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**SECURITIES AND EXCHANGE COMMISSION**

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## MEGAWIDE CONSTRUCTION CORPORATION RELATED PARTY TRANSACTIONS POLICY

### I. RATIONALE

Megawide Construction Corporation (the “Company”) promotes transparency and fairness among its stakeholders and is committed to complying with all applicable laws and regulations.

The Board of Directors of the Company (the “Board”) recognizes that Related Party Transactions (“RPT[s]”) heightens the perception and possibility of a Conflict of Interest (as defined below). As such, it has determined that the Board, with the assistance of the Audit and Compliance Committee (“ACC”), shall oversee, review and approve all RPTs to ensure that it is conducted in the regular course of business and on an arm’s length basis; not undertaken on more favourable economic terms to the Related Parties (as defined below) than with non-related or independent parties under similar circumstances. The Board shall also determine the extent of the Related Parties’ interest in the transaction and ensure that RPTs are adequately disclosed and reported.

### II. OBJECTIVE

Considering that the Company, along with its Affiliates (as defined below) belong to a common economic controlling group, business activities with Related Parties within the said group inevitably arise. Thus, the adoption of this RPT Policy (this “Policy”) is for the attainment of the following objectives:

1. To provide guidelines and procedures to be observed in relation to RPTs, which shall cover not only those transactions that give rise to credit and/or counterparty risks but also those that could pose material risk or potentially abuse the Company and its stakeholders;
2. To avoid Conflicts of Interest and fulfill good corporate governance practices and regulatory rules and regulations;
3. To ensure that there is an appropriate process for the approval of RPTs; and
4. To ensure compliance with the disclosure policies and requirements of the Company, applicable accounting standards and regulatory authorities.

The guidelines, categories, thresholds, and disclosure requirements for RPTs shall be established in this Policy in a manner that will guarantee the fairness and transparency of such transactions.

### III. DEFINITION OF TERMS

1. “**Affiliate**” or “**Affiliated Companies**” refers to an entity linked directly or indirectly to the Company through any one or a combination of any of the following:
  - a. Ownership, control or power to vote, whether by permanent or temporary proxy or voting trust, or other similar contracts, by a company of at least ten percent (10%) or more of the outstanding voting stock of the Company, or vice versa;
  - b. Interlocking directorship or officership; except in cases involving independent directors as defined under existing regulations;
  - c. Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity;
  - d. Management contract or any arrangement granting power to the Company to direct or cause the direction of management and policies of the entity, or vice versa;
  - e. Any person directly or indirectly controlling, controlled by, or under common control with such other entity.

2. **“Associate”** refers to an entity over which the Company holds twenty percent (20%) or more of the voting power, directly or indirectly, or which the Company has Significant Influence.
3. **“Board of Directors”** refers to the Company’s Board of Directors.
4. **“Close Family Members”** are persons related to the Company’s Directors, officers and stockholders (“DOS”) within the fourth (4<sup>th</sup>) degree of consanguinity or affinity, legitimate or common-law. These shall include the spouse, parent, child, brother, sister, grandparent, grandchild, auntie, uncle, first cousin, parent-in-law, son-/daughter-in-law, brother-/sister-in-law, grandparents-in-law, grandchild-in-law, auntie-in-law, uncle-in-law, and first cousin-in-law of the Company’s DOS.
5. **“Conflict of Interest”** arises when the personal and/or financial interests of a person or entity are inconsistent or incompatible with the best interests of the Company, which includes any circumstance that could cast doubt on the person’s or entity’s ability to act with total objectivity with regard to the Company’s interests.
6. **“Corresponding Persons in Affiliated Companies”** are the DOS of the affiliated companies and their Close Family Members.
7. **“Exempt RPTs”** are RPTs that will not require review and approval of the ACC, but require reporting to the Board.
8. **“Material RPTs”** pertain to transactions between and among Related Parties, either individually, or in aggregate over a twelve (12)-month period with a total contractual value exceeding one percent (1%) of the total consolidated assets of the Company regardless of how the payment terms of the contract are structured.
9. **“Related Party”** or **“Related Parties”** shall cover the Company’s Affiliates and Associates; its DOS and related interests; and their Close Family Members, as well as Corresponding Persons in Affiliated Companies. This shall also include an Associate, joint venture, or an entity that is controlled, jointly controlled or Significantly Influenced or managed by a person who is a Related Party and whose interests may pose potential conflict with the interest of the Company.
10. **“RPTs”** means a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged, which shall include outstanding transactions that are entered into with an unrelated party that subsequently becomes a Related Party.
11. **“Significant/ly Influence/d”** is the power to participate in the financial and operating policy decisions of the Company but has no control or joint control of those policies.
12. **“Significant RPTs”** pertain to transactions between and among Related Parties, either individually, or in aggregate over a twelve (12)-month period amounting to a total contractual value amounting to at least Ten Million Pesos (PhP 10,000,000.00) and up to one percent (1%) of the total consolidated assets of the Company, regardless of how the payment terms of the contract are structured.

