

LIFE & HEALTH HMP, INC.

AUDIT COMMITTEE CHARTER

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I. PURPOSE

This Charter sets forth the authority and responsibilities of the Audit Committee (or the Committee) of the Board of Directors (BOD) of Life & Health HMP, Inc. (the Company).

The Audit Committee assists the BOD in fulfilling its oversight responsibilities with respect to financial reporting process, internal control system throughout the Company, audit process, and monitoring compliance with laws and regulations and code of conduct.

The function of the Audit Committee is oversight. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies as well as internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations.

The external auditors are responsible for proper audit and review of the Company's financial statements.

It is recognized that members of the Committee are not full-time employees of the Company and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing. As such, it is not the responsibility of the Committee or its members to conduct field work or other types of auditing or accounting reviews or procedures and each member will be relying in part on the expertise of Management and the external auditor.

II. AUTHORITY

The Audit Committee is authorized to:

1. Conduct or authorize investigations into any matters within its scope of responsibilities.
2. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
3. 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.
4. Meet with Company officers, external auditors, or outside counsel, as necessary.
5. Seek any information it requires from any employee, officer, or director, or external party to perform its duties.
6. Place reasonable reliance on the integrity of those persons and organizations within and outside the Company from whom and from which it receives information, and on the accuracy of the financial and other information provided to the Committee by such persons or organizations.
7. Appoint, oversee, and terminate the engagement of any registered public accounting firm contracted by the Company as its external auditors.
8. Resolve any disputes between management and the external auditor regarding financial reporting.
9. Pre-approve all audit and non-audit services by the external auditor.
10. Appoint, oversee, and terminate the Chief Audit Executive (CAE).

MEMBERSHIP

Composition

1. The Audit Committee shall be composed of three members of the BOD, all of whom should be independent and non-executive directors including the Chairman. The Chairman of the Audit Committee shall not be the Chairman of the BOD or of any other board-level committee.
2. Each member of the Audit Committee shall serve a term of one year or until his replacement is duly appointed. The members of the Committee may be re-appointed by the BOD.
3. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced below three, the BOD shall, within three months of that event, appoint such number of new members as may be required to make up the minimum of three members.
4. The member appointed to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly appointed and qualified.
5. The composition of the Committee will be reviewed annually by the BOD.
6. Audit Committee members will serve at the pleasure of the BOD and may be removed by the BOD in its discretion.

Appointment

The BOD or its nominating committee will appoint annually the Audit Committee members and chair. The CAE shall be designated as the Secretary of the Audit Committee.

Qualifications

1. The Audit Committee must have accounting, auditing, or related financial management expertise or experience commensurate with size, complexity, of operations and risk profile of the Company.
2. Committee members shall have:
 - Knowledge of the primary activities of the Company.
 - The ability to read and understand fundamental financial statements, including statement of financial position, statement of activities, and statement of cash flows and key performance indicators; and
 - The ability to understand key operational and financial risks and related controls and control processes.
3. The BOD will perform an annual review to confirm the qualifications of the Audit Committee.

Disqualifications

1. The office of a member of the Audit Committee shall be vacated:
 - If he resigns his office as a member.
 - If he is removed by a resolution of the BOD.
 - If he becomes of unsound mind; and
 - If he is subsequently disqualified from becoming a member.
2. A member shall be disqualified from continuing to be such during the remainder of his tenure if, upon determination by the BOD or its nomination committee, a member ceases to meet any of the independence criteria or to possess any of the qualifications for directorship.

Independence

1. The independence of the Audit Committee members shall be based on the guidelines specified in the Company's Corporate Governance Manual and additional requirements that may be imposed upon audit committees by the regulatory authorities.
2. Each member of the Committee must not be:
 - involved in the day-to-day management of the Company for the past year,
 - a full-time employee of the Company for the past three years,
 - a material supplier or customer of the Company such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality, or objectivity of that member is compromised by that relationship, and
 - related to anybody who falls within the above criteria.
3. The Audit Committee members shall not receive, directly or indirectly, through their affiliations or relatives, any consulting, advisory, or other compensatory fee from the Company other than Director's Fees as defined in the Company's Corporate Governance Manual.
4. Independence of the Committee will be reviewed annually by the BOD.

