

MEMBERSHIP

Committee Position	Designation	Designated Member
Chairman	Independent Director	Edgar O. Chua
Regular Members	Director Independent Director	Solomon S. Cua Angelica H. Lavares
Resource Persons	Head, Financial and Control Sector Head, Risk Management Group Head, Customer Engagement Group	Joshua E. Naing Christian D. San Juan David Peter B. Holmes
Secretary	OIC, Commercial Banking Audit Division	Janus D. Realizan

Committee Name **Audit Committee**

Short Name **AUDITCOM**

Nature Board-Level Committee

Responsibility Statement As an extension of the Board of Directors, the AUDITCOM shall assist the Board of Directors in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through (a) effective oversight of internal and external audit functions, (b) transparency and proper reporting, (c) compliance with laws, rules and regulations; and code of conduct, and (d) adequate and effective internal controls.

The AUDITCOM shall be responsible for overseeing the Senior 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 financial reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of physical and information assets.

Duties and Responsibilities

Authority

The AUDITCOM shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

Primary Responsibilities

1. Provide effective oversight of external and internal audit functions, including internal audit activities provided to subsidiaries/associates and outsourced internal audit activities;
2. Ensure transparency and proper reporting with emphasis on the reports' integrity, timeliness and compliance with standards;
3. Ensure compliance with Bank policies, and applicable laws, rules and regulations and code of conduct; and,

4. Ensure adequate and effective internal controls.

Duties and Responsibilities

1. Effective Oversight of External and Internal Audit Functions, including internal audit activities provided to subsidiaries/associates and outsourced internal audit activities, and ensure that the internal and external auditors act independently from each other.
 - a. Be responsible for the appointment/selection, re-appointment and dismissal of internal auditor, as well as the independent external auditor and external service providers based on fair and transparent criteria.
 - i. In the case of the external auditor, the appointed auditor should be selected from the List of Selected External Auditors for BSFIs and the recommendation should be approved by the Board and ratified by the shareholders;
 - ii. In the case of the internal auditor, the Senior Management may appoint the internal auditor subject to the concurrence of the AUDITCOM;
 - iii. The AUDITCOM shall approve the terms and conditions for outsourcing internal audit services;
 - iv. If the internal/external auditor resigns or communicates an intention to resign, the AUDITCOM should follow up the reasons/ explanations giving rise to such resignation, and should consider whether it needs to take any action in response to those reasons. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures; and,
 - v. The external auditor, including the engagement and quality control partners, shall be periodically rotated in accordance with the relevant regulatory requirements;
 - b. Review and approve the internal audit risk assessment and overall annual plan (including scope, audit frequency and resources) of the internal auditors, including the internal audit activities to be provided to subsidiaries/associates and to be outsourced, to ensure conformity with the objectives of the Bank; Ensure that the audit plan of the internal/external service provider is aligned with the overall strategy and budget of the Bank and is based on robust risk assessment; and that the internal audit service provider is independent and has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities;
 - c. Review and approve the Internal Audit Group Charter, and oversee the implementation of the Charter. Identify and establish the reporting line of the Head of internal audit so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The head of internal audit shall functionally report directly to the AUDITCOM;
 - d. Discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement, obtain an understanding of the nature, audit approach, and scope of work covering

areas specifically prescribed by the BSP and other regulators and those relevant to the Bank's operations and risk exposures. These shall include the following, among others:

- i. Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
 - ii. Assessment of the propriety and adequacy of disclosures in the financial statements;
 - iii. Assessment of the adequacy and effectiveness of internal controls and risk management systems;
 - iv. Assessment of the quality of capital in relation to risk exposures; and
 - v. Evaluation of the quality of corporate governance;
- e. Set compensation of the external auditor in relation to the scope of its duties upon recommendation of Controller, and ensure coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
 - f. Ensure that the internal/external auditors shall have free and full access to all the Bank's records, properties and personnel relevant to the audit activity, and that audit be given latitude in determining the scope of auditing examinations, performing work, and communicating results and shall be free from interference by outside parties in the performance of work;
 - g. Take necessary measures to provide the appropriate resources and staffing that would enable internal audit to achieve its objectives and assess the extent of cooperation provided by the management during the conduct of the internal/external audit;
 - h. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor and in relation to the Bank's total expenditure on consultancy and disallow any non-audit work that will conflict with or pose a threat to the independence of the external auditor. The non-audit work, if allowed, should be disclosed in the Annual Report and Annual Corporate Governance Report;

