

2017 REVISED MANUAL ON CORPORATE GOVERNANCE

BHI HOLDINGS, INC.

The Board of Directors, Management, and Control Officers 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.

I. 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.

II. GOVERNANCE STRUCTURE

A. The Board of Directors

The company shall be headed by a competent, working board 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 long-term best interests of its shareholders and other stakeholders.

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.

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

1. Composition of the Board of Directors

The Board shall be composed of **eleven (11) members** in accordance with the Corporation's Articles of Incorporation, with at least three independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the company's industry/sector. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

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

The Board shall be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances. The Board shall also promote a policy of board diversity, not just limited to gender diversity, to avoid groupthink and ensure that optimal decision-making is achieved.

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

2. Qualification for or Disqualification from Directorship

a. Qualifications. A director must have the following qualifications:

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

b. Disqualifications

Permanent Disqualification

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

- i. 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;

- ii. 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.
- iii. 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;
- iv. 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;
- v. 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;
- vi. 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;
- vii. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation.
- viii. Any person judicially declared to be insolvent;
- ix. 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
- x. 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.

3. **Temporary Disqualification**

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

- i. 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;
- ii. 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;
- iii. 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;
- iv. 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
- v. 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.

4. **Independent Directors**

An **Independent Director** refers to a person who, ideally:

- Is not, or has not been a senior officer or employee of the covered company unless there has been a change in the controlling ownership of the company;
- Is not, and has not been in the three years immediately preceding the election, a director of the covered company; a director, officer, employee of the covered company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the covered company's substantial shareholders and its related companies;
- Has not been appointed in the covered company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;

- Is not an owner of more than two percent (2%) of the outstanding shares of the covered company, its subsidiaries, associates, affiliates or related companies;
- Is not a relative of a director, officer, or substantial shareholder of the covered company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- Is not acting as a nominee or representative of any director of the covered company or any of its related companies;
- Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the covered company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
- Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the covered company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- Is not affiliated with any non-profit organization that receives significant funding from the covered company or any of its related companies or substantial shareholders; and
- Is not employed as an executive officer of another company where any of the covered company's executives serve as directors.

Related companies, as used in this section, refer to (a) the covered entity's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

Term. The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from reelection as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that a company wants to retain an independent director who has served for nine years, the Board shall provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

5. Responsibilities, Duties, and Functions of the Board

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:

- a. 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;
- b. review and guide corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures. Sound strategic policies and objectives translate to the company's proper identification and prioritization of its goals and guidance on how best to achieve them. This creates optimal value to the corporation.
- c. 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;
- d. Determine the Corporation's purpose, its vision and mission and strategies to carry out its objectives.
- e. Ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices;
- f. 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.
- g. 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;
- h. 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;
- i. Adopt a system of internal checks and balances within the Board. A regular review of the effectiveness of such system shall be conducted to ensure integrity of the decision making and reporting processes at all times. There shall be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
- j. 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;
- k. 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;

- l. Constitute committees it deems necessary to assist the Board in the performance of its duties and responsibilities;
- m. 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;
- n. 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;
- o. 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
- p. 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.
- q. To conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment shall be supported by an external facilitator.
- r. The non-executive directors (NEDs) shall have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the corporation. The meetings shall be chaired by the lead independent director.

6. Code of Business Conduct and Ethics

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

The Board shall adopt a **Code of Business Conduct and Ethics**, which would provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code shall be properly disseminated to the Board, senior management and employees. It shall also be disclosed and made available to the public through the company website. A director shall observe the following norms of conduct:

- a. 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 shall 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 shall fully and immediately disclose it and shall not participate in the decision making process. A director who has a continuing material conflict of interest shall 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.
- b. To devote time and attention necessary to properly discharge his duties and responsibilities.
 - A director shall devote sufficient time to familiarize himself with the Corporation's business. He shall be aware and knowledge of the Corporation's operations to enable him to meaningfully contribute to the Board's work.
- c. To act judiciously.
 - A director shall carefully evaluate the issues before deciding on any matter, and if necessary, to make inquiries and request clarification.
- d. To exercise independent judgment.
 - A director shall view each problem or situation objectively. If a disagreement with other directors arises, he shall carefully evaluate and explain his position.
- e. 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 shall also keep abreast with industry development and business trends to promote the Corporation's competitiveness.
- f. To observe confidentiality.
 - A director shall keep secure and confidential all non-public information he may acquire or learn by reason of his position as director.

