



GOVERNANCE AND RISK COMMITTEE CHARTER

Introduction

This Charter of the Governance and Risk Committee (the "Committee") of the Metro Pacific Tollways Corporation (the "Company") sets forth the Committee's purpose, authority, duties and responsibilities, structure, and procedures.

This Charter shall replace the Corporate Governance Charter as the Governance and Risk Committee Charter now covers the areas of Corporate Governance, Sustainability Management, and Risk Management.

Purpose and Objectives

The sound practice of Corporate Governance requires Boards of Directors to be accountable to its shareholders, the government and other regulators, and other stakeholders, perform oversight and serve as a check on Management, to develop and oversee the formulation and implementation of strategy and to establish appropriate policies to carry out these functions. For the Company, it also means performing these responsibilities with Integrity, Fairness, Accountability and Transparency.

The creation of a Governance and Risk Committee (the "Committee") as a Board-level committee is necessary to ensure compliance with the MPTC Revised Corporate Governance Manual, the Revised Corporation Code and other relevant and related laws, issuances, rules and regulations. More importantly, the Committee is established to ensure that the Board is able to practice sound Corporate Governance, as an ever-evolving concept and discipline that includes Enterprise Risk Management and Sustainability.

Authority

The Committee shall report directly to the Board on its decision or recommendation.

The Committee may require Management to provide it with such corporate records and other documents as may be necessary or appropriate for the Committee to discharge its functions effectively.

The Committee is authorized to obtain external legal and other independent professional firms with relevant experience and expertise, to assist and advise the Committee on matters it considers necessary. The Committee shall in consultation with the Board have authority to approve all reasonable related fees and terms of engagement of the external advisers/consultants, which fees shall be borne by the Company.

Duties and Responsibilities:**On Corporate Governance:**

In the exercise of its responsibility of ensuring compliance with and proper observance of corporate governance principles and practices, and in close consultation with the Chairman of the Board, the Committee shall have the following duties and functions, consistent with the Revised Manual on Corporate Governance (RMOCG):

- a. Oversee the implementation of the Company's corporate governance framework and program, and periodically reviews the said framework and program to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversee the periodic performance evaluation of the Board and its committees as well as selected key officers of the Company (Chief Executive Officer; Chief Compliance Officer; Chief Risk Officer; and Chief Audit Executive), and conduct an annual self-evaluation of its performance;
- c. Report the results of the Board evaluation to the Board and ensure the results are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommend and develop, together with the Governance and Risk Committee secretariat, the continuing education/training programs for directors and management;
- e. Adopt corporate governance policies, such as the Revised Manual on Corporate Governance, Code of Business Conduct and Ethics, and other related policies, (collectively known as the "CG Policies") and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Exercise general oversight over the Whistleblowing System and receive reports relative to the implementation of the Whistleblowing System and/or the CG Policies of the Company;
- g. When warranted, make recommendations on remedial action to be taken, pursuant to the Whistleblowing System or the implementation of the CG Policies, including the imposition of necessary penalties and sanctions on erring personnel.

In addition to the above, the Committee shall have the following duties and responsibilities related to Sustainability Management, and Enterprise Risk Management:

On Sustainability Management:

- a. Develop and oversee the over-all Sustainability Framework for the Company and its implementation which shall include the following components: (1) integration of business and sustainability priorities; (2) identification of key sustainability issues confronting the Company; and (3) establishment of sustainability goals for the company with due regard to the Company's Enterprise Risk Management Plan and its responsibilities to its various

stakeholders; (4) oversee the Company's social investments and commitments to making meaningful impact to communities;

- b. Oversee the development of the Company's Sustainability Reports to regulatory bodies, investor groups and the Company's other stakeholders;
- c. Monitor current and emerging sustainability trends, as well as related legislation and regulation affecting the Company's operations and reputation;
- d. Lead the development of initiatives, policies and activities to ensure innovation that takes into consideration generally-accepted sustainability standards;
- e. Develop measurable systems and processes in which to hold Management accountable in relation to the company's sustainability objectives; and
- f. Require management to take steps to ensure that employees receive the training necessary to meet environmental and sustainability standards set by law and regulations.

On Risk Management:

- a. Oversee and ensure the development of a formal Enterprise Risk Management plan which contains the following elements: (1) common language or register of risks, (2) well-defined risk management goals and objectives, (3) uniform processes of assessing risks and developing strategies to manage prioritized risks, (4) designing and implementing risk management strategies, and (5) continuing assessments to improve risk strategies, processes and measures;
- b. Oversee the adoption and implementation of the Enterprise Risk Management plan;
- c. Evaluate the Enterprise Risk Management plan to ensure its continued relevance, comprehensiveness and effectiveness;
- d. Advise the Board on its risk appetite levels and risk tolerance limits;
- e. Review at least annually the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and major events which may have occurred in the Company;
- f. Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence;
- g. Oversee Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company; and
- h. Report to the Board on a regular basis or as necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommend further actions or plans, as necessary.

