

AXA PHILIPPINES
LOCAL MANAGEMENT AUDIT AND COMPLIANCE COMMITTEE
TERMS OF REFERENCE
(as of 9 February 2022)

1. PURPOSE

The purpose of the Local Management Audit and Compliance Committee (“the Committee”) is to assist the Board Risk Management, Audit and Compliance Committee of AXA Philippines¹ (“the BRMACC”) in fulfilling its governance and oversight of the:

- 1.1 Adequacy and effectiveness of the internal control and risk management frameworks;
- 1.2 Financial reporting process and the integrity of the publicly reported results and disclosures made in the financial statements;
- 1.3 Effectiveness, performance and independence of the internal and external auditors; and
- 1.4 Business conduct and compliance with laws, regulations and relevant codes of conduct.

2. AUTHORITY

The authority of the Committee covers AXA Philippines¹ (“the Company”) and, to fulfil its duties, the Committee may at any time in its discretion:

- 2.1 Request, at the Company’s expense, the engagement of external experts to perform investigations into any matter within its scope of responsibility to the extent that it deems necessary or appropriate; and
- 2.2 Request any information it desires from the Company, including calling any employee of the company to provide information at a meeting of the Committee.

3. ADMINISTRATION

- 3.1 The Committee is chaired by the Chief Executive Officer (CEO). All Executive Leadership Team (ELT) members are by default, members of the LMACC.
- 3.2 In the event of incapacity of the Chairperson, if there is no previously agreed replacement, the remaining members must choose to elect from one of them a temporary Chairperson for the said meeting.

¹ Includes Philippine AXA Life Insurance Corporation and Charter Ping An Insurance Corporation (a wholly owned subsidiary of Philippine AXA Life Insurance Corporation)

3.3 A majority of the Committee shall constitute a quorum. In addition, Head of Legal, Chief Compliance Officer, Chief Risk Officer, and the AXA Asia Markets representatives of Compliance and the Risk function shall be standing attendees to the meetings. Internal Audit shall act as the Committee secretary.

3.4 The Committee shall meet at least four times each year, with the authority to convene additional meetings as and when it deems appropriate. The agenda is prepared annually (see Appendix A) and the Chairperson of the Committee must review and approve the agenda on an annual basis.

3.5 A summary report or minutes of the Committee meeting, including the Committee's recommendations or plans of action, shall be submitted to the BRMACC following each meeting of the Committee by the Chairperson of the Committee or his representative. However, in the case of any significant issues or difficulties that it may face, the Committee shall inform the Chairperson of the BRMACC as soon as is practicable.

3.6 A summary of attendance during the year will be submitted and reported to the Chairperson of the LMACC.

4. DUTIES

The Committee shall consider and validate the reports to be submitted to the BRMACC on each of the following matters:

4.1 *Compliance, Risk Management & Internal Control*

To allow the Committee to review and form an opinion on the effectiveness of the Company's compliance, internal control and risk management frameworks, the Committee shall in particular:

- a. Receive reports and minutes of meeting from the Local Risk Committee. The Committee is not responsible for setting the risk appetite, nor required to review or opine on the level of risk appetite set;
- b. Obtain regular updates from Compliance on significant regulatory compliance matters, the effectiveness of systems for monitoring compliance and any instances of non-compliance;
- c. Obtain regular updates from Legal on the status of material open litigation and other proceedings and the related reserves;
- d. Review periodically significant complaints received, decide and recommend corrective actions to be taken
- e. Review and monitor fraud and anti-money laundering policies of the Company; and
- f. Consider management's and/or internal / external auditors' assessments of the effectiveness of the internal control and risk management processes including any weaknesses or other issues revealed by investigations of the causal factors behind events such as internal frauds, significant legal actions and reported operational failures, as well as the results of reviews performed by bodies such as internal and external audit, compliance, management control functions, and regulators.

4.2 Financial Statements & Reporting Processes

To allow the Committee to form an opinion on the integrity of the reported results and disclosures made in the financial statements of the Company, the Committee shall, in particular:

- a. Review the results of management's testing of internal controls over financial reporting designed to assure the integrity of the entities' financial statement disclosures;
- b. Review the draft financial statements to be submitted for the review and approval of the BRMACC, considering the quality and clarity of the information provided, submit recommendations or proposals to ensure the integrity of the financial statements and challenge, where necessary, the actions and judgments of management, particularly focusing upon:
 - i. Significant accounting policies or practices and any changes thereto;
 - ii. Compliance with international accounting standards;
 - iii. Material decisions requiring a major element of judgment or significant estimates;
 - iv. The treatment and disclosure of any new complex and/or unusual transactions during the period;
 - v. Any significant adjustments resulting from external audit work or otherwise;
 - vi. Any qualifications or non-compliance with accounting standards or any listing, regulatory and/or legal requirements with regard to financial reporting; and
 - vii. Any matters drawn to the attention of the Committee by external auditors.
- c. Consider and assess the results of, and procedures for the receipt, retention and investigation of; any significant complaints received by the Company regarding accounting, internal controls over financial reporting, or audit matters.

4.3 External Auditors

The Committee shall:

- a. Review the external auditors' assignment plan, annual report and management letter.
- b. Monitor the statutory audit of the annual and consolidated financial statements;
- c. Review the quarterly report on resolution of external audit issues, requesting further management explanation where necessary for high priority issues that are overdue.

4.4 Internal Auditors

The Committee shall:

- a. Review the Company's internal audit plan, with regard to the local entity's strategy and risk and control profile.
- b. Review the findings presented by internal audit and consider the appropriateness of management's response to them.
- c. Review the quarterly report on resolution of internal audit issues, requesting further management explanation where necessary for high priority issues that are overdue.

5. OTHER DUTIES

The Committee shall review and assess the adequacy of these terms of reference annually and confirm annually that all responsibilities outlines in these terms of reference have been carried out.

Appendix A Annual Agenda

	Q1	Min.	Q2	Min.	Q3	Min.	Q4	Min.
Administration								
Minute Approval and Carried Forward Action Items	Chairperson	15	Chairperson	15	Chairperson	15	Chairperson	15
Matters Arising	All	5	All	5	All	5	All	5
Current Focus								
Internal Audit (IA)								
Quarterly Internal Audit Report (included Whistleblowing)	Internal Audit	20	Internal Audit	20	Internal Audit	20	Internal Audit	20
Annual Audit Plan							Internal Audit	15
Annual Internal Audit Charter & LMACC Charter Review	Internal Audit	5						
Compliance, Risk Management & Internal Control								
Compliance Report (included Events and Breaches, Regulatory Activity, Anti-Money Laundering, Distribution Compliance, etc)	Compliance	20	Compliance	20	Compliance	20	Compliance	10
Annual Compliance Plan							Compliance	15
Annual Policy Review	Compliance	15						
Financial Statements & Group Reporting	Finance	15	Finance	15	Finance	15	Finance	15
External Auditors' Management Letter	Finance	10	Finance	10	Finance	10	Finance	10
Litigation Report	Legal	15	Legal	15	Legal	15	Legal	15
Legislative Update	Legal	10	Legal	10	Legal	10	Legal	10
Fraud Control Status Update	Fraud Control Officer	15	Fraud Control Officer	15	Fraud Control Officer	15	Fraud Control Officer	15
Future Focus								
Audit, Risk and Compliance Matters – Open Forum	All	5	All	5	All	5	All	5
		<u>150</u>		<u>130</u>		<u>130</u>		<u>150</u>