

SECURITIES AND EXCHANGE COMMISSION

SEC FORM - ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: **2015**
 2. Exact Name of Registrant as Specified in its Charter: **Megawide Construction Corporation**
 3. **2/F Spring Bldg. Arnaiz Ave. cor. P. Burgos St., Pasay City, Metro Manila**
Address of Principal Office Postal Code **1300**
 4. SEC Identification Number: **CS200411461**
 5. (SEC Use Only)
Industry Classification Code:
 6. BIR Tax Identification Number: **232-715-069-000**
 7. **655-1111**
Issuer's telephone number, including area code
 8. **N/A**
Former name or former address, if changed since last report
-

A. BOARD MATTERS

1) Board of Directors

| | |
|---|---|
| Number of Directors per Articles of Incorporation | 7 |
|---|---|

| | |
|---|---|
| Actual number of Directors for the year | 7 |
|---|---|

(a) Composition of the Board

Complete the table with information on the Board of Directors:

| Directors' Name | Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)] | If nominee, identify the principal | Nominator in the last election (if ID, state the relationship with the nominator) | Date first elected | Date last elected ¹ (if ID, state the number of years served as ID) ² | Elected when (Annual/Special Meeting) | No. of years served as director ³ |
|---------------------------|---|--|---|--------------------|---|---------------------------------------|--|
| Michael Cosiquien | ED | N/A | Suyen Corporation | July 28, 2004 | June 30, 2015 | Annual Meeting | 11 |
| Edgar B. Saavedra | ED | N/A | Suyen Corporation | July 28, 2004 | June 30, 2015 | Annual Meeting | 11 |
| Yerik C. Cosiquien | NED | N/A | Suyen Corporation | July 28, 2004 | June 30, 2015 | Annual Meeting | 11 |
| Elizabeth Anne C. Uychaco | NED | Sybase Equity Investments Corporation (Sybase) | Suyen Corporation | March 16, 2011 | June 30, 2015 | Annual Meeting | 4 |
| Florentino Tuason, Jr. | NED | N/A | Suyen Corporation | April 8, 2011 | June 30, 2015 | Annual Meeting | 4 |
| Leonilo G. Coronel | ID | N/A | Suyen Corporation (no relationship with nominator) | July 19, 2010 | June 30, 2015 (served as ID for 5 years) | Annual Meeting | 5 |
| Leonor M. Briones | ID | N/A | Suyen Corporation (no relationship with nominator) | July 19, 2010 | June 30, 2015 (served as ID for 5 years) | Annual Meeting | 5 |

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors has adopted the corporate governance policy stated in the Revised Code of Corporate Governance. In particular, the Board has adopted the following policies to protect the rights of minority stakeholders:

- **A director shall not be removed without cause if it will deny minority shareholders representation in the Board.**

¹Updated as of 2015

²Reckoned from first election on July 19, 2010. (Updated as of 2015)

³Updated as of 2015.

- 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 stockholders' meeting, being within the definition of "legitimate purposes."
- The Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.
- Megawide's Board and Management committed themselves to the principles and best practices contained in its Revised Manual on Corporate Governance and acknowledged that the Revised Manual serves as their guide to the attainment of corporate goals.

(c) How often does the Board review and approve the vision and mission?

Yearly.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group⁴

Identify, as and if applicable, the members of the company's Board of Directors who hold the office as director in other companies within its Group:

| Director's Name | Corporate Name of the Group Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|----------------------|---|--|
| Michael C. Cosiquien | Altria East Land Inc. (Altria) <u>MySpace Properties, Inc. (MySpace)</u> ⁵ Citicore Holdings Investment, Inc. (Citicore) <u>Megapolitan Realty and Development Corporation (Megapolitan)</u> ⁶ <u>Megapolitan Marketing Inc.</u> ⁷ | Executive Executive |
| Edgar B. Saavedra | Altria <u>MySpace</u> ⁸ Citicore | Executive Executive |

⁴ The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

⁵ Updated as of 2015

⁶ Updated as of 2015

⁷ Updated as of 2015

⁸ Updated as of 2015

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

| Director's Name | Name of Listed Company | Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman. |
|---------------------------|--------------------------------|--|
| Elizabeth Anne C. Uychaco | Belle Corporation ⁹ | Executive |

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

| Director's Name | Name of the Significant Shareholder | Description of the relationship |
|----------------------|-------------------------------------|---------------------------------|
| Michael C. Cosiquien | Citicore ¹⁰ | Director and stockholder |
| Edgar B. Saavedra | Citicore ¹¹ | Director and stockholder |

- (iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

There is no limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously. The Board of Directors will, however, discuss and consider setting such limit pursuant to the Revised Code on Corporate Governance.

| | Guidelines | Maximum Number of Directorships in other companies |
|------------------------|------------|--|
| Executive Director | N/A | N/A |
| Non-Executive Director | | |
| CEO | | |

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of

⁹Updated as of 2015

¹⁰ Updated as of 2015

¹¹ Updated as of 2015

Directors who directly and indirectly own shares in the company (as of December 31, 2015):¹²

| Name of Director | Number of Direct shares | Number of indirect shares / Through (name of record owner) | % of capital stock |
|---------------------------|--------------------------|--|--------------------|
| Michael C. Cosiquien | 3 (lodged with PCD) | None | Nil |
| Edgar B. Saavedra | 3 (lodged with PCD) | None | Nil |
| Yerik C. Cosiquien | 3 (lodged with PCD) | 8,996,108(held by his father, lodged with PCD) | Nil |
| Elizabeth Anne C. Uychaco | 59,003 (lodged with PCD) | None | Nil |
| Florentino A. Tuason, Jr. | 246 | None | Nil |
| Leonilo G. Coronel | 5 (lodged with PCD) | None | Nil |
| Leonor M. Briones | 5 (lodged with PCD) | None | Nil |
| TOTAL | 59,268 | 8,996,108 | Nil |

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefits of independent views.

Yes No

Pursuant to Article 3 (C) of the Revised Code of Corporate Governance, the Board gets independent views from independent and non-executive directors.

Identify the Chair and CEO:

| | |
|------------------------------|---|
| Chairman of the Board | Michael C. Cosiquien |
| CEO/President | CEO – Michael C. Cosiquien President – Edgar B. Saavedra |

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

| | Chairman | Chief Executive Officer |
|-------------------------|---|--|
| Role | <ul style="list-style-type: none"> Ensure that the meetings of the Board are held in accordance with the by-laws or as the Chair may deem necessary; Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the | <ul style="list-style-type: none"> Preside at the meetings of the stockholders; Initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and |
| Accountabilities | | |
| Deliverables | | |

¹²Updated as of 2015

| | | |
|--|--|---|
| | <p>suggestions of the CEO, Management and the directors;</p> <ul style="list-style-type: none"> • Maintain qualitative and timely lines of communication and information between the Board and Management; and • Be the Presiding Officer of the Executive Committee | <p>compensation;</p> <ul style="list-style-type: none"> • Supervise and manage the business affairs of the Corporation upon the direction of the Board of Directors; • Implement the administrative and operational policies of the corporation under his supervision and control; • Appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries; • Oversee the preparation of the budgets and the statements of accounts of the corporation; • Represent the corporation at all functions and proceedings; • Execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors; • Make reports to the Board of Directors and stockholders; • Perform such other duties as are incident to his office or are entrusted to him by the Board of Directors. |
|--|--|---|

3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Board will still discuss such plan for succession. On October 1, 2012, the Audit and Risk Management Committee approved that its Charter should include a succession plan, among others.

