




ROCKWELL LAND CORPORATION

INTERNAL AUDIT CHARTER

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A. Vision

Our vision is to become an integral unit of Rockwell Land Corporation (RLC) by being a valuable partner in the achievement of company's goals and objectives.

B. Mission

Our mission is to add value to the organization by providing independent and objective assurance and consulting services designed to:

1. Strengthen the organization's internal control structure
2. Identify opportunities for process, policy and control improvements
3. Monitor compliance to government laws and regulations

The Internal Audit Team will assist RLC in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.


C. Professional Standards and Code of Ethics

The Internal Audit Team shall be guided by the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors (IIA). This Professional Practices Framework includes the following:

- Definition of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing (Standards)
- Core Principles for the Professional Practice of Internal Auditing
- Implementation Guide (PA)
- Supplemental Guide (PG)

D. Organizational Independence and Objectivity

The independence of the Internal Audit Team is essential for the effective and efficient performance of its functions. This independence is ensured by making its personnel report to the Internal Audit Head who reports functionally to the Audit Committee and administratively to the President and CEO. The Internal Audit Team shall maintain their

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individual objectivity in performing their assigned tasks at all times. Conflicts of interest and / or any impairment in fact or in appearance should be appropriately disclosed.

An annual Statement of Independence shall be accomplished by the internal auditors and shall be reported to the Audit Committee. Any potential impairment to the auditor's independence and objectivity shall immediately be reported to the committee.


E. Scope of Work

The Internal Audit Team is established by the Board through the Audit Committee. It shall assist the Committee in fulfilling its oversight responsibilities as stated in the Audit Committee Charter.

The scope of audit coverage is company-wide and no team or business unit of RLC and its subsidiaries is exempt from audit or review.

Internal Audit Team must determine whether RLC's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:

- Actual discrepancies and anomalies in operations are timely identified.
- Sufficient and adequate controls are in place for optimized operational transactions.
- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.

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F. Nature of Work

Internal Audit Team performs assurance and consulting services to assist RLC Senior Management in meeting its objective.

Assurance Services

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusion regarding an entity, operation, function, process, system, or other subject matter. This includes operations audits, tenant revenue audits, and other assurance audits as requested by the President, Senior Management and Audit Committee.


Consulting Services

Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Examples of consulting services may include counsel, facilitation, process design, training, and participation in cross-functional teams to provide the aforementioned control-related services.

G. Responsibility

The Internal Audit Team has the responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by RLC Senior Management, and submit that plan to the Audit Committee for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by RLC Senior Management and Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Perform assurance and consulting services related to governance, risk management and control as appropriate for the organization.
- Evaluate and assess significant merging/consolidating activities and new or changing services, processes, operations, IT systems and control processes coincident with their development, implementation, and/or expansion.

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- Issue periodic reports to the Audit Committee and RLC Senior Management summarizing results of audit activities.
- Assist in the investigation of suspected fraudulent activities within the organization and notify RLC Senior Management and Audit Committee of the results.
- Establish a quality assurance program as a basis for evaluation, monitoring and improvement of the internal auditing activities.

H. Authority

Internal auditors are authorized to:

- Have complete and unrestricted access to all functions, records, property, and personnel relevant to the performance of the Internal Audit Team's engagements.
- Have full and free access to RLC's Management and Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

Further, the audit client throughout the course of an engagement shall be required to allocate a portion of his time for internal audit activities. His regular duties should not be compromised as a result of an engagement.


Internal auditors are not authorized to:

- Perform any operational duties for the organization or its subsidiaries.
- Initiate or approve accounting transactions external to the Internal Audit Team.
- Direct the activities of any employee of RLC not employed by the Internal Audit Team, except to the extent such employees have been appropriately assigned to the Internal Audit Team or to otherwise assist the internal auditors.

I. Proficiency and Due Professional Care

The Internal Audit Team shall ascertain that internal auditing functions are performed with proficiency and due professional care by knowledgeable, skilled and competent internal auditors.

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Due professional care includes conforming with the Code of Ethics and, as appropriate with RLC's code of conduct as well as the codes of conduct for other professional designations the internal auditors may hold. The Code of Ethics extends beyond the definition of internal auditing to include the following components:

- Principles that are relevant to the profession and practice of internal auditing: integrity, objectivity, confidentiality, and competency.
- Rules of conduct that describe behavioral norms expected of internal auditors. These rules are an aid to interpreting the principles into practical applications and are intended to guide the ethical conduct of internal auditors.

J. Continuing Professional Development


Internal auditors are responsible for continuing their education and maintaining their proficiency. Internal Audit Team needs to stay informed about improvements and current developments in internal audit standards, procedures, and techniques including the IIA's International Professional Practices Framework guidance.

Attendance to relevant trainings, seminars, conference, conventions, as well as membership to professional organizations and other development programs will be provided to Internal Audit Team. An annual training plan will be prepared and presented to the President and Audit Committee for approval. Status or any changes on said plan, trainings, development programs and any learning activities attended by internal auditors will also be reported through periodic activity reports.