All non-audit services to be rendered by the external auditor to the controlled entities of the Bank, regardless of materiality, shall be concurred by the AUDITCOM, after the approval of the companies' respective AuditCom, but prior to the actual engagement of the external auditor.

- i. Review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate;
- j. Review the disposition of the recommendations in the external auditor's management letter;

- k. Review quarterly result of oversight activities on internal audit functions of the Bank's subsidiaries and associates, including reporting of significant audit observations;
- l. Receive and review reports of internal auditors, to monitor and evaluate the adequacy and effectiveness of the Bank's and covered subsidiaries' internal control system, including financial reporting, operational and compliance controls, risk management and security of physical and information assets on a going-concern basis and communicate the same through-out the Bank to ensure that Senior Management is taking appropriate corrective actions, in a timely manner in addressing control weaknesses and non-compliance with policies, laws and regulations and other issues identified by auditors and other control functions. Furthermore, significant matters in the said reports should be reported to the Board of Directors;
- m. Require Internal Audit Group to conduct a periodic formal review of the group structure, its controls and activities to assess consistency with the board approved policies, practices and strategies across the Metrobank Group and report the results of assessment/review directly to the AUDITCOM;
- n. Review and monitor the overall suitability and effectiveness and conduct a regular performance appraisal of internal and external auditors and insourced/outsourced arrangement.
 - i. Evaluate and approve interlocking positions held by the Internal Audit Group (IAG) Head, in accordance with the policy.
 - ii. Review the annual performance appraisal of the Internal Audit Group Head and report the same to the Board of Directors. The evaluation shall also cover the IAG Head's performance by virtue of interlocking positions. Furthermore, the AUDITCOM shall recommend for approval of the Board of Directors the annual remuneration of the Internal Audit Group Head and budget of the internal audit function;
 - iii. The AUDITCOM shall report to the Board of Directors on the status of accomplishments of the outsourced internal audit activities, including significant findings noted during the conduct of the internal audit;
 - iv. Assess and monitor the integrity, independence and objectivity of external auditor, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. Also, AUDITCOM shall review and monitor the external auditor's suitability and effectiveness on an annual basis;
- o. Supervise and direct any special projects or investigations considered necessary; and
- p. Recommend enhancements in the audit processes, ensure that the internal audit function follows sound internal auditing standards such as the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics, and continually engage the external auditor on matters concerning audit quality.

2. Oversee the Financial Reporting

The AUDITCOM shall oversee the 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.

Before submission to the Board, review and approve the Bank's quarterly and annual financial statements with particular focus on the following matters:

- Any change/s in accounting policies and procedures;
- Areas where a significant amount of judgment has been exercised;
- Significant adjustments resulting from the audit;
- Going concern assumption;
- Compliance with accounting standards;
- Compliance with tax, legal and regulatory requirements; and,
- Ensuring employee pension funds are fully funded or the corresponding liability is appropriately recognized in the books.

Understand and duly assess the external auditor's opinion regarding the capability of the management and the adequacy of accounting/information systems to comply with financial and prudential reporting responsibilities.

3. Compliance with Bank Policies, and applicable Laws, Rules and Regulations, and Code of Business Conduct

- a. Monitor compliance by the Bank with laws, regulations and promulgated policies of the BSP and other regulatory government agencies, including but not limited to Anti-Money Laundering and Countering Financing of Terrorists (CFT) and Know-Your-Employee policies and guidelines.
- b. Monitor compliance with Bank regulations and policies as contained in the various manuals of operating policies and procedures of the Bank, as well as the Bank's code of Business Conduct and other codes of conduct as may be imposed by the Bank.
- c. 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. AUDITCOM shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, subsequent resolution of complaints, and that reporting employee or stakeholder who raise the concerns are protected from detrimental treatment or reprisals.