III. RESPONSIBILITIES

The Audit Committee has the following primary duties and responsibilities:

1. Recommends the approval of the IA Charter which formally and the audit plan as well as oversees the implementation of the IA charter.
2. Through the Internal Audit Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets.
3. Prior to the commencement of 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 involving in the activity to secure proper coverage and minimize duplication of efforts.
4. Evaluates and determines the non-audit work, if any, of the external auditor, and periodically reviews the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses.
5. Reviews and approves the interim and annual financial statements before their submission to the BOD, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Areas where a significant amount of judgment has been exercised
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal, and regulatory requirements
6. Reviews the disposition of the recommendations in the external auditor's management letter.

7. Performs oversight functions over the Company's internal and external auditors.
8. Coordinates, monitors, and facilitates compliance with laws, rules, and regulations.
9. Recommends to the BOD the appointment, reappointment, removal, and fees of the external auditor.

Detailed descriptions of responsibilities of Audit Committee are presented on Annex A.

IV. MEETINGS

Quorum

A quorum at any meeting of the Audit Committee shall consist of a majority of its independent and non-executive members who are present throughout the meeting, whether physically or through remote communication.

Frequency of Meetings

1. The Audit Committee shall meet once a month at the **flr.** **room** The Coco Mall Osmena Blvd., Cebu City.
2. The Audit Committee will meet separately at least quarterly with each of management, the CAE, the Company's legal counsel, and the external auditors, providing sufficient time to discuss any matters that the Committee or any of these persons or firms believes should be discussed.
3. The non-executive directors should have separate periodic meetings with the external auditor and CAE, compliance, and risk functions, without any executive directors present.

4. The Audit Committee will meet with the BOD at least once every quarter without the presence of the CEO or other Management team members.

Notice of Meetings and Agenda

1. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chairman of the Committee, or upon the request of majority of the members.
2. Notice of each meeting confirming the venue, time, and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend, no later than one week prior to the meeting.
3. The Chairman will approve the agenda for meetings and any member may suggest items for consideration. Members are authorized to directly request information or seek clarification from Management to facilitate a healthy discussion during the meeting.

Attendance to Meetings

1. All Committee members are expected to attend and actively participate in all meetings in person or via tele- or videoconference, **as authorized by the Company's By-laws.**
2. The Chairman of the Committee shall preside in all meetings. In the absence of the Chairman, the Committee members present shall elect one of their members to act as the Chairman.
3. The Audit Committee may request any officer or employee of the Company or outside counsel to the Company or external auditors or any special counsel or advisor to the Committee to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Resolutions

1. Resolutions at a meeting of the Committee at which there is a quorum shall be passed by a simple majority of the members present at such meeting, **whether physically or through remote communication.**
2. Each member, including the Chairman of the Committee, shall have one vote.
3. **Members of the Committee may exercise his vote through remote communication, as authorized by the Company's By-laws.**

Escalation

The Committee shall timely refer to the BOD its recommendations or decisions which require ratification or approval by the BOD or, if otherwise, as it may deem necessary or proper.

Minutes of Meetings and Records

1. The Secretary shall minute the proceedings and the resolutions of all meetings of the Committee, including the names of those present and in attendance.
2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. If any conflict of interest exists, the member subject to the conflict shall not participate or vote on the issue giving rise to the conflict.
3. Minutes of meetings shall be circulated promptly to all members of the Committee and once agreed, to all members of the BOD, unless a conflict of interest exists, and to the independent auditors and the CAE.
4. Minutes of all meetings shall be formally approved by the Audit Committee at its next scheduled meeting.

5. Minutes of all meetings shall be maintained by the Secretary, along with the following records:
 - Appointments and resignations of the members; and
 - All agenda and other documents sent to the members.
6. Any such meetings and records shall be open for inspection by any member upon reasonable prior notice during usual office hours of the Company.

