

AUDIT COMMITTEE CHARTER OF THE BOARD OF DIRECTORS OF LIBERTY INSURANCE CORPORATION

This Charter sets forth the purpose, composition, structure, and responsibilities of the Audit Committee of the Board of Directors of Liberty Insurance Corporation (the “Company”) following the Revised Code of Corporate Governance for Insurance Commission Regulated Companies.

1. PURPOSE

The purpose of establishing an Audit Committee is to enhance the Board’s oversight capability over the Company’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Audit Committee shall also assist the Board in fulfilling its oversight of the Company’s enterprise risk management (“ERM”) framework.

2. COMPOSITION and STRUCTURE

2.1 Composition. The Audit Committee should be composed of at least three (3) appropriately qualified non-executive directors, the majority of whom should be independent. The Chair of the Committee should also be independent and should not be the chairman of the Board or any other committees.

2.2 Qualifications. All of the Committee members must have relevant background, knowledge, skills, and/or experience in accounting, auditing, and finance.

2.3 Appointment. The Board shall appoint the Chairman and the Members of the Audit Committee. In case of vacancy, the Board shall appoint a replacement from among the directors.

3. MEETINGS AND PROCEDURE

3.1 Meetings. The Chair of the Committee, in consultation with the other Committee members, shall determine the frequency of the Committee meetings, shall set meeting agendas consistent with this Charter, and shall preside at the meetings of the Committee.

The Committee should meet, as deemed necessary and appropriate, with management, with internal auditors or other personnel responsible for the internal audit function, risk management function, regulatory and compliance, and with the external auditor, in separate executive sessions.

Meetings may be conducted by video conference, teleconference, or other similar means. However, the Committee may also act by unanimous written consent resolution.

3.2 Minutes. The Committee should designate a person (who need not be a member of the Committee) to take and keep the minutes of its meetings. However, the minutes shall be retained by the Corporate Secretary.

3.3 Notices. Notices of the Committee meeting should be given to the members at least two (2) days before the meeting which must specify the place, date, time, and the matter to be discussed during the meeting. The manner of giving the notices may be by personal service, electronic mail, SMS, or other similar means.

3.4 Quorum. A majority of the Committee members shall constitute a quorum at any meeting. If a quorum is present, the Committee may take action through the vote of a majority of the directors who are present.

4. AUTHORITY and RESPONSIBILITIES

4.1 General. The Audit Committee monitors and oversees the senior management in establishing and maintaining adequate, effective, and efficient overall risk management, internal control, and compliance framework.

The Committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibility. In the exercise of such authority, the Committee is empowered to (a) retain external counsel, accountants, or other consultants (collectively referred to as the “Advisors”) to advise the Committee or assist in the conduct of the investigation; (b) confer and consult with the Company’s officers, employees, external auditors, or external counsels as it deems necessary; and (c) upon reasonable notice, require the Company’s officers and employees to meet the Committee’s Advisors. The Company shall be responsible for all costs and expenses incurred by the Advisors retained by the Committee; provided, that the Committee reviews and approves all invoices of the Advisors prior to their submission to the Company for payment.

In addition to any other responsibilities that may be assigned from time to time by the Board, the Committee is authorized to undertake, and has responsibility for, the following matters:

4.2 Oversight functions over the Company’s External Auditor

- a. 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;
- b. Ensure the independence of the external auditors and that the lead or handling partner having primary responsibility for the audit of the Company is rotated as required by law.

- c. Ensure that the external auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their audit functions.
- d. Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review 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 shall disallow any non-audit work that will conflict with his/her duties as an External Auditor or may pose a threat to his/her independence¹. The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report.
- e. Recommends 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 how the financial statements shall be prepared and presented to the stockholders

4.3 Review of Financial Statements and Reports

- a. Review and approve the interim and annual audited financial statements of the Corporation before its submission to the Board, with a 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
- b. Review and approve annual reports before they are filed with the concerned regulators.
- c. Review the disposition of the recommendations in the External Auditor's management letter.
- d. Review and resolve any significant disagreements between the management and the external auditors regarding financial reporting.