4. Monitor and evaluate the adequacy and effectiveness of the internal control system.

The AUDITCOM shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.

- a. Evaluate the adequacy and effectiveness of the Bank's accounting policies and procedures and financial and accounting management through observations and discussions with the external auditors, internal auditors and appropriate bank officers;

- b. Evaluate internal accounting controls through a review of the reports of the external auditors and internal auditors that describe internal accounting, organizational or operating control weaknesses and determine that appropriate corrective action is being taken by Management;
- c. Identify high-risk areas or areas of emphasis that will require more consideration by the AUDITCOM and internal audit; and
- d. Recommend improvement in policies, processes and procedures.

Limitation of Role

The AUDITCOM's role is one of oversight. Management is responsible for the preparation and fair presentation of the Bank's financial statements and adequacy of disclosures in accordance with Philippine Financial Reporting Standards (PFRS). The external/independent auditors' responsibility is to provide its opinion, based on their audits, that the financial statements fairly present in all material respects, the financial position, results of operations and cash flows of the Bank in accordance with PFRS. While the AUDITCOM has the responsibilities and powers set forth in this Charter, it is not the duty of the AUDITCOM to plan or conduct audits or to determine that the Bank's financial statements and disclosures are complete and accurate and in accordance with PFRS and applicable rules and regulations.

Composition

- a. The members of the AUDITCOM are appointed annually by the Board of Directors. It shall be composed of at least three (3) qualified non-executive directors, and majority of whom shall be independent directors, including the Chairperson.
- b. All of the members of the AUDITCOM must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing, and finance commensurate with the size, operational complexity, and risk profile of the bank. It shall have access to independent experts to assist them in carrying out its responsibilities. The Chairman of the AUDITCOM should not be the chairman of the board or of any other board-level committees.
- c. Each member shall serve for a maximum tenure of nine years. If a member does not serve the position of director within the term, his/her AUDITCOM membership is automatically removed; the vacancy should then be filled up by the remaining Board of Directors, if still constituting a quorum. Once an independent director loses his/her independent director's position within the term, he/she will automatically lose qualification of AUDITCOM chairperson. A new chairperson shall be appointed subject to the approval of the Board of Directors. The AUDITCOM chairperson or member so appointed to fill a vacancy shall be appointed only for the unexpired term of his predecessor in office.
- d. The committee members, including the Chairperson, may also be occasionally rotated.

Quorum/ Majority Votes

- a. A majority of the AuditCom members shall be necessary to constitute a quorum at any meeting. When a quorum is present at any such meeting, a majority vote shall decide any matter brought before such meeting.

- b. The member participating at the meeting through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication shall be deemed present for the purpose of attaining a quorum and shall be allowed reasonable opportunities to vote.

**Meeting
Schedule**

The AUDITCOM shall hold regular monthly meetings, and such additional times, as may be necessary, to discharge its duties and responsibilities.

**Performance
Assessment**

The AUDITCOM shall perform a self-assessment to evaluate its performance at least annually to determine whether it is functioning effectively based on its responsibilities under the code:

- Setting of Committee Structure and Operation;
- Oversight on Financial Reporting and Disclosure;
- Oversight on Risk Management and Internal Controls;
- Oversight on Management and Internal Audit; and,
- Oversight on External Audit.

The self-assessment shall be performed on the basis that each AUDITCOM member shall complete it independently. The AUDITCOM chairman shall lead discussion on the results of the questionnaire, focusing on those areas which clearly need improvement or where there is great variation in answers. Alternatively, the self-assessment shall be undertaken as a facilitated group activity led by the AUDITCOM chairman or an external party.