K. Internal Audit Plan

At least annually, the Internal Audit Team will submit to RLC Senior Management and Audit Committee an internal audit plan for review and approval. It will consist of a work schedule as well as budget and resource requirements in carrying out the audit plan for the upcoming calendar year. This will inform the RLC Management and the Audit Committee of the scope of internal audit work and any of limitations placed on that scope.

The internal audit plan will be developed based on the prioritization of the audit universe using a risk-based methodology, including input from Senior Management and Audit Committee. The Internal Audit Head will review and adjust the plan, as necessary, in response to changes in management direction, objectives, emphasis, and focus as well as changes in business environment, risks, operations, programs, systems, and controls. Any

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significant changes to the approved internal audit plan will be communicated to RLC Senior Management for their information and to the Audit Committee for their approval.

L. Reporting and Monitoring

Internal Audit Team will ensure that results of audit engagement will be discussed first with the process owners before reporting to RLC Senior Management and the Audit Committee. A written report will be prepared and issued by the Internal Audit Team following the conclusion of each internal audit engagement and will be distributed to key process owners, RLC President, Audit Committee, and other parties as appropriate.


The Internal Audit Report must include process owner's / management's response and corrective action taken or to be taken concerning the specific findings and recommendations. Management's response and action plans, whether included within the original report or provided thereafter by the process owners of the audited area should include a timetable for anticipated completion of action to be taken. In case of action plan that will no longer be implemented, the management / process owner must provide an explanation and alternative plan to address the findings and recommendations of Internal Audit Team.

The internal audit activity will be responsible for appropriate follow-up on audit findings and recommendations. The Internal Audit Team will monitor the progress by:

- Addressing engagement observations and recommendations to appropriate levels of management responsible for taking action.
- Receiving and evaluating process owner / management responses and proposed action plan/s to audit observations and recommendations during the engagement or within a reasonable time period after the engagement results are communicated.
- Receiving periodic updates from management to evaluate the status of its efforts to correct observations and / or implement recommendations.
- Receiving and evaluating information from other teams / business units who have been assigned responsibility for follow-up corrective actions.
- Reporting to Senior Management and Audit Committee on the status of responses to engagement observations and recommendations.

Internal Audit Team will continue to conduct follow-ups on outstanding action plans / audit recommendations to ensure significant risks and major deficiencies identified are effectively addressed and remediated by process owner / management within the mutually agreed timeframe.

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M. Records Ownership and Retention

Audit reports and audit working papers shall be considered property of RLC Internal Audit Team. These should remain under the control of the Team and should be accessible only by authorized personnel / auditor. Audit working papers / engagement records include reports, supporting documentation, review notes, and correspondences, regardless of storage media.

Management, employees and consultants engaged by RLC may request access to all or specific audit working papers. These requests for access shall be subject to the approval of Internal Audit Head.

Access to working papers by external auditors shall also be approved by the Internal Audit Head.

With regard to request by external parties, other than external auditors, for access to working papers and reports the Internal Audit Head shall obtain approval from RLC President and / or the Legal Counsel and the Audit Committee, as appropriate.

Records (audit reports and working papers) shall be retained for a period as established by the Internal Audit Team. These may be stored in hardcopies and / or electronic form. Hardcopies may be transferred to an on-site and / or off-site storage as determined by the Team. Access to these documents shall, however, be limited only to Internal Audit Team.


N. Quality Assurance and Improvement Program

The Internal Audit Head must develop and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of internal audit activity.

QAIP include an evaluation of:

- Conformance with the definition of internal auditing, the Code of Ethics, and the Standards, including timely corrective actions to remedy any significant instances of audit findings / non-conformances.
- Adequacy of the internal audit activity's charter, goals, objectives, policies, and procedures.
- Contribution to organization's governance, risk management, and control processes.

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- Compliance with applicable laws, regulations, and government or industry standards.
- Effectiveness of continuous improvement activities and adoption of best practices.
- The extent to which the internal audit activity adds value and improves the organization's operations.

To provide accountability and transparency, the Internal Audit Head will communicate to Senior Management and Audit Committee on the internal audit activity's QAIP, including results of ongoing internal assessments and external assessments conducted at least every five years.

O. Review of the Charter

This Charter will be reviewed at least annually by the Internal Audit Team. Any changes will be presented for approval to RLC President and Audit Committee upon the recommendation of the Internal Audit Head.


P. Effectivity

This Charter supersedes the Charter approved by the Audit Committee Chairman on March 25, 2014 and shall be effective upon approval.

Endorsed for Approval:


ROMEO G. DEL MUNDO, JR.
 Asst. Vice President - Internal Audit

Approved by:


NESTOR J. PADILLA
 President and CEO
 Date: _____


OSCAR J. HILADO
 Audit Committee Chairman
 Date: _____