

**AUDIT AND COMPLIANCE COMMITTEE CHARTER  
2025**



### PREAMBLE

The Audit and Compliance Committee (“ACC”) of Rizal Commercial Banking Corporation (“Bank” “Company”) was constituted by the Board of Directors pursuant to the provisions of its By-laws, the Corporate Governance Manual, and the Manual of Regulations for Banks (“MORB”).

This Audit and Compliance Committee Charter (“Charter”) sets out the roles, responsibilities, and authority of the ACC and the rules of procedure that will guide the function of the Committee.

### 1.0 CREATION (SOURCE OF AUTHORITY)

- 1.1 The ACC shall be governed by the BSP Manual of Regulations, particularly **Section X132 (d)(1)(b)** which contains provisions on the constitution of committees to increase efficiency and allow deeper focus in specific areas, and **Section X133 (d)** which contains provisions on the composition, duties, and responsibilities of the audit committee.
- 1.2 The ACC shall be guided by the SEC Code of Corporate Governance for Publicly Listed Companies particularly **Recommendation 3.2** on the establishment of an Audit Committee.<sup>1</sup>
- 1.3 The ACC shall be guided by the Bank’s By-laws and Corporate Governance Manual
- 1.4 The ACC shall comply with applicable Philippine laws, rules and regulations.

### 2.0 GENERAL PURPOSE AND SCOPE OF AUTHORITY

- 2.1 The ACC shall be responsible for overseeing 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, efficiencies and effectiveness of operations, and safeguarding assets.<sup>2</sup>
- 2.2 The ACC shall provide oversight over the institution’s financial reporting policies, practices and controls, and internal and external audit functions. It shall be responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor who shall both report directly to the audit committee. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the Bangko Sentral and other regulators.<sup>3</sup> In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by independent and non-executive audit committee members. It shall monitor and evaluate the adequacy and effectiveness of the internal control system.

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<sup>1</sup> SEC Memorandum Circular No.19, series of 2016

<sup>2</sup> MORB 2021, Section 162 (b)

<sup>3</sup> MORB 2021, Section 133 (d)(b)(4)



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- 2.3 The ACC shall review and approve the audit scope and frequency. It shall 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.<sup>4</sup>
- 2.4 The ACC shall have explicit authority to 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, and adequate resources to enable it to effectively discharge its functions. The audit committee shall ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.<sup>5</sup>
- 2.5 The ACC shall establish a whistleblowing mechanism. The committee shall establish 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. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.<sup>6</sup>
- 2.6 The ACC shall oversee the Compliance Program, and shall ensure that compliance issues are expeditiously resolved. Ensuring that bank personnel and affiliated parties adhere to the pre-defined compliance standards of the bank rest collectively with senior management, of which the CCO is the lead operating officer on compliance. The Senior Management through the Chief Compliance Officer ("CCO") shall periodically report to the Committee matters that affect the design and implementation of the compliance program. Any changes, updates and amendments to the compliance program must be approved by the board of directors. However, any material breaches of the compliance program shall be reported to and promptly addressed by the CCO within the mechanisms defined by the compliance manual.<sup>7</sup>

### 3.0 COMPOSITION AND QUALIFICATIONS

- 3.1 Members of the ACC shall be appointed by the Board of Directors upon the recommendation of the Corporate Governance Committee.
- 3.2 The ACC shall be composed of at least three (3) members of the board of directors, who shall all be non-executive directors, majority of whom shall be independent directors including the chairperson. The chairperson of the audit committee shall not be the chairperson of the board of directors or of any other board-level committees.<sup>8</sup> The Committee members shall have (a) the knowledge of the industry in which the Bank operates; (b) the ability to read and understand fundamental financial statements; and (c) the ability to understand key business and financial risks and related controls and control processes.
- 3.3 The Chairperson of the ACC shall be independent, preferably with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the bank.

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<sup>4</sup> MORB 2021, Section 133 (d)(b)(5)

<sup>5</sup> MORB 2021, Section 133 (d)(b)(6)

<sup>6</sup> MORB 2021, Section 133 (d)(b)(7)

<sup>7</sup> MORB 2021, Section 161

<sup>8</sup> MORB 2021, Section 133 (d)(a)



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- 3.4 The chief executive officer, chief financial officer and/or treasurer, or officers holding equivalent positions, shall not be appointed as members of the ACC.
- 3.5 The individual Committee members shall be encouraged to participate in relevant and appropriate self-study or other educational opportunities to assure understanding of the business and environment in which the Bank operates.
- 3.6 The Board may appoint one or more Directors to serve as Advisor(s) to the Committee. The Advisors shall have the right to attend and speak at any meeting of the Committee, but shall not have the right to vote on any action of the Committee.

