

SECRETARY'S CERTIFICATE

I, **JESSIE R. REOTUTAR**, acting in my capacity as Corporate Board Secretary of the Small Business Corporation, a government-owned and controlled corporation created by virtue of R.A. 6977, as amended by R.A. 8289 and further amended by R.A. 9501, after being duly sworn to in accordance with law, hereby certify that in the 194th Meeting of the Board of Directors of the Corporation held on 30 July 2009 at the SBC Board Room 18/F 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City and at which a quorum was present, the following Resolution was duly passed and approved:

BOARD RESOLUTION NO. 1627, SERIES OF 2009

CONFIRMATION OF AUDIT AND COMPLIANCE COMMITTEE CHARTER

"RESOLVED: That as favorably recommended by the Audit and Compliance Committee, the Charter of the Committee, a copy of which is attached as Annex "A" and made an integral part hereof be, as it is hereby confirmed."

CONFIRMED/APPROVED.

Makati City, 17 September 2010.



JESSIE R. REOTUTAR
Corporate Board Secretary

OATH

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

SUBSCRIBED AND SWORN to before me this SEP 17 2010 at Makati City, affiant exhibited to me his Com. Tax Cert. No. 01492534 issued on 06 January 2010 at Manila.

Doc. No. 306;
Page No. 63;
Book No. 3;
Series of 2010.


LILIBETH ENCARNACION CORTEZ
16/F 139 CORPORATE CENTER 139 VALERO ST.
SALCEDO VILLAGE MAKATI CITY
NOTING COMMISSIONED UNTIL 12.31.10
PUBLIC REGISTERED BY MAKATI CITY
IE PIN: 31520742010/FANGASINAN
ROLL OF ATTORNEYS NO. 44164
MCLE COMPLIANCE NO. III-0000458

*rec'd by
Mallaga
9/17/2010*

SMALL BUSINESS CORPORATION AUDIT AND COMPLIANCE COMMITTEE CHARTER

MISSION

The Audit and Compliance Committee (ACC) of the Small Business Corporation (SBC) is a standing committee of the Board of Director ("Board") The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the Code of Conduct

Management shall be responsible in determining that SBC's financial statements and disclosure are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations

AUTHORITY

The Committee shall have the explicit authority to conduct or authorize investigations into any matters within its scope of responsibility and full access to and cooperation by Management Adequate resources shall be provided to enable it to effectively discharge its functions It is empowered to

- Resolve any disagreements between management and the internal auditor regarding financial reporting
- Pre-approve all audit work plan
- Retain independent counsel, accountants or others to advise the committee or assist in the conduct of an investigation
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties
- Meet with company officers external auditors or outside counsel, as necessary

COMPOSITION

The Committee shall be composed of at least three (3) Board members, two (2) of whom shall be independent directors, preferably with accounting, auditing or related financial management expertise or experience The members of the ACC shall be appointed by the Board

MEETINGS

The Committee shall meet at least four times a year, with authority to convene additional meetings, as circumstances require All committee members are expected to attend each meeting, in person or via tele- or video-conference The Committee shall invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary It shall hold private meetings with auditors / compliance officer and executive sessions as necessary Meeting agendas shall be prepared and provided in advance to members, along with appropriate briefing materials Minutes shall be prepared

RESPONSIBILITIES

The Committee shall carry out the following responsibilities

Financial Statements

- Review the quarterly, half-year and annual financial statements focusing particularly on any change/s in accounting policies and practices, major judgment areas, significant adjustments resulting from the audit, going concern assumption, compliance with Philippine Financial Reporting Standards, and compliance with tax, legal and Commission on Audit / Bangko Sentral ng Pilipinas requirements
- Receive and review reports of internal auditor and regulatory agencies and ensure that Management is taking appropriate corrective actions in timely manner in addressing control and compliance functions with regulatory agencies
- Review interim financial reports with management before filing with regulators and consider whether they are complete and consistent with the information known to committee members
- Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement

Internal Control

- Consider the effectiveness of the company's internal control system including information technology security and control and coordinate with the Commission on Audit
- Understand the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses

Internal Audit

- Review with management and the chief audit officer the charter, plans, activities, staffing and organizational structure of the internal audit function
- Establish and identify the reporting line of the chief audit officer so that reporting level allows the internal audit activity to fulfill its responsibilities. The chief audit officer shall report directly to the Audit and Compliance Committee functionally. The Committee shall ensure that the internal auditors shall have free and full access to all the Company's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal audit examinations, performing work, and communicating results, and shall provide a venue for the Committee to review and approve the annual internal audit plan

- 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
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit officer.
- On a regular basis, meet separately with the chief audit officer to discuss any matters that the committee or internal audit believes should be discussed separately.

Corporate Compliance

- Oversee the corporate compliance program, including policies and practices designed to ensure the organization's compliance with all applicable legal, regulatory, and ethical requirements. These include compliance with RA 9501 (Magna Carta for mSMEs), COA and BSP rules and regulations, and applicable Philippine Financial Reporting Standards (PFRS).
- Recommend approval of the annual corporate compliance plan and review processes and procedures for reporting concerns by officers, employees and others.
- Recommend organizational integrity guidelines and a Code of Conduct. Review and reassess the guidelines and Code of Conduct at least annually.
- Review resources for corporate compliance with the compliance officer and CEO to ensure that sufficient resources are provided.
- Review and evaluate findings and recommendations from completed compliance activities and audits, including management responses and action plans.
- Report to the Board of Directors at least annually on the corporate compliance program.

Existing provisions:

- 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 non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the Board about committee activities issues and related recommendations
- Provide an open avenue for communication between internal audit, the external auditors, and the Board of Directors
- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services
- Review any other reports the company issues that relate to committee responsibilities

Other Responsibilities

- Perform other activities related to this charter as requested by the Board
- Institute and oversee special investigations as needed
- Review and assess the adequacy of the committee charter annually requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation