

REVISED MANUAL ON CORPORATE GOVERNANCE BHI HOLDINGS, INC.

The Board of Directors and Management, i. e. officers and staff, of **BHI Holdings, Inc., (the "Corporation")** hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same may guide the attainment of our corporate goals.

1 OBJECTIVE

This Manual shall institutionalize the principles of good corporate governance in the entire organization.

The Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization as soon as possible.

All doubts or questions that may arise in the interpretation or application of this Manual shall be resolved in favor of promoting transparency, accountability and fairness to the stockholders and investors of the Corporation.

2 COMPLIANCE SYSTEM

2.1. Compliance Officer

2.1.1. Designation of Compliance Officer

To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall hold the position of a President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board. In the absence of such appointment, the Corporate Secretary, preferably a lawyer shall act as Compliance Officer.

2.1.2. Duties of the Compliance Officer

He shall perform the following duties:

- Monitor compliance with the provisions and requirements of the Code of Corporate Governance (the "Code") and the rules and regulations of regulatory agencies and this Manual;
- Appear before the Securities and Exchange Commission (the "Commission") upon summon in relation to compliance with the code and this Manual;

- Determine and report violation/s of the Manual to the Board and recommend imposition of appropriate disciplinary action/penalty for violation thereof for further review and approval of the Board;
- Recommend adoption of measures to prevent repetition of violations of the Manual;
- Issue a certification every January 30th of the year on the extent of the Corporation's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
- Identify, monitor and control compliance with the rules and regulations of regulatory agencies, and take appropriate corrective measures to address all regulatory issues and concerns.

2.1.3. Disclosure of Appointment to the Securities and Exchange Commission

The appointment of the compliance officer shall be immediately disclosed to the Securities and Exchange Commission on SEC Form 17-C. All correspondence relative to his functions as such shall be addressed to said Officer.

2.2. Plan of Compliance

2.2.1. Board of Directors

The Board of Directors shall be primarily responsible for the governance of the Corporation. Corollary to setting the policies for accomplishment of corporate objectives, it shall provide an independent check on Management.

It shall be the Board's responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

2.2.1.1. General Responsibility

A director's office is one of trust and confidence. He shall act in a manner characterized by transparency, accountability and fairness.

2.2.1.2. Composition of the Board

The Board shall be composed of eleven (11) members in accordance with the Corporation's Articles of Incorporation.

The Corporation shall have at least two (2) independent directors or such number of independent director's equivalent to twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2)

The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision-making process.

Non-executive directors possess qualifications and stature that enable them to participate in the deliberations of the Board.

2.2.1.3. Multiple Board Seats

The Board may consider the adoption of guidelines on the number of directorships that its members can hold. The optimum number of directorships should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

2.2.1.4. Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer should as much as practicable be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board.

A clear delineation of functions are made between the Chair and CEO upon their election

If the positions of the Chair and CEO are unified, proper check and balances are laid down to ensure that the Board gets the benefit of independent reviews and perspectives.

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

- Ensure that the meetings of the Board are held in accordance with the by-laws of the Corporation;
- Supervise the preparation of the agenda of the meetings in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the Directors; and

- Maintain qualitative and timely lines of communications and information between the Board and Management.

2.2.1.5. Qualifications of Directors

A director must have the following qualifications:

- Holder of at least one (1) share of stock of the Corporation ;
- He shall be at least a college graduate or have sufficient experience in managing the business to substitute for such formal education;
- He shall be at least twenty one (21) years old;
- He shall have proven to possess integrity and probity; and
- He shall be assiduous.

2.2.1.6. Disqualification of Directors

1. Permanent Disqualification

The following shall be grounds for permanent disqualification of a director:

- Any person convicted by final judgment or order by a competent judicial or administrative body of a crime that (a) involves the purchase or sale of securities, as in the Securities Regulation Code ("SRC"); (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or floor broker; or (c) arises out of the fiduciary relationship with the bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- Any person who, by reason of misconduct, after hearing is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant commodity trading advisor or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company;

(c) engaging or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above or willfully violating the laws that govern securities and banking activities.

