



2021 JAMAICA CORPORATE GOVERNANCE CODE

REFERENCE GUIDE FOR ORGANIZATIONS



The Private Sector Organisation of Jamaica (PSOJ) with its strong commitment to good Corporate Governance formed a Committee in 2001 to become the key influencer in the identification of global best practices and the adoption of these principles in Jamaica. Over the past 20 years corporate governance has evolved and to continue meeting the needs of the business community, an updated version, renamed 2021 Jamaica Corporate Governance Code (“the 2021 Code”), has been published.

This Reference Guide outlines a summary of the 2021 Code to provide leaders of business enterprises access to knowledge and resources, enabling them to strengthen governance practices in their organizations. The purpose is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Organization to effectively compete in the local and global market space.

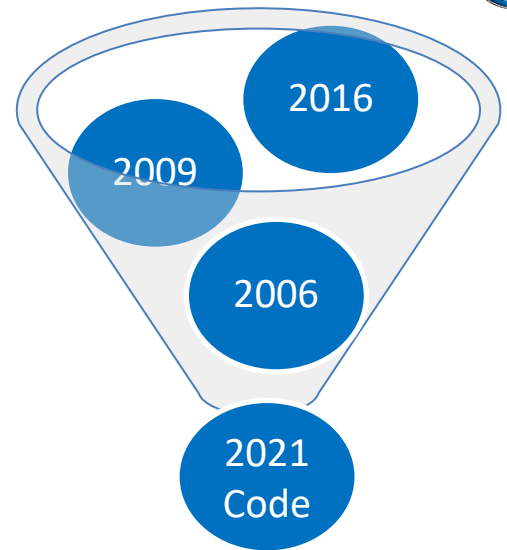
What is Corporate Governance?

Corporate Governance is the system by which organizations are divided and controlled. It establishes relationships that embrace the Organization’s management, Governing Body, shareholders and other stakeholders, by providing the structure through which the objectives of the Organization are set, and the means by which they are attained and performance monitored. This 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
- ❖ Organizational Legitimacy

In 2006, the PSOJ took the decision to introduce the country’s first Corporate Governance Code, a first for the Caribbean. It was born out of the surge in international financial crises and emerged from the failure of indigenous banks leading to the 1990s collapse of Jamaica’s financial sector. These crises raised serious concerns about the reporting relationships, and the accountability of management and directors of publicly owned companies to their stakeholders and highlighted how essential it is for company directors to take responsibility for the long-term sustainability of their organizations. To help achieve this objective, the PSOJ has been tracking emerging trends and foresaw the need to update Jamaica’s Corporate Governance Code to stay relevant and current.

In recognition of the importance of Corporate Governance principles for all types of organizations, the revised 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, the focus has shifted from companies and boards of directors, to more generally, Organizations and Governing Bodies.



In ensuring the continued relevance and currency of the Code, extensive research was conducted to identify current practices in developed and developing countries. The Code reflects a plethora of guidance and references to the South African King Code and other Governance Principles.



SOURCES OF BEST PRACTICES:



☐ South African King Code IV



☐ Australian Code



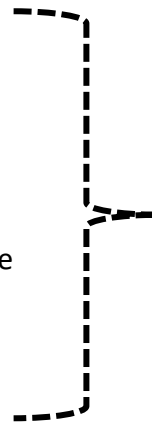
☐ OECD Principles on Corporate Governance



☐ ICGN Global Principles 2017



☐ Current Legislation in Jamaica.



THE PRINCIPLES AND PRACTICES PRESENTED IN THE 2021 CODE REPRESENT CURRENT GLOBALLY ACCEPTED CORPORATE GOVERNANCE BEST PRACTICES, WHICH HAVE BEEN TAILORED TO SPECIFIC LOCAL NEEDS AND REALITIES.

PARTICIPANTS IN THE DEVELOPMENT OF THE CODE:

In order to ensure the best practices set out in the Code were widely agreed upon as meeting the governance needs of Jamaican entities, a wide cross section of entities and persons were engaged and participated in the development of the 2021 Code. These entities and persons are listed in the Appendix.

