

GRACEKENNEDY GROUP

CORPORATE GOVERNANCE REPORT 2018

CORPORATE GOVERNANCE & NOMINATION COMMITTEE REPORT

THE ROLE AND RESPONSIBILITY OF THE BOARD

The principal roles of the Board are the provision of overall strategic guidance for the Company and effective monitoring and oversight of the management's performance and implementation of the Company's strategic objectives and values. The Board uses the Balanced Scorecard to measure and monitor performance and indicators associated with the Company's strategic objectives.

The Board has established Committees that are committed to considering key issues the nature and scope of which are clearly documented in their respective Terms of References. These Committees are the Audit Committee, the Corporate Governance & Nomination Committee (CGNC) and the Compensation Committee, which exists as a sub-committee of the CGNC. The Terms of References for each Committee have been approved by the Board and are reviewed and revised, at least annually by the respective Committee and then by the Board.

The Compensation Committee routinely reports to the Corporate Governance & Nomination Committee on its deliberations, and was chaired by the Chairman of the Board. The Board Audit Committee was chaired by Independent non-executive Director Everton McDonald. Day-to-day management of the Company is the responsibility of the Group CEO supported by his Senior Executives who operate with appropriate delegated authorities and effective oversight to ensure the Board's accountability to the Company and to its shareholders.

BOARD STRUCTURE AND COMPOSITION

At the start of the reporting period, the Board of GraceKennedy Limited was comprised of nine (9) Directors, including the Chairman, seven (7) of whom were non-executive Directors. Two executives, Don Wehby, the Group's Chief Executive Officer and Frank James, the Group's Chief Financial Officer were also members of the Board. There were several changes to the Board's composition during the reporting period. In May 2018, Mr Douglas Orane, a former CEO of the Company and former Chairman of its Board retired and in November 2018, Mr Joseph Esau, another outstanding member, retired from the Board having reached the mandatory age of retirement. In June 2018, the Board of GraceKennedy Limited welcomed to its ranks two outstanding individuals Dr Indianna Minto-Coy and the Hon Peter Moses. The appointments are in keeping with the Company's plans for orderly succession planning, maintaining an appropriate balance of skills and experience, and strengthening of competences required to support new opportunities in our domestic and international markets.

The Board is structured to provide the Company with diversity, including a mix of qualifications, skills and experience that enable it to effectively discharge its responsibilities. At the end of the reporting period the Board was again comprised of nine (9) Directors, including the Chairman, seven (7) non-executives and two (2) Executive Directors. The current size of the Board is appropriate for facilitating constructive discussion and efficient decision making. During the entire period, the Board continued to be suitably led by its independent Chairman, Professor Gordon Shirley.

The table below sets out the year of appointment, relevant expertise and skills, and academic qualifications of each Director.

NAME OF DIRECTOR	DATE OF APPOINTMENT	ACADEMIC QUALIFICATIONS	EXPERTISE
Professor Gordon Shirley	30-May-1996	Doctorate in Business Administration (Operations Management (DBA) MSc. Business Administration (Operations & Finance) (MBA) BSc. Mechanical Engineering	Technology, Product/Service
Everton McDonald	26-May-2011	BSc. Economics Fellow Chartered Accountant (FCA)	Service Expertise- Audit-internal & external, Finance, Risk, Corporate Governance
Mary Anne Chambers	26-May-2011	B.A. (Hons.) (with majors in Commerce & Political Science) Executive Management Program Chartered Director (C.Dir.)	Banking, Technology, Corporate Governance
Gina Phillipps Black	8-Feb-2012	Bachelor of Law, (LLB) Certificate of Legal Education, (CLE)	Legal, Corporate Governance
Dr Parris Lyew-Ayee	6-Mar-2013	DPhil University of Oxford 2004: Geography BSc (1st CI Hons) UWI 2001: Earth Sciences	Technology
Peter Moses	26-Jun-2018	BSc. Economics	Banking
Dr Indianna Minto-Coy	26-Jun-2018	PhD London School of Economics & Political Science (Law – Regulation) MSc- Government; BSc – Public Administration & International Relations	Academic, Researcher (Diaspora, Migration and Entrepreneurship)
Don Wehby	5-Oct-2009	MSc., BSc. (Hons.) Accounting Fellow Chartered Accountant (FCA)	Accounting, Finance
Frank James	27-Sep-2012	MBA, Finance BSc. (Hons) Management & Accounting Chartered Financial Analyst® (CFA®)	Finance, Accounting

INDEPENDENCE

Each director must act in what he or she considers to be the best interests of the Company, consistent with his or her statutory duties, exercising independent judgement.