4) Other Executive, Non-executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Board is still formulating a policy on the matter.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Board is still formulating a policy on the matter.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

| | Executive | Non-Executive | Independent Director |
|------------------|---|----------------------|--|
| Role | <ul style="list-style-type: none"> • Conduct fair business transactions with the company and ensure that personal interest does not conflict with the interests of the corporation; • Devote time and attention necessary to properly and effectively perform his duties and responsibilities; • Act judiciously; • Exercise independent judgment; • Have a working knowledge of the statutory and regulatory requirements that affect the company, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies; • Keep abreast with industry developments and business trends in order to promote the corporation’s competitiveness; and • Observe confidentiality. | | <ul style="list-style-type: none"> • Always attend Board meetings; • Conduct fair business transactions with the company and ensure that personal interest does not conflict with the interests of the corporation; • Devote time and attention necessary to properly and effectively perform his duties and responsibilities; • Act judiciously; • Exercise independent judgment; • Have a working knowledge of the statutory and regulatory requirements that affect the company, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies; • Keep abreast with industry developments and business trends in order to promote the corporation’s competitiveness; and • Observe confidentiality. |
| Accountabilities | | | |
| Deliverables | | | |

Provide the company’s definition of “independence” and describe the company’s compliance to the definition.

The company adheres to the definition of “independent director” provided under Section 38 of the Securities Regulation Code, namely:

“xxx ‘independent director’ shall mean a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.”

It also complies with the definition of the term provided under Part I item c of the Code of Corporate Governance:

“c. *Independent Director* - refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. This means that apart from the directors’ fees and shareholdings, he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment.”

Does the company have a term limit of five consecutive years for independent directors?

Yes. The company shall comply with SEC Memorandum Circular No. 9 series of 2011¹³ on Term Limits of Independent Directors.

If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Pursuant to the SEC Memorandum, an independent director who had served for five (5) years can be re-elected after a 2-year cooling-off period and can serve for another five (5) years provided that the independent director has not engaged in any activity that under existing rules disqualifies a person from being elected as independent director.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period: **There were no changes in the composition of the Board of Directors.**

| Name | Position | Date of Cessation | Reason |
|------|----------|-------------------|--------|
| N/A | N/A | N/A | N/A |

(b) Selection/Appointment, Re-election, Disqualification/Removal, Reinstatement

¹³ Updated as of 2015.

and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Please provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

| Procedure | Process Adopted | Criteria |
|------------------------------|--|---|
| a. Selection/Appointment | | |
| (i) Executive Directors | <p>Stockholders may submit the names of nominees to the Corporate Secretary. The Compensation and Nomination Committee then reviews and evaluates the nominations and gives the list of nominees to the Corporate Secretary.</p> <p>The stockholders will then elect the directors from the list of nominees during the regular stockholders' meeting.</p> | <p>Directors must possess the following qualifications and none of the following disqualifications:</p> <p>Qualifications:</p> <ul style="list-style-type: none"> • college education or equivalent academic degree; • practical understanding of the business of the corporation; • membership in good standing in relevant industry, business or professional organizations; • previous business experience <p>Permanent disqualification:</p> <ul style="list-style-type: none"> • Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that: <ul style="list-style-type: none"> (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship |
| (ii) Non-Executive Directors | | |

| | | |
|--|--|---|
| | | <p>with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</p> <ul style="list-style-type: none"> ● Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasibank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in subparagraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities. <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission (SEC) or Bangko Sentral ng</p> |
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| | | |
|--|--|--|
| | | <p>Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization.</p> <ul style="list-style-type: none"> ● Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts. ● Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order. ● Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation. |
|--|--|--|

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|--|--|---|
| | | <ul style="list-style-type: none"> ● Any person judicially declared as insolvent. ● Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in subparagraphs (i) to (v) of Article 3, Part E (1) of the Revised Code of Corporate Governance. ● Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment. ● A stockholder may not be nominated or elected to the Board of Directors if he/she represents an interest adverse to or in conflict with those of the Corporation or if he/she is an officer or stockholder of a corporation engaged in the same business as that of the Corporation. <p>Temporary Disqualification</p> <ul style="list-style-type: none"> ● Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as |
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| | | <p>the refusal persists.</p> <ul style="list-style-type: none"> • Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election. • Dismissal or termination for cause as director of any corporation covered by the Revised Code of Corporate Governance. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination. • If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. • If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final. <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the</p> |
|--|--|--|

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|-------------------------------|---|--|
| | | disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent. |
| (iii) Independent Directors | | <p>Please refer to item (a) (i) and (ii) under “Criteria.”</p> <p>Pursuant to Section 38 of the Securities Regulation Code and the SEC Code of Corporate Governance, an “independent director” shall mean a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having a relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Under the SEC Code of Corporate Governance, this means that apart from the directors' fees and shareholdings, he should be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgment.</p> |
| b. Re-appointment | | |
| (i) Executive Directors | Please refer to item (a) under “Process Adopted.” | Please refer to item (a) (i) and (ii) under “Criteria.” |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| c. Permanent Disqualification | | |
| (i) Executive Directors | The Compensation and Nomination Committee pre-screens and evaluates the qualifications and disqualifications of nominees. | Please refer to item (a) (i) and (ii) under “Criteria.” |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

| | | |
|-------------------------------|---|---|
| | | perpetually barred from being elected as such in the same company, without prejudice to being elected as independent director in other companies outside of the business conglomerate. |
| d. Temporary Disqualification | | |
| (i) Executive Directors | The Compensation and Nomination Committee pre-screens and evaluates the qualifications and disqualifications of nominees. The Compliance Officer will determine the violation through notice and hearing and recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board. | Please refer to item (a) (i) and (ii) under “Criteria.” For independent directors, please refer also to item (a) (iii) above. Under SEC Memorandum Circular 9 s. 2011, an independent director is ineligible for election as such after completion of a five-year service period, unless he/she has undergone a 2-year cooling off period and he/she has not engaged in any activity that under existing rules disqualifies a person from being elected as independent director in the same company. |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| e. Removal | | |
| (i) Executive Directors | Directors may be removed by vote of the stockholders holding or representing at least 2/3 of the outstanding capital stock. | Directors may be removed with cause or by commission of a third violation of the Manual on Corporate Governance. |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| f. Reinstatement | | |
| (i) Executive Directors | Please refer to item (a) under “Process Adopted.” | Please refer to item (a) (i) and (ii) under “Criteria.” For independent directors, please refer also to item (a) (iii) under “Criteria.” |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |
| g. Suspension | | |
| (i) Executive Directors | The Compliance Officer will determine the violation through notice and hearing and recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board. | Suspension from office shall be imposed in case of second violation of the Manual on Corporate Governance. The duration of the suspension shall depend on the gravity of the violation. |
| (ii) Non-Executive Directors | | |
| (iii) Independent Directors | | |

Voting Result of the last Annual General Meeting¹⁴

| Name of Director | Votes Received |
|---------------------------|----------------------|
| Michael C. Cosiquien | <u>1,777,533,043</u> |
| Edgar B. Saavedra | <u>1,777,533,043</u> |
| Yerik C. Cosiquien | <u>1,777,533,043</u> |
| Elizabeth Anne C. Uychaco | <u>1,777,533,043</u> |
| Florentino A. Tuason, Jr. | <u>1,777,533,043</u> |
| Leonor M. Briones | <u>1,777,384,786</u> |
| Leonilo G. Coronel | <u>1,777,533,043</u> |

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

The company gives a brief presentation on the company structure and business operations after election of the new directors.

