JAMAICA CORPORATE GOVERNANCE CODE 2021

THE PRIVATE SECTOR ORGANISATION OF JAMAICA

IDB | Invest

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FOREWORD

Over the last 20 years, the Private Sector Organisation of Jamaica's (PSOJ's) commitment to good Corporate Governance has been unwavering. The PSOJ has no doubt that better governance leads to a stronger private sector and inures to the benefit of investors, stakeholders and by extension the nation. The continued growth of the Jamaican capital market with increasing numbers of investors as well as increased competition among countries to attract foreign direct investment and the changing global environment have also reinforced the need for Jamaican entities to practise good corporate governance.

In 2006, the PSOJ took the progressive decision to introduce the country's first Corporate Governance Code, which was also a first for the Caribbean. The 2006 Code was born out of the surge in international financial crises and Jamaica's own financial crisis in the latter half of the 1990s. These crises raised serious concerns about the reporting relationships and the accountability of management and directors of publicly owned companies to their stakeholders. It must always be front of mind that directors are responsible for the long-term sustainability of their organizations.

In light of such concerns, the PSOJ established a Corporate Governance Committee in October 2001. The remit of that Committee was to become the key influencer in the identification and adoption of corporate governance best practices in Jamaica. The key focus of the Committee was therefore to provide access to knowledge and resources to our members and leaders of business enterprises enabling them to strengthen governance practices in their organizations so as to better ensure sustainability and compete in the global market.

The strategic objectives of the PSOJ Corporate Governance Committee are to:

- promote corporate governance best practices and assist Jamaica in achieving international standards;
- develop and establish a Code on Corporate Governance that facilitates the implementation of best practices;

  influence and comment on any corporate governance policy issues and assess their impact on the business environment;
- conduct director training programmes;
- promote awareness of corporate governance principles and the impact that well-implemented principles can have on investor confidence and protection;

provide continuing public education and awareness of corporate governance best practices

- make corporate governance knowledge resources accessible to relevant stakeholder groups;

- collaborate on a continuing basis with other associations and agencies locally and regionally on corporate governance issues; and
- contribute to the development of international corporate governance best practices.

Since 2001, in pursuance of these objectives, the Corporate Governance Committee has published three (3) Codes, in 2006, 2009 and 2016 targeted at publicly listed companies, and an additional Code launched in February 2016 which targeted Medium, Small & Micro Enterprises (MSME's), again the first of its kind in the Caribbean region. The Committee has also successfully trained over one thousand (1,000) persons for directorship.

The principles and practices presented in this 2021 Code represent current globally accepted corporate governance best practices, which have been tailored to our specific local needs and realities. This PSOJ Corporate Governance Code 2021 should provide all organizations with an opportunity to review, update and enhance existing corporate governance principles and practices.

The 2021 Code

This 2021 Code is not focused solely on publicly listed companies. It is applicable to all types of organizations and provides practical guidelines for business leaders to further enhance corporate governance practices whether in relation to publicly listed companies, family-owned businesses, MSMEs or non- profit organizations. This 2021 Code is a merger of the 2016 Corporate Governance Main Code and the MSME Code and includes Appendices specifically related to family-owned businesses, MSMEs, and Non-Profit Organizations.

In order to ensure the continued relevance and currency of the Code, extensive research was conducted to identify current practices in developed and developing countries. The Committee reviewed the South African King Code IV, the Australian Code, the OECD Principles on Corporate Governance, ICGN Global Principles 2017, and governance requirements contained in current legislation in Jamaica. The Code reflects a plethora of guidance references to the South African King Code and the OECD Governance Principles.

In making the modifications, we adopted several provisions from the South African King Code IV. We wish to specially acknowledge their gracious consent to allow us to reference those provisions.

As in our previous Codes, companies, especially listed companies, are requested to report on the way they have applied the main principles of the Code, and either to confirm that they have complied with the Code's provisions or, where they have not, to provide an explanation. This commentary should be included in the company's Annual Report for the benefit of the investors.

The development of this revised 2021 Code has gone through consultation with various stakeholders and fostered a strong partnership for technical support. We are therefore most appreciative to the Corporate Governance Unit at IDB Invest which provided grant assistance and technical support by conducting the initial draft review and continued to support the Committee throughout the process, Financial Services Commission, the Jamaica Stock Exchange, Jamaican Bar Association, The Chartered Governance Institute (CGI) Jamaica Branch, Institute of Chartered Accountants of Jamaica, Mrs. Suzanne Goldson, (Faculty of Law, University of the West Indies) and the Honourable Douglas R. Orane CD, JP Hon. LLD.

The review of the 2016 Codes to produce this new 2021 Code was initiated by the late Ms. Greta Bogues, who led and served the PSOJ Corporate Governance Committee with distinction over its many years. Ms. Bogues provided invaluable leadership and feedback on this final product and we want to pause to acknowledge her strong contribution, guidance and legacy to the promulgation of effective corporate governance in Jamaica. We regret that she was unable to have completed this journey with us. We were strengthened by her exemplary drive to complete the work commenced by her and the 2021 Code is dedicated to her honour and memory.

Special mention must be made of the Corporate Governance Code Sub Committee, excellently chaired by Mrs. Julie Thompson James (Attorney-at-Law). This Sub-Committee was responsible for reviewing and reshaping this new Code. We owe a debt of gratitude to Mrs. Thompson James who contributed her legal talent and significant time to this task and who has persevered in seeing it to conclusion. The Sub Committee members comprised stakeholder representation as follows: Mr. Donovan Wignall (MSME Alliance), Mr. Robert Hamilton (Financial Services Commission), Mr. Matthew Hogarth (Jamaica Stock Exchange), Mr. Deon Sewell (KPMG), Ms. Twila Mae Gordon (Academia), Mrs. Tracy Campbell (PWC Corporate Services) and allow me to specially highlight Ms. Anna Harry (Attorney-at-Law), Ms. Shontol Harris (Attorney-at-Law) and Mr. Immanuel Williams (Research Assistant, Norman Manley Law School) for their strong and significant contribution towards making the new Code a reality. Members of the wider Corporate Governance Committee of the PSOJ also reviewed the final draft and offered their professional guidance.

We continue to be encouraged by the corporate governance progress Jamaican companies are making since the publication of our first PSOJ Corporate Governance Code in 2006. It is our strong belief that this updated Code will further deepen the culture of good corporate governance for all organizations in the private sector as Jamaica strives to become "*the place of choice to live, work, raise families and do business*".

Camille Facey
Attorney-at-Law
Chairman
Coporate Governance Committee

MEMBERS OF THE CORPORATE GOVERNANCE COMMITTEE

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Ms. Anna I. Harry	Attorney-at-Law
Ms. Barbara Alexander	Myers Fletcher & Gordon
Mrs. Camille Facey	Facey Law
Mrs. Carolyn Bell -Wisdom	PWC
Mr. David Hall	DC Consultants & Associates
Mr. Deon Sewell	KMPG
Mr. Donovan Wignal	MSME Alliance
Ms. Gabrielle Grant	Attorney -at Law
Mrs. Gail Moss-Solomon	GraceKennedy Limited
Mrs. Gina Phillips-Black	Myers Fletcher & Gordon
Ms. Greta Bogues (Dec'd)	
Mrs. Imega Breese McNab	PSOJ
Mr. Immanuel Williams	Research Assistant - Norman Manley Law School
Mrs. Julie Thompson-James	Attorney-at-Law
Ms. Kecia Taylor	FLOW
Ms. Keri-Gaye Brown	Victoria Mutual Building Society
Ms. Lorna Gooden	Supreme Ventures Racing & Entertainment Ltd.
Mrs. Marlene Street -Forrest	Jamaica Stock Exchange
Mr. Matthew Hogarth	MH&CO
Ms. Melanie Gilchrist	Jamaica Public Service Limited
Mr. Robert Hamilton	Financial Services Commission
Ms. Roxanne Miller	Dunn Cox
Ms. Shontol Harris	MH&CO
Ms. Simone Pearson	Jamaica Producers Group Limited
Mr. Stephen Greig	Attorney-at-Law
Mrs. Tracy Campbell	PWC Corporate Services
Dr. Twila Mae Logan	Academia

MEMBERS OF CODE REVIEW SUB COMMITTEE

Mr. Deon Sewell
Mr. Matthew Hogarth
Ms. Shontol Harris
Ms. Anna I. Harry
Mrs. Julie Thompson-James
Mr. Immanuel Williams (Intern)

DEFINITIONS

Board	The board of directors of a company.
Chairman	Means the Governing Body Member elected by the Governing Body who is responsible for presiding over and leading the Governing Body or committee meetings. The term Chairman includes both the masculine and feminine genders.
Charitable Organization or Non-Profit Organization	Any organization which satisfies the definition contained in the Charities Act as amended from time to time.
Companies Act	Refers to Companies Act of Jamaica, 2004 as amended from time to time.
Constitutive Documents	Means the constitutional documents which define the existence of the Organization and which regulates the structure and control of the Organization and its members (including legislation Articles of Incorporation, By Laws, Shareholder Agreements, Joint Venture Agreements, Partnership Agreements, or similar agreements, instruments or documents constituting the Organization or its formation).
Corporate Citizenship	Refers to an ethical relationship of responsibility between the Organization and the society in which it operates. As responsible corporate citizens of the societies in which they do business, Organizations have, legal and moral obligations, to their economic, social and natural environments. As a responsible corporate citizen, the Organization should protect, enhance and invest in the wellbeing of the economy, society and the natural environment.
Corporate Governance	Involves a set of relationships between an Organization's management, Governing Body, shareholders and other stakeholders. It provides the structure through which the objectives of the Organization are set, and the means of attaining those objectives and monitoring performance with a view to helping to build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity. The purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Organization and involves the exercise of ethical and effective leadership by the Governing Body

towards the achievement of the following governance outcomes:

- Ethical culture
- Good financial performance
- Effective control
- Legitimacy[1]

For the purposes of the PSOJ Code, it is defined as the system by which Organizations are directed and controlled.
As its name suggests, it is primarily designed for companies, however, there are certain basic governance principles, which should be of value to all business Organizations regardless of size or how constituted. Corporate Governance principles govern the relationship between an Organization's management, the governing body members, shareholders and other stakeholders.

Corporate Social Responsibility

Refers to the responsibility of the company for the impacts of its decisions and activities on the society and the environment. CSR is evidenced through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society by:

- considering the legitimate interests and expectations of stakeholders;
- compliance with applicable law; and,
- consistency with international norms of behaviour;

integrated throughout the Organization and evident in its relationships. Corporate Social Responsibility is an important and critical component of the broader notion of Corporate Citizenship. One is a good corporate citizen, inter alia, by being socially responsible.

Corporate Sustainability

Refers to a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.[2][3]

Disclosure

Refers to information that is made publicly available about the Organization regardless of the format or the disclosure platform or medium and includes disclosures made by companies listed on the Jamaica Stock Exchange pursuant to the Rules of the Jamaica Stock Exchange, such as disclosures made in the Annual Report.