The results of the self-assessment and any action plans arising therefrom shall be validated by the Corporate Governance Committee and reported to the Board of Directors.

Charter Review

The AUDITCOM shall review and reassess the Charter at least annually or when there are significant changes to the committee's mandate, scope and working procedures.

Amendments to the Charter shall be endorsed to Compliance Division for review prior to submission to the Board of Directors (through the AUDITCOM) for approval.

**Reporting to the
Board**

The AUDITCOM shall report to the Board on a periodic basis, its actions and disposition for notation, confirmation, and/or approval.

The AUDITCOM shall also meet with the Board at least every quarter without the presence of the President or other management team members.

**Interaction with
other Committees**

As needed

Metropolitan Bank & Trust Company

AUDIT COMMITTEE (AUDITCOM) SELF – ASSESSMENT

The self-assessment has been prepared on the basis that each audit committee member will complete it independently. The audit committee chairman would then lead discussion on the results of the questionnaire, focusing on those areas which clearly need improvement or where there is great variation in answers. Alternatively, the self-assessment could be undertaken as a facilitated group activity led by the audit committee chairman or an external party.

The committee would then discuss the results of the self-assessment, focusing on those areas which clearly need improvement or where there is great variation in answers. The results of the self-assessment and any action plans arising therefrom shall be validated by the Corporate Governance Committee and reported to the Board.

The results of the self-assessment and any action plans arising should be reported to the board after discussion with chairman of the board. The board should also make its own assessment of the performance of audit committee's effectiveness on an annual basis.

Audit committee chairman may wish to give more weight to some aspects of the self-assessment than others. Appropriate weighting will be influenced by a number of factors including, but not limited to:

- the committee's charter;
- the organization's strategies and risk assessments;
- its control environment;
- the outcomes of previous self-assessment;
- the views of stakeholders on the organization's corporate governance performance; and,
- current and emerging business and economic factors.

For each of the following statements, indicate whether the responsibility has been adequately accomplished. Please proceed to the next tab "AC Self-Assessment".

	Replies		Rating
Excellent	YES	Full compliance has been made	9 to 10
Good		Compliance has been observed most of the time	7 to 8
Fair		Compliance has been observed some of the time	5 to 6
Needs Improvement	NO	Compliance has not yet been made/not yet being observed	1 to 4
N/A		Stated activity is not applicable	N/A

The Overall Weighted Rating will be based on the table below:

Adjectival Rating	Score
Far Exceeds Expectation (FEE)	9 and above
Exceeds Expectation (EE)	7 -8.9
Meets Expectation (ME)	5.0 - 6.9
Barely Meets Expectation (BMS)	2.5 - 4.9
Does Not Meet Expectation (DMS)	less than 2.5

Exhibit

A. Setting of Committee Structure & Operation

Specific Areas/Dimensions	Assessment Areas	Score
1. Committee Size	Does the Audit Committee have at least three (3) qualified non-executive directors?	
	Does the Audit Committee review and reassess the Charter at least annually or when there are significant changes to the Committee's mandate, scope and working procedures; and obtain the approval of the Board for any necessary changes?	
2. Independence requirement	Are majority of the Audit Committee members independent directors, including the Chairperson?	
3. Qualifications, skills and attributes of members and Chair	Do the Audit Committee members have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance commensurate with the size, complexity of operations and risk profile of the bank?	
	Is the Board Chairman excluded from the Audit Committee membership?	
	Are Audit Committee members appointed by the Board on the recommendation of the Nomination Committee (where there is one) in consultation with the Audit Committee Chairperson?	
4. Financial knowledge of members	same as above	
5. Succession plan for members and Chair	Does the Audit Committee have a succession plan for members and the Chairperson?	
6. Meetings (frequency, etc.)	Is the frequency/number of Audit Committee meetings sufficient to meet roles and responsibilities? (monthly for internal audit, twice a year for external audit or as the need arises)	
	Are Audit Committee meetings well attended?	
	Do Audit Committee meetings allow sufficient time for discussion and questions?	
	Are Audit Committee meeting agenda and related background information circulated in a timely manner to enable full and proper consideration to be given to the issues?	
	Is sufficient time allowed between Audit Committee meetings and Board meetings to allow any work arising to be carried out and reported to the Board as appropriate?	
	Does the Audit Committee invite non-members to attend meetings where necessary?	
	Are arrangements in place for the Audit Committee to meet with external and internal auditors during the year without the presence of Management?	
	Does the audit committee chairperson, and to a lesser extent the other members, keep in touch on continuing basis with the key people involved in the Bank's governance e.g., the Board Chairman, the Chief Executive Officer, the Controller, the external auditor, and the head of internal audit?	
7. Reporting to the Board and issuance of certifications on critical compliance	Does the Audit Committee report to the full Board every other month or at least six times in a calendar year?	
	Where there is disagreement between the Audit	

