

## **BOARD RISK OVERSIGHT COMMITTEE CHARTER**

### **Rationale**

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

### **Committee Composition**

The BROC shall be composed of three (3) or more members, with at least one (1) independent director who shall have adequate background and experience in enterprise risk management ("ERM") and security management ("SM"). All other members shall be adequately oriented on the ERM and SM systems the Company has established.

### **Roles and Responsibilities**

The BROC shall assist the Board in its oversight responsibilities over the Company's ERM and SM systems.

#### **A. Enterprise Risk Management System**

The BROC shall assist the Board in its oversight responsibilities on the efficient and sustainable implementation of the Company's ERM system, particularly in managing the credit, market, liquidity, operational, legal, and other risks faced by the Company and its individual business units.

The BROC shall make certain that management, through the Risk Management Executive Committee ("RMEC"), is able to identify key risk areas, as well as related performance indicators and monitor these factors with due diligence, to enable the Company to anticipate and prepare for potential threats to its operational and financial viabilities.

In behalf of the Board, the BROC shall also ensure that management and employees adopt an ERM framework and process across the Company that is designed to identify potential events that may affect it and its individual business units, manage risks within the Board's risk appetite, and provide reasonable assurance regarding the achievement of the Company's risk management objectives.

The management, through the RMEC, is primarily responsible for the development and implementation of an ERM process, including the risk management strategies which shall be adopted to address prioritized, inherent and residual risks. In turn, the BROC shall oversee the effectiveness and sustainability of the Company's ERM system as a whole. The BROC shall, among others, ensure that:

1. The President and/or Chief Executive Officer, who shall be the ERM head, is assisted by a Chief Risk Officer ("CRO"), or in his absence, the Company's Chief Financial Officer or Chief Operating Officer.
2. The ERM system has the following basic elements: (a) overall risk appetite of the Company as approved by the Board; (b) a risk profile or risk language; (c) a risk management structure; (d) a risk management process; and (e) Office of the CRO.
3. There is an annual evaluation of the results of risk assessment exercises and other information on risk exposure and risk management activities.
4. There is close monitoring and effective management of identified priority risks, and inherent and residual risks.

5. The CRO guides management, through the RMEC, on the development, implementation, maintenance, and continuous improvement of a comprehensive ERM program.

The BROC shall be further guided by Section VIII (12) of the New Manual in its duties and responsibilities.

### **B. Security Management System**

The BROC is fully cognizant of the need to manage the security risks faced by the Company and its individual business units, given their significant impact on the Company's operations. In this regard, the Company shall appoint an Assistant Vice President for Security who shall focus solely on addressing security issues and concerns.

The BROC shall be responsible for the following in relation to the Company's SM system:

1. Security Risk Management – oversee the development, maintenance, and continuous improvement of the policies, procedures, and systems intended to manage security risks.
2. Security Organization – oversee the organization of the Company's SM system, including its budgetary priorities.
3. Security Information Technology ("IT") Systems – oversee the establishment and development of the Company's security IT systems, and strategies relating to security management technologies, applications, and systems.
4. Incident Response – oversee the Company's incident response capabilities against security risks.
5. Crisis, Disaster Recovery and Business Continuity – oversee the Company's crisis, disaster recovery and business continuity capabilities against security risks.
6. Security Audits – oversee the Company's compliance on security policies, procedures, and systems.

### **Committee Policies and Procedures**

1. *Appointment and Removal.* The members of the BROC shall be appointed by the Board, who shall serve at the pleasure of the Board, and under such terms as the Board may determine. They 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 BROC 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 BROC. The advisors may be required by the BROC to submit written opinions or to attend any part of its meetings. Any member of the BROC may, however, ask for the exclusion of any advisor from its meetings.
3. *Access to Information and Employees.* The BROC is empowered to inquire, should it deem necessary or appropriate, into 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 BROC shall meet every other 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 may be 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 therein the place, date and time, and the agenda thereof.

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

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

The BROCC Chairman shall likewise submit and present an Annual Report to the Board during its first meeting following the immediately preceding calendar year. The Annual Report shall include a summary of the BROCC's activities during the year, an over-all assessment of its performance and recommendations for improvement.

7. *Performance Evaluation.* The BROCC 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 at least annually by the BROCC 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 3 April 2019 and shall take effect immediately upon such approval.