

# AUDIT COMMITTEE CHARTER

## CHINABANK INSURANCE BROKERS INC

*(February 2023)*

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### **I. Purpose and Objective**

The Audit Committee ("Committee") oversees Chinabank Insurance Brokers Inc."CIBI" or the "Company") policies, practices and procedures that relate to financial reporting and dealing with internal and external auditors and the results of their specific engagement/s.

The Audit Committee shall also be responsible for overseeing Management in establishing and maintaining an adequate, effective and efficient internal control framework and developing a risk management system.

### **II. Committee Composition / Membership**

The Committee shall consist of at least three (3) members of the Board of Directors, of whom two (2) or the majority shall be independent directors, including the Chairperson, preferably with accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Company.

Members of the Committee and the Committee Chair, who shall all be non-executive directors, shall be appointed by the Board of Directors on a yearly basis.

To the greatest extent possible, the Audit Committee shall be composed of a sufficient number of independent and non-executive board members. Further, the President, Treasurer, and other Company officers holding equivalent positions shall not be appointed as members of the Audit Committee.

Other executive officers and even auditors from the internal audit unit may sit as resource persons in the Committee.

### **III. Duties and Responsibilities**

To carry out its purposes, the Committee shall have the following duties and responsibilities:

1. Ensure the independence of the internal and external auditors, and that both are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; wherein both internal and external auditors report directly to the Audit Committee. In cases of appointment or dismissal of external auditors, it is encouraged that such decision be made only by the independent and non-executive Audit Committee members.

2. Ensure monitoring and evaluation of the adequacy and effectiveness of the internal control system;
3. Evaluate 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 non-compliance. Obtain regular updates from Management and Company legal counsel regarding compliance matters;
4. Monitor results of examinations by regulators and ensure that cited findings or observations are properly addressed;
5. Identify and evaluate risk exposures of the Company and cause the development of risk management strategies for controlling and managing major risks;
6. Investigate any matter within its purview and have full access to and cooperation of Management and full discretion to invite any CIBI director or officer to attend its meetings, and have adequate resources to enable it to effectively discharge its functions;
7. Keep the Committee Members informed and educated of emerging trends and best practices in internal auditing;
8. Ensure that a review of the effectiveness of the Company's internal controls, including financial, operational and compliance controls, risk managements, and information technology security is conducted at least annually.
9. Establish and maintain a mechanism by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, audit, code of conduct, 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;
10. Evaluate the Committee's and individual members' performance on a regular basis;
11. Seek guidance from independent counsel, accountants, or other professionals to advise and assist the Committee and Management in the effective performance of their duties;
12. Review the reports and the corresponding recommendations from internal audit, discuss the same with the Chief Audit Executive (CAE) of the Parent Bank and report significant matters to CIBI's Board of Directors;
13. Review discoveries of fraud and violations of laws and regulations as raised by the internal audit function of the Parent Bank; and
14. It shall ensure proper governance is being observed within the Company, the Committee shall oversee the compliance and risk functions. This shall include the development and implementation of the compliance plan and overall risk framework, evaluate the effectiveness of each, and approve any necessary changes in any or both to address any weakness or adapt to new

regulations and policies. As part of the Committee's oversight, it shall also monitor the performance and annually evaluate the Compliance and Risk Management Unit.

15. Convene as CIBI's Related Party Transactions ("RPT") Committee whose duties and responsibilities shall also include: a) ensure transactions with related parties are properly identified, monitored, and, if required, reported to the relevant unit of the Parent Bank; b) evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms 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; c) endorse RPTs considered material under the Company's internal policies for Board approval; 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 exposure to all related parties; and, e) oversee the implementation of the system of identifying, monitoring, measuring, controlling and reporting of RPTs to the Parent Bank.

NOTE: In evaluating RPTs, the Committee shall take into account, among others, the following: (1) The related party's relationship to the Company and interest in the transaction; (2) The material facts of the proposed RPT, including the proposed aggregate value of such transaction; (3) The benefits to the Company of the proposed RPT; (4) The availability of other sources of comparable products or services; and, (5) 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 and should be based on an effective price discovery system.

#### **IV. Committee Procedure**

##### *A. Meetings*

The Committee shall meet at least once every quarter but may increase the frequency of its meetings if deemed necessary. Meetings shall be on such working days that Committee Members will set in advance. The Committee Members shall attend each meeting in person or via telephone or video conferencing or similar technologies. A majority of the Committee Members shall constitute a quorum.

Meeting agenda will be prepared by the Corporate Secretary in consultation with the Chair and provided in advance to the Committee Members along with appropriate briefing materials. Minutes of all Committee meetings will be prepared and approved by the Committee and shall be forwarded to the Board and senior management, as appropriate.

##### *B. Voting and Quorum Requirements*

Majority of the members of the Committee shall constitute a quorum. Each member is allowed to vote for matters brought to the attention of the Committee for action. Every decision of at least a majority of the Committee members present at a meeting at which there is a quorum shall be valid, unless a specific number of votes is required by existing laws or regulations.

##### *C. Minutes and Records*

1. The Corporate Secretary shall act as the Secretary of the Committee and shall prepare the minutes of the meetings and keep records of the Committee.
2. The Secretary shall keep records of the following:

- a. All agenda and documents sent to the Committee Members; and
  - b. Minutes of proceedings and meetings of the Committee.
3. Members of the Committee shall be granted access to said records upon reasonable notice during business hours.

*D. Self-Assessment*

In accordance with the Company's Corporate Governance Manual and SEC Memo No.4 (series of 2012), the Committee shall conduct an annual assessment of its performance effectiveness through a self-assessment.

**V. Approvals**

Approvals of the Committee may be made during its meeting through remote communication or similar technologies.

**VI. Reports**

The Committee shall report the proceedings of each meeting and all recommendations arising therefrom to the Board.

**VII. Charter Review**

The Committee, with the help of the Corporate Secretary and the Compliance and Risk Management Unit, shall review and assess the adequacy of this charter when prescribed by any member of the Committee. It shall request Board approval for proposed changes and ensure appropriate disclosure as may be required by law or regulations.