

**Megawide Construction Corporation**

**RISK MANAGEMENT SYSTEM**

As stated in the Annual Corporate Governance Report (ACGR) for year 2014

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:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Failure to meet project deadlines	Review operational process and possible causes of delay	To fulfil 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**

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
N/A	N/A	N/A

(c) Minority Shareholders

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

<b>Risk to Minority Shareholders</b>
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 or 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 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:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Failure to meet project deadlines	Prepare monitoring report comparing projected vis-a-vis actual results	Formulate measures to address cause 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**

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
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:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of its Functions</b>
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