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## I. INTRODUCTION

It is the firm belief of Megawide Construction Corporation (the "Company") that an organization that faithfully practices and implements the core principles of good Corporate Governance such as honesty, integrity, fairness, accountability, and transparency will, more often than not, outperform and outshine its competitors. Thus, the Board of Directors (the "Board") and Management of the Company hereby commit themselves to the principles and best practices contained in this New Manual on Corporate Governance (this "Manual"), and acknowledge that the same shall serve as their guide to the fulfilment of their duties and responsibilities in helping the Company continuously achieve its mission of improving communities through engineering excellence, and realize its vision of being the leading and largest construction conglomerate in the Philippines.

## II. OBJECTIVE

This Manual shall institutionalize the principles of best practices and good Corporate Governance in the entire organization.

The Board and Management believe that Corporate Governance is one of the most important components of what constitutes sound strategic business management. In this regard, the Board and Management shall undertake every effort necessary to constantly improve good Corporate Governance awareness within the organization.

## III. CORPORATE GOVERNANCE PRINCIPLES

Pursuant to the Securities and Exchange Commission ("SEC") Memorandum Circular No. 19, dated 22 November 2016, the Board hereby adopts the governance principles embodied in the Code of Corporate Governance for Publicly Listed Companies, to wit:

### THE BOARD'S GOVERNANCE RESPONSIBILITIES

**Principle 1:** *The Company shall be headed by a competent, working Board to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and Stakeholders.*

**Principle 2:** *The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles of incorporation and bylaws, and other legal pronouncements and guidelines shall be clearly made known to all Directors, shareholders, and Stakeholders.*

**Principle 3:** *The Board committees shall be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, RPTs, and other key Corporate Governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all Board committees established shall be contained in a publicly available committee charter.*

**Principle 4:** *To show full commitment to the Company, the Directors shall devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Company's business.*

**Principle 5:** *The Board shall endeavor to exercise objective and independent judgment*

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on all corporate affairs.

**Principle 6:** The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its

performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all Stakeholders.

## DISCLOSURE AND TRANSPARENCY

**Principle 8:** The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

**Principle 9:** The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.

**Principle 10:** The Company shall ensure that material and reportable non-financial and sustainability issues are disclosed.

**Principle 11:** The Company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, Stakeholders and other interested users.

## INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT FRAMEWORK

**Principle 12:** To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company shall have a strong and effective Internal Control System and Enterprise Risk Management framework.

## CULTIVATING A SYNERGIC RELATIONSHIP WITH SHAREHOLDERS

**Principle 13:** The Company shall treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

## DUTIES TO STAKEHOLDERS

**Principle 14:** The rights of Stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where Stakeholders' rights and/or interests are at stake, Stakeholders shall have the opportunity to obtain prompt effective redress for the violation of their rights.

**Principle 15:** A mechanism for employee participation shall be developed to create a symbiotic environment, realize the Company's goals and participate in its Corporate Governance processes.

*Principle 16: The Company shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and Stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.*

#### IV. DEFINITION OF TERMS

For the purpose of this Manual, the terms used in this Manual shall have the respective meanings as set forth below:

1. **ARMC** - means the Audit and Risk Management Committee.
2. **Board of Directors or Board** - refers to the governing body of the Company, whose members are elected by the shareholders, and exercises the corporate powers of a corporation, conducts all its business and controls its properties.
3. **Chairman** - means the person duly elected by the members of the Board to preside over Board meetings and perform other duties and responsibilities listed under the Company's by-laws.
4. **Code** - refers to the Code of Corporate Governance for publicly-listed companies.
5. **Company** - means Megawide Construction Corporation.
6. **Corporate Governance** - refers to the system of stewardship and control which guides organizations in fulfilling their long-term economic, moral, legal and social obligations towards their Stakeholders.  
Corporate Governance is a system of direction, feedback and control using regulations, performance standards, and ethical guidelines to hold the Board and senior Management accountable for ensuring ethical behavior - reconciling long-term customer satisfaction with shareholder value - to the benefit of all Stakeholders and society.  
Its purpose is to maximize the organization's long-term success, creating sustainable value for its shareholders, Stakeholders and the nation.
7. **Director** - refers to a member of the Board, duly elected by the shareholders to the same.
8. **Enterprise Risk Management or ERM** - means a process, effected by the Company's Board, Management, and other personnel, applied in strategy setting across the enterprise, which is designed to (i) identify potential events that may affect the Company; (ii) manage risks which are to be within the Company's risk appetite; and (iii) provide reasonable assurance regarding the achievement of the Company's objectives.
9. **Executive Director** - a Director who has an executive responsibility relating to the day-to-day operations of a part or the whole of the Company.
10. **GNCC** - means the Governance, Nominations, and Compensation Committee.

11. **Independent Director** - refers to a person who is independent of Management and the controlling shareholder(s), and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director.

12. **Internal Audit** - means an independent and objective assurance activity designed to add value to, and improve, the Company's operations, and help it accomplish its objectives by providing a systematic and disciplined approach in the evaluation and improvement of the effectiveness of its risk management, control, and governance processes.

13. **Internal Control** - refers to a process designed and effected by the Board, Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, and the organization's policies and procedures.

14. **Internal Control System** - means the framework under which Internal Controls are developed and implemented to manage and control a particular risk or business activity, or combination of risks or business activities, to which the corporation is exposed.

15. **Management** - refers to the group of executives given authority by the Board to implement the policies it has laid down in the conduct of the business of the Company.

16. **Manual** - refers to this New Manual on Corporate Governance.

17. **Non-Audit Work** - means the other services offered by an external auditor to a corporation that are not directly related and relevant to its statutory audit functions, such as, accounting, payroll, bookkeeping, reconciliation, computer project management, data processing, or information technology outsourcing services, Internal Audit, and other services that may compromise the independence and objectivity of an external auditor.

18. **Non-Executive Director** - refers to a Director who has no executive responsibility relating to the day-to-day operations, of a part or the whole, of the Company.

19. **Related Party** - shall cover the Company's subsidiaries, as well as affiliates and any party (including their subsidiaries, affiliates and special purpose entities), that the Company exerts direct or indirect control over, or that exerts direct or indirect control over the Company; the Company's Directors; officers; shareholders and related interests ("DOSRI"), and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Company.

20. **Related Party Transactions or RPFs** - means a transfer of resources, services or obligations between a reporting entity and a Related Party, regardless of whether a price is charged. It shall be interpreted broadly to include not only transactions that are entered into with Related Parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party.

21. **SEC** - refers to the Securities and Exchange Commission.

22. **Stakeholders** - refers to any individual, organization or society at large who can either affect and/or be affected by the Company's strategies, policies, business decisions and operations, in general. This includes, among others, shareholders, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates.

## V. RULES OF INTERPRETATION

1. Unless the context otherwise requires:

- a. Words in the singular include the plural, and vice versa; and
- b. Words importing any gender include all genders.

2. A reference to a law or statutory provision shall be construed as a reference to the law or statutory provision as from time to time amended, modified, or re-enacted, and any orders, rules and regulations made under such law or statutory provision.

3. The headings of this Manual are inserted solely for convenience of reference and shall not limit or affect the interpretation of the provisions hereof.

4. All doubts or questions that may arise in the interpretation of the application of this Manual shall be resolved in favor of promoting fairness, accountability and transparency to the Stakeholders of the Company.

5. Capitalised terms defined in this Manual have the same meaning in its Annexes, unless expressly defined in the said Annexes or the context otherwise requires.

## VI. THE BOARD'S GOVERNANCE RESPONSIBILITIES

### 1. ESTABLISHING A COMPETENT BOARD

*The Company shall be headed by a competent, working Board to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interest of its shareholders and Stakeholders.*

#### a. Composition of the Board

The Board shall be composed of at least five (5), but not more than fifteen (15), members who are elected by the shareholders.

The membership of the Board shall be a combination of Executive and NonExecutive Directors, majority of which are Non-Executive Directors (including Independent Directors) in order that no Director or small group of Directors can dominate the decision-making process.

#### b. Members of the Board

The Board shall be composed of Directors with a collective working knowledge, experience or expertise that is relevant to the Company's industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise, and that its members remain qualified for their positions individually and collectively, to enable it to fulfil its roles and responsibilities and respond to



the needs of the Company based on the evolving business environment and strategic direction.

