



AUDIT AND COMPLIANCE COMMITTEE (ACC) CHARTER

(Amended¹ as of March 2018)

PURPOSE

The Audit and Compliance Committee (“ACC” or “Committee”) of the Development Bank of the Philippines (“DBP”) is a standing committee of the Board of Directors (“Board”).

The purpose of the Committee is to assist the Board of Directors provide oversight over the:

- Adequacy, effectiveness and efficiency of the Bank’s internal control framework;
- Internal and external audit functions and compliance functions/programs;
- Bank’s financial reporting policies, practices and control, and monitoring of compliance with applicable laws, rules and regulations;
- Bank’s compliance with legal and regulatory requirements, including the Bank’s disclosure controls and procedures; and
- Coordination with the Commission on Audit (COA), Bangko Sentral ng Pilipinas (BSP), and other regulatory bodies.

MEMBERSHIP

The ACC shall be composed of at least three (3) members of the Board, who shall all be non-executive directors, majority of whom shall be independent directors, including the Chairperson. The Chairperson of ACC shall not be the Chairperson of the Board of Directors, or of any other board-level committees.

The ACC shall have accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The ACC shall have access to independent experts to assist them in carrying out its responsibilities.

The presence of majority of the members will constitute a quorum for the transaction of business. Any action taken by a majority of the members present at a meeting where there is a quorum shall be valid as an act of the Committee.

¹ Approved by the Board of Directors per Resolution No. 0241 dated June 6, 2018.

MEETINGS

The Committee shall hold a meeting at such time and place as it considers appropriate, provided that meeting shall be held at least once a month. Special meetings maybe held at any time deemed necessary by the ACC Chairperson. Written notice of meetings shall be sent to all members of the Committee at least three (3) days prior to the meeting, unless such notice is waived by any member.

The Committee may invite resource persons in any of its meetings to render a report, clarify and provide guidance to the Committee on any relevant issue.

AUTHORITY

The ACC shall have the authority to:

1. Have unrestricted access to Management, employees, and relevant information considered necessary to discharge its duties, to investigate any matter within its terms and reference, to have full access to and cooperation by Management and full discretion to invite any Director or executive officer to attend its meetings, and have adequate resources to enable it to effectively discharge its functions.
2. Engage independent counsel and/or obtain other professional advice it deems necessary to carry out its duties.
3. Approve the annual audit plan (all auditing and non-audit services), compliance plan/program and all major changes therein.
4. Determine the overall internal auditing and compliance policies to ensure that the Internal Audit Group (IAG) and the Compliance Management Group (CMG) are vested with adequate authority to fulfill their responsibilities including free and full access to bank records, properties and personnel relevant to and required by their functions. The internal audit and compliance testing activity shall be free from interference in determining the scope of examinations, performing work, and communicating results.
5. Endorse to the Board the following matters:
 - Revisions to the Compliance Manual, Compliance Manual for Financial Consumer Protection, Compliance Manual for Trust Operations, Money Laundering and Terrorist Financing Prevention Program, and other manuals and programs
 - Report on newly issued regulations
 - Reports on the COA Annual Audit Report and BSP Report on Examination
 - Policy proposals or revisions thereof

DUTIES AND RESPONSIBILITIES

The ACC shall have the following duties and responsibilities:

1. Oversee the financial reporting framework.
 - Oversee the financial reporting process, practices, and controls
 - Ensure that reporting framework enables the generation and preparation of accurate and comprehensive information and reports
2. Monitor and evaluate the adequacy and effectiveness of the internal control system.
 - Oversee the implementation of internal control policies and activities
 - 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
3. Oversee the internal audit function.
 - Monitor and review the effectiveness of the Internal Audit function
 - Approve the risk-based internal audit plan, scope, budget, and resource plan
 - Approve the IA charter
 - Review and discuss with the Chief Audit Executive (CAE) the internal audit reports and the corresponding recommendations to address the weaknesses noted, and reporting significant matters to the Board
 - 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
 - Ensure that IAG maintains an open communication with Senior Management, ACC, external auditors, and supervisory authority
 - Review discoveries of fraud and violations of laws and regulations, as raised by IAG
 - Recommending for approval of the Board the annual remuneration of CAE
 - Review the qualifications and approve the appointment, re-appointment, or removal of the CAE
 - Select and oversee the performance of the internal audit service provider
4. Oversee the compliance function
 - Oversee the design of the Bank's Compliance Program, with focus on identifying and mitigating the business risks of the Bank, promote effectiveness of its implementation, and ensure that compliance issues are resolved expeditiously
 - Review and approve the Compliance Manual submitted by the Chief Compliance Officer (CCO), and any amendments thereto
 - Ensure that CMG has adequate resources in terms of manpower, budget and training to effectively fulfill its duties in the expedient implementation of the Annual Business Plan

- Review the effectiveness of the Bank's Compliance Program to ensure compliance with regulatory requirements and regulatory changes which may affect the Bank's compliance regime
 - Functionally meet with the CCO and such meetings shall be duly minuted and adequately documented
 - Be ultimately responsible for compliance with applicable laws, rules and regulations, including the Anti-Money Laundering Act; thus, ensure the Bank's compliance management is adequate.
 - Review of the qualifications and approval of the appointment of the CCO
 - Review and approve the performance and compensation of the CCO, and budget of the compliance function
5. Oversee implementation of corrective actions.
- Receive key audit reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by auditors and other control functions.
6. Investigate significant issues/concerns raised
- Investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
7. Other Duties and Responsibilities
- Review and assess the adequacy of this Charter annually and propose changes to the Board of Directors.
 - Require the IAG and the CMG to conduct a periodic formal review of their respective structure, their controls and activities to assess consistency with the board approved policies, practices and strategies and to report the results of their assessment directly to the Board.
 - Meet regularly, other than the meetings of the ACC, in the absence of senior management, with the external auditors, and the CAE and the CCO, to discuss any matter that the ACC Members, the CAE or the CCO believes should be discussed privately.

INTERRELATIONSHIP WITH OTHER UNITS

In this Charter of the ACC, the following functional interrelationships are acknowledged:

- The Integrity and Quality of the Operational Processes and Internal Control is the primary responsibility of Management.
- The operational supervision of and oversight role over the Bank's Risk Management System is the primary function of the Risk Management Officer/Risk Management Committee.
- The mechanism by which officers and staff, in confidence, raise concerns about possible improprieties or malpractices, on matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action, through the Bank's Whistleblower Protection Policy is the primary responsibility of the Governance Committee which *ipso facto* act as the Whistleblower Protection Committee.