

SFA SEMICON PHILIPPINES CORPORATION

REVISED INTERNAL AUDIT CHARTER



Introduction

The Internal Audit Charter serves as a guide to the Internal Audit Unit of **SFA Semicon Philippines Corporation (SFA Semicon)** (the "Company") in the performance of its duties. It intends to provide a basis for management and the Audit Committee to use in evaluating the operations of the Internal Audit function. The components of this charter include:

- The purpose of the Internal Audit Unit
- The Internal Audit Unit's authority and its position within the Company to ensure its independence
- The responsibilities of the Internal Audit Unit
- The scope of the Internal Audit activities
- The relationship and coordination with the External Auditor
- The Internal Audit Plan
- The Internal Audit Report
- The standards of audit practice followed by the Internal Audit Unit
- Review of the Charter

Purpose of internal audit

Internal audit provides an independent and objective review and advisory service to:

- provide assurance to the Board of Directors that SFA Semicon's financial and operational controls designed to manage the organization's risks and achieve the entity's objectives are operating in an efficient, effective and ethical manner, and
- assist management in improving the entity's business performance.

Independence

Independence is essential to the effectiveness of the internal audit function.

To maintain its independence, the Internal Audit Unit will have no direct operational responsibility or authority over any of the activities under scope. Accordingly, it will not develop nor install systems or procedures, prepare records, or engage in any other activity that would normally be audited.

The Internal Auditor reports functionally to the Audit Committee and administratively to the Business Support Group Head. She/he will meet quarterly with the Audit Committee. The Internal Auditor has direct access to the Chairman of the Audit Committee and other members of the Audit Committee, in any matter that is believed to be of sufficient magnitude and importance to require the attention of the Audit Committee.

Authority and Confidentiality

Subject to strict compliance with SFA Semicon's security and confidentiality policies, the Internal Auditor is authorized to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that is necessary to enable the Internal Audit Unit to meet its internal audit responsibilities, in accordance with applicable laws and regulations.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Internal Auditor is responsible and accountable for maintaining the confidentiality of the information he/she receives during the course of his/her work. This obligation to observe confidentiality subsists even after the Internal Auditor or any member of the Internal Audit Unit ceases to be connected with the Company.

Roles and Responsibility

Subject and without prejudice to the requirements of applicable laws and regulations. The Internal Auditor has a responsibility to:

- Develop an annual Internal Audit Plan, including risks or control concerns identified by management and the Audit Committee, and submit the audit plan to the Audit Committee for review and approval.
- Implement the annual Internal Audit Plan, as approved, including, and as appropriate, any special mandates or projects requested by management and the Audit Committee.
- Issue an audit report to management and any other relevant parties at the conclusion of each audit in order to communicate the audit findings, recommendations and management action plans.
- Follow up on outstanding management action plans to ensure significant risks and major deficiencies identified are effectively addressed and remedied by management within the mutually agreed timeframe.
- Prepare and present quarterly reports to the Audit Committee summarizing the status and the results of audit activities.
- Identify key processes supporting financial reporting, assist business process owners to identify and document effective internal controls and test the adequacy and effectiveness of internal financial and operational controls including IT system controls
- Coordinate with the Risk Management Unit pertaining to their Risk Assessment with the Company and their Risk Management Plan.
- Check compliance with Philippine legislative requirements, laws, rules and regulations and SFA Semicon's policies and procedures.
- Serve as a resource to the Company in identifying the need for and characteristics of adequate systems of control.
- Review and update on a regular basis - at least once every year the internal audit charter and internal audit manual, in order to make sure they reflect the better practices applied in the field of internal audit and conform with the objectives of the Company.

- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Enhance the knowledge and skills and other competencies through continuing professional development. Keep informed about improvements and current developments in internal auditing standards, procedures and techniques by attending conferences, seminars and trainings.
- Assist the Audit Committee in any other way in connection with the discharge of its duties and responsibilities.

Opportunities for improving management control, profitability, and the Company's image may be identified during audit. They will be communicated to the appropriate level of management.

Scope of internal audit activity

Internal audit reviews cover all programmes and activities of the Company together with associated entities as provided for in relevant business agreements, memorandum of understanding or contracts. Internal audit activity encompasses the review of all financial and non-financial policies and operations.

The relationship and coordination with the External Auditor

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimize duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters and share knowledge of any issues.

Internal Audit Plan

The Internal Audit Unit will submit to the Audit Committee and the Board, at least annually, an internal audit plan for review and approval. The audit plan will consist of the proposed work schedule, budget and resource requirements.

The Internal Audit Unit will communicate the impact of any resource limitation and significant interim changes to the Audit Committee.

The internal audit plan and prioritization of engagements will be developed using risk-based methodology and would include inputs from senior management and the Audit Committee. Risk details will be sourced from Risk Management Unit. Inputs from senior management will be gathered during the annual audit to be conducted by the Internal Audit Unit.

Any significant deviation from the approved internal audit plan will be documented and communicated to the Audit Committee and the Board.

The Reporting

The results of audit work shall be communicated through written report which will contain the audit findings and recommendations along with the audited department /team management action plans. The reports will be released to the Audit Committee during their scheduled meetings.

The Standards of audit practice followed by the Internal Audit Unit

The International Standards for the Professional Practice of Internal Auditing (ISPPA) guides the Internal Audit Unit. It is the team's responsibility to abide on the Institute of Internal Auditor's (IIA) Code of Ethics and to adhere to established professional standards.

Compliance with laws and regulations and other Company Manuals

The Internal Audit Unit shall at all times adhere to the requirements of applicable laws and regulations and the applicable provisions of the Company's Manual of Corporate Governance and Audit Committee Charter in the performance of its functions.

For the avoidance of doubt, in the event of any conflict or inconsistency between the provision of this Internal Audit Charter, on the one hand, and the applicable laws and/or regulations and/or the Company's Manual of Corporate Governance and/or Audit Committee Charter, on the other hand (including, without limitation, on the scope of the work of the Internal Audit Unit), the provisions of the latter shall prevail.

Review of the Charter

The Internal Auditor is responsible in assuring that the Internal Audit Charter of the Company is up to date and current. Amendments to this Charter are subject to the review and recommendation of the Audit Committee and the final approval of the Board of Directors.

Nothing in this Internal Audit Charter shall prevent the Audit Committee or the Board of Directors from initiating the amendment of this Internal Audit Charter when such amendment is required by applicable laws or regulations or when such is reasonably necessary in the exigencies of the Company's operations.