

**MEGAWIDE CONSTRUCTION CORPORATION  
REVISED INTERNAL AUDIT CHARTER**

**I. INTRODUCTION**

In compliance with the Securities and Exchange Commission’s (“SEC”) Revised Code of Corporate Governance for Publicly-Listed Companies and in light of the Revised Corporation Code of the Philippines, Megawide Construction Corporation (“Megawide”) hereby adopts this Revised Internal Audit Charter (this “Charter”) of the Internal Audit Department (“IAD”), as recommended by the Audit and Compliance Committee (“ACC”) of the Board of Directors (“Board”).

**II. FUNCTION AND MISSION**

The function of the IAD is to provide independent and objective assurance, as well as consulting services, designed to add value to, and improve the operations of Megawide and, whenever appropriate, its subsidiaries and affiliates.

The mission of the IAD is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IAD helps Megawide accomplish its vision, mission, values, and objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

**III. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING**

The IAD will govern itself by strictly adhering to the mandatory elements of the International Professional Practices Framework (“IPPF”) of the Institute of Internal Auditors (“IIA”), as well as the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (“Standards”), and the definition of Internal Auditing.

The Head of the IAD will report periodically to senior management and the Board, through the ACC, regarding the IAD’s conformance with the Code of Ethics, the SEC’s Revised Code of Corporate Governance for Publicly-Listed Companies, and the Standards.

**IV. AUTHORITY**

The Head of the IAD shall report functionally to the ACC and administratively to the Chief Executive Officer (“CEO”) or to any officer assigned by the CEO. To establish, maintain, and assure that the IAD has sufficient authority to fulfill its duties, the ACC shall:

- Approve the IAD’s Internal Audit Charter, including any revisions to the same;
- Approve the risk-based annual internal audit plan;
- Approve the IAD’s budget and resource plan;
- Receive communications from the IAD’s performance relative to its plan and other matters;
- Approve decisions regarding the appointment and removal of the Head of the IAD;
- Approve the remuneration of the Head of the IAD; and
- Inquire with management and the Head of the IAD to determine whether there are inappropriate scope or resource limitations.

Any of the foregoing approvals by the ACC shall be subject to the ratification of the Board.

The Head of the IAD shall have unrestricted access to information relevant to audit engagements (assurance/advisory), and communicate and interact directly with the ACC, including during executive meetings without the presence of management.

The Head of the IAD shall likewise have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, but at all times and circumstances subject to accountability for confidentiality, security of records and information, and of safeguarding them.

Additionally, the Head of the IAD shall:

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports; and
- Obtain assistance from the appropriate concerned personnel of Megawide, as well as other specialized services from within or outside Megawide, in order to complete the engagement.

## **V. INDEPENDENCE AND OBJECTIVITY**

The Head of the IAD shall ensure that the IAD remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of the IAD determines that independence or objectivity may be impaired in fact, or appearance, the details of the impairment shall be disclosed to the appropriate parties.

The internal auditors shall always maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

The internal auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including but not limited to:

- Assessing specific operations for which they had responsibility within the previous year;
- Performing any operational duties for Megawide or its subsidiaries and affiliates, whenever appropriate;
- Initiating or approving transactions external to the IAD; and
- Directing the activities of any Megawide employee not part of the IAD, except to the extent that such employee has been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Head of the IAD has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards must be established to prevent and limit impairments to independence or objectivity.

The internal auditors shall:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- Make balanced assessments of all available and relevant facts and circumstances; and
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Head of the IAD shall confirm to the Board, through the ACC, at least annually, the individual independence of the internal auditors, including himself.

