



**Transpacific Broadband Group**  
INTERNATIONAL, INC.

CORPORATE OFFICE: 9/F SUMMIT ONE TOWER  
530 SHAW BOULEVARD., MANDALUYONG CITY,  
PHILIPPINES, 1550  
TEL.: (632) 718-3720, 718-3721, FAX (632) 533-4052  
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SATELLITE CENTER: BLDG. 1751 CHICO ST.  
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ANGELES CITY, PAMPANGA, PHILIPPINES  
TEL.: (6345) 599-3042, FAX (6345) 599-3041

November 22, 2012

**MS. JANET A. ENCARNACION**

Head, Disclosure Department

**THE PHILIPPINE STOCK EXCHANGE, INC.**

PSE Center, Exchange Road

Ortigas Complex, Pasig City

Gentlemen:

Please refer to the attached documents in compliance to SEC Memorandum Circular No. 4, Series of 2012, to wit:

1. Internal Audit Charter approved and signed by the Audit Committee and duly approved by the Board of Directors of the Corporation.
2. Self-Assessment on Performance of Audit Committee for year 2012.

Thank you and best regards.

Very truly yours,

**PAUL B. SARIA**

Corporate Information Officer



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## INTERNAL AUDIT CHARTER

Under the **Audit Committee's** charter, approved by the Board of Directors, the Committee is responsible for approving and reviewing an Internal Audit Charter. Accordingly, the Committee has approved the following charter to govern the activities of the internal audit department.

### Mission

The mission of **(the "Company")** Internal Audit (the "internal audit department") is to provide independent, objective assurance and consulting services designed to add value and improve the Company's operations, by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of corporate governance, risk management, and internal control processes of the organization.

1. Significant financial, managerial, and operating information is accurate, reliable, and timely.
2. Resources are acquired economically, used efficiently, and adequately protected.
3. Risks are appropriately identified and managed.
4. Management and employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
5. Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately.

### Organization

The **Internal Auditor** is responsible for leading the internal audit department and reports directly to the Committee. This reporting relationship is intended to promote independence of the internal audit department, and appropriate coordination with the other activities of management and the Company's independent external auditor. The Committee must approve the hiring and firing of the **Internal Auditor**.

The internal audit department will be staffed and structured to meet the internal audit needs of the Company with personnel of an appropriate level assigned to oversee the execution of the audit plan.

### Responsibilities

The internal audit department will comply with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors (the "Standards") and accordingly, shall have responsibility to:

1. Develop a flexible annual audit plan using an appropriate risk-based methodology, including, as appropriate, any risks or control concerns identified by management, and submit that plan to the Committee for review and approval.
2. Implement the annual audit plan as approved, including, as appropriate, any special tasks or projects requested by management and/or the Committee that are consistent with the department's mission and independence.
3. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
4. Establish a quality assurance program by which the Internal Auditor assures the operation of internal auditing activities.

5. Issue periodic reports to the Committee and management summarizing results of internal audit activities.
6. Assist in the investigation of significant violations of the Company's code of conduct, as appropriate, and notify management and the Committee of the results.
7. Support and monitor the Company's ongoing programs to comply with the **Revised Code on Corporate Governance**.
8. Coordinate with other control and monitoring functions (risk management, compliance, security, legal, ethics, and external audit).
9. Review the Company's internal audit charter annually with the Committee.

### **Reporting**

The internal audit department shall provide the Committee with periodic reports on the internal audit department's activities. These reports shall include:

1. The internal audit department monthly activity reports, which highlight the more significant observations raised in individual audit reports related to the Company's control, risk management, and compliance processes.
2. The status of the department's progress towards completing the audit plan.
3. An update on the resources, including staffing, of the department.
4. Significant compliance matters to the Committee.

The internal audit department will also regularly provide copies of the monthly activity reports to management and otherwise ensure that management is informed of the internal audit department's activities.

