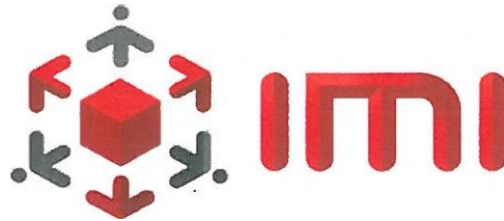

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INTEGRATED MICRO-ELECTRONICS, INC.


INTERNAL AUDIT CHARTER

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A. Introduction

The Internal Audit Charter establishes the organizational status of the Internal Audit function in IMI, including its purpose, authority, responsibility and reporting relationships and is aligned with the Institute of Internal Auditors' Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework.

The Internal Audit Charter shall be approved by the Senior Management and Audit and Risk Committee of the Board of Directors. It shall be reviewed annually and subjected to the same approval process for any revisions or changes thereto.

B. Policy Statement

It is the policy of IMI to establish and support an Internal Audit function as a fundamental part of its Corporate Governance practices. The Internal Audit Division reports functionally to the Audit and Risk Committee of the Board of Directors and administratively to the Chief Financial Officer. The Audit and Risk Committee will approve decisions regarding the appointment, replacement, re-assignment, or dismissal of the internal audit head.

In carrying out their duties and responsibilities, members of the Internal Audit function will have full, free and unrestricted access to all organizational activities, records, property and personnel.


The Internal Audit Head will confirm to the Audit and Risk Committee of the Board, at least annually, the organizational independence of the internal audit activity.

C. Purpose

Vision: To be a world-class group of multi-skilled internal audit professionals recognized as valuable business partners to our stakeholders.

Mission: Internal audit aims to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insights.

Internal Audit performs assurance and consulting services within IMI, designed to add value and improve the Company's operations. Internal Audit aims to assist all members of the organization accomplish their objectives by bringing a systematic approach to evaluating and improving the effectiveness of the Company's risk management, control, and governance process.

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Assurance Services

The Internal Audit activity provides an independent risk-based assessment on governance, risk management and control processes for the Company. Examples include evaluation on the following:

- Overall effectiveness of the control environment and the risk management process
- Compliance with contracts, laws, rules and regulations
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Reasonableness of financial information, in conjunction with the external auditors' activities

Consulting Services


The Internal Audit activity at IMI shall provide advisory and related client service activities, the nature and scope of which are agreed upon with the client and are intended to add value and improve the Company's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

D. Authority

Internal Audit has the right of access to all the Company's records, personnel, properties, and operations in order to discharge its responsibilities. It has neither direct responsibility for, nor authority over any part of the activities it reviews or the persons responsible for those activities.

The Internal Audit Department is, however, not authorized to or responsible for:

- Performing any operational duties or be involved in the day-to-day internal checking systems of the operational business units.
- Initiating or approving accounting transactions external to the Internal Audit function.

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- Directing the activities of any business unit employees not assigned to the Internal Audit Department
- Drafting and/or implementing business system procedures or other internal control systems. The Internal Audit Department may, however, be consulted on the adequacy of the related controls.

E. Responsibilities


The Internal Audit, in support to Audit and Risk Committees' carry out of its oversight function shall be responsible for the following:

Financial Reporting

- Review the effectiveness by which risks that may threaten the achievement of organizational and financial reporting objectives are identified and managed.
- Review the reliability and integrity of the financial reporting process and operating information and the business processes used to identify, measure, classify and report such information.


Risk Management

- Assist the Audit and Risk Committee in reviewing the adequacy of IMI's risk management process.
- Participate in risk assessment workshops and other activities.
- Contribute and/or provide quality assurance in the creation and updating of IMI's risk portfolio and common risk language.
- Provide quality assurance on risk mitigation strategies designed by the risk owners.
- Assist the Audit and Risk Committee in monitoring the risk management activities of the Company and evaluating the effectiveness of the risk mitigation and action plans.
- As part of planned audit reviews, provide assurance on the integrity of critical risk information and measures.

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Governance/Compliance

- Provide assistance to the Audit and Risk Committee in the discharge of the Committee's oversight function with regards to corporate governance. Such activities include establishing the communication process to discuss with the Audit and Risk Committee issues and controls affecting the financial reporting and risk management processes, compliance with laws and regulations and internal controls.
- Update the Audit and Risk Committee and Senior Management on developments and emerging trends and issues in corporate governance (local and international), especially in areas directly affecting their roles and responsibilities.
- Provide reasonable assurance that the Company's key organizational and procedural controls are complied with and that the Internal Audit cover the evaluation of the adequacy and effectiveness of controls, including fraud prevention and detection.
- Submit an Internal Audit Plan for review by the Audit and Risk Committee. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next calendar year.
- Seek the approval from the Audit and Risk Committee relative to any deviations from the approved Annual Internal Audit Plan.
- Submit periodic reports to the Audit and Risk Committee on the status of the Internal Audit activity, accomplishments, key findings and recommendations.
- Render an Internal Audit Annual Report to the Audit and Risk Committee on the Department's activity, purpose, authority, responsibility and performance; such annual report should contain the results of the review of the risk management process and significant exposures, as well as a report on governance issues.
- Render a report to the Audit and Risk Committee that IMI's Internal Audit activity for the given year has been performed in accordance with the provisions of the International Standards on the Professional Practice of Internal Auditing (ISPPIA), the Standards. Otherwise, the Internal Audit Head shall disclose to the Board and the Management that it has not yet achieved full compliance with the Standards.

