

GRACEKENNEDY GROUP

CORPORATE GOVERNANCE

REPORT 2016



GraceKennedy's Corporate Governance & Nomination Committee Report

THE BOARD'S RESPONSIBILITY

Ultimately, the GraceKennedy Board has responsibility for the Company's long-term success as it provides counsel and direction, framed by prudent and effective management and controls. At GraceKennedy, effective corporate governance principles are the centre of our internal practices and policies, and our approach to our businesses. Consistency in this approach requires a strong, independent board and behaviour that goes beyond mere compliance, to insist on a culture that embraces and encourages good corporate governance. This Board promotes GraceKennedy's values of respect, honesty, integrity, trust, fairness and responsible behaviour by the Company in its dealings with employees, customers, suppliers, shareholders and other stakeholders in our global community. The Board, and more particularly the Corporate Governance & Nomination Committee, must ensure that these values are practised with sincerity, in the context of responsible corporate behaviour that considers the environment, ethical practices, philanthropy and volunteerism.

The Board of GraceKennedy ended the year 2016 with nine (9) directors, seven (7) of whom were non-executive directors. The two (2) executive directors on the Board were the Group's Chief Executive Officer and Group Chief Financial Officer, Donald Wehby and Frank James respectively. Led by its Chairman, Gordon Shirley, the GraceKennedy Board sought to provide shareholders with confidence that the Company's businesses were conducted in a manner where risks were managed and value added to shareholders and the communities in which the Group operates. Accordingly, during the year under review, the Board continued to provide strategic leadership and oversight to the Group, promoting and ensuring the execution of the Company's approved strategy and objectives.

The Corporate Governance & Nomination Committee is comprised of all the non-executive directors of the Board, namely, Mary Anne Chambers, Joseph Esau, Parris Lyew-Ayee, Everton McDonald, Douglas Orane, Gordon Shirley and Gina Phillipps Black (Chair), all of whom the Board considers independent. Independence is based on the Board's criteria, set out in the Company's Corporate Governance Code, which takes account of any employment by, or material business relationships with, the Company or Group within the last three (3) years, receipt of additional remuneration from the Company (apart from a director's compensation) or participation in the Company's performance-related pay scheme within the last three years, significant holding of shares in the Company or whether any spouse, child or dependent of the director was an advisor, director or senior employee of the Company. The Board reviews the independence of all directors, on an ongoing basis.

The terms of reference of the Corporate Governance & Nomination Committee provide that the Committee shall meet at least three (3) times each year and more frequently if circumstances require. The Committee met four (4) times during 2016, but on numerous occasions during the course of the year, the Chairman of the Board and the Chair of this Committee met in person or via conference calls with the Group Chief Executive Officer, to discuss various matters concerning the Company and to conduct interviews with potential candidates for consideration for appointment or reappointment to the Boards of subsidiary

companies in order to facilitate the Board's interests. The Chairman of the Board and the Chair of the Corporate Governance & Nomination Committee extend their appreciation to all the members of the Board and the Committees for their frank and engaged participation at meetings. Two (2) of the non-executive directors reside outside of Jamaica and notwithstanding that the GraceKennedy Articles permit directors to participate in meetings using electronic means, both of these directors made every effort to attend meetings in person and did so on most, if not all occasions. The Committee and the Board, by extension wishes to record its appreciation to them for their ongoing effort in this regard.

Notwithstanding that the Company's Corporate Governance Code provides that the Chairman of the Board should hold meetings at least semi-annually with the non-executive directors only, the practice is that immediately following the termination of each Board meeting, the Chairman convenes a meeting of the non-executive directors only for the purpose of providing them with an opportunity to raise and discuss matters whether arising out of the preceding meeting, or otherwise, in the absence of any member of management .

The Board remains committed to its position that it is crucial for the Board to have knowledge of the Group's operations, markets, and competitors. Accordingly, a directors' meeting and trade visits were scheduled to be held in Trinidad on September 28 and 29, 2016. We were, however, forced to change the location of the meeting to Jamaica, based on the projected path for the dangerous Hurricane Matthew. The Board remains interested in visiting the Company's operations in Trinidad in the future.

The Board also continues to reserve at least one day each year to go into retreat to review and explore with management the long-term strategic plans of the Company.

The table below provides further details on the Directors and their attendance at Board and Committee meetings.

GRACEKENNEDY LIMITED BOARD AND COMMITTEE MEETING ATTENDANCE					
Names of Directors and Date of Appointment to Board	Executive (E)/ Non-Executive (NE)	Board	Corporate Governance & Nomination Committee	Audit Committee	Compensation Sub-Committee
Mary Anne Chambers 26-May-11	NE	7/7	5/5	7/7	n/a
Joseph Esau 30-Nov-06	NE	6/7	4/5	n/a	n/a
Frank James 27-Sep-12	E	7/7	n/a	n/a	n/a
Parris Lyew-Ayee 06-Mar-13	NE	7/7	5/5	7/7	n/a
Everton McDonald 26-May-11	NE	7/7	5/5	7/7	4/4
Douglas Orane 30-May-85	NE	7/7	5/5	7/7	4/4
Gina Phillipps Black 08-Feb-12	NE	7/7	5/5	n/a	n/a
Gordon Shirley 30-May-96	NE	7/7	5/5	n/a	4/4
Donald Wehby 05-Oct-09	E	7/7	n/a	n/a	n/a