The 2021 Code is applicable to all types of organizations and:

- ❖ provides leadership with practical guidelines to effectively manage and control their enterprises;
- ❖ sets out policies that will foster accountability and transparency and help stimulate and improve investors' confidence;
- ❖ can be used as a benchmark that supports “best practices” to foster long-term sustainability, financial stability, business integrity and growth.

PUBLICLY LISTED COMPANIES



- ❖ Companies listed on the Jamaica Stock Exchange.
- ❖ Reporting relationships and the accountability of management and directors of publicly owned companies to their stakeholders.

MEDIUM, SMALL & MICRO ENTERPRISES.



Part B of the First Schedule of The Microcredit Act, 2021 states that:

- ❖ “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; and
- ❖ “Medium sized enterprise” means an enterprise with total annual sales ranging between J\$75,000,000.00 and J\$425,000,000.00.

NON -PROFIT ORGANIZATIONS



- ❖ A non-profit organization (NPO) is one which is not driven by profit but by dedication to a given cause beyond income it takes to run the organization.
- ❖ Provide arrangements by which the Governing Body should govern to meet its strategic objectives.
- ❖ The key business aspects are accountability, trustworthiness, honesty, and openness to every person who has invested time, money, and faith into the organization.

FAMILY BUSINESSES



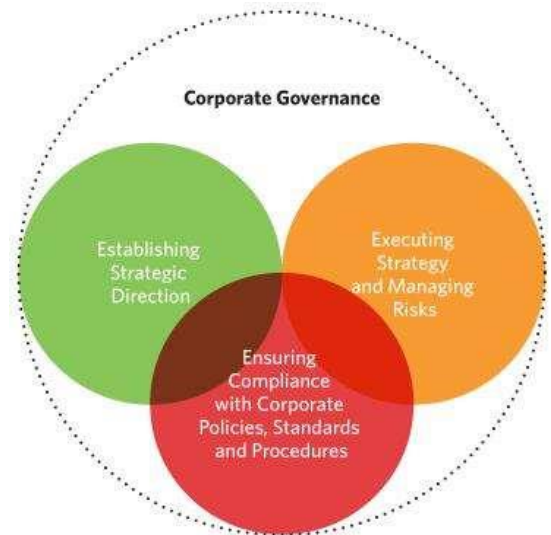
- ❖ Refers to a business where the family owns a majority of the voting shares or effectively controls the business; one or more family members are involved in the management and more than one generation is, or will, in the future become involved in the business;
- ❖ Main challenge is to manage inter-personal relationships arising from family conflict, emotional issues, sibling rivalry, nepotism, succession planning , and resistance to change.

Irrespective of the size or complexity of the organization, Corporate Governance seeks to address three key components of:

- ❖ RELATIONSHIPS;
- ❖ DECISION-MAKING;
- ❖ OPERATIONAL SYSTEMS.

These pursuits are common to every type of business for:

- ❖ Establishing strategic direction;
- ❖ Executing strategy and managing risks;
- ❖ Ensuring compliance with corporate policies, standards and procedures.



While adoption is not mandatory, organizations are encouraged to use this 2021 Code. It's a guideline of criteria for good business practices and serves as the:

- ☐ Gold standard against which to measure business practices;
- ☐ Baseline in examining Corporate Governance practices.

BENEFITS FOR ADOPTION

- ❖ Strengthen leadership with a framework to manage business performance and risks;
- ❖ Ensure the company is compliant with its legal and regulatory requirements;
- ❖ Facilitate access to financing which is vital to the company's growth potential;
- ❖ Promote best practices to meet international standards;
- ❖ Provide public education and stakeholders access to knowledge and resources;
- ❖ Foster transparency in the companies' operations and inspire lenders' and shareholders' confidence;
- ❖ Bring awareness of impact on investors' confidence and protection of institutional and individual wealth retirement pension plans.