The Board has a majority of independent non-executive Directors. An independent Director is defined as a non-executive Director who is free of any interest, position, affiliation or relationship that might influence or reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the Company's best interests.

Each Director is required to provide the Board with information, and disclose business interests and potential areas of conflict between his or her interests and his or her duty to the Company so that the Board has information on which to base its assessment. The Board has considered the information that it had on each Director and during the year considered the following members to be independent:

Prof Gordon Shirley
Mary Anne Chambers
Joseph Esau
Everton McDonald
Gina Phillipps Black
Dr Parris Lyew-Ayee
Dr Indianna Minto-Coy

This independence is important as non-executive Directors are expected to, and do, challenge management's proposals on strategy and monitor the agreed upon indicators necessary to achieve agreed objectives.

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.

NEW DIRECTORS: NOMINATION AND APPOINTMENT

From time to time the CGNC conducts an assessment of the range of qualifications, skills and experience, and also takes account of diversity of gender and age. Using a 'skills competency matrix' the Board has considered existing or potential skills gaps, in light of planned retirement of members from the Board, and has sought to identify particular competencies that will increase the Board's strength. This assists the CGNC in identifying potential appointees to the Board of Directors if necessary, with the assistance of external local or international consultants.

There is a formal and established process that governs the nomination, selection and appointment of new directors. When a potential nominee is identified, the Chairman of the Board, the Group CEO and the Chair of CGNC meet by electronic conference or in person, to conduct interviews with the nominee before making a recommendation to the CGNC and the Board. Discussions with the potential nominee include a review of any area of potential conflict of interest, considerations that may impact the independence of the nominee and whether the nominee is able to devote the necessary time and commitment to prepare for and attend meetings and discharge duties fully, as a Director. As required and appropriate, background enquiries are made before the CGNC makes a recommendation to the Board.

New non-executive Directors are given a formal letter of appointment that sets out the key terms and conditions of their appointment, including the Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with Committee work. The process of introduction and induction will expose the new non-executive Director to the Company and its businesses and is aimed at equipping them with the knowledge and resources they will need to fully and actively discharge their duties.

Induction also includes one to one meetings between new Directors and members of the Senior Management team. It was agreed by the CGNC during the review period that the induction process for new directors should include a session on the financials for the Group because of their complex nature. This understanding of the Company's business, history, its vision and values, its strategic operational, financial, compliance and risk management outlook and our commitment to our stakeholders and ongoing engagement with them is crucial to the proper discharge of the Directors' duties.

The CGNC also considers the recommendations for appointments to the Boards of subsidiary companies across the Group. Subsidiary Boards' compositions are reviewed from time to time in an attempt to identify those subsidiaries which would benefit from having additional external directors on their Boards. The approach adopted by the Company is to have a sub-committee comprised of the CGNC Chair, the Chairman of the Board and the Group CEO interview the proposed nominees and make a recommendation to the CGNC for consideration and recommendation to the Board.

Directors' Liability Insurance is currently in place for the Company and its subsidiaries. The Standing Agenda Calendar now includes an item requiring confirmation to the Board each year that such a policy is in place. The CGNC Chair and the Secretary have recommended to Company Secretaries on the Boards across the Group that they adopt a similar approach to the provision of this information to Directors on their respective Boards.

The re-election of a retiring Director who is eligible for election is not automatic and the Board will consider the Director's performance. The Board does not currently have fixed tenure limits for non-executive Directors.

THE ENHANCEMENT OF KNOWLEDGE, SKILLS & EXPERIENCE

Directors are required to maintain the knowledge and skills necessary to fully and effectively discharge their duties. The CGNC is the Committee responsible for Board training and development. The Committee seeks to identify matters that have the potential to impact GraceKennedy's businesses, operations, or people and to provide Directors with articles, presentations and briefings on those topics. In addition, Directors are expected to communicate with the Committee regarding any continuing professional education and development that may be considered desirable.