Exhibit

Specific Areas/Dimensions	Assessment Areas	Score
issues	Committee and the Board, is adequate time set aside for discussion of the issue with a view to resolve the disagreement?	
	Where disagreements between the Audit Committee and the Board cannot be resolved, does the Audit Committee have the right to report the issue to shareholders?	
	If the Board did not accept the Audit Committee's recommendation regarding the appointment, reappointment or removal of the auditors, did the Audit Committee ensure the annual report and accounts included a statement explaining its recommendation and the reasons why the Board took a different stance?	
	Does the Chairperson of the Audit Committee attend the Annual General Meeting and, where necessary, answer questions on matters within the scope of Audit Committee's responsibilities?	
8. Evaluations	Does the Audit Committee submit an annual performance report to the Board?	
	Does the Audit Committee ensure that a report on its role and responsibilities and the actions taken to discharge those responsibilities is included in the annual report and accounts?	
9. Resources including access to outside advisors	Are funds available to enable the Audit Committee to take independent legal, accounting or other advice when it reasonably believes it necessary to do so?	
10. Training and education	Does the Audit Committee have sufficient skills, experience, time and resources to undertake its duties?	
	Does at least one Audit Committee member have recent and relevant financial experience?	
	Is an induction programme (covering the role of the Audit Committee, its terms of reference and expected time commitment by members; an overview of the Bank's business; and the main business and financial dynamics and risks) provided for new Audit Committee members?	
	Do Audit Committee members receive relevant training in financial reporting and relevant regulations on an ongoing and timely basis?	
	Do Audit Committee members have the opportunity to attend formal courses and conferences, internal company talks and seminars, and briefings by external advisers such as the Bank's auditors and lawyers?	
	Does the Audit Committee have access to the services of the Bank secretary and staff?	
Rating for Committee Structure and Operation		

B. Oversight on Financial Reporting and Disclosures

Specific Areas/Dimensions	Assessment Areas	Score
1. Extent of understanding of the bank's business and industry in which it operates	Refer to A.1 Committee Size	
2. Compliance with financial reporting regulations	Does the Audit Committee review the significant financial reporting issues and estimates, assumptions and	

Exhibit

Specific Areas/Dimensions	Assessment Areas	Score
	judgements made in connection with management's preparation of the Bank's financial statements, interim reports, preliminary announcements and related formal statement?	
	Where, following its review, the Audit Committee is not satisfied with any aspect of the proposed financial reporting, does it report such views to the Board and seek changes?	
3. Recognition of management's responsibility over the financial statements	Refer to B.11	
4. Appropriateness of accounting policies adopted by management	For unusual or complex transactions or where an accounting treatment is open to a different approach, does the Audit Committee consider whether the Bank has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgements?	
5. Reasonableness of estimates, assumptions and judgments used in the preparation of financial statements		
6. Identification of material errors and fraud, and sufficiency of risk controls	Does the Audit Committee: discuss with the external auditor major issues that arose during the course of the audit; review key accounting and audit judgement; review levels of material errors or fraud identified during the audit, obtaining explanations as to why certain errors might remain unadjusted and action plans/measures to prevent recurrence?	
7. Actions or measures in case of finding of error or fraud in financial reporting		
8. Review of unusual or complex transactions including all related party transactions	Refer to B.4 above	
9. Determination of impact of new accounting standards and interpretations	Refer to B.4 above	
10. Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosures of material information including on subsequent events and related party transactions	Does the Audit Committee review related information presented in the financial statements, including the operating and financial review and corporate governance statements relating to audit and risk management?	
	Does the Audit Committee review the clarity and completeness of disclosures in the financial statements, interim reports, preliminary announcements and related formal statements?	
11. Review and approval of management representation letter before submission to external auditor	Does the Audit Committee review and approve the Management Representation Letter before submission to the external auditor?	
12. Communication of the AudCom with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact financial statements	Refer to B.14	