### **Authority and Access**

The **Internal Auditor** and staff of the internal audit department are authorized to:

1. Have full and complete access to any of the Company's records, physical properties, and personnel relevant to the performance of the department's duties.
2. Have full and free access to members of the Committee.
3. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
4. Obtain the necessary assistance of personnel in units of the Company where they perform audits, as well as other specialized services from within or outside the organization

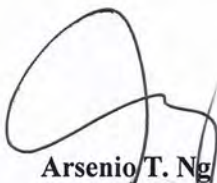
The internal audit department is not authorized to:

1. Initiate or approve accounting transactions external to the internal audit department.
2. Direct the activities of any Company employee not employed by the internal audit department.

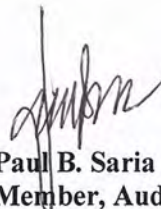
**Approved and signed by:**



**Kenneth C. Co**  
Chairman, Audit Committee



**Arsenio T. Ng**  
Member, Audit Committee



**Paul B. Saria**  
Member, Audit Committee



## SELF-ASSESSMENT ON PERFORMANCE OF AUDIT COMMITTEE (YEAR 2012)

Responsibilities under the Code	Specific Areas/Dimensions (Non-exclusive list)	ASSESSMENT		
		Is this part of the Audit Committee's Charter	Has this been implemented (if yes, cite reference document)	Rating (1-5) 1=very poor, 2=poor, 3=sat, 4=very satisfactory 5 = outstanding
<b>A. Setting of Committee Structure and Operation</b>				<b>4</b>
	1. Committee size		Yes. Section 10 (a) of the By-laws	
	2. Independence requirement		Yes. By-laws and SEC MC No. 16 Series of 2002	
	3. Qualifications, skills and attributes of members and Chair		Yes. Section 10 (b) of the By-laws and Corporate Gov. Manual Article 3 (D)	
	4. Financial knowledge of members		Yes. Section 10 (b) of the By-laws and Corporate Gov. Manual Article 3 (K) (i)	
	5. Succession plan for members and Chair		Yes. Section 10 (a) of the By-laws	
	6. Meetings (frequency etc.)	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual	
	7. Reporting to the Board and issuance of certification on critical compliance issues	Included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K) (i) (a)	
	8. Evaluation	Included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K) (i)	
	9. Resources including access to outside advisors	Included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K) (i)	
	10. Training and education	Included in new Audit charter	Yes. Corporate Governance Manual Article 3 (D)	
<b>B. Oversight on Financial Reporting and Disclosures</b>				<b>5</b>
	1. Extent of understanding of the company's business and industry in which it operates	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K) (i)	
	2. Compliance with financial reporting regulations		Yes. Corporate Governance Manual Article 3 (K) (i) (i)	
	3. Recognition of management's responsibility over the financial statements.		Yes. Corporate Governance Manual Article 3 (K) (i)	
	4. Appropriateness of accounting policies adopted by management		Yes. Corporate Governance Manual Article 3 (K) (i) (i)	
	5. Reasonableness of estimates, assumptions, and judgments used in the preparation of financial statements		Yes. Corporate Governance Manual Article 3 (K) (i)	
	6. Identification of materials errors and fraud, and sufficiency of risk controls		Yes. Corporate Governance Manual Article 3 (K) (i)	
	7. Actions or measures in case of finding of error or fraud in financial reporting		Yes. Corporate Governance Manual Article 3 (K) (i)	
	8. Review of unusual or complex transactions including all related party transactions		Yes. Corporate Governance Manual Article 3 (K) (i)	
	9. Determination of impact of new accounting standards.		Yes. Corporate Governance Manual Article 3 (K) (i) (j)	
	10. Assessment of financial annual and interim reports as to completeness, clarity, consistency and accuracy of disclosure of material information including on subsequent events and related party transactions		Yes. Corporate Governance Manual Article 3 (K) (i) (h)	