For some time now the Company has sought to ensure that Directors maintain an appropriate level of knowledge and awareness of the Company's operations and arranges for Board meetings to be held in a location in which the Company's operations or interests may be located. Additionally, the Board arranges visits to customers in its trade. During the reporting period, some Board members toured the factory in the U.S.A. where Grace patties and some La Fe brand products are made, visited the location at which the warehouse for GKUSA LLC is now being erected and executed a number of trade visits in Miami and New Jersey.

The Annual Directors' Training was held and attended by over seventy (70) Directors, senior managers and executives of GraceKennedy Limited and its subsidiaries. The presentations at the Annual Directors' Training Workshop covered the areas of Boardroom Efficiency Best Practices, Responsibilities of Directors in Monitoring Anti-Money Laundering Trends & Developments, the Implications of Changes in Global Data Protection Obligations, the Role of Good Governance in Social Entrepreneurship and Sustainability and Consumer Led Global Marketing.

These presentations were also made available electronically to attendees as well as to those who were unable to attend. This extended the reach of the training to include Directors based overseas.

The Committee wrote to Board Chairs of key operating entities in the Group to emphasize to Directors the importance of attending Annual Training, which would also be considered in the Directors' assessment in the Board Evaluation process. The CGNC communicated again to the Chairs of Boards of all subsidiary companies that they are encouraged to conduct industry-specific training for their Directors. Information Technology Security Awareness training remains mandatory for Directors in the Group and is conducted annually.

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

COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Secretary ensures that communications with regulatory bodies and the Jamaica and Trinidad Stock Exchanges, as well as other filings, statutory and otherwise are made in keeping with applicable regulatory guidelines and the Company's Code of Ethics.

During the course of the year, GraceKennedy's General Counsel & Chief Corporate Secretary, Mrs Gail Moss-Solomon briefed the CGNC's members on the Jamaica Stock Exchange's Corporate Governance Index - a system developed to benchmark Corporate Governance and raise the overall standard of corporate governance for companies listed on the Jamaica Stock Exchange.

COMMUNICATION

Management is expected to provide regular reporting in a manner and timeframe that enables the Board to discharge its duties effectively. Directors may request additional information where necessary and Directors have access to management for this purpose.

The CGNC ensures that there is open and constructive dialogue between the Company and its shareholders so that shareholders understand the Company's strategy, operations and performance and have the opportunity to make the Board aware of their views.

The CGNC knows that the Annual General Meeting (AGM) provides a critical and valuable opportunity for our shareholders to hear about the general development and prospects of the Company and to ask questions of the Chairman and the Executives. Shareholders attending the AGM actively participate, raise issues and ask questions. The Minutes of the meeting, including the questions asked by shareholders, 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.

The Company reports formally to shareholders using a number of channels. Significant matters, relating to trading or development of the business and routine reporting obligations, are disseminated by way of Stock Exchange announcements and press releases on the Company's website, by interim and full year results. These are ultimately followed by the publication of this formal annual report and financial statements.

Quarterly Investor briefings to discuss published results take the form of an online conference, accessible via a live Internet stream. Questions may be submitted via email before or during the broadcast and are responded to during the broadcast. These briefings are open to the public.

The Company also provides information on developments via several social media and print platforms, and engages with our shareholders and other stakeholders actively through these means.

PRINCIPAL RISKS AND UNCERTAINTIES

The attainment of our strategic objectives and sustainable growth is dependent on effective risk management. Like every other company, we regularly face business uncertainties. Through our structured enterprise-wide approach to risk management, we are able to mitigate and manage these risks and be ready to take advantage of opportunities whenever they occur.

The CGNC decided during the year that the Group CEO's report would include a section on significant unplanned events, whether positive or negative, in order to keep the Board abreast of any material developments within the Group which may not arise and be reported on in the usual reporting format. Similarly, the CGNC decided that management should expand their presentations on areas affecting the Company's competitors, major clients and suppliers. Accordingly, the Board received reports from time to time on geo-political risks and the extent to which our operations and financial performance could be affected in the medium or longer term.

STRUCTURE FOR IMPROVED PERFORMANCE AND SHAREHOLDER VALUE

External internationally recognised consultants, London Consulting Group, were engaged by the Executives to review the organisational design of GraceKennedy and recommend how it could improve productivity and maximize efficiencies and performance across the Group. This involved a detailed look at our overall organizational design, cost structure, and business processes with a view to achieving sustained efficiency, agility and growth in revenue and profitability. As this transformation involved some separations and re-deployment across the Group, globally-recognized change management partner, Prosci, assisted GraceKennedy in the implementation of these changes and in providing the structure and tools to embed change management best practices within the organization. As a result of these changes, a number of new executive and management level appointments were also made during the year.