### **4.0 MEETING, QUORUM, VOTING REQUIREMENTS**

- 4.1 The ACC shall meet as frequently as considered necessary by the said Committee. Provided, however, that it shall convene at least twice a month to discuss (a) audit matters and (b) compliance matters in separate meetings. Meetings of the ACC shall be called by the Chairman as deemed appropriate, or upon request of the majority of the members.
- 4.2 A quorum will comprise the majority of the members of the ACC. Voting on Committee matters shall be on one member – one vote basis. Majority vote of all members present shall constitute an official action of the ACC.
- 4.3 The members of the ACC shall attend its meetings in person or through teleconferencing and videoconferencing conducted in accordance with the rules and regulations of the SEC in such a manner that will allow the member who is taking part in said meetings to actively take part in the deliberations on matters taken up therein, except when justifiable causes prevent his attendance to ensure that the quorum requirement will be met. Justifiable causes include, but are not limited to, grave illness or death of an immediate family or serious accidents.
- 4.4 The notice and agenda of the meeting shall be furnished to the members prior to each meeting and will include relevant supporting papers as appropriate.
- 4.5 Minutes of the meeting shall be submitted to the Board of Directors.
- 4.6 The Internal Audit Group and Regulatory Affairs Group shall provide support to the ACC in the fulfillment of its functions.

### **5.0 SPECIFIC DUTIES AND RESPONSIBILITIES**

#### **5.1 INTERNAL CONTROL AND RISK MANAGEMENT**

- 5.1.1 Monitor and evaluate the adequacy and effectiveness of internal control system and risk management including financial reporting control and information technology security
- 5.1.2 Provide oversight over the senior management's activities in managing material risk facing the bank, which include among others, credit, country and transfer, market, interest rate, liquidity, operational, compliance, legal and reputational risk. This



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includes receiving periodic information on risk exposures and risk management activities.

5.1.3 Evaluate whether management is setting the appropriate control culture by communicating the importance of internal control and the management of risk and ascertain that all officers and employees have an understanding of their roles and responsibilities in the Bank's risk and control system.

5.1.4 Consider the effectiveness of the Bank's information technology, security control and contingency plans.

5.1.5 Ascertain whether internal control recommendations made by internal and external auditors and regulating bodies have been implemented by management.

**5.2 INTERNAL AND EXTERNAL AUDIT** – The ACC shall: (a) Perform oversight functions over the corporation's internal and external auditors including external service providers of permitted outsourced audit activities. It shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions; and (b) Review the reports submitted by the internal and external auditors as well as those submitted by external service providers.

### 5.2.1 Internal Audit

5.2.1.1 Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.

5.2.1.2 Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.<sup>9</sup>

5.2.1.3 Participate in discussions with the chief audit executive and senior management about the "essential conditions", described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.

5.2.1.4 Review the extent and scope, activities, staffing, resources and organizational structure of the Internal Audit function including outsourced activities and ensure no unjustified restrictions or limitations are made. The ACC shall ensure functional reporting of the Internal Audit to the ACC. The ACC shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties and maintain an open communication with senior management, the ACC, external auditors and examiners / representatives of regulatory agencies.<sup>10</sup>

5.2.1.5 Review and approve the audit plan taking into consideration the internal audit activities that will be outsourced to ensure its conformity with the objectives of

<sup>9</sup> Global Internal Audit Standard 6.1 - Internal Audit Mandate

<sup>10</sup> MORB 2021, Section 162 (b)(4)



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the Bank. The plan shall include the audit scope, resources and budget necessary to implement it.<sup>11</sup>

- 5.2.1.6 Meet regularly with Chief Audit Executive and/or deputies to discuss the results of audit work and the implications of audit findings on the overall quality of internal control and procedures within the Bank organization. If necessary, conduct special meetings with the Chief Audit Executive and/or deputies to discuss any matters that the Committee or auditors believe should be discussed privately.
- 5.2.1.7 Monitor and review the effectiveness of the Internal Audit function including the performance of external service providers and assess compliance to sound internal auditing standards such as the Institute of Internal Auditors Global Internal Audit Standards and other supplemental standards issued by regulatory authorities / government agencies.<sup>12</sup>
- 5.2.1.8 Review audit reports including those pertaining to fraud discoveries and the corresponding recommendations to address the noted weaknesses. Ascertain that management responds to the recommendations by the internal auditors and is taking appropriate corrective actions in a timely manner.
- 5.2.1.9 Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis. Discuss the same with the Chief Audit Executive and report significant matters to the Board of Directors.
- 5.2.1.10 Ensure that outsourced internal audit activities are permitted by the bank's internal policy and existing requirements of regulatory bodies including their independence.
- 5.2.1.11 Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.  
  