V. REPORTING RESPONSIBILITIES

The Audit Committee shall regularly report to the BOD about its activities and issues that arise with respect to accounting and financial reporting principles and policies, as well as internal controls and procedures. The Audit Committee, through its Secretary, shall prepare its Annual Committee Report, describing the Committee's composition, number of meetings, meeting attendance, responsibilities, and how they were discharged, and such other accomplishments and activities.

VI. PERFORMANCE EVALUATION AND CONTINUOUS IMPROVEMENT

The Committee shall conduct a self-assessment of its performance at least once a year.

As a body, the Committee shall evaluate its performance by filling up a self-assessment worksheet that shall benchmark its practices against the expectations set out in this Charter.

The Committee members shall obtain and subject itself to an independent assessment by the BOD relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities. The external facilitator can be any independent

third party such as, but not limited to, a consulting firm, academic institution, or professional organization.

Based on the results of the self-assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the Committee members up to date with accounting and financial reporting, and internal controls best practices.

VII. ANNUAL REVIEW OF THE CHARTER

The Audit Committee shall annually review and propose amendments (if any) to the Audit Committee Charter and endorse such for BOD approval.

Annex A – Detailed Descriptions of Responsibilities of the Audit Committee

Financial Reporting

1. Understand and oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
2. Review significant accounting and reporting issues, including complex or unusual transactions, and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
3. Discuss with Management, the CAE, and / or the external auditors, as appropriate, the Company's correspondences with regulators regarding financial statement filings and disclosures.
4. Review the external auditor's examination of Management's assertion regarding the Company's internal controls over financial reporting.
5. Review the external auditors' judgment about the quality of accounting principles as applied in financial reporting.
6. Review with management, the external auditors, and the CAE the Company's annual financial statements and the related opinion thereon, prior to submission to the BOD and filing with the Securities and Exchange Commission.

Internal Control

1. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

2. Review and assess the management's system of internal controls for detecting accounting and financial reporting errors, fraud, legal and tax code violations, and noncompliance with the Company's code of conduct.
3. Review Management's assessment of the adequacy of internal controls, and the resolution of identified material weakness and reportable conditions in internal controls, errors, fraud, sufficiency of risk controls, including the prevention and detection of management override or compromise of internal controls.
4. Obtain assurance from Management on the state of the Company's internal controls including controls over information systems and information technology functions.
5. Obtain and review the reports from internal and external auditor on significant findings and recommendations, together with Management's responses.
6. Oversee the implementation of internal control policies and activities.
7. Ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Company's risk profile and strategic direction.

Internal Audit

1. Approve the Internal Audit (IA) Charter.
2. Annually review and approve changes (if any) to the IA Charter and endorse such for BOD approval.
3. Establish a permanent IA function and consider the appointment of an independent CAE.

The Audit Committee shall:

- Be responsible for the appointment / selection, remuneration, and dismissal of the CAE.

- Establish and identify the reporting line of the CAE to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Committee and administratively to the management of the Company. The Committee shall ensure that, in the performance of the work of the CAE, is independent in form and in substance and given full access to records of the Company in the performance of its internal audits.
- Review and approve the performance and compensation of the CAE and budget of the internal audit function.
 - Report to the BOD the annual performance appraisal of the CAE.
 - Recommend for approval of the BOD the annual remuneration of the CAE and key internal auditors.
4. Ensure that the activities of IA follow The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing (ISPPA).
 5. Ensure that the Internal Audit function establishes a quality assessment process compliant with ISPPA.
 6. Oversee IA and be responsible for:
 - a. Monitoring and reviewing the effectiveness of IA including an assessment of its performance.
 - b. Approving the IA plan, scope, frequency, resources, budget, and all major changes to it. It shall ensure that the scope covers the review of the effectiveness of the Company's corporate governance, risk management, and internal controls including financial, operations, and compliance controls.