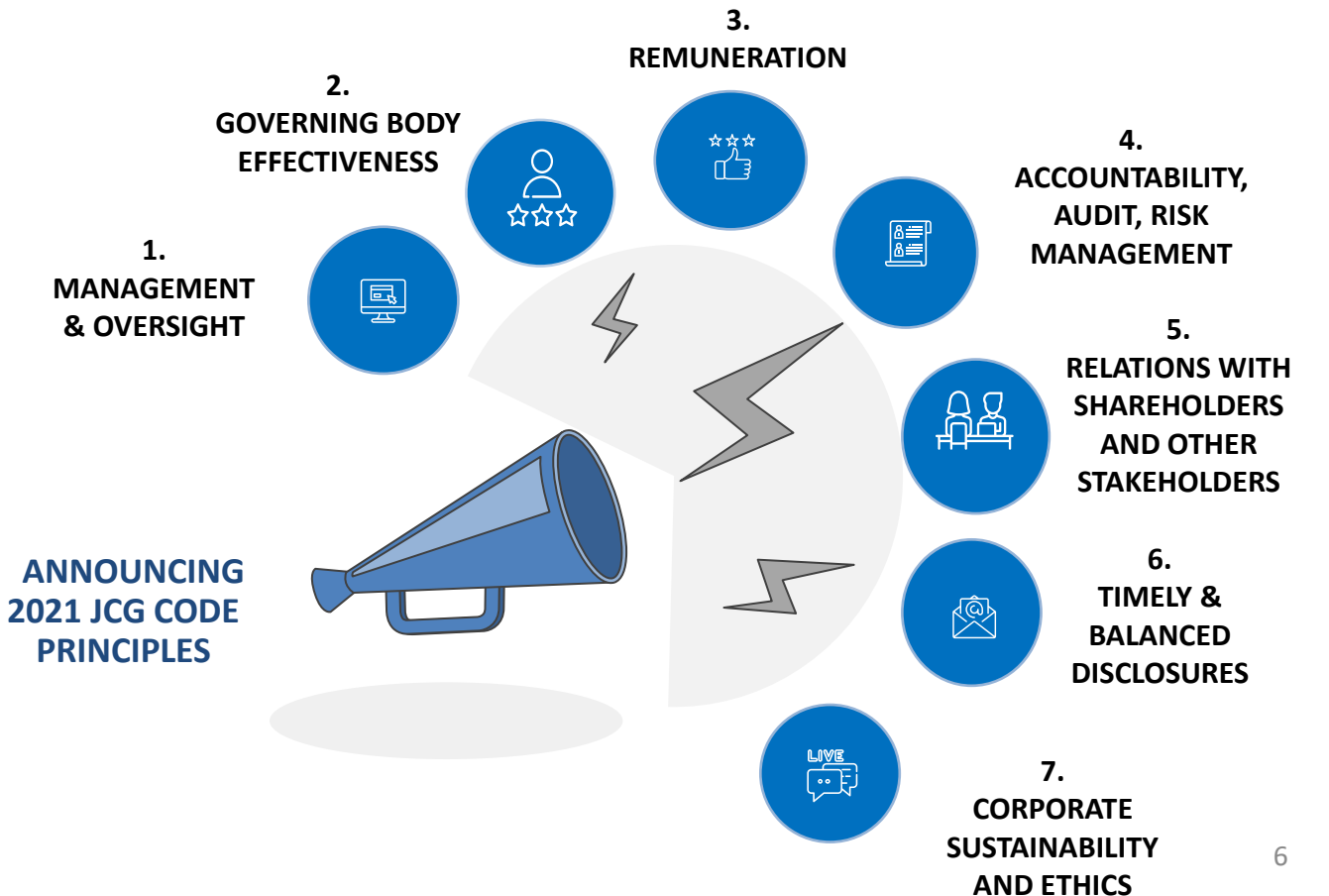
REMINDER:

All organizations now have the opportunity to introduce, review, update and enhance their existing corporate governance principles and practices.

Each section of the 2021 Code has a Main Principle, which is reinforced by Supporting Principles, intended to provide high-level guidance on how the main principles should be implemented, and Guiding Principles which exemplify how the Main Principle and any Supporting Principles are to be operationalised.

The 2021 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 learnings on international best practices in key areas of governance, and to allow Organizations to self-determine how the principles apply within the context of the size and complexity of their business, and the regulatory and competitive environment in which they operate.

