

AUDIT AND COMPLIANCE COMMITTEE CHARTER

Rationale

In pursuit of good corporate governance, and in compliance with Megawide Construction Corporation's (the "Company") New Manual on Corporate Governance (the "New Manual"), and upon recommendation of the Audit and Compliance Committee ("ACC"), the Board of Directors (the "Board") of the Company hereby adopts this ACC Charter ("Charter") to govern its oversight functions and activities.

Committee Composition

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

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

Roles and Responsibilities

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

A. Audit and Financial Reporting

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

1. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including its financial reporting and information technology security.
2. Perform oversight activities over the Company's external and internal auditors. The ACC shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to objectively perform their respective audit functions. The ACC shall further guarantee that the internal and external auditors shall be free from interference by outside parties in carrying out their work and duties.
3. Recommend and approve the appointment, reappointment, removal, and fees of the external auditor which shall be approved by the Board and ratified by the shareholders.
4. Assess, oversee, review and monitor the external auditor's independence, integrity and objectivity and shall ensure that the external auditor has adequate quality control procedures. The ACC shall review the external auditor's suitability and effectiveness on an annual basis and shall implement a policy of rotating the external auditor's lead audit partner every five (5) years.
5. Ensure that the external auditor is credible, competent and has the ability to understand complex RPTs, its counterparties, and valuations of such transactions.
6. Organize an internal audit department and consider the appointment of an independent internal auditor and determine, if ever, the terms and conditions of his engagement and removal.

7. Oversee the internal audit function, and recommend the appointment and/or grounds for the approval of an internal audit head or Chief Audit Executive (“CAE”). The ACC shall also approve the terms and conditions for outsourcing internal audit services.
8. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope and the resources and budget necessary to implement the same.
9. Establish the reporting line of the internal audit team to enable them to properly fulfill their duties and responsibilities. For this purpose, the internal audit team shall directly report to the ACC.
10. Review the reports submitted by the internal and external auditors. Evaluate and monitor management’s responsiveness to the internal and external auditors’ findings and recommendations.
11. Prior to the commencement of the audit, discuss with the external auditors the nature, scope and expenses of the audit, and ensure coordination, if more than one audit firm is involved in the activity, to secure proper coverage and minimize duplication of efforts.
12. Review the quarterly, semi-annual, and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - a. Any change/s in accounting policies and practices;
 - b. Major judgmental areas;
 - c. Significant adjustments resulting from the audit;
 - d. Going concern assumptions;
 - e. Compliance with accounting standards; and
 - f. Compliance with tax, legal and regulatory requirements.
13. Coordinate, monitor and facilitate compliance with laws, rules and regulations.
14. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company’s overall consultancy expenses. The ACC shall disallow any non-audit work that will conflict with the external auditor’s duties or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the annual report of the Company.
15. In case the Company does not have a Related Party Transactions Committee, the ACC shall perform the functions of the said committee.
16. Perform such other functions as may be delegated or authorized by the Board.

The ACC shall meet with the Board at least every quarter without the presence of the Chief Executive Officer or other management team members, and periodically meet with the head of the internal audit.

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

B. Related Party Transactions (“RPTs”)

The ACC shall ensure that management shall formulate and implement policies and procedures that would guarantee the integrity and transparency of RPTs.

RPTs refer to transfer of resources, services or obligations between a reporting entity and a related party,

regardless of whether a price is charged. It shall be interpreted broadly to include not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

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

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

Committee Policies and Procedures

1. *Appointment and Removal.* The members of the ACC shall be appointed by the Board, who shall serve at the pleasure of the Board, and under such terms as the Board may determine. The members of the ACC may be removed, with or without cause, by the action of the Board.
2. *Engagement of Outside Advisors.* In carrying out its duties or responsibilities, the ACC may directly engage outside advisors, such as, but not limited to, legal and accounting. The Company shall provide the necessary funding therefor, as recommended by the ACC. The advisors may be required by the ACC to submit written opinions or to attend any part of its meetings. Any member of the ACC may, however, ask for the exclusion of any advisor from its meetings.
3. *Access to Information and Employees.* The ACC is empowered to inquire, should it deem necessary or appropriate, any matter in relation to its purpose, duties or responsibilities and shall have full and direct access to all books, records, facilities, and personnel of the Company.
4. *Meetings and Quorum.* The ACC shall meet at least once a month and at such dates, times, and places, as it shall consider appropriate to fulfill its duties and responsibilities. Its meetings shall be convened by the Chairman, or upon the request of a majority of its members. All members are expected to attend meetings in person, but in special circumstances a maximum of two (2) members are allowed to be present by means of video conference, teleconference, or other electronic means. Should any member or advisor participate in the meeting through teleconference or video conference, all persons personally participating in the meeting should be able to hear him and each other.

The Corporate Secretary shall send notice of the meeting at least three (3) days before any meeting, specifying the place, date and time, and the agenda thereof.

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

5. *Minutes and Records.* The Corporate Secretary shall prepare the minutes of the ACC meetings and keep its records. Such records shall be open for inspection by any member of the ACC upon reasonable prior notice and during office hours. Minutes of any meeting shall be signed by the Chairman and members present during the meeting.
6. *Reports to the Board.* The ACC Chairman shall submit and present a report to the Board, containing updates on all actions taken by the ACC at the Board meeting following the ACC meeting.



7. *Performance Evaluation.* The ACC shall review its performance annually with respect to the fulfillment of its duties, functions, and responsibilities as mandated by this Charter.

Charter Review

This Charter shall be reviewed and assessed at least annually by the ACC to ensure its continuing adequacy and consistency with the Company's objectives, vision, mission, and values, and the Board's duties, functions, and responsibilities. It may be amended or revised upon the prior approval of the Board.

Approval and Effectivity

This Charter was approved by the Board on 14 May 2018 and shall take effect immediately upon such approval.