

FPG INSURANCE CO., INC.

Audit and Risk Committee Terms of Reference

1. Objectives

The Audit and Risk Committee (the “Committee”) shall assist the Board of Directors by providing recommendations and oversight, policy-setting, information gathering and communication regarding the relevant risks, risk management system and infrastructure of the Company. It also has the oversight role with respect to financial information and audit functions by providing an independent review of the effectiveness of the financial reporting process and internal control system. The Committee will also perform the oversight of the related party transactions.

2. Membership

It shall be composed of at least three (3) members of the Board, at least one (1) of whom shall be an independent director. Each member shall have at least adequate understanding of the company’s financial management systems and environment.

3. Secretary

The Chairperson shall appoint the Secretary of the Committee.

4. Quorum and Voting

A quorum for a meeting is a majority of the members of the Committee, including one independent director. An affirmative vote of a majority of the members of the Committee participating in any meeting of the Committee is necessary for the adoption of any resolution.

5. Frequency and Place of Meetings

The Committee shall meet quarterly or as otherwise required by the Committee Chairperson. All meetings shall take place physically or by video conference, telephone conference or any other acceptable form of communication.

6. Minutes of Meetings

The Secretary shall minute the actions, recommendations and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all members of the Committee as soon as practicable after each meeting.

7. Duties and Responsibilities:

Audit:

- Recommends the approval the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
- Through the Internal Audit (IA) Department, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;
- Prior to the commencement of the audit, discusses with the External Auditor the nature, Scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- Review the performance of the External Auditor and recommend to the Board the appointment of the External Auditor. Such review would include but not be limited to:
 - a) Review of the qualifications, performance and independence of the External Auditor
 - b) Review of estimated and actual fees; and
 - c) Review of the engagement letter of the External Auditor and the scope and timing of the audit work.
 - d) Reviews the disposition of the recommendations in the External Auditor's management letter
- Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
 - a) Any change/s in accounting policies and practices
 - b) Areas where a significant amount of judgment has been exercised
 - c) Significant adjustments resulting from the audit
 - d) Going concern assumptions
 - e) Compliance with accounting standards
 - f) Compliance with tax, legal and regulatory requirements
- Ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- Coordinates, monitors and facilitates compliance with laws, rules and regulations;

Risk:

- Develops a formal enterprise risk management plan which contains the following elements:
 - a) common language or register of risks,
 - b) well defined risk management goals, objectives and oversight,
 - c) uniform processes of assessing risks and developing strategies to manage prioritized risks,
 - d) designing and implementing risk management strategies, and
 - e) continuing assessments to improve risk strategies, processes and measures;

- Oversees the implementation of the enterprise risk management plan through the Audit and Risk Management Committee. The ARMC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

- Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness.

- Advises the Board on its risk appetite levels and risk tolerance limits; Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;

- Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;

- Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

- Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

Related Party Transaction Oversight:

The Audit and Risk Committee will also function as Related Party Committee with the following duties:

- Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non- related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.
- In evaluating RPTs, the Committee takes into account, among others, the following:
 - a) The related party's relationship to the company and interest in the transaction;
 - b) The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
 - c) The benefits to the corporation of the proposed RPT;
 - d) The availability of other sources of comparable products or services; and
 - e) An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company
- Ensures that the Company have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs;
- Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
- Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

- Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

8. Review

The Committee shall, at least once a year, review its own performance and TOR to ensure that it operates effectively.