

BHI HOLDINGS, INC.

MATERIAL RELATED PARTY TRANSACTION POLICY

I. INTRODUCTION

This Policy sets out the guidelines, categories and thresholds requiring review, approval and ratification by the Company's Board of Directors or shareholders, and disclosure requirements for Material RPTs. As such, this Policy aims to promote good corporate governance, the protection of minority investors, and ensure the integrity of material transactions.

It is the Company's policy that any transaction with a Related Party, especially those that exceed ten percent (10%) of the Company's total assets, will be at arm's length transactions. There must be a compelling business reason to enter into such a related party transaction, taking into account such factors as expertise of related party, cost efficiency, among others. The Audit Committee is tasked to oversee and review the propriety of Material RPTs and their required reporting disclosures.

II. DEFINITIONS

RELATED PARTY

1. Company's parent, subsidiary, fellow subsidiary, Associate, Affiliate, joint venture or an entity that is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.
2. The Company's directors, officers, substantial shareholders and their spouses and relatives within the fourth civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence over the Company.
 - **Control** - A person or an entity that controls the Company if and only if the person or entity has the power over the Company, Exposure, or rights to variable returns from its involvement with the Company, and the ability to use its power over the Company to effect the amount of the Company's return
 - **Significant influence** – the power to participate in the financial and operating policy decisions of the Company or its Subsidiary, but has no control over those policies. This may be gained by share ownership, statute or agreement.

Substantial Shareholder – any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of its equity security.

Affiliate - refers to an entity linked directly or indirectly to the Company through any one or a combination of any of the following:

- - 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;
 - Interlocking directorship or officers, except in cases involving independent directors as defined under existing regulations;

- o Common stockholders owning at least ten percent (10%) of the outstanding voting stock of the Company and the entity;
- o 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;

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.

Related Party Transaction (“RPT”) is a transfer of resources, services or obligations between the Company and any Related Party, regardless of whether a price is charged. It should be interpreted broadly to include not only transactions that are entered into with Related Parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Material and/or Significant RPT is defined as those transactions with a Related Party:

- a. Amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statement; or,
- b. Several transactions or a series of transactions over a twelve (12)- month period with the same related party amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statement.

Materiality Threshold – ten percent (10%) of the Company's total assets.

III. EXCLUSIONS

The following are excluded from the coverage of this policy:

- a. All other transactions of the Company with related parties that do not meet the ten percent (10%) threshold provided above are excluded from the coverage of this policy, except as otherwise indicated.
- b. Transactions amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statement that were entered into with an unrelated party that subsequently becomes a related party are excluded from the limits and approval process stated in this policy.

Provided, however, that any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the material related party transactions to the requirements of this Policy and the Rules on Material Related Party Transactions Policy.

Provided, further, that the prospective treatment shall be without prejudice to regulatory actions that may be enforced for transactions noted to have not been conducted on an arm's length basis.

IV. ACTUAL AND POTENTIAL CONFLICT OF INTEREST

1. Disclosure of Conflict of Interest

Directors and officers with personal interest in the transaction or engaged in self-dealing shall fully and timely disclose any and all material facts, including their respective interests in the Material RPTs and abstain from the discussion, approval and management of such transaction or matter

affecting the Company. In case they refuse to abstain, their attendance shall not be counted for purposes of assessing the quorum and their votes shall not be counted for purposes of determining majority approval.

Self-dealing will be given a broad interpretation and shall include acquiring any personal interest in conflict with their duty as directors or trustees. Such interest may be pecuniary or non-pecuniary, or tangible or intangible.

As much as possible, a disclosure shall be made by the concerned director or officer as soon as their respective interest in the Material RPTs becomes apparent. The disclosure of the officer or director concerned shall be in writing to be addressed to the Board with a copy furnished to the Compliance Officer.

2. Identification of Potential or Actual Conflict of Interest

If a potential transaction will meet the threshold under the definition of a Material RPT, the Compliance Officer shall actively investigate and determine whether the transaction will involve a Related Party and whether the transaction may give rise to a potential conflict of interest on the part of a director or officer. In case of a positive finding, the Compliance Officer shall report the same to the Audit Committee and subsequently to the Board in case the same will be submitted for approval.