The Non-Executive Directors shall possess the necessary qualifications and stature that would enable them to effectively participate and help secure objective and independent judgment on corporate affairs, and substantiate proper checks and balances. The Non-Executive Directors of the Board shall concurrently serve as Directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Company.

The Board shall have at least three (3) Independent Directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. Furthermore, the Independent Directors shall possess the necessary qualifications and none of the disqualifications for an Independent Director in order to hold such position. The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. After which, the Independent Director shall be perpetually barred from re-election, but may continue to qualify for nomination and election as a non-Independent Director. In the instance that the Company wants to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

#### **C. Training**

It is the policy of the Company to provide the relevant trainings to its Directors, including an orientation program for first time Directors and annual continuing training for all Directors. The said trainings and orientation cover SEC mandated topics on Corporate Governance, conducted by a private or government institution duly accredited by the SEC.

#### **d. Board Diversity**

The Company believes in diversity, and values the benefits that diversity can bring to the Company. Thus, the Company promotes the inclusion of different perspectives and ideas, which mitigates against group thinking and ensures that the Company has the opportunity to benefit from all available talent. The Company aims to maintain a Board comprised of talented and dedicated Directors with a diverse mix of expertise, experience, skills and backgrounds, which shall reflect the diverse nature of the business environment in which the Company operates. For purposes of Board composition, diversity includes, but is not limited to, competence, business experience, geography, age, and gender.

#### **e. Corporate Secretary**

The Board shall ensure that it is assisted in its duties by a Corporate Secretary, who shall be a separate individual from the Compliance Officer. The Corporate Secretary shall not be a member of the Board and shall annually attend a training on Corporate Governance.

The Corporate Secretary shall be primarily responsible to the Company and its shareholders, and not to the Chairman or the Chief Executive Officer ("CEO") of the Company; and has, among others, the following duties and responsibilities:

1. Assist the Board and the Board committees in the conduct of their meetings, including preparing an annual schedule of Board and committee meetings,



and the annual Board calendar and assist the Chairman of the Board and its committees to set agendas for those meetings.

ii. Safe keep and preserve the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company;  
iii. Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments, and operations of the Company, and advise the Board and the Chairman on all relevant issues as they arise;

1v. Work fairly and objectively with the Board, Management, and shareholders and contribute to the flow of information between the Board and Management, the Board and its committees, and the Board and its Stakeholders, including shareholders;

v. Advise on the establishment of Board committees and their terms of reference;

VI. Inform Directors, in accordance with the Company's by-laws, of the agenda of their meetings at least five (5) working days in advance, and ensure that the Directors have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;

vii. Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family, and serious accidents, prevent him from doing so;

viii. Perform required administrative functions;

ix. Oversee the drafting of the Company's by-laws and ensure that they conform with regulatory requirements; and

x. Perform such other duties and responsibilities as may be provided by the SEC.

#### **f. Compliance Officer**

The Board shall also ensure that it is assisted in its duties by a Compliance Officer, who shall have a rank of Senior Vice President, or an equivalent position, with adequate stature and authority in the Company. The Compliance Officer shall not be a member of the Board and shall annually attend a training on Corporate Governance.

The Compliance Officer is a member of the Company's Management team, in charge of the compliance function. Similar to the Corporate Secretary, he is primarily liable to the Company and its shareholders, and not to the Chairman or CEO of the Company; and has, among others, the following duties and responsibilities:

i. Ensure proper on boarding of new Directors (i.e., orientation on the Company's business, charter, articles of incorporation and by-laws, among others)

ii. Monitor, review, evaluate and ensure the compliance by the Company, its officers and Directors with the relevant laws, rules and regulations, this

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Manual, and all governance issuances of regulatory agencies.

iii. Report violations discovered to the Board and recommend the imposition of appropriate disciplinary actions.

iv. Ensure the integrity and accuracy of all documentary submissions to regulators.

v. Appear before the SEC when summoned in relation to compliance with this Manual.

vi. Collaborate with other departments to properly address compliance issues, which may be subject to investigation.

vii. Identify possible areas of compliance issues and work towards the resolution of the same.

viii. Ensure the attendance of Directors and key officers to relevant trainings; and

ix. Perform such other duties and responsibilities as may be provided by the SEC.

The appointment of the Compliance Officer shall be immediately disclosed to the SEC by using SEC Form 17-C. All correspondence relative to the functions of a Compliance Officer shall be addressed to such Compliance Officer.

## **2. ESTABLISHING CLEARLY THE ROLES AND RESPONSIBILITIES OF THE BOARD**

*The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the Company's articles of incorporation and by-laws, and other legal pronouncements and guidelines shall be clearly made known to all Directors, shareholders, and Stakeholders.*

To ensure a high standard of best practices for the Company and its Stakeholders, the Board shall conduct itself with honesty and integrity in the performance of the following duties and functions, among others:

a. Implement a process for the selection of competent Directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.

The Board, through its GNCC, will have a formal and transparent Board nomination and election policy that will include how it accepts nominations from minority shareholders. The said policy will also include an assessment of the effectiveness of the Board's processes and procedures for nominations, election, or replacement of a Director.

b. Determine the Company's purpose, its vision and mission, and strategies to carry out its objectives. The Board shall oversee the development of and approve the Company's strategy and strategy, and monitor their implementation, to sustain the Company's long term viability and strength.

- c. Identify the Company's Stakeholders and formulate a clear policy on accurate, timely, and effective communication with them through an effective investor relations program. Ensure an effective and constructive communication between the Company's senior Management and external Stakeholders (including shareholders and media, when appropriate or relevant), particularly on the business direction and work progress and any Stakeholders' concern, consistent with good governance practices and avoiding any possible damage to the image and/ or financial value of the business. If feasible, oversight responsibility over this policy will be exercised by the CEO or the Chief Financial Officer ("CFO") of the Company.
- d. Appoint competent, professional, honest and highly-motivated Management officers, and take a direct interest in leadership succession, including the appointment of the CEO in particular, and other key senior Management positions in general, and ensure that appropriate processes are effectively adopted to avoid a leadership gap.
- e. Provide sound strategic policies and guidelines to the Company on major capital expenditures, periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets, and Management's overall performance.
- f. Establish programs that can sustain the Company's long-term viability and strength in accordance with the its objectives.
- g. Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices.
- h. Appoint a Compliance Officer to assist the Board in monitoring, reviewing, evaluating, and ensuring compliance by the Company, Directors, and officers with the applicable laws, rules and regulations, this Manual, the Code, and all other governance issuances of regulatory agencies.
- i. Establish and maintain an investor relations program that will keep the shareholders informed of important developments in the Company. If feasible, the Company's CEO or CFO shall exercise oversight responsibility over this program.
- j. Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- k. Adopt a system of internal checks and balances within the Board. A regular review of the effectiveness of such system shall be conducted to ensure the integrity of the decision-making and reporting process at all times. There shall be a continuing review of the Company's Internal Control System in order to maintain its adequacy and effectiveness.
- 1. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability.

m. Formulate and implement policies and procedures that would ensure the integrity and transparency of RPTs between and among the Company and its parent company, joint ventures, subsidiaries, associates, affiliates, shareholders, officers and Directors, including their spouses, children, dependent siblings and parents, and of interlocking director relationships by members of the Board.

n. Constitute the Executive Committee, the Finance Committee, the ARMC, the GNCC, and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.

o. Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its shareholders, and the Company and third parties, including the regulatory authorities.

p. Properly discharge Board functions by meeting at such times or frequency as may be needed. The minutes of such meetings shall be duly recorded. Independent views during Board meetings shall be encouraged and given due consideration. The members of the Board shall attend its regular and special meetings in person, or through teleconferencing or other technological devices, conducted in accordance with the rules and regulations of the SEC. Independent Directors shall always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one Independent Director in all its meetings. To monitor the Directors' compliance with attendance requirements, the Company shall submit to the SEC, on or before January 30 of the following year, a sworn certification on the Directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing.

q. Approve the selection and assess the performance of senior Management as led by the CEO, and control functions led by their respective heads (Chief Risk Officer, Compliance Officer, and Chief Audit Executive).

r. Ensure that a sound ERM framework is in place to effectively identify, monitor, assess, and manage key business risks.

s. Ensure that appropriate compensation policies are in place, especially for senior Management, and that the compensation is at an appropriate level and commensurate to the contribution made to the business.

t. Determine the remuneration of Management and Directors in accordance with applicable laws, taking into consideration the long-term interests of the Company. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. No Director shall participate in discussions or deliberations involving his own remuneration. The Directors' compensation will always be in accordance with the by-laws of the Company and/or as approved by the shareholders during the annual shareholders' meeting. The Board will, from time to time, approve reasonable per diem that a Director may receive for attendance in the Board and committee meetings.

