

### AUDIT COMMITTEE CHARTER

Committee Name	Audit Committee
Short Name	AuditCom
Nature	BSP and SEC-required Board-level Committee
Authority	<p>The AuditCom is authorized by the Board of Directors (“Board”) to</p> <ul style="list-style-type: none"> <li>Investigate any matter within its Term of Reference.</li> <li>Have unrestricted access to the auditors, members of the management, and employees; and records, data, reports, and relevant information considered necessary to discharge its duties.</li> <li>Have full discretion to invite any director or executive officer to attend its meetings.</li> <li>Have adequate resources to enable it to effectively discharge its functions.</li> </ul>
Responsibility Statement	<p>The AuditCom aims to enhance the Board’s oversight capability over the Bank’s financial reporting, internal control system, internal and external audit processes as well as fraud management functions, and compliance with applicable laws and regulations. As such, it is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective, and efficient internal control framework, and for ensuring that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of physical and information assets.</p> <p>Whereas 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 are in accordance with the Philippine Financial Reporting Standards (PFRS) and applicable rules and regulations. The management is responsible for the preparation and fair presentation of the Bank’s financial statements, and adequacy of disclosures in accordance with PFRS. The external auditor is responsible for providing its opinion based on its 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.</p>
Duties and Responsibilities	<p>The AuditCom is tasked to</p> <p><b>A. Financial Reporting and Disclosures</b></p> <ol style="list-style-type: none"> <li>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.</li> </ol>

2. Have a fair and balanced review including the clarity, completeness, consistency, and accuracy of disclosures and full discussion in a timely manner of the Bank's interim and annual financial statements with the external auditor and management to decide on appropriate action to take, before submission to the Board, focusing particularly, but not limited to:
  - a. Any change/s in accounting policies and practices;
  - b. Areas where a significant amount of judgment has been exercised;
  - c. Significant adjustments resulting from the audit;
  - d. Going concern assumptions;
  - e. Compliance with accounting standards; and,
  - f. Compliance with tax, legal and regulatory requirements.

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

#### **B. Internal Controls and Risk Management**

1. Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system, including financial reporting, operational, compliance controls, and risk management policies and systems including information systems and security. The AuditCom shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Bank's risk profile and strategic direction.
2. 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 informants who acted in good faith will not be subjected to any form of harassment or restitution from the subject of the case.
3. Identify high-risk areas or risk exposures that require more AuditCom and internal audit's consideration.
4. Recommend improvement in policies, procedures, and processes.

#### **C. Internal Audit and Fraud Management**

1. Establish and identify the reporting line of the Chief Audit Executive (CAE) and Fraud Management Group (FMG) Head so that the reporting level allows the internal audit and fraud management functions to fulfill their duties and responsibilities. The CAE and FMG Head shall functionally report directly to the AuditCom.
2. Recommend to the Board the appointment, reappointment, and dismissal of the CAE and the FMG Head, as well as the key Internal Audit Group (IAG) and FMG personnel (division head level). Senior Management may recommend the appointment, reappointment, and dismissal of the CAE and the FMG Head subject to concurrence of the

AuditCom. If the CAE or the FMG Head resigns or communicates an intention to resign, the AuditCom should follow up the reasons giving rise to such resignation, and should consider whether it needs to take any action in response to those reasons.

3. Recommend for approval of the Board the annual remuneration of the CAE and the FMG Head, as well as the key IAG and FMG personnel (division head level).
4. Approve interlocking positions held by the CAE and/or the FMG Head, in accordance with the policy on interlocking positions.
5. Conduct annual performance evaluation of the CAE and the FMG Head and report it to the Board. The evaluation shall also cover the CAE's/FMG Head's performance by virtue of interlocking positions to determine if they are still able to and have been adequately and effectively carrying out their duties and responsibilities in the Bank without conflict of interest nor any adverse impact.
6. Recommend the approval and oversee the implementation of the Internal Audit Charter (IA Charter) and Fraud Management Charter, including subsequent revisions thereto, which formally define the role of IAG and FMG, respectively, and the annual plans.
7. Review and recommend for Board approval the annual internal audit and fraud management risk-based plans (including scope, audit frequency, resources, budget, and any resource limitation and its impact) and any changes thereto, and ensure that it is aligned with the overall plan strategy and budget of the Bank, and that the audit resources are reasonably allocated to the areas of highest risk. The AuditCom also ensures that IAG and FMG have adequate human resources with sufficient qualifications and skills necessary to accomplish their functions.
8. Ensure the independence and objectivity of the internal audit and fraud management activities, and that internal auditors and fraud management personnel have free and full access to all the Bank's records, properties, and personnel relevant to and required by its function and that the IAG shall be free from interference by outside parties in determining the scope of internal audit examinations, performing work, and communicating results.
9. Ensure that IAG and FMG maintain an open communication with the Senior Management, the AuditCom, external auditors, and supervisory authorities.
10. Select and oversee the performance of the external service provider for IAG and FMG.
  - a. Ensure the independence and objectivity of the external service provider.
  - b. Ensure that the external service provider has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities.