GraceKennedy's Corporate Governance & Nomination Committee Report (cont'd)

BUILDING AND MAINTAINING A HIGH PERFORMANCE BOARD

The Corporate Governance & Nomination Committee reviewed the composition of Boards and Committees of the Company and its key operating subsidiaries. This review facilitated the Committee's analysis of the skills that would be desirable or necessary to strengthen the Board or Committee and improve its effectiveness. The Committee and Board also reviewed and considered reports on the Disclosure of Business Interests made to the Committee from time to time and received and reviewed the annual certification from all directors of their compliance with the Group's Code of Ethics and Disclosure of Business Interests Policy. There were no conflicts or circumstances declared to the Committee that affected the directors' independent judgment.

In addition to its Corporate Governance & Nomination Committee, the Board also has an Audit Committee. The Compensation Committee is, and operates as a sub-committee of the Corporate Governance & Nomination Committee. The Chairman of the Compensation Sub-Committee, Gordon Shirley, reports to the Corporate Governance & Nomination Committee on the deliberations of meetings of that Committee. All of the foregoing committees have documented terms of reference that have been approved by the Board and each of these are reviewed by the respective Committees, and the Board, at least annually, and where appropriate, revised. In 2016, the Corporate Governance & Nomination Committee reviewed and made revisions to the GraceKennedy Corporate Governance Code. The revised Code is available to the public through the Company's website at <http://gracekennedy.com>.

SUCCESSION PLANNING IS MORE THAN A CHANGE IN LEADERSHIP

Planning effectively for succession in leadership in a way that is smooth and not disruptive to the Group is crucial to its sustained success. The Group Chief Executive Officer reported to the Committee, in some detail, on senior executives and their potential and readiness to succeed in the future to senior positions in the Group. The Committee made recommendations to the Group Chief Executive Officer on development plans for these executives and other matters affecting the Group's organizational structure, which were accepted.

The Committee also oversaw the execution of the succession plan for Karen Chin Quee Akin, the Company's Chief Corporate Secretary & General Counsel, in light of her scheduled retirement in the first quarter of 2017. As a part of this plan, Gail Moss-Solomon, joined the Group in July 2016, initially assuming the role of Senior Legal Counsel. On the retirement of Karen Chin Quee Akin, Gail Moss-Solomon, will assume the role of General Counsel & Chief Corporate Secretary. The Board wishes to acknowledge the outstanding performance that Karen Chin Quee Akin has consistently delivered during her years of service to the GraceKennedy Group.

BOARD PERFORMANCE EVALUATION

The Group utilizes the Board evaluation tool to review the performance of the Board and key subsidiaries and for the development of even stronger Boards. The process involves both a self-evaluation component and a peer evaluation component. A review of the 2016 Board Evaluation process and format was led by an Ad Hoc Committee comprising Directors Gina Phillipps Black and Parris Lyew-Ayee, Chief Corporate Secretary & General Counsel, Karen Chin Quee Akin and Senior Legal Counsel, Gail Moss-Solomon. The Ad Hoc Committee refined and revised some of the questions in the form and presented their recommendations for approval by the Corporate Governance & Nomination Committee. Ongoing evaluation of the Board's collective performance and that of individual Directors remains central to strong and effective governance.

The Corporate Governance & Nomination Committee confirmed its position on the desirability of annual evaluations and recommended that a more fulsome evaluation should be conducted every other year, and a more concise evaluation should be conducted in the intervening years, between the full evaluations. The Committee discussed and concluded that an external facilitation of board evaluations once every four (4) years to coincide with the full form Board evaluations would be valuable and constructive, and arrangements should be made for this to commence in 2020.

During the course of the one-on-one interviews that the Chairman of the Board and the Chair of the Committee held with each director to discuss the results of the 2015 Board Evaluation, the Chair solicited the views of each director on the issue of term limits that the Committee had been exploring. In the end, while recognising the value of term limits, the Committee concluded that the implementation of term limits would not be pursued at this time and would instead be revisited in 2019. The Committee reinforced the importance of the Board evaluation and interview process being used to establish competency and accountability, to identify non-performing Board members and to enable appropriate actions to be taken.

The Committee reviewed the annual schedule of directors' attendance at Board and Committee meetings for the GraceKennedy Board and the key subsidiaries to ensure the required level of attendance.

The first evaluation for the GK Ontario Board was conducted in January 2016.

BOARD APPOINTMENTS

The Board of Directors may fill vacancies in the Board and also may appoint additional directors. Each of these appointments is then subject to re-election by shareholders at the Annual General Meeting following each appointment. The Board's Competency Matrix was reviewed and particular areas identified for attention.