- (b) State any in-house training and external courses attended by Directors and Senior Management¹⁵ for the past three (3) years:

**Corporate Governance Seminar
ASEAN CG Scorecard Seminar**

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

| Name of Director/Officer | Date of Training | Program | Name of Training Institution |
|---------------------------|------------------|--------------------------------------|--|
| Florentino A. Tuason, Jr. | December 2012 | Mandatory Continuing Legal Education | Integrated Bar of the Philippines - Makati |

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

| Business Conduct & Ethics | Directors | Senior Management | Employees |
|---------------------------|---|-------------------|--|
| (a) Conflict of Interest | In its October 1, 2012 meeting, the Audit and Risk Management Committee approved that the company should adopt a Code of Conduct for management. The company will still have to prepare such Code of Conduct. | | All employees are required to promptly disclose any financial or personal interest in any transaction involving the Company to ensure that potential conflicts of interest are brought to the attention of management. |

¹⁴June 30, 2015. (Updated as of 2015)

¹⁵ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

| | | |
|---|--|---|
| (b) Conduct of Business and Fair Dealings | | All employees shall at all times observe propriety and act with fairness and transparency in dealing with business partners(suppliers, subcontractors, banks and other entities that engage in business with the company). |
| (c) Receipt of gifts from third parties | | The company prohibits the solicitation or acceptance of gifts in any form from any business partner. |
| (d) Compliance with Laws & Regulations | | The company aims to conduct business in accordance with the highest standards of business ethics. To this end, all business dealings should be compliant with all applicable laws and must not in any way compromise the good name and reputation of the company. |
| (e) Respect for Trade Secrets/use of Non-public information | | All employees shall maintain and safeguard the confidentiality of information relating to the company. |
| (f) Use of Company Funds, Assets and Information | | All employees shall use company property and resources efficiently, responsibly, and only for legitimate business purposes only. They should safeguard company assets from loss, damage, misuse or theft. |
| (g) Employment & Labor Laws & Policies | | The company has a manual which provides for employee rights, obligations and policies on employee-related matters, which are consistent with and in accordance with relevant provisions of the Labor Code. |
| (h) Disciplinary action | | Employees who commit a violation of the Code of Conduct shall be subject to disciplinary action (including termination) without prejudice to any civil or criminal proceedings |

| | | |
|-------------------------|--|--|
| | | that the company may file for violation of existing law. |
| (i) Whistle Blower | | It is the responsibility of all employees to comply with and report violations or suspected violations of the Code. No employee who, in good faith, reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequence. |
| (j) Conflict Resolution | | The principle of due process shall be observed in the handling of all cases. |

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

In its October 1, 2012 meeting, the Audit and Risk Management Committee approved that the company should adopt a Code of Conduct for Management. Formulation of a Code of Conduct for Directors and Management is on-going.

A copy of the Employee Code of Conduct/Discipline has been distributed to all employees of the company.

- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

In its October 1, 2012 meeting, the Audit and Risk Management Committee approved that the company should adopt a Code of Conduct for Management. Formulation of a Code of Conduct for Directors and Management is on-going.

A copy of the Employee Code of Conduct/Discipline was distributed to all employees for strict compliance. It is the responsibility of each employee to report legitimate concerns so that problems can be properly resolved and corrective measures can be instituted.

Generally, the Human Resources Department is responsible for the company-wide implementation and monitoring of compliance with the Employee Code of Conduct/Discipline.

- 4) Related Party Transactions

- (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between

and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

The review, approval or ratification, monitoring and recording of transactions between above parties shall be in accordance with the provisions of the Corporation Code, Securities Regulation Code, and SEC rules and regulations.

| Related Party Transaction | Policies and Procedures |
|--|--|
| (1) Parent Company | The company complies with the requirements of Corporation Code, Securities Regulation Code, SEC rules and regulations, and other relevant rules and regulations. |
| (2) Joint Ventures | |
| (3) Subsidiaries | |
| (4) Entities Under Common Control | |
| (5) Substantial Stockholders | |
| (6) Officers including spouse/children/siblings/parents | |
| (7) Directors including spouse/children/siblings/parents | |
| (8) Interlocking director relationship of Board of Directors | |

(b) Conflict of interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved:

| | Details of Conflict of Interest (Actual or Probable) |
|----------------------------------|---|
| Name of Director/s | |
| Elizabeth Anne C. Uychaco | Ms. Uychaco is the nominee of the company's principal stockholder, Sybase. Sybase is under the SM Group. One of the companies under the SM Group is SM Development Corporation (SMDC), which is also a major customer of the company. |
| Name of Officer/s | |
| Name of Significant Shareholders | |
| Citicore | Citicore is the controlling stockholder of the company. Forty percent (40%) and 44.69% of the issued and outstanding capital stock of Citicore are owned by Michael Cosiquien and Edgar Saavedra, respectively. |

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

| |
|---------------------------------------|
| Directors/Officers/Significant |
|---------------------------------------|

| | Shareholders |
|---------|---|
| Company | The Board discusses and resolves issues on major transactions of the company. This ensures that independent views from all directors are obtained. The company complies with the requirements of Section 32 of the Corporation Code on "Dealings of directors, trustees or officers with the corporation." |
| Group | |

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,¹⁶ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company: **None**

| Names of Related Significant Shareholders | Type of Relationship | Brief Description of the Relationship |
|---|----------------------|---------------------------------------|
| | | |

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

| Names of Related Significant Shareholders | Type of Relationship | Brief Description |
|---|--|---|
| Citicore | consortium partner | The company formed a joint venture company with Citicore in connection with Public-Private Partnership for School Infrastructure Project (PSIP) of the Department of Education. |
| Sybase | affiliated with the company's major customer, SMDC | Sybase is with the SM Group. One of the company's major customers, SMDC, is also affiliated with the SM Group. |

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company: **None**

| Names of Shareholders | % of Capital Stock affected (Parties) | Brief Description of the Transaction |
|-----------------------|---------------------------------------|--------------------------------------|
| | | |

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

¹⁶Family relationship up to the fourth civil degree either by consanguinity or affinity.

| | Alternative Dispute Resolution System |
|---|--|
| Corporation & Stockholders | None. The company will still have to adopt an alternative dispute resolution system for conflicts/differences between the company and the stockholders. |
| Corporation & Third Parties | In dealing with conflicts, the company, through its executives and officers, initiates dialogue with the parties concerned. They exert best efforts to enable the parties to reach an amicable settlement. |
| Corporation & Regulatory Authorities | The company is committed to comply with the requirements of regulatory authorities. In instances of conflicts or differences, the corporation consults and obtains advice from the regulatory authorities concerned. |

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or after at the beginning of the year? **Board meetings are scheduled before the beginning of the year.**
- 2) Attendance of Directors¹⁷

| Board | Name | Date of Election | No. of Meetings Held during the year | No. of Meetings Attended | % |
|--------------|---------------------------|-------------------------|---|---------------------------------|----------|
| Chairman | Michael Cosiquien | July 28, 2004 | 8 | 7 | 88 |
| Member | Edgar Saavedra | July 28, 2004 | 8 | 8 | 100 |
| Member | YerikCosiquien | July 28, 2004 | 8 | 7 | 88 |
| Member | Elizabeth Anne Uychaco | March 16, 2011 | 8 | 8 | 100 |
| Member | Florentino A. Tuason, Jr. | April 8, 2011 | 8 | 8 | 100 |
| Independent | Leonor Briones | July 19, 2010 | 8 | 8 | 100 |
| Independent | Leonilo Coronel | July 19, 2010 | 8 | 8 | 100 |

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **No.**
- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. Under Article III, Section 6 of the company's By-Laws, a majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business. Every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all

¹⁷Updated as of 2015

members of the Board.

5) Access to Information

- (a) How many days in advance are board papers¹⁸ for board of directors meetings provided to the board?

