

SM INVESTMENTS CORPORATION INTERNAL AUDIT CHARTER

I. PURPOSE AND SCOPE OF WORK

The purpose of Internal Audit (IA) is to provide an independent, objective, reasonable, systematic and disciplined approach to ensure that:

- There is adequate and effective internal control system, including operational, financial reporting, risk management and information technology security controls; ✓
- Significant financial, managerial and operating information are accurate, reliable and timely; ✓
- Employee's actions are in compliance with policies, standards, procedures and applicable laws and regulations; ✓
- Resources are appropriately recorded and adequately safeguarded; ✓
- Quality and continuous improvement are fostered in the control processes of the Company; ✓
- Risks are appropriately identified and managed; ✓
- Interaction with the corporate governance group occurs as needed; and ✓
- Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately. ✓

II. ACCOUNTABILITY

The Internal Auditor shall be accountable to the Board, thru the Audit and Risk Management Committee, and shall;

- a. Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work. ✓
- b. Report significant issues related to the processes for controlling the activities of the organization, including potential improvements to those processes and provide information concerning such issues through resolution. ✓
- c. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources. ✓
- d. Coordinate with the other control and monitoring functions (risk management, compliance, security, legal, external audit). ✓

III. INDEPENDENCE

To maintain its independence, the Internal Auditor will report functionally to the Board, thru the Audit and Risk Management Committee, and administratively to the Vice Chairperson. ✓

IV. RESPONSIBILITY

The Internal Auditor shall:

- a. Develop an annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit such plan as well as periodic update thereof, to the Audit and Risk Management Committee for review and approval.

- b. Implement the approved annual audit plan, including special tasks or projects mandated by the Audit and Risk Management Committee.
- c. Hire and train the best people and provide for skills development and improvement.
- d. Maintain sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter.
- e. Use of up-to-date tools and technology to the hilt.
- f. Keep current on accounting and financial principles and pronouncements and technical issues and trends.
- g. Issue periodic reports to the Audit and Risk Management Committee and Senior Management summarizing results of audit activities.
- h. Keep the Audit and Risk Management Committee informed of emerging trends and successful practices in internal auditing.
- i. Assist in the investigation of significant suspected fraudulent activities within the Company and notify Management and the Audit and Risk Management Committee of the results.
- j. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable over all cost.

V. AUTHORITY


A. The Internal Auditor is authorized to:

- 1. Have unrestricted access to all functions, records, property and personnel.
- 2. Have free access to communicate with the Audit and Risk Management Committee and Senior Management.
- 3. Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.
- 4. Obtain necessary assistance of personnel in units of the Company where they perform audits, as well as other specialized services from with or outside the Company.

B. The Internal Auditor is not authorized to:

- 1. Perform any operational duties for the organization or its subsidiaries.
- 2. Initiate or approve accounting transactions external to IA.
- 3. Direct the activities of employees not employed by IA, except to the extent such employees have been duly assigned to assist the IA.

PREPARED BY:



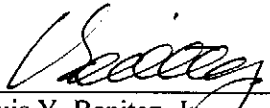
 Sharon Joy L. Chong
 Internal Audit Head

Date: 8/8/12





ENDORSED BY:



Luis Y. Benitez, Jr.
Internal Audit Group Head

APPROVED BY:

AUDIT COMMITTEE:

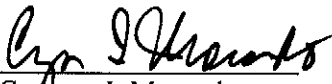
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