



75 YEARS OF BANKING
FOR THE COUNTRY.



DEVELOPMENT BANK OF THE PHILIPPINES

Head Office: Sen. Gil J. Puyat Avenue corner
Makati Avenue, Makati City, Philippines

AUDIT AND COMPLIANCE COMMITTEE CHARTER (Amended¹ as of 2022)

The Board of Directors of the Development Bank of the Philippines (DBP) hereby adopts this Charter of the Audit and Compliance Committee (ACC).

Article I. Mission Statement

The Audit and Compliance Committee of DBP shall assist the Board of Directors in providing oversight over the following:

- Adequacy, effectiveness and efficiency of the Bank's internal control framework;
- Internal 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, and other regulatory bodies.

This Charter defines the roles, responsibilities, and authorities of the ACC, as well as the conduct of its business and affairs.

Article II. Structure and Membership

A. Composition

1. 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.
2. The Chairperson of ACC shall not be the Chairperson of the Board of Directors or of any other board-level committees.
3. Membership in the Committee may be occasionally rotated by the Board of Directors to avoid undue concentration of power and promote fresh perspective.²
4. The Chairman, or in case of his/her absence, the Vice Chairman, shall preside over all meetings of the ACC.
5. 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.

¹ Approved by the Board of Directors per Resolution No. 0398 dated 03 August 2022

² Section 133 (a), BSP Manual of Regulations for Banks (MORB) as of 2020



6. The ACC shall have access to independent experts to assist them in carrying out its responsibilities.²
7. An independent director who is a member of any other committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in the ACC without prior approval of the Monetary Board.³

B. Vacancies

1. The Board shall fill vacancies in the ACC by appointment from among qualified members of the Board.
2. Whenever there is a vacancy in the ACC Committee, the Corporate Secretary shall immediately inform the Board of Directors of this vacancy. Upon receipt of the information, the Board shall designate a new member of the Committee.

Article III. Duties and Responsibilities

The ACC shall perform the following duties and responsibilities:

A. Powers of the Committee

1. Oversee the financial reporting framework
 - Oversee the financial reporting process, practices, and controls
 - Ensure that the 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 weakness and evaluate its robustness considering the Bank's risk profile and strategic direction
3. Oversee the internal audit function
 - Responsible for the appointment/selection, remuneration, and dismissal of the head of the internal audit
 - Review and approve the audit scope and frequency
 - 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
 - Monitor and review the effectiveness of the Internal Audit function
 - Approve the risk-based internal audit plan, scope, budget, and resource plan
 - Approve the Internal Audit Charter

² Section 133, Audit Committee (a), BSP MORB (2020)

³ Section 133 (b), BSP MORB (2020)

- Review and discuss with the Chief Audit Executive (CAE) the internal audit reports and the corresponding recommendations to address the weakness noted, and reporting significant matters to the Board. All meetings shall be duly minuted and adequately documented.
- ~~Ensure that internal audit function maintains an open communication with Senior Management, ACC, the Commission on Audit, and the supervisory authority~~
- Review discoveries of fraud and violations of laws and regulations, as raised by the internal audit function
- Review the bank's adherence to policies related to the management of environmental and social (E&S) risks, international sustainability standards and principles, and other relevant laws and regulations⁴
- Evaluate the robustness and continuing relevance of Bank policies and practices in pursuit of sustainable and resilient growth⁵
- Select and oversee the performance of the internal audit service provider
- Review and approve the performance and compensation of CAE, and budget of the internal audit function

4. Oversee the compliance function⁶

- 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 and other relevant manuals/programs of the Compliance Management Group (CMG) submitted by the Chief Compliance Officer (CCO), and any amendments thereto
- Oversee the design and review the effectiveness of the Bank's Money Laundering and Terrorism Financing Prevention Program (MTPP)
- Ensure that CMG has adequate resources in terms of manpower, budget, and training to effectively fulfil 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 ensure such meetings shall be duly minuted and adequately documented
- Be ultimately responsible for compliance with applicable laws, rules, and regulations; thus, ensure that the Bank's compliance management is adequate. This includes compliance with laws, rules, and regulations issued by the BSP, COA, GCG, PDIC, AMLC, NPC, SEC, PDEX, and other regulatory agencies of the Bank
- 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

⁴ Section 153, Sustainable Finance Framework, MORB (2020)

⁵ Section 153, Sustainable Finance Framework, MORB (2020)

⁶ Section 161, Compliance Framework, MORB (2020)

5. Oversee implementation of corrective actions

- Receive key audit/testing/examination 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. Establish Whistleblowing Mechanism

- Review and maintain mechanisms by which officers and staff shall, 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
- Ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints
- Monitor and conduct a periodic review of the effectiveness of the whistleblowing mechanism in place

7. 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 any executive officer to attend its meetings

8. Other Duties and Responsibilities

- Require the internal audit function and the compliance function to conduct a periodic formal review of their respective structures, their controls and activities to assess the consistency of with the board-approved policies, practices, and strategies and to report the results of their assessment directly to the Board
- Ensure annual meetings of non-executive directors of the ACC and the Risk Oversight Committee (ROC), in the absence of Senior Management, with the heads of the control units functionally reporting to them

All business transacted or decisions made by such Committee shall be submitted to and confirmed by the Board at its next regular meeting, if required.