Board papers are provided to members of the Board of Directors between 2-5 days before the date of the Board meeting.

- (b) Do board members have independent access to Management and the Corporate Secretary? **Yes.**
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Article IV, Section 5 of the company's By-Laws provides that the Corporate Secretary shall have the following specific powers and duties:

- **To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;**
- **To keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;**
- **To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;**
- **To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;**
- **To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.**
- **To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in**

¹⁸ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election.

- To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

The company's Manual on Corporate Governance provides that the Corporate Secretary shall:

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation.
- Be loyal to the mission, vision and objectives of the corporation.
- Work fairly and objectively with the Board, Management and stockholders.
- Have appropriate administrative and interpersonal skills.
- If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.
- Have a working knowledge of the operations of the corporation.
- Inform the members of the Board, in accordance with the By-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- Attend all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so.
- Ensure that all Board procedures, rules and regulations are strictly followed by the members.
- If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code.

Yes, the Corporate Secretary's role includes assisting the Chairman in preparing the board agenda, and other board papers.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes, he is trained in legal practice.

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

| Committee | Details of the procedures |
|-----------------------------|---|
| Executive | Materials are distributed to the committee members prior to the date of the committee meeting. |
| Audit and Compliance | |
| Compensation and Nomination | |
| Risk | Committee members may directly inquire with Management, the Corporate Secretary or Corporate Information Officer on matters to be discussed during the committee meeting. |
| Others (specify) | N/A |

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

| Procedures | Details |
|------------------------------------|---|
| Referral to external legal counsel | Legal matters such as validity of certain transactions, legal documents and other legal questions are referred to the external legal counsel. |

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (including its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change: **N/A**

| Existing Policies | Changes | Reason |
|-------------------|---------|--------|
| | | |

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

| Process | CEO | Top 4 Highest Paid Management Officers |
|---|--|--|
| (1) Fixed remuneration | The remuneration of the CEO and the four most highly compensated management officers are determined based on the company salary structure and benefits package upon the recommendation of the Compensation and Nomination Committee and subject to Board approval. | |
| (2) Variable remuneration | | |
| (3) Per diem allowance | | |
| (4) Bonus | | |
| (5) Stock Options and other financial instruments | | |
| (6) Others (specify) | | |

| | |
|--|-------------------|
| | responsibilities. |
|--|-------------------|

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

| | Remuneration Policy | Structure of Compensation Packages | How Compensation is Calculated |
|-------------------------|---|------------------------------------|--------------------------------|
| Executive Directors | Php20,000 director's per diem per Board meeting for each regular director | | |
| Non-Executive Directors | <p>Php25,000 director's per diem per Board meeting for each independent director</p> <p>Php30,000 monthly allowance in the form of reimbursable expenses for each regular director and independent director</p> <p>Reimbursable expenses cover receipts for food, beverage, gasoline and travel expenses.</p> | | |

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

No. Article III, Section 8 of the company's By-Laws provides that by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each Board meeting. The By-Laws does not require stockholders' approval.

| Remuneration Scheme | Date of Stockholders' Approval |
|---------------------|--------------------------------|
| N/A | N/A |

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

| Remuneration item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|--|---------------------|--|-----------------------|
| (a) Fixed Remuneration | -0- | -0- | -0- |
| (b) Variable Remuneration | -0- | -0- | -0- |
| (c) Per diem Allowance | Php641,176.43 | | |
| (d) Bonuses | N/A | N/A | N/A |
| (e) Stock Options and/or other financial instruments | N/A | N/A | N/A |

| | |
|--------------------------------|-----------------|
| (f) Others (Monthly allowance) | Php3,582,352.88 |
| Total | Php4,582,352.88 |

| Remuneration item | Executive Directors | Non-Executive Directors (other than independent directors) | Independent Directors |
|---------------------------------------|---------------------|--|-----------------------|
| a) Advances | -0- | -0- | -0- |
| b) Credit granted | -0- | -0- | -0- |
| c) Pension Plan/s Contributions | -0- | -0- | -0- |
| d) Pension Plans/Obligations incurred | -0- | -0- | -0- |
| e) Life Insurance Premium | -0- | -0- | -0- |
| f) Hospitalization Plan | -0- | -0- | -0- |
| g) Car Plan | -0- | -0- | -0- |
| h) Others (Specify) | -0- | -0- | -0- |
| Total | -0- | -0- | -0- |

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

There are no stock rights, options or warrants over the company's shares.

| Director's Name | Number of Direct Option / Rights / Warrants | Number of Indirect Option / Rights / Warrants | Number of Equivalent Shares | Total % from Capital Stock |
|-----------------|---|---|-----------------------------|----------------------------|
| N/A | N/A | N/A | N/A | N/A |

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

There are no amendments or discontinuation of any incentive programs introduced, including the criteria used in the creation of the program.

| Incentive Program | Amendments | Date of Stockholders' Approval |
|-------------------|------------|--------------------------------|
|-------------------|------------|--------------------------------|

| | | |
|-----|-----|-----|
| N/A | N/A | N/A |
|-----|-----|-----|

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

| Name of Officer/Position | Total Remuneration |
|--|--------------------|
| Louie Ferrer / VP for Marketing | Php12,492,819.00 |
| Oliver Y. Tan / Chief Financial Officer, Chief Investment and Strategy Officer / Corporate Information Officer | |
| Ronald Paulo/ VP Operations | |
| Engr. Masashi Watanabe / Assistant Vice President for Precast | |

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

| Committee | No. of Members | | | Committee Charter | Functions | Key Responsibilities | Power |
|-----------------------------|-------------------------|------------------------------|---------------------------|---|--|----------------------|-------|
| | Executive Director (ED) | Non-executive Director (NED) | Independent Director (ID) | | | | |
| Executive | 2 | 1 | 0 | The Executive Committee does not have a Charter. | However, under the company's By-Laws, the Executive Committee shall act on specific matters within the competence of the Board, as may be delegated by the By-Laws or on a majority vote of the Board except as provided in Section 35 of the Corporation Code. All actions of the Executive Committee on matters not delegated shall be subject to ratification and confirmation of the Board of Directors. | | |
| Audit and Compliance | 1 | 1 | 1 | The Committee has adopted a Committee Charter on October 1, 2013 | Pre-approve all audit and non-audit services rendered by and approve the engagement fees and other compensation to be paid to the independent accountant | | |
| Compensation and Nomination | 1 | 3 | 2 | The Compensation and Nomination Committee has yet to formulate a Charter. It is governed by the Manual on Corporate Governance. Under the Manual, it shall: <ul style="list-style-type: none"> • Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval; • Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors; and | | | |

| | | | | | | | |
|------------------|-----|-----|-----|---|-----|-----|-----|
| | | | | <ul style="list-style-type: none"> Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with qualifications and disqualifications stated in the Manual on Corporate Governance. Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the company's culture, strategy and the business environment in which it operates | | | |
| Risk | 2 | 1 | 2 | None. The Risk Committee has yet to formulate a Charter. | | | |
| Others (specify) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

2) Committee Members¹⁹

(a) Executive Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|---------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman | Michael C. Cosiquien | November 4, 2011 | 0 | N/A | N/A | <u>4</u> years |
| Member (ED) | Edgar B. Saavedra | November 4, 2011 | 0 | N/A | N/A | <u>4</u> years |
| Member (NED) | Elizabeth Anne C. Uychaco | November 4, 2011 | 0 | N/A | N/A | <u>4</u> years |
| Member | Oliver Y. Tan | November 4, 2011 | 0 | N/A | N/A | <u>4</u> years |

