

February 29, 2016

Ms. Mary Jane N. Concepcion

General Manager

Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc.

Lot 25, Block. 12, Sta. Monica Subdivision

Subic, Zambales, Philippines

Dear **Ms. Jane**:

1. This Engagement Letter, together with the attached General Terms and Conditions, (collectively, this "Agreement"), confirms the terms and conditions upon which **SyCip Gorres Velayo & Co. ("SGV")** has been engaged to audit and report on the financial statements of **Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc.** (the "Association") for the year ended December 31, 2015. The services described in this paragraph may hereafter be referred to as either the "Audit Services" or the "Services."
2. Should conditions not now anticipated preclude us from completing our audit and issuing a report (the "Report") as contemplated by this Agreement, we will advise you and those charged with governance promptly and take such action as we deem appropriate.

Audit Responsibilities and Limitations

3. The objective of our audit is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Association in accordance with Philippine Financial Reporting Standards for Small and Medium-Sized Entities ("PFRS for SMEs") or applicable financial reporting framework.

In addition, we shall report on the supplementary information required under Revenue Regulations No. 15-2010 as prepared by management.

4. We will conduct the audit in accordance with Philippine Standards on Auditing ("PSAs"), as promulgated by Auditing and Assurance Standards Council. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether due to fraud or error. There are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of data and the possibility that collusion or forgery may preclude the detection of material error, fraud, or illegal acts. Accordingly, there is some risk that a material misstatement of the financial statements may remain undetected. Also, an audit is not designed to detect fraud or error that is immaterial to the financial statements.

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5. As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the Association's internal control over financial reporting. This consideration will not be sufficient to enable us to express an opinion on the effectiveness of internal control or to identify all significant deficiencies.
6. In accordance with the PSAs we will communicate certain matters related to the conduct and results of the audit to those charged with governance. Such matters include:
 - our responsibility under the PSAs for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance and that such an audit does not relieve management and those charged with governance of their responsibilities;
 - an overview of the planned scope and timing of the audit;
 - significant findings from the audit, which include: (1) our views about the significant qualitative aspects of the Association's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures; (2) significant difficulties, if any, encountered during the audit; (3) uncorrected misstatements, other than those we believe are trivial; (4) disagreements with management, if any, whether or not satisfactorily resolved; and (5) other matters, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process, including significant matters in connection with the Association's related parties; and
 - written representations requested from management and significant matters, if any, arising from the audit that were discussed, or the subject of correspondence, with management.
7. If we determine that there is evidence that fraud or possible non-compliance with laws and regulations may have occurred, we will bring such matters to the attention of the appropriate level of management. If we become aware of fraud involving management or fraud involving employees who have significant roles in internal control or others where the fraud results in a material misstatement of the financial statements, we will report this matter directly to those charged with governance. We will communicate with those charged with governance matters involving non-compliance with laws and regulations that come to our attention unless they are clearly inconsequential.
8. We will communicate in writing significant deficiencies in internal control identified during the audit of the Association's financial statements.
9. We also may communicate our observations as to the potential for economies in, or improved controls over, the Association's operations.

Management's Responsibilities and Representations

10. Our audit will be conducted on the basis that management and where appropriate, those charged with governance, acknowledge and understand that they have responsibility:
- a. For the preparation and fair presentation of the financial statements in accordance with PFRS;
 - b. For such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; and
 - c. To provide us with: 1) access, on a timely basis, to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters; 2) additional information that we may request from management for the purpose of the audit; and 3) unrestricted access to persons within the Association from whom we determine it necessary to obtain audit evidence.

Management's failure to provide us with the information referred to above or access to persons within the Association may cause us to delay our report, modify our procedures, or even terminate our engagement.

11. Management is also responsible for adjusting the financial statements to correct misstatements identified by us and for affirming to us in its representation letter that they believe the effects of unrecorded misstatements are immaterial, individually and in aggregate, to the financial statements as a whole.
12. Management is responsible for apprising us of all allegations involving financial improprieties received by management or those charged with governance (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators or others), and providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading SGV, or other allegations of illegal acts or fraud that could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Association. If the Association limits the information otherwise available to us under this paragraph (based on the Association's claims of attorney/client privilege, work product doctrine, or otherwise), the Association will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the audit and may prevent us from opining on the Association's financial statements; alter the form of report we may issue on such financial statements; or otherwise affect our ability to continue as the Association's independent auditors. We will disclose any such withholding of information to those charged with governance.

13. We will make specific inquiries of management about the representations contained in the financial statements. At the conclusion of the audit, we will also obtain written representations from management about these matters, and that management: (1) has fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with PFRS and that all transactions have been recorded and are reflected in the financial statements; and (2) has provided us with all relevant information and access as contemplated in this Agreement. The responses to those inquiries, the written representations, and the results of our procedures comprise evidence on which we will rely in forming an opinion on the financial statements.