Exhibit

Specific Areas/Dimensions	Assessment Areas	Score
13. Fair and balance review of financial reports	B in general	
14. Assessment of correspondence between the company and regulators regarding financial statement filings and disclosures	Is the Audit Committee aware of the reports or other communications received from regulators, and updates from the general counsel on legal and regulatory matters that may have a material effect on the Bank's activities and related financial statements?	
Rating for Oversight on Financial Reporting and Disclosures		

C. Oversight on Risk Management and Internal Controls

Specific Areas/Dimensions	Assessment Areas	Score
1. Obtaining management's assurance on the state of internal controls	In carrying out such an assessment, does the Audit Committee receive and review reports from Management on the effectiveness of the systems it has established and the results of any testing carried out by the internal and external auditors, and recommendations?	
	Does the Audit Committee review the statements included in the annual report in relation to the process for managing risk and the Board's review of the adequacy of that process?	
	Is the Audit Committee cognizant of the line between oversight and management functions, and endeavours to respect that line?	
2. Review of internal auditor's evaluation of internal controls	Does the Audit Committee receive a report on the results of the internal auditor's work on a periodic basis, and monitor Management's responsiveness to the internal auditor's findings and recommendations?	
3. Evaluation of internal control issues raised by external auditors	As part of the on-going monitoring process, does the Audit Committee review the Management Letter (or equivalent) and monitor Management's responsiveness to external auditor's findings and recommendations?	
4. Assessment of control environment including IT systems and functions	Refer to C.2	
5. Setting a framework for fraud prevention and detection including whistleblower program	Does the Audit Committee review the Bank's whistleblowing process?	
6. Deliberation on findings of weaknesses in controls and reporting process	Refer to C.1, C.2 & C.3	
7. Understanding and assessment of identified risks	Does the Audit Committee assist in the Boards assessment of the scope and effectiveness of the systems established by Management to identify, assess, manage and monitor financial and non-financial risks?	
8. Evaluation of sufficiency and effectiveness of risk management processes and policies	Refer to C.1, C.2 & C.3	
9. Preparation and implementation of a Business Continuity Plan	<i>Per clarification sought from Securities and Exchange Commission (SEC), the review and reporting should be based on concrete Business Continuity Plan, which is</i>	

Exhibit

Specific Areas/Dimensions	Assessment Areas	Score
	<i>covered during audits, results of which are reported to the Audit Committee.</i>	
10. Promotion of risk awareness in the organization	Does the Audit Committee monitor and assess the role and effectiveness of the internal audit function in the overall context of the Bank's risk management system?	
Rating for Oversight on Risk Management and Internal Controls		