[1] Definition amalgamated from commentary in *Corporate Governance Unlocked*; Kibirige, Alison Dillon and Kiryabwire, Winifred Tarinyeba; January 2019.
[2] Purkayastha, Debapratim (1 February 2019). In Search of the Triple Bottom line - Case Studies in Corporate Sustainability. IBS Case Research Center. ISBN 978-81-314-2847-4.

Diversity	Refers to the Governing Body and the Organization as a whole having an appropriate range of persons with the aim of cultivating a broad spectrum of attributes and characteristics. These include skills, experience, competence, age, gender, independence, among others.
ESG	Stands for the Environmental, Social, and Governance elements of an Organization's Corporate Governance profile, which continue to gain increasing importance as non-financial factors influencing stakeholders' analysis to identify material risks and growth opportunities.[4]
Ethics	Refers to that which is good or right in human interaction. The terms 'Ethics' and 'morality' can be used interchangeably. Ethics involves three key interlinked, concepts – that of 'self', 'good', and 'other'. Thus, one's conduct is ethical if it gives due consideration not only to that which is good for oneself, but also good for others.
Executive Governing Body Member	Refers to a Governing Body Member who is employed to the Organization, and who is normally responsible for aspects of the entity's day to day operations and reports to the Governing Body. This person is sometimes referred to as the Managing Director or the Chief Executive Officer.
Executive Management	Refers to the first layer of management below the Governing Body level and includes the Chief Executive Officer, Executive Governing Body Member, Chief Financial Officer and the Secretary or any other role(s) designated as such by the Organization depending on its size, stage of growth and business.
Family Owned Business	Refers to a business where the family owns a majority of the voting shares or effectively controls the business; one or more family members are involved in the management of the business and more than one generation is, or will, in the future become involved in the business; and as described in Appendix 3 hereto.

[4] https://www.cfainstitute.org/en/research/esg-investing

Governing Body	Refers to the structure that has primary accountability for the governance and performance of the Organization including the Board of Directors of companies incorporated under the Companies Act.
Governing Body Member	Refers to a person who is duly appointed to serve on the Governing Body and/or its committees including a director on a Board of Directors
Independence	Independence is the avoidance of being unduly influenced by a vested interest and to being free from any constraints that would prevent a correct course of action being taken. It is an ability to 'stand apart' from inappropriate influences and to be free of managerial capture, to be able to make the correct and uncontaminated decision on a given issue.[5] Undue influence and bias can be affected by the intensity of the relationship between the Governing Body Member and the Organization.
Independent Non-Executive Governing Body Member	Refers to a Governing Body Member who is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect his or her capacity to bring independent judgment to bear on issues before the Governing Body and to act in the best interest of the entity and its shareholders and other stakeholders generally.
Jamaica Stock Exchange (JSE) Rules	Refers to the Rules issued from time to time by the Jamaica Stock Exchange in relation to listed entities.
Lead Independent Governing Body Member	Refers to a Governing Body Member nominated by the Governing Body to provide a sounding board for the Chairman and to serve as an intermediary for the other Governing Body Members when necessary, as well as to be available to stakeholders in instances where they have a concern and where contact through the normal channels of Chairman, Chief Executive Officer or other Executive Governing Body Members, has failed to resolve the concern, or where such contact is inappropriate.

[5] https://www.accaglobal.com/content/dam/acca/global/pdf/sa_sept11_independence.pdf

Micro, Small or Medium-Sized Enterprise (MSME)[6]	"Micro sized enterprise" means an enterprise with total annual sales not exceeding J$14,999,000.00; "Small sized enterprise" means an enterprise with total annual sales ranging between J$15,000,000.00 and less than J$74,999,000.00; "Medium sized enterprise" means an enterprise with total annual sales ranging between J$75,000,000.00 and J$425,000,000.00.
Non-executive Governing Body Member	Refers to a Governing Body Member who is not an Executive Governing Body Member (that is who not an employee of the Organization).
Organization	Includes but is not limited to companies incorporated under the Companies Act, including those listed on the Jamaica Stock Exchange, non-profit Organizations, government Organizations, MSMEs, and Family Owned Businesses.
Risk Management	Refers to the proactive identification and analysis and evaluation of actual and emerging potential risk areas as they pertain to the Organization as a total entity, followed by a process of responding to those risks either by avoidance, mitigation, termination, transfer, tolerance or (acceptance), exploitation, or mitigation (treatment) of each risk, depending on the Organization's tolerance levels as defined internally in relation to each risk, or a response that is a combination or integration of these[7].
Secretary	Refers to the Secretary of the Organization appointed by the Governing Body and includes the Company Secretary as required to be appointed by the Companies Act who is an officer of the Company. Recently, there has been a trend towards referring to this person as a Governance Professional.
Significant Shareholder	Refers to any person whose shareholdings in a company exceeds the threshold stipulated by any legislation, regulation or Rules governing the Organization.[8]

[6] This definition has been adopted from the Microcredit Act, 2021.

[7] https://corporatefinanceinstitute.com/resources/knowledge/strategy/risk-management/
[8] For example, 20% under the Banking Services Act,

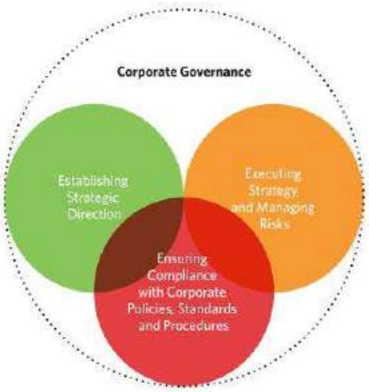
Small Company	A company that is so defined under the Seventh Schedule of the Companies Act.
Stakeholders	Refers to "those groups or individuals that can reasonably be expected to be significantly affected by an Organization's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the Organization to create value over time." [9] Internal stakeholders are material stakeholders who are directly connected to the Organization and includes its Governing Body, management, employees and shareholders. External stakeholders may include providers of financial capital, customers, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators, and policymakers and they may or may not be material stakeholders to the Organization.

[9] The International Integrated Reporting Council, THE-INTERNATIONAL-IR-FRAMEWORK (December 2013) available at https://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-

APPROACH

This Corporate Governance Code is designed to further enhance Corporate Governance best practices in Jamaica. Organizations that have already embarked on a path of excellence in Corporate Governance will also be able to use this resource as a benchmark in reviewing their current practices and updating them as required.

The components of a Corporate Governance approach seek to address relationships, decision-making and operational systems and are applicable to all sized businesses. Establishing strategic direction, executing strategy and managing risks as well as ensuring compliance with corporate policies, standards and procedures are pursuits common to every type of business.



In recognition of the importance of Corporate Governance principles for all types of organizations, the 2021 Corporate Governance Code ("the 2021 Code") merges the PSOJ Main Corporate Governance Code of 2016 ("the 2016 Code") with the PSOJ Corporate Governance Code for MSMEs, and includes Appendices specific to MSMEs, Family Owned Businesses and Non-Profit Organizations. As a result, there has been a shift in some terminology, as the focus has shifted from companies and boards of directors, to Organizations and Governing Bodies, more generally.

The 2021 Code builds on its predecessor, which embodied the following six (6) Principles of Corporate Governance developed by the G20/Organization of Economic Cooperation and Development (OECD) in 2015[10]:

I. **Ensuring the basis for an effective Corporate Governance Framework**
"The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement"

II. **The Rights and equitable treatment of Shareholders and Key Ownership Functions**
"The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign

[10] G20/OECD, *Principles of Corporate Governance* (Paris: OECD, 2015).
Available at: http://www.oecd-ilibrary.org/

shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights."

III. Institutional investors, stock markets and other intermediaries

"The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance."

IV. The Role of Stakeholders in Corporate Governance

"The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises."

V. Disclosure and Transparency

"The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company."

VI. The Responsibilities of the Governing Body

"The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

The PSOJ Corporate Governance Committee has found these principles, along with other global Corporate Governance Codes, to be sound and as such they have been used as the foundation to develop the framework for the 2021 Code, which includes both new guidance and enhancement of the guidance contained in the 2016 Code in relation to Governing Body Composition, sustainability, ethics, and risk management.

Based on emerging trends in Corporate Governance best practice, the 2021 Code has been broken down into the following seven (7) key sections:

1. Management and Oversight
2. Governing Body Effectiveness (including leveraging technology)
3. Remuneration
4. Accountability, Audit, Risk Management
5. Relations with Stakeholders & Subsidiary Governance
6. Timely and Balanced Disclosures
7. Corporate Sustainability and Ethics (including Environmental Considerations)

Each section has a Main Principle, which is reinforced by Supporting Principles, which are intended to provide high-level guidance on how the main principles should be implemented, and Guiding Principles[11], which exemplify how the Main Principle and any Supporting Principles are to be operationalised. The 2020 Code is intended to represent a framework or reference for what good governance looks like, rather than rigidly prescribe rules for adoption by Organizations. The aim is to bring to the fore the available learning on international best practice in key areas of governance, and to allow Organizations to self-determine how the principles are operationalised within the context of the size and complexity of their business, and the regulatory and competitive environment in which they operate.

[11] Guiding Principles in 2020 replaces Code Provisions from the 2016 Code.

This Code of Best Practice draws heavily on Codes published by other jurisdictions, including the UK, Australia and South Africa.

The Code is intended to be a guide to Organizations in Jamaica desirous of implementing good practices in Corporate Governance. While it is expected that Organizations will comply wholly or substantially with the recommendations, Organizations may elect not to comply, in particular circumstances, if good governance can be achieved by other means, provided that they explain their departure from the Code. These recommendations are therefore not mandatory in that sense and further, cannot, in themselves, prevent corporate failure or poor corporate decision-making. They represent international best practices that all Organizations should seek to follow.

Accordingly, the recommendations are framed in such a way that if Organizations deem that any recommendation is inappropriate for their business, or more time is needed for implementation, they have the flexibility to adopt such recommendation in the future, or not at all, provided that an explanation is given.

The PSOJ recommends that the Organizations listed on the Jamaica Stock Exchange (JSE) describe, in their annual report and accounts, their Corporate Governance from two perspectives: the first dealing generally with their adherence to or adoption of the Code's principles, and the second dealing specifically with the explanations for non-compliance with any of the Code's principles. These descriptions together should provide shareholders and other stakeholders with a clear and comprehensive picture of an Organization's governance arrangements in relation to the Code, which summarises the criteria of good practice. This approach will more easily enable listed Organizations to be assessed against the Corporate Governance Index which has been adopted by the JSE as of 2019, and by virtue of which stakeholders are able to objectively compare Organizations' performance in the area of corporate governance, though the JSE does not specifically mandate implementation of this Code.