Fees and Billings

14. We estimate that our fees for the 2015 Audit Services is **₱100,000** exclusive of value-added tax and out-of-pocket expenses (10% of fees or actual, whichever is higher). However, our actual fees may exceed this estimate based on changes to the business (e.g., nature of the business or change in business entities) or out-of-scope work. Our schedule of performance and periodic invoices are outlined in the table below and payment is due upon receipt:

	Amount
Upon start of fieldwork	₱50,000
Progress billing	40,000
Upon delivery of final report	10,000
	<u>₱100,000</u>


15. Our estimated pricing and schedule of performance are based upon, among other things, our preliminary review of the Association's records and the representations Association personnel have made to us and are dependent upon the Association's personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of records, degree of cooperation, results of our audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimates are based, we may adjust our fees and planned completion dates. Fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and will be the subject of other written agreements.

To the extent that SGV is engaged to perform Audit Services for a subsequent fiscal year, the terms and conditions set forth in this Agreement shall apply to the performance of such Audit Services, except as specifically modified, amended, or supplemented by the parties to this Agreement. Changes in the scope of the Audit Services and estimated fees for such services in subsequent fiscal years will be communicated in supplemental letters.

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We appreciate the opportunity to be of assistance to the Association. If this Agreement accurately reflects the terms on which the Association has agreed to engage us, please sign below on behalf of the Association and return it to **Ms. Bernalette L. Ramos, Engagement Partner, National Life Insurance Building, 6758, Ayala Avenue, Makati City.**

Yours very truly,


Bernalette L. Ramos
Partner
For and on behalf of SyCip Gorres Velayo & Co.

Agreed and accepted by:
Kazama Grameen (KGI) Mutual Benefit Association (KGI-MBA) Inc.

By: _____
Ms. Mary Jane N. Concepcion
General Manager

Date

Enclosure: General Terms and Conditions

General Terms and Conditions

Our Relationship with You

1. We are a member of the global network of Ernst & Young firms ("EY Firms"), each of which is a separate and distinct legal entity.
2. We may subcontract portions of the Services to other EY Firms, who may deal with you directly. Nevertheless, we alone will be responsible to you for the Report(s), the performance of the Services, and our other obligations under this Agreement.

Your Responsibilities

3. You shall be responsible for your personnel's compliance with your obligations under this Agreement.

Our Reports

4. You may not rely on any draft Report.

Limitations

5. You (and any others for whom Services are provided) may not recover from us, in contract or tort, under statute or otherwise, any amount with respect to loss of profit, data or goodwill, or any other actual, compensatory or liquidated damages in connection with claims arising out of this Agreement or otherwise relating to the Services, whether or not the likelihood of such loss or damage was contemplated.
6. You (and any others for whom Services are provided) may not recover from us, in contract or tort, under statute or otherwise, aggregate damages in excess of the fees actually paid for the Services that directly caused the loss in connection with claims arising out of this Agreement or otherwise relating to the Services.
7. If we are liable to you (or to any others for whom Services are provided) under this Agreement or otherwise relating to the Services, as shall have been finally determined by a court of competent jurisdiction, for loss or damage to which any other persons have also contributed, our liability to you shall be several, and not joint, with such others, and shall be limited to our fair share of that total loss or damage, based on our contribution to the loss and damage relative to the others' contributions. No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty

enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.

8. You shall make any claim relating to the Services or otherwise under this Agreement no later than the applicable period provided under Philippine laws.
9. The limitations in Sections 6 and 8 will not apply to losses or damages caused by bad faith or deliberate misconduct on our part or to the extent prohibited by applicable law or professional regulations.
10. You may not make a claim or bring proceedings relating to the Services or otherwise under this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees ("EY Persons"). You shall make any claim or bring proceedings only against us. The limitations in Sections 5 through 8 and this Section 10 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to enforce them.

Indemnity

11. To the fullest extent permitted by applicable law and professional regulations, you shall indemnify us, the other EY Firms and the EY Persons against all claims by third parties (including your affiliates) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of or relating to the Services or this Agreement. On behalf of yourself and your affiliates, you release us, the other EY Firms and the EY Persons from all claims and causes of action (together, "Claims"), pending or threatened, that you or they may have arising out of the Services or this Agreement to the extent such Claims result from or arise out of any misrepresentation or fraudulent act or omission by you, your employees or agents on your behalf.

Confidentiality

12. We follow professional standards of confidentiality and will treat information related to you disclosed to us by you or on your behalf ("Client Information") as set forth in the IFAC Code of Ethics Section 140 and in the Code of Ethics for Professional Accountants in the Philippines Section 140.