(b) Audit and Compliance Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|---------------------------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman | Leonilo G. Coronel | July 19, 2010 | <u>5</u> | <u>5</u> | 100 | <u>5</u> years |
| Member (ED) | Michael C. Cosiquien | March 16, 2011 | <u>5</u> | <u>5</u> | 100 | <u>4</u> years |
| Member (NED) | Elizabeth Anne C. Uychaco | March 16, 2011 | <u>5</u> | <u>5</u> | 100 | <u>4</u> years |

(c) Compensation and Nomination Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|----------------|------------------------|---------------------|----------------------|--------------------------|------------|------------------------------------|
| Chairman (NED) | Elizabeth Anne Uychaco | March 27, 2014 | <u>1</u> | <u>1</u> | <u>100</u> | <u>1</u> year |
| Member (ID) | Leonor M. Briones | July 19, 2010 | <u>1</u> | <u>1</u> | <u>100</u> | <u>5</u> years |

¹⁹Updated as of 2015

| | | | | | | |
|--------------|---------------------------|----------------|----------|----------|------------|----------------|
| Member (NED) | Yerik C. Cosiquien | July 19, 2010 | <u>1</u> | <u>1</u> | <u>100</u> | <u>5 years</u> |
| Member | Louie Ferrer | March 16, 2011 | <u>1</u> | <u>1</u> | <u>100</u> | <u>4 years</u> |
| Member (ID) | Leonilo G. Coronel | July 19, 2010 | <u>1</u> | <u>1</u> | <u>100</u> | <u>5 years</u> |
| Member (ED) | Edgar B. Saavedra | March 16, 2011 | <u>1</u> | <u>1</u> | <u>100</u> | <u>5 years</u> |
| Member | Florentino A. Tuason, Jr. | April 8, 2011 | <u>1</u> | <u>1</u> | <u>100</u> | <u>5 years</u> |

(d) Risk Committee

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|---------------------|---|----------------------|----------------------|--------------------------|------------|------------------------------------|
| Chairman (ID) | Leonor M. Briones | March 27, 2014 | <u>0</u> | <u>0</u> | <u>N/A</u> | <u>1 year</u> |
| Member (ID) | Leonor G. Coronel | July 19, 2010 | <u>0</u> | <u>0</u> | <u>N/A</u> | <u>5 years</u> |
| Member (ED) | Michael C. Cosiquien | March 16, 2011 | <u>0</u> | <u>0</u> | <u>N/A</u> | <u>4 years</u> |
| Member (ED) | Edgar B. Saavedra | March 27, 2014 | <u>0</u> | <u>0</u> | <u>N/A</u> | <u>1 year</u> |
| Member (NED) | Elizabeth Anne C. Uychaco | March 16, 2011 | <u>0</u> | <u>0</u> | <u>N/A</u> | <u>4 years</u> |
| <u>Member (NED)</u> | <u>Florentino A. Tuason, Jr.²⁰</u> | <u>June 30, 2015</u> | <u>0</u> | <u>0</u> | <u>N/A</u> | <u>6 months</u> |

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors: **N/A**

| Office | Name | Date of Appointment | No. of Meetings Held | No. of Meetings Attended | % | Length of Service in the Committee |
|--------------|------|---------------------|----------------------|--------------------------|-----|------------------------------------|
| Chairman | N/A | N/A | N/A | N/A | N/A | N/A |
| Member (ED) | | | | | | |
| Member (NED) | | | | | | |
| Member (ID) | | | | | | |
| Member | | | | | | |

3) Changes in Committee Members

²⁰Updated as of 2015

Indicate any changes in committee membership that occurred during the year and the reason for the changes: **N/A**²¹

4) Work Done and Issues Addressed²²

Describe the work done by each committee and the significant issues addressed during the year:

| Name of Committee | Work Done | Issues Addressed |
|---------------------------------------|---|---|
| Audit and Compliance | Discussed and recommended the Audited Financial Statements for year ended 2014 for Board approval | Agreed that the Corporation should regularly monitor project costs and receivables. |
| | Discussed and approved the Interim Financial Statements as of March 31, 2015 | None |
| | Discussed and approved the Interim Financial Statements as of June 30, 2015 | None |
| | Discussed and approved the Interim Financial Statements as of September 30, 2015 | None |
| Compensation and Nomination Committee | Discussed the <u>need to draft a committee charter and review the compensation structure of the Corporation</u> | None |
| Risk | Identified the risks of the Corporation | Agreed to complete a template of the risks of an organization |
| Others (Specify) | N/A | N/A |

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues to the improvement or enforcement of effective governance for the coming year.

| Name of Committee | Planned Programs | Issues to be Addressed |
|---------------------------|---|-------------------------------|
| Executive | Review the organization and management information system of the company | None |
| Audit and Risk Management | Review its duties and responsibilities in the next committee meeting | None |
| Nomination | Review the nominations and gave the list of nominees to the Corporate Secretary | None |

²¹ Updated as of 2015

²² Updated as of 2015

| | | |
|------------------|------|------|
| | | |
| Compensation | None | None |
| Others (Specify) | N/A | N/A |

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

On October 1, 2012, the Audit and Risk Management Committee agreed to adopt an Enterprise Risk Management (ERM) Policy Statement wherein the company shall: (i) establish a culture of disclosing, evaluating and managing risks, from the Board of Directors and throughout the organization towards achieving its goals and objectives; (ii) protect and preserve its employees' and clients' safety and welfare, the value and condition of its properties and assets and its local and global reputation; and (iii) align its risk appetite with its long-term strategic objectives.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The directors have reviewed the effectiveness of the company's risk management system.

The measures currently in place have proven to be effective and adequate. However, the company, together with the Enterprise Risk Management Committee, plans to institutionalize and formalize the risk management system.

(c) Period covered by the review;

N/A. Please see explanation in item (b) above.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

N/A. Please see explanation in item (b) above.

(e) Where no review was conducted during the year, an explanation why not.

N/A. Please see explanation in item (b) above.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

| Risk Exposure | Risk Management Policy | Objective |
|-----------------------------------|--|---|
| Failure to meet project deadlines | Review operational process and possible causes of delay | To fulfill the company's commitments and maintain harmonious relationships with clients |
| Poor cash flow management | Review causes of weak control points; Improve collection and monitor payments | Better cash flow management |

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk: **N/A**

| Risk Exposure | Risk Management Policy | Objective |
|----------------------|-------------------------------|------------------|
| N/A | N/A | N/A |

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

| Risk to Minority Shareholders |
|---|
| The risk to minority shareholders is in relation to their right to be represented in the Board. However, the shareholder has the right to cumulate his votes in order to assure proper representation in the Board. |
| In terms of approval of corporate actions, the company has two independent directors and it complies with the requirements of the Corporation Code, Securities Regulation Code, and Manual of Corporate Governance in ensuring and protecting the rights of the stockholders. |

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|-----------------------------------|--|--|
| Failure to meet project deadlines | Prepare monitoring report comparing projected vis-à-vis actual results | Formulate measures to address causes of delay |
| Poor cash flow management | Monitoring of collections | Stricter collection policy |

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company: **N/A**

| Risk Exposure | Risk Assessment (Monitoring and Measurement Process) | Risk Management and Control (Structures, Procedures, Actions Taken) |
|----------------------|---|--|
| N/A | N/A | N/A |

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

| Committee/Unit | Control Mechanism | Details of its Functions |
|--------------------------------------|--|--|
| Enterprise Risk Management Committee | Assists the Board in the development and oversight of the company's risk management program, | Generally oversees the risk management process to be an integral part of planning and operations of the company to meet corporate goals and objectives |

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Board, through its Audit and Compliance Committee oversees the actions of management and monitors the effectiveness of the internal control system put in place.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

None. The directors are still in the process of reviewing its effectiveness.