Against the background of the foregoing, the PSOJ's Corporate Governance Committee encourages PSOJ members and all Organizations in Jamaica to use this Code as the gold standard against which to measure themselves and also as a baseline in examining their Corporate Governance practices. Organizations must, given the size, stage of development, industry and complexity of their business, determine how best to implement these best practices to suit their particular circumstances. Stakeholders should be aware that the size and complexity of the Organization and the nature of the risks and challenges it faces will significantly influence the decision to depart from the Code, and such departure should not necessarily be viewed negatively. This Code is built on the premise that departures will be adequately explained and justified to Stakeholders, who should feel free to engage the Organization in dialogue relating to the adoption of the principles.

Constitutive Documents, Laws, Regulations & Rules

The Code complements and should be used in conjunction with the Organization's Constitutive Documents, and applicable legislation and rules, and Regulations made pursuant thereto, prescribing the manner in which Organizations should be governed in Jamaica. Applicability of legislation, rules and regulations depend on the type and nature of the Organization's business including whether it is a privately held or publicly listed company (on the Jamaica Stock Exchange).

The applicable legislation, polices and guides currently includes:

i. The Banking Services Act;

ii. The Charities Act;
iii. The Companies Act;
iv. Constitutive Documents of the Organization;
v. The Corporate Governance Framework for Public Bodies in Jamaica
vi. The Corruption (Prevention) Act;
vii. The Cyber Crimes Act;
viii. The Data Protection Act;
ix. The Employment (Flexible Work Arrangements) Miscellaneous Provisions Act;
x. The Employment (Termination & Redundancy Payment) Act;
xi. The Factories Act;
xii. The Financial Services Commission Act;
xiii. The Government of Jamaica Policy Guidelines for Nomination, Selection & Appointment of the Boards of Public Bodies.
xiv. The Insurance Act;
xv. The Labour Relations and Industrial Disputes Act;
xvi. The Labour Relations Code;
xvii. The Micro Credit Act
xviii. The Pensions (Superannuation Funds and Retirement Schemes) Act;
xix. The Proceeds of Crime Act;
xx. The Protected Disclosures Act;
xxi. The Public Bodies Management & Accountability Act;
xxii. The Rules of the Jamaica Stock Exchange;
xxiii. The Securities Act;
xxiv. Sexual Harassment (Protection and Prevention) Bill
xxv.
xxvi. Government of Jamaica Policy Guidelines for Nomination, Selection & Appointment of the Boards of Public Bodies.

Governing Body Members and members of Executive Management are expected to be reasonably aware of all laws, regulations and rules (or any amendments thereto from time to time) that are likely to impact the business and operations of the Organization and to implement policies and other measures to ensure compliance with those laws, regulations and rules at all times.

PRINCIPLE 1- MANAGEMENT AND OVERSIGHT

A. THE GOVERNING BODY

1. Main Principle

Every Organization should be headed by an effective Governing body, which is collectively responsible for the long-term financial viability of the Organization, and for achieving the Organization's vision, mission and purpose.

2. Supporting Principle

The Governing Body's role is to provide leadership to the Organization within a framework of assessing the performance of Executive Management against established performance criteria and prudent and effective controls, which enable risk to be frequently assessed and managed. The Governing Body should articulate the vision and mission of the Organization, establish the Organization's strategic aims and ensure that the necessary financial and human resources are in place for the Organization to meet its objectives. The Governing Body should set the Organization's values and standards and ensure that its obligations to its stakeholders are understood and met. Each Governing Body Member must act in what he or she considers to be the best interest of the Organization consistent with his or her statutory duties[12].

The Governing Body will typically be responsible for:

i. affirming the Organization's vision, mission and purpose, and defining the strategic goals, while providing input into and final approval of management 's development of the corporate strategy and performance objectives;
ii. overseeing the business of the Organization, including its control and accountability systems, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
iii. appointing and removing the Chief Executive Officer or its equivalent;
iv. succession planning for the Chief Executive Officer, Executive Body Members and Governing Body Members;
v. appointing the Secretary
vi. monitoring Executive Management's development, performance and implementation of Board approved Strategy;
vii. as appropriate ensuring adequate resources are available to achieve the Organization's strategic objectives;
viii. approving and monitoring the progress of significant or major capital expenditure, capital management, and acquisitions and divestments; and
ix. approving and monitoring financial and other reporting.

[12] For directors of Jamaican incorporated companies, these duties are set out in Section 174 of the Companies Act 2004. For directors of Jamaican financial services, these duties are set out in legislation such as the Banking Services Act, the Insurance Act and the Securities Act.

3. Guiding Principles

1) The composition of the Governing Body should enable it to properly exercise its role and add value to the Organization and its stakeholders. The number of Governing Body Members, diversity and experience, skills and knowledge, and the Governing Body Members' ability to independently challenge Executive Management and provide strategic advice on the direction of the Organization are all elements that shape the Governing Body's effectiveness.

2) The Governing Body should lead ethically and effectively and work individually and collectively to cultivate the following characteristics and exhibit them in their conduct[13]:

   a. Integrity

   i. Act in good faith and in the best interest of the Organization[14];
   ii. Avoid conflicts of interest as defined in the Companies Act or other applicable legislation or rules governing the Organization. In cases where a conflict of interest cannot be avoided, it should be disclosed to the Governing Body, Chairman or Secretary in full at the earliest opportunity and then it should be properly managed by the Governing Body and subject to legal requirements.[15]
   iii. Act ethically beyond mere legal compliance.

   b. Competence

   i. Act with the due care, diligence and skill that a reasonable prudent person would exercise in comparable circumstances, including but not limited to the general knowledge, skill and experience of the Governing Body Member or officer[16].

   c. Responsibility

   i. Assume collective responsibility for affirming the Organization 's vision and mission and defining strategic goals.
   ii. Assume collective responsibility for implementing and managing the Organization's internal controls, risk management, legal and compliance requirements and financial accounting systems.

   d. Accountability

   Be willing to account for all actions taken in the execution of its responsibility, including where the actions taken were delegated to Executive Management or to Committees of the Governing Body.

   e. Transparency

   Be transparent in the discharge of its responsibilities.

[13] The King IV Report on Corporate Governance for South Africa 2016, Copyright and trademarks are owned by the Institute of Directors in Southern Africa" and the IoDSA website link is: http://www.iodsa.co.za/?page=AboutKingIV
[14] See section 174 (1)(a) of the Companies Act
[15] See section 174A of the Companies Act
[16] See section 174(1)(b) and section 174(6) of the Companies Act

f. Fairness

Act primarily with regard to the best interest of the Organization, however the Governing Body may take into account the interest of the Organization's stakeholders and the community in which the Organization operates[17].

3) The Organization should have a Diversity policy which through the Governing Body or a committee of the Governing Body sets measurable objectives for achieving Diversity in the composition of its Governing Body, Executive Management and workforce generally, in compliance with any applicable laws or rules governing or affecting the Organization. Diversity on the Governing Body should relate to academic qualifications, technical expertise, relevant industry knowledge, age and gender, and should reflect the minimum requirements imposed by laws, regulations or policies which apply to the Organization. An example of such is the policy in relation to public bodies in Jamaica that 30% of each gender be represented on the Governing Body. Where there are no applicable laws, regulations or policies by which an Organization is bound, the Organization should strive to comply with international best practice where relevant and should engage with stakeholders for feedback in this regard, where it is prudent to do so.

4) The Governing Body should meet sufficiently and regularly and as frequently as may be required to discharge its duties effectively. There should be a formal schedule of matters (Governing Body Agenda) specifically reserved for its decision and significant matters to note. The precise matters reserved to the Governing Body and delegated to Executive Management will depend on the size, complexity and ownership structure of the Organization, and will be influenced by its tradition and corporate culture, and by the skills of the Governing Body Members and Executive Management.

5) The Organization's Disclosure should identify the Chairman, the Deputy Chairman (where there is one), the lead independent Governing Body Member (where applicable), the Chief Executive Officer, and the Chairmen and members of the Governing Body committees. It should also set out the number of meetings of the Governing Body and those committees and individual attendance of Governing Body Members.

6) The Organization should arrange appropriate insurance cover in respect of legal actions brought against its Governing Body Members and/or the Secretary in the discharge of their duties in such capacities as permitted by law.[18]

7) The Organization should have a Governing Body charter setting out:
    a. the respective roles and responsibilities of its Governing Body and Executive Management (i.e. role of the Chairman, role of the Board, role of the Chief Executive Officer and the role of the Organization's Secretary);
    b. those matters expressly reserved to the Governing Body and those delegated to Executive Management;
    c. the ratio of independent versus Non-independent Governing Body Members [19];

[17] See section 174(4) of the Companies Act
[18] See section 204 of the Companies Act.
[19] Suggested that at least 50% of the Governing Body comprise independent members or reference to be had to any independence requirements prescribed by applicable legislation specific to the type of business of the Organization.

d. Code of Conduct (including the declaration of conflicts of interests and/or related party transactions and where the Organization is a listed entity, a policy to address dealings in shares by persons deemed insiders to the Organization).

8) The Organization should have a written agreement with each Governing Body Member and Executive Management setting out the roles and responsibilities and other terms of their appointment. Where Governing Body members are concerned, this written agreement can be in the form of an appointment letter appointing the person to serve on the Governing Body.

B. CHAIRMAN, CHIEF EXECUTIVE OFFICER, SECRETARY

1. Main Principle

There should be a clear division of roles and responsibilities between the Governing Body of the Organization and the day to day operations of the business of the Organization by its Executive Management. No one individual should have unfettered powers of decision.

2. Supporting Principles

1) The Chairman provides leadership to the Governing Body, including its effective oversight of management. The Chairman is also responsible for: a) ensuring that the Governing Body Members receive accurate, timely and clear information from Executive Management; b) ensuring the existence of effective communication between the Organization and its stakeholders; c) facilitating contribution by Independent Non-Executive Governing Body Members and d) ensuring constructive relations between the Executive and Non-Executive Governing Body Members.

2) The Chief Executive Officer (or other similar role for example, Executive Governing Body Member responsible for managing the Organization/Managing Director or a General Manager) is responsible for the overall management of the Organization and reports to the Governing Body on the performance of the Organization.

3) The Secretary is appointed and removed by the Governing Body. The Secretary supports the Governing Body, in particular, the Chairman, on governance related matters (including without limitation adherence to applicable legislation, rules and constitutive documents, meeting procedure) in addition to ensuring that the Board receives timely information from Executive Management and duly records the decisions taken by the Governing Body.

3. Guiding Principles

1) The roles of Chairman and Chief Executive Officer should not be exercised by the same individual. The division of responsibilities of the Chairman and Chief Executive Officer should be clearly defined and documented in the Governing Body Charter. The Governing Body Charter should be made available on the Organization's website.

The nature of the division of responsibility may vary with the maturity and stage of development of the Organization. It is recommended that Organizations regularly review the balance of responsibilities to ensure that the division of functions remains appropriate for the needs of the Organization at each particular stage in its development.

2) Upon appointment to the Governing Body the Chairman should satisfy the Independence criteria set out in *Principle 2* herein. A former CEO should not be appointed Chairman of the same Organization until a period of three (3) years has elapsed since he demitted office as CEO.

