

MEGAWIDE CONSTRUCTION CORPORATION RELATED PARTY TRANSACTIONS POLICY

I. STATEMENT POLICY

The Board of Directors (“Board”) promotes transparency to protect the interest of all shareholders and is committed to comply with the applicable laws and regulations. The Board recognizes that Related Party Transactions (“RPTs”) presents heightened risk of conflicts of interest or perception thereof and has determined that the Audit and Risk Management Committee (“ARMC”) is best suited to review and approve any RPTs to ensure that the terms made are equivalent to those that prevail in an arm’s length transaction.

The ARMC as per its Board-approved charter shall be responsible to oversee and review the propriety of RPTs and their required reporting disclosures. In its review, it shall take into account, among other factors it deems appropriate, whether the RPT is entered into on terms no less favorable to the concerned company than terms generally available to an unaffiliated third-party under the same or similar circumstances; and the extent of the related parties’ interest in the transaction.

II. OBJECTIVE

Megawide Construction Corporation (the “Parent Company”) and its subsidiaries, whether owned directly or indirectly, being part of an economic controlling group, inevitably conduct some of its business activities with Related Parties in the Group. By creating this policy, it will attain the following objectives:

- To provide guidance on what constitutes RPTs;
- To avoid conflict of interest and comply with regulatory and good governance practices;
- To ensure that the appropriate process for approval of the transaction has been undertaken; and
- To ensure compliance with the disclosure policy of the Parent Company and disclosure requirements of Financial Statement Reporting

The guidelines, categories and thresholds requiring review, approval and ratification by the Board or shareholders, and disclosure requirements for RPTs set in this policy, will guarantee the fairness and transparency of each of the transactions.

III. DEFINITIONS

3.1 Related Parties

This policy refers to the expanded definition of Philippine Accounting Standards (“PAS”) 24 on Related Parties. The PAS emphasizes the substance of the relationship and not merely the legal form. The term Related Parties shall include:

- a. Parties that are members of the same group, i.e. each parent, subsidiary and fellow subsidiary is related to the others;
- b. All directors, officers, managers and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Parent Company or its subsidiary or its Parent, directly or indirectly; including companies they have control or joint control or significant influence in;

- Control - the power to govern the financial and operating policies of the Company or its Subsidiary.
 - Significant influence - the power to participate in the financial and operating policy decisions of the Company or its Subsidiary, but is not control over those policies. This may be gained by share ownership, statute or agreement.
- c. Close family members up to 2nd degree of consanguinity of an individual referred to in (b) above, who may be expected to influence, or be influenced by, that individual in their dealings with the Company or its Subsidiary;
- Close family member - the individual's spouse or domestic partner and children (whether legitimate or illegitimate), stepchildren, and dependents of the individual or that individual's spouse or domestic partner.
- d. Party is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); Party is a joint venture or associate of a third entity; and
- e. Post-employment benefit plan, and sponsoring employers of such a plan, of either the Company or an entity that is a related party of the Company.

3.2 Related Party Transaction

A transfer of resources, services or obligations between the Company & its Subsidiaries, and a related party, regardless of whether a price is charged.

IV. IDENTIFICATION, REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

- 4.1 Generally, Management promptly reports to the Board on the terms, business purpose, benefits and other details of each new, existing or proposed RPT for review and approval. The Board shall approve any RPT before its commencement. However, if the same is not identified beforehand, it must be subsequently reviewed and ratified by the Board.
- 4.2 The ARMC shall assist the Board in its review of RPT. The Board shall consider whether the terms of the RPT are on arms' length and fair to the Company and such factors as the following:
- Materiality
 - The purpose and timing of the transactions
 - Extent of the Related Party's interest in the RPT; and
 - Conflict of interest, actual or apparent, of the Related Party participating in the transaction.
 - Any other relevant information regarding the transaction
- 4.3 Before the ARMC undertakes the review, all independent directors review and recommend to the ARMC the merits of any material RPTs with respect to the Company's best interest.
- 4.4 The AMRC may establish guidelines to manage and monitor conflicts of interest of Management, Board Directors and shareholders, including misuse of corporate assets and abuse in RPTs.

- 4.5 A Director, officer or key management personnel shall promptly notify the ARMC or the Company's Compliance Officer of any interest he or his immediate family member had, has or may have in a RPT. He shall disclose all material information concerning the RPT.

No director shall participate in any discussion or approval of a transaction for which he or she is a related party.

- 4.6 The Company prohibits the grant of personal loans, advances, guarantees and securities, in any manner, to its Directors, including their spouses and other dependents.

V. PRE-APPROVED RELATED PARTY TRANSACTIONS

- 5.1 The following shall be deemed to be pre-approved by the Board in accordance with the Company's Table of Authorities:

- a. Compensation and employment of executive officers and directors approved by the Governance, Compensation & Nomination Committee;
- b. Transactions with similar terms available to all employees generally;
- c. Charitable contributions by the Company where the Related Party is an employee or director, if the aggregate amount involved does not exceed Php 5 million;
- d. Banking-related services and transactions with a Related Party, if the terms are generally the same as or similar to offers of other banks in the ordinary course of business;
- e. Share transactions such as dividends, repurchase, rights offerings, available to all shareholders on a pro-rata ownership basis.
- f. Any transaction with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

VI. THRESHOLD

The Parent Company and its subsidiaries, whether owned directly or indirectly, shall set thresholds and categories for Disclosure and Approval of RPTs. The amount of each RPT shall be considered for purposes of applying these thresholds.

6.1 Related Party Transaction

- Below Php 1 billion requires approval of the concerned entity's CEO or President, and
- Above Php 1 billion requires approval of concerned entity's Board of Directors.

6.2 Exception:

- Sale or purchase of goods and services in the ordinary course of business amongst Parent Company and its Subsidiaries at arm's length terms. To ensure fairness and transparency, this exception is still subject to compliance with applicable SEC disclosure requirements and the Transfer Pricing guidelines issued by BIR (RR 02-2013).

- Transactions of Parent Company and its Subsidiaries involving the exercise of corporate powers such as investments, subscriptions, equity restructuring, dividend declarations, and corporate guarantees to subsidiaries.

VII. DISCLOSURE

7.1 RPTs that are required to be disclosed and reported in the Company's filings with the Securities and Exchange Commission (SEC) shall be disclosed in accordance with laws, rules, regulations, Philippine Financial Reporting & Accounting Standards. The Company shall comply with PAS 24's required disclosures of relationships between the Company & its Subsidiaries irrespective of whether there have been transactions between them, transactions and outstanding balances, including commitments, in the consolidated and separate individual financial statements. It shall disclose the name of its parent, the ultimate controlling party and/or the most senior parent (defined as the first parent above the immediate parent) that produces consolidated financial statements available for public use.

7.2 All RPTs shall be disclosed to the ARMC and any material RPT shall be disclosed to the Board.

VIII. SANCTIONS

Non-compliance with any provision of this Policy, in particular, the reporting, and disclosure requirements, the guidelines prior to entering into RPT and the prohibited RPTs, shall result in the invalidation of the Contract involved in the RPT.

Any officer or employee of the Corporation who has knowledge of any violation of this Policy shall report the same to the Compliance Officer, who shall report to the Committee all violations of this Policy.

The Committee shall have the authority to recommend to the Board of Directors the penalties for any violations from this Policy.

Anonymous reporting for noncompliance of the above Policy as well as protection given to whistleblowers is provided under the Whistleblower Policy.

IX. REVIEW

The Related Party Policy may be amended at any time and is subject to further guidance from the SEC and/or actions

THIS POLICY WAS APPROVED BY THE BOARD ON MAY 2017.