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u. Ensure that the Company's senior Management progress reports on the execution of strategic plans, financial performance of the business, and in general, other matters related to the role and responsibilities of the Board, are received and properly evaluated.

v. Ensure the proper and orderly conduct of Annual Shareholders' Meetings, and such special shareholders' meetings that may be called.

w. Adopt a Code of Business Conduct and Ethics to provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings including anti-corruption practices, and ensure that such Code of Business Conduct and Ethics is properly disseminated to, and implemented by the Board, senior Management, and employees.

x. Ensure proper disclosure on all relevant and material information on Directors and officers to enable Stakeholders to evaluate their experience and qualifications, and assess any potential conflict of interests that might affect their judgment.

y. Establish policies, program and procedures to encourage employees to actively participate in the realization of the Company's goals and in its governance.

z. Provide appropriate technology to account for available resources to ensure a position of a strong and meaningful competitor.

aa. Adopt and implement an effective succession program for Directors and Management to ensure growth and continued increase in shareholders' value. This will include adopting a policy on the retirement age of Directors and key officers as part of the Company's Management succession.

bb. Ensure that there is a policy and system governing RPTs. The policy shall include the appropriate review and approval of significant RPTs that will guarantee fairness and transparency of the Company's transactions; and

cc. Ensure that an Internal Control is in place, including setting up a mechanism for monitoring and managing potential conflicts within the Board and the Company.

### 3. ESTABLISHING BOARD COMMITTEES

*The Board committees shall be set up, to the extent possible, to support the effective performance of the Board's functions, particularly with respect to audit, risk management, RPTs, and other key Corporate Governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all*

*Board committees established shall be contained in a publicly available committee charter.*

The Board shall establish Board committees that focus on Board functions to aid in the optimal performance of its roles and responsibilities. As such, the Board shall constitute the following committees:

a. The Executive Committee.

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- The composition, roles and responsibilities, as well as the policies and procedures of the Executive Committee are found in its Charter, which is attached hereto and made an integral part as **ANNEX "A"**.

b. The Finance Committee;

- The composition, roles and responsibilities, as well as the policies and procedures of the Finance Committee are found in its Charter, which is attached hereto and made an integral part as **ANNEX "B"**.

c. The ARMC; and

- The composition, roles and responsibilities, as well as the policies and procedures of the ARMC are found in its Charter, which is attached hereto and made an integral part as **ANNEX "C"**.

d. The GNCC.

- The composition, roles and responsibilities, as well as the policies and procedures of the GNCC are found in its Charter, which is attached hereto and made an integral part as **ANNEX "D"**.

#### **4. FOSTERING COMMITMENT**

*To show full commitment to the Company, the Directors shall devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the Company's business.*

a. The Directors shall attend and actively participate in all meetings of the Board, committees, and shareholders in person or through tele-/videoconferencing, conducted in accordance with the rules and regulations of the SEC, except when justifiable causes, such as, illness, death in the immediate family and serious accidents prevent them from doing so. In Board and committee meetings, the Director shall review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations.

b. The Non-Executive Directors of the Board shall concurrently serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the Company.

c. A Director shall notify the Board where he is an incumbent director before accepting a directorship in another company.

#### **5. REINFORCING INDEPENDENCE**

*The Board shall endeavor to exercise objective and independent judgment on all corporate affairs.*

a. The Board shall have at least three (3) Independent Directors, or such number as to constitute at least one-third (1/3) of the Members of the Board, whichever is higher.

b. The Board shall ensure that its Independent Directors possess the necessary qualifications and none of the disqualifications for an Independent Director to hold position. Ideally, an Independent Director refers to a person who:

- i. Is not, or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership of the Company;
- ii. Is not, and has not been, in the three (3) years immediately preceding the election, a Director of the Company; a Director, officer, employee of the Company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial shareholders and its related companies.
  
- iii. Has not been appointed in the Company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" director/officer or member of any advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election.
  
- iv. Is not an owner of more than two percent (2%) of the outstanding shares of the Company, its subsidiaries, associates, affiliates, or related companies.
  
- v. Is not a relative of a Director, officer, or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister.
  
- vi. Is not acting as a nominee or representative of any Director of the Company or any of its related companies.
  
- vii. Is not a securities broker-dealer of listed companies and registered issuer of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the SEC, an associated person or salesman, and an authorized clerk of the broker or dealer.
  
- viii. Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election.
  
- ix. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment.
  
- x. Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
  
- xi. Is not employed as an executive officer of another company where any of the Company's executives serve as directors.

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Related companies, as used in this section, refer to (a) the Company's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

c. The Board's Independent Directors shall serve for a maximum cumulative term of nine (9) years. After which, such Independent Director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-Independent Director. In the instance that the Company wants to retain an Independent Director who has served for nine (9) years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

d. If the positions of Chairman and the CEO are held by the same person, as well as when the Chairman is found to be biased or partial in his decision making, the Board shall designate a "Lead Director" among the Independent Directors, and/or appoint a Vice Chairman, in order to foster an appropriate balance of power, increased accountability, and better capacity for independent decision making by the Board.

i. The duties and responsibilities of the Chairman (in case of his absence or necessary replacement, the Vice Chairman) shall include the following, among others:

- Make certain that every meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations.
  - Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions.
  - Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual Directors.
  - Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management.
  - Assure the availability of proper orientation for first time Directors and continuing training opportunities for all Directors; and
  - Make sure that the performance of the Board is evaluated at least once a year.
- n. On the other hand, the duties and responsibilities of the CEO shall include the following, among others:
- Determine the Company's strategic direction and formulate and implement a strategic plan based on the same.

- Communicate and implement the Company's vision, mission, values and overall strategy and promote any organization or Stakeholder change in relation to the same;
- Oversee the operations of the Company and manage its human and financial resources in accordance with their respective strategic plans.
- Keep a good working knowledge of the Company's industry and market, and keep up-to-date with its core business purpose.
- Direct, evaluate, and guide the work of the key officers of the Company.
- Manage the Company's resources prudently and ensure a proper balance of the same.
- Provide the Board with timely information, and interface between the Board and the employees.
- Build the corporate culture and motivate the employees of the Company; and
- Serve as the link between internal operations and external Stakeholders.

iii. If applicable, the functions of the Lead Director include the following, among others:

- Serve as an intermediary between the Chairman and the other Directors when necessary.
- Convene and chair meetings of the Non-Executive Directors; and
- Contribute to the performance and evaluation of the Chairman whenever required.

e. Any Director with a material interest in any transaction affecting the Company shall abstain from taking part in the deliberations pertaining to such transaction to ensure that he has no influence over the outcome of the deliberations.

f. The Non-Executive Directors shall have separate periodic meetings with the external auditor and heads of the Internal Audit, as part of their compliance and risk functions, without any Executive Directors present to ensure that proper checks and balances are in place within the Company. If a Lead Director is appointed, such periodic meetings shall be chaired by him.

## 6. ASSESSING BOARD PERFORMANCE

*The best measure of the Board's effectiveness is through an assessment process. The Board shall regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.*

- a. The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, all the Directors, and the Board committees. If the need arises, every three (3) years, such assessment will be supported by an external facilitator.
- b. The Board shall have a system in place that provides, at least, a criteria and process to determine the performance of the Board, its individual members, and committees. with a mechanism that allows feedback from the shareholders.

#### **7. STRENGTHENING BOARD ETHICS**

*Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all Stakeholders.*

- a. The Board shall adopt a Code of Business Conduct and Ethics, which will provide standards for professional and ethical behaviour, as well as articulate acceptable and unacceptable conduct and practices in external dealings. Such Code shall be properly disseminated to the Board, Management, and employees. It shall also be disclosed and made available to the public through the Company's website.
- b. The Board shall ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics, including all internal policies.