Moreover, the Head of the IAD shall disclose to the ACC any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## VI. SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal audit activities encompasses, but is not limited to, the thorough and objective examination and evaluation of evidence for the purpose of providing independent assessments to the Board, the ACC, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Megawide and, whenever appropriate, its subsidiaries and affiliates. Internal audit assessments shall include evaluating whether:

- Risks relating to the achievement of Megawide's strategic objectives are appropriately identified and managed;
- The actions of the officers, directors, employees, contractors, and vendors of Megawide, are in compliance with its policies and procedures, as well as with applicable laws, rules, regulations, and governance standards;
- The results of operations or programs are consistent with established goals and objectives;
- Operations or programs are being carried out effectively and efficiently;
- Establish processes and systems which enable compliance with the policies, procedures, laws, rules, and regulations that could significantly have an impact on Megawide;
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity; and
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Head of the IAD shall report periodically to senior management and to the Board, through the ACC, regarding:

- The IAD's purpose, authority, and responsibility;
- The IAD's plan and performance relative to its plan;
- The IAD's conformance with the Code of Ethics, Standards, and action plans to address any significant conformance issues;
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the ACC;

- Results of audit engagement or other activities;
- Resource requirements; and
- Any response to risk by management that may be unacceptable to Megawide and other audit results (Annex A: Internal Audit Risk Acceptance Form).

The Head of the IAD shall also coordinate activities, where possible, and consider relying on the work of other internal and external assurance and consulting service providers, as needed. The IAD may perform advisory and related client service activities, the nature and scope of which will be agreed upon with the client, provided the IAD does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, internal control processes and proper treatment of related party transactions may be identified during engagements. These opportunities shall be communicated to the appropriate level or management.

## VII. RESPONSIBILITY

The Head of the IAD has the responsibility to:

- Submit, at least annually, to senior management and the Board, through the ACC, a risk-based internal audit plan for review and approval;
- Communicate to senior management and the Board, through the ACC, the impact of resource limitations on the internal audit plan;
- Review and adjust the internal audit plan, as necessary, in response to changes in Megawide's business, risks, operations, programs, systems, and controls;
- Communicate to senior management and the Board through the ACC any significant interim changes to the internal audit plan;
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- Follow up on engagement findings and corrective actions, and report on quarterly basis to senior management and the Board, through the ACC, any corrective actions not effectively implemented;
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied, upheld and protected;
- Ensure that the IAD collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this Charter;
- Ensure trends and emerging issues that could impact Megawide are considered and communicated to senior management and the ACC as appropriate;
- Ensure emerging trends and successful practices in internal auditing are considered;
- Establish and ensure adherence to policies and procedures designed to guide the IAD;
- Ensure adherence to Megawide's relevant policies and procedures, and if such policies and procedures seem to conflict with this Charter, such conflicts must be communicated to senior management and the Board, through the ACC;
- Keep the ACC informed of emerging trends and successful practices in internal auditing;

- Assist in the investigation of significant suspected illegal or fraudulent activities within Megawide and notify senior management and the ACC of the results of such investigation;
- Perform advisory services beyond the IAD's assurance services, to assist management in meeting its objectives. The advisory services may include facilitation, process design, and training;
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- Ensure conformance by the IAD with the Standards, particularly the following qualifications:
  - If the IAD is prohibited by law or regulation from conformance with certain parts of the Standards, the Head of the IAD shall make appropriate disclosures and ensure conformance with all other parts of the Standards; and
  - If the Standards are used in conjunction with requirements issued by other authorities, the Head of the IAD must ensure that the IAD conforms with the Standards, even if the IAD also conforms with the more restrictive requirements of other authorities.

#### **VIII. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The IAD shall maintain a quality assurance and improvement program that covers all aspects of the IAD. The program shall include an Audit Client Survey (Annex B: Internal Audit Client Survey Form), an annual self-evaluation of the IAD's conformance with the Standards, and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the IAD and identify opportunities for improvement.

The Head of the IAD shall communicate to senior management and the Board, through the ACC, on the IAD's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five (5) years by a qualified, independent assessor or assessment team from outside Megawide.

#### **IX. FORMS/RECORDS**

10.1 Annex A – Internal Audit Risk Acceptance Form

10.2 Annex B – Internal Audit Client Survey Form

#### **X. EFFECTIVITY**

This Charter shall take effect on 03 June 2020, following its approval by the Board at its regular meeting on the said date.