

GRACEKENNEDY GROUP

CORPORATE GOVERNANCE REPORT 2017

GraceKennedy's Corporate Governance & Nomination Committee Report.

STRONG GOVERNANCE STARTS AT THE TOP

Strong governance starts at the top where GraceKennedy Group's guiding values and ethical climate are established. In the context of corporate governance this means that it is the Board's role and responsibility to create a culture that consistently places a high priority on compliance and holds management accountable. The Corporate Governance & Nomination Committee assists the Board in fulfilling its oversight responsibilities by ensuring that its directors are well-informed, focused on strategic matters and operate in a way that seeks to continuously improve governance and ethical practices within the Group.

THE BOARD OF DIRECTORS

The Board's role is to lead the Group, within a framework of prudent and effective controls, to set strategic objectives and monitor performance indicators, using our Balanced Scorecard, to achieve these objectives. The Board must ensure that the Group's core values of honesty, integrity and trust are respected and that companies within the Group act responsibly, with respect and fairness in our dealings with employees, customers, suppliers, shareholders and all other stakeholders in the communities in which we operate globally.

During 2017, the Board of GraceKennedy Limited comprised nine (9) Directors, seven (7) of whom are non-executive Directors. The remaining two (2) Directors are executives Donald Wehby, the Group's Chief Executive Officer and Frank James, the Group's Chief Financial Officer. The Board is led by an independent Chairman, Professor Gordon Shirley.

All non-executive Board members are members of the Corporate Governance & Nomination Committee. All non-executive Board members are considered to be independent having regard to relationships or circumstances which are likely to or could materially affect their objectivity as outlined in our Corporate Governance Code. This independence is important as non-executive Directors are expected to constructively challenge proposals on strategy and monitor indicators of success in meeting agreed objectives through the Group's reporting structures.

The Compensation Committee, which exists as a sub-committee of the Corporate Governance & Nomination Committee, is currently chaired by the Chairman of the Board. That Committee routinely reports to the Corporate Governance & Nomination Committee on its deliberations. The Board also has an Audit Committee. All Committees have documented terms of reference that have been approved by the Board and are reviewed and revised, where appropriate, by the respective Committee and the Board, at least annually.

While the Board currently has a good balance of skills and experience, the Committee is working at ensuring that plans are in place for orderly succession for appointments to the Board, to maintain an appropriate balance of skills and experience, and also to strengthen the Board in areas of competence required to support new opportunities and challenges in our domestic and international markets. The Corporate Governance & Nomination Committee leads the process for Board appointments, maintaining a Competency Matrix to assist in succession preparation and planning. Consideration of potential candidates for the Board includes such factors as diversity in age and gender, skills, knowledge and experience. The Committee is committed to ensuring that potential candidates are persons of high integrity and sound judgment, who are able to devote adequate time to Board matters, including preparing for meetings, and whose interests will not interfere with their independence and the effective discharge of their duties.

The Committee reviewed the plan presented by the Group CEO for succession in Executive positions, including his own. The Committee also discussed steps to be taken by the Group CEO in order to bring persons into readiness and to ensure the skills and experience needed for success.

ETHICS

The Committee conducted its annual review of Directors' knowledge of and adherence to GraceKennedy's Code of Ethics & Guidelines for Business Conduct. During the year, the Committee also reviewed the disclosure by the Group's Directors of business interests and identified no breaches or circumstances that would have affected the Directors' independent judgement.

The Committee revised and clarified the conflict of interest information required in the Disclosure of Business Interest Form as it pertains to employees and the Application Form for Staff was amended to require disclosure of business interests as a condition of employment.

ATTENDANCE

Board members are required to attend Board and assigned Board Committee meetings regularly and to prepare for and participate actively in those meetings. Attendance, as illustrated in the table below as well as the participation of Directors at these meetings, continues to demonstrate their high level of commitment to their responsibilities.