- c. Obtaining reports from CAE on the status of accomplishments of IA, including findings noted during the conduct of IA as well as status of compliance of concerned units.
 - d. Receiving key audit reports and monitoring Management's responsiveness in 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.
 - e. Reviewing the IA reports and the corresponding recommendations to address the weaknesses noted, discussing the same with the CAE and reporting significant matters to the BOD.
 - f. Reviewing discoveries of fraud and violations of laws, and regulations as raised by IA.
 - g. Ensuring the IA maintains an open communication with Senior Management, the Audit Committee, and external auditors; and
 - h. Ensuring that the internal auditor is independent both in form and in substance and given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
7. The Audit Committee may outsource internal audit activities in accordance with existing Insurance Commission (IC) regulations. The Audit Committee shall select and oversee the performance of the outsourced internal audit service provider, particularly:
- a. Ensuring the independence of the service provider.
 - b. Reporting to the BOD on the status of accomplishments of the service provider including significant findings noted.

- c. Ensuring that the service provider complies with sound internal auditing standards such as the ISPPA and other supplemental standards issued by regulatory authorities / government agencies as well as with the relevant code of ethics.
 - d. Ensuring that the audit plan is aligned with the overall strategy and budget of the Company and is based on robust risk assessment.
 - e. Ensuring that the service provider has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities outsourced; and
 - f. Ensuring that the service provider is given unrestricted access to records, personnel, and assets of the Company in the performance of their internal audits.
8. Commission an assessment team outside of the organization to conduct an independent quality assurance review of IA at least every five years.

External Audit

1. Be responsible for the appointment, fees, and replacement of the external auditor.
2. Recommend to the BOD the appointment, re-appointment, and fees of the external auditors based on fair and transparent criteria such as:
 - Core values, integrity, culture, and high regard for excellence in audit quality,
 - Technical competence and expertise of auditing staff
 - Independence,

- Effectiveness of the audit process,
- Reliability and relevance of the external auditor's reports, and
- Should be included in the List of Accredited External Auditors by the IC.

The external auditors are to report to the Audit Committee.

3. Be responsible to evaluate and, when appropriate, to recommend removal of the external auditors. If the external auditor resigns or communicates an intention to resign, the Audit Committee should follow up on the reasons/explanations giving rise to such resignation and consider whether it needs to take any action in response to those reasons. The reasons for removal or change should be disclosed to the regulators and the public through the Company website and required disclosures.
4. Ensure that the external auditor act independently and are given unrestricted access to all records, properties, and personnel to enable them to perform their respective audit functions.
5. Discuss with the external auditors the overall scope and plans of their audit, including the adequacy of staffing and continually engage the external auditor on matters concerning audit quality.
6. In assessing the effectiveness of the external auditor's work, the Audit Committee should closely coordinate with the external auditor during all phases of the external audit engagement, as follow:
 - a. It should discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement.
 - b. It should obtain an understanding of the scope and audit approach which shall be adopted by the external auditor for purposes of meeting the Company's financial reporting requirements.
 - c. It should ascertain and take steps to address the major areas of concern identified by the external auditor during its audit.

- These issues may cover significant accounting estimates, valuation methodologies, and accounting policies adopted.
- d. It should review and discuss the results of audit with management and external auditor.
 - e. It should review management representation letters before these are approved and transmitted to the external auditor to ensure that items in the letter are complete and appropriate.
 - f. It should assess the extent of cooperation provided by the Company's management during the conduct of the external audit.
 - g. It should review with the external auditors any audit problems or difficulties and management's response, and consider disagreements between management and the external auditors, if any arise, and oversee any process for resolution; and
 - h. It should understand and duly assess the external auditor's opinion regarding the capability of Company's management and the adequacy of accounting / information systems to comply with financial and prudential reporting responsibilities.
7. Regularly review and monitor the external auditor's technical competence, independence, objectivity, and overall effectiveness of the external audit process.
 8. Receive from the external auditors written disclosures about their independence and discuss with them any factors that might detract from their independence. The lead and concurring partner must rotate after five years and be subject to a five-year "time-out" period after rotation. Audit partners, other than the lead and concurring partner, will be subject to rotation and time-out periods as prescribed by regulation.
 9. Be responsible for the pre-approval of all audits and permitted non-audit services performed by the external auditors. The Audit Committee will not engage the external auditors to perform the specific non-audit services prescribed by law or regulation.

