

# **REVISED MANUAL ON CORPORATE GOVERNANCE**

## **Swift Foods, Inc.**

The Board of Directors, Officers and Staff of Swift Foods, Inc. hereby commit ourselves to the principles and best practices contained in this Manual, and acknowledge that these may guide the attainment of our corporate goals.

### **1 OBJECTIVE**

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

Corporate Governance is the framework of rules, systems, and processes in the corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to stockholders and other acknowledged stakeholders.

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

### **2 COMPLIANCE SYSTEM**

#### **2.1. Compliance Officer and Alternate**

2.1.1. To ensure adherence to corporate principles and best practices, the Chairman of the Board shall designate a Compliance Officer and his alternate, who shall both hold the positions of Vice President or higher. They shall have direct reporting responsibilities to the Chairman of the Board.

2.1.2. They shall perform the following duties:

- Monitor compliance with the provisions and requirements of this Manual;
- Appear before the Securities and Exchange Commission upon summon on similar matters that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;

- Issue a certification every January 30<sup>th</sup> 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, if any; and
- Identify, monitor and control compliance risks.

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

## **2.2 Plan of Compliance**

### **2.2.1 Board of Directors**

Compliance with the principles of good corporate governance shall start with the Board of Directors.

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 identified 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. Specific Duties and Functions**

To ensure a high standard of best practice for the Corporation and its stockholders and identified stakeholders, the Board shall:

- Install a process of selection to ensure a mix of competent directors and officers;
- 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;
- 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;
- Identify key risk areas and key performance indicators and monitor these factors with due diligence;
- Properly discharge Board functions by meeting regularly. Independent views during Board meetings shall be given due consideration and all such meetings shall be duly documented through minutes; and
- 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.
- Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
- Appoint a Compliance Office who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

#### 2.2.1.3. Duties and Responsibilities of a Director

To ensure a high standard of best practice for the corporation, its stockholders and identified stakeholders, the Board should conduct itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- To conduct fair business transactions with the Corporation and to ensure that personal interest does not bias Board decisions;
- To devote time and attention necessary to properly discharge his duties and responsibilities;

- To act judiciously;
- To exercise independent judgment;
- 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;
- To observe confidentiality;
- To ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment; and
- To 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 communication with them.

## **2.2.2. 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 members, one of whom shall be an independent director, and one (1) non-voting member in the person of the HRD Manager.

2.2.2.1.1. The Committee shall continually review the ownership structure of the Corporation to determine the appropriate representation to the Board.

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

#### Qualifications

- Holder of at least (1) share of stock of the Corporation;

- He shall be at least a college graduate or have sufficient experience in business management to substitute for such formal education;
- He shall be at least twenty one (21) years old;
- He shall have proven to possess integrity; and
- He shall be diligent in performing his tasks as member of the Board.

#### Disqualifications

- Any person finally convicted judicially of an offense involving moral turpitude or fraudulent act or transgressions;
- 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 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.

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

- Refusal to fully disclose the extent of his business interests as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;

- Absence or non-participation for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of directors during his incumbency, or the immediately preceding twelve (12) months prior to the next election. This disqualification applies for the purposes of the succeeding election;
- Dismissal/termination from directorship in another corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;
- Being under preventive suspension by the Corporation;
- If the independent director becomes an officer or employee of the Corporation or its subsidiaries, he shall be automatically disqualified from being an independent director;
- Conviction that has not yet become final referred to in the grounds for the disqualification of directors;
- Any person or his nominees or his relatives up to the third degree by affinity or consanguinity, who owns, directly or indirectly, at least ten (10%) percent of the outstanding capital stock of another company engaged in a business which is in competition, directly or indirectly, with the business of the Corporation. This disqualification shall cease as soon as the number of shares of stock owned in the other company is reduced to less than ten (10%) percent of the outstanding capital stock thereof; and
- Any person who is concurrently a member of the Board of another company engaged in business in competition, directly or indirectly, with the business of the Corporation. This disqualifications shall cease as soon as he ceases to be a member of the Board of the other company.