GRACEKENNEDY LIMITED Board and Committee Meeting Attendance						
NAMES OF DIRECTORS & DATES OF APPOINTMENT TO BOARD	EXECUTIVE (E)/NON-EXECUTIVE (NE)	BOARD	CORPORATE GOVERNANCE & NOMINATION COMMITTEE	AUDIT COMMITTEE	COMPENSATION	
Mary Anne Chambers 26-May-11	NE	7/7	5/5	7/7	n/a	
Joseph Esau 30-Nov-06	NE	7/7	5/5	n/a	n/a	
Frank James 27-Sep-12	E	7/7	n/a	n/a	n/a	
Parris Lyew-Ayee Jnr 06-Mar-13	NE	7/7	5/5	7/7	n/a	
Everton McDonald 26-May-11	NE	7/7	5/5	7/7	2/2	
Douglas Orane 30-May-85	NE	7/7	4/5	7/7	2/2	
Gina Phillipps Black 08-Feb-12	NE	7/7	5/5	n/a	n/a	
Gordon Shirley 30-May-96	NE	6/7	5/5	n/a	2/2	
Donald Wehby 05-Oct-09	E	7/7	n/a	n/a	n/a	

The CGNC also reviewed the attendance, at meetings, of Directors of the main operating subsidiaries in the Group.

EVALUATIONS

The Group's Corporate Governance Code requires that a "formal and rigorous" performance evaluation of the Board, its Committees and its individual Directors should be undertaken at least once a year. The evaluation is currently conducted by the Business Intelligence Unit of GraceKennedy Limited and is administered electronically using an online survey tool. In 2016 the Committee decided that an external facilitator would be utilised once every four (4) years for the Board evaluation exercise. The annual process involves an evaluation of the performance of the Board, its Committees and individual Directors. The evaluation is based on criteria developed by the Board, initially with the assistance of international experts, and refined from time to time by the Board to take account of changing circumstances in the Company's business, improved measurement tools and other factors such as whether the responder is an executive or non-executive Director. The evaluation also covers the Group's competitive landscape and the attendant risks affecting the industries in which the Company operates, factors that are aimed at enhancing strategic discussions and decision making. The full format conducted in alternate years involves an assessment of the GraceKennedy Board, a self-assessment of the individual members of the Board, and an assessment of peer Board Members. In the other years, there is less emphasis on the peer review.

After the completion of the Board Evaluation Report, the Group Chairman and the Chairman of the CGNC meet with each Director individually to explore and examine any areas raised by the report which may require further discussion. In the case of the interview of the Group Chairman and the Chairman of this Committee, the Chairman of the Audit Committee sat on the interview panel in the place of the Chairman who was being interviewed.

Arising out of these discussions and where necessary, professional development plans are created to address any opportunities for growth and development on the part of a Director and factored in where necessary into the budgeting process to ensure resources, human or financial, are allocated to allow fulfilment of these plans.

During the course of the year, GraceKennedy's General Counsel & Chief Corporate Secretary, Mrs. Gail Moss-Solomon, briefed the Committee's members on the Jamaica Stock Exchange's launch of the Corporate Governance Index, a system developed to benchmark Corporate Governance. Mrs. Moss-Solomon was appointed Secretary of GraceKennedy Limited effective 1 April 2017, following the retirement of Mrs. Karen Chin Quee Akin.

BOARD TRAINING

Good governance requires Directors to oversee company performance by assessing the right data and to be seized of the relevant information on what lies ahead and how we might prepare for future challenges and opportunities. Our annual Group Directors' Training is an important part of Directors' professional training and attendance is considered important to effective performance by Board members. In 2017 this training covered a range of areas including IFRS standards applicable to the Company, emerging risks and megatrends, risks associated with environmental changes and catastrophe modelling, the use of the balanced scorecard tool to manage risks and a review of compliance trends and GraceKennedy's programme for monitoring compliance. The Grace & Staff Foundation and the GraceKennedy Foundation presented on their work, with testimonials from students and their parents on how the Foundations' programmes have positively impacted their lives.

In addition to the annual Group Directors training, all Subsidiary Board Chairs are encouraged to arrange sector specific training for their respective Boards. Information Technology Security Awareness training remains mandatory for Directors in the Group and is ongoing.

The Board continues to hold a full day Retreat to review and explore with management the Group's strategic plans.