   Where, exceptionally, a Governing Body decides that a Chief Executive Officer should assume the role of Chairman of the Governing Body, the Governing Body should consult major stakeholders in advance and should set out its reasons to stakeholders at the time of the appointment and in any Disclosure by the Organization.

3) The Secretary is appointed by the Governing Body and is an officer of the Organization. The roles and responsibilities of the Secretary should be defined and documented; in that regard, reference may be made to the Handbook and Toolkit on Good Governance accompanying this Code or to the guidelines provided by the Chartered Governance Institute (CGI) of the United Kingdom.

C. Non-Executive Governing Body Members

1. Main Principle

As part of their role as members of a Governing Body, Non-Executive Governing Body Members should constructively challenge, help develop and approve proposals on strategy.

2. Supporting Principle

Non-Executive Governing Body Members should scrutinize the performance of Executive Management in achieving 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. They are responsible for determining appropriate levels of remuneration of Executive Governing Body Members and have an integral role in succession planning and in appointing, and, where necessary, removing Executive Governing Body Members.

3. Guiding Principles

1) Where the Chairman of the Governing Body is not Independent, the Governing Body should appoint one of the Independent Non-Executive Governing Body Members to be the Lead Independent Governing Body Member to provide a sounding board for the Chairman and to serve as an intermediary for the other Governing Body Members when necessary. The Lead Independent Governing Body Member (where there is one) should be available to stakeholders if they have concerns where contact through the normal channels of Chairman, Chief Executive Officer or other Executive Governing Body Members, has failed to resolve the concern, or for which such contact is inappropriate.

2) Where Governing Body Members have concerns about the running of the Organization or a proposed action, which cannot be resolved, they should ensure that their concerns are appropriately recorded in the minutes of the meetings of the Governing Body. On resignation, a

Non-Executive Governing Body Member should provide a written statement to the Chairman, for circulation to the Governing Body, if they have any such concerns.

PRINCIPLE 2 - GOVERNING BODY EFFECTIVENESS

A. OPERATION OF THE GOVERNING BODY

1. Main Principle

The Governing Body may constitute appropriate committees (of the Governing Body) to which it may delegate some of its responsibilities in accordance with its Constitutive Documents. With the exception of an Audit Committee, the names of the Committees which may be constituted by Organizations from time to time are not prescribed by this Code. Guidance is however provided on the specific terms of reference for such committees constituted to address matters such as Corporate Governance, risk management, and remuneration. Organizations must however adhere to applicable legislation, regulations or rules which prescribe the constituting of specific committees. The committees should have the appropriate balance of skills, experience, Independence and knowledge of the Organization to enable them to discharge their respective duties and responsibilities effectively.

2. Supporting Principles

1) The Governing Body should be of sufficient size[20] that the requirements of the business can be met and that changes to the Governing Body's composition and that of its committees can be managed without undue disruption. The Governing Body should not be so large as to be unwieldy.

2) The Governing Body should include an appropriate combination of Executive and Non-Executive Governing Body Members (where applicable) (and, in particular, Independent Non-Executive Governing Body Members) such that no individual or small group of individuals can dominate the governing body's decision-making process. The value of ensuring that committee membership is refreshed, and that undue reliance is not placed on particular individuals should be taken into account in deciding Chairmanship and membership of committees. No one other than the committee Chairman and members is entitled to be present at a meeting of Governing Body committees, but others may attend at the invitation of the committee.

3. Guiding Principles

1) The Governing Body should identify in its Disclosures each Non-Executive Governing Body Member it considers to be Independent. The Governing Body should determine whether the Governing Body Member is Independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Governing Body Member's judgment. The Governing Body should state its reasons if it determines that a Governing Body Member is Independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the Governing Body Member:
   a. has been an employee of the Organization or group of Organizations (to which the Organization belongs) within the last three (3) years; has, or has had within the last three (3) years, a material business relationship with the Organization either directly, or as a partner, shareholder, Governing Body Member or senior employee of a body that has such a relationship with the Organization; has received or receives additional remuneration

[20] In accordance with its Constitutive Documents

from the Organization apart from a Governing Body Member's compensation, participates in the Organization's share option or a performance related pay scheme;

b. has close family ties with any of the Organization's advisers, Governing Body Members or senior employees;

c. holds cross-Governing Body memberships or has significant links with other Governing Body Members through involvement in other Organizations or bodies; and

d. represents a Significant Shareholder of the Organization.

2) A former Chief Executive Officer will not qualify as an Independent Governing Body Member unless there has been a period of at least three (3) years between the date on which he/she ceased employment with the Organization as Chief Executive Officer and the date of his/her appointment to the Governing Body.

3) The Governing Body should regularly assess whether each Non-Executive Governing Body Member is Independent. Each Non-Executive Governing Body Member should provide to the Governing Body all information that may be relevant to this assessment. If a Governing Body Member's Independence status changes, this should be included in the Organization's Disclosures and in respect of companies listed on the Jamaica Stock Exchange, disclosed and explained in a timely manner to the market pursuant to the Rules of the Jamaica Stock Exchange.

4) At least half the Governing Body, excluding the Chairman, should comprise Non-Executive Governing Body Members determined by the Governing Body and/or the Organization's Corporate Governance Charter/ Policy to be independent- unless legislative requirements specific to the business of the Organization require otherwise.

B. APPOINTMENTS TO THE GOVERNING BODY

1. Main Principle

There should be a formal, rigorous and transparent procedure for the nomination and appointment of new Governing Body Members.

2. Supporting Principles

1) Appointments to the Governing Body should be made on merit and against objective criteria and with due regard for the benefits of Diversity on the Governing Body. Care should be taken to ensure that appointees have sufficient time to devote to serving on the Governing Body. This is particularly important in the case of the Chairman who leads the Governing Body. The Governing Body should satisfy itself that plans are in place for orderly succession for appointments to the Governing Body and to the Executive Management, so as to maintain an appropriate balance of skills and experience within the Organization and on the Governing Body and to ensure progressive refreshing of the Governing Body, as required.

2) Induction procedures should be in place to enable new Governing Body Members to participate fully and actively in Governing Body decision-making at the earliest opportunity. To be effective,

new Governing Body Members need to have a good deal of knowledge about the Organization and the industry within which it operates.

3) An induction programme should be available to enable new Governing Body Members to gain an understanding of good Corporate Governance including:
    a. the Organization's strategic, financial, operational and risk management position;
    b. the rights, duties and responsibilities of the Governing Body Members;
    c. the roles and responsibilities of members of Executive Management; and
    d. the role of Governing Body committees.

3. Guiding Principles

1) The Governing Body should either (i) address appointments to the Governing Body or (ii) constitute a committee empowered with the mandate to lead the process for Governing Body appointments and make recommendations to the Governing Body.[21] In the event that a Committee is constituted, the majority of members should be Independent Non-Executive Governing Body Members. An Independent Non-Executive Governing Body Member should chair the committee. The Governing Body Chairman should not participate in the voting in relation to the appointment of a successor to the chair.

2) The terms of reference for the committee should be well documented in writing setting out the role and responsibility delegated by the Governing Body to the committee and should be made available on the Organization's website.

3) The Committee addressing appointments to the Governing Body or the Governing Body should evaluate Governing Body Diversity including the balance of skills, experience, Independence and knowledge on the Governing Body and, based on this evaluation, prepare a description of the role and capabilities required for a particular appointment.

4) The committee should consider implementing a plan for identifying, assessing and enhancing Governing Body Member competencies based on the strategic objectives of the Organization. An evaluation of the range of skills, experience and expertise on the Governing Body is important when considering new candidates for nomination or appointment. Such an evaluation enables identification of the particular skills that will best increase the effectiveness of the Governing Body. Governing Body renewal is critical to performance, and Governing Body Members should be conscious of the duration of each Governing Body Member's tenure in succession planning. The Committee should consider whether succession plans are in place to maintain an appropriate balance of skills, experience and expertise on the Governing Body.

5) In Disclosures, the Governing Body should describe its work or the work of the Committee, including the process it has used in relation to appointments to the Governing Body.

[21] The Governing Body dealing with these matters directly or constituting a Committee depends on the size of the Organization, complexity of the business and stage of growth of the Organization.

C. Commitment to Serve on Governing Bodies

1. Main Principle

All Governing Body Members should be able to allocate sufficient time to the Organization to discharge their responsibilities effectively.

2. Guiding Principles

1) The Governing Body or Secretary should prepare letters of appointment for the Chairman and all other Governing Body Members outlining the Governing Body Member's role and responsibilities, an assessment of the time commitment expected, recognizing the need for availability in the event of crises, applicable remuneration, the provision of liability insurance or indemnity by the Organization.

2) Governing Body Members should confirm that they can fulfil the requirements of their appointment and disclose any other significant commitments prior to their appointment. Each Governing Body Member should also advise the Chairman or Governing Body of subsequent significant changes in demands on the Governing Body Member's time.

D. Information and Personal Development

1. Main Principle

The Governing Body should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All Governing Body Members should receive information upon appointment to the Governing Body and should periodically update and refresh their skills and knowledge.

2. Supporting Principles

1) The Chairman is responsible for ensuring that the Governing Body Members receive accurate, timely well-presented information. Executive Management has an obligation to provide such information however Governing Body Members should seek clarification or amplification where necessary.

2) The Chairman supported by the Secretary should ensure that the Governing Body Members continually update their skills and knowledge on the role and responsibility of Governing Body Members, applicable legislation and regulations impacting the operations of the Organization, and the Organization's business and industry in which it operates in order to fulfil their roles. The Secretary should facilitate induction and ongoing training of Governing Body Members.

3) The Organization should provide the necessary resources for developing and updating its Governing Body Members' knowledge and capabilities.

4) In collaboration with the Chairman, the Organization Secretary's responsibilities include, inter alia, the flow of information to Non-Executive Governing Body Members and between and among the

Governing Body and its Committees (where relevant), and between Executive Management and the Governing Body and its Committees.

5) The Secretary is expected to play an integral role in providing advice and guidance on Corporate Governance matters to the Chairman, the Governing Body and any Committee constituted.

3. Guiding Principles

1) New Governing Body Members should receive a full, formal and tailored induction on joining the Governing Body. The Chairman should periodically review and agree with each Governing Body Member their training and development needs.

2) The Governing Body (including any Committees) should ensure that Governing Body Members, especially Non-Executive Governing Body Members, have access to independent professional advice and/or sufficient resources, at the Organization's expense where they judge it necessary to discharge their responsibilities as Governing Body Members.

3) All Governing Body Members should have access to the advice and services of the Secretary who is responsible for ensuring compliance with the Governing Body procedures.

4) The Organization should make use of and leverage available technology (including secure digital board reporting platforms) to ensure efficiency, accuracy and security in the reporting and dissemination of information to, by and within the Governing Body and the Organization as a whole, and to Stakeholders. There should be particular sensitivity to storing and disseminating information securely, so that the Organization complies with all applicable Legislation.