2.2.2.1.3. The Nomination Committee, in determining the number of concurrent directorships that a Board member may have shall consider the following guidelines:

- The nature of the business of the corporations which he is a director of;

- Age and experience of the director;
- Number of directorships/active memberships and official appointments/executive positions 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 corporate Boards other than those within the RFM Group of Companies. 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 should not be compromised.

#### **2.2.2.2. Compensation Committee**

2.2.2.2.1. The Compensation Committee shall be composed of at least three (3) voting members, one of who shall be an independent director, and one (1) non-voting member in the person of the HRD Manager.

##### 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 personnel ensuring that compensation is consistently and equitably implemented in accordance 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 Corporation successfully.
- Develop a Full Business Interest Disclosure form for directors and incoming officers, which among others compel all directors and incoming officers to declare under the penalty of perjury all their existing business

interests or shareholdings that may directly or indirectly conflict with their performance of their duties once appointed or hired.

- Disallow any director or officer 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 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 requirement that must be periodically met in their respective posts.

### **2.2.2.3. Audit Committee**

2.2.2.3.1. The audit committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. Each member should have adequate understanding at least or competence at most of the Corporation's financial management systems and environment.

#### **2.2.2.3.2. Duties and Responsibilities**

- Check all financial reports against its compliance with both the internal financial management policies and pertinent accounting standards, including regulatory requirements.
- Perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.
- Pre-approve all audit plans, scope and frequency one (1) month before the conduct of the external audit.
- 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 compliant with the International Accounting Standards (IAS)
  - 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 Corporation through a step-by-step procedures and policies handbook that will be used by the entire organization, stockholders and other identified stakeholders.

### **2.3.3. The Corporate Secretary**

2.3.3.1. The Corporate Secretary shall be an officer of the Corporation and shall be a Filipino citizen.

2.3.3.2. 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.

#### **2.3.3.3. Duties and Responsibilities**

- Gather and analyze all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation.
- Provide the Board members with the schedule of the meetings for the current year during the first month of the year and put the Board on notice before every meeting together with a copy of the agenda of the meeting.
- Assist the Board in making business judgment in good faith and in the performance of their responsibilities and obligations.
- Attend all Board meetings and maintain a record of the same.

- Submit to the Commission, at the end of every fiscal year, an annual certification as to the attendance of the directors during the Board meetings.
- Work fairly and objectively with the Board, Management, stockholders and other stockholders.

#### **2.3.4. External Auditor**

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

2.3.4.2. The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Corporation'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 procedure.

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

2.3.4.4. The Corporation's external auditor shall be changed or the handling partner shall be rotated every five (5) years or earlier.

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

#### **2.3.5. Internal Auditor**

2.3.5.1. 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.

2.3.5.2. The Internal Auditor shall report to the Audit Committee.

2.3.5.3. The minimum internal control mechanisms for management's operational responsibility shall be established by the Chief Executive Officer, being ultimately accountable for the Corporation's organizational and procedural controls.

2.3.5.4. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors:

- nature and complexity of the business and the business culture;
- volume, size and complexity of transactions;
- degree of risk;
- degree of centralization and delegation of authority;
- extent and effectiveness of information technology; and
- extent of regulatory compliance.

### **3 COMMUNICATION PROCESS**

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

3.2. All directors, executives, 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. 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 TRAINING PROCESS**

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

4.2. A director, assuming that position for the first time, shall be required to attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institute.

### **5 REPORTORIAL OR DISCLOSURE SYSTEM OF COMPANY'S CORPORATE GOVERNANCE POLICIES**

5.1. 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 or his alternate.

5.2. All material information, about the corporation which could adversely affect its viability or the interest of its stockholders and other identified stakeholders, 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

5.3. 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.

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

5.5. 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.

5.6. All material non-public information shall not be communicated to any person, unless the Corporation is ready to simultaneously disclose the material non-public information to the Philippine Stock Exchange.