- c. Ensure that the external service provider complies with sound internal auditing standards such as The Global Internal Audit Standards and comply with other supplemental standards issued by regulatory authorities/ government agencies.
  - d. Report to the Board on the status of accomplishment of the external service provider, where applicable, including significant findings noted during the conduct of the audit or fraud investigation.
  - e. Ensure that the audit plan is aligned with the overall plan strategy and budget of the Bank and is based on robust risk assessment.
11. Receive and review reports of IAG and regulatory agencies, where applicable, to monitor and evaluate the adequacy, effectiveness, and efficiency of the Bank's governance, internal control system, including financial reporting, operational and compliance controls, risk management, and information technology security and control on a going-concern basis and communicate the same through-out the Bank to ensure that the management is taking appropriate corrective actions in a timely manner, in addressing control weaknesses and non-compliance issues with policies, laws, and regulations and other issues identified by auditors. Report significant matters to the Board.
  12. Address with the Senior Management the level of residual risk, which the CAE or FMG Head has concluded that may be unacceptable to the Bank, and the Senior Management has accepted. This is after the CAE or FMG Head discussed the matter with the Senior Management and determined that the matter has not been resolved.
  13. Review discoveries of fraud and violations of laws and regulations as raised by the IAG and the FMG. Supervise and direct any investigation related to fraud and oversee management's arrangements for the prevention and deterrence of fraud.
  14. Review IAG' and FMG's periodic and annual reports. Periodic reports shall highlight the status of projects in accordance with the annual plan approved by the AuditCom, as well as any unplanned projects. The annual report shall discuss IAG and FMG activities and performance relative to the annual plan and strategies approved by the AuditCom.
  15. Monitor and review effectiveness of IAG, including the compliance with sound internal auditing standards such as The Global Internal Audit Standards and other supplemental standards issued by regulatory authorities/ government agencies. Also, ensure that FMG adheres to relevant laws and regulations in the performance of its duties. The AuditCom also recommend enhancements in the audit process.
  16. Require IAG 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, and report the results of assessment directly to the AuditCom.
  17. Review result of oversight activities on internal audit functions of the Bank's subsidiaries and affiliates, including reporting of significant audit observations.

#### **D. External Audit**

1. Recommend to the Board for approval, subject to ratification of the shareholders, the appointment, reappointment, dismissal, and fees of external auditors. The external auditors must be duly accredited by the Securities and Exchange Commission (SEC) and included in the List of Selected External Auditors for BSP-Supervised Financial Institutions (BSFIs). If the external auditor resigns or communicates an intention to resign, the AuditCom should determine reasons giving rise to such resignation and consider whether action is required. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators and the public through the Bank's website and required disclosures.
2. 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. Review and monitor the external auditor's suitability and effectiveness on an annual basis.
3. Discuss and agree the terms of the engagement letter provided by the external auditor as to the nature, audit approach, fees, and scope of work prior to the approval of the engagement. The scope of work should cover 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:
  - a. 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;
  - b. Assessment of the propriety and adequacy of disclosures in the financial statements;
  - c. Assessment of the adequacy and effectiveness of internal controls and risk management systems;
  - d. Assessment of the quality of capital in relation to risk exposures; and
  - e. Evaluation of the quality of corporate governance.

The AuditCom should ensure coordination where more than one audit firm is involved in the activity to ensure proper coverage and minimize duplication of efforts.

4. Ensure that external auditors are given unrestricted access to all records, properties, and personnel to enable them to perform their audit functions. The AuditCom should assess the extent of management's cooperation provided during the conduct of the external audit.
4. Engage the external auditor on a continuing basis on matters concerning audit quality.
5. Evaluate and determine non-audit works to be performed by the external auditor and review periodically the fees paid for such services in relation to their significance to the total annual income of the external auditor and to the Bank's total expenditure on consultancy.

Disallow any non-audit work that will conflict with the external auditor's duties or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Bank's Annual Report and Annual Corporate Governance Report (ACGR).

All non-audit works to be rendered by the external auditor to PSBank, regardless of materiality, shall be concurred by the Metrobank's AuditCom after approval by the PSBank's AuditCom.

6. Ensure that the external auditor or its lead audit partner primarily responsible for the audit or review of the Bank's financial accounts is rotated at least once every seven (7) years as provided under applicable laws and regulations.
7. Review and approve management representation letter before submission to external auditor to ensure that items in the letter are complete and appropriate.
8. Review the disposition of the recommendations in the external auditor's management letter.

