

UCPB LEASING AND FINANCE CORPORATION

Audit Committee Charter

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. 969, series of 2017 re: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions, and the Code of Corporate Governance of the Securities and Exchange Commission (SEC) that identify the functions related to audit management under a board-level committee.

PURPOSE

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

- To oversee Senior Management in establishing and maintaining as 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
- To oversee the internal audit function

COMPOSITION AND COMPETENCIES

The members of the Audit Committee shall be elected by the Board of Directors annually and shall serve until their successors are duly elected and qualified.

The Audit Committee shall be composed of at least three Board members, preferably with accounting, auditing, or related financial management expertise or experience. At least two (2) of the members shall be independent directors, including the Chairman.

The Chairman of the Committee shall be responsible for inculcating in the minds of the Board members the importance of management responsibilities in maintaining a sound system of internal control and the Board's oversight responsibility.

RESPONSIBILITIES AND PROCESSES

1. Annually, the Audit Committee shall review the Management's proposal, for the appointment of the Bank's independent external auditor and the corresponding

fees. After review, the Committee shall endorse for approval of the Board of Directors the Management's recommendation for the appointment of the independent external auditor. No independent auditing firm may be engaged to conduct ULFC's independent audit if any director or senior management official (rank of vice president or higher) of the company or of the Bank has worked for the auditing firm in the one year period to the new independent audit.

2. Prior to the engagement, the Audit Committee shall ensure that the independent external auditor submits a formal written statement disclosing all relationships between the independent external auditor and the Bank. The Audit Committee is responsible for engaging in a dialogue with the independent external auditor with respect to such disclosed relationships that may impact on the objectivity and independence of the independent external auditor and recommending that the Board of Directors take appropriate action to satisfy itself of the independent external auditor's independence.
3. The Audit Committee shall provide guidance for the engagement of the independent external auditor to provide non-audit services.
4. The Audit Committee shall require the independent external auditor to communicate with the Audit Committee on a timely basis:
 - a. all critical accounting policies and practices to be used;
 - b. any disagreements with management on accounting, auditing or reporting matters;
 - c. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent external auditors; and
 - d. other material written communications between the independent external auditor and management, such as any management letter, representation letters or schedule or unadjusted differences.
5. The Audit Committee shall review and approve the audit plan, scope, frequency of audit, all major changes to the plan, and IAD budgets / resources. The Audit Committee shall ensure that these are presented to the Board of Directors for notation. The Audit Committee shall also ensure that the plan is aligned with overall plan strategy and budget of ULFC and is based on robust risk assessment.
6. The Audit Committee shall suggest guidelines 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.

7. The Audit Committee shall invite the business units, as necessary, to discuss among others:
 - a. briefing on certain processes to include:
 - Risk management process and its effectiveness
 - Monitoring of main processes and key risks
 - Managing challenges and problems encountered by the unit
 - Actions taken to address management issues
 - Updates on instructions of the Audit Committee and on open items on Corrective Action Tracking Report (CATR)
 - b. processes relevant and necessary to the deliberation
8. The Audit Committee may request any officer or employee of the Bank / Company or its independent external auditors, external counsels, consultants or advisers to attend a meeting of the Audit Committee or to meet with any member of, or consultants to, the Audit Committee.
9. The Audit Committee shall oversee special assignments, or initiate audit activities, as needed.
10. The Audit Committee shall review other reports issued by ULFC and the Bank that relate to Audit Committee responsibilities.
11. The Audit Committee, based on its findings, may refer the matter to any disciplinary committee.
12. The Audit Committee shall require the Internal Audit Head to render to the Committee an annual report on the Internal Audit Department's activity, responsibility and performance relative to the audit plans and strategies approved by the Committee. Such annual report shall include significant risk exposures and control issues, corporate governance issues and other matters needed or requested by the Committee and the Board of Directors.
13. The Audit Committee shall ensure that the internal auditors have free and full access to all ULFC's records, properties and personnel relevant to the internal audit activity and that the internal audit activity is free from interference in determining the scope of internal audit examinations, performing audit work, and communicating the results of the audit.

Documents and information given to internal auditors during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.
14. The Audit Committee shall assess at least annually its own performance in relation to its responsibilities under this Charter. It shall review and reassess this Charter annually and recommend any appropriate changes to the Board of Directors.