The disqualification shall also apply if such person is currently the subject of an order of the Commission or of any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code ("CC"), SRC or any other law administered by the Commission or Bangko Sentral ng Pilipinas ("BSP"), or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

- Any person finally convicted judicially of an offense involving moral turpitude or transgressions, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- Any person who has been adjudged by final judgment or order of the Commission, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the CC, SRC, or any other law administered by the Commission or BSP, or any of its rule, regulation or order;
- Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or any rule, regulation or order of the Commission or Bangko Sentral ng Pilipinas;
- Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.
- Any person judicially declared to be insolvent;
- Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts,

violations or misconduct listed in the foregoing paragraphs; and

- Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.

1. Temporary Disqualification

Any of the following shall be a ground for the temporary disqualification of a director:

- Refusal to comply with the disclosure requirements of the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;
- Absence or non-participation in more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or any twelve (12) month period during said incumbency unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;
- Dismissal/termination for cause as director of any corporation covered by this Code. This disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
- If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. This disqualification shall be lifted if the limit is later complied with; and
- If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

2.2.1.7. Responsibilities, Duties and Functions of the Board

1. General Responsibility

It is the Board's responsibility to foster the long-term success of the Corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of **its stockholders and other stakeholders**.

The Board shall formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

2. Duties and Functions

To ensure a high standard of best practice for the Corporation, **its stockholders and other stakeholders**, the Board shall conduct itself with honesty and integrity in the performance of, among others, the following duties and functions:

- Implement a process of selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers. Adopt an effective planning program for Management;
- Provide sound strategic policies and guidelines to the Corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including business plans, operating budgets and Management's overall performance;
- Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Corporation. If feasible, the corporation's CEO or CFO shall exercise oversight responsibility over this program.

- Identify the corporation's **stakeholders** in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely and effective communications with them;
- Identify the Corporation's major and other stakeholders and formulate a clear policy on communicating or relating with them through an effective investor relations program;
- Adopt a system of internal checks and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure integrity of the decision making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
- Identify key risk areas and key performance indicators and monitor these factors with due diligence to enable the Corporation to anticipate and prepare for possible threats to its operational and financial viability;
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Corporation, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board;
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- Establish and maintain an alternative dispute resolution system in the Corporation that can amicably settle conflicts or differences between the Corporation and third parties including regulatory authorities;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly minuted;
- Keep Board authority within the powers of the institution as prescribed in the Articles of Incorporation, By-Laws and in existing laws, rules and regulation; and
- Appoint a Compliance Officer who shall have the rank of at least Vice-President. In the absence of such appointment, the Corporate Secretary, preferable a lawyer, shall act as Compliance Officer.

2.2.1.8. Specific Duties and Responsibilities of a Director

A director's office is one of trust and confidence. A director should act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness. He should exercise prudence and integrity in directing the Corporation towards sustained progress.

A director shall observe the following norms of conduct:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not conflict with the interests of the Corporation.
- A director should not use his position to profit or gain some benefit or advantage for himself or his related interests. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision making process. A director who has a continuing material conflict of interest should consider resigning from his position.

A conflict of interest is considered material if the director's personal or business interest is antagonistic to that of the Corporation, or stands to acquire or gain financial advantage at the expenses of the Corporation.

- To devote time and attention necessary to properly discharge his duties and responsibilities.
 - A director should devote sufficient time to familiarize himself with the Corporation's business. He should be aware and knowledgeable of the Corporation's operations to enable him to meaningfully contribute to the Board's work.
- To act judiciously.
 - A director should carefully evaluate the issues before deciding on any matter, and if necessary, to make inquiries and request clarification.
- To exercise independent judgment.
 - A director should view each problem or situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position.
- To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the

contents of its Articles of Incorporation and By-Laws, the requirements of the Commission, and where applicable, the requirements of other regulatory agencies.

- A director should also keep abreast with industry development and business trends to promote the Corporation's competitiveness.

- o To observe confidentiality.

- A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director.

