall meet at least once a year.
- 2.2 Meetings shall be held at such times and places as the Chair deems appropriate, or upon the request of a majority of the members of the Committee.
- 2.3 A majority of all members of the Committee shall constitute a quorum. Attendance may be in person or via tele- or video-conference.

2.4 The Committee may pass resolutions upon the vote of at least a majority of the members present at the meeting at which there is a quorum.

2.5 Notice of meetings shall be communicated by the Committee Secretary to each member at least one (1) working day before the date of the meeting. A member may waive the notice requirement, either expressly or impliedly.

3. POWERS, DUTIES, AND RESPONSIBILITIES

The powers, duties, and responsibilities of the Committee are as follows:

3.1 Financial Reporting

- a. Review the quarterly, half-year and annual financial statements before their submission to the Board with the particular focus on the following matters:
 - i. Accounting policies and practices used and changes therefrom;
 - ii. Major judgmental areas;
 - iii. Significant adjustments resulting from the audit;
 - iv. Going concern assumptions;
 - v. Compliance with accounting standards;
 - vi. Compliance with tax, legal and regulatory requirements; and
 - vii. Complex or unusual transactions.
- b. Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.
- c. Review and approve, if warranted, the management representation letter before submission of the same to the external auditor.

3.2 Risk Management

- a. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal, and other risks of the Corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities.
- b. Draft and review from time to time, and as may be necessary, the business continuity plan.

3.3 Internal Control

- a. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security.
- b. Review the effectiveness of the Corporation's internal control system, including information technology security and control.

3.4 Internal and External Audit

- a. Perform oversight functions over the Corporation's internal and external auditors.
- b. Ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- c. Review the reports submitted by the internal and external auditors.
- d. For internal audit:
 - i. Review the annual internal audit plan to ensure its conformity with the objectives of the Corporation. The plan shall include the audit scope, resources and budget necessary to implement it.
 - ii. Organize an internal audit system, and consider the appointment of an independent internal auditor and the qualifications, terms and conditions of his engagement, and removal.
 - iii. Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities and ensure that, in the

performance of the work of the internal auditor, he shall be free from interference by outside parties. The internal auditor shall functionally report directly to the Committee.

- iv. Review the effectiveness of the internal audit function and compliance with the International Standards on the Professional Practice of Internal Auditing.
- e. For external audit:
 - i. Review the qualifications, performance, integrity, and independence of the external auditor.
 - ii. Exercise effective oversight to review and monitor the independence and objectivity of the external auditor.
 - iii. Select, appoint, reappoint, and remove external auditors as may be necessary, including the fixing of their remuneration for approval of the Board of Directors.
 - iv. Prior to the commencement of the audit, discuss with the external auditor the nature, scope, and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
 - v. Evaluate, determine, and approve the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation'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, should be disclosed in the Corporation's annual report.
 - vi. Ensure that the external auditor or the lead partner having primary responsibility for the audit is rotated at least once every five (5) years.
 - vii. Evaluate performance of external auditor and compliance with auditing standards.
 - viii. On an annual basis, review the suitability and effectiveness of the external auditor.

- ix. Conduct regular meetings and dialogues with the external audit team without any one from management present.
- x. Exercise effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.
- xi. Ensure that the external auditor is credible, competent, has the ability to understand complex related party transactions, its counterparties, and the valuations of such transactions, and has adequate quality control procedures.

3.5 Related Party Transactions (RPT)

- a. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, material RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
- b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:
 - i. The related party's relationship to the Corporation and interest in the transaction;
 - ii. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - iii. The benefits to the corporation of the proposed RPT;
 - iv. The availability of other sources of comparable products or services; and
 - v. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The Corporation should have an effective price

discovery system in place and exercise due diligence in determining a fair price for RPTs.

- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties.
- d. Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.
- e. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.
- f. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

3.6 Compliance

- a. Coordinate, monitor, and facilitate the Corporation's compliance with laws, rules, and regulations.
- b. Periodically evaluate the Corporation's compliance monitoring system and the results of management's investigation and follow-up (including disciplinary action) of instances of noncompliance.
- c. Monitor and evaluation of compliance with the Code of Conduct for management.
- d. Draft and review from time to time, and as may be necessary, the Corporation's whistle blowing policy.
- e. Review the findings made by regulatory agencies and observations made by the Company's internal and external auditors.
- f. Obtain regular updates from management and legal counsel regarding compliance matters.

3.7 Other Responsibilities

- a. Institute and oversee special investigations as may be needed in the reasonable discretion of the Committee. In connection with this, the Committee is empowered to:
 - i. Appoint, compensate, and oversee the work of any registered public accounting firm engaged by the organization;
 - ii. Resolve any disagreements between management and the auditor regarding financial reporting;
 - iii. Pre-approve all auditing and non-audit services;
 - iv. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation;
 - v. Seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests, or external parties; and
 - vi. Meet with the Corporation's officers, external auditors, or outside counsel, as necessary.
- b. Participate in such training activities to keep Committee members updated of the necessary knowledge and expertise in order to discharge their responsibilities effectively.
- c. Review this Charter from time to time and propose any amendments thereto to the Board for its approval.
- d. Perform other activities in relation to this Charter as may be requested by the Board from time to time.

4. REPORTING PROCESS

- 4.1 The Committee shall regularly report to the Board the results of its activities, issues, resolutions passed, and other related matters.
- 4.2 The Committee shall review all reports, disclosures, and other documentation that relate to the Committee's functions.

5. ASSESSMENT OF PERFORMANCE

- 5.1 The Committee shall regularly assess its performance and compliance with SEC Memorandum Circular No. 4, series of 2012, or any other laws, rules, regulations, or issuances that may amend or supplement the same.
- 5.2 Such assessment shall be done at least once a year or in such shorter interval as may be set by the Board. The results of the assessment shall be validated by the Corporation's compliance officer.
- 5.3 The assessment process shall be documented and shall form part of the records of the Corporation.
- 5.4 The Committee shall be open to receive feedbacks and comments from management, internal auditor, general counsel and external auditor on possible ways to improve its performance.