(c) Period covered by the review;

N/A. Please see item (b) above.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

N/A. Please see item (b) above.

(e) Where no review was conducted during the year, an explanation why not.

N/A. Please see item (b) above.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

| Role | Scope | Indicate whether in-house or Outsource Internal Audit Function | Name of Chief Internal Auditor/Auditing Firm | Reporting process |
|---|---|--|--|-------------------|
| Evaluating the reliability and integrity of significant information | All financial and operating information | In-house | Athena Ava Alsol | As needed |
| Evaluating the systems established to ensure compliance | Compliance with policies, plans, procedures which could have a significant impact on the organization | In-house | Athena Ava Alsol | As needed |

(b) Do the appointment and/or removal of the Internal Auditor or the accounting/auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? **Yes.**

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The internal auditor directly reports to the Audit and Compliance Committee.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

N/A

| Name of Audit Staff | Reason |
|---------------------|--------|
| N/A | N/A |

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

| Progress Against Plans | |
|-------------------------------|--|
| Issues ²³ | No critical issues noted |
| Findings ²⁴ | No critical findings noted |
| Examination Trends | Lack of updated policies and work procedures |

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

| Policies & Procedures | Implementation |
|--|-----------------------|
| Establish governance frameworks to define the scope of work and policies that will regulate and control department activities | Implemented |
| Ensure the efficient functioning of resources, issue written reports and instructions that deal with policies and procedures regarding recordkeeping, attendance, leave, and other administrative requirements | Implemented |

(g) Mechanism and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company’s shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

| Auditors (Internal and External) | Financial Analysts | Investment Banks | Rating Agencies |
|---|--|-----------------------------|----------------------------|
| Internal Auditors are not authorized to: 1.Perform operational duties; | There are no independent issues involving financial analysts, investment banks and rating agencies as there are no public information being disclosed ahead to | | |

²³ “Issues” are compliance matters that arise from adopting different interpretations.

²⁴ “Findings” are those with concrete basis under the company’s policies and rules.

| | |
|--|---|
| <p>2. Approve accounting transactions;</p> <p>External Auditors may not provide the following services to the company:</p> <p>1. Management responsibilities;</p> <p>2. Preparing accounting records;</p> <p>3. Financial information systems design and implementation.</p> | <p>any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting.</p> |
|--|---|

- (h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance. **Compliance Officer**

H. ROLE OF STAKEHOLDERS

- 1) Disclose the company's policy and activities relative to the following:

| | Policy | Activities |
|--|--|--|
| Customers' welfare | | |
| Supplier/contractor selection practice | The company has a supplier accreditation policy in place. | At least three suppliers are required to submit their bid proposals for review and evaluation, and a recommendation is submitted for consideration. |
| Environmentally friendly value-chain | ISO 14001:2004 Environmental Management System Standards LEED Certification | The company is ISO 14001 compliant. |
| Community interaction | Megawide Corporate Foundation, Inc. | Initiatives undertaken by the company includes the renovation of the Philippine Children's Medical Center and vehicle assistance for GMA Kapuso Foundation, Inc. |
| Anti-corruption programmes and procedures? | The company does not condone any dishonest, unethical or unprofessional behavior regardless of his level of authority. | Violations or suspected violation of company policies can be brought to the attention of any of the following: 1. Head of Human Resources |

| | | |
|--------------------------------|--|--|
| | | Department 2. Compliance officer 3. Head of Audit Group |
| Safeguarding creditors' rights | The company manages its cash flow to meet its obligations. | All obligations are settled promptly as part of the company's commitment to its business partners. |

- 2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Megawide Corporate Foundation, Inc.

- 3) Performance-enhancing mechanisms for employee participation:

- (a) What are the company's policy for its employees' safety, health, and welfare?

The company commits to provide and maintain a safe, secure and healthy work environment.

Employees are instructed to report accidents and unsafe conditions and practices to the Safety Department.

The company also has health care benefits for employees covered by its insurance provider.

- (b) Show data relating to health, safety and welfare of its employees.

The company's Manual on Safety Procedures is properly disseminated to all its employees.

Moreover, all employees are required to undergo annual medical check-up.

- (c) State the company's training and development programmes for its employees. Show the data.

Depending on their work assignment and employee development plans, employees undergo, or are sent to, specialized training courses.

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measurers

Employees receive incentives based on their performance, which is evaluated every June and December.

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The company's Code of Ethics and Business Conduct and other relevant rules and regulations shall serve as a guide in determining the penalties and sanctions to be imposed by the Human Resources Department where violations are proven and validated.

Before enforcing any disciplinary sanction, due process shall be observed in the handling of all cases.

Upon complainant's request, the company shall use its best efforts to protect the identity of the complainant for any report made in good faith.

Reports of violations or suspected violations shall be kept confidential, consistent with the need to conduct an adequate investigation.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of December 31, 2015)²⁵

| Shareholder | Number of Common Shares | Percent | Beneficial Owner |
|--|-------------------------|---------|------------------|
| Citicore | 1,362,957,505 | 56% | Citicore |
| PCD Nominee Corporation (Filipino) | 458,957,270 | 19% | Various |
| Sybase | 368,766,450 | 15% | Sybase |
| PCD Nominee Corporation (Non-Filipino) | 157,952,415 | 7% | Various |

| Name of Senior Management | Number of Direct shares | Number of Indirect shares / Through (name of record owner) | % of Capital Stock |
|---------------------------|-------------------------|--|--------------------|
| N/A | N/A | N/A | N/A |
| TOTAL | | | |

2) Does the Annual Report disclose the following:²⁶

| | |
|---|--|
| Key risks | Yes |
| Corporate objectives | Yes |
| Financial performance indicators | Yes |
| Non-financial performance indicators | N/A. All of the company's key performance indicators are financial. |
| Dividend policy | Yes |
| Details of whistle-blowing policy | No. The company will still have to adopt a whistle-blowing policy as stated in its SEC Form 17-C filed on October 5, 2012. |
| Biographical details (at least age, qualifications, date of first | Yes |

²⁵Updated as of 2015

²⁶Updated as of 2015

| | |
|---|--|
| appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners | |
| Training and/or continuing education programme attended by each director/commissioner | No. This information was not required to be included in the Annual Report. |
| Number of board of directors/commissioners meetings held during the year | No. This was disclosed in an advisement letter filed with the SEC. |
| Attendance details of each director/commissioner in respect of meetings held | No. This was disclosed in an advisement letter filed with the SEC. |
| Details of remuneration of the CEO and each member of the board of directors/commissioners | Yes |

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

| Name of auditor | Audit Fee | Non-audit fee |
|-----------------------|--------------|--|
| Punongbayan & Araullo | Php1,350,000 | N/A. The external auditor did not render non-audit services. |

4) Medium of communication

List down the mode/s of communication that the company is using for disseminating information.