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

Independent directors shall 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 director's record of attendance in Board meetings.

8. Remuneration of Directors and Officers. The Board shall align the remuneration of key officers and board members with the long-term interests of the company. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance.

The levels of remuneration of the Corporation shall 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 shall participate in deciding on his remuneration.

- 9. Directorships and Officerships in Other Corporations.** A director shall notify the Board where he/she is an incumbent director before accepting a directorship in another company.

The non-executive directors of the Board shall concurrently serve as directors to a maximum of five (5) publicly listed companies to ensure that they have sufficient time to fully prepare for meetings, challenge Management's proposals/views, and oversee the long-term strategy of the company.

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.

10. Board Training.

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.

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.

III. BOARD COMMITTEES

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

A. AUDIT COMMITTEE

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 Chief Audit Executive, who shall be an independent director, shall chair the Audit Committee. Each member shall have adequate understanding at least or competence at most of the company's financial management systems and environment.

2. Duties and Responsibilities

- a. 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.
- b. 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
- c. 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;
- d. Review the annual internal audit plan to ensure conformity with objectives of the Corporation. The plan shall include the scope, resources, budget necessary to implement it;
- e. 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;
- f. Organize an internal audit department, and consider the appointment of an independent internal auditor and terms and conditions of its engagement and removal;
- g. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
- h. Review the reports submitted by the internal and external auditors;
- i. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- i. Any change in accounting policies and practices
 - ii. Major judgment areas
 - iii. Significant adjustments resulting from the audit
 - iv. Going concern assumptions
 - v. Compliance with accounting standards
 - vi. Compliance with tax, legal and regulatory requirements
- j. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- k. 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, shall be disclosed in the corporation's annual report.
- l. 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.
- m. 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.
- n. Perform direct interface functions with the internal and external auditors.
- o. Elevate to international standards the accounting and auditing processes, practices and methodologies, and develop the following in relation to this reform:
 - i. A definitive timetable within which the accounting system of the Corporation will be 100% International Accounting Standard (IAS) compliant.
 - ii. An accountability statement that will specifically identify officers and/or personnel directly responsible for the accomplishment of such task.
- p. 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.

B. CORPORATE GOVERNANCE COMMITTEE

1. Composition.

The Board shall establish a Corporate Governance Committee that shall be tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee. It shall be composed of at least three members, all of whom shall be independent directors, including the Chairman.

2. Duties and Responsibilities

The Corporate Governance Committee (CG Committee) is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. It has the following duties and functions, among others:

- a. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- b. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- c. Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- d. Recommends continuing education/training programs for director's assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- e. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- f. Proposes and plans relevant trainings for the members of the Board;
- g. Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- h. Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

The establishment of a Corporate Governance Committee does not preclude companies from establishing separate Remuneration or Nomination Committees, if they deem necessary.

C. NOMINATION COMMITTEE

1. Composition

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. Duties and Responsibilities

- a. Pre-screen and shortlist all candidates nominated to become a member of the board of directors in accordance with the list of qualifications and disqualifications;

- b. 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;
- c. Consider the following guidelines in the determination of the number of directorships for the Board:
 - i. The nature of the business of the Corporations which he is a director;
 - ii. Age of the director;
 - iii. Number of directorships/active memberships and officerships in other corporations or organizations; and
 - iv. Possible conflict of interest.

D. COMPENSATION AND REMUNERATION COMMITTEE

1. Composition

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

2. Duties and Responsibilities

- a. 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.
- b. 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.
- c. 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.
- d. 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.
- e. Disallow any director to decide his or her own remuneration.
- f. 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.
- g. 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.