### **VII. DISCLOSURE AND TRANSPARENCY**

#### **8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES**

*The Company shall establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.*

- a. The Board shall establish corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely reporting to shareholders and Stakeholders that gives a fair and complete picture of the Company's financial condition, results and business operations.
- b. The Company shall have a policy requiring all Directors and officers to disclose/report to the Company any dealings in the Company's shares within three (3) business days.
- c. The Board shall fully disclose all relevant and material information on Directors and key officers/executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.
- d. The Company shall provide a clear disclosure of its policies and procedures for setting Board and executive remuneration, as well as the level and mix of the same in the Annual Corporate Governance Report. The Company may also disclose the remuneration on an individual basis, including termination and retirement.
- e. The Company shall disclose all its policies governing RPTs and other unusual or infrequently occurring transactions. The material and significant RPTs reviewed and approved during the year will be disclosed in its Annual Corporate Governance

Report.

f. The Company shall make a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and Stakeholders. Moreover, the board of directors of the offeree company shall appoint an independent party to evaluate the fairness of the transaction on the said acquisition or disposal of assets.

g. The Company's Corporate Governance policies, programs and procedures will be contained in this Manual, submitted to the regulators and posted on the Company's website.

## **9. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY**

*The Company shall establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.*

a. The ARMC shall have a robust process for approving and recommending the appointment, reappointment, removal, and payment of fees of the Company's external auditor. Such appointment, reappointment, removal, and payment of fees of the external auditor will be recommended by the ARMC, approved by the Board, and ratified by the shareholders. For removal of the Company's external auditor, the reasons for removal or change will be disclosed to the regulators and the public through the Company's website and required disclosures.

b. The ARMC Charter shall include its responsibility of assessing the integrity and independence of the Company's external auditor in exercising effective oversight to review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. The said Charter shall also contain ARMC's responsibility of reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.

c. The Company shall disclose the nature of Non-Audit Work or services performed by its external auditor in the Company's Annual Report (SEC Form 17-A) to deal with the potential conflict of interest. The ARMC shall be alert for any potential conflict of interest situations, given the guidelines or policies on Non-Audit Work or services, which could be viewed as impairing the external auditor's objectivity.

## **10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING**

*The Company shall ensure that material and reportable non-financial and sustainability issues are disclosed.*

The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance ("EESG") issues of its business, which underpin sustainability. The Company shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

#### **11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION**

*The Company shall maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, Stakeholders and other interested users.*

The Company shall include media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material, and relevant information to its shareholders and other investors.

#### **VIII. INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK**

#### **12. STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK**

*To ensure the integrity, transparency and proper governance in the conduct of its affairs, the Company shall have a strong and effective Internal Control System and ERM framework.*

a. The Company shall have an adequate and effective Internal Control System and ERM framework in the conduct of its business, taking into account its size, risk profile and complexity of operations.

b. The Company shall have in place an independent Internal Audit function that provides an independent and objective assurance, and consulting services designed to add value and improve the Company's operations. The following, among others, are the functions of the Internal Audit:

1. Provide an independent risk-based assurance service to the Board and the ARMC, focusing on reviewing the effectiveness of the governance and control processes in: (1) promoting the right values and ethics; (2) ensuring effective performance management and accounting in the organization; (3) communicating risk and control information; and (4) coordinating the activities and information among the Board, external and internal auditors, and Management.

ii. Perform regular and/or special audits as contained in the annual audit plan and/or based on the Company's risk assessment.

iii. Perform consulting and advisory services related to governance and control as may be appropriate for the Company.

iv. Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Company.

v. Review, audit and assess the efficiency and effectiveness of the Internal Control System in all areas of the Company.

vi. Evaluate operations or programs to ascertain whether results are consistent

with established objectives and goals, and whether the operations or programs are being carried out as planned.

vii. Evaluate specific operations at the request of the Board or Management, as appropriate; and

viii. Monitor and evaluate governance processes.

c. Subject to the Company's size, risk profile, and complexity of operations, the Company shall have a qualified Chief Audit Executive ("CAE") appointed by the Board. The CAE shall oversee and be responsible for the Internal Audit activity of the Company, including that portion that is outsourced to a third party service provider. In case of a fully outsourced Internal Audit activity, a qualified independent executive or senior Management personnel shall be assigned the responsibility of managing the fully outsourced Internal Audit activity. The following are the responsibilities of the CAE, among others:

i. Periodically review the Internal Audit charter and present it to senior Management and the ARMC for approval.

ii. Establish a risk-based Internal Audit plan, including policies and procedures, to determine the priorities of the Internal Audit activity, consistent with the Company's goals.

m. Communicate the Internal Audit's activity plans, resource requirements, and impact of resource limitations, as well as significant interim changes, to senior Management and the ARMC for review and approval.

1v. Spearhead the performance of the Internal Audit's activity performance relative to its plan; and

v. Present findings and recommendations to the ARMC and give advice to senior Management and the Board on how to improve internal processes.

d. As the need arises, subject to its size, risk profile and complexity of operations, the Company shall have a separate risk management function to identify, assess, and monitor key risk exposures. This function is currently being undertaken by the ARMC, and such function involves the following activities, among others:

i. Define a risk management strategy.

ii. Identify and analyze key risks exposure relating to EESG factors and the achievement of the organization's strategic objectives.

iii. Evaluate and categorize each identified risk using the Company's predefined risk categories and parameters

1v. Establish a risk register with clearly defined, prioritized, and residual risks.

v. Develop a risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy.

vi. Communicate and report significant risk exposures including business risks (i.e. strategic, compliance, operational, financial and reputational risks), control issues, and risk mitigation plans to the Board; and

vii. Monitor and evaluate the effectiveness of the organization's risk management processes.

e. Subject to a Company's size, risk profile, and complexity of operations, it may have a Chief Risk Officer ("CRO") who will manage the Company's risk management system, who is the expert on ERM and has adequate authority, stature, resources and support to fulfill his responsibilities. The CRO has the following functions, among others:

i. Supervise the entire ERM process and spearhead the development, implementation, maintenance, and continuous improvement of the ERM process and documentation;

ii. Communicate the top risks and the status of the implementation of risk management strategies and action plans to the ARMC;

iii. Collaborate with the CEO in updating and making recommendations to the **ARMC**;

iv. Suggest ERM policies and related guidance, as may be needed; and

v. Provide insights on the following:

- Risk management processes are performing as intended;
- Risk measures reported are continuously reviewed by risk owners for effectiveness; and
- Established risk policies and procedures are being complied with.

## **IX. CULTIVATING SYNERGETIC RELATIONSHIP WITH SHAREHOLDERS**

### **13. PROMOTING SHAREHOLDERS RIGHTS**

*The Company shall treat all shareholders fairly and equitably, and also recognize, protect, and facilitate the exercise of their rights.*

a. The Board shall ensure that basic shareholder rights are disclosed in this Manual and on the Company's website. The Board shall respect the following rights of the shareholders as provided in the Corporation Code, namely:

i. Voting Right

- Shareholders shall have the right to elect, remove, and replace Directors and vote on certain corporate acts in accordance with the Corporation Code.
- Cumulative voting shall be used in the election of Directors.
- A Director shall not be removed without cause if it will deny minority shareholders representation in the Board.



#### ii. Pre-emptive Right

All shareholders shall have pre-emptive right, unless the same is denied in the articles of incorporation or in any amendment thereto, or as may be required by the SEC, and in documents signed by such shareholders. They shall have the right to subscribe to the capital stock of the Company. The Company's articles of incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code, as amended from time to time.

#### iii. Power of Inspection

Subject to reasonable restrictions in accordance with the Corporation Code and jurisprudence, all shareholders shall be allowed to inspect corporate books and records, including minutes of Board meetings and stock registries, in accordance with the Corporation Code and shall be furnished with Annual Reports (SEC Form 17-A), including financial statements, without cost or restrictions.

#### 1v. Right to Information

- The shareholders shall be provided, upon request, periodic reports which disclose personal and professional information about the Directors and officers, and certain other matters such as their

holdings of the Company's shares, dealing with the Company, relationships among Directors and key officers, and the aggregate compensation of Directors and officers.

- The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
- The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of shareholders' meeting, being within the definition of "legitimate purposes".