D. Oversight on Management and Internal Audit

Specific Areas/Dimensions	Assessment Areas	Score
1. Evaluation of Compliance with the Code of Conduct for management	Does the Audit Committee evaluate management's procedures for monitoring compliance with Bank policies, applicable laws and regulations, and code of conduct and report to the Board significant/critical results thereof?	
2. Communication with management and internal auditor	Refer to A.6	
3. Assessment of adequacy of resources and independence of internal auditor	Does the Audit Committee review and approve the Internal Audit Charter?	
	Does the Audit Committee review and assess the independence and objectivity of the internal audit function?	
4. Qualifications of an internal auditor	Does the Audit Committee review and approve the appointment or termination of the Head of internal audit?	
5. In-house or outsource internal audit function	Refer to D.6 and D.7 below	
6. Compliance with International Standards on the Professional Practice of Internal Auditing	Does the Audit Committee ensure that the internal audit function follows the <i>International Standards for the Professional Practice of Internal Auditing (ISPPIA)</i> issued by the Institute of Internal Auditors?	
7. Review and approval of internal audit annual plan	Does the Audit Committee review and assess the annual internal work plan, including insourced/outsourced activities?	
8. Extent and scope of internal audit work	Does the Audit Committee review the performance of the head of internal audit at least once a year and concur with the annual compensation and salary adjustment?	
	Does the Audit Committee make appropriate inquiries about the coordination and cooperation between internal and external audit?	
	Does the Audit Committee ensure that the internal audit function has the necessary resources and access to information to enable it to fulfill its mandate?	
9. Reporting process	Does the Audit Committee ensure that the internal auditor has direct access to the Board Chairman and to the Audit Committee and is accountable to the Audit Committee?	
	Does the Audit Committee review the result of Internal audit's review of the group structure, its controls and activities to assess consistency with the Board-approved policies, practices and strategies?	
	Does the Audit Committee review on a quarterly basis result of oversight activities on internal audit functions of the Bank's subsidiaries and associates, including reporting of significant observations?	
Rating for Oversight on Management and Internal Audit		

Exhibit

E. Oversight of External Audit

Specific Areas/Dimensions	Assessment Areas	Score
1. Assessment of independence and professional qualifications and competence of external auditor	Is the Audit Committee responsible for overseeing the external auditor?	
	Does the Audit Committee make recommendations to the Board (and then to shareholders) on the appointment, reappointment and removal of the external auditors?	
	Does the Audit Committee annually assess the qualification, skills and resources, effectiveness and independence of the external auditors?	
	Does the Audit Committee regularly seek information from the external auditor about its policies and processes for maintaining independence, adhering to auditing standards and monitoring compliance with relevant requirements, including current requirements regarding the rotation of the audit partners and staff?	
2. Engagement and rotation process of external auditor	Does the Audit Committee review and agree the engagement letter issued at the start of each audit and, where necessary, ensure that it has been updated to reflect changes in circumstances arising since the previous year?	
3. Review and approval of scope of work and fees of external auditor	Does the Audit Committee assess the adequacy of the audit scope of external auditors?	
	At the start of each annual audit cycle, does the Audit Committee consider whether the auditor's overall work plan, including planned levels of materiality, and proposed resources to execute the audit plan appears consistent with the scope of the audit engagement, having regard also to the seniority, expertise and experience of the audit team?	
4. Assessment of non-audit work services	Does the Audit Committee keep the nature and extent of non-audit services provided by the auditors under review?	
5. Understanding disagreements between the auditor and management	Refer to E.1	
6. Actions on the findings of external auditor	Refer to C.3	
7. Management's competence regarding financial reporting responsibilities including aggressiveness and reasonableness of decisions	Refer to B.2 and B.10	
8. Evaluation of performance of external audit reappointment and resignation	At the end of the annual audit cycle, does the Audit Committee assess the effectiveness of the audit process?	
9. Compliance of external auditor with auditing standards	Refer to E.1	
10. Completeness and timeliness of	Refer to A.6, B.2, B.4 and C.3	

Exhibit

Specific Areas/Dimensions	Assessment Areas	Score
communication with external auditor as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting.		
Rating for Oversight on Management and External Audit		

OVERALL RATING	
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RECOMMENDATIONS FOR IMPROVEMENT

1	What are the strengths of the Committee?
2	What was the Committee's greatest contribution during the period?
3	What are the Committee's areas for improvement?
4	How can the Audit Committee improve its performance?
5	If you could change anything with the Committee, what would you change and why?
	Overall Comments

Accomplished by:

Audit Committee Chairman/Member

Date