2.1.1.9. Internal Control Responsibilities of the Board

The minimum internal control mechanism for the performance of the Board's oversight responsibility may include:

- a) Definition of the duties and responsibilities of the CEO who is ultimately accountable for the Corporation's organizational and operational controls;
- b) Selection of person who possesses the ability, integrity and expertise essential for the position of CEO;
- c) Evaluation of proposed senior management appointments;
- d) Selection and appointment of qualified and competent management officers; and
- e) Review of the Corporation's human resources policies, conflict of interest situations, compensation program for employee and management succession plan.

2.1.1.10. Board Meetings and Quorum Requirement

The members of the Board should attend its regular and special meetings in person or through teleconferencing conducted in accordance with the rules and regulations of the Commission.

Independent directors should always attend Board meetings. Unless otherwise provided in the By-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one independent director in all its meetings.

Corporations shall submit to the Commission, on or before January 30 of the following year, a sworn certification about the directors record of attendance in Board meetings.

2.1.1.11. Remuneration of Directors and Officers

The levels of remuneration of the Corporation should be sufficient to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance.

The annual reports and information and proxy statements includes a clear, concise and understandable disclosure of all fixed and variable compensation that are paid, directly or indirectly to all its directors and top four (4) management officers during the preceding fiscal year.

The Corporation may establish formal and transparent procedures for the development of a policy on executive remuneration or determination of remuneration levels for directors and officers depending on the needs of the Corporation. No director should participate in deciding on his remuneration.

2.1.2. Board Committees

To aid in complying with the principles of good corporate governance, the Board shall constitute Committees.

2.2.2.1. Nomination Committee

The Board shall create a Nomination Committee which shall have at least three (3) voting (one of whom must be independent) and one (1) non-voting Director in the person of the HR Director/Manager.

2.2.2.1.1. It shall pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the following qualifications and disqualifications:

2.2.2.1.2. In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the Chief Executive Officer by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

2.2.2.1.3. The Nomination Committee shall consider the following guidelines in the determination of the number of directorships for the Board:

- The nature of the business of the Corporations which he is a director;
- Age of the director;
- Number of directorships/active memberships and officerships in other corporations or organizations; and
- Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

2.2.2.1.4. The Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised.

2.2.2.2. Compensation and Remuneration Committee

2.2.2.2.1. The Compensation or Remuneration Committee shall be composed of at least three (3) members, one of whom shall be an independent director.

2.2.2.2.2. Duties and Responsibilities

- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.
- Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.
- Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.

- Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
- Disallow any director to decide his or her own remuneration.
- Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.
- Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.
- Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

2.2.2.3. Audit Committee

2.2.2.3.1. Composition

The Audit Committee shall be composed of at least three (3) directors who shall preferably have accounting and finance backgrounds, one (1) of whom shall be an independent director and another with audit experience. The Chair of the Audit Committee should be an independent director. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

2.2.2.3.2. Duties and Responsibilities

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations.
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management; This function

includes regular receipt from Management information on risk exposures and risk management activities

- Perform oversight functions over the Corporation's internal and external auditors. The Committee shall ensure that the internal and external auditors act independently of each other and are given unrestricted access to all the Corporation's records, properties, personnel to enable them to perform their audit functions;
- Review the annual internal audit plan to ensure conformity with objectives of the Corporation. The plan should include the scope, resources, budget necessary to implement it;
- Prior to commencement of audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure coordination if more than one audit firm is involved in the activity;
- Organize an internal audit department, and consider the appointment of an independent internal auditor and terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - Any change in accounting policies and practices
 - Major judgment areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work which may conflict with

the duties of the external auditor or may pose a threat to his independence. The non-audit work if allowed, should be disclosed in the corporation's annual report.

- Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.
- The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.
- Perform direct interface functions with the internal and external auditors.
- Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - a. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
 - b. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the company through a step-by-step procedures and policies handbook that will be used by the entire organization.

2.3.3. The Corporate Secretary

2.3.3.1. General Responsibility

The Corporate Secretary who should be a Filipino and a resident of the Philippines, is an officer of the company and perfection in performance and no surprises are expected of him. Likewise, his loyalty to the mission, vision and specific business objectives of the corporate entity come with his duties.

If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities.

If he is the also the Compliance Officer, perform all the duties and responsibilities of the said officer provided for in this Code.