- (a) **Company Website;**
- (b) **Philippine Stock Exchange (PSE) Disclosures;**
- (c) **Press releases.**

5) Date of release of audited financial report: **April 15, 2015**

6) Company Website

Does the company have a website disclosing up-to-date information about the following? **Yes.**

| | |
|--|--|
| Business operations | Yes |
| Financial statements/reports (current and prior years) | Yes. |
| Materials provided in briefings to analysts and media | <u>Yes.</u> |
| Shareholding structure | Yes |
| Group corporate structure | A General Information Sheet is filed with the SEC annually and is accessible via SEC i-view and is part of the corporate disclosures filed with the PSE. |
| Downloadable annual report | Yes |
| Notice of AGM and/or EGM | The Notice is filed together with the Definitive Information Statement which is part of the corporate disclosures filed with the PSE. |
| Company's constitution (company's by-laws, memorandum and articles of association) | Yes. |

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT²⁷**

| RPT | Relationship | Nature | Value |
|---|--|---|------------------|
| Advances to officers and employees | Officers and employees | Advances to officers and employees represent unsecured, noninterest bearing cash advances for business-related expenditures that are liquidated 60 days from the date the cash advances were received. Advances are only given to few and selected employees that are highly reliable and do not have negative record in the Human Resources Department. | Php8,195,642 |
| Rendering of services to SMDC and Ground 18 Realty Corporation of the Bench Group | Related to stockholders | The company provides construction services to SMDC and Ground 18 Realty Corporation of the Bench Group, who are both stockholders of the company. The company also contracts a casino owned by Belle Casino which is partially owned by SMDC. Contracts with these companies are based on an arms-length transaction and prevailing market price in construction industry. There is no ongoing contractual arrangement between parties as result of the relationship between owners. | Php3,299,279,291 |
| Rental of land and building | Megapolitan Realty and Development Corporation (Megapolitan) and | The lot where the company's corporate office was constructed is leased | Php2,376,812.36 |

²⁷Updated as of 2015

| | | | |
|---------------------------------------|--|--|---|
| | <p>Philwide Construction and Development Corporation (Philwide) are owned by the family of Michael Cosiquien.</p> <p>SMDC is one of the company's major customers. It is also related to Sybase of the SM Group.</p> <p>Altria is a subsidiary of the company.</p> | <p>from Megapolitan.</p> <p>In addition to the foregoing office spaces, the company also leases properties needed for its operations such as the lease agreement with SMDC, Megapolitan, Philwide and Altria.</p> <p>Rental rates are based on the current rates used by lessors depending on the location of property being rented.</p> | |
| Key Management Personnel Compensation | <p>Michael Cosiquien is a director, Chairman and Chief Executive Officer of Megawide.</p> <p>Edgar Saavedra is a director, President and Chief Operating Officer of Megawide.</p> | <p>Compensation of key management personnel includes salary and post-employment benefit of Michael Cosiquien and Edgar Saavedra. Their salary is at arm's length and have terms equivalent to the transactions entered into with third parties.</p> | Php57,308,400 |
| Short-term placement | <p>BDO Private Bank, Inc. is a related party of SMDC, a major customer of the company.</p> | <p>The company has placed its excess cash in a short-term investment with BDO Private Bank, Inc., a related party of SMDC.</p> <p>Rates on these investments are based on prevailing rate in the market.</p> | Php700 Million as of December 31, 2013 |
| Bank loans and finance lease | <p>BDO Unibank, Inc. and BDO Leasing & Finance Corporation are related parties of SMDC, a major customer of the company.</p> | <p>The company availed of loans from BDO Unibank Inc. and entered into leaseback agreement with BDO Leasing & Finance Corporation.</p> <p>Interest rates provided by BDO Unibank, Inc. and BDO Leasing & Finance Corporation are based on prevailing rates in the market.</p> | <p>Outstanding bank loan with BDO Unibank is Php1,112,500,000 and outstanding lease liability with BDO Leasing is Php247,724,631 as of December 31, 2013.</p> |
| Transactions with | Citicore is a majority | In May 21, 2013, | Php2,374,596 |

| | | | |
|--------------|----------------------------|---|--|
| Stockholders | stockholder of the company | Citicore sold 118,729,800 shares to other investors pursuant to a Placing Agreement with the company, CLSA Limited and Metro Investments Corporation. On May 24, 2013, Citicore subscribed to 118,729,800 shares from Megawide. | |
| | | | |

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders? **Please see above discussion.**

J. RIGHTS OF STOCKHOLDERS

- 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

- (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

| | |
|------------------------|---|
| Quorum Required | A majority of the outstanding capital stock |
|------------------------|---|

- (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

| | |
|--------------------|---|
| System Used | Viva voce and/or by ballot. |
| Description | The presiding officer of the stockholders' meeting presents the proposal to approve the corporate act to the stockholders. A stockholder moves for the approval of the corporate act. The presiding officer asks the stockholders for objections. If no objection is raised, the corporate act is approved. |

- (c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

| | |
|--|--|
| Stockholders' Rights under The Corporation Code | Stockholders' Rights not in The Corporation Code |
| Right to receive Notice of Regular meeting at least two (2) weeks prior to the meeting | Right to receive Notice of Special Meeting at least two (2) weeks prior to the meeting |

| | |
|---|--|
| <p>Right of appraisal in certain instances where he has dissented and voted against a corporate action, including:</p> <p>a) An amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his 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;</p> <p>b) The sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;</p> <p>c) The investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the corporation was organized; and</p> <p>d) A merger or consolidation.</p> | <p>Right to nominate candidates to be elected as directors not earlier than forty (40) days nor later than twenty-five (25) days prior to the date of the regular or special meeting of stockholders for the election of directors</p> |
|---|--|

Dividends²⁸ N/A

| Declaration Date | Record Date | Payment Date |
|------------------|-------------|--------------|
| | | |

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

| Measures Adopted | Communication Procedure |
|---|-------------------------|
| During the stockholders' meeting, the presiding officer opens the floor for questions. The questions are addressed by the relevant officers of the company. | |
| Even after the meeting has been adjourned, the directors and officers entertain questions and encourage discussions with the stockholders. | |

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in

²⁸Updated as of 2015

the sale of the company

During the stockholders' meeting, the presiding officer opens the floor for other matters. These matters are addressed by the relevant officers of the company. If any of the above corporate acts will be discussed in a stockholders' meeting, they will be included in the Information Statement which is distributed to the stockholders 15 business days before the AGM.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

No. It gives out notices at least 15 business days before the date of the AGM.

- a. Date of sending out notices :**June 5, 2015**²⁹
 - b. Date of the Annual/Special Stockholders' Meeting: **June 30, 2015**³⁰
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting³¹

The questions and answers raised during the June 30, 2015 Annual Stockholders' Meeting were as follows:

a. **Q: Are there politicians donating to the Megawide Corporate Foundation, Inc.?**
A: There are none. The Corporation is providing the funds for the Foundation.

b. **Q: Can I have a parking ticket?**
A: Yes.

c. **Q: Is the Corporation positioned to take advantage of the ASEAN integration?**
A: The ASEAN integration can be a threat and an opportunity. The Corporation is in a position to be on equal footing, if not better, with potential foreign contractor as a result of the ASEAN integration. The Corporation has been using first world technology for 5 years and working with expatriates for technology transfer and know-how. Thus, the Corporation is in a position to withstand the influx of potential foreign contractors. For now, the Corporation has enough domestic expansion.

