



AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE CHARTER

I. ORGANIZATION

There shall be a committee of the Board of Directors to be known as the Audit Committee and this charter sets out the role, composition, authority, responsibilities and operations of this Committee. The Audit Committee shall review and reassess the charter at least annually and obtain the approval of the Board of Directors.

Composition:

The Company's Board of Directors reviews the composition of the committee from time to time and appoints the members of the Audit Committee and the Chairperson of this Committee annually. This committee shall consist of at least three (3) non-executive directors.

Qualification:

All the members of the Audit Committee must have relevant background, knowledge and skills, and/or experience in the areas of accounting, auditing and finance where the Chairman should be an independent director. The Chairman of the Audit Committee should not be the chairman of the Board of any other committees.

As prescribed in the Company's Corporate Governance Manual, if the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock, then he shall be disqualified as an independent director. The disqualification shall be lifted if the limit is later complied with. Also, the ICTSI's independent directors abide by the other independence requirements prescribed by the Securities and Exchange Commission.

Disqualification:

The grounds for the permanent or temporary disqualification of a director, including any member of the Audit Committee, are prescribed in the Corporate Governance Manual.

The Chairman of the Audit Committee shall be disqualified from chairmanship when he ceases to be an independent director as prescribed in ICTSI's Corporate Governance Manual.

Succession Planning:

The Audit Committee will develop a succession plan for the Audit Committee that will encompass the following responsibilities:

- Identify and recommend to the Board of Directors a permanent Audit Committee Chairperson and Audit Committee Member replacement, whether in emergency situations or for planned transition as appropriate.
- Present the results of the succession planning work to the Board of Directors annually for review and discussion.

II. STATEMENT OF POLICY

It shall be the policy of ICTSI to constitute and maintain an Audit Committee which shall assist the Board of Directors in fulfilling its oversight responsibilities to the shareholders relating to the Company's financial statements and financial reporting process, internal control systems, the internal and external audit process, and the Company's process for monitoring compliance with contracts, laws and regulations and the code of conduct.

AUDIT COMMITTEE CHARTER

III. AUTHORITY

The Audit Committee has authority to conduct or authorize inquiries into any matters within its scope of responsibility with full access to all books, records, facilities, and personnel of the Company. It is empowered to:

- Appoint and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Retain independent counsel, accountants, or others to advise the committee or to assist in the conduct of an investigation.
- Meet with the organization's officers, internal auditors, external auditors, or outside counsel as necessary.

IV. COMMITTEE PROCEDURES

Meetings and Quorum:

The Audit Committee will meet at least four (4) times a year, with authority to convene additional meetings as circumstances require. All Audit Committee members are expected to attend each meeting in person or via teleconference or videoconference. The presence of the Chairman (who is an independent director) and another member of the committee shall constitute a quorum. The Audit Committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions.

Notice:

A notice of each meeting of the Committee, confirming the venue, time and date, will be prepared and sent to all members of the Audit Committee, as well as members of management, auditors, or others invited by the committee, at least two (2) weeks prior to the scheduled meeting.

Meeting agenda will be prepared and provided in advance to members, along with appropriate briefing materials.

Escalation:

The Audit Committee may escalate any matter that in the opinion of the Committee should be brought to the attention of the Board and, any recommendations, requiring Board approval and / or action.

Functional Support:

The Audit and Compliance Group (ACG) shall support the Audit Committee in the rendition of its functions. The Head of Audit and Compliance Group shall attend all the Committee meetings.

Minutes and Records:

Minutes of meetings will be prepared, reviewed and approved by the members of the Audit Committee. Records of attendance will be included in the minutes.

Corporate Controllershship shall keep all minutes of the meetings and make these available for inspection by any member of the Audit Committee or the Board of Directors, as and when requested.

AUDIT COMMITTEE CHARTER

V. RESPONSIBILITIES

The Audit Committee will carry out the following responsibilities:

A. Financial Reporting and Disclosures

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas.
2. Review recent professional and regulatory pronouncements and understand their impact on the financial statements.
3. Review the annual consolidated financial statements whether consistent with information known to committee members and reflect appropriate accounting principles.
4. Review with management and the external auditors the results of the audit, including any difficulties encountered.
5. Review regulatory filings before release as to consistency with reported financial statements and compliance with financial reporting regulations.
6. Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted auditing standards.
7. Review and approve the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgment areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with International Financial Reporting Standards
 - Compliance with tax, legal and regulatory requirements.

B. Internal Control

1. Assess the design and operating effectiveness of internal controls, including financial reporting control and information technology security and control, to address the risks identified, by ascertaining that the following objectives are met:
 - Assets are safeguarded
 - Fraud or errors in the accounting records are prevented or detected
 - Accuracy and completeness of accounting records are ensured
 - Reliable financial information is prepared in a timely manner
 - Efficiency and effectiveness of operations
 - Applicable internal policies, laws and regulations relating to the financial accounting and operating processes are complied with.
2. Through the ACG, monitors and evaluates the adequacy and effectiveness of the corporation's internal control system, risk management process, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the Company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Company's financial data, and (d) ensure compliance with applicable laws and regulations.

AUDIT COMMITTEE CHARTER

3. Assess the control environment and system of internal controls by seeking assurance from management, internal auditors and external auditors.
4. Obtain written undertaking from Chief Executive Officer (CEO) and Chief Financial Officer (CFO) confirming their awareness and respective responsibilities for internal controls.