Membership and Qualification

The Committee shall be composed of at least three (3) members of the Board, including the Chairman, majority of whom shall be independent directors of the Company.

The Board may appoint such other members, whether or not a member of the Board, from within or outside the Corporation, with or without voting rights. All decisions or resolutions of the Committee must have the affirmative vote of at least two (2) members of the Committee who are members of the Board.

The Committee Chairman and the members of the Committee shall possess all of the qualifications and have none of the disqualifications for membership in the Board as provided for in the By-Laws and the RMOCG, the Revised Corporation Code, the Securities Regulation Code, and other relevant laws. Moreover, the Committee member or members who is/are Independent Directors, must meet the qualifications of Independent Directors set out in the RMOCG.

An Independent Director shall be free from any relationships that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

All members of the Committee shall have an adequate working knowledge with the Company's Articles, By-laws, RMOCG, the Revised CG Code, and the Company's business and industry in which it operates.

The members of the Committee shall attend seminars on corporate governance and such other trainings as are appropriate conducted by duly recognized private or government entities to keep their skills and expertise current and relevant.

A Member shall be disqualified from being part of the Committee during the remainder of his tenure if, upon determination by the Board, he ceases to meet the qualifications for directorship, or he becomes disqualified from directorship based on any grounds for disqualification set forth in the Company's RMOCG.

Any vacancy in the Committee caused by death, resignation, or disqualification of any member, or by any other cause, may be filled by the Board. The member elected to fill the vacancy shall hold office for the remainder of the term, or until his successor shall have been duly elected and qualified.

Committee Procedures

Meetings

The Committee shall meet at least twice in a calendar year. In addition, the Committee's Chairman may convene additional meetings at his discretion, and at such other time as the Committee may consider appropriate and necessary to perform its responsibilities.

In the absence of the Chairman and/or an appointed deputy, the remaining Members present shall elect one of the Members to chair the Committee meeting.

Quorum

A majority of the members of the Committee shall constitute a quorum, provided that the majority must always include an independent, non-executive director.

If after the lapse of thirty (30) minutes from the scheduled time of the meeting, a quorum is not reached, the meeting shall be adjourned until such date, time and place as the Chairman may determine.

Attendance

The Committee may invite the Chairman of the Board, other Directors, external advisers and/or any other persons who have specific responsibility for, or interest or expertise in, the subject under review to attend all or part of any meetings of the Committee.

Escalation

The Committee shall timely refer to the Board its recommendations or decisions which require ratification or approval by the Board or as it may deem necessary or proper.

Reporting

To keep the Board apprised on the results of the Committee's activities, the Committee Chairman shall report to the Board following each meeting significant matters discussed and acted upon.

The Committee Chairman shall submit and present the Annual Committee Report to the full Board during its first meeting following the immediate calendar year.

Performance Evaluation and Continuous Improvement

To ensure that the Committee continues to fulfill its responsibilities in accordance with global standards and practices, the CG Code, and other relevant regulatory requirements, the Committee shall, in close consultation with the Chairman of the Board, conduct an assessment of its performance at least annually. The entire assessment process should be documented and should form part of the records of the Company.

In the performance of the foregoing duties, the Committee shall:

- (a) As a body, evaluate its performance by filling up a self-assessment worksheet that shall benchmark its practices against the expectations set out in the Charter.
- (b) The Committee shall obtain and subject itself to an independent assessment by the Board relative to its performance in accordance with expectations set out in this Charter and the discharge of its responsibilities.
- (c) Based on the results of the self-assessment, formulate and implement plans to improve its performance. These shall include the identification of relevant training needs intended to keep the Committee members up-to-date with corporate governance best practices.

Remuneration of Members

Except for the reasonable *per diems* approved by the Board for such purposes, no fees or other remuneration shall be payable to the Members in respect of their services under this Charter.

No fees or compensation shall be paid directly or indirectly to any Member or his firm for consultancy or advisory services rendered to the Company directly by the Member or indirectly through his firm. However, this prohibition shall not apply to ordinary compensation paid to a Member or his firm in respect of any business relationship or transaction determined to be at arm's length terms and could not materially interfere with or influence the exercise of his independent judgment.

Review and Amendment

The Committee shall conduct a biennial review and assessment of this Charter and recommend to the Company's Board of Directors revisions, as it may deem necessary and beneficial to the efficient performance of its functions.

This Charter shall not be amended, altered, or varied unless such amendment, alteration or variation shall have been approved by a resolution of the Board.

Endorsed by:



Artemio V. Panganiban

Chairman, Governance and Risk Committee



Christopher Daniel C. Lizo

Chief Compliance Officer

Approved by:



Manuel V. Pangilinan

Chairman of the Board