Approve the Internal Audit Group Charter, which includes the internal audit mandate and the scope and types of internal audit services.<sup>13</sup>  
  
Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.
- 5.2.1.12 Review and concur in the appointment, replacement or dismissal of Chief Audit Executive, as well as the external service providers based on fair and transparent criteria.

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<sup>11</sup> MORB 2021, Section 162 (b)(2)

<sup>12</sup> MORB 2021, Section 162 (b)(1)

<sup>13</sup> Global Internal Audit Standard 6.2 - Internal Audit Charter

- 5.2.1.13 Review qualifications of Chief Audit Executive and deputies and assess their performance.
- 5.2.1.14 Also, set, review and approve the compensation of the Chief Audit Executive and key internal auditors.
- 5.2.1.15 To ensure the effective implementation of the Internal Audit and discharge of the functions of the Internal Audit Group, perform an annual performance evaluation on the CAE, with results discussed in the Audit Committee's minutes of meeting.  
  
Report to the board of directors the annual performance appraisal of the head of the internal audit function.<sup>14</sup>
- 5.2.1.16 Recommend for approval of the Board the frequency of reporting of the subsidiaries with their own internal audit function to IA head of the parent bank.

### 5.2.2 External Audit:

- 5.2.2.1 Recommend to the Board the selection of the external auditors, considering professional qualification, independence and effectiveness, and recommend the fees to be paid.
- 5.2.2.2 Recommend any replacement of the external auditors.
- 5.2.2.3 Assess the integrity and independence of external auditors and exercise effective oversight to review and monitor the external auditor's independence and objectivity 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.<sup>15</sup>
- 5.2.2.4 Consult with external auditors without management's presence about internal controls and the accuracy of the financial statements.
- 5.2.2.5 Prior to the commencement of the audit, discuss with the external auditor the nature, scope, approach and expenses of the audit, including coordination of audit efforts with Internal Audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.<sup>16</sup>
- 5.2.2.6 Ensure that the scope of external audit work appropriately covers areas relevant to bank's operations and risk exposures.<sup>17</sup>

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<sup>14</sup> MORB 2021, Section 162 (b)(6)

<sup>15</sup> SEC Memorandum Circular No.19, series of 2016, **Recommendation 9.2**

<sup>16</sup> SEC Memorandum Circular No.19, series of 2016, **Recommendation 3.2.f**

<sup>17</sup> MORB 2021 Section 164



- 5.2.2.7 Evaluate and determine non-audit work, if any, of the external auditor and review periodically the non-audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor and in relation to the Bank's total expenditure on consultancy.
- 5.2.2.8 The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. If allowed, the non-audit work shall be disclosed in the Company's Annual Report and Annual Corporate Governance Report.<sup>18</sup>
- 5.2.2.9 Ascertain the rotation of the audit partner or external audit firm as required by regulations.
- 5.2.2.10 Ascertain that management responds to recommendations by the external auditors and is taking appropriate corrective actions in a timely manner.

### 5.5 FINANCIAL REPORTING

- 5.5.1 Review and discuss with management and external auditor significant accounting and financial reporting issues including complex or unusual transactions and highly judgmental areas and recent professional and regulatory pronouncement and understand their impact on the financial statements.
- 5.5.2 Review with management and the external auditor the results of the audit including any difficulties encountered during the audit, any restriction on the scope of activities and access to information and any disagreement with management.
- 5.5.3 Review the annual and quarterly financial statements before submission to the Board and regulators focusing on the following matters<sup>19</sup>:
  - a. any changes in accounting policies and practices:
  - a. significant adjustments arising from audit;
  - b. compliance with accounting standards;
  - c. compliance with tax, legal and regulatory requirements;
  - d. going concern assumptions;
  - e. major judgmental areas; and
  - f. completeness of disclosures of material information including subsequent events and related party transactions.
- 5.5.4 Review and communicate with legal counsel any legal matters, fraud or illegal acts which could significantly impact the financial statements.
- 5.5.5 Understand how management develops financial information and sufficiency of

<sup>18</sup> SEC Memorandum Circular No.19, series of 2016, **Recommendation 3.2.g**

<sup>19</sup> SEC Memorandum Circular No.19, series of 2016, **Recommendation 3.2.h**



risk controls over the financial reporting process.