#### IV. GENERAL PRINCIPLES

1. The Company shall strictly comply with all the requirements of the Revised Corporation Code and pertinent laws, its Articles of Incorporation and By-Laws, regulations and circulars issued by the Securities and Exchange Commission (“SEC”), the Bureau of Internal Revenue (“BIR”), the Banko Sentral ng Pilipinas (“BSP”), and other government agencies in connection with the review and approval of RPTs.

2. The Company shall ensure that all transactions with, or for the benefit of, any Related Party are on terms and conditions that are arm's length and within market rates, with sufficient documentation, and coursed through all appropriate levels of approval as provided in this Policy.
3. The principle of arm's length requires that RPTs are conducted at arm's length and made in the ordinary course of business; the terms and conditions of the transaction should not be more favorable than those transactions with non-related or independent parties. The terms and conditions shall include those relating, but not limited to, the term of the agreement, interest rates, fees, considerations, collaterals, and other relevant information that will allow a clear determination that no preferential treatment was given to the Related Party.

## **V. IDENTIFICATION AND MANAGEMENT OF RPTs**

1. The Company, through the Board and the ACC, shall implement appropriate controls and procedures to effectively identify, manage, and monitor RPTs on a per transaction and aggregate basis. Exposures to Related Parties shall also be monitored on an ongoing basis to ensure compliance with this Policy and the relevant rules and regulations. The Company shall also set thresholds and categories for the disclosure and approval of RPTs. The amount of each RPT shall be considered for purposes of applying the thresholds.
2. The ACC shall promptly report to the Board the complete details of each new, existing, or proposed RPT for its review and/or approval, in accordance with this Policy. If the RPT, prior to its commencement was not identified, it must be subsequently reviewed and/or ratified by the Board.
3. The Compliance Officer of the Company shall ensure that the Company complies with relevant rules and regulations, and is informed of regulatory developments in areas affecting Related Parties. The said Compliance Officer shall aid in the review of the Company's transactions and identify any potential RPTs for review of the ACC. Such Compliance Officer shall ensure that this Policy is kept updated and is properly implemented throughout the Company.
4. The Comptroller of the Company, with the assistance of the Chief Accountant, is responsible for ensuring that all Significant and Material RPTs, as well as those involving Directors and/or officers, are identified and submitted to the ACC for review or evaluation.
5. Regardless of the amount involved in a transaction or contract, it is the responsibility of each Director and officer to:
  - a. promptly notify the Board and/or the Compliance Officer, as soon as he/she becomes aware, of all material facts related to any form of RPT as well as his/her direct and indirect financial interest in such RPT; and
  - b. obtain approval of the Board prior to entering into the subject transaction in accordance with this Policy.
6. If an actual or potential Conflict of Interest arises on the part of a Director, officer, or employee involving any RPT, he/she is mandated to immediately disclose the same to the Board of the Compliance Officer.
7. The ACC may establish additional guidelines to manage and monitor Conflicts of Interest among management, the Board, and shareholders, including misuse of corporate assets and abuse in RPTs.

8. The Company prohibits the grant of personal loans, advances, guarantees and securities, in any manner, to its Directors and/or officers, including their spouses and other dependents.
9. Senior management shall implement appropriate controls to effectively manage and monitor Significant and Material RPTs on a per transaction and aggregate basis. Exposures to Related Parties shall also be monitored on an ongoing basis to ensure compliance with the Company's policies and pertinent SEC regulations.
10. The Company shall establish a Related Party registry or a record of the organizational and structural composition of the Company and its Related Parties, including any changes thereto.

## VI. MATERIALITY THRESHOLDS OF RPTs

1. The ACC shall be granted the sole authority to review RPTs. Those falling within the following materiality thresholds shall require the approval of the Chief Executive Officer and/or President or the Board, as the case may be:

Nature of Transaction	Transaction/s Value	Approving Party
Significant RPTs	PhP 10 Million up to 1% of the total consolidated assets of the Company <sup>1</sup>	Chief Executive Officer and/or President
Material RPTs	Exceeding 1% of the total consolidated assets of the Company	Board of Directors
RPTs involving Directors and/or officers	Regardless of Amount	Board of Directors

2. Notwithstanding that certain RPTs do not meet the foregoing thresholds for review, if it can be shown that the relevant RPT was deliberately split into two (2) or more transactions for the sole purpose of avoiding review by the ACC, the Comptroller or the Chief Accountant may submit the said RPT to the ACC for review. Splitting of an RPT to avoid coverage of this Policy is strictly prohibited.