5.7. This notwithstanding, the prohibition in Section 5.6 does not apply if the disclosure is made to:

a. A person who is bound by duty to maintain trust and confidence to the Corporation such as but not limited to its auditors, legal counsels, investment bankers, financial advisers; and

b. A person who agrees in writing to maintain in strict confidence the disclosed material information and will not take advantage of it for his personal gain.

5.8. The Board shall establish and implement internal controls that will ensure that the officers, staff and any other person who is privy to the material non-public information shall comply with the prohibition on disclosure of material non-public information. (As amended on 12 April 2004 by Board approval).

5.9 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.

## **6 SHAREHOLDERS' BENEFIT**

The Corporation 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 a governance covenant between the Corporation and all its investors:

### **6.1. INVESTORS' RIGHTS AND PROTECTION**

#### **6.1.1. Rights of Investors/Minority Interests**

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

#### **6.1.2. Voting Right**

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

6.1.2.2. The directors shall be voted in accordance with the Corporation Code.

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

#### **6.1.3. 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.

#### **6.1.4. 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.

### **6.1.5. Right to Information**

6.1.5.1. 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 Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers.

6.1.5.2. 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.

6.1.5.3. 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 purpose".

### **6.1.6. Right to Dividends**

6.1.6.1. Shareholders shall have the right to receive dividends subject to the discretion of the Board and in accordance with the Corporation Code.

6.1.6.2. The Corporation 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.

### **6.1.7. 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.

#### **6.1.8. Promotion of 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 the 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 impractical impediments to shareholders participation 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.

## **7 MONITORING AND ASSESSMENT**

7.1. Each Committee shall report regularly to the Board of Directors.

7.2. 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.

7.3. The establishment of such an evaluation system, including the 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 Board approval.

7.4. This Manual shall be subject to annual review.

7.5. All business processes and practices being performed within any department in Swift Foods, Inc. that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant extent.

## **8 PENALTIES FOR NON-COMPLIANCE WITH THE MANUAL**


8.1. To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the Corporation'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.
- In case of second violation, the subject person shall be suspended from office. The duration of the suspension shall depend on the gravity of the violation.
- In case of third violation, the maximum penalty of removal from office shall be imposed.

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

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

**Signed:**

  
**JOSE A. BERNAS**  
For: **JOSE S. CONCEPCION, JR.**  
Chairman of the Board

  
**JOSE A. BERNAS**  
Corporate Secretary



**SECRETARY'S CERTIFICATE**

I, **NERISSA L. MARASIGAN - SHAW**, of legal age, Filipino, with office address at the 8F Raha Sulayman Building, 108 Benavidez Street, Legaspi Village, Makati City, being the Assistant Corporate Secretary of **SWIFT FOODS, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with offices at the 4F RFM Corporate Center, Sheridan corner Pioneer Street, Mandaluyong City, do hereby certify that at the Special Meeting of the Board of Directors held on 29 July 2014, the following resolutions were unanimously approved:


"RESOLVED, that the Board of Directors of SWIFT FOODS, INC. (the "Corporation") authorize, as it hereby authorizes the Corporation's Corporate Secretary, Jose A. Bernas, to sign the Corporation's Amended Revised Manual on Corporate Governance, on behalf of the Corporation's Chairman, Mr. Jose S. Concepcion, Jr."

IN WITNESS WHEREOF, this Certificate has been signed this 31<sup>st</sup> day of July 2014 in Makati City.

  
**NERISSA L. MARASIGAN - SHAW**  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me this 31<sup>st</sup> day of July 2014 affiant exhibiting to me her Driver's License No. N02-07-012350 issued on 16 April 2013 in Makati City.

Doc. No. 588  
Page No. 119  
Book No. 2  
Series of 2014.

  
**JOANNE MAE A. BIBAL**  
Commission No. M-328  
Notary Public-City of Makati  
Until 31 December 2014  
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PTR No. 4233149/07 January 2014/Makati City  
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