



GraceKennedy Limited Policy Document	
Policy	<b>CORPORATE GOVERNANCE CODE</b>

1. **Introduction**

The following Corporate Governance principles were compiled with reference to the United Kingdom Combined Code on Corporate Governance issued in 2010, the Private Sector Organization Code on Corporate Governance and the Corporate Governance Guidelines set out in the Jamaica Stock Exchange Rules and were adopted by the Board of Directors of GraceKennedy Limited.

2. **Role of the Board**

2.1 **Main Principle:**

***The company shall be led by an effective Board, which is collectively responsible for promoting the long term success of the company.***

2.2 **Code provisions:**

2.2.1 The Board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board should set the company's strategic aims and monitor their achievement, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The Board should set the company's values and standards and ensure that its obligations to its shareholders and other stakeholders are understood and met.

2.2.2 The values set by the Board should include the promotion of respect, integrity, trust, fairness and responsible behaviour by the company in relation to its employees, customers, suppliers, shareholders and all other stakeholders as well as the wider community. This must include measures to promote the wellbeing and development of the company's employees and the communities in which the company operates globally and extends to the promotion of responsible

behaviour by the company and its employees for the protection of the environment.

2.2.3 The Board should meet sufficiently regularly to discharge its duties effectively. There should be a formal schedule of matters specifically reserved for its decision.

2.2.4 All directors must act honestly and in good faith, taking decisions objectively in the best interest of the company.

2.2.5 Board members are required to attend board and assigned board committee meetings regularly and to prepare for and participate actively in meetings.

2.2.6 Non-executive directors should constructively challenge and help develop proposals on strategy. Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

2.2.7 At least semi-annually, the chairman should hold meetings with the non-executive directors without the executive directors being present.

2.2.8 Where directors have concerns, which cannot be resolved, about the running of the company or a proposed action, they should ensure that their concerns are recorded in the Board minutes. Where a non-executive director resigns because of such concerns a written statement should be provided to the chairman for circulation to the Board.

2.2.9 A written statement should be provided to the chairman, for circulation to the Board, setting out the reasons where a non-executive director resigns for reasons other than unresolved concerns.

2.2.10 The company should arrange appropriate insurance cover in respect of legal action against its directors in the discharge of their duties as directors.

### 3. **Division of responsibilities - Chairman & Chief Executive**

#### 3.1 **Main Principle:**

***There should be a clear division of responsibilities at the head of the company between the running of the Board (the chairman) and the executive responsibility for the running of the company's business (the CEO). No one individual should have unfettered powers of decision.***

### 3.2 **Code Provisions:**

3.2.1 The division of responsibilities between the chairman and chief executive should be clearly established.

3.2.2 The chairman is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The chairman is also responsible for ensuring that the directors receive accurate, timely and clear information. The chairman should ensure effective communication with the company's management and shareholders. The chairman should also facilitate the effective contribution of non-executive directors and ensure constructive relations between executive and non-executive directors.

3.2.3 Where the chairman of the board is not independent; the board should appoint one of the independent non-executive directors to be the senior independent director (where there is one) to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary.

3.2.4 The annual report should identify the chairman, the chief executive, the senior independent director (if any) and the chairmen and members of all committees of the board.

## 4. **Board composition, balance and independence**

### 4.1 **Main Principle:**

***The Board should include a balance of non-executive directors of sufficient caliber and number for their views to carry significant weight in the Board's decisions. Non-executive directors should comprise not less than one-half of the Board.***

### 4.2 **Code Provisions:**

4.2.1 The Board should be of sufficient size that the balance of skills and experience is appropriate for the requirements of the business and that changes to the Board's composition can be managed without undue disruption bearing also in mind the composition requirements for Board committees

- 4.2.2 All directors should bring an independent judgment to bear on issues of strategy performance, resources, including key appointments and standards of conduct.
- 4.2.3 There should be a strong and independent non-executive element on the Board, and where the Board deems this necessary, there should be a recognized senior member identified, other than the chairman, to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary.
- 4.2.4 The majority of non-executive directors should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

At least half the Board, excluding the chairman, should comprise non-executive directors of whom at least two-thirds are determined by the Board to be independent.

- 4.2.5 The Board should identify in the annual report each non-executive director it considers to be independent. The Board should determine whether the director is independent and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The Board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- has been an employee of the company or group within the last three years;
- has, or has had within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the company (apart from a director's compensation) or has participated or participates in the company's performance-related pay scheme within the last three years;
- or the director's spouse, child or dependent is one of the company's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder.