E. Performance Evaluation

1. Main Principle

The Governing Body should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Governing Body Members, with a view to producing outcomes which enhance the effectiveness of the Governing Body.

2. Supporting Principles

1) Evaluation of the Governing Body should consider the balance of skills, experience, Independence and knowledge of the Organization on the Governing Body, the way in which the Governing Body functions as a unit, and other factors relevant to its effectiveness.

2) The Chairman should act on the results of the performance evaluation by recognizing the strengths and addressing the weaknesses of the Governing Body and, where appropriate, proposing new members be appointed to the Governing Body or seeking the resignation of Governing Body Members.

3) Individual evaluation of each Governing Body Member should aim to indicate whether each Governing Body Member continues to contribute effectively and to demonstrate commitment to

the role (including commitment of time for Governing Body and committee meetings and any other duties).

3. Guiding Principles

1) The Governing Body should determine its own role, functions, duties and performance criteria as well as that of its committees, and should establish a benchmark for the annual evaluation of its own performance and that of its committees and each Governing Body Member.

2) Annual evaluations of committees and individual Governing Body Members should be conducted by either the Governing Body, the Committee established to address Corporate Governance or nominations of Governing Body Members or an independent provider.

3) The results of the annual performance evaluation should identify and disclose in an internal report, the training needs of the Governing Body and its committees and the corresponding action plans.

4) The Governing Body should state in any Disclosure (as applicable), the frequency and manner in which the performance evaluation of the Governing Body, its committees and its individual Governing Body Members was conducted. Evaluation of the Governing Body of Organizations should be externally facilitated at least every three (3) years.

5) The Non-Executive Governing Body Members, led by the Lead Independent Governing Body Member (where there is one), should be responsible for the performance evaluation of the Chairman.

6) The performance evaluation of a Governing Body Member should be taken into account in the nomination for re-election of a Governing Body Member.

F. RE-ELECTION

1. Main Principle

All Governing Body Members should be submitted for election or re-election at regular intervals, subject to continued satisfactory performance and the requirements of the Organization's Constitutive Documents. The Governing Body should ensure planned refreshing of the Governing Body.

2. Supporting Principles

1) The names of Governing Body Members submitted for election or re-election should be accompanied by sufficient biographical details and any other relevant information to enable shareholders to make an informed decision on their election or re-election.

2) Generally, any term beyond six years (e.g. two three-year terms) for a Non-Executive Governing Body Member should be subject to particularly rigorous review and should take into account the need for progressive refreshing of the governing body. Non-Executive Governing Body Members may serve longer than nine (9) consecutive years; (e.g. three (3) three-year terms), subject to annual re-election. Serving more than nine (9) years could be relevant to the determination of a

Non-Executive Governing Body Member's Independence. The Governing Body should give consideration to mechanisms to be adopted to ensure regular refreshment of the Governing Body, and should apply and relevant laws, regulations or policies which apply to it in relation to such matters. These mechanisms may include reviewing size limits, stipulation of age limits, term limits, and/or a mandatory retirement age, and requiring that members meet certain key performance indicators as a pre-requisite to being recommended for re-election to the Governing Body.

PRINCIPLE 3 - REMUNERATION

A. THE LEVEL AND COMPONENTS OF REMUNERATION

1. Main Principle

Remuneration for Executive Governing Body Members (including Executive Management) should be designed to promote the long-term success of the Organization. Performance-related elements should be transparent, and rigorously applied without encouraging excessive risk taking or risk taking outside of the Organization's defined risk parameters, ethical standards, or core values.

2. Supporting Principle

The Governing Body or any committee constituted to address Corporate Governance, remuneration, or compensation should guide the level of compensation to be awarded with reference to pertinent factors including market rates for similar job functions, level of responsibility, and type and size of Organization and industry.

3. Guiding Principles

1) Levels of remuneration for Non-Executive Governing Body Members should reflect the time, commitment and responsibilities of the role.

2) The Governing Body should ensure that the Organization remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.[22]

3) In appointing an Executive Governing Body Member, the Governing Body or any committee constituted to address Corporate Governance or remuneration should carefully consider all elements of compensation obligations (including pension contributions) which may be relevant, including in the event of early termination. The aim should be to avoid rewarding poor performance.

B. PROCEDURE

1. Main Principle

There should be a formal and transparent procedure for developing a policy on remuneration of Executive Governing Body Members (including Executive Management) and for individual Governing Body Members. No Executive Governing Body Member should be involved in deciding his or her own remuneration.

[22] Ibid fn. 13.

2. Supporting Principle

The Governing Body or any committee constituted to address Corporate Governance or remuneration should take care to recognise and manage conflicts of interest when receiving opinions and recommendations from Executive Governing Body Members or Executive Management or consulting the Chief Executive Officer about its proposals. The Governing Body or any committee constituted to address Corporate Governance or remuneration should also be responsible for appointing any consultants in respect of the remuneration of Executive Governing Body Members.

3. Guiding Principles

1) Where the Governing Body constitutes a committee to address Corporate Governance or remuneration matters, the committee should consist of at least three (3), Non-Executive Governing Body Members. The committee should be governed by terms of reference explaining the role and the authority delegated to it by the Governing Body. The committee should report periodically to the Governing Body on the progress in relation to its terms of reference. The terms of reference should be made available on the Organization's website.

2) The committee should have delegated responsibility for setting remuneration for all Executive Governing Body Members and members of Executive Management, including pension rights and any compensation payments. The committee should also recommend and monitor the level and structure of remuneration for Executive Management. The definition of Executive Management for this purpose should be determined by the Governing Body but should normally include the first layer of management below Governing Body level.

3) At the option of the Organization, shareholders may have the opportunity of having an annual non-binding vote on the remuneration policy. This will give shareholders the opportunity of expressing their views about the remuneration policy.

4) The Organization's remuneration policy should have regard to matters including, but not limited to, the following[23]:
    a. clarity – remuneration arrangements should be transparent and promote effective engagement with stakeholders;
    b. simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
    c. predictability – the range of possible values of rewards to individual Governing Body Members and any other limits or discretions should be identified and explained at the time of approving the policy;
    d. proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Organization should be clear. Outcomes should not be a reward for poor performance; and
    e. alignment to culture – incentive schemes should drive behaviours consistent with Organization purpose, values and strategy.

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[23] Financial Reporting Council 2017. UK Corporate Governance Code. Available at https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf

5) Disclosures of the Organization (where applicable) should include a description of the work of any committee constituted to address Corporate Governance or remuneration, including[24]:
    a. an explanation of the rationale for the remuneration policy, structures and any performance rubric;
    b. reasons why remuneration is appropriate using internal and external measures including paying ratios and pay gaps;
    c. whether the remuneration policy operated as intended in terms of Organization performance and quantum and, if not, what changes are necessary;
    d. what engagement has taken place with stakeholders and the impact this has had on remuneration policy and outcomes;
    e. what engagement with the employees has taken place to explain how executive remuneration aligns with wider Organization employees pay policy; and
    f. to what extent discretion has been applied to remuneration outcomes and the reasons why.

[24] Ibid fn. 21.

PRINCIPLE 4 – ACCOUNTABILITY, AUDIT, RISK MANAGEMENT

A. FINANCIAL REPORTING

1. Main Principle

The Governing Body should present a balanced and understandable assessment of the Organization's accounting systems, internal controls, risk management, financial position and business prospects.

2. Supporting Principles

1) The Governing Body's responsibility to present a balanced and understandable assessment of the financial status of the Organization extends to interim or year end and other reports submitted to the Jamaica Stock Exchange, Companies Office of Jamaica, Charities Authority other regulators as well as to information required to be presented pursuant to statutory and other requirements.

2) Financial statements should be presented in accordance with accounting standards provided for under the Seventh Schedule of the Companies Act, the Rules of the Jamaica Stock Exchange and applicable accounting standards.

3. Guiding Principles

1) The Governing Body Members should explain in its Disclosures (as applicable) their responsibility for preparing the accounts and there should be a statement by the auditors about their reporting responsibilities.

2) The Governing Body Members should include in its Disclosures (as applicable) an explanation of the basis on which the Organization generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the Organization[25].

3) The Governing Body Members should report that the business of the Organization is a going concern, with supporting assumptions and/or qualifications as necessary.

B. AUDIT AND AUDITORS

1. Main Principle

The Governing Body should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Organization’s auditors.

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[25] JSE Rules Appendix 13 on MD&A

2. Guiding Principles

1) The Governing Body can itself, or where required by legislation, regulations or other rules governing the Organization, constitute an Audit Committee to, address audit-related matters[26]. Where such an Audit Committee is constituted it should comply with the requirements of applicable legislation, regulations or rules, and in the absence of any such requirements, should consist of at least three (3), Independent Governing Body Members, and the Governing Body should satisfy itself that at least one (1) member of the committee has recent and relevant financial experience.

2) The main role and responsibilities of the Governing Body or the Audit Committee (as applicable) should be set out in written terms of reference and should include:
    a. to monitor the integrity of the financial statements of the Organization, and any formal announcements relating to the Organization's financial performance and reviewing significant financial reporting judgments contained in them;
    b. to monitor and review the effectiveness of the Organization's internal audit function;
    c. to make recommendations to the Governing Body, for it to put to the stakeholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor (including rotation of the external auditor to preserve independence of the function), and to recommend the remuneration and terms of engagement of the external auditor;
    d. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
    e. to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
    f. to report to the Governing Body, 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; and
    g. to report to the Governing Body on how it has discharged its responsibilities.

3) The terms of reference of the Audit Committee should include its role and the authority delegated to it by the Governing Body and should be made available on the Organization's website.

4) The internal auditor of the Organization reports to the Governing Body or to the Audit Committee to address audit related matters.

5) The Audit Committee has authority to:
    a. oversee the financial reporting and internal controls of the entity;
    b. conduct or authorize investigations into any matters within its scope of responsibility;
    c. resolve any disagreements between management and the auditor regarding financial reporting;
    d. pre-approve all auditing and non-audit services provided by the external auditor;
    e. retain independent professional advisors to advise the committee or assist in the conduct of an investigation;

[26] JSE Rules require the establishment of an Audit Committee for listed entities.

f. seek any information it requires from employees, all of whom are directed to cooperate with the Audit Committee's requests, or from external parties;
g. meet with the Organization's officers, external auditors, or outside counsel, as necessary;
h. monitor and review the activities of internal audit ensuring its objectivity and independence in the performance of its duties and that it has sufficient resources and access to information to discharge its role;
i. ensure the internal audit function reports to the Governing Body through the Audit Committee;
j. facilitate the Chief Internal Auditor's executive confirmation to the Governing Body, whether directly or through the Audit Committee, at least annually on the Organizational independence of the internal audit activity;
k. ensure compliance with applicable legislation including compliance with policies relating to Anti-Money laundering Anti-Terrorism financing;
l. approve the Internal Audit Charter;
m. ensure that issues raised by External Auditors in a Management Letter are appropriately addressed; and
n. monitor major litigation and impact on the financial statements.