#### v. Right to Dividends

- Shareholders shall have the right to receive dividends subject to the discretion of the Board.
- The Company shall be compelled to declare dividends when its retained earnings shall be in excess of one hundred percent (100%) of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board; or (b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not yet been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

vi. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any shareholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

vii. Promotion and Enhancement of Rights

The Board shall be transparent and fair in the conduct of the annual and special shareholders' meetings of the Company. The shareholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to

the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the shareholder's favor.

It is the duty of the Board to promote the rights of the shareholders, remove impediments to the exercise of those rights, and provide an adequate avenue for them to seek timely redress for the breach of their rights.

The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the shareholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the shareholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all shareholders shall be treated equally or without discrimination, the Board shall give minority shareholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the Company.

b. The Board shall encourage active shareholder participation by sending the notice of annual and special shareholders' meeting with sufficient and relevant information at least twenty eight (28) days before the meeting.

Required information in the notice include, among others, the date, location, meeting agenda and its rationale and explanation, including details of issues to be deliberated on and approved or ratified at the meeting.

c. The Board shall encourage active shareholder participation by making the result of the votes taken during the most recent annual or special shareholders' meeting publicly available the next working day. In addition, the minutes of the annual and special shareholders' meeting shall be available on the Company's website within five (5) business days from the end of the meeting.

d. The Board shall make available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.

e. The Board shall establish an Investor Relations Office ("IRO") to ensure constant engagement with its shareholders. The IRO shall be present at every shareholders' meeting.

## **X. DUTIES TO STAKEHOLDERS**

### **14. RESPECTING THE RIGHTS OF THE STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDERS' RIGHTS**

*The rights of Stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where Stakeholders' rights and/or interests are at stake, Stakeholders shall have the opportunity to obtain prompt effective redress for the violation of their rights.*

a. The Board shall identify the Company's various Stakeholders and promote cooperation between them and the Company in creating wealth, growth, and sustainability.

b. The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of Stakeholders.

c. The Board shall adopt a transparent framework and process that allow Stakeholders to communicate with the Company and to obtain redress for the violation of their rights.

### **15. ENCOURAGING EMPLOYEES' PARTICIPATION**

*A mechanism for employee participation shall be developed to create a symbiotic environment, realize the Company's goals, and participate in its Corporate Governance processes.*

a. The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance.

The establishment of policies and programs covering, among others, the following: (1) health, safety and welfare; (2) training and development; and (3) reward/compensation for employees, encourages employees to perform better and motivates them to take a more dynamic role in the Company.

b. The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Business Conduct and Ethics. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the Company's culture.

c. The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an Independent Director or a unit created to handle whistleblowing concerns. The Board shall be

conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

#### **16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY**

*The Company shall be socially responsible in all its dealings with the communities where it operates. It shall ensure that its interactions serve its environment and Stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.*

The Company shall recognize and place importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society and community where it operates.

#### **XI. COMMITMENT TO GOOD CORPORATE GOVERNANCE**

The Company shall strictly implement its Corporate Governance rules in accordance with this Manual, which will be used as reference by all the Directors and members of Management. If necessary, funds shall be allocated by the CFO for the purpose of conducting an orientation program or workshop to operationalize this Manual.

A Director shall, before assuming as such, be required to attend a seminar on Corporate Governance, which shall be conducted, by a duly recognized private or government institute. This Manual shall be available for inspection by any shareholder of the Company at reasonable hours on business days.

All Directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

An adequate number of printed copies of this Manual must be reproduced under the supervision of Human Resources Department, with a minimum of at least one **(1)** hard copy of this Manual per department.

#### **XII. MONITORING AND ASSESSMENT**

Each committee shall report regularly to the Board. The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under this Manual.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the Company's Annual Report (SEC Form 17-A) or in such form of report that is applicable to the Company. The adoption of such performance evaluation system must be approved by the Board.

This Manual shall be subject to an annual review by the Board unless the Board determines that it shall be reviewed more frequently.

All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this Manual shall be discontinued unless they are changed to the extent necessary to be compliant with this Manual.

#### **XIII. PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL**

To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the Company's Directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation. The duration of the

suspension shall depend on the gravity of the violation.

- For third violation, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of this Manual by any member of the Board of the Company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship. The Compliance Officer shall be responsible for determining violation/s through notice and hearing, and shall recommend to the Chairman the imposable penalty for such violation, for further review and approval of the Board.

**AS APPROVED BY THE BOARD ON 14 MAY 2018.**

#### **EXECUTIVE COMMITTEE CHARTER**

In pursuit of good corporate governance, and in accordance with the New Manual on Corporate Governance (the "New Manual"), the Board of Directors (the "Board") of Megawide Construction Corporation (the "Company") hereby constitutes an Executive Committee (the "ExCom") and adopts this

ExCom Charter (this "Charter") to direct the Excom's oversight functions and activities.

#### **Committee Composition**

The ExCom shall have at least three (3), but not more than five (5) members, composed of the Chairman

of the Board and other Executive Directors appointed by the Board on an annual basis.

The Chairman of the Board shall serve as the Committee Chairman.

#### **Roles and Responsibilities**

The ExCom shall exercise all the fiduciary powers of the Board to be able to act upon any matter which cannot be postponed until the next regularly scheduled Board meeting, as well as oversee, to the extent allowed by the By-Laws and this Charter, the management of the Company's business and other affairs, particularly during the periods when the Board has no scheduled meetings, or is unavailable or unable to meet. The ExCom's role is particularly important in emergency or crisis situations when the President or CEO needs a focus group to deliberate on issues requiring immediate and critical decisions. The ExCom shall answer to, and be subordinate to the Board. Its other specific key responsibilities shall include:

1. Reviewing and approving major projects, proposals and other transactions within the Board's authorized limits or thresholds.
2. Approving major fixed asset acquisitions, disposals and write offs.
3. Approving budget reallocations;
4. Approving applications for credit facilities from banks and other financial institutions;
5. Determining the overall operating strategies and the business direction of the Company; and
6. Delegating its authority, or creating subordinate and/or ad hoc committees, for the supervision and management of the usual and ordinary business affairs of the departments and/ or business units within the Company.

## Committee Policies and Procedures

1. *Appointment and Removal.* The members of the ExCom shall be appointed by the Board, who shall serve at the pleasure of the Board, and under such terms as the Board may determine. The members of the ExCom may be removed, with or without cause, by the action of the Board.

2. *Availability of Outside Advisors or Observers.* The ExCom may directly engage outside advisors (legal, accounting, and any others as maybe deemed necessary or appropriate) in carrying out its duties and responsibilities. The Company shall provide funding determined by the ExCom for any of such services. Any member of the ExCom may however request an advisor or observer to be excluded from its meetings, or parts thereof, as such member deems appropriate in order for the

ExCom to carry out its responsibilities. Such advisor or observer may not rejoin the relevant meeting of the ExCom until it has completed its discussion on the pertinent topic.

3. *Access to Information and Employees.* The ExCom is empowered to investigate, should it deem appropriate, any matter in relation to its purpose, duties or responsibilities and shall have full and direct access to all books, records, facilities and personnel of the Company.

4. *Meetings and Quorum.* The ExCom shall fix the time and place of its meetings and shall convene as often as may be deemed necessary by the Chairman. All members are expected to attend meetings in person, but in special circumstances are allowed to be present by means of video conference, teleconference or other electronic means. Should any member, advisor or observer participate in a meeting of the ExCom through teleconference or video conference, all persons participating in the meeting should be able to hear each other.

The ExCom may also ask officers of top management to attend any portion of any meeting, or to provide relevant information in written form.

The Corporate Secretary shall send notice at least three (3) days before any meeting, specifying the place, date and time and the matters to be discussed at the same.

The quorum for any meeting of the ExCom shall be at least a majority of the members present throughout the meeting. When a quorum exists, the vote of majority of the members present shall constitute an action or a decision of the ExCom.

After each meeting, where relevant action was taken, the ExCom shall immediately provide notice and a report to the Board of the relevant decision made for the Board's acknowledgment and ratification during its next regularly scheduled meeting.

5. *Minutes and Records.* The Corporate Secretary shall prepare the minutes of the ExCom meetings and keep its records. Such records shall be open for inspection by any member upon reasonable prior notice and during office hours. Minutes of any meeting shall be signed by the Chairman and members present during the meeting.