## VII. EXEMPT RPTs

The following Exempt RPTs shall no longer require the review and approval by the ACC *but* must be disclosed to the Board:

1. Sale or purchase of goods and services, in the ordinary course of business, among the Company and its Affiliates at arm's length terms and is not considered a Significant RPT. To ensure fairness and transparency, this exception is still subject to compliance with applicable SEC disclosure requirements and the Transfer Pricing guidelines set forth in Revenue Regulation No. 02-2013 issued by the BIR.
2. Transactions of the Company involving the exercise of corporate powers such as investments, subscriptions, equity restructuring, dividend declarations, repurchase of shares, rights offering, and corporate guarantees to Affiliates.
3. Transactions between the Company and its Affiliates in connection with the funding of the operations of the said Affiliates and its projects, or other transactions with the objective of providing shared services or other services for operational efficiency.

<sup>1</sup> For the year 2018, the total consolidated assets of the Company amounted to Sixty Five Billion Pesos (PhP 65,000,000,000.00). Such amount shall be multiplied by one percent (1%) to arrive at the materiality threshold of Six Hundred Fifty Million Pesos (PhP 650,000,000.00) in determining Significant and Material RPTs.

4. Transactions between the Company and a joint venture company which is not controlled, jointly controlled or Significantly Influenced or managed by a person who is a Related Party, where both the Company and its joint venture partner have approved the same.
5. Transactions, under similar terms, generally available to all employees.
6. Compensation and employment of executive officers and Directors approved by the Governance, Nominations and Compensation Committee.
7. Charitable contributions by the Company where the charitable institution is a Related Party, if the aggregate amount involved does not exceed Five Million Pesos (PhP 5,000,000.00).
8. Banking related services or transactions with a Related Party, if the terms are generally the same or similar to offers of other banks in the ordinary course of business.

## **VIII. REVIEW AND APPROVAL OF RPTs**

1. The ACC shall conduct a thorough review of RPTs, except Exempt RPTs, focusing on the terms and conditions, the business purpose, the justifications in entering into the RPTs, and the Company's compliance with existing laws, rules and regulations on RPTs. In this regard, the ACC shall consider the following factors, among others, to the extent relevant to the proposed RPTs:
  - a. The Related Party's relationship to the Company and interest in the transaction;
  - b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
  - c. The benefits to the Company of the proposed RPT;
  - d. The availability of other sources of comparable products or services;
  - e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances;
  - f. Whether the proposed RPTs include any potential reputational risk issues that may arise as a result thereof;
  - g. Whether the RPTs would present an improper Conflict of Interest for any Director or senior officer of the Company, taking into account the size; and
  - h. Any other information the ACC deems relevant to allow determination if the terms are comparable to those given to unrelated parties or reasonable under the circumstances.
2. After considering the foregoing factors, among others, the ACC shall decide if the subject RPT meets the arm's length requirements and is not subject to any Conflict of Interest. Thereafter, it shall endorse the same for the approval of the Chief Executive Officer and/or President or the Board, as defined in Section VI.
3. All Exempt RPTs shall only require reporting to the Board.
4. Before the execution of any Material RPT, the Board should appoint an external independent party to evaluate the fairness of the terms of the said Material RPT. An external independent party may include, but is not limited to, accounting/auditing firms and third party consultants and appraisers.
5. All Material RPTs and RPTs involving Directors and/or officers shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the Independent Directors voting to approve the Material RPTs and RPTs involving Directors and/or officers. In case that a majority of the Independent Directors' vote is not secured, the Material RPTs and RPTs involving Directors and/or officers may be ratified by the vote of the stockholders representing

at least two-thirds (2/3) of the outstanding capital stock. For aggregate RPTs within a twelve (12)-month period that breaches the materiality threshold, the same Board approval would be required for the transaction/s that meets and exceeds the materiality threshold covering the same Related Party.