6) The Audit Committee should provide advice on whether the financial statements, taken as a whole, give a true and fair view of the Organization's financial affairs.

7) The Audit Committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Governing Body, and the reasons for the absence of such a function should be explained in any Disclosure (as applicable).

8) In any Disclosures (as applicable) the Governing Body should describe its work, or the work of the Audit Committee responsible therefor, in discharging audit and accountability responsibilities. The report should include:
   a. the significant issues considered in relation to the financial statements, and how these issues were addressed.;
   b. an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; and
   c. if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded.

C. Risk Management and Internal Control

1. Main Principle

The Governing Body is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Governing Body should ensure the maintenance of sound risk management and internal control systems[27]

2. Supporting Principles

1) The Organization should document or make Disclosures (as appropriate) to confirm that a robust assessment of the principal risks facing the Organization, including those that would threaten its business model, future performance, solvency or liquidity, has been conducted. The document or Disclosure should describe those risks and explain how they are being managed or mitigated.

2) Taking account of the Organization's current position and principal risks, the Organization should document how they have assessed the prospects of the Organization, over what period they have done so and why they consider that period to be appropriate. The Governing Body should indicate whether they have a reasonable expectation that the Organization will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

3) The Governing Body should monitor the Organization's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in any Disclosures (as appropriate). The monitoring and review should cover all material risks and controls applicable to the Organization, including financial, strategic, operational, liquidity, market risk, supply chain disruption, exchange rate, credit, business disruption and continuity, litigation, cybercrimes, compliance and data protection.

4) The Governing Body should carry out a robust assessment of the Organization's emerging and principal risks.

5) The Governing Body should confirm completion of this assessment, including a description of its principal risks, the procedures in place to identify emerging risks, and an explanation on the management and mitigation of these risks.

6) The Governing Body should, or where required by applicable legislation, regulations or rules, constitute a committee to address risks facing the Organization or subsume the role under the Audit Committee. Where a committee is constituted or where risk forms part of the remit of the Audit Committee, either the committee constituted to address risk, or the Audit Committee should be governed by written terms of reference which detail the role and responsibilities delegated to the committee by the Governing Body, and the relevant committee should include persons with risk management expertise.

[27] JSE Rules Appendix 13 on MD&A

7) The Chief Risk Officer, Compliance Officer or other member of Executive Management responsible for risk or compliance should report to the Governing Body or committee responsible for addressing risk, audit or audit-related matters.

8) The Governing Body should approve for implementation policies relating to, for example, the identification, monitoring, management and frequent reporting to the Governing Body on the type of risks facing the Organization, enterprise risk management, business continuity plan in the face of natural disasters or business interruption howsoever caused.

3. Guiding Principles

1) The Governing Body or the committee constituted to address risk should ensure that the Organization has policies in place to govern avoidance, mitigation or acceptance of each traditional or emerging risk that is identified in relation to the Organization; in each of the following categories to the extent that they are relevant to the Organization and including for example:

   a. Credit Risk (also known as Default Risk);
   b. Country Risk;
   c. Political Risk;
   d. Reinvestment Risk;
   e. Interest Rate Risk;
   f. Foreign Exchange Risk;
   g. Inflationary Risk;
   h. Liquidity;
   i. Reputational Risk;
   j. Litigation Risk;
   k. Supply Chain Management; and
   l. Market Risk.
   m. Operational Risk

2) Traditional or familiar risks include those which are inherent to the Organization's operations based on the Organization's size and the industry and regulatory environment in which it operates.

3) Emerging risks are those whose presence or level of exposure develop or increase as a result of prevailing circumstances or developing trends. Emerging risks have included those related to[28]:

   a. data security, privacy and protection;
   b. use of technology and cyber resilience;
   c. impact of global stress events, such as climate change and the COVID-19 pandemic;
   d. geopolitical instability; and
   e. social discontent and local conflicts

[28] https://www.axa.com/en/magazine/2020-future-risks-report

all of which must be managed within the particular context of increased remote work and reliance on remote or automated or electronic systems.

4) The Governing Body or the committee constituted to address risk should ensure that consideration is given to the following matters, recognising the growing connectivity of risks, and should ensure that where necessary, policies are in place to govern them in a way that complies with applicable legislation while supporting the Organization in achieving its strategic objectives:
    a. the use of information and technology in the business of the Organization;
    b. protection of personal data and information received from Stakeholders (employees, customers, shareholders);
    c. the robustness of the Organization's occupational safety and health framework and its ability to contend with health crises, including mental health crises; and
    d. general Organizational preparedness, response coordination, and business continuity in the face of destabilising events, including the role to be played by insurance coverage.

5) The risk management framework of an Organization should allow for continuous analysis of the environment in which the Organization operates, including revision of risk tolerance levels if necessary, and should allow for collaboration with other types of Organizations to address challenges that require a multifaceted and coordinated response. Within the Organization, the Governing Body or committee constituted to address risk, and Executive Management, are encouraged to work together to understand how risks in one area of the business of the Organization could impact another area of the business of the Organization, and how or the extent to which risks may also give rise to opportunities which ought to be exploited by the Organization.

PRINCIPLE 5- RELATIONS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

A. RELATIONS WITH STAKEHOLDERS

1. Main Principle

In execution of its governance role and responsibilities, the Governing Body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of the material stakeholders in the best interest of the Organization over time[29].

2. Supporting Principles

1) The Governing Body should assume responsibility for the governance of stakeholder relations by establishing the manner in which Stakeholder relationships should be fostered and approached internal and external to the Organization.

2) The Governing Body should approve a policy which identifies key Stakeholders and guidance on fostering and maintaining key Stakeholder relationships and engagement.

3) The Governing Body should delegate to management the responsibility for implementation and execution of an effective Stakeholder strategy, and in particular[30]:

   a. methodology for identifying individual Stakeholders and stakeholder groupings;
   b. determination of material Stakeholders based on the extent to which they affect, or are affected by the activities, outputs and outcomes of the Organization;
   c. management of Stakeholder risks as an integral part of the Organization's- enterprise wide risk management;
   d. formal mechanism for engagement and communication with Stakeholders, including the use of dispute resolution and associated processes; and
   e. measurement of the quality of material Stakeholder relationships, and appropriate responses to the outcomes.

B. DIALOGUE WITH STAKEHOLDERS & SUBSIDIARY GOVERNANCE

1. Main Principle

There should be regular communication between the Organization and its Stakeholders based on the mutual understanding of objectives. The Governing Body should encourage proactive communication with Stakeholders, including engagement with shareholders of the Company during the year as well as at the annual general meeting of the Company[31] or similar meetings for other types of Organizations.

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[29] Ibid fn.13

[30] Ibid fn.13

[31] Nothing in these principles or provisions should be taken to override the general requirements of law to treat all shareholders equally with respect to access to information.

2. Supporting Principles

1) Whilst recognising that most Stakeholder contact is with the Chief Executive Officer, Chief Financial Officer and the Secretary (and the Lead Independent Governing Body Member (where there is one) and other Governing Body Members (as appropriate) the Governing Body should receive necessary information and maintain sufficient contact with Stakeholders to understand their issues and concerns.

2) The Governing Body should stay abreast of Stakeholder opinion.

3. Guiding Principles

1) The Chairman should ensure that the views of Stakeholders are communicated to the Governing Body as a whole.

2) The Governing Body should document the steps they have taken to ensure that Governing Body Members, and in particular the Non-Executive Governing Body Members, develop an understanding of the views of major Stakeholders about their Organization, for example through direct face-to-face contact, analysts' or brokers' briefings and surveys of Stakeholder opinion.

C. CONSTRUCTIVE USE OF THE GENERAL MEETING

1. Main Principle

The Governing Body should use general meetings as one of the ways in which to engage with investors and to encourage their participation.

2. Guiding Principle

1) The Chairman should arrange for the Chairmen of Governing Body Committees to be available to answer questions at the Annual General Meeting or similar meetings for other types of Organizations, and where required, for all Governing Body Members and external auditors to attend.

D. RELATIONS WITHIN A GROUP OF COMPANIES -SUBSIDIARY GOVERNANCE

(Applicable to companies within a group)

1. Main Principle

The Governing Body of the parent Organization, should where possible, assume responsibility for governance across the group by setting the direction for how the relationships and exercise of power within the group should be approached and conducted[32].

[32] Ibid fn.13

2. Supporting Principles

1) The Governing Body should approve policies and have clear strategies for the establishment of new group entities and should properly guide and understand the group's structure, its evolution and its limitations. Moreover, under the oversight of the Governing Body, Executive Management should:
    a. avoid setting up unnecessarily complicated structures;
    b. have a centralised process for approving and controlling the creation of new group entities based on established criteria, including the ability to monitor and fulfil each entity's requirements (for example, regulatory, tax, financial reporting and governance) on an ongoing basis;
    c. understand and be able to produce information on the structure, type, constitution, charter, ownership structure and businesses conducted for each group entity;
    d. recognise the risks that the complexity of the group structure itself may pose, including lack of management transparency, operational risks introduced by interconnected and complex structures and intragroup risk exposures; and
    e. evaluate how the risks of the structure and entity requirements affect the group's ability to manage its risk profile and deploy funding and capital under normal and adverse circumstances.

2) There should be a governance framework agreed between the Governing Body of the parent Organization (or the "holding company") and the Governing Bodies of the subsidiary companies (or the "subsidiary(ies)") within the group. The parent Organization should determine priorities for achieving group objectives and then provide direction on how the relationships and exercise of power within the group should be structured in pursuit of these priorities. This includes direction on what should be centrally or locally driven, and may include:
    a. the alignment of strategy across the group, which may mean input by the parent Organization into subsidiary business plans and budgets;
    b. the alignment of processes and policies to manage key areas and matters; and
    c. involvement in the appointment of key staff members of the subsidiary.

    The process of negotiating the governance framework for the group should allow for the subsidiary board to have effective input into group matters that affect the subsidiary and should be based on the principle of proportionality (i.e. adopting and scaling practices for what is suitable and appropriate for each particular entity) and the impact thereof on each subsidiary within the group.

3) The Governing Body of the parent Organization should:
    a. ensure that each subsidiary has sufficient resources to meet both group standards and local governance standards; and
    b. understand the roles and relationships of subsidiaries to one another and to the parent Organization and ensure that each subsidiary also understands those roles and relationships.

4) The Governing Body of a parent Organization must always recognise the fiduciary duties of its subsidiaries' Governing Body Members and particularly the subsidiaries' Governing Body Members' duty to act in the best interest of the subsidiary company.

5) The adoption and implementation of the policies, structures and procedures of the holding company is a matter for consideration and approval by the Governing Body of the subsidiary company as a separate legal entity. The Governing Body of the holding company should therefore ensure that the Governing Bodies of its subsidiaries are included in the development of the group's governance framework[33].