Issue certification every January 30th of the year on the attendance of directors in meetings of the board of directors, counter signed by the Chairman of the Board (SEC Memorandum Circular No. 3, Series of 2007)

2.3.3.2. Citizenship Requirement

The Corporate Secretary shall be a Filipino citizen.

2.3.3.3. Required Skills

Considering his varied functions and duties, he must possess administrative and interpersonal skills, and if he is not the general counsel, then he must have some legal skills. He must also have some financial and accounting skills.

2.3.3.4. Duties and Responsibilities

- Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees as well as official records of the Corporation;
- Be loyal to the mission, vision and objectives of the Corporation;
- Work fairly and objectively with the Board, Management stockholders **and other stakeholders**;
- Have a working knowledge of the operations of the Corporation;
- As to agenda, get a complete schedule thereof at least for the current year and put the Board on notice before every meeting. Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so, and maintain record of the same.
- Ensure that all Board procedures, rules and regulations are strictly followed by the members; and

- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings.

2.3.4. External Auditor

2.3.4.1. Purpose

An external auditor shall enable an environment of good corporate governance as reflected in the financial records and reports of the company, an external auditor shall be selected and appointed by the stockholders upon recommendation of the Audit Committee.

2.3.4.2. Resignation, Dismissal or Cessation from Service

The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures which the former auditor and the corporation failed to resolve satisfactorily. A preliminary copy of the said report shall be given by the corporation to the external auditor before his submission.

2.3.4.3. Conflict of Interest

The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

2.3.4.4. Rotation

The company's external auditor shall be rotated or the handling partner shall be changed every five (5) years or earlier, or the signing partner of the external auditing firm assigned to the corporation, should be changed with the same frequency. The Internal Auditor should submit to the Audit Committee and Management, an annual report on the internal audit department's activities, responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposure, control issues and such other matters as may be deemed necessary or requested by the Board and Management.

The Board after consultation with the Audit Committee, shall recommend to the stockholders' external auditor duly accredited by the Commission who shall undertake an independent audit of

the corporation, and shall provide an objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The external auditor shall not, at the same time, provide internal audit services to the corporation. Non-audit work his duties as an independent auditor, or does not pose a threat to his independence.

2.3.4.5. Incorrect or Incomplete Corporate Reports

If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

2.3.5. Internal Auditor

2.3.5.1. Purpose

The Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with. The Internal Auditor shall be guided by the International Standards on Professional Practice of Internal Auditing.

2.3.5.2. Reporting Requirement

The Internal Auditor shall report to the Audit Committee.

2.3.5.3. Minimum Internal Control Mechanisms

The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

2.3.5.4. Factors in Determining Scope and Particulars of System of Effective Organizational and Procedural Controls

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

3 COMMUNICATION PROCESS

3.1. Availability of the Manual for Inspection

This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

3.2. Dissemination of Manual

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

3.3. Printed copies

An adequate number of printed copies of this Manual must be reproduced under the supervision of HRD, with a minimum of at least one (1) hard copy of the Manual per department.

4 ADEQUATE AND TIMELY INFORMATION

Management should provide members of the Board of Directors with complete, adequate and timely information about the matters to be taken in their meeting.

Reliance on information volunteered by Management would not sufficient in all circumstances and further inquiries may have to be made by members of the Board to enable him to properly perform his duties and responsibilities. Hence, members should be given independent access to Management and Corporate Secretary.

Members, either individually or as a Board, and in furtherance of their duties and responsibilities, should have access to independent professional advice at the corporation's expense.

5 ACCOUNTABILITY AND AUDIT

The Board is primarily accountable to the stockholders. It should provide them with a balanced and comprehensive assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law.

It is essential that Management provide all members of the Board with accurate and timely information that would enable the board to comply with its responsibilities to its stockholders.

Management should formulate, under the supervision of the Audit Committee, the rules and procedures on financial reporting and internal control in accordance with the following guidelines:

- The extent of responsibility in the preparation of the financial statements, with the corresponding delineation of the responsibilities that pertain to the external auditor, should be clearly explained.
- An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all **stockholders and other stakeholders**.
- On the basis of the approved audit plans, internal audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of control that cover the corporation's governance, operations and information systems, including reliability and integrity of financial and operational information effectiveness and efficiency of operations, protection of assets, and compliance with contracts, law, rules and regulations.
- The corporation should consistently comply with the financial reporting requirements of the Commission.