13. Either of us may use electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations.
14. Unless prohibited by applicable law, we may disclose Client Information to other EY Firms, EY Persons and third parties providing services on our behalf who may collect, use, transfer, store or otherwise process it (collectively "**Process**") in the various jurisdictions in which they operate either for purposes related to the provisions of the Services and/or to comply with regulatory requirements, to check conflicts, for quality, risk management, financial accounting purposes and/or the provision of other administrative support services (collectively "**Process Purposes**"). We shall be responsible to you for maintaining the confidentiality of Client Information.
15. You agree that, if a regulatory or governmental authority responsible for auditor oversight asks or orders us to produce information or documents in our files relating to your affairs, including our working papers or other work product, we may provide these materials to it. Except where prohibited by law, we will advise you of the request or order.

Data Protection

16. For the Process Purposes referred to in Section 14 above, we and other EY Firms, EY Persons and third parties providing services on our behalf may Process Client Information that can be linked to specific individuals ("**Personal Data**") in various jurisdictions in which we and other EY Firms, EY Persons and third parties providing services on our behalf operate (EY office locations are listed at www.ey.com). We will Process the Personal Data in accordance with applicable law and professional regulations including (without limitation) the Data Privacy Act of 2012. We will require any service provider that Processes Personal Data on our behalf to adhere to such requirements.
17. You warrant that you have the authority to provide the Personal Data to us in connection with the performance of the Services and that the Personal Data provided to us has been processed in accordance with applicable law.

Solicitation and Hiring of EY personnel

18. Our auditor independence may be impaired if you solicit or hire certain EY personnel. This may either delay the provision of the Services or cause us to resign from the engagement.

You shall not, during the term of this Agreement, for any reason, without our prior written consent, solicit to employ or nominate for a position on your Board of Directors or a financial reporting oversight role, or hire or appoint to your Board of Directors or a financial reporting oversight role, any professional employee of EY or of any other EY Entity who is or has been involved directly or indirectly with the performance of the Services for the current or prior financial year. A person in a financial reporting oversight role exercises, or is in a position to exercise, influence over the financial statements and anyone who prepares the financial statements.

Fees and Expenses Generally

19. You shall pay our professional fees and specific expenses in connection with the Services as detailed in the Engagement Letter. You shall also reimburse us for other reasonable expenses incurred in performing the Services. Our fees are exclusive of value-added taxes which you shall pay.
20. If we are required by applicable law, legal process or government action to produce information or personnel as witnesses with respect to the Services or this Agreement, you shall reimburse us for any professional time and expenses (including reasonable external and internal legal costs) incurred to respond to the request, unless we are a party to the proceeding or the subject of the investigation.

Force Majeure

21. Neither you nor we shall be liable for breach of this Agreement (other than payment obligations) caused by circumstances beyond your or our reasonable control.

Term and Termination

22. This Agreement applies to all Services performed at any time (including before the date of this Agreement).

23. We may terminate this Agreement, or any particular Services, immediately upon written notice to you if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations.
24. You shall pay us for all work-in-progress, Services already performed, and expenses incurred by us up to and including the effective date of the termination of this Agreement. Payment is due within 30 days following receipt of our invoice for these amounts.

Governing Law and Dispute Resolution

25. This Agreement, and any non-contractual obligations arising out of this Agreement or the Services, shall be governed by, and construed in accordance with, the laws of the Republic of the Philippines, without giving effect to the conflict of laws rules.
26. Any dispute relating to this Agreement or the Services shall be subject to the exclusive jurisdiction of the courts of Makati City, Metro Manila, Philippines, to which each of us agrees to submit for these purposes.

Miscellaneous

27. This Agreement constitutes the entire agreement between us as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered.
28. Both of us may execute this Agreement and modifications to it by electronic means and each of us may sign a different copy of the same document. Both of us must agree in writing to modify this Agreement.
29. You represent that the person signing this Agreement on your behalf is expressly authorized to execute it and to bind you and any of your affiliates or others for whom Services are performed to its terms.
30. We retain ownership in the working papers compiled in connection with the Services.
31. Neither of us may assign any of our rights, obligations or claims under this Agreement.
32. If any provision of this Agreement (in whole or part) is held to be illegal, invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.
33. If there is any inconsistency between provisions in different parts of this Agreement, those parts shall have precedence as follows (unless expressly agreed otherwise): (a) the Engagement Letter, (b) these General Terms and Conditions, and (c) other annexes to this Agreement.
34. We may use your name publically to identify you as a client, but we may refer to you in connection with the Services only if it is a matter of public knowledge that we are providing them (or have provided them).