B. Authority

To effectively discharge its duties, 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 references, 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. Encourage 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), annual compliance testing plan/program, and all the major changes therein.
4. Determine the overall internal auditing and compliance policies to ensure that the internal audit function and the compliance function are vested with the adequate authority to fulfil 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, MTPP, Written Supervisory Procedures, Data Privacy Manual, 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

C. Interrelationship with Other Units

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

1. The Integrity and Quality of the Operational Processes and Internal Control is the primary responsibility of Management.
2. The operational supervision of and oversight role over the Bank's Risk Management System is the primary function of the Risk Management Officer/Risk Oversight Committee.
3. 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.

Article IV. Meetings

A. Schedule of Meetings

1. The Committee shall hold a meeting at such time and place it considers appropriate, provided that it shall be held every third Wednesday of the month.
2. Schedule of special meetings of ACC, in addition to the regular meetings, shall be set upon the clearance and approval of the Committee Chairman.
3. As a general rule, the meeting shall take place at the DBP Head Office Building located in Makati City, Philippines.

4. The Committee Chairperson may cancel any scheduled Committee meeting if circumstances so warrant.

B. Notice of Meeting/Cancellation of Meeting

1. ~~Notice of each meeting of the Committee, stating the place, day and hour thereof, shall either be served personally to the members or sent electronically to their registered DBP email or temporary secure email/link at least five (5) calendar days before the scheduled meeting. Said notice may however be waived expressly or impliedly by any member.~~
2. Notice of cancellation of a scheduled Committee meeting shall either be served personally to the members and/or sent electronically to their registered DBP email or temporary secure email/link within a reasonable time prior to the scheduled meeting.

C. Agenda

1. The Committee Chairperson, or in his/her absence, the Vice Chairperson, shall decide and approve all items to be included in the Agenda of the meeting.
2. The Agenda, together with its supporting documents, shall be served personally to the members of the Committee or sent electronically to their registered DBP email at least five (5) calendar days before the scheduled meeting.

The same shall apply for meetings between non-executive directors and control functions, except all parties involved shall decide and approve all items to be included in the Agenda of the meeting.

D. Quorum

1. Majority of the members of the ACC shall constitute a quorum necessary to conduct its business, but the affirmative vote of the majority of the whole committee shall be necessary in every action or decision of the Committee in order to be valid and binding.
2. In case of a voting deadlock and after efforts have been exhausted to break the tie, the Committee, upon endorsement of the Chairperson, shall forward the matter to the Board of Directors for proper disposition.

E. Attendance

1. Members of the Committee are highly encouraged to attend and actively participate in the Committee meetings.
2. Participation of committee members in the meetings may likewise be in person or through modern technologies. Members who cannot physically attend the committee meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate.
3. In the interest of time, especially when urgent matters require the immediate action of the ACC, such matters may be acted upon via *ad referendum*. Upon

clearance of the Committee Chairperson, the Corporate Secretary shall cause the dissemination of the materials and other supporting documents, if available, to the individual members of the Committee. The members may be allowed to manifest their approval/vote or submit their queries via remote communication, such as through electronic mails, messaging service, or such other manner as approved by the Committee. The vote shall be sent to the Corporate Secretary for notation.

4. The Corporate Secretary or in his/her absence, the Assistant Corporate Secretary, shall attend all meetings of the Committee in order to properly document the proceedings thereof.
5. The ACC may invite resource persons in any of its meetings to render a report, clarify, and provide guidance to the Committee on any relevant issue.
6. The ACC may also invite other Directors or Officers of the management to attend the meeting. Third-party professional or experts may likewise be invited by the Committee to assist the members in its decision-making.

F. Minutes of the Meeting

1. ACC shall keep regular minutes of its proceedings, which minutes shall be recorded and preserved by the Corporate Secretary and shall report the same to the Board of Directors for confirmation.
2. The members of the Committee shall sign the individual resolution of the Committee as prepared by the Corporate Secretary based on the recorded minutes of the meeting.

The same shall also apply to meetings of non-executive directors of the ACC and ROC with the three control functions.

Article V. Committee Assessment

The Committee shall conduct an annual assessment of its performance with the assistance of the Corporate Secretary. The results of such assessment shall be reported to the Committee and submitted to the Board of Directors for review and evaluation.

Article VI. Records/ Confidentiality

- A. The Corporate Secretary shall ensure that all records of the Committee shall be confidential and kept restricted from external access, except those information which are required to be disclosed to government authorities pursuant to existing laws.
- B. The members of the Committee shall keep confidential all information discussed during the meetings and ensure that all persons who have access to the same information on their behalf shall likewise comply with this rule.

Article VII. Charter Amendment

The ACC shall periodically review, assess, and/or update this Charter, at least annually or whenever there are significant changes therein due to implementation of new regulatory issuances on the matter.

Article VII. Effectivity

This Charter and any future amendments hereon shall take effect upon approval of the Board of Directors.

Approved per Board Resolution No. 0398 dated 03 August 2022.

Certified Correct:



SVP Rene A. Gaerlan
Corporate Secretary

Document Version History

Original Version – based on BR No. 0126 dated 18 April 2007
1st Revision – based on BR No. 0340 dated 07 September 2016
2nd Revision – based on BR No. 0241 dated 06 June 2018