

**CHARTER OF THE
AUDIT AND COMPLIANCE COMMITTEE
LAND BANK OF THE PHILIPPINES**

Revised on December 01, 2021

1. OVERVIEW

This Charter shall ensure compliance with the requirements of BSP Circular No. 871, series of 2015 re: Internal Control and Internal Audit; BSP Circular No. 972, series of 2017 re: Enhanced Guidelines in Strengthening Compliance Frameworks; BSP Circular No. 969, series of 2017 re: Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions, BSP Circular No. 950, series 2017, as amended by BSP Circular No.1022, s. 2018, re: Amendment to Part 8 or the Anti-Money Laundering Regulations of the Manual of Regulations for Banks and the Code of Corporate Governance of the Securities and Exchange Commission (SEC) that identify the functions related to audit and compliance management under a board-level committee, thus, the creation of a joint Audit and Compliance Committee (per LBP Board Resolution No. 14-020-A dated January 24, 2014)

2. PURPOSE

The Audit and Compliance Committee shall assist the Board of Directors in fulfilling its oversight responsibilities specifically:

2.1. FOR INTERNAL AUDIT AND INTERNAL CONTROL (BSP Circular 871)

- a. To oversee Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework; it shall ensure 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 assets
- b. To oversee the internal audit function

2.2. FOR COMPLIANCE (BSP Circulars 972 and 950, as amended by 1022, s. 2018)

- a. To oversee the implementation of the Bank's Compliance Program

- b. To ensure that oversight on the Bank’s Anti-Money Laundering and Combating the Terrorism and Proliferation Financing (AML/CTPF) compliance management is adequate

3. COMPOSITION

- a. The Audit and Compliance Committee shall be composed of at least three (3) of the Board of Directors, wherein all shall be non-executive directors, majority of whom shall be independent directors including the Chairperson. It shall include a Chairperson, and two (2) members, who shall be appointed/ designated by the Board of Directors. The Chairperson shall not be the Chairperson of the Board of Directors or of any other board-level committees.
- b. Appointed/designated members of the Audit and Compliance Committee who are ex-officio members of the Board of Directors may be represented by their respective alternates to the committee.
- c. Members of the Audit and Compliance Committee shall preferably be with accounting, auditing or related financial management expertise or experience.
- d. No member shall simultaneously serve on the Audit and Compliance Committee of other agencies and/or the Trust Committee of the Bank.

4. MEETINGS AND PROCEDURES

- a. The Audit and Compliance Committee shall meet at least once a month with authority to convene for special meetings, as the circumstances require.
- b. The Chairperson, shall be the presiding officer during committee meetings. In his absence, any of the members may preside.
- c. The presence of two (2) members shall constitute a quorum in all committee meetings.
- d. The Internal Audit Group shall serve as the Secretariat of the committee.

5. RESPONSIBILITIES/FUNCTIONS

The Audit and Compliance Committee shall have the following duties and responsibilities:

CLASS B

- 1 a. Oversee the financial reporting framework (i.e., financial reporting
2 process, practices and controls). It shall ensure that the reporting
3 framework enables the generation and preparation of accurate and
4 comprehensive information and reports.
5
- 6 b. Provide an open avenue of communication, among the internal auditors,
7 external auditors, Senior Management, the Board of Directors and other
8 supervisory authority.
9
- 10 c. Provide functional supervision over the Internal Audit Group and
11 Compliance Management Group to ensure effective performance of
12 their functions.
13
- 14 d. Oversee the performance of internal audit service provider (may it be for
15 an assurance, consulting or any engagement in which internal audit
16 activity would require resource and competence/expertise from third
17 party.
18
- 19 e. Recommend formulation or amendments to policies, systems and
20 procedures based on results of its evaluation of the reports from internal
21 audit, compliance, external audit and regulatory bodies.
22
- 23 f. Utilize the work conducted by internal audit and compliance functions by
24 undertaking timely and effective actions on issues identified.
25
- 26 g. Assess the reports from external auditors and regulatory agencies, and
27 ensure that management judiciously and appropriately acts on
28 recommendations on significant deficiencies and/or material
29 weaknesses identified.
30
- 31 h. Ensure that a review of the effectiveness of the Bank's internal controls
32 including financial, operational and compliance controls and risk
33 management, is conducted at least annually.
34
- 35 i. Exercise explicit authority to investigate any matter within its terms of
36 reference, full access to and cooperation by management, full discretion
37 to invite any director or officer to attend its meetings, and adequate
38 resources to enable effective discharge of its functions.
39
- 40 j. Establish and maintain mechanisms by which officers and staff may, in
41 confidence, raise concerns about possible improprieties or malpractices
42 in matters of financial reporting, internal control, auditing or other issues
43 to persons or entities that have the power to take corrective action. It
44 shall ensure that arrangements are in place for the independent
45 investigation, appropriate follow-up action, and subsequent resolution of
46 complaints.