5. Result of Annual/Special Stockholders' Meeting's Resolutions³²

²⁹Updated as of 2015

³⁰Updated as of 2015

³¹Updated as of 2015

³²Updated as of 2015

| Resolution | Approving | Dissenting | Abstaining |
|---|----------------------|------------|------------|
| Approval of the Audited Financial Statements for the Year Ended December 31, 2014 | <u>1,777,533,043</u> | 0 | 0 |
| Appointment of External Auditor | <u>1,777,533,043</u> | 0 | 0 |

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results of the votes are reflected in the Minutes of the Annual Stockholders' Meeting which are uploaded to the Company's website within five (5) days from the actual date of the said meeting. A copy of the Minutes is also sent to the stockholders and uploaded in the PSE's website.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification: **None**

| Modifications | Reason for Modification |
|---------------|-------------------------|
| | |

(f) Stockholders' Attendance

- (g) Details of Attendance in the Annual/Special Stockholders' Meeting Held:³³

| Type of Meeting | Names of Board members/Officers present | Date of Meeting | Voting Procedure (by poll, show of hands, etc.) | % of SH Attending in Person | % of SH in Proxy | Total % of SH attendance |
|-----------------|--|-----------------|---|-----------------------------|------------------|--------------------------|
| Annual | <u>Michael Cosiquien</u> <u>Edgar Saavedra</u> <u>Yerik Cosiquien</u> <u>Elizabeth Anne Uychaco</u> <u>Florentino A. Tuason, Jr.</u> <u>Leonor Briones</u> <u>Leonilo Coronel</u> <u>Oliver Tan</u> <u>Louie Ferrer</u> <u>Joyce M. Briones</u> | June 30, 2015 | By poll | 0.01% | 74.07% | 74.08% |

- (ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMS?

³³Updated as of 2015

Yes, representatives of the external auditor, Punongbayan & Araullo were present to count and/or validate the votes.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. **Yes.**

(h) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

| | Company's Policies |
|-------------------------------------|---|
| Execution and acceptance of proxies | Must be in writing, signed by the stockholders and submitted 10 working days prior to validation. There is a presumption of regularity in the execution of proxy. |
| Notary | Not required |
| Submission of Proxy | Must be submitted to the Corporate Secretary 10 working days prior to validation. |
| Several Proxies | If given to two persons, either or both may exercise the power given. If three or more are named, majority of those who attend exercise the power given. |
| Validity of Proxy | Pursuant to the Corporation Code, it can be specific for said meeting or valid for 5 years. |
| Proxies executed abroad | No company policy |
| Invalidated Proxy | If the stockholder appears at the meeting, the proxy becomes invalid. |
| Validation of Proxy | At least <u>five (5)</u> working days before any meeting |
| Violation of Proxy | Proxy will not be accepted. |

(i) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

| Policies | Procedure |
|--|--|
| May be sent by personal delivery or mail at least two (2) weeks prior to the date of the meeting | Notices of the Annual Meeting are sent together with copies of the Information Statement through the Stock and Transfer Agent's independent delivery services provider |

(j) Definitive Information Statements and Management Report³⁴

³⁴Updated as of 2015

| | |
|---|----------------|
| Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials | 25 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners | June 5-6, 2015 |
| Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders | June 5-6, 2015 |
| State whether CD format or hard copies were distributed | Yes. |
| If yes, indicate whether requesting stockholders were provided hard copies | Yes. |

(k) Does the Notice of Annual/Special Stockholders' Meeting include the following:

| | |
|---|---|
| Each resolution to be taken up deals with only one item. | Yes |
| Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election. | No. This is included in the Information Statement which is sent together with the Notice of Annual Stockholders' Meeting. |
| The auditors to be appointed or re-appointed. | No. This is included in the Information Statement which is sent together with the Notice of Annual Stockholders' Meeting. |
| An explanation of the dividend policy, if any dividend is to be declared. | No. Dividends were not declared. |
| The amount payable for final dividends. | No. This is included in the Information Statement which is sent together with the Notice of Annual Stockholders' Meeting and PSE/SEC disclosures. |
| Documents required for proxy vote. | Yes. |

Should any of the foregoing information be not disclosed, please indicate the reason thereto. **Please see above explanation.**

2) Treatment of Minority Stockholders

- (a) State the company’s policies with respect to the treatment of minority stockholders.

The Board of Directors has adopted the corporate governance policy stated in the Revised Code of Corporate Governance. In particular, the Board has adopted the following policies to protect the rights of minority stakeholders:

| Policies | Implementation |
|--|--|
| A director shall not be removed without cause if it will deny minority shareholders representation in the Board. | These policies are being implemented by the company. |
| 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 stockholders’ meeting, being within the definition of “legitimate purposes.” | |
| The Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation. | |

- (b) Do minority stockholders have a right to nominate candidates for board of directors? **Yes.**

K. INVESTORS RELATIONS PROGRAMS

- 1) Discuss the company’s external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Aside from regular reporting and disclosures to various regulating agencies such as the SEC and PSE, the company actively maintains a website that provides timely information updates on its governance

and financial performance.

The company has also designated officers to handle queries and requests from investors and shareholders.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

| | Details |
|---------------------------------|---|
| (1) Objectives | To build understanding and relationship of trust with financial media, analysts, investing community and shareholders |
| (2) Principles | Provide essential, correct, and up-to-date information to analysts, the investing community and shareholders |
| (3) Modes of Communications | PSE website, company website, meetings, email, telephone calls |
| (4) Investors Relations Officer | Tess Ilagan Contact number: 655-1111 loc. 832 Email address: milagan@megawide.com.ph |

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The company does not have a separate rule or procedure governing the acquisition of corporate control in the capital markets and extraordinary transactions such as mergers, and sale of substantial portions of corporate assets other than the relevant provisions in the Corporation Code of the Philippines.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

N/A. The company does not have any transaction of this nature.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES³⁵

Discuss any initiative undertaken or proposed to be undertaken by the company.

| Initiative | Beneficiary |
|--|--|
| <u>Renovation of PCMC Ward</u> | <u>Indigents</u> |
| <u>Scholarship for Engineering Students</u> | <u>7 from TUP and 1 from UP</u> |
| <u>Library/Book Shelf for students of Biaan Elementary School and Tipo Hermosa Elementary School in Bataan</u> | <u>Mix of indigenous and non-indigenous students</u> |
| <u>Gerry Roxas Foundation</u> | <u>Scholarship grant to student who excel in different schools (both academic and extra-curricular) nationwide</u> |

³⁵Updated as of 2015

| | |
|---|--|
| <u>Tree Planting</u> | <u>Ynares Eco Park – Province of Rizal</u> |
| <u>Medical Mission</u> | <u>Bry. San Juan, Taytay Rizal</u> |
| <u>Second Chance Juvenile Delinquents – Carpentry Class</u> | <u>Juvenile Delinquents</u> |
| <u>Carpentry School</u> | <u>Out of school youth / indigents</u> |

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

| | Process | Criteria |
|-----------------------------|--|---|
| Board of Directors | The performance of the Board is reviewed. | By-laws, Manual on Corporate Governance |
| Board Committees | Self-assessment | The performance of the Audit and Compliance Committee is reviewed based on the standard provided in the Manual on Corporate Governance. |
| Individual Directors | Self-assessment | By-laws, Manual on Corporate Governance |
| CEO/President | The performance of the CEO/President is reviewed by the Board. | By-laws, Manual on Corporate Governance, overall performance of the company. |

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

| Violations | Sanctions |
|-------------------|--|
| First violation | Reprimand |
| Second violation | Suspension from office The duration of the suspension shall depend on the gravity of the violation. |
| Third | Removal from office or directorship |

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of _____ on _____.

SIGNATURES

MICHAEL C. COSIQUIEN

Chairman of the Board

MICHAEL C. COSIQUIEN

Chief Executive Officer

LEONILO G. CORONEL

Independent Director

LEONOR M. BRIONES

Independent Director

JOYCE M. BRIONES

Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of _____, affiants exhibiting to me their valid IDs, as follows:

| NAME/NO. | DATE OF ISSUE | PLACE OF ISSUE |
|--|----------------------|-----------------------|
| Michael C. Cosiquien / TIN 150-443-099-000 | | |
| Leonilo G. Coronel | | |
| Leonor M. Briones / OSCA 17935 | November 2, 2005 | Quezon City |
| Joyce M. Briones / Passport TIN 212-186-969 | | |

NOTARY PUBLIC

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of ____.