This Reference Guide synthesizes the Principles, allowing you to readily interpret the key expectations, but where relevant, users are expected to refer to the more detailed information outlined in the main 2021 Code for compliance purposes. The Seven Principles in the 2021 Code are:



A. GOVERNING BODY

The Governing Body heads the Organization and is responsible for its long-term financial viability in achieving the Organization's vision, mission and purpose.

KEY RESPONSIBILITIES:

- ☐ Providing input into and final approval of management 's development of the corporate strategy and performance objectives;
- ☐ Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- ☐ Appointing and removing the Chief Executive Officer or its equivalent and monitoring performance;
- ☐ Deciding on succession planning for the CEO, Executive and Governing Body Members;
- ☐ Appointing and removing the Secretary and monitoring performance;
- ☐ Monitoring Executive Management's performance and implementation of the Strategy;
- ☐ Ensuring adequate resources are available to achieve the Organization's strategic objectives;
- ☐ Approving and monitoring the progress of capital expenditure, capital management, acquisitions and divestments;
- ☐ Approving and monitoring financial and other reporting requirements.

LEADERSHIP

Lead ethically and effectively to cultivate and exhibit the following characteristics:

- ❖ **Integrity:** Act in good faith and avoid conflicts of interest;
- ❖ **Competence:** Act with the due care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- ❖ **Responsibility:** Define strategic goals, implement and manage its internal controls;
- ❖ **Accountability:** Account for all actions taken in the execution of its role & responsibilities;
- ❖ **Transparency:** Be transparent in the discharge of its responsibilities;
- ❖ **Fairness:** Act primarily in the best interest of the organization, stakeholders and the community.

A. GOVERNING BODY CONT'D

The Governing Body of the Organization should ensure there is:

- ☐ **DIVERSITY:** A policy which sets measurable objectives for achieving Diversity in the composition.
- ☐ **DISCLOSURE:** Clear definition of the Chairman, Deputy Chairman and lead Governing Body Member.
- ☐ **INSURANCE:** Appropriate insurance coverage to offset legal actions brought against Members in the discharge of their duties.
- ☐ **CHARTER:** A charter setting out roles, responsibilities and delegation protocols.
- ☐ **AGREEMENT:** A written agreement with each Governing Body Members and Executive Management setting out the roles and responsibilities and other terms of their appointment.
- ☐ **MEETINGS:** The body meets regularly in a timely manner to discharge its duties effectively.

B. CHAIRMAN, CHIEF EXECUTIVE OFFICER, SECRETARY

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.

1. **Chairman** provides leadership and effective oversight of management to the Governing Body.
2. **Chief Executive Officer** is responsible for the management and performance of the Organization.
3. **Secretary** supports the Governing Body, providing advice on matters of corporate governance and ensuring the timely exchange of information and records the decisions taken by the Governing Body.

C. NON-EXECUTIVE GOVERNING BODY MEMBERS

Non-Executive Governing Body Members should:

- ☐ Constructively challenge, help, develop and approve proposals on strategy;
- ☐ Scrutinize and monitor the performance of Executive Management in achieving agreed goals;
- ☐ Be vigilant on the integrity of financial information, controls and risk management;
- ☐ Determine the appropriate levels of remuneration of Executive Governing Body Members;
- ☐ Appoint and/or remove Executive Governing Body Members during the succession planning process.

A. OPERATION OF THE GOVERNING BODY

The Governing Body may set up committees with the appropriate balance of skills, experience, Independence and knowledge of the Organization, in order to delegate some of its responsibilities.

The Governing Body should:

- ☐ Have the appropriate combination of Executive and Non-Executive Governing Body Members to manage the business without undue disruption;
- ☐ Identify in its Disclosures each Non-Executive Governing Body Member it considers to be Independent in character and judgment;
- ☐ Ensure a former Chief Executive Officer will not qualify as an Independent Governing Body Member until after the designated 3 year period;
- ☐ Regularly assess to see if a Non-Executive Governing Body Member or a Governing Body Member's Independence status has changed and have been reported in a timely manner.