- k. Assess the organizational structure and staffing of IAG and CMG, subject to the Bank’s standard guidelines, for the effective performance of their assigned tasks and endorse the same to management.

6.1. RESPONSIBILITIES IN THE FUNCTIONAL SUPERVISION OVER IAG AND CMG

- a. Endorse to the Board the appointment or removal of the Heads of IAG and CMG.
- b. Review and approve the IAG and CMG plans and programs and major changes thereof.
- c. Evaluate the performance of the IAG and CMG relative to their plans and programs and other matters.
- d. Review and approve the performance evaluation/appraisal of the Heads of IAG and CMG.
- e. Assess the appropriateness of IAG and CMG scope of plans and programs vis-à-vis their resources.

6.2. SPECIFIC RESPONSIBILITIES IN THE FUNCTIONAL SUPERVISION OVER IAG

- a. Responsible for establishing and maintaining an independent, competent and effective internal audit function commensurate with the complexity of its risk profile.
- b. Review and approve the IAG’s Charter and any amendment/s thereto and endorse the same to the Board of Directors for confirmation.
- c. Review and approve an audit program that encompasses audit scope and frequency, policies, processes, procedures, and strategies that would govern IAG, including major changes thereof. It shall ensure that the scope covers the review of the effectiveness of the Bank’s internal controls, including financial, operational and compliance controls, and risk management system.
- d. Communicate and interact directly with the IAG Head, internal auditors, and external auditors, including separate or private sessions as appropriate and necessary. It shall also ensure that there is coordination of audit effort between IAG and external

- 1 auditor (COA) in terms of audit scope, approach, independence,
2 and performance.
- 3
- 4 e. Approve/confirm the IAG annual budget.
- 5
- 6 f. Ensure that IAG is free from interference in determining the scope
7 of the internal auditing examinations necessary to perform the
8 work and communication of results.
- 9
- 10 g. Ensure that internal auditors have free access to all Bank's
11 records, personnel and properties relevant to the performance of
12 their functions.
- 13
- 14 h. Receive key audit reports, and ensure that Senior Management
15 is taking necessary corrective actions in a timely manner to
16 address the weaknesses, non-compliance with policies, laws and
17 regulations and other issues identified by auditors.
- 18
- 19 i. Evaluate the performance of IAG relative to their audit plans and
20 programs and other matters.
- 21
- 22 j. Ensure that IAG conforms with relevant rules and regulations
23 (BSP and COA issuances and Philippine Government Internal
24 Auditing Manual) and professional standards, such as, but not
25 limited to, the International Professional Practices Framework
26 issued by the Institute of Internal Auditors, and those standards
27 issued by the Information Systems Audit and Control Association,
28 Committee on Sponsoring Organizations of the Treadway
29 Commission.
- 30

**6.3. SPECIFIC RESPONSIBILITIES IN THE FUNCTIONAL
SUPERVISION OVER CMG**

- 34 a. Adopt measures to ensure the compliance function's standing,
35 authority and independence from the business activities of the
36 Bank
- 37
- 38 b. Ensure that the Compliance Program is defined for the Bank and
39 that compliance issues are resolved expeditiously
- 40
- 41 c. Review and approve any update/amendment to the Compliance
42 Charter, Compliance Manual, and Money Laundering and Terrorist
43 Financing Prevention Program (MTPP) and endorse the same to
44 the Board of Directors for approval.
- 45

- 1 d. Oversee the implementation of the LBP Compliance Program and
2 MTPP.
- 3
- 4 e. Ensure that CMG have the right to obtain access to information
5 necessary to carry out its responsibilities and conduct
6 investigations of possible breaches of the compliance policy.
- 7
- 8 f. Review reports submitted by CMG including Minutes of Meeting
9 and resolutions of the Anti-Money Laundering Committee and all
10 other matters related to AML and CTPF compliance and their risk
11 management.
- 12
- 13 g. Provide the Board of Directors with regular reports on the findings
14 of regulatory bodies together with the actions of Management on
15 said findings.
- 16
- 17 h. Approve/confirm the CMG annual budget.
- 18
- 19 i. Evaluate the performance of CMG relative to the plans and
20 programs and other matters.
- 21
- 22 j. Ensure that Bank personnel adhere to the pre-defined compliance
23 standards of the Bank.
- 24

25 **6.4. OTHER RESPONSIBILITIES**

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- 27 a. The Audit and Compliance Committee, through the Chairperson,
28 shall regularly report to the Board of Directors its activities, issues
29 and related recommendations.
- 30
- 31 b. Obtain any information and or training needed to enhance the
32 members' understanding/competence on the areas of financial
33 reporting policies, practices and control, internal and external
34 audit functions, and compliance function.
- 35
- 36 c. Review and update this Charter at least annually or as often as
37 necessary, whenever there are significant changes, and endorse
38 the same to the Board for approval.
- 39
- 40 d. Conduct annual self-assessment of the committee's performance
41 including its effectiveness and compliance with this Charter.
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