**E. Compliance with Bank Policies, and Applicable Laws, Rules and Regulations and Code of Business Conduct**

1. Monitor compliance by the Bank with all applicable laws, rules, and regulations of the Bangko Sentral ng Pilipinas (BSP) and other regulatory government agencies, including but not limited to Anti-Money Laundering and Countering Financing of Terrorists (CFT).
2. Monitor compliance by the Bank with regulations and policies as contained in the various operations manuals as well as the Bank's Code of Conduct and other codes of conduct as may be imposed by the Bank.

**F. Other Responsibilities**

1. Attend a minimum of four hours of training every year, a program on Corporate Governance conducted by training providers duly accredited by the Securities and Exchange Commission (SEC) or through a SEC-approved in house corporate governance training, covering all the mandated topics including financial reporting and auditing.
2. Report annually to the stakeholders on the AuditCom's composition, responsibilities, and any other information required by rule, including approval of non-audit services.

**Composition**

The AuditCom shall be comprised of at least three (3) appropriately qualified non-executive directors, the majority of whom, including the Chairperson, shall be independent, with accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The Chairperson of the AuditCom shall not be the Chairperson of the Board or of any other committees.

The AuditCom members shall be appointed annually by the Board. If a member is an independent director (ID), the member shall serve for a maximum cumulative tenure of nine years. After which, the ID shall be perpetually barred from re-election as such, but may continue to qualify for nomination and election as a non-independent/ regular director.

The committee members, including the Chairperson, may also be occasionally rotated by the Board to avoid undue concentration of power and promote fresh perspective.

**Quorum/Majority  
Votes**

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 matters submitted for the AuditCom’s disposition. All AuditCom members shall have voting rights.

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 meet:

- Monthly with the internal auditor
- Monthly with the Board
- Regularly with the external audit team without anyone from management present to discuss any sensitive matters
- Annually with the Board without the presence of the President/ CEO or other management team members
- Annually with other non-executive directors, external audit team and heads of the internal audit, compliance, and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the organization. The meeting shall be chaired by the lead independent director.
- As necessary with management, BSP, and other parties

The AuditCom members shall attend and actively participate in all meetings prescribed in this Charter in person or through modern technologies, except when justifiable causes prevent the members from doing so. Their attendance and participation shall be considered in the assessment of continuing fitness and propriety as member of the AuditCom and the Board.

The member participating at the meeting through remote communication shall sign all documents for approval on a reasonable time after the meeting through the use of electronic signature (e-signature) or whenever the act of signing through wet ink signature is practicable.

**Facilitator and  
Secretariat**

As IAG’s designated Board-level committee reporting line, the AuditCom shall be assisted by IAG in fulfilling its duties and responsibilities. Thus, IAG shall regularly report to the AuditCom on all matters relative to audit.

The IAG shall serve as the AuditCom Secretariat and shall facilitate its meetings. As such, the CAE and/ or his/ her designated officers shall prepare the agenda for each meeting, send out notices to the committee members at least two (2) banking days before the scheduled meeting date, and prepare and submit the pertinent reports as may be required by the Board and/ or the AuditCom, together with the draft of the minutes of the AuditCom meeting for review. Approval by the members of the previous minutes shall be during the succeeding AuditCom meeting. IAG shall also maintain on file such records (e.g., minutes or summary of matters taken up) that document the AuditCom’s fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

The IAG shall also brief the newly elected AuditCom member of his duties and responsibilities, the pertinent overarching policies and reporting frameworks and other relevant matters as embodied in the AuditCom Charter, not later than three months from the date of his election and committee membership appointment.

<b>Performance Assessment</b>	The AuditCom shall evaluate and confirm its performance of responsibilities embodied in this Charter, at least annually within the first quarter of the year, preferably during the January Board meeting, which shall include the individual member’s performance. The results of which shall be submitted to the Compliance Office for the Corporate Governance Committee’s endorsement to the Board for notation during the following month’s Board meeting.
<b>Charter Review</b>	The AuditCom shall review and reassess the AuditCom Charter at least annually or whenever there are significant changes to the committee’s mandate, scope, and working procedures. Any changes thereto shall be endorsed to Compliance Office for review in terms of adherence to standard charter template, then to the Board for approval.
<b>Reporting to the Board</b>	<p>The AuditCom shall report monthly to the Board, its actions and disposition for notation, confirmation, and/or approval.</p> <p>The AuditCom shall also report to the Board annually, summarizing the committee’s performance.</p>
<b>Interaction with Other Board/Management-Level Committees</b>	The AuditCom may interact or coordinate with other Board or Management-level committees as necessary to discharge its duties.
<b>Last Reviewed &amp; Updated:</b>	December 2024