## Review of Committee Charter

This Charter shall be reviewed and assessed at least annually. However, it shall not be amended, altered or varied without prior approval of the Company's Board. This Charter was approved by the Board on 14 May 2018.

CERTIFIED:

ATY.~

Corporate Secretaz:.

VERIFIED:

MR.EDG

**Megawide Construction DMCC**

Site Office: Postbag No.1, Greenfield Airport, Mopa, Pernem, Goa - 403512



## FINANCE COMMITTEE CHARTER

In pursuit of good corporate governance, and in accordance with its New Manual on Corporate Governance (the "New Manual"), the Board of Directors (the "Board") of Megawide Construction Corporation (the "Company") hereby constitutes a Finance Committee (the "FC") and adopts this FC Charter (this "Charter") to govern FC's oversight functions and activities.

### Committee Composition

The FC shall have three (3) or more members, with at least one independent director and/or a member with the relevant background and experience in accounting, banking, and/or finance. In the same manner, the Chairman of the FC shall preferably be an independent director who is knowledgeable in the foregoing fields.

The Board shall appoint the Chairman of the FC.

### Roles and Responsibilities

The FC shall assist the Board in its oversight responsibilities over management's regular finance functions and the Company's asset management, and bidding activities.

#### A. Regular Finance Functions

The FC shall have the following oversight responsibilities on all corporate finance matters of the Company and its business units:

1. Overview of Management Discussion and Analysis.

The FC will ensure that the Company shall prepare timely and accurate management reports that will assist the Board in its oversight functions and help boost decision-making and strategy execution by the management and senior officers of the Company.

Aside from the accuracy of the financial data, management reports must present valuable insight to the Board and management on driving operating performance and providing early warning signals for significant business risk exposures.



2. Evaluation of Major Capital Expenditures and Projects.

For a highly diversified corporation like the Company, it is normal to allot funds for the acquisition, improvement or upgrading of long-term assets such as factories, buildings, and property, plant and equipment. These significant capital expenditures and projects would require approval by the Board and formalization in an annual or special shareholders' meeting. The FC shall play a key role in overseeing the planning and execution of major capital projects, ensuring, for example, that the projects are on schedule at all times, within budget, and do not pose any potential business risk exposures to the organization. The top level review and evaluation prior to the Board approval shall be performed by the FC.

3. Share Capital Structuring and Restructuring Exercises; Share capital transactions may include increase or decrease in issued and paid-up capital, recapitalization, or share buy-back. Shareholdings are subject to change for a variety of reasons, such as (a) invitation of prospective investors; (b) creation of group structures; (c) tax and

succession planning; (d) necessity of raising capital funds for expansion and other purposes; (e) transfer of controlling interests, and; (f) amending stockholders' rights and interests. Prior to Board approval, the FC shall have the final review of all share capital transactions focusing on sensitive areas such as conflict of interest, insider trading, and other irregularities.

4. Management of the Company's Working Capital Funds and Long-Term Investments;

The FC shall monitor management's policies and procedures on the proper sources and uses of corporate funds and other liquid resources. Its functions shall cover the review of management's plans and strategies and all intercompany activities relating to the maintenance of cash and bank balances, investment portfolios, and intercompany loan transactions. The FC shall also ensure that all long-term investments are decided upon based on established investment guidelines and limits.

5. Debt and Equity Financing.

The FC's financing policy will greatly influence the Company's market value. Thus, searching for a financing mix with optimum benefits will always be a serious challenge to the Board and management. Equity financing may be less costly but would redound to diminution of equity interest. Conversely, debt financing results in additional costs (interest), and a high debt-equity ratio could send a wrong signal that the Company is in a highly leveraged situation that could lead to bankruptcy. On a regular basis, the FC must monitor how management determines the right debt-equity mix for the Company that would result in high market valuation of its shares.

6. Foreign Exchange Transactions;

The FC shall ascertain that there are Board approved plans and strategies to manage the foreign currency exchange transactions and other exposure to economic risks of the Company and its business units.

7. Capital Budgeting, Allocation and Forecasting, and;

The FC shall oversee the Company's annual budgeting process. It shall review and give recommendations, if necessary, on the annual budgets submitted to the Company's Chief Executive Officer.

8. Other Functions as may be Delegated or Authorized by the Board.

The FC may be given further oversight responsibilities by the Board relating to financial matters. The FC shall also be responsible in developing the Company's overall short-term, mid-term and long-term

strategic financial plans for Board consideration, and providing strategic oversight monitoring and

guidance over their implementation.

*(Note: The oversight responsibility of the FC shall not include the areas of financial and tax reporting as well as related party transactions, which are the responsibility of the Audit and Risk Management Committee.)*

## **B. Asset management.**

Asset management refers to a proactive, systematic and holistic approach to safeguard the assets and other resources of a company and deriving maximum economic value from their use. The FC must ensure that each business unit has an established asset management plan that is aligned with the Company's overall strategic objectives. The said asset management plan shall be subject to annual review and possible revisions.

### C. Construction Bidding

Bidding for construction projects is a major aspect of the Company's business. Adeptness in bidding could spell the difference between sustainability and eventual bankruptcy, in the long run. In most cases, one of the most important considerations in the bidding process is the lowest bid price. As such, on behalf of the Board, the FC shall perform the following oversight roles:

1. ensure that the bidding sub-committee is composed of highly skilled members with diversified backgrounds and experiences;
2. monitor the reasonableness of the bases and assumptions used in the project financial model; and
3. ensure that the risks and benefits associated with each planned bidding project are carefully analyzed and evaluated using pre-determined or Board-approved criteria.

### Committee Policies and Procedures

1. *Appointment and Removal.* The members of the FC shall be appointed by the Board, who shall serve at the pleasure of the Board, and under such terms as the Board may determine. The members of the FC may be removed, with or without cause, by the action of the Board.
2. *Availability of Outside Advisors or Observers.* The FC may directly engage outside advisors (legal, accounting, and any others as maybe deemed necessary or appropriate) in carrying out its duties and responsibilities. The Company shall provide funding determined by the FC for any of such services. Any member of the FC may however request an advisor or observer to be excluded from its meetings, or parts thereof, as such member deems appropriate in order for the FC to carry out its responsibilities. Such advisor or observer may not rejoin the relevant meeting of the FC until it has completed its discussion on the pertinent topic.
3. *Access to Information and Employees.* The ARMC is empowered to investigate, should it deem appropriate, any matter in relation to its purpose, duties or responsibilities and shall have full and direct access to all books, records, facilities and personnel of the Company.
4. *Meetings and Quorum.* The FC shall meet at least four (4) times each year and at such times and places, as it shall consider appropriate to fulfill its duties and responsibilities. Its meetings shall be convened by the Chairman as he considers appropriate, or upon the request of a majority of its members. All members are expected to attend meetings in person, but in special

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circumstances are allowed to be present by means of video conference, teleconference or other electronic means. Should any member, advisor or observer participate in a meeting of the FC through teleconference or video conference, all persons participating in the meeting should be able to hear each other.

The Corporate Secretary shall send notice at least three (3) days before any meeting, specifying the place, date and time and the matters to be discussed at the same.

The quorum for any meeting of the FC shall be at least a majority of the members present throughout the meeting. When a quorum exists, the vote of majority of the members present shall constitute an action or a decision of the FC.

5. *Minutes and Records.* The Corporate Secretary shall prepare the minutes of the FC meetings and keep its records. Such records shall be open for inspection by any member upon reasonable prior notice and during office hours. Minutes of any meeting shall be signed by the Chairman and members present during the meeting.

#### **Review of Committee Charter**

This Charter shall be reviewed and assessed at least annually. However, it shall not be amended, altered or varied without prior approval of the Company's Board.


This Charter was approved by the Board on 14 May 2018.

CERTIFIED:

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**ATTY. ALTHEA ISOBEL F. OAMINAL**  
*Corporate Secretary*

VERIFIED: 

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**MR. EOG VEDRA**

*Chairman of the Board*

**Megawide Construction DMCC**

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## AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

In pursuit of good corporate governance, and in accordance with its New Manual on Corporate Governance (the "New Manual"), the Board of Directors (the "Board") of Megawide Construction Corporation (the "Company") hereby constitutes an Audit and Risk Management Committee (the "ARMC") and adopts this ARMC Charter (this "Charter") to govern the ARMC's oversight functions and activities.