6) The Governing Body of the holding company should ensure that the group governance framework matters are considered and given the treatment that is appropriate for each subsidiary as well as for the group as a whole, including the following[34]:

    a. delineation of the rights and role of the holding company;
    b. if applicable, delegation of certain responsibilities by the Governing Body of the subsidiary to a Governing Body committee of the holding company, without abdicating accountability, and subject to agreed reporting and information-sharing arrangements;
    c. the extent to which governance and operational policies of the holding company are to be adopted by subsidiary companies in the group;
    d. engagement by the holding company with the Governing Body of a subsidiary company before the holding company exercises its rights to elect Governing Body Members to the Governing Body of the subsidiary; and
    e. arrangements to address the risk of breaching legal duty in relation to the use of information obtained while acting as a Governing Body Member of one company within the group for the purposes of another company within the group. This is particularly important as the absence of adequate systems and processes of control could render the holding company or subsidiary company within the group liable, even if a transgression occurred only in one subsidiary.

E. EMPLOYEE RELATIONS

Organizations which employ persons must be aware of their legal obligations towards their employees, as well as the rights of their employees. Organizations must be aware of the relevant legislation governing labour relations and industrial dispute, i.e. the Labour Relations and Industrial Disputes Act[35]; the Labour Relations Code[36]; the Employment (Flexible Work Arrangements) Miscellaneous Provisions Act[37]; and the Employment (Termination and Redundancy Payment) Act[38]. Other important labour legislation includes the Maternity Leave Act, the Holidays with Pay Act, the Minimum Wage Act, the Employment (Equal Pay for Men and Women) Act, and the Sexual Harassment Bill. External professional advice in these areas may have to be sought from time to time. Organizations are encouraged to establish and document policies outlining the rights and entitlements of its employees as stipulated by local law and practise including details relating to disciplinary hearings.

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[33] Ibid fn.13
[34] Ibid fn.13
[35] Labour Relations and Industrial Disputes Act, 1975.
[36] Labour Relations Code 1976.
[37] Employment (Flexible Work Arrangements) Miscellaneous Provisions Act, 2014.
[38] Employment (Termination and Redundancy Payments) Act, 1974.

F. HEALTH, SAFETY AND DATA PROTECTION

Organizations which employ persons have an obligation to provide for the health and safety of employees in the workplace howsoever defined in line with required legislation[39]/[40]. Conversely employees are expected not to endanger their health and safety as well as the health and safety of others in the workplace. Organizations should establish and document policies to protect the personal data of its employees, including the rights of employees in relation to their health conditions as well as protecting employees against discrimination. Organizations must be aware of the relevant principles as it relates to data use and protection, including provisions of the Data Protection Act and any other applicable international legislation, to the extent it affects the Organization.

G. WORKPLACE RELATIONS

Grievance Proceedings

Mechanisms should be put in place to allow for the settlement of grievances that may arise in the workplace without the need for third party intervention. This should be done in accordance with section 20 of the Labour Relations Code[41].

Whistleblowing

Policies should be established by the Organization and approved by the Governing Body detailing the mechanisms established by the Organization to allow for the reporting of protected disclosures by employees in accordance with the Protected Disclosures Act[42].

Disciplinary Proceedings

Disciplinary procedures should be agreed between the management and employees to ensure there are fair and effective arrangements for dealing with disciplinary proceedings. This should be done in accordance with section 22 of the Labour Relations Code[43].

Dismissal

Organizations should establish and employ clear guidelines for dismissal. Dismissal refers to the termination of a contract of employment and must be done in accordance with the terms and conditions of the contract and in accordance with common law or statute, specifically the Employment (Termination and Redundancy Payments) Act, the Labour Relations and Industrial Disputes Act, and the Labour Relations Code. Failure to comply may result in the employer being liable for unfair or wrongful dismissal.

[39] The Factories Act
[40] Jamaica Occupational Safety and Health Act (JOSHA) Draft
[41] Labour Relations Code 1976, Section 20.
[42] Protected Disclosures Act, 2011.
[43] Labour Relations Code 1976, Section 22.

PRINCIPLE 6- TIMELY AND BALANCED DISCLOSURES

1. Main Principle

Organizations should promote timely and balanced Disclosure of all material matters concerning the Organization and ensure that reports issued by the Organization enable stakeholders to make informed assessments of the Organization's performance, and its short, medium- and long-term prospects.

2. Supporting Principles

1) Organizations should implement mechanisms designed to ensure compliance with legislation, regulations and where applicable with the Rules of the Jamaica Stock Exchange such that:

    a. all investors and other stakeholders have equal and timely access to material information concerning the Organization -including its financial position, performance, ownership and governance; and
    b. announcements are factual and presented in a clear and balanced way.

2) "Balance" requires Disclosure of both positive and negative information.

3. Guiding Principles

1) Public Listed Companies should establish and disclose written policies designed to ensure compliance with the Rules of the Jamaica Stock Exchange regarding disclosure requirements and to ensure accountability at the Executive Management level for such compliance.

2) The Governing Body should adhere to a review and approval process designed to ensure that announcements by the Organization:
    a. are made in a timely manner and are factual;
    b. do not omit material information; and
    c. are expressed in a clear and objective manner that allows investors and other stakeholders to assess the impact of the information when making decisions.

3) Organizations should include commentary on their financial results to enhance the clarity and balance of reporting. This commentary should include information needed by an investor or other stakeholder to make an informed assessment of the Organization's activities and results.

4) Where the Governing Body has constituted committees to have direct oversight of different matters, the following should be disclosed on the Organization's website and in any other forum in which the Organization is required to make Disclosure, in relation to each committee:
    a. its overall role and associated responsibilities and functions;
    b. its composition, including each member's qualification and experience;
    c. any external advisers or invitees who regularly attend committee meetings;
    d. key areas of focus during the disclosure period;
    e. the number of meetings held during the disclosure period and attendance at those meetings; and

f. whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

PRINCIPLE 7- CORPORATE SUSTAINABILITY AND ETHICS

A. CORPORATE SOCIAL RESPONSIBILITY

1. Main Principle

In the execution of its governance role and responsibilities, the Governing Body should ensure that the Organization acts ethically and responsibly with honesty, integrity and adopts a Stakeholder-inclusive approach that balances the needs, interests and expectations of material Stakeholders and the broader community in the best interests of the Organization over time. Ultimately, the Governing Body should ensure that the Organization is seen as a good corporate citizen.

2. Supporting Principle

Stakeholder interests include employee, environmental, social, governance and economic matters. The Governing Body needs to recognize that Stakeholders contribute to the Organization's performance in different ways and should therefore take appropriate measures to protect their interests and respect their rights during the decision-making process. The best interests of the Organization should be understood within the parameters of the Organization being a sustainable enterprise and a responsible citizen.

3. Guiding Principles

1) The Governing Body should:
   - i. consider not only financial performance but also the impact of the Organization's operations on society and the environment;
   - ii. consider the protection, enhancement and investment in the well-being of the economy, society and the environment;
   - iii. ensure that the Organization's performance and interaction with its Stakeholders is guided by the Constitution;
   - iv. ensure that collaborative efforts with Stakeholders are embarked upon to promote ethical conduct and good Corporate Citizenship;
   - v. ensure that the Organization is and is seen to be a responsible corporate citizen;
   - vi. ensure that measurable Corporate Citizenship programmes are implemented; and
   - vii. ensure that management develops a Corporate Citizenship policy.

B. ENVIRONMENTAL CONSIDERATIONS

1. Main Principle

The Governing Body should ensure that THE Organization documents and implements a policy regarding interaction with the physical environment, and how adverse impacts of the Organization's activities on the environment will be eliminated or mitigated. The Organization should conduct periodic audits in order to measure the environmental impact of its activities, and its compliance with its policy, and should also ensure that shareholders and Stakeholders are aware, through proper disclosure, of any direct and indirect environmental impact on the Organization affecting long term value for Stakeholders.

2. Supporting Principles

1) In an effort to promote corporate sustainability and to act as a good corporate citizen, details of monitoring and compliance inspections by environmental regulations, findings of non-compliance with environmental laws, or criminal sanctions and prosecutions for such non-compliance should be disclosed.

2) The Governing Body should oversee that there is responsible disposal of any waste, technology or material in a way that has regard to environmental impact including but not limited to climate change, pollution, sustainability and waste reduction.

3. Guiding Principles

1) The Governing Body should disclose whether it has any material exposure to environmental or social risk and, it if it does, how it manages or intends to manage those risks.

2) The Governing Body should consider the physical risks, such as changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting an Organization's premises, operations, supply chains, transport needs, and employee safety.

3) The Executive Management should develop for approval by the Governing Body a robust policy in dealing with pollution and ensure that its business activities are compliant with legal and ethical standards with the environment in mind.

4) The Governing Body should ensure there are appropriate policies prepared by Executive Management (and approved by the Governing Body) relating to the sustainable use of natural resources and implementation of strategies with a view to promote the use of renewable energy and recycling practices throughout the Organization.

5) The Governing Body should ensure reduction of the amount of waste being produced and that proper waste management disposal practices and policies are adopted and are adhered to.

C. Decision-Making

1. Main Principle

Organizations should actively promote ethical and responsible decision-making.

2. Supporting Principles

1) In developing the Organization's code of ethics or codes of conduct Organizations should make ethical and responsible decisions, that not only comply with their legal obligations, but also consider the reasonable expectations of their Stakeholders including shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which they operate.

2) It is a matter for the Governing Body to consider and assess what is appropriate in each Organization's circumstances and to ensure that the Organization:

    a. has implemented appropriately stringent policies and procedures to mitigate the risk of bribery and corruption or other malfeasance acts;
    b. has implemented a confidential mechanism whereby an employee, supplier or other Stakeholder can (without fear of retribution) raise issues with regard to potential or suspected breaches of the Organization's code of conduct;
    c. has in place a policy on political engagement, covering lobbying and donations to political causes or candidates where allowed under law, and ensure that the benefits and risks of the approach taken are understood, monitored, transparent and regularly reviewed; and.
    d. develops a policy and clear rules regarding any trading by Governing Body Members and employees in the Organization's own securities. Individuals should not benefit directly or indirectly from knowledge or information which is not generally available to the investing public or the market.

The Governing Body should foster a corporate culture which ensures that employees understand their responsibility for appropriate behaviour. There should be appropriate training for Governing Body Members, Executive Management and staff in all aspects relating to corporate culture and ethics. Due diligence and monitoring programmes should be in place to enable staff to understand relevant codes of conduct and apply them effectively to avoid the Organization's involvement in inappropriate behaviour. It is important for Organizations to demonstrate their commitment to appropriate corporate practices and decision making.