15. The Audit Committee shall review and approve the Internal Audit Charter and any amendment/s thereto and endorse the same to the Board of Directors for confirmation.
16. The Committee shall receive and review key audit reports from internal and external auditors, COA, BSP and other regulatory agencies, and ensure that Senior Management is taking necessary corrective actions in a timely manner to address the weaknesses, noncompliance with policies, laws, and regulations and other issues identified by the auditors and other control functions.
17. Any urgent action required or permitted to be taken at a meeting of the Committee may be taken without a meeting if consent in writing setting forth the action so taken, is signed by majority of the members of the Committee.
18. The Audit Committee shall elevate to the President, for appropriate disciplinary action on the summary of outstanding uncorrected items covering audit engagements conducted by IAD.
19. The Committee shall review the quarterly and annual financial statements before submission to the Board of Directors, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and Commission on Audit (COA) requirements.
20. The Audit Committee shall ensure that a review of the effectiveness of the company's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.
21. The Audit Committee shall perform other activities consistent with this Charter, the IAD Charter and applicable laws and regulations as the Committee or the Board deem necessary or appropriate.
22. The Audit Committee shall report its activities and make recommendations to the ULFC Board regularly.
23. The Internal Audit Head (IAH) of ULFC shall report to the ULFC Audit Committee and ULFC Board of Directors. The IAH of ULFC shall likewise report to the Audit and Compliance Committee of the Land Bank of the Philippines at least quarterly to discuss matters concerning the status of audit activities.
24. The Committee shall report suspected fraud or material defects on the company's internal control/risk systems and significant non-compliance with laws and regulations or any other matters that should be disclosed to the Board.

25. The Audit Committee shall coordinate with the Commission on Audit, as necessary.
26. Utilize the work conducted by internal audit by undertaking timely and effective actions on issues identified.
27. Review and approve an audit program that encompasses audit scope and frequency, policies, processes, procedures, and strategies that would govern IAD, including major changes thereof. It shall ensure that the scope covers review of the effectiveness of ULFC's internal controls, including financial, operational and compliance controls, and risk management system
28. Communicate and interact directly with the IAD Head, internal auditors and external auditor, including separate and private sessions as appropriate and necessary. It shall also ensure that there is a coordination of audit effort between IAD and external auditor (COA) in terms of audit scope, approach, independence and performance.

SCOPE OF AUTHORITY

The Audit Committee was created by the ULFC Board of Directors during its meeting in October 27, 2004 and pursuant to the SEC Memorandum Circular No. 2 dated April 5, 2002 to aid in complying with the principles of good corporate governance and to provide oversight on the company's financial reporting & control, and internal & external audit functions.

In addition to the authorities granted to the Audit Committee elsewhere in this charter, the Audit Committee is authorized:

- To authorize the conduct of inquiry on any matter within its terms of reference;
- To have full access to any information and records of the company and cooperation by Management;
- To have adequate resources to enable it to effectively discharge its functions;
- To hire accounting, audit, technology, legal or other consultants who will assist the Committee in carrying out its functions and duties under this Charter including the skills enhancement and training of the officers and staff of the Internal Audit Department;
- To resolve any disagreement between Management and the Internal Audit Department;
- To reorganize the Internal Audit Department to enhance its capability to deliver the required services and make it more responsive to changes and emerging trends in audit standards, methodologies and best practices; and

- To determine the internal audit functions that may be outsourced and to approve the outsourcing of such functions within the context of existing regulatory policies.

The Audit Committee has no authority to stop the implementation of business decisions approved by Management and relevant Committees.

MEETINGS, QUORUM AND REPORTS REQUIREMENT

The meeting shall be held at least once a month with authority to convene special meetings, as the circumstances require. The Chairperson, shall be the presiding officers during committee meetings. In his absence, any of the members may preside. A quorum shall be composed of at least two (2) members. The President and CEO shall normally attend the meetings or as required. The Internal or External Auditors or Compliance Officer may request a meeting if they consider that one is necessary.

The Audit Committee shall meet at least annually separately with management, the internal auditor and the independent external auditors to discuss matters that the Audit Committee or any of said parties believe should be discussed privately with the Committee.

The Audit Committee shall maintain minutes of its meetings and regularly submit to the Board of Directors a report of the Committee's activities, findings, actions and recommendations. Likewise, the following are included in the summary of the Audit Committee report addressed to the Board of Directors:

- status of Audit Committee directives to concerned units;
- significant issues on concerned units, as discussed during the Audit Committee meetings, for the Board to have an idea of the company's circumstances, for the deliberation or discussion as may be applicable.

RELIANCE ON INFORMATION PROVIDED

In adopting this Audit Committee Charter, the Board of Directors acknowledges that at least two (2) of the Audit Committee members are not employees of ULFC and the Bank and are not providing any expert or special assurance as to the Bank's and ULFC's financial statements or any professional certification as to the independent external auditor work or auditing standards. Each member of the Audit Committee shall be entitled to rely on the integrity of those persons and firms within and outside the company that have provided information to the Audit Committee and the accuracy and completeness of the financial and other information provided to the Audit Committee by such persons or firms in the absence of actual knowledge to the contrary.



ANNALENE M. BAUTISTA
Chairman

Alan V. Bornas
ALAN V. BORNAS
Member



WINSTON ROCHEL L. GALANG
Member