### Committee Composition

The ARMC shall be composed of at least three (3) non-executive directors, majority of whom, including its Chairman, shall be Independent Directors. All the members shall have relevant background, knowledge, skills, and/or experience in the areas of risk and risk management, accounting, audit, and/or finance, and is able to read and understand financial statements.

The Board shall appoint the Chairman of the ARMC. The Chairman of the ARMC, however, should not be the chairman of any other committee.

### Roles and Responsibilities

The ARMC shall assist the Board on their oversight responsibilities in the following areas: (a) audit and financial reporting, (b) enterprise risk management ("ERM"), and (c) related party transactions ("RPTs").

#### A. Audit and Financial Reporting.

The ARMC shall oversee the Company's financial reporting procedure, system of internal control, audit process, and compliance with applicable laws, rules and regulations. The ARMC's detailed functions shall include, among others:

1. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including its financial reporting and information technology security.
2. Perform oversight activities over the Company's external and internal auditors. The ARMC shall ensure that the 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 objectively perform their respective audit functions. The ARMC shall further guarantee that the internal and external auditors shall be free from interference by outside parties in carrying out their work and duties.
3. Recommend and approve the appointment, reappointment, removal, and fees of the external auditor which shall be approved by the Board and ratified by the shareholders.

4. Assess, oversee, review and monitor the external auditor's independence, integrity and objectivity and shall ensure that the external auditor has adequate quality control procedures. The ARMC shall review the external auditor's suitability and effectiveness on an annual basis and shall implement a policy of rotating the external auditor's lead audit partner *every five (5) years*.

5. Ensure that the external auditor is credible, competent and has the ability to understand complex

RPTs, its counterparties, and valuations of such transactions.

6. Organize an internal audit department and consider the appointment of an independent internal auditor and determine, if ever, the terms and conditions of his engagement and removal.

7. Oversee the internal audit function, and recommend the appointment and/or grounds for the approval of an internal audit head or Chief Audit Executive ("CAE"). The ARMC shall also approve the terms and conditions for outsourcing internal audit services.

8. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope and the resources and budget necessary to implement the

Same.

9. Establish the reporting line of the internal audit team to enable them to properly fulfill their duties and responsibilities. For this purpose, the internal audit team shall directly report to the ARMC.

10. Review the reports submitted by the internal and external auditors. Evaluate and monitor management's responsiveness to the internal and external auditors' findings and recommendations.

u. Prior to the commencement of the audit, discuss with the external auditors the nature, scope and expenses of the audit, and ensure coordination, if more than one audit firm is involved in the activity, to secure proper coverage and minimize duplication of efforts.

12. Review the quarterly, semi-annual, and annual financial statements before their submission to the Board, with particular focus on the following matters:

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- a. Any change/s in accounting policies and practices;
  - b. Major judgmental areas;
  - c. Significant adjustments resulting from the audit;
  - d. Going concern assumptions;
  - e. Compliance with accounting standards; and
  - f. Compliance with tax, legal and regulatory requirements.
13. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
14. 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 their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The ARMC shall disallow any non-audit work that will conflict with the external auditor's duties or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the annual report of the Company.
15. In case the Company does not have a Board Risk Oversight Committee and/or Related Party Transactions Committee, the ARMC shall perform the functions of the said committees as provided under recommendations 3-4 and 3.5 of the Integrated Annual Corporate Governance Report.
16. Perform such other functions as may be delegated or authorized by the Board.

The ARMC shall meet with the Board at least every quarter without the presence of the Chief Executive

Officer or other management team members, and periodically meet with the head of the internal audit.

For a complete coverage and guidance on the audit and financial reporting and oversight responsibilities, the ARMC shall refer to the following portions of the New Manual: (1) Section VJ (3) (c); (2) Section VII (9); (3) Section VII (10), and; (4) Section VIII (12).



## B. Enterprise Risk Management (ERM)

The ARMC shall provide oversight over management's activities in managing credit, market, liquidity, operational, legal and other risks faced by the Company. The ARMC shall ensure that management identifies key risk areas as well as related performance indicators and monitor these factors with due diligence to enable the Company to anticipate and prepare for possible threats to its operational and financial viability.

The Board must ensure that the Company shall adopt an ERM system and process that shall apply across the entire organization and designed to identify potential events that may affect the Company, manage risks to stay within the Board's risk appetite, and provide reasonable assurance regarding the achievement of the Company's risk management objectives.

Management is primarily responsible for the development and implementation of an ERM, as well as the risk management strategies to be adopted to address the prioritized risks. In turn, the ARMC shall determine the adequacy of the Company's ERM process. The ARMC shall ensure that:

1. The President, as the ERM champion, is assisted by a Chief Risk Officer, or in his absence, the Chief Finance Officer;
2. The ERM system contains the following basic elements: (a) overall risk appetite of the Company as approved by the Board; (b) risk profile; (c) risk management structure, and; (d) risk management process;
3. There is an annual evaluation of the results of the risk assessment exercise and other information on risk exposures and risk management activities, and
4. There is close monitoring and effective management of identified priority risks.

The ARMC shall be further guided by Section VIII of the New Manual in its ERM oversight responsibilities.

### C. Related Party Transactions (RPTs)

The ARMC shall ensure that management shall formulate and implement policies and procedures that would guarantee the integrity and transparency of R.PTs.

RPTs refer to transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. It shall be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

R.PTs shall cover all of the Company's subsidiaries, other affiliates, and any party (including their subsidiaries, affiliates and special purpose entities) that the Company exerts direct or indirect control over or conversely, that exerts direct or indirect control over the Company, as well as their directors, officers, shareholders, related interests, close family members, including the corresponding persons in affiliated companies. This coverage shall also include such other person or juridical entity whose interest may pose a potential conflict with the interest of the Company.

To ensure total coverage and effective oversight, the ARMC shall be guided by the following provisions of the New Manual: (1) Section VI (2) (m) and (bb), and; (2) Section VII (8) (e)

#### Committee Policies and Procedures

1. *Appointment and Removal.* The members of the ARMC shall be appointed by the Board, who shall serve at the pleasure of the Board, and under such terms as the Board may determine. The members of the GNCC may be removed, with or without cause, by the action of the Board.
2. *Availability of Outside Advisors or Observer.* The ARMC may directly engage outside advisors (legal, accounting, and others as may be necessary or appropriate) in carrying out its duties and responsibilities. The Company shall provide the necessary funding determined by the ARMC for such advisors and firms. Any ARMC member may however request any advisor or observer be excluded from the ARMC's meetings, or parts thereof, as the said member may deem appropriate for the ARMC to carry out its responsibilities. Such advisor or observer may not rejoin the relevant meeting of the ARMC until it has completed the discussion on the pertinent topic.
3. *Access to Information and Employees.* The ARMC is empowered to investigate, should it deem appropriate, any matter in relation to its purpose, duties or responsibilities and shall have full and direct access to all books, records, facilities and personnel of the Company.

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4. *Meetings and Quorum.* The ARMC shall meet at least four (4) times each year and at such times and places, as it shall consider appropriate to fulfill its duties and responsibilities. Its meetings shall be convened by the Chairman as he considers appropriate, or upon the request of a majority of its members. All members are expected to attend meetings in person, but in special circumstances are allowed to be present by means of video conference, teleconference or other electronic means. Should any member, advisor or observer participate in a meeting of the ARMC through teleconference or video conference, all persons participating in the meeting should be able to hear each other.

The Corporate Secretary shall send notice at least three (3) days before any meeting, specifying the place, date and time and the matters to be discussed at the same.

The quorum for any meeting of the ARMC shall be at least a majority of the members present throughout the meeting. When a quorum exists, the vote of majority of the members present shall constitute an action or a decision of the ARMC.

5. *Minutes and Records.* The Corporate Secretary shall prepare the minutes of its meetings and keep its records. Such records shall be open for inspection by any member upon reasonable prior notice and during office hours. Minutes of any meeting shall be signed by the Chairman and members present during the meeting.

#### Review of Committee Charter

This ARMC Charter shall be reviewed and assessed at least annually. However, it shall not be amended, altered or varied without prior approval of the Company's Board.

This Charter was approved by the Board on 14 May 2018.

