

**TERMS OF REFERENCE
BOARD AUDIT COMMITTEE
BDO LEASING AND FINANCE, INC.**

I. Constitution

The Board Audit Committee (BAC) shall be established by the Board of Directors (BOD) of BDO Leasing and Finance Corp. (BDOLF). BDOLF being a subsidiary of BDO, follows the rationale for the establishment of an audit committee as required and directed by the Bangko Sentral ng Pilipinas (BSP) Circular No. 456 Series of 2004 which amended Subsection X141.3.c (9) of the Manual of Regulations for Banks. As such, the BAC of the BDOLF is an extension of the BDOLF Board.

The BAC shall have the authority to investigate any matter within its terms of reference full access to management and shall have full discretion to invite any director, executive officer(s) and staff to attend its meetings. It shall be extended full cooperation by management, and be provided with adequate resources to enable it to effectively discharge its functions.

It shall also oversee the bank's compliance requisites as mandated by the appropriate regulatory bodies.

II. Objectives

1. To provide oversight on the BDOLF financial reporting process and all matters with potential reputational risk, on the system of internal controls, audit processes, and on the monitoring of compliance with applicable rules and regulation. (SEC 6-2009)
2. To ensure that a review of the effectiveness of the company's internal controls, including financial, operational and compliance controls and risk management is conducted annually. (Cir 456)
3. To provide oversight functions over the Bank's internal and external audit functions and process (SEC 6-2009)

III. Duties and Responsibilities

1. Over the Internal Audit Division

- a. It shall be responsible for organizing the Internal Audit Division (IAD), and the appointment of the Internal Auditor who shall report directly to the Committee. (SEC 6-2009)
- b. It shall review the annual internal audit plan to ensure its conformity with the objectives of the Bank. The plan shall include the audit scope, resources and budget necessary and timetable for its implementation. (SEC 6-2009)
- c. It shall ensure that IAD examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization. (Cir 499)
- d. It shall review the internal audit reports submitted, and other financial reports, prior to submission to the Board for approval. (SEC 6-2009)

2. Over External Audit and External Auditors

- a. It shall recommend to the BOD the appointment, re-appointment and/or change of external auditor.
- b. It shall review and discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work (SEC 6-2009).
- c. It shall review the management letter submitted by the external auditor, as well as management's response to the external auditor's findings as well as the Bangko Sentral's Report of Examination and recommendations before endorsing the same to BOD for its approval.
- d. It shall evaluate non-audit work, if any is done, by the external auditors and disallow it, if it will conflict with their duties as external auditors. (SEC 6-2009)

3. Over Operational and Financial Compliance.

- a. It shall review and approve the annual plan of the Compliance Office.
- b. It shall review the quarterly, half-year and annual financial statements before submission to the BOD (SEC 6-2009)
- c. It shall require the submission of reports on financial or administrative penalties incurred due to delayed/non-submission/erroneous submission of required regulatory reports.

4. Reporting Hierarchy.

The BAC shall report to the BOD minutes of its meeting.

IV. Authority

1. The BAC shall ensure that the internal and external auditors act independently from each other and that both are given unrestricted access to all properties and personnel to enable them to perform their respective audit functions (SEC 6-2009)
2. The BAC shall review the company's processes that allow the employees to raise concerns, in confidence, about possible issues in financial reporting and/or other matters. (BSP CIR 499)

V. Membership

1. Members of the BAC shall be directors appointed by the company's BOD, with at least two independent directors, one of whom shall serve as BAC chair. (SEC 6-2009) Adviser(s) may also be appointed to the company BAC by the BOD.
2. All BAC members shall be non-executive directors, who shall preferably have accounting and finance backgrounds. (SEC 6-2009)

VI. Meetings

Frequency of Meetings – at least once a month with the presence of at least one independent director.

VII. Other Matters

At least once a year, review its own performance, constitution and terms to ensure that these are operating at maximum effectiveness and to recommend any changes necessary to BOD for approval

Respectfully submitted.

Lenny De Jesus – Chairperson

Jesus G. Tirona - Member

Jesse H.T. Andres-Member