- h. Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

E. BOARD RISK OVERSIGHT COMMITTEE

Subject to the corporation's future size, risk profile, and complexity of operations, the Board shall establish a separate Board Risk Oversight Committee (BROC) that shall be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.

1. Composition

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

The Chairman shall not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.

2. Duties and Responsibilities. The BROC has the following duties and responsibilities, among others:

- a. Develops a formal enterprise risk management plan which contains the following elements:
 - i. common language or register of risks,
 - ii. well-defined risk management goals, objectives and oversight,
 - iii. uniform processes of assessing risks and developing strategies to manage prioritized risks,
 - iv. designing and implementing risk management strategies, and
 - v. continuing assessments to improve risk strategies, processes and measures;
- b. Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- c. Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- d. Advises the Board on its risk appetite levels and risk tolerance limits;
- e. Reviews 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 when major events occur that are considered to have major impacts on the company;

- f. Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- g. Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- h. Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

F. RELATED PARTY TRANSACTIONS (RPT) COMMITTEE

Related Party Transactions. The Board shall have the overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality.

The policy shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy shall encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations. The RPT Policy shall include:

- Definition of related parties;
- Coverage of RPT policy;
- Guidelines in ensuring arm's-length terms;
- Identification and prevention or management of potential or actual conflicts of interest which arise;
- Adoption of materiality thresholds;
- Internal limits for individual and aggregate exposures;
- Whistle-blowing mechanisms, and
- Restitution of losses and other remedies for abusive RPTs.

G. COMMITTEE CHARTERS.

All established committees shall be required to have Committee Charters stating in plain terms their respective purposes, memberships, structures, operations, reporting processes, resources and other relevant information. The Charters shall provide the standards for evaluating the performance of the Committees.

IV. THE CHAIRMAN

The positions of Chairman and Chief Executive Officer shall 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 is 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.

- A. **Duties and Responsibilities.** The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:
1. Ensure that the meetings of the Board are held in accordance with the by-laws of the Corporation;
 2. 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;
 3. Maintain qualitative and timely lines of communications and information between the Board and Management;
 4. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the corporation, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
 5. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
 6. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;
 7. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
 8. Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
 9. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

V. THE CHIEF EXECUTIVE OFFICER AND MANAGEMENT

A. CEO Duties and Responsibilities. The CEO has the following roles and responsibilities, among others:

1. Determines the corporation's strategic direction and formulates and implements its strategic plan on the direction of the business;
2. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
3. Oversees the operations of the corporation and manages human and financial resources in accordance with the strategic plan;
4. Has a good working knowledge of the corporation's industry and market and keeps up-to-date with its core business purpose;
5. Directs, evaluates and guides the work of the key officers of the corporation;
6. Manages the corporation's resources prudently and ensures a proper balance of the same;
7. Provides the Board with timely information and interfaces between the Board and the employees;
8. Builds the corporate culture and motivates the employees of the corporation; and
9. Serves as the link between internal operations and external stakeholders.

B. The Corporate Secretary

1. Qualifications

The Corporate Secretary must be a Filipino and a resident of the Philippines. Likewise, his loyalty to the mission, vision, and specific business objectives of the corporate entity come with his duties. 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.

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.

The Corporate Secretary shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

2. Duties and Responsibilities

- a. 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;

- b. Be loyal to the mission, vision and objectives of the Corporation;
- c. Work fairly and objectively with the Board, Management stockholders and other stakeholders;
- d. Have a working knowledge of the operations of the Corporation;
- e. 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;
- f. Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- g. 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.
- h. Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- i. Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during Board meetings; and
- j. 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)

VI. INTERNAL CONTROL

A. Internal Control Responsibilities

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

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

B. THE CHIEF RISK OFFICER

In managing the company's Risk Management System, the company should have a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM) and has adequate authority, stature, resources and support to fulfill his/her responsibilities, subject to a company's size, risk profile and complexity of operations.