3. Guiding Principles

1) Organizations should:
    a. comply with their legal obligations and have regard to the reasonable expectations of their Stakeholders;
    b. clarify the standards of ethical behaviour required of the Governing Body, Executive Management and all employees, and encourage the observance of those standards by establishing a code of conduct which codifies:

        i. the practices necessary to maintain confidence in the Organization's integrity;
        ii. the responsibility and accountability of individuals for reporting and investigating reports of unethical practices; and
        iii. Values and policies of the Organization to assist the Governing Body and Executive Management with adhering to ethical practices and complementing the Organization's risk management practices (including in relation to the issue of Governing Body Members and employees trading in the Organization's listed securities, declaration of connected parties, related party transactions, conflicts of interests, whistle-blowing, other directorships, bribery, requirements for annual disclosure of compliance with the code and disciplinary procedures for breach of the provisions of the code); and

c. encourage the integration of these policies into Organization-wide management practices. A code of conduct supported by appropriate training and monitoring of compliance with the code are effective ways to guide the behaviour of Governing Body Members, Executive Management and employees and demonstrate the commitment of the Organization to ethical practices. Organizations should ensure that training on the code of conduct is updated on a regular basis.

2) The Governing Body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the Organization being ethical and a good corporate citizen.

D. Codes of Conduct /Ethics

The Governing Body should adopt high standards of business ethics through codes of conduct/ ethics (or similar instrument) and oversee a culture of integrity applicable to the Organization and the Governing Body Members. This should permeate all aspects of the Organization's operations, ensuring that its vision, mission and objectives are ethically sound and demonstrative of its values. Codes of conduct should be approved by the Governing Body and effectively communicated throughout the Organization (including to the Governing Body Members) and integrated into the Organization's culture, strategy and operations, including risk management systems and remuneration structures.

Codes of Conduct may include matters relating to conduct and behaviour expected of all Governing Body Members, Executive Management and employees, and matters to be addressed may include: -

- related party transactions,
- declaration and treatment of conflicts of interests,
- insider trading,
- acceptance of gifts from third parties,
- sexual harassment,
- whistle blower policies and procedures,
- disciplinary proceedings,
- confidentiality,
- political lobbying and donations,
- requirements for disclosure of connected parties
- requirements for annual disclosure of compliance with the Codes of Conduct.

APPENDIX 1 – CORPORATE GOVERNANCE & MSMES

A. Guidance on use of the Code for MSMEs

This Code will also guide the implementation of a Corporate Governance framework for MSMEs to enable them to effectively manage and control their enterprises.

MSME Guidelines set out policies that will foster accountability and transparency within MSMEs, and also help to improve investor confidence while stimulating investment. It will also assist in building the foundation for the growth of the MSMEs into major enterprises.

It is important to note that MSME Guidelines use, as a benchmark, characteristics directly applicable to companies under the Companies Act. The rationale for this approach lies in the view that such a benchmark provides the necessary support for employing "best practice" and can be viewed as aspirational for the smaller enterprise or enterprises that are business vehicles other than companies.

Not all MSMEs will be able to implement Corporate Governance principles at the same rate and to the same extent. The Code is intended to highlight the general pillars of Corporate Governance that each enterprise can implement based on its specific needs, growth stage and legal type. It is therefore envisaged that MSMEs will adopt applicable aspects of the Code as appropriate.

Although not mandatory, the PSOJ encourages MSMEs to adopt the PSOJ Code to help foster growth through good Corporate Governance. In addition, the PSOJ acknowledges that the implementation of Corporate Governance practices by these MSME Guidelines will be a gradual process and some MSMEs may initially only be able to implement it on a small scale in view of the resources at their disposal and the depth and scope of their services/product offerings.

In circumstances where the Board size of the MSME does not allow for establishment of Committees, the Board can address the matters directly.

B. Record Keeping

We encourage MSMEs to document and maintain accurate and complete records and policies of the business (record keeping). Small enterprises will find it beneficial to be prudent in their record keeping, so as to be aware of their financial performance as well as their obligations to creditors and other stakeholders. In larger MSMEs proper record keeping will be even more essential. This is to ensure that accounting and other information generated by the enterprise are accurate and credible.

In general, good record keeping will allow for management to be aware of the financial status of the enterprise they manage and ensure that compliance obligations under the law are met. In particular, it is a legal requirement to retain seven (7) years of financial records for tax purposes, as the tax authorities may ask to examine the past records of the enterprise.

APPENDIX 2 – NON -PROFIT ORGANIZATIONS

BACKGROUND

Good Corporate Governance contributes to the success of Charitable Organizations or non-profit Organizations (NPOs) as it enhances the functioning of its leadership structures and provides the arrangements by which the Governing Body should govern the Charitable Organization or NPO so that it is able to meet its strategic objectives.

A. MANAGEMENT AND OVERSIGHT

Principle 1 -Every Charitable Organization should be headed by an effective Governing Body, which is collectively responsible for the long-term success of the Organization.

Ethical and effective leadership is exemplified by integrity, competence, responsibility, accountability, fairness and transparency. Members of the governing body should individually and collectively cultivate these characteristics and exhibit them in their conduct as set out in the practices under Principle1.[44]

B. GOVERNING BODY EFFECTIVENESS[45]

Principle 2 -The Governing Body and its committees should have the appropriate balance of skills, experience, independence and knowledge of the Organization to enable them to discharge their respective duties and responsibilities effectively.

Where Governing Body Members of a Charitable Organization or NPO are appointed as representatives of constituents, donors or other stakeholders, it may be challenging to achieve the balance of knowledge, skills, experiences, Diversity and Independence needed.

A formal process for the nomination, election and ultimately, appointment of Governing Body Members will help to ensure that the knowledge, skills, experience, Diversity and Independence requirements of the governing body are identified, that the requirements are communicated to those who are responsible for nomination and election, and that candidates are properly vetted.

The Governing Body should ensure that it has access to professional and independent guidance on Corporate Governance and the legal duties of the Governing Body, and also that it has support to coordinate the functioning of the Governing Body and its committees.

C. REMUNERATION

Principle 3 - remuneration should be designed to promote the long-term success of the Organization. Performance-related elements should be transparent, and rigorously applied but should not encourage excessive risk taking or risk taking outside of the Organization's defined risk parameters.

Charitable Organizations or NPOs may not be able to provide compensation for Governing Body Members thus in order to overcome resource constraints and inability to pay market-related fees for the services of Executive Governing Body Members an NPO should collaborate with professional bodies in its search for Governing Body Members. Many experienced professionals are prepared to

[44] Ibid fn.13
[45] Ibid fn.13

serve their communities though serving on the Governing Bodies of Charitable Organizations or NPO for no or minimal fees.

D. Accountability & Audit

Principle 4- The Governing Body should present a balanced and understandable assessment of the Organization's position and prospects.

E. Relations with Stakeholders

Principle 5- In execution of its governance role and responsibilities, the Governing Body should adopt a stakeholder-inclusive approach that balances the need, interest and expectations of the material stakeholder in the best interest of the Organization over time.

Some Charitable Organizations or NPOs have shareholders or members, and others have donors or funders who are the primary providers of financial capital to the Charitable Organizations or NPO. Other Stakeholders include employers, regulators, media, partners, beneficiaries, communities, suppliers and creditors. The recommended practices under this principle assist with establishing stakeholder relationships that result in legitimacy, something that is critical to the long-term viability and sustainability of the Charitable Organizations or NPO.

F. Timely and Balanced Disclosures

Principle 6- Organizations should promote timely and balanced disclosure of all material matters concerning the Organization and ensure that reports issued by the Organization enable Stakeholders to make informed assessments of the Organization's performance, and its short, medium- and long-term prospects.

Reports are a powerful means for a Charitable Organizations and NPOs to communicate meaningfully with its Stakeholders, among other beneficiaries, donors and regulators. Through the process of reporting, a Charitable Organization or an NPO can critically examine its own activities, benchmark itself with other Organizations, learn from experiences and make improvements over time to better serve the causes it pursues. It also provides opportunities for the Charitable Organizations or NPO and its stakeholders to assess its policies and programmes and effectiveness, and the economic, social and environmental impacts of its activities.

G. Corporate Sustainability and Ethics

Principle 7- In the execution of its governance role and responsibilities the Governing Body should ensure that the Organization acts ethically and responsibly with honesty and integrity and adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material Stakeholders and the broader community in the best interests of the Organization over time. Ultimately, the Governing Body should ensure that the Organization is seen as a good corporate citizen.

APPENDIX 3 – FAMILY BUSINESS GOVERNANCE

A. Overview

There is no legal definition of a family business and experts tend to define family businesses (FB) in a variety of different ways. An acceptable definition is one where the family owns a majority of the voting shares or effectively controls the business, one or more family members are involved in the management of the business, and more than one generation is, or will in future, become involved in the business. Typically, at least one representative of the family or kin is formally involved in the governance of the business.

FB's comprise the majority of all businesses in the Caribbean, contributing significantly to the region's gross domestic product.

In addition to facing similar business challenges to those of non-family-owned businesses, family-owned businesses face further challenges because of their unique nature and familial inter-personal relationships. These include problems arising from family conflict, emotional issues, sibling rivalry, nepotism, inflexibility in innovation, succession, and resistance to change. Succession in both management and ownership is probably the biggest challenge faced by the majority of FBs. The concern is often that the personal business of the family may interfere with the family business. It is therefore advisable that structures and procedures be established with a view to minimizing this occurrence.

B. Family Constitution

A family constitution should be formulated setting out the family's vision and policies regulating the family's relationship with the Organization as well as a succession plan. It should:

a. set out clear lines of authority and decision-making.

b. have policies and procedures for employing family members, and for separating personal family interests from those of the business of the family.

C. Family Council

A family governance institution with written procedures should be established to facilitate effective communication and coordination between family members and the Organization. Forming a "family council" may achieve this.

The 'family council' serves as the link between the family and the business. This will allow for communication, giving members of the family the chance to voice their opinions on management decisions, succession planning, strategic objectives, and the future of the Organization. It should have clear written procedures reflecting its role as a forum for keeping all family members informed of developments in the business and allowing them to voice their opinions. Proper minutes of family council meetings must be kept. It is normally expected that the most senior family member should chair the family council.

D. Family Member Employment Policies

A family member employment policy should be formalised. This policy is to set out clear rules about the terms and conditions of members of the family employment with the business. The rules should clearly state the conditions of entry, staying and exit from the business. It should also cover the treatment of family member employees in comparison with non-family employees. It is important to set employment conditions that do not discriminate against or favour family members. Therefore, the family member employment policies will help to establish an atmosphere of fairness and motivation for all employees and the family business.[46]

E. Succession Planning

In family-owned MSME's, succession planning is important to ensure that as the leadership of the Organization moves from one generation to the next, the successor is sufficiently able, well trained and willing to take over leadership of the Organization. Careful succession planning will be valuable in this regard.

F. Non-Familial Connected Enterprises

In some MSMEs, non-familial connected parties may govern the Organization. In these cases, the connection may be similar to one that exists in a family governed setting. In that case the Organization may find it prudent to utilize the concepts of a constitution and council as well as careful succession planning to facilitate proper governance of the Organization.

[46] IFC Family Business Governance Handbook. Available: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/guidelines_reviews+and+case+studies/ifc+family+business+governance+handbook

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