



## FORTUNE GENERAL INSURANCE CORP. AUDIT COMMITTEE

This Audit Committee Charter (this “Charter”) establishes the purpose, qualifications and membership, structure and operations, duties and responsibilities of the Audit Committee (the “Committee”) of Fortune General Insurance Corp. (the “Company”), and the procedures which guide the conduct of its functions.

### 1. PURPOSE

The purpose of the Audit Committee is to assist the company’s Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit processes, and compliance with laws and regulations.

### 2. ORGANIZATION

**Reporting Responsibility.** The Audit Committee shall report directly to the Board.

**Composition.** The Audit Committee shall be composed of at least three (3) appropriately qualified non-executive directors; Majority of the members, including the Chairman, should be Independent Directors; All of the members of the committee must have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

**Committee Membership.** The Board shall appoint the members of each Board Committee annually.

**Committee Members Qualifications.** Each member of the Committee shall have the qualifications and none of the disqualifications of a Director, as set out in the Corporate Governance Manual. The Board shall ensure that at least one member of the committee must have relevant thorough knowledge and experience on risk management.

**Committee Chairmanship.** The Board shall appoint one of the members of the Committee to be the Committee Chairman, who shall not be the Chairman of the Board or of any other committee.

### 3. STRUCTURE AND OPERATIONS

#### Meetings

- The Committee shall hold meetings at such times and places as it considers appropriate, provided that not less than four (4) meetings shall be held each year.
- Meetings of the Committee shall be convened by the Chairman of the Committee as and when he considers appropriate, and the Chairman shall convene a meeting upon the request of a majority in number of the voting Members.
- The agenda for the meeting shall be developed by the Chief Audit Executive based on the agreed calendar of activities by the Committee and inputs from Management and the auditors, subject to approval of the Chairman.
- The Committee members shall be provided with advance copy of the meeting agenda and related materials at least three (3) working days before the meeting date.
- The Committee shall conduct a separate executive session with external auditors, and the Chief Audit Executive, at least once a year to discuss any matters that the Committee or auditors believe should be discussed privately, which may include results of audit and/or investigation, quality of management, financial and internal controls.

**Notice of Meeting.** The notice and agenda for each meeting shall be circulated to all Audit Committee members at least five (5) business days before each meeting.



**Chairman.** The Committee Chairman shall preside in all meetings of the Committee. In his absence, the members present shall elect from among themselves one member to preside over the particular meeting.

**Quorum.** A quorum shall be present as long as an Independent Director is present or if at least a majority of the members of the Committee is present. No business shall be transacted at any meeting unless a quorum is present.

**Record of Meetings.** The Audit Committee shall cause proper records of its proceedings to be kept. Members may nominate a member or some other person to be the Committee Secretary to record and keep minutes of meetings and other proceedings.

**Other Attendees.** The Audit Committee may invite other Directors and Management Officers to attend any meeting.

#### **4. DUTIES AND RESPONSIBILITIES**

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

- A. Recommend the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- B. Through the Internal Audit (IA) Department, monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- C. Prior to the commencement of the audit, discuss with the External Auditor the nature, Scope and expenses of the audit, and ensure the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- D. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the corporation's overall consultancy expenses. The committee should 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 and Annual Corporate Governance Report;
- E. Review and approve the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters: Any change/s in accounting policies and practices Areas where a significant amount of judgment has been exercised: Significant adjustments resulting from the audit, Going concern assumptions, Compliance with accounting standards, Compliance with tax, legal and regulatory requirements.
- F. Review the disposition of the recommendations in the External Auditor's management letter;
- G. Perform oversight functions over the corporation's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- H. Coordinate, monitor and facilitate compliance with laws, rules and regulations;



- I. Recommend to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
- J. In case the company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, performs the functions of said committees as provided under Recommendations 3.4 and 3.5 of the Revised Code of Corporate Governance issued by the Insurance Commission.

## **5. REPORTING PROCESS**

The Chairman of the Committee shall render a report apprising the Board of Directors of the results of the Committee's activities following each meeting.

Committee Chairman will also submit an Annual Audit Committee report to the Board and the Shareholders that will be published in the Annual Report of the Company.

## **6. PERFORMANCE ASSESSMENT**

The members of the Committee shall evaluate its performance based on best practices and expectations set-out in this Charter and in related SEC Memorandum Circulars and the ASEAN Corporate Governance Scorecard concerning Audit Committees.

The Committee shall obtain and subject itself to an independent assessment by the Board of Directors based on best practices and relative to its performance in the discharge of its responsibilities as set out in this charter.

Based on the results of the performance assessment, the Committee shall formulate and implement plans to improve its performance. These may include the identification of relevant training needs intended to keep the members up to date with corporate governance best practices, accounting and auditing standards, as well as specific areas of concern.

## **7. AMENDMENT**

This Charter shall not be amended, altered or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.