6 TRAINING PROCESS

6.1 Allocation of Funds

If necessary, funds shall be allocated by the CFO or its equivalent officer for the purpose of conducting an orientation program or workshop to operationalize this Manual.

6.2. Directors' Attendance in Seminar on Corporate Governance

A director shall, before assuming as such, be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

7 REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

7.1. Preparation and Submission of Reports/Disclosures

The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;

7.2. Disclosure of Material Information

All material information, i.e., anything that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, acquisition or disposal of assets, board changes, related party transactions, shareholdings of directors and changes to ownership.

7.3. Other Disclosable Information

Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off balance sheet transactions.

7.4. Release of Disclosed Information

All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.

7.5. Board Commitment to Disclose Material Information

The Board shall commit at all times to fully disclose material information dealings. It shall cause the filing of all required information for the interest of the stakeholders.

8 SHAREHOLDERS' BENEFIT

The company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and all its investors.

The Board should be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject of the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and doubt about the validity of a proxy should be resolved in stockholders' favor.

8.1. INVESTORS' RIGHTS AND PROTECTION

8.1.1. Rights of Investors/Minority Interests

The Board shall be committed to respect the following rights of the stockholders:

8.1.2. Voting Right

8.1.2.1. Right to Elect, Remove and Replace Directors and Vote on Certain Corporate Acts

Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

8.1.2.2. Election of Directors

Cumulative voting shall be used in the election of directors.

8.1.2.3. Removal of Director without Cause

A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

8.1.3. Pre-emptive Right

All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

8.1.4. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

8.1.5. Right to Information

8.1.5.1. The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.

8.1.5.2. The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

8.1.5.3. The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".

8.1.6. Right to Dividends

8.1.6.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board.

8.1.6.2. The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

8.1.7. Appraisal Right

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and

- In case of merger or consolidation.

8.1.8. Directors' Duty to Promote Shareholders' Rights

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints. Accurate and timely information should be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

9 MONITORING AND ASSESSMENT

9.1. Regular Reporting to the Board

Each Committee shall report regularly to the Board of Directors.

9.2. Evaluation System

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under Part 8 of this Manual.

9.3. Disclosure of Evaluation System

The establishment of such internal self rating evaluation system, including the salient features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such form of report that is applicable to the Corporation. The adoption of such performance evaluation system must be covered by a Board approval.

9.4. Quarterly Review of Manual

This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.

9.5. Review of Inconsistent Business Processes and Practices

All business processes and practices being performed within any department or business unit of BHI Holdings, Inc., that are not consistent

with any portion of this manual shall be revoked unless upgraded to the compliant extent.

9.6. Governance Scorecard

The Corporation shall accomplish and submit annually to the Commission a scorecard on the scope, nature and extent of actions the Corporation has taken to meet the objectives of the Code of this Manual.

10 DISCLOSURE AND TRANSPARENCY

The essence of corporate governance is transparency. The more transparent the internal workings of the corporation are, the more difficult it will be for the management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is therefore essential that all material information about the corporation which could adversely affect its viability of interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information should include, among others, earnings result, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.

11 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

11.1. Penalties

To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:

- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
- For third violation, the maximum penalty of removal from office shall be imposed.

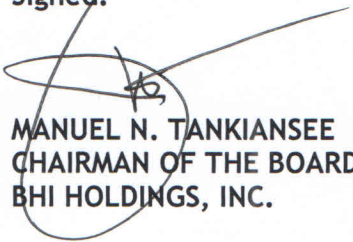
11.2. Commission of Third Violation by a Director

The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

11.3. Responsibility of Compliance Officer to Determine Violation(s)

The Compliance Officer shall be responsible for determining violation/s through notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

Signed:



**MANUEL N. TANKIANSEE
CHAIRMAN OF THE BOARD
BHI HOLDINGS, INC.**