## **5.6 COMPLIANCE**

- 5.6.1 The ACC shall oversee the design of the Bank's compliance program, and the effective implementation thereof. The compliance risk management system shall be designed to specifically identify and mitigate risks that may erode the franchise value of the bank such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation, the bank may suffer as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities. Said risk may also arise from failure to manage conflict of interest, treat customers fairly, or effectively manage risks arising from money laundering and terrorist financing activities.
- 5.6.2 The compliance function shall have a formal status within the organization. The charter or other formal document that defines the compliance function's standing, authority and independence shall be reviewed by the ACC, and shall endorse the same to the Board of Directors for approval. ACC shall ensure that they have the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy, and shall directly report to and have direct access to the board of directors or appropriate board-level committee.
- 5.6.3 ACC shall ensure that the compliance function facilitates effective management of compliance risk by:
- a. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
  - b. Apprising bank personnel on compliance issues, and acting as a contact point within the bank for compliance queries from bank personnel;
  - c. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
  - d. Identifying, documenting and assessing the compliance risks associated with the bank business activities, including new products and business units
  - e. Assessing the appropriateness of the bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
  - f. Monitoring and testing compliance by performing sufficient and representative compliance testing;
  - g. In the case of branches of foreign banks, the compliance function shall be responsible for maintaining official English translation of bank documents including, but not limited to policies, procedures, manuals, and all documents supporting the approval of transactions and contracts/agreements entered into; and
  - h. Maintaining a constructive working relationship with the Bangko Sentral and other regulators.
- 5.6.4 The ACC shall ensure that the Compliance Charter defining the status of the



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compliance function shall be communicated throughout the organization.

- 5.6.5 The ACC shall ensure the effective monitoring of the Bank's compliance with relevant banking laws, rules and regulations through the following:
  - a. Review and approval of the annual testing plan and any changes thereto;
  - b. Ensuring that material breaches to the compliance program and/or compliance matters as reported by the Chief Compliance Officer are promptly addressed/given appropriate attention by the bank.
  - c. Receive reports concerning the Bank's record or state of compliance with rules and regulations of BSP and other regulatory bodies, including status of previous exceptions to avoid recurring exceptions/violations.
  
- 5.6.6 The ACC shall ensure that the Compliance Program sets out the planned activities of the compliance function, such as:
  - a. Review and implementation of specific policies and procedures;
  - b. Compliance risk assessment;
  - c. Compliance testing;
  - d. educating staff on compliance matters;
  - e. monitoring compliance risk exposures; and
  - f. reporting to the ACC.
  
- 5.6.7 ACC shall ensure that the program espouses a risk-based approach and shall have appropriate coverage across businesses and units. For this purpose, the compliance program shall be updated on a regular basis or at least annually.
  
- 5.6.8 ACC shall approve the policy that defines the compliance framework that shall apply to entities across the group. The policy shall provide the structure that shall be adopted by the group, either to establish the compliance function centrally at the parent bank or in each of the identified subsidiaries. Such policy shall also include the overall responsibility of the parent bank's compliance function with respect to the management of compliance risk exposures of subsidiaries/affiliates
  
- 5.6.9 The ACC shall oversee the implementation of the Deputy Compliance Officer Program
  
- 5.6.10 The ACC shall monitor Monthly Accomplishment Reports of the Divisions of Regulatory Affairs Group/Compliance Office
  
- 5.6.11 To ensure the effective implementation of the Compliance Office System and discharge of the functions of the Compliance Office, an annual performance evaluation shall be made by the Audit Committee on the CCO, with results discussed in the Audit Committee's minutes of meeting.

## 6.0 REPORTING

- 6.1 The Committee shall report on a monthly basis to the Board of Directors.
  
- 6.2 The minutes of meetings of the Committee that specify opinions and official actions of the Committee on various matters shall be disclosed to the Board of Directors.



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- 6.3 The Committee Secretariat shall prepare the minutes of the meeting for the Committee's approval.
- 6.4 Evaluations made by the Committee on the assessment of effectiveness of internal control made by management, internal auditors and external auditors, shall be reviewed by the board of directors.

### 7.0 SELF ASSESSMENT

The Committee shall conduct its self-assessment at least once annually in accordance with SEC Memorandum Circular No. 4, series of 2012 or the Guidelines for Assessment of the Performance of Audit Committees and Companies listed on the Exchange.

### 8.0 CHARTER AMENDMENTS

- 8.1 The Committee shall from time to time assess the adequacy of the Charter and recommend changes thereto to the Board.
- 8.2 The Committee charter shall be approved by the Board of Directors and reviewed and updated at least annually or whenever there are significant changes therein.

#### Approved By:

**DIRECTOR LAURITO E. SERRANO**

Chairman of Audit and Compliance Committee  
*(via the AuditCom meeting on August 12, 2025)*

**DIRECTOR VAUGHN F. MONTES**

Audit and Compliance Committee Member  
*(via the AuditCom meeting on August 12, 2025)*

**DIRECTOR ERIKA FILLE T. LEGARA**

Audit and Compliance Committee Member  
*(via the AuditCom meeting on August 12, 2025)*