C. Internal Audit

1. Ensure that internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
2. Concur with the appointment of the Head of Audit and Compliance Group and the terms and conditions of its engagement and removal.
3. Recommends the approval of the Internal Audit Charter (IA Charter), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter.
4. Review with management and the Head of Audit and Compliance Group the activities, staffing, and organizational structure of the ACG.
5. Have final authority to review and approve the annual audit plan and all major changes to the plan to ensure its conformity with the objectives of ICTSI. The plan shall include the audit scope, resources and budget necessary to implement it.
6. Establish and identify the reporting line of the Head of Audit and Compliance Group to enable him/her to properly fulfill his/her duties and responsibilities independently. The Head of Audit and Compliance Group shall functionally report to the Audit Committee.
7. Ensure there are no unjustified restrictions or limitations in the scope of internal audit reviews and that, in the performance of the work of the ACG, they shall be free from interference by outside parties.
8. At least once per year, review the performance of the Head of Audit and Compliance Group and concur with the annual compensation and salary adjustment.
9. Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
10. Review and monitor management's responsiveness to the Internal Auditor's findings and recommendations.
11. On a regular basis, meet separately with the Head of Audit and Compliance Group without the presence of management, to discuss any matters that the Committee or Head of Audit and Compliance Group believes should be discussed privately.
12. Review the reports submitted by the ACG.

D. External Audit

1. Prior to the commencement of the audit, discuss with the external auditors the nature, scope, fees and expenses of the audit, including coordination of audit efforts with internal auditing to secure proper coverage and minimize duplication of efforts.
2. Review and monitor the integrity, independence, objectivity, performance, rotation process of the external auditors and exercise final approval on their appointment or discharge on an

AUDIT COMMITTEE CHARTER

annual basis.

3. Review the reports submitted by external auditors.
4. Review the disposition of the recommendations in the external auditor's management letter.
5. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to ICTSI's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report as may be required by law.
6. On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

E. 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 (including disciplinary action) of any instances of noncompliance.
2. Review the findings of any examinations by regulatory agencies and any auditor observations.
3. Review the process for communicating the code of conduct to the organization's personnel and for monitoring compliance therewith.
4. Obtain regular updates from management and the organization's legal counsel regarding compliance matters.

F. Reporting

1. Regularly report to the Board of Directors about Committee activities, compliance certifications, results of annual self-assessment, issues, and related recommendations.
2. Provide an open avenue of communication among the internal auditors, external auditors, and Board of Directors.
3. Report annually to the shareholders, describing the Audit Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

G. Other Responsibilities

1. Review and assess annually that all responsibilities outlined in this charter have been effectively carried out. It shall use a quantitative rating of 1 to 10 and qualitative description of each rating such as poor, satisfactory, very satisfactory and outstanding is defined in Appendix 1.
2. Perform other activities related to this charter as requested by the Board of Directors.
3. Institute and oversee special investigations as needed.

VI. TRAINING AND EDUCATION

The Audit Committee members shall develop and maintain the necessary technical knowledge to discharge their responsibilities effectively. In coordination with the Corporate Governance

AUDIT COMMITTEE CHARTER

Committee, the Audit Committee will be kept abreast with the current regulatory standards and development, significant changes in the Company's business activities, and other relevant information through the following:

- Customized in-house sessions
- Director conferences
- External auditor's programs
- Attendance to meetings of other board committees

VII. REMUNERATIONS OF COMMITTEE MEMBERS AND ADVISERS

Committee members are entitled to receive remuneration as determined from time to time by the Board.

As the Audit Committee has the authority to retain independent counsel, accountants, or others to advise the Committee or to assist in the conduct of an investigation, the remunerations of such advisers shall be recommended by the Audit Committee for approval by the Board.

VIII. AMENDMENT

The Audit Committee shall review and assess the adequacy of this charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

AUDIT COMMITTEE CHARTER

Appendix 1 Self-Assessment Over-all Rating Criteria

Rating	Scale	Description
Poor	1	No evidence that Audit Committee has met any of its responsibilities.
	2	Has <u>partially met some</u> of its responsibilities; considerable improvement required.
Satisfactory	3	Has <u>fully undertaken some</u> of its responsibilities in at least <u>3 of 8</u> categories of responsibilities; major improvements required
	4	Has <u>fully undertaken some</u> of its responsibilities in at least <u>5 of 8</u> categories of responsibilities; major improvements required.
	5	Has <u>fully undertaken some</u> of its responsibilities in <u>all 8</u> categories of responsibilities; major improvements required.
Very Satisfactory	6	Has <u>fully undertaken most</u> of its responsibilities in at least <u>3 of 8</u> categories of responsibilities; minor improvement required.
	7	Has <u>fully undertaken most</u> of its responsibilities in at least <u>5 of 8</u> categories of responsibilities; minor improvement required.
	8	Has <u>fully undertaken most</u> of its responsibilities in <u>all 8</u> categories of responsibilities; minor improvement required.
Outstanding	9	Has <u>fully undertaken all</u> of its responsibilities but <u>minor improvement required in documentation.</u>
	10	Has fully undertaken all of its responsibilities; expected that independent assessment will find ICTSI Audit Committee is a leader in this field.