The aim is to have a vibrant Board membership with the requisite skills who can work together, and independently, to constructively challenge management's strategies and evaluate the performance against strategies and known performance indicators. The Board has in place a formal, rigorous and competence-based process for the appointment of directors to the Board. The Corporate Governance & Nomination Committee, in consultation with the Chairman of the Board and Group Chief Executive Officer, drive the identification and nomination process for new directors. These may arise out of the Company's list of potential directors and known areas of expertise for such persons, or recommendations from Board members or executives.

The Committee is committed to ensuring that potential nominees are persons of the highest character and integrity, who possess skill and experience in their professed areas of expertise and exercise sound judgment. It is essential that they be willing and able to devote adequate and appropriate time to Board matters, including preparation for meetings. There should be no conflict of interest that would interfere with their independence and the effective discharge of their duties.

DIRECTORS' EDUCATION AND TRAINING IS AN IMPORTANT INVESTMENT

Best practice in corporate governance requires that directors participate in periodic training to facilitate further development of their knowledge and skills, to better enable the discharge of their duties as directors and to continuously add value to the Board. The Committee coordinated the Group's annual Board Training Workshop which was attended by over 75 directors and senior managers across the Group. The Committee thoughtfully selected topics that met the unique needs of the range of businesses in the Group. These included developments in governance best practices, legal, tax, regulatory and other business related matters and industry threats and trends that are relevant to directors and managers of a large publicly-held entity, with businesses as diverse as that of the GraceKennedy Group. Attendance at these workshops is one of the factors considered in the Board Evaluation exercise.

It was previously decided that Information Technology and Cyber Security Awareness training was mandatory for the directors of the Company and subsidiaries in the Group and encouraged this also for directors of associated companies in the Group. Training for directors in this area therefore took place again this year.

GraceKennedy's Corporate Governance & Nomination Committee Report (cont'd)

COMPENSATION

The Compensation Sub-Committee of the Corporate Governance & Nomination Committee has responsibility for reviewing and making recommendations in relation to the total compensation of the Group CEO and Senior Executives as well as the overall policy and strategy for compensation within the Group, including the significant benefit plans. Deliberations over the year included the review of the Group CEO's performance for 2016 and the setting of objectives for 2017; compensation for the senior executives; incentive plans for executives and key incumbents; talent management strategies across the Group; a review of the rules relating to the pension plans, long-term incentive schemes and the Sub-Committee's Terms of Reference. The Sub-Committee is comprised solely of non-executive directors, members being Directors Gordon Shirley (Chairman), Everton McDonald and Douglas Orane.

In 2016, fees paid to non-executive directors were as presented below. Directors' fees are not paid to executive directors for their attendance and participation at Board meetings.

BOARD FEES (NON-EXECUTIVE DIRECTORS ONLY)

BOARD FEES (Payable to Non-Executive Directors only)	
ANNUAL RETAINERS	
All Directors	\$1,694,879
Additional Retainer Board Chair	\$3,110,704
Additional Retainer Corporate Governance & Nomination Committee Chair	\$394,022
Additional Retainer Audit Committee Chair	\$1,036,901
Additional Retainer Compensation Sub-Committee Chair	\$262,654
PER MEETING ATTENDANCE FEES	
Board Meetings	None
Audit Committee meetings	\$150,161
Other Committee meetings	\$50,054

In addition to the fees set out in the aforementioned table, each non-executive director was granted the sum of \$847,439 by way of additional fees on condition that the net amount after tax was to be used exclusively to purchase GraceKennedy shares on the open market. The shares so purchased are also subject to a restriction on sale for a period of three (3) years.

STAKEHOLDER COMMUNICATION AND ENGAGEMENT

The Board remains committed to a process of regular and meaningful communication between the Company and its shareholders and engagement on the Board's objectives. GraceKennedy knows that constructive dialogue with stakeholders allows us to remain responsive to those issues that are important

to all stakeholders whether they are shareholders, customers, employees, regulators, or otherwise part of our global community. For this reason, the Board reviews announcements to shareholders in respect of the interim results, audited financials, annual reports and other communications to the market by way of notifications to the Stock Exchanges of Jamaica and Trinidad & Tobago, press releases and postings on the Company's website.

Investor briefings to discuss published results take the form of an on-line conference, accessible via a live Internet stream. Questions may be submitted via e-mail before or during the broadcast and all are invited.

JAMAICA STOCK EXCHANGE BEST PRACTICES AWARDS CORPORATE GOVERNANCE

In closing, it is with great pleasure that we report that at the Jamaica Stock Exchange Best Practices Awards Banquet held in December, 2016 GraceKennedy received the 'Corporate Governance Award' which recognizes the listed company that demonstrates and practices outstanding corporate governance. Corporate governance and ethics is truly everyone's business so this award celebrates the efforts of the entire GraceKennedy Group in this achievement.

GraceKennedy's vision to be a Global Consumer Group delivering long-term consumer and shareholder value, through brand building and innovative solutions in food and financial services, provided by highly skilled and motivated people, cannot be achieved without good governance and the maintenance of international best standards. Good governance and the maintenance of the highest ethical principles and standards remain at the centre of the Board's attention as the GraceKennedy Group of companies strives to deliver value reflected in improved profitability, growth and other benefits to our stakeholders.

Gina Phillipps Black

Chair, on behalf of the Corporate Governance & Nomination Committee

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