

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

BANK OF THE PHILIPPINE ISLANDS

FOR THE YEAR ENDED DECEMBER 31, 2021

The role and responsibilities of the Audit Committee are defined in the Board-approved Audit Committee charter. In accordance with this charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to with respect to:

- *systems of internal controls, risk management, and governance process of the Bank*
- *integrity of the Bank's financial statements and its financial reporting process*
- *performance of the internal audit function and the external auditor*
- *compliance with bank policies, applicable laws, rules and regulatory requirements*

The Committee is composed of three (3) qualified non-executive directors, of which two (2) are independent directors including the Chairman. All members have the necessary background, knowledge, skills, and/or experience to carry out their functions.

The Committee held 12 regular and 5 special meetings in 2021. Highlights of its activities were as follows:

1. Financial Statements:

- a) Reviewed and discussed with Management and the external auditor, Isla Lipana & Co., PwC, the audited consolidated financial statements of Bank of the Philippine Islands (BPI) and the related disclosures for the year ended December 31, 2021, including the assessment of the internal controls relevant to the financial reporting process. The review was performed in the following context:
 - *that Management is responsible for the preparation and fair presentation of the financial statements in accordance with the prescribed financial reporting framework, and*
 - *that Isla Lipana has audited the financial statements in accordance with the Philippine Standards on Auditing and is responsible for expressing an opinion on the fairness of the presentation, including the results of its independent review of the Bank's business models and valuation techniques particularly on the recalibrated PFRS9 model and loss provisioning in relation to the COVID 19 pandemic and the accounting treatment relative to the BPI and BPI Family Bank merger.*

After obtaining assurance on the external auditor's independent review of the financial statements, the Committee endorsed the audited financial statements for approval of the Board.

- b) Discussed with Management and the internal auditors, the quarterly unaudited consolidated financial reports of BPI Group including the results of operations and endorsed the financial statements to the Board of Directors for approval.

2. External Audit:

- a) Reviewed the audit plan and the scope of work of the external auditors, ensuring that areas of focus were appropriately covered and there were no significant gaps in the scope between external and internal audits to ensure effective use of resources.

The Committee also discussed the external auditor's report, focusing on the items with material financial impact and key control issues through its Management Letter of Comments. The Audit Committee also held an annual executive session and special meeting with the external auditor to discuss any concern relative to its engagement and assessment on the key areas of focus and ensuring that risks identified in these areas are appropriately addressed.

- b) Assessed the overall performance of the external auditor, Isla Lipana and its audit process. The Committee ensures that lead audit partner is rotated every five (5) years and that Isla Lipana & Co. had reaffirmed its independence from BPI and its subsidiaries and has complied with the ethical and professional standards.
- c) In consultation with Management, the Audit Committee endorsed for approval by the Board of Directors and the stockholders, the re-engagement of Isla Lipana & Co. for BPI and its subsidiaries/ affiliates for year 2021 and the related audit fees. There were no non-audit services performed for 2021.

3. Internal Audit:

- a) Reviewed and approved the annual work plan of Internal Audit including its charter, risk assessment model and rating framework. The Committee ensures that the internal audit function is independent, has adequate and competent resources, and has appropriate authority to be able to effectively discharge its duties.
- b) Reviewed and discussed the reports from internal audit and other management assurance units ensuring that Management is taking the appropriate corrective actions on the issues on a timely manner and open/outstanding issues are tracked and monitored until full resolution.

(Internal Audit – cont'd)

- c) Discussed periodic updates from Management on the major systems implementation, cyber security threats and/or other relevant information technology issues ensuring that risks had been adequately addressed or mitigated.
- d) Reviewed the minutes of meetings of the different Audit Committees of the BPI subsidiaries and discussed the significant control, risk and compliance issues and ensuring that these are monitored and acted upon.
- e) Evaluated the performance of Chief Audit Executive. The Committee also ensures that Internal Audit activities continuously conform with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics through internal and external quality assessment reviews.

4. Regulatory Compliance:

- a) Reviewed and approved the annual compliance and AML plan of the Group Compliance Office including amendments of its manuals. The Committee also discussed the quarterly compliance update reports and the 2020 BSP Report of Examination, including Management's responses and corrective action plans on the issues and recommendations.
- b) Discussed the results of the post-implementation reviews of related party transactions (RPTs), ensuring that any significant issues had been appropriately addressed.

In compliance with the SEC requirement and the BPI Corporate Governance Manual, the Audit Committee:

- *Attended the required annual SEC accredited workshop on corporate governance, risk management and sustainability and training on the Anti-Money Laundering, Counter-Terrorist Financing and Financial Crime Compliance. The Committee also received updates on the new relevant law and regulations, accounting standards and tax rules.*
- *Reviewed the Audit Committee Charter to ensure that it is updated and aligned with the regulatory requirements.*
- *Performed the annual self-assessment and reviewed its performance against its charter and other regulatory mandates. The result was validated by the Compliance Officer and discussed in the Corporate Governance Committee. The process confirmed a satisfactory performance of the Audit Committee.*

Based on the results of the assurance activities performed by the Bank's Internal Audit, compliance reviews and the external auditor's unqualified opinion on the financial statements, the Committee assessed that the Bank's systems of internal controls, risk management, and governance processes continue to be adequate and generally effective. This overall assessment states, among others, that the audit scope and coverage are sufficient, comprehensive, and risk-based, that Management is aware of its responsibility for internal control, and that there is no interference with the accomplishment of audit activities and reporting of issues and other relevant information to Management, Audit Committee, and the Board of Directors.

Ma Dolores B. Yuvenco
MA. DOLORES B. YUVENCO
Chairman

Octavio V. Espiritu
OCTAVIO V. ESPIRITU
Member

Cesar V. Purisima
CESAR V. PURISIMA
Member