B. APPOINTMENTS TO THE GOVERNING BODY

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

- ❖ Appointments should be made on merit and against objective criteria.
- ❖ Appointees have sufficient time to devote on serving on the Governing Body.
- ❖ The Governing Body should ensure plans are in place for orderly succession within the Organization.
- ❖ Induction procedures in place for new Members to actively participate in decision-making, including the:
 - ☐ Organization's strategic, financial, operational and risk management position;
 - ☐ Rights, duties and responsibilities of the Governing Body Members;
 - ☐ Roles and responsibilities of members of Executive Management;
 - ☐ Role of Governing Body committees.

C. COMMITMENT TO SERVE ON GOVERNING BODIES

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

The Governing Body or Secretary should prepare letters of appointment for the Chairman and all other Governing Body Members outlining:

- ☐ Governing Body Member's role and responsibilities;
- ☐ Assessment of the time commitment expected;
- ☐ Remuneration;
- ☐ Provision of liability insurance or indemnity by the Organization.

D. INFORMATION AND PERSONAL DEVELOPMENT

The Governing Body should be provided with information in a timely manner to enable it to efficiently discharge its duties. The Chairman should ensure the Governing Body:

- ❖ Receives accurate, timely, well-presented information from the Executive Management;
- ❖ Continually updates their skills and knowledge on their role and responsibility;
- ❖ Has adequate resources to develop their knowledge and capabilities;
- ❖ Has Induction, ongoing training, advice and guidance on Corporate Governance matters from the Secretary;
- ❖ Evaluates the performance of Non-Executive Governing Body Members, led by the Lead Independent Governing Body Member (where there is one).

E. PERFORMANCE EVALUATION

The Governing Body should undertake a formal and rigorous annual evaluation to enhance its effectiveness by:

- ☐ Determining its own and committees roles, functions, duties, benchmark and performance criteria;
- ☐ Ensuring annual evaluations are conducted;
- ☐ Disclosing the results of the annual performance evaluation in an internal report, including related training needs and action plans;
- ☐ Stating the frequency and manner in which the performance evaluation was conducted;
- ☐ Considering the performance evaluation when nominating members for re-election.

F. RE-ELECTION

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 the refreshing of the Governing Body as follows:

- ☐ 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 make an informed decision on their election or re-election.
- ☐ Generally, any term beyond six years (e.g. two three-year terms) for a Non-Executive Governing Body Member should be subject to rigorous review and should consider the need for progressive refreshing of the Governing Body.
- ☐ Mechanisms to be adopted for regular refreshment of the Governing Body, should apply relevant laws, regulations or policies in relation to such matters. These mechanisms may include:
 - reviewing size limits;
 - stipulation of age limits;
 - term limits.
- ☐ Require that members meet certain key performance indicators as a pre-requisite to being recommended for re-election to the Governing Body.

A. THE LEVEL AND COMPONENTS OF REMUNERATION

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, rigorously applied, and within the Organization's defined risk parameters, ethical standards and core values.

- ❑ Levels of remuneration for Non-Executive Governing Body Members should reflect the time, commitment and responsibilities of the role.
- ❑ The Governing Body should ensure that the Organization remunerates fairly, responsibly and transparently to promote positive outcomes and achieve the strategic objectives.
- ❑ The Governing Body or any committee constituted to address Corporate Governance or remuneration should carefully consider all elements of compensation obligations.

B. PROCEDURE

- ❖ The Governing Body committee constituted to address Corporate Governance or remuneration matters should consist of at least three (3) Non-Executive Governing Body Members, governed by terms of reference made available on the Organization's website.
- ❖ The Organization's remuneration policy including pension rights and any compensation payments should ensure:
 - ❖ **Clarity:** Transparent arrangements that promote effective engagement with stakeholders;
 - ❖ **Simplicity:** Structures that avoid complexity are easy to understand;
 - ❖ **Predictability:** Range of possible values of rewards to individual Members and any other limits or discretions, are identified and explained at the time of approving the policy;
 - ❖ **Proportionality:** The link between individual awards, the delivery of strategy and the long-term performance of the Organization is clear;
 - ❖ **Alignment to culture:** The incentive schemes drive the behaviours consistent with organization purpose, values and strategy.