10. Consider whether the auditor's provision of non-audit services is compatible with the auditor's independence. The non-audit work, if allowed, should be disclosed in the Company's Annual Report, if applicable, and Annual Corporate Governance Report.
11. Periodically review the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses.
12. Prohibit Management from hiring as a manager overseeing financial reporting matters of the Company, any person who was employed by the external auditors and was the lead partner, concurring partners, or any other member of the audit engagement team who provided more than ten hours of audit, review, or attest services for the Company within the one-year period preceding the commencement of the audit of the current year's financial statements.
13. Maintain effective communication channels with the external auditor through regular and structured dialogues in the course with the external audit. Such communications should focus on the key accounting or auditing issues that, in the external auditor's judgment, give risk to a greater risk of material misstatement in the financial reports, as well as other external audit concerns of the Audit Committee.
14. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. During regular meetings of the Audit Committee, matters that may be raised include audit findings that would impact on the Company's compliance with regulatory requirements, disclosures, and other accounting concerns.

Compliance

1. Review the effectiveness of the system for monitoring compliance with laws and regulations, and the results of management's investigation and follow-up of any instances of noncompliance.

2. Receive from the Company's legal counsel reports covering litigations, claims, contingencies, and other significant legal issues that impact financial statements.
3. Receive and review the results of all unsatisfactory regulatory examination reports, if there be any, from Management and Management's responses thereto.
4. Review the process for communicating the code of conduct to Company employees, and for monitoring compliance therewith.
5. Obtain regular updates from Management, Company's legal counsel, and Compliance Officer, regarding compliance matters.

Related Party Transactions

1. Review and monitor the identification, nature, extent, and reasonableness of related party transactions (RPTs).
2. Evaluate on an ongoing basis existing relation 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 BOD and regulators.
3. Evaluate 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 Audit Committee considers, 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 Company 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 should have an effective price discovery system in place and exercise due diligence in determining a fair price of RPTs.
4. Ensure 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. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise because of the Company's affiliation or transactions with other related parties.
 5. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic RPTs, including a periodic review of RPT policies and procedures.
 6. Adopt, implement, and continuously monitor policies and procedures that will ensure the integrity and transparency of RPTs between and among the Company and its affiliates, major stockholders, officers, and directors, including their spouses, children, and dependent siblings and parents, and of interlocking director relationships by members of the BOD as well as other unusual or complex transactions.

Whistleblowing and Fraud

1. Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters, appropriate follow-up action, and subsequent resolution.
2. Ensure that there is a process in place to be informed of any reportable irregularities identified and reported by the independent auditor/s.
3. Review the Company's procedures for detecting and preventing fraud and bribery and receiving reports on noncompliance.

Reporting Responsibilities

1. Regularly report to the BOD about the Company's compliance with internal policies and legal or regulatory requirements and evaluations on the assessment of effectiveness of internal control made by Management, internal auditors, external auditors, and other consultants engaged by the Company.
2. Report to the BOD 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.
3. Maintain an open avenue of communication throughout the year with Senior Management, other committee chairs, internal auditors, external auditors, and the BOD, to strengthen the Committee's knowledge of relevant current and prospective organizational issues.

Other Responsibilities

1. Perform any other activities consistent with this Charter that the BOD determines are necessary or appropriate.
2. Institute and oversee special audit investigations as needed.
3. Review and assess the adequacy of the Audit Committee Charter annually, requesting BOD approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation.
4. Confirm annually that all responsibilities outlined in this charter have been carried out.
5. Review, discuss, and evaluate the Committee's and individual members' performance on a regular basis, seeking input from Senior Management, the BOD, and others