1. **Duties and Responsibilities.** The CRO has the following functions, among others:
 - a. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
 - b. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
 - c. Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;
 - d. Suggests ERM policies and related guidance, as may be needed; and
 - e. Provides insights on the following:
 - Risk management processes are performing as intended;
 - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
 - Established risk policies and procedures are being complied with.

There should be clear communication between the Board Risk Oversight Committee and the CRO.

C. THE CHIEF COMPLIANCE OFFICER

To insure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer who shall have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.

The Compliance Officer shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

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.

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.

1. Duties of the Compliance Officer. He shall perform the following duties:

- a. Ensures proper onboarding of new directors (i.e., orientation on the company's business, charter, articles of incorporation and by-laws, among others);
- b. 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;
- c. Appear before the Securities and Exchange Commission (the "Commission") upon summon in relation to compliance with the code and this Manual;
- d. 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;
- e. Recommend adoption of measures to prevent repetition of violations of the Manual;
- f. 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
- g. 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.

D. THE CHIEF AUDIT EXECUTIVE

1. Duties and Responsibilities.

The Chief Audit Executive (CAE) shall oversee and be responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel should be assigned the

responsibility for managing the fully outsourced internal audit activity.

The CAE, in order to achieve the necessary independence to fulfill his/her responsibilities, directly reports functionally to the Audit Committee and administratively to the CEO. The following are the responsibilities of the CAE, among others:

- a. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
- b. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organization's goals;
- c. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
- d. Spearheads the performance of the internal audit activity to ensure it adds value to the organization;
- e. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan; and
- f. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes.

2. External Auditor

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.

- a. **Appointment.** The Audit Committee shall have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditor. The appointment, reappointment, removal, and fees of the external auditor shall be recommended by the Audit Committee, approved by the Board and ratified by the shareholders.
- b. **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.
- c. **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, shall be changed with the same frequency. The Internal Auditor shall 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 shall 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.

- d. 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.
- e. Disclosure of Non-Audit Services.** The company shall disclose the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.
- f. 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 resolved satisfactorily. A preliminary copy of the said report shall be given by the corporation to the external auditor before his submission.

3. Internal Auditor

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.

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.

VII. COMMUNICATION PROCESS

- A. Availability and Dissemination of the Manual.** This manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

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. 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.

- B. Adequate and Timely Information.** Management shall 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 shall be given independent access to Management and Corporate Secretary.

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

- C. Accountability and Audit.** The Board is primarily accountable to the stockholders. It shall 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 shall 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, shall 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 shall 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 shall consistently comply with the financial reporting requirements of the Commission.

VIII. REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES

- A. 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.
- B. 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.
- C. 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.
- D. 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.
- E. 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.

IX. 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 shall be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall 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 shall be resolved in stockholders' favor.

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

A. Voting Rights

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.
2. **Election of Directors.** Cumulative voting shall be used in the election of directors.
3. **Removal of Director without Cause.** A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

- B. 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.
- C. 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.
- D. Right to Information.** 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.

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.

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".

- E. Right to Dividends.** Shareholders shall have the right to receive dividends subject to the discretion of the Board.

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.

- F. 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:
1. 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;

2. 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
3. In case of merger or consolidation.

G. 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 shall 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.

H. Investor Relations Office. The Board shall establish an Investor Relations Office (IRO) to ensure constant engagement with its shareholders. The IRO should be present at every shareholders' meeting.

X. MONITORING AND ASSESSMENT

- A. Regular Reporting to the Board.** Each Committee shall report regularly to the Board of Directors.
- B. 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 Article XII of this Manual.
- C. 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.
- D. Quarterly Review of Manual.** This Manual shall be subject to quarterly review unless the same frequency is amended by the Board.
- E. 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.
- F. 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.

XI. 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.

A. Financial Reporting. 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 shall be publicly and timely disclosed. Such information shall 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.

B. Non-Financial and Sustainability Reporting. The company shall be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.

The company shall recognize and place an importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.

The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability. Companies shall adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.


XII. PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL

A. **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:

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

B. **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.