Disclosures of the Organization (where applicable) should include a description of the work of any committee constituted to address Corporate Governance or remuneration including rationale, measures, engagement, discretion etc.



A. FINANCIAL REPORTING

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. The Governing Body Members should:

- ☐ Explain their responsibility for preparing and reporting the accounts;
- ☐ Include an explanation of the basis on which the Organization generates or preserves value over the longer term;
- ☐ Report that the Organization is a going concern, with supporting assumptions.

B. AUDIT AND AUDITORS

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

The Governing Body or Audit Committee should set out in written terms of reference the role to review, develop and monitor:

- ☐ The integrity of the Organization's financial statements and any significant financial reporting judgments;
- ☐ The effectiveness of the Organization's internal audit function; and recommend the remuneration and terms of engagement of the external auditor;
- ☐ The external auditor's independence and objectivity and effectiveness of the audit process;
- ☐ The Implementation of policy on the engagement of the external auditor to supply non-audit services;
- ☐ Matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

❖ The terms of reference of the Audit Committee should include its role and authority and should be made available on the Organization's website.

❖ The Governing Body should describe its work, or the work of the Audit Committee in discharging audit and accountability responsibilities. The report should include:

- ☐ Significant issues in the financial statements, and how these issues were addressed.;
- ☐ Explanation of how it has assessed the effectiveness of the external audit process
- ☐ Approach taken to the appointment or reappointment of the external auditor,
- ☐ Information on the length or tenure of the current audit firm and when a tender was last conducted;
- ☐ An explanation of how auditor objectivity and independence are safeguarded when engaging non-audit services.

C. RISK MANAGEMENT AND INTERNAL CONTROL

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

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 risks in relation to the Organization, for example:

Traditional Risks

- | | |
|--|---|
| <input type="checkbox"/> Credit Risk (Default Risk); | <input type="checkbox"/> Liquidity; |
| <input type="checkbox"/> Country Risk; | <input type="checkbox"/> Reputational Risk; |
| <input type="checkbox"/> Political Risk; | <input type="checkbox"/> Litigation Risk; |
| <input type="checkbox"/> Reinvestment Risk; | <input type="checkbox"/> Supply Chain Management; |
| <input type="checkbox"/> Interest Rate Risk; | <input type="checkbox"/> Market Risk; |
| <input type="checkbox"/> Foreign Exchange Risk; | <input type="checkbox"/> Operational Risk. |
| <input type="checkbox"/> Inflationary Risk; | |

Emerging Risks

- ☐ Data security, privacy and protection;
- ☐ Technology and cyber resilience;
- ☐ Impact of global stress events, such as climate change and the COVID-19 or other pandemics;
- ☐ Geopolitical instability;
- ☐ Social discontent, local conflicts, wars.

The Governing Body or the committee to address risk should recognize the growing connectivity of risks, and should ensure that where necessary, policies are in place to govern and comply with applicable legislation in achieving organization strategic objectives:

- ☐ Use of information and technology in the business of the Organization;
- ☐ Protection of personal data and information received from Stakeholders;
- ☐ Robustness of the Organization's occupational safety and health framework and its ability to contend with health crises, including mental health crises;
- ☐ General Organizational preparedness, response coordination, and business continuity in the face of destabilising events, including the role by appropriate insurance coverage.

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 and should allow for collaboration with other types of Organizations, to address challenges that require a multifaceted and coordinated response.

A. RELATIONS WITH STAKEHOLDERS

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. In the execution of its role, the Governing Body should:

- ☐ Assume responsibility for the governance of stakeholder relations by establishing the manner in which Stakeholder relationships should be fostered;
- ☐ Approve a policy which identifies key Stakeholders and guidance on fostering and maintaining key Stakeholder relationships and engagement;
- ☐ Delegate to management the responsibility for implementation and execution of an effective Stakeholder strategy.

B. DIALOGUE WITH STAKEHOLDERS & SUBSIDIARY GOVERNANCE

The Governing Body should encourage regular and