## 5. Appointments to the Board

### 5.1 Main Principle:

***There should be a formal, rigorous and transparent procedure for the appointment of directors to the Board.***

### 5.2 Code Provisions:

5.2.1 The Corporate Governance & Nomination Committee should lead the process for Board appointments and make recommendations to the Board. All non-executive board members shall be members of the Corporate Governance & Nomination Committee. An independent non-executive director, who should ideally not be the Board chairman, should chair the committee, but the Board chairman should not chair the committee when it is dealing with the appointment of a successor to the chairmanship.

5.2.2 The search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

5.2.3 Before making a recommendation for appointment, the nomination committee should evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required.

5.2.4 The material interests and commitments of prospective directors should be disclosed to the Board and taken into account in making an appointment.

5.2.5 The Board should satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the company and on the Board. The succession plan should include policies and principles regarding succession in the event of an emergency or the retirement of the CEO.

## 6. Information and Directors' Training

### 6.1 Main Principle:

***The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. New directors should receive a comprehensive induction to the company affairs on joining the Board and all directors should continually update and refresh their skills and knowledge.***

## 6.2 **Code Provisions:**

6.2.1 The chairman is responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information but directors should seek clarification or amplification where necessary.

6.2.2 There should be a procedure agreed by the Board for individual directors in the furtherance of their duties, to take independent professional advice if necessary, at the company's expense.

6.2.3 All directors should have access to the impartial advice and services of the company secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the chairman the company secretary's responsibilities include facilitating induction and professional development, ensuring good information flows within the Board, its committees and between non-executive directors and senior management.

6.2.4 Both the appointment and the removal of the company secretary should be a matter for the Board as a whole.

6.2.5 The chairman should ensure that new directors receive a full, formal and tailored induction on joining the board. This may include, amongst other things, meeting with the company's senior executives and major investors.

6.2.6 The chairman should ensure that the directors continually update the skills and knowledge required to fulfil their role both on the Board and on Board committees. The company should provide the necessary resources for developing and updating its directors' knowledge and capabilities.

## 7. **Performance Evaluation**

### 7.1 **Main Principle:**

***The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.***

### 7.2 **Code Provisions:**

7.2.1 Performance evaluation of the Board, its committees and its individual directors should be undertaken at least once a year. The board should develop the criteria of evaluation. The chairman should ensure that the board acts on the results of the performance evaluation by recognising its strengths and addressing the weaknesses identified and where appropriate, appointing new members to the Board or seeking the resignation of directors.

7.2.2 The Board should state in the annual report whether such performance evaluation is taking place and how it is conducted.

7.2.3 The Board evaluation exercise should be externally facilitated at least every four years. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection with the company.

## 8. **Re-election of Directors**

### 8.1 **Main Principle:**

***All directors should be subject to re-election at regular intervals, subject to continued satisfactory performance.***

### 8.2 **Code Provisions**

8.2.1 All directors should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals in keeping with the provisions of the company's articles. The names of directors submitted for election or re-election should be accompanied by sufficient biographical details to enable shareholders to take an informed decision on their election.

8.2.2 Before proposing re-election, the chairman should confirm as a result of performance evaluation that the board is satisfied that the non-executive director continues to contribute effectively and demonstrate commitment to the role.

## 9. **Audit & Internal Controls**

### 9.1 **Main Principles:**

***The Board shall establish an Audit Committee with responsibilities set out in terms of reference agreed by the Board.***

***The Board should establish formal, rigorous and transparent arrangements for selecting independent auditors and ensure that the independent auditors make a thorough checking of the company's***

***financial accounts, application of financial reporting standards and efficiency of internal control mechanisms. The Board must maintain an appropriate relationship with the company's auditors.***

**9.2 Code Provisions:**

9.2.1 The Board should establish an Audit Committee of at least three directors, all non-executive. The members of the Committee, a majority of whom should be independent non-executive directors, should be named in the report of accounts.

9.2.2 The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:

- to monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them.
- to review the company's internal financial and other control systems and risk management systems.
- to monitor and review the effectiveness of the company's internal audit function.
- to ensure compliance with applicable governing statutes and regulations issued by any relevant supervisory authority.
- to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor
- to develop and implement policy on the engagement of the external auditor to supply non-audit services.
- to review and monitor the external auditor's independence, objectivity and effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

9.2.3 Companies in the GraceKennedy group which do not have an internal audit function should from time to time review the need for one. It is recommended that the regulated and public companies in the GraceKennedy group should have their own audit committees.