4.4 Oversight of Internal Audit Function

- a. Oversee, review, and approve management's development of a comprehensive internal audit plan.

¹ As defined under the Code of Ethics for Professional Accountants

- b. Evaluate the performance, responsibilities, budget, and staffing of the Company's internal audit function and review the annual internal audit plan and the result of the internal audits for each audited department. Such evaluation shall include a review of the responsibilities, budget, and staffing of the Company's internal audit function as well as an evaluation of the thoroughness and effectiveness in identifying actual and potential weaknesses in internal controls, and make any recommendations to improve the internal audit function as may be appropriate.
- c. Review the results of completed internal audits and evaluate whether the Company's internal controls over financial reporting are sufficient to detect, and deter fraudulent financial reporting.
- d. Recommend the appointment and, when appropriate replacement of the Chief Audit Executive.
- e. Review and evaluate the qualifications and performance of the Chief Audit Executive, or if none shall be named, the senior internal auditing executive.
- f. Ensure the independence of the Chief Audit Executive and that he/she is given unrestricted access to all records, properties, and personnel to enable him/her to perform their respective audit functions;
- g. Review and approve the terms and conditions for any outsourcing or co-sourcing agreements of the Company's internal audit activity. The Chief Audit Executive, or if none shall be named, the senior internal auditing executive, shall oversee and be responsible for the internal audit activity that is outsourced to an independent third-party provider and cosourced functions.

4.5 Oversight of Risk Management Function

- a. Oversee the Company's Enterprise Risk Management (ERM) Policy which is supported by frameworks, processes, and practices to effectively manage risks.
- b. Review the significant financial risk exposures of the Company against established risk measurement methodologies and the steps taken by management to monitor and control such exposure
- c. Review significant risk management regulatory reports and findings of regulators, as applicable to the mandate of the Committee, including management's remediation plans and progress against such plans.
- d. Recommend the appointment and, when appropriate, replacement of the Chief Risk Officer, who shall report directly to the Committee as well as to the Chief Executive Officer

- e. Review and evaluate the qualifications and performance of the Chief Risk Officer, or if none shall be named such responsible officer in charge of the Company's ERM process
- f. Receive reports, as necessary and appropriate, regarding significant new product risks, emerging risks, and regulatory matters related to the Committee's authority, duties, and responsibilities as outlined in this charter.

4.6 Oversight of Compliance Function

- a. Review and monitor the Company's compliance with legal and regulatory requirements and compliance with the Company's Code of Conduct/Ethics.
- b. Obtain and receive relevant updates from the management and the Company's legal counsel regarding compliance issues/matters.
- c. Review the findings of any examinations by regulatory agencies on compliance issues/matters.

5. REMUNERATION OF MEMBERS

Members of the Audit Committee shall not accept fees or other remuneration for their attendance in meetings except those authorized and approved by the Board.

6. PERFORMANCE and EVALUATION

To ensure that the Committee fulfills its responsibilities following global best practices and in compliance with the Revised Manual of Corporate Governance and other relevant regulatory requirements, the Committee should review and assess its performance annually.

7. REVIEW and AMENDMENT

The Committee shall periodically review and assess the adequacy of this Charter, and if and when appropriate, recommend changes/amendments to the Charter for the approval of the Board.

*****signature page follows!*****

APPROVED by the Board of Directors during the Regular Meeting held on _____ at Makati City.

FERNANDO C. COJUANGCO

Chairman of the Board

ENRIQUE ROBERT C. REYES

Director

MARIA ELENA AQUINO-CRUZ

Director

JAIME C. LOPA

Director

L.I.A.A. COJUANGCO-BAUTISTA

Director

Member, Audit Committee

MARIA ERNESTINA C. TEOPACO

Director

RAMON V. OCAMPO

Independent Director

Chair, Audit Committee

LEONARDO GUISON III

Independent Director

Member, Audit Committee

CAROL DAISY P. VELASCO

Director

JOSEFINA M. SALVADOR

Director

VIDA T. CHIONG

Independent Director