Throughout this project the Group CEO frequently consulted with and updated the Chairman and the Board and the CGNC, inviting suggestions and guidance. The initiative to increase efficiencies across the Group led to the implementation of recommendations of the consultants, including reducing the number of scheduled Board meetings and meetings of each Board Committee to no more than four (4) per year. Within the context of the reduction in the number of meetings, the CGNC asked the respective Board Chairs and Secretaries to review their standing agendas and calendars in order to ensure sustained compliance with regulatory and other critical requirements.

During the year the CGNC reviewed the plan presented by the Group CEO for succession in Executive positions, including his own and gave guidance on the steps to be taken by the Group CEO in order to ensure potential successors are developed into positions of readiness.

ETHICS

The CGNC reviewed the summary document outlining the disclosure of business interests of the GraceKennedy Directors and no conflicts or circumstances were identified that would have affected the Directors' independent judgement. It was noted that all Directors had also confirmed compliance with the GK Code of Ethics & Guidelines for Business Conduct. The summary document outlining business interests was further revised to include Public Sector appointments in Jamaica.

As the governance authority of the Board, the CGNC ensures that ethical objectives are built into the organization's structure and strategy. Our Code of Ethics & Guidelines for Business Conduct outline the expectations of Directors, employees and agents throughout the Group. The Group remains committed to providing quality products and services for our customers, clients, consumers and partners.

Employees are reminded of our whistleblowing policies, and the availability of an independent whistleblowing hotline.

ATTENDANCE

Attendance of the Company's Directors continues to be outstanding and illustrates their dedication and commitment to their role and responsibilities. Board members are required to attend Board and assigned Board Committee meetings regularly and to prepare for and participate actively in those meetings.

GRACEKENNEDY LIMITED BOARD & COMMITTEE MEETING ATTENDANCE

NAME OF DIRECTOR	EXECUTIVE (E)/ NON-EXECUTIVE (NE)	BOARD	CORPORATE GOVERNANCE & NOMINATION COMMITTEE	AUDIT COMMITTEE	COMPENSATION SUB-COMMITTEE	DATES OF APPOINTMENT TO BOARD
Mary Anne Chambers	NE	6/6	4/4	6/6*	N/A	26-MAY-11
Joseph Esau (Retired from Board November 18, 2018)	NE	6/6	4/4	N/A	N/A	30-NOV-06
Frank James	E	6/6	N/A	N/A	N/A	27-SEP-12
Parris Lyew-Ayee	NE	6/6	4/4	6/6*	1/1	06-MAR-13
Everton McDonald	NE	6/6	4/4	6/6*	1/1	26-MAR-11
Douglas Orane (Resigned from Board May 30, 2018)	NE	2/2	2/2	2/3*	1/1	30-MAY-85
Gina Phillipps Black	NE	6/6	4/4	N/A	N/A	08-FEB-12
Gordon Shirley	NE	6/6	4/4	N/A	1/1	30-MAY-96
Don Wehby	E	6/6	4/4	N/A	N/A	05-OCT-09
Peter Moses (Appointed to the Board June 26, 2018)	NE	4/4	2/2	1/2	N/A	26-JUN-2018
Indianna Minto-Coy (Appointed to the Board June 26, 2018)	NE	4/4	2/2	2/2	N/A	26-JUN-2018

***Includes one special meeting to discuss MD&A**

The CGNC also reviewed the meeting attendance of Directors of the main operating subsidiaries in the Group. The CGNC discussed any situation across the Boards where attendance or participation was less than the required level and recommended actions to be taken to address these deficiencies. These recommendations were communicated to the Chairs of the relevant subsidiaries.

EVALUATIONS

The formal evaluation of the Board's performance, that of its Committees and its individual Directors, is undertaken annually. The evaluation is currently conducted by GraceKennedy's Business Intelligence Unit and is administered electronically using an online survey tool. In the past, it was agreed by the CGNC that an external facilitator will be utilised once every four (4) years for the Board evaluation exercise commencing with evaluations for the year 2020.