**10. Financial reporting**

**10.1 Main Principles:**

***The Board should ensure that the company provides its shareholders and investors with information that presents a balanced and understandable assessment of the company's financial and business position and prospects.***

**10.2 Code provisions:**

10.2.1 The Board should ensure that the Annual Report includes a clear description of the company's business prospects; financial accounts and a statement by the auditors on the company as a going concern and the integrity of the financial accounts.

10.2.2 The Board's responsibility to present a balanced and understandable assessment of the company's affairs extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

10.2.3 The directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.

**11. Compensation**

**11.1 Main principle:**

***Levels of remuneration of a company's executives and board members should be sufficient to attract and retain and motivate persons of the quality required to run the company successfully. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.***

**11.2 Code Provisions:**

11.2.1 A compensation committee is to be established either as an independent committee or as a sub-committee of the Corporate Governance & Nomination Committee.

11.2.2 The Compensation Committee should judge where to position the company relative to other companies. The Compensation Committee should be sensitive to the wider scene, including pay and employment conditions elsewhere in the group, especially when determining annual salary increases.

11.2.3 The performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive directors and should be designed to align their interest

with those of shareholders and to give these directors keen incentives to perform at the highest levels.

- 11.2.4 The Compensation Committee should consider what compensation commitments (including pension contributions) the executive directors' contracts of service, if any, would entail in the event of early termination.
- 11.2.5 Where the initial contract does not explicitly provide for compensation commitments, the Compensation Committee should, within legal constraints, tailor their approach in individual early termination cases to the wide variety of circumstances.
- 11.2.6 The Compensation Committee should provide the packages needed to attract, retain and motivate executive directors of the quality required but should avoid paying more than is necessary for this purpose.
- 11.2.7 Employees who serve on Boards within the Group should not receive additional compensation for service in this capacity.
- 11.2.8 To avoid potential conflicts of interest, boards of directors should set up compensation committees of independent non-executive directors to make recommendations to the Board, within agreed terms of reference, on the company's framework of executive remuneration and its cost; and to determine on their behalf specific remuneration packages for each of the executive directors, including pension rights and any compensation payments.
- 11.2.9 Compensation committees should consist exclusively of nonexecutive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.
- 11.2.10 The Board itself or, where required by the Articles of Association, the shareholders, should determine the remuneration of the nonexecutive directors, including members of the Compensation Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may however delegate this responsibility to a small sub-committee, which might include the chief executive officer.
- 11.2.11 Compensation committees should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice inside and outside the company.
- 11.2.12 The Board should report to the shareholders each year on remuneration.

## 12. Report to Shareholders and investor relations

### 12.1 Main principle:

***There should be regular communication between the company and its shareholders based on the mutual understanding of objectives. Whilst recognizing that most shareholders' contact is with the executive directors, the chairman and the Board as a whole should maintain sufficient contact with shareholders to understand their issues and concerns.***

### 12.2 Code Provisions:

12.2.1 The Annual Report should set out the company's policy on executive directors' remuneration.

12.2.2 The chairman, chief executive and senior independent director should be identified in the annual report.

12.2.3 The directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary.

12.2.4 The Board's responsibility to present a balanced understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

## 13. Annual General Meetings

### 13.1 Main principle:

***Boards should use the AGM as a major opportunity to inform shareholders and investors on the company's affairs and encourage their participation. Boards should ensure that shareholders are provided with sufficient information for the AGM to make well-informed decisions on issues put for voting at the AGM.***

### 13.2 Code Provisions:

13.2.1 Companies should propose a separate resolution at the Annual General Meeting (AGM) on each substantially separate issue, and should in particular propose a resolution at the AGM relating to the report and accounts.

13.2.2 Companies should arrange for the Notice of the AGM and related papers, including the company's annual report to be sent to shareholders at least 21 working days before the meeting or such other time as may be provided for in the Articles of the company.

14. **Review of Corporate Governance Code and Disclosure of Code**

14.1 The GraceKennedy Corporate Governance Code shall be submitted to the stock exchanges on which the company is listed and the exchanges shall be advised of any changes to the Code.

14.2 The Code is to be reviewed at least every 2 years and outcome of the review advised to the Stock Exchanges.

14.3 The code is to be made available to the public through the company's website and the company's annual report shall indicate that the Code is available on the Company's website.