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	11. Review and approval of management representation letter before submission to external auditor	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K) (i) (b)	
	12. Communication of the Audit Committee with legal counsel covering litigation, claims contingencies or other significant legal issues that impact financial statements	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
	13. Fair and balance review of financial reports		Yes. Corporate Governance Manual Article 3 (K)	
	14. Assessment of correspondences between company and regulations regarding financial statement filings and disclosure.	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
<b>C. Oversight On Risk Management And Internal Controls</b>				<b>5</b>
	1. Obtaining management's assurance on the state of internal controls	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
	2. Review of internal auditor's evaluation on internal controls		Yes. Corporate Governance Manual Article 3 (K) (h)	
	3. Evaluation of internal control issues raised by external auditors		Yes. Corporate Governance Manual Article 3 (K) (c)	
	4. Assessment of control environment including IT systems and functions		Yes. Corporate Governance Manual Article 3 (K) (g)	
	5. Setting a framework for fraud prevention and detection including whistle blower program	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
	6. Deliberation on findings of weakness in controls and reporting process		Yes. Corporate Governance Manual Article 3 (K) (c)	
	7. Understanding and assessment of identified risk		Yes. Corporate Governance Manual Article 3 (K) (c)	
	8. Evaluation of sufficiency and effectiveness of risk management process and policies		Yes. Corporate Governance Manual Article 3 (K) (c)	
	9. Preparation and implementation of a Business Continuity Plan	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
	10. Promotion of risk awareness in the organization		Yes. Corporate Governance Manual Article 3 (K) (c)	
<b>D. Oversight on Management and Internal Audit</b>				<b>4</b>
	1. Evaluation of compliance with the Code of Conduct for management	Included in new Audit charter	Yes. By-laws Article 3 Section 1	
	2. Communication with management and internal auditor	Included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
	3. Assessment of adequacy of resources and independence of internal Auditor	Included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
	4. Qualifications of an internal Auditor	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 1 (k)	
	5. In-house or outsource internal audit function	Additional guidelines incl in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
	6. Compliance with International Standards on the professional practice of internal auditing	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
	7. Review and approval of internal audit annual plan		Yes. Corporate Governance Manual Article 3 (K) (c)	
	8. Extent and scope of internal audit work		Yes. Corporate Governance Manual Article 3 (K)	
	9. Reporting process	Additional guidelines incl in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	



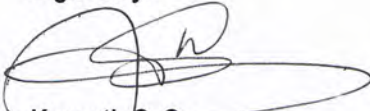
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E. Oversight on External Audit				4
1.	Assessment of independence and professional qualifications and competence of external auditor		Yes. Corporate Governance Manual Article 1 (k) & Article 3 (K) (i)	It is the AuditComs viewpoint that the External Auditor should have the independence in performing its audit task.
2.	Engagement and rotation process of external auditor or firm		Yes. By-laws Section 10, SRC Rule 68. And 68.1	
3.	Review and approval of scope of work and fees of external auditor		Yes. Corporate Governance Manual Article 3 (K) (k)	
4.	Assessment of non-audit services		Yes. Corporate Governance Manual Article 3 (K) (k)	
5.	Understanding disagreements between the auditor and management	Additional guidelines included in new Audit charter	Yes. Corporate Governance Manual Article 3 (K)	
6.	Actions on the findings of external auditor		Yes. Corporate Governance Manual Article 3 (K)	
7.	Management's competence regarding financial reporting responsibilities including aggressive and reasonableness of decisions		Yes. Corporate Governance Manual Article 3 (K) (b)	
8.	Evaluation of performance of external audit-reappointment and resignation		Yes. Corporate Governance Manual Article 3 (K), SRC Rule 68. And 68.1	
9.	Compliance of external auditor with auditing standards.		Yes. Corporate Governance Manual Article 3 (K), SRC Rule 68. And 68.1	
10.	Completeness and timeliness of communication with external auditor as to critical policies, alternative treatments, observations on internal controls, audit adjustments, independence, limitations on the audit work set by the management, and other material issues that affect the audit and financial reporting.		Yes. Corporate Governance Manual Article 3 (K) (c) to (k)	

Signed by:

  
**Kenneth C. Co**  
Chairman, Audit Committee

  
**Paul B. Saria**  
Corporate Compliance Officer