CERTIFIED:

  
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**ATTY. ALTHEA ISOBEL F. OAMINAL**  
Corporate Secretary

  
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**MR. EDGAR B. SAAVEDRA**  
Chairman of the Board

## GOVERNANCE, NOMINATIONS AND COMPENSATION COMMITTEE CHARTER

In pursuit of good corporate governance, and in accordance with the New Manual on Corporate Governance (the "New Manual"), the Board of Directors (the "Board") of Megawide Construction Corporation (the "Company") hereby constitutes a Governance, Nomination and Compensation Committee (the "GNCC") and adopts this GNCC Charter (this "Charter") to govern its oversight functions and activities.

### Committee Composition

The GNCC shall have at least three (3) members, all of whom shall be independent directors, including the Chairman.

### Roles and Responsibilities

The GNCC shall assist the Board in its responsibilities on: (a) corporate governance; (b) nomination and election process, and; (c) compensation.

The GNCC may also perform such other functions as may be delegated or authorized by the Board.

### A. Corporate Governance

On behalf of the Board, the GNCC shall be tasked to ensure that the Company adheres to good corporate governance principles and practices as provided for in the New Manual. The GNCC shall be assisted in its oversight duties by a Compliance Officer, who shall have a rank of Vice-President, or an equivalent position, with adequate stature and authority in the organization.

#### *Compliance Officer*

The Compliance Officer shall not be a member of the Board and shall annually attend training on corporate governance. He shall be a member of the Company's management team in charge of the compliance function in corporate governance. Similar to the Corporate Secretary, he is primarily accountable to the Company and its shareholders, and not to its Chairman, President or Chief Executive Officer. The GNCC shall ensure that the Compliance Officer performs his duties and responsibilities under Section VI (1) (f) of the New Manual.

#### *Director Training*

In addition, the GNCC shall ensure that a system is adopted on the training of directors which shall include an orientation program for first-time directors and relevant annual continuing training for all directors. The orientation program shall cover topics on corporate governance mandated by the Securities and Exchange Commission ("SEC") and an introduction to the Company's business, corporate/charter documents, and Company policies. Meanwhile, the annual seminars and/or training shall concern courses on corporate governance matters relevant to the Company, including audit, internal control, risk management, sustainability and strategy.

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## *Annual Assessment of the Company*

The GNCC shall assess the performance and compliance of the Company with the New Manual and other relevant regulatory requirements by accomplishing the Company's Annual Corporate Governance Self-Evaluation Report

### **B. Nomination and Election Process**

The GNCC shall be tasked to implement guidelines and standards for its members that will facilitate the selection of potential nominees for Board seats, and to serve as a benchmark for the evaluation of the said nominee's performance. The GNCC shall oversee a consistent adoption of a formal and transparent Board nomination and election policy that shall include a process of accepting nominations from minority shareholders and vetting nominated candidates.

The Board policy shall also include an annual assessment of the effectiveness of its processes and procedures in the nomination, election, or replacement of a director. In addition, the manner by which it will identify the quality of directors shall be aligned with the strategic direction of the Company.

The following comprises the detailed functions of the GNCC with regard to the nomination and election process, among others:

1. Develop a criterion for identifying, selecting and evaluating candidates for the Board, including guidelines for assessing their independence. Amongst these criteria are desired board skills and attributes, business and management experience, diversity of talents, background, perspectives, ability to devote the time and effort necessary to fulfill the responsibilities as a Board member, and familiarity with the business and relevant regulatory requirements.
2. Identify and recruit qualified director candidates for the Board and review director candidates recommended and nominated validly by the shareholders or directors of the Company.
3. Receive nominations of candidates for election as directors from stockholders either by electronic mail, regular mail or personal delivery and submitted by shareholders within the period designated.
4. Review and evaluate the qualifications of all persons nominated to the Board, in relation to the criteria set forth in the New Manual, the Company By-Laws, and applicable regulations, including whether the candidates: (1) possess the knowledge, skills, experience, and in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the entity's business and risk profile; (2) have a record of integrity and good repute; (3) have sufficient time to carry out their responsibilities, and (4) have the ability to promote a smooth interaction between Board members. The GNCC may secure the assistance of an executive search firm, if necessary, for this purpose.

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5. Review annually the contributions and independence of existing directors and recommend director nominee candidates to the Board for election or re-election at the annual stockholders meeting and to fill such Board vacancies as it may occur during the year.
6. Conduct a periodic review of the Board's committee structure, including evaluation of board size, composition and activities, practices, committees and committee membership. Review and recommend to the Board concerning qualifications, appointment, removal and replacement of directors and committee members

The process shall also include monitoring the qualifications of the directors and the grounds for the disqualification of a director.

### C. Compensation

Through the GNCC, the Board shall oversee the establishment and administration of the Company's compensation program, and align the remuneration of key officers and Board members with its long-term interests. The GNCC shall formulate and adopt a policy specifying the relationship between remuneration and performance

Directors' compensation shall always be in accordance with the By-Laws of the Company and/or as approved by the stockholders during an annual stockholders' meeting. The Board shall, from time to time, approve a reasonable *per diem* that a director may receive for attendance in Board meetings and Board committee meetings.

The specific duties and responsibilities of the GNCC in the area of compensation are detailed as follows:

1. Oversee and evaluate the Company's human resource planning process and succession plans for the Chief Executive Officer ("CEO") and other senior executive positions. Recommend for Board approval short-listed candidates for these positions.
2. Establish and review annually an emergency succession plan for the CEO and other senior executive positions.
3. Evaluate the performance of the CEO, approve annual salary, bonus and other incentive awards, remuneration or executive benefits to the CEO. In determining the long-term incentive component of CEO compensation, the GNCC shall consider, among other factors, the Company's performance and relative shareholder return, the amount of similar incentive awards to CEOs at comparable companies and the awards given to the CEO in the past years.
4. Review and approve senior officers' salary, bonus and awards based on the GNCC's established criteria. Oversees regulatory compliance with respect to these compensation matters.



5. Review and approve any severance or similar termination payments proposed to be made to any current or former member of senior officers of the Company.
6. Review periodically and make recommendations to the Board concerning the level/status of the Board compensation in relation to best practices of other similarly situated public companies.
7. Evaluate annually the performance of the GNCC and report the results of evaluation to the Board.
8. Prepare and approve all reports of the GNCC in accordance with the applicable rules and regulations of the SEC.
9. Discharge any responsibilities delegated by the Board relating to the Company's compensation programs.

#### **Committee Policies and Procedures**

1. *Appointment and Removal.* The members of the GNCC shall be appointed by the Board, who shall serve at the pleasure of the Board, and under such terms as the Board may determine. The members of the GNCC may be removed, with or without cause, by the action of the Board.
2. *Availability of Outside Advisors or Observers.* The GNCC may directly engage outside advisors (legal, accounting, and any others as maybe deemed necessary or appropriate) in carrying out its duties and responsibilities. The Company shall provide funding determined by the GNCC for any of such services. Any member of the GNCC may however request an advisor or observer to be excluded from its meetings, or parts thereof, as such member deems appropriate in order for the GNCC to carry out its responsibilities. Such advisor or observer may not rejoin the relevant meeting of the GNCC until it has completed its discussion on the pertinent topic.
3. *Access to Information and Employees.* The ARMC is empowered to investigate, should it deem appropriate, any matter in relation to its purpose, duties or responsibilities and shall have full and direct access to all books, records, facilities and personnel of the Company.
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The Corporate Secretary shall send notice at least three (3) days before any meeting, specifying the place, date and time and the matters to be discussed at the same.



The quorum for any meeting of the GNCC shall be at least a majority of the members present throughout the meeting. When a quorum exists, the vote of majority of the members present shall constitute an action or a decision of the GNCC.

5. *Minutes and Records.* The Corporate Secretary shall prepare the minutes of the GNCC meetings and keep its records. Such records shall be open for inspection by any member upon reasonable prior notice and during office hours. Minutes of any meeting shall be signed by the Chairman and members present during the meeting.

#### Review of Committee Charter

This Charter shall be reviewed and assessed at least annually. However, it shall not be amended, altered or varied without prior approval of the Company's Board.


This Charter was approved by the Board on 14 May 2018.

CERTIFIED:

NAL

*Corporate Secretary*

VERIFIED:



MR. EDG AAVEDRA

*Chairman of the Board*