6. Directors with personal interest in a certain RPT should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

## **IX. DISCLOSURE**

1. The management of the Company shall adequately disclose in its Annual Report the overarching policies and procedures for managing RPTs, including managing actual and potential Conflicts of Interest; responsibilities of the ACC; nature, terms and conditions, as well as original and outstanding individual and aggregate balances, including off-balance sheet commitments, of Material RPTs.
2. The Compliance Officer shall submit a report on material exposures to RPTs, which shall include the Material RPTs of the Company's non-financial Affiliates, within twenty (20) calendar days after the end of the reference quarter.
3. Moreover, RPTs which must be reported to the SEC shall be disclosed in accordance with the Securities Regulation Code, Philippines Financial Reporting & Accounting Standards, and other applicable laws, rules and regulations. The Company shall comply with PAS 24's required disclosures of relationships between the Company and its Affiliates irrespective of whether there were transactions between them, outstanding balances, and commitments, in their consolidated and individual financial statements.
4. Pursuant to the relevant regulation, the Company shall submit the following to the SEC:
  - a. A summary of Material RPTs entered into during the reporting year which shall be disclosed in the Company's Integrated Annual Corporate Governance Report (I-AGCR) to be submitted annually every May 30; and
  - b. Advisement Report of any Material RPT filed within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company Corporate Secretary.
5. At a minimum, the disclosure in both (a) and (b) above shall include the following information:
  - a. Complete name of the Related Party;
  - b. Relationship of the Parties;
  - c. Execution date of the Material RPT;
  - d. Financial or non-financial interest of the Related Parties;
  - e. Type and nature of transaction as well as a description of the assets involved;
  - f. Total assets of the Company;
  - g. Amount or contract price;
  - h. Percentage of the contract price to the total assets of the Company;
  - i. Carrying amount of the collateral, if any;
  - j. Terms and conditions;
  - k. Rationale for entering into the transaction; and
  - l. The approval obtained (i.e. names of the Directors present, Directors who approved the Material RPT and the corresponding voting percentage obtained).



## **X. INTERNAL OVERSIGHT**

The Internal Audit Department of the Company shall conduct an annual review of the effectiveness of the Company's system and internal controls governing RPTs. The resulting audit report, including breaches in limits, shall be communicated directly to the ACC.

## **XI. WHISTLEBLOWING MECHANISMS**

Employees are encouraged to communicate, confidentially and without risk of reprisal, legitimate concerns about illegal, unethical or questionable RPTs, pursuant to the Company's Whistleblower Policy.

## **XII. SANCTIONS AND REMEDIES UNDER THIS POLICY**

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

Directors, officers, and/or employees who have been remiss in their duties in handling RPTs shall be subject to disciplinary measures in accordance with the Company's Code of Business Conduct and Ethics and/or other existing Company policies, without prejudice to the applicable legal remedies which the Company may avail. The Board shall have the discretion to impose appropriate penalties against erring Directors, officers, and employees who violated this Policy.

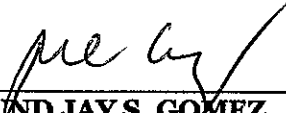
## **XIII. REVIEW**

This Policy shall be reviewed and assessed from time to time and may be amended in accordance with SEC rules and regulations, subject to the approval of the Board.

**THIS POLICY WAS APPROVED BY THE BOARD ON 02 SEPTEMBER 2019.**

### **CERTIFIED BY:**

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**EDGAR B. SAAVEDRA**  
*Chairman, CEO, and President*

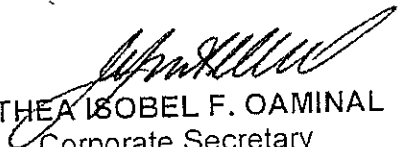
  
\_\_\_\_\_  
**RAYMUND JAY S. GOMEZ**  
*Chief Legal Officer, Compliance Officer  
and Data Protection Officer*


The signature of the Chairman of the Board, Mr. Edgar Saavedra, is on the next page.

CIRCULAR RESOLUTION  
OF THE BOARD OF DIRECTORS OF  
MEGAWIDE CONSTRUCTION CORPORATION  
September 2, 2019


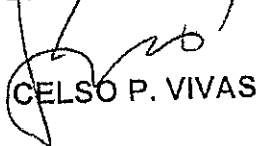
The members of the Board of Directors of MEGAWIDE CONSTRUCTION CORPORATION (the "Corporation") affirm as their acts the following resolutions:

"RESOLVED, to approve the Related Party Transactions Policy of the Corporation, as endorsed by the Governance, Nominations and Compensation Committee."

  
ALTHEA ISOBEL F. OAMINAL  
Corporate Secretary

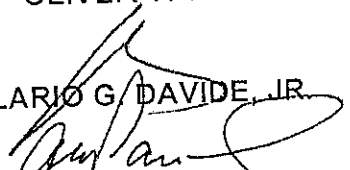
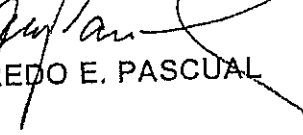
Attested by:   
EDGAR B. SAAVEDRA  
Chairman

  
MANUEL LOUIE B. FERRER

  
LEONILO G. CORONEL  
  
CELSO P. VIVAS

READ AND APPROVED:

  
OLIVER Y. TAN

  
HILARIO G. DAVIDE, JR.  
  
ALFREDO E. PASCUAL