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Internal Control

- Review the adequacy of the system of internal controls, planned and in use, to safeguard the Company's assets and operations.
- Review the effectiveness of management controls meant to ensure the economic and efficient utilization of resources and achieve the Company's corporate vision and objectives.
- Review the adequacy, existence and degree of adherence to Company policies, procedures and sound business practices.
- Appraise the adequacy of action taken by management in response to reported risk issues, including fraud risks, control weaknesses and opportunities for improvement.


Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

Other Activities and Administrative Support

The Internal Audit Department will conduct such other activities as may be requested by the Audit and Risk Committee, the President and other members of senior management, with certain requests of the latter subject to further clearance from the Audit and Risk Committee depending on the materiality of such requests.

The Internal Audit Department shall provide administrative assistance to the Audit and Risk Committee in the discharge of its functions, specifically:

- 1 Internal Audit shall provide all the secretariat support to the Committee.
- 2 The Internal Audit Head shall attend all the Committee meetings.
- 3 Internal Audit shall review all papers for submission to the Committee, including any proposals from management before these are submitted to the Committee for approval. If there are unresolved differences in opinion on any proposal between the proponent and Internal Audit, these shall be highlighted to the Committee for consideration and decision.

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In relation to the aforementioned responsibilities, the Internal Audit Department will govern themselves in adherence to the Institute of Internal Auditors' Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and will undertake its work in accordance with the Standards and the Definition of Internal Auditing and guided by the COSO framework of Internal Control. It shall provide professional development opportunities to keep staff members abreast on emerging and significant developments in the Standards, global and industry best practices.

F. Reporting and Working Relationships

Reporting Lines

The Internal Audit Head reports directly to the following:


- Functionally to the Board of Directors, through the Audit and Risk Committee, and
- Administratively, to the Chief Financial Officer of IMI.

The Internal Audit Head communicates and interacts directly with the Board, through the Audit and Risk Committee, including in executive session at least once a year.

Working Relationships

Audit and Risk Committee

Internal Audit supports the Audit and Risk Committee in the effective discharge of the Committee's oversight role and responsibilities. A functioning relationship between the Department and the Audit and Risk Committee is very vital. It is part of the Audit and Risk Committee's responsibility to work closely with the Internal Audit Head to maintain an effective Internal Audit function within IMI. In turn, part of the Internal Audit Department's responsibilities is to work with the Audit and Risk Committee to co-develop expectations and reporting requirements and provide day-to-day assistance. A reporting protocol and process is defined and observed to ensure that the right information is provided at the appropriate time and effective interaction is achieved.

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Management

The Internal Audit Department should seek to achieve an effective and objective working relationship with IMI's management at all times. The Department should always discharge its duties and responsibilities to provide value-adding activities to management, while at the same time exercising independence and objectivity. Reporting process and protocols that ensure independence and objectivity should be observed at all times. The Internal Audit Department shall report the results of audit reviews and other activities in a manner that helps management address the identified risk issues/concerns and take appropriate action within a reasonable period of time.

Process and Activity Owners


The process and activity owners provide the information on which the Internal Audit Department makes its evaluation, assessment and recommendations. Co-developing the expectations, discussing the audit objectives and methodology and observing reporting protocols should always form part of the Department's service delivery process to ensure an effective and objective working relationship with process and activity owners. Collectively, the work performed by the Department together with the process and activity owners, should provide value to management in terms of process controls assurance and improvement.

Other Service Providers

The Internal Audit Head should share information, coordinate activities, and consider relying upon the work of other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.


Other Stakeholders

The Internal Audit Department may, at certain times, need to work with other parties within or outside the IMI organization. The working relationship with outside consultants and other parties should be discussed with the President and Chief Executive Officer and with the Audit and Risk Committee Chairman.

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Noted by:


LORLYN M. ARCEO
 Chief Audit Executive



LAURICE S. DELA CRUZ
 Chief Finance Officer

Approved this 16th of November 2022.



EDGAR O. CHUA
 Chairman


RAFAEL C. ROMUALDEZ
 Member


HIROSHI NISHIMURA
 Member

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Version No.	Revision No.	Remarks	Approval by ARC	Approval by BoD
1	-	Initial issue	12 Sep 2007	
1	1	Updated to align with the Institute of Internal Auditors' (IIA) Revised International Standards for the Professional Practice of Internal Auditing	05 Feb 2014	
1	2	Updated to include the ff: <ul style="list-style-type: none"> Alignment with the mandatory elements of the International Professional Practices Framework (IPPF). Mission aligned with the Institute of Internal Auditors, Vision, and comprehensive purpose. Detailed Authority Reporting and Working Relationships: Management and Other Service Providers Detailed Responsibilities on Financial Reporting 	06 Nov 2017	
1	2	Annual review of the charter – No changes	30 Oct 2018	
1	2	Annual review of the charter – No changes	30 Oct 2019	
1	2	Annual review of the charter – No changes	29 Oct 2020	10 Dec 2020
1	2	Annual review of the charter – No changes	29 Oct 2021	09 Dec 2021
1	2	Annual review of the charter – No changes	16 Nov 2022	16 Dec 2022

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