OUR CODE: OUR WORD IS OUR BOND

Our Corporate Governance Code was updated to emphasize our commitment to strong corporate social responsibility (CSR) and sustainability as reflected throughout our internal and external operations, systems and programmes. This includes measures to promote the wellbeing and development of our employees and the communities in which we operate globally and extends to the promotion of responsible behaviour for the protection of the environment. The Group remains committed to providing quality products and services for our customers, clients, consumers and partners who we will treat fairly and with respect. Our word is our bond. Copies of our revised Corporate Governance Code have been submitted to the Stock Exchanges of Jamaica and Trinidad & Tobago, on which the Company is listed.

The current version of the Code is publicly available through the Company's website <http://gracekennedy.com> under the GK Media Centre tab.

In 2017, GraceKennedy was recognised in a Gleaner-commissioned Bill Johnson poll as a top corporate entity based on the reputation it has for how it treats its employees, and the work done by the Company to create a good image of Jamaica around the world.

SHAREHOLDER AND STAKEHOLDER ENGAGEMENT

At the Annual General Meeting (AGM) held on 31 May 2017, our shareholders and investors were updated on the Company's performance and plans. Participation at our AGM is encouraged and stakeholders do avail themselves of the opportunity to do so. Minutes of the meeting, including the questions asked by stakeholders, are available to shareholders at the subsequent AGM. Shareholders may also submit a request for a copy of the minutes via email to gracekennedy@gkco.com and a copy will be emailed to them or may be collected from the Company's Head Office in Jamaica.

Quarterly 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. These briefings are open to the public. The 2017 AGM and Investor briefings are available on YouTube. The Company also actively provides updates on social media and print platforms. We will continue to look for new and effective ways to meaningfully engage with our shareholders and stakeholders and the communities where we do business.

EXECUTIVES' COMPENSATION

The Compensation Sub-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 on compensation within the Group, including oversight of major benefit plans and retention strategies. Deliberations over the year included the review of the Group CEO's performance for the prior year and the setting of objectives for the new year; 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 Company's long term incentive schemes and the Sub-Committee's own Terms of Reference. The Committee is comprised solely of non-executive Directors, members being Professor Gordon Shirley (Chairman), Everton McDonald and Douglas Orane.

DIRECTORS' COMPENSATION

The table below sets out the compensation paid to non-executive Directors in 2017.

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
ANNUAL RETAINERS	
Board Meetings	None
Audit Committee meetings	\$150,161
Other Committee meetings	\$50,054

Our Corporate Governance Code and that of the Private Sector Organisation of Jamaica, recognise that levels of remuneration of a company's executives and board members should be sufficient to attract, retain and motivate persons of the quality required to support the success of the business. In addition to the fees set out in the table above, each non-executive Director was granted, in respect of the year 2017, an amount of \$847,439 of which the net amount after tax was used exclusively to purchase GraceKennedy shares on the open market. The shares so purchased are subject to a restriction on sale for a period of three (3) years.

Employees who serve on Boards within the Group do not receive additional compensation for service performed in this capacity.

GOOD GOVERNANCE IS A PART OF OUR CULTURE

Adopting sound governance practices has to be a part of the Company's culture. This ultimately creates a framework which supports the Company's commitment to behave ethically and conduct business fairly, while operating as a good corporate citizen.

The Chairman of the Board has continued the practice of convening a meeting of the non-executive Directors immediately following the termination of each Board meeting. This meeting allows non-executive Directors to raise and discuss matters whether arising out of the preceding meeting, or otherwise, in the absence of any member of management.

As the governance authority of this Group, the Corporate Governance & Nomination Committee must ensure that ethical objectives are built into the organisation's structure and strategy. These must be more than statements of our good intentions. Shareholders and other stakeholders demand and deserve good and effective governance.

At the Jamaica Stock Exchange's Best Practices Awards Banquet for 2017, GraceKennedy was joint winner of the coveted JSE/PSOJ Best Practices Award for Corporate Governance and we are pleased that our work in the area of governance has been recognised.

Your Board of Directors and Managers are, with the support of our employees, focused on delivering long-term shareholder value and ensuring a positive impact in the communities where we do business. Despite the challenges of 2017, we look forward to executing on our key strategies in an environment of good governance, consistent with our core values of Honesty, Integrity and Trust.

Gina Phillipps Black

Chair, on behalf of the Corporate Governance & Nomination Committee

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