The 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 full format conducted in alternate years involves an assessment of the GraceKennedy Board, a self-assessment of the individual Board Member and a peer assessment of Board Members. In the other years, there is less emphasis on the peer review and more on the Board's overall performance.

After the completion of the Board Evaluation Survey, the Group Chairman and the Chairman of the CGNC meet with each Director individually to discuss areas raised by the report which may require further discussion. In the case of the interview of the Group Chairman and the Chairman of the CGNC, the Chairman of the Audit Committee sits as an alternate member of the interview panel. These discussions inform future decisions and professional development plans. Arising out of this year's discussions, the budget for Director training has been increased for the year 2019.

During the year, the CGNC instructed the Chairs of Audit Committees across the Group to conduct evaluations of their respective committees, commencing in 2020 in respect of the year 2019. Reports on those evaluations are to be provided to the Group Audit Committee.

OUR WORLD

Our Corporate Governance Code has been updated to emphasize our sustained commitment to strong corporate social responsibility (CSR) and sustainability as reflected throughout our internal and external operations, systems and programmes. The Chairman of the GraceKennedy Board gave an update to the CGNC on the GraceKennedy Foundation's clean harbour initiative that will have long term sustainable effects. GraceKennedy remained committed to community development in the countries in which we have a business presence. Our employees and directors were encouraged to, and did participate actively in activities in the communities in which they live as well as those in which they work.

The Company also continued to encourage its employees to give service to their communities through the Grace & Staff Community Development Foundation, and other organizations. The GraceKennedy Foundation continued its contributions in the areas of education, health, community outreach, safety and protection of the environment.

The GraceKennedy Foundation Lecture is renowned for its examination of current national and regional issues. The 2018 annual GraceKennedy Foundation Lecture entitled "Tech Charge – Smart Homes, Smart Businesses, Smart Nations" was delivered by Director Parris Lyew-Ayee, Jr to a packed and diverse audience at the Pegasus Hotel in Kingston, Jamaica. The lecture explored the impact of technology on our society and its influence on the patterns of modern life.

The GraceKennedy Jamaican Birthright Internship Programme was again a success in this reporting period. The four interns from the USA, Canada and the United Kingdom met with the CGNC members at the end of their internships to provide feedback and their views on our world and their experiences in Jamaica. Arising out of these discussions the Company agreed to increase its efforts to revitalize the Company's internship programme for students resident in Jamaica and to encourage other private sector entities to expand their own programmes to make a greater positive impact on the country's youth.

EXECUTIVES' COMPENSATION

The Compensation Sub-Committee of the Corporate Governance and Nomination Committee is comprised solely of non-executive Directors, members being Professor Gordon Shirley (Chairman), Everton McDonald and Douglas Orane at the start of the reporting period and after Mr Orane's retirement, Parris Lyew-Ayee Jr.

The Sub-Committee is tasked with the responsibility of reviewing and making recommendations regarding the total compensation of the Group CEO and Senior Executives and the overall strategy and compensation policy across the Group, in a manner consistent with and in support of the business objectives of the Company, competitive practice, and applicable laws. In discharge of these duties during the year, the Sub-Committee assessed the performance of the Group CEO for the previous year against stated objectives, reviewed the total compensation for Executives and other employees within the Group, considered the long term incentive plans for Executives and key incumbents and conducted the annual review of its own Terms of Reference.

DIRECTORS' COMPENSATION

The table overleaf sets out the fees paid to non-executive Directors in 2018. Our Corporate Governance Code, and that of the Private Sector Organization of Jamaica, recognize 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 overleaf, each non-executive Director was granted, in respect of the year 2018, a pro-rated amount \$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.

Executives who serve on Boards within the Group do not receive fees for service performed in this capacity.

BOARD FEES

(Payable to Non-Executive Directors only)

ANNUAL RETAINER

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

GOOD GOVERNANCE IS OUR WAY OF LIFE

Copies of our 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.

At the Jamaica Stock Exchange's Best Practices Awards Banquet, 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 continued to be recognised and rewarded.

With a strong foundation in good governance and independence, we are prepared for the future and poised to take advantage of the changing business landscape, while always ensuring that our words, as well as our actions reflect our core values of Honesty, Integrity and Trust.

Gina Phillipps Black

Chair, on behalf of the Corporate Governance & Nomination Committee

1 March 2019



42 - 56 Harbour Street
Kingston
876 922 3440
gracekennedy.com