V. GUIDELINES

1. In the review and approval of a Material RPT, the Company shall, at all times, abide by the following standards:

- i. That the Material RPT is “fair and at arm’s length”. A Material RPT is on an arm’s length terms if no preferential treatment is given to the related party that is not also extended to non-related party under similar circumstances.
- ii. That the Material RPT is in the best interests of the Company and its stockholders, under relevant circumstances. All Material RPT shall be accounted for at market prices normally charged to non-related parties for similar transactions and/or under similar circumstances.
- iii. That reasonable guidance was adopted by the Compliance Officer for an effective price discovery mechanism to ensure that the subject Material RPT is engaged into at terms that promote the best interest of the Company and its shareholders.

2. As matter of policy and procedure, before the execution of all Material and/or Significant RPTs, the Board of Directors shall appoint an external independent third party to evaluate the fairness of the terms of the Material RPT. Further, the approval of a Material RPT shall be subject to review and endorsement by all the Independent Directors prior to approval by the Board.

3. In approving all Material RPT, the following criteria shall be considered:

- a. Material facts of the transaction;
- b. Aggregate value;
- c. Favorability or unfavourability of the terms and conditions as generally available to non-related parties under the same or similar circumstances;
- d. Nature and extent of Related Party’s interest, control, or influence;
- e. Purpose, duration, and necessity for the transaction;

- f. Benefit to the Company;
- g. Availability of other sources of the comparable products or services from non-related party sources; and
- h. All other factors deemed essential and important by the Company.

4. All Material RPT shall be reported by the Compliance Officer to the Management and Audit Committee to ensure full and timely disclosure in the annual and quarterly reports to the Securities and Exchange Commission and in the Notes to the Financial Statements, whether on an interim or annual basis, as required under PAS 24 on Related Party Transaction Disclosures and other disclosure requirements.

VI. APPROVAL OF MATERIAL RPTs

All material related party transactions shall be approved by at least two thirds (2/3) vote of the Board of Directors constituting a quorum, with both independent directors voting to approve the transaction.

In case the two thirds (2/3) vote of the Board of Directors is not secured due to the abstention of more than one third (1/3) of its members because of actual/potential conflict of interest, the material related party transaction shall be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock in a regular or special meeting called for the purpose.

In case the vote of at least one (1) independent director is not secured, the Material RPT shall be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock in a regular or special meeting called for the purpose.

VII. DISCLOSURE OF MATERIAL RPTs

The members of the Board of Directors, substantial shareholders, and officers shall fully disclose to the Board of Directors all material facts related to Material RPTs as well as their direct and indirect financial interest in any transaction or matter that may affect or is affecting the Company.

Such disclosure shall be made at the meeting where the Material RPTs will be presented for approval and before the completion or execution of the Material RPTs.

The Company shall submit an Advisement Report in the form and manner prescribed by the SEC within three (3) calendar days from the execution date of the transaction. The Advisement Report shall be signed by the Company's Corporate Secretary or authorized representative as well as the related party or the authorized representative of the related party.

A summary of all Material RPTs entered into during the reporting year shall be disclosed in the Company's Integrated Annual Corporate Governance Report to be submitted annually every 30th day of May. This shall include the information stated in the Advisement Reports.

VIII. REVIEW OF THE POLICY

The Audit Committee shall conduct a periodic review of the effectiveness of the Company's system and internal controls governing Material RPTs to assess consistency with the board-approved policies and procedures.

The Compliance Officer shall ensure that the Company complies with relevant rules and regulations and is informed of regulatory developments in areas affecting Material RPTs. He/She shall ensure that this policy is kept updated and is properly implemented throughout the Corporation.

IX. REMEDIES FOR ABUSIVE MATERIAL RPTs


A director, officer, or personnel who has been found to be in willful violation in handling Material RPTs, whether deliberate or through gross negligence, shall be suspended or removed from his/her position, depending on the gravity of the offense, as the case may be, and as allowed under existing laws, rules, regulations, and company policies.

The Company shall likewise demand from the related party the restitution of losses or opportunity costs that the Company incurred from such Material RPTs..

X. WHISTLEBLOWING MECHANISM

All Stakeholders are encouraged to communicate confidentially and without risk of reprisal legitimate concerns about illegal, unethical or questionable Material RPTs.

The Policy encourages and allows any individual to promptly report any observed risk, danger, malpractice, wrong doing or any questionable business practice that may affect others, the Company or the Public without fear of discrimination, harassment and/or retaliation as a result of the disclosure, provided it is made in good faith and without malice.


MANUEL N. TANKIANSEE
Chairman of the Board


JUANITA U. TAN
Compliance Officer