

## FINANCE 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 Finance Committee (the "FC"), the Board of Directors (the "Board") of the Company hereby adopts this FC Charter (the "Charter") to govern its oversight functions and activities.

### **Committee Composition**

The FC shall have three (3) or more members, with at least one (1) independent director and/or a member with the relevant background and experience in accounting, banking, and/or finance. In the same manner, the Chairman of the FC shall preferably be an independent director who is knowledgeable in the foregoing fields.

The Board shall appoint the Chairman of the FC.

### **Roles and Responsibilities**

The FC shall assist the Board in its oversight responsibilities over management's regular finance functions and the Company's asset management, and bidding activities.

#### **A. Regular Finance Functions**

The FC shall have the following oversight responsibilities on all corporate finance matters of the Company and its business units:

1. Overview of Management Discussion and Analysis;

The FC will ensure that the Company shall prepare timely and accurate management reports that will assist the Board in its oversight functions, and help boost decision-making and strategy execution by the management and senior officers of the Company.

Aside from the accuracy of the financial data, management reports must present valuable insight to the Board and management on driving operating performance and providing early warning signals for significant business risk exposures.

2. Evaluation of Major Capital Expenditures and Projects;

For a highly diversified corporation like the Company, it is normal to allot funds for the acquisition, improvement or upgrading of long-term assets such as factories, buildings, and property, plant and equipment. These significant capital expenditures and projects would require approval by the Board and formalization in an annual or special shareholders' meeting. The FC shall play a key role in overseeing the planning and execution of major capital projects, ensuring, for example, that the projects are on schedule at all times, within budget, and do not pose any potential business risk exposures to the organization. The top level review and evaluation prior to the Board approval shall be performed by the FC.

3. Share Capital Structuring and Restructuring Exercises;

Share capital transactions may include increase or decrease in issued and paid-up capital, recapitalization, or share buy-back. Shareholdings are subject to change for a variety of reasons, such as (a) invitation of prospective investors; (b) creation of group structures; (c) tax and

succession planning; (d) necessity of raising capital funds for expansion and other purposes; (e) transfer of controlling interests, and; (f) amending stockholders' rights and interests. Prior to Board approval, the FC shall have the final review of all share capital transactions focusing on sensitive areas such as conflict of interest, insider trading, and other irregularities.

4. Management of the Company's Working Capital Funds and Long-Term Investments;

The FC shall monitor management's policies and procedures on the proper sources and uses of corporate funds and other liquid resources. Its functions shall cover the review of management's plans and strategies and all intercompany activities relating to the maintenance of cash and bank balances, investment portfolios, and intercompany loan transactions. The FC shall also ensure that all long-term investments are decided upon based on established investment guidelines and limits.

5. Debt and Equity Financing;

The FC's financing policy will greatly influence the Company's market value. Thus, searching for a financing mix with optimum benefits will always be a serious challenge to the Board and management. Equity financing may be less costly but would redound to diminution of equity interest. Conversely, debt financing results in additional costs (interest), and a high debt-equity ratio could send a wrong signal that the Company is in a highly leveraged situation that could lead to bankruptcy. On a regular basis, the FC must monitor how management determines the right debt-equity mix for the Company that would result in high market valuation of its shares.

6. Foreign Exchange Transactions;

The FC shall ascertain that there are Board approved plans and strategies to manage the foreign currency exchange transactions and other exposure to economic risks of the Company and its business units.

7. Capital Budgeting, Allocation and Forecasting, and;

The FC shall oversee the Company's annual budgeting process. It shall review and give recommendations, if necessary, on the annual budgets submitted to the Company's Chief Executive Officer.

8. Other Functions as may be Delegated or Authorized by the Board.

The FC may be given further oversight responsibilities by the Board relating to financial matters.

The FC shall also be responsible in developing the Company's overall short-term, mid-term, and long-term strategic financial plans for Board consideration, and providing strategic oversight monitoring and guidance over their implementation.

*(Note: The oversight responsibility of the FC shall not include the areas of financial and tax reporting as well as related party transactions, which are the responsibility of the Audit and Compliance Committee.)*

## **B. Asset Management**

Asset management refers to a proactive, systematic and holistic approach to safeguard the assets and other resources of a company and deriving maximum economic value from their use. The FC must ensure that each business unit has an established asset management plan that is aligned with the Company's overall strategic objectives. The said asset management plan shall be subject to annual review and possible revisions.

### **C. Construction Bidding**

Bidding for construction projects is a major aspect of the Company's business. Adeptness in bidding could spell the difference between sustainability and eventual bankruptcy, in the long run. In most cases, one of the most important considerations in the bidding process is the lowest bid price. As such, on behalf of the Board, the FC shall perform the following oversight roles:

1. ensure that the bidding sub-committee is composed of highly skilled members with diversified backgrounds and experiences;
2. monitor the reasonableness of the bases and assumptions used in the project financial model; and
3. ensure that the risks and benefits associated with each planned bidding project are carefully analyzed and evaluated using pre-determined or Board-approved criteria.

### **Committee Policies and Procedures**

1. *Appointment and Removal.* The members of the FC 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 FC 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 FC 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 FC. The advisors may be required by the FC to submit written opinions or to attend any part of its meetings. Any member of the FC may, however, ask for the exclusion of any advisor from its meetings.
3. *Access to Information and Employees.* The FC 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 FC 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 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 FC 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 FC.

5. *Minutes and Records.* The Corporate Secretary shall prepare the minutes of the FC meetings and keep its records. Such records shall be open for inspection by any member of the FC 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 FC Chairman shall submit and present a report to the Board, containing updates on all actions taken by the FC at the Board meeting following the FC meeting.



7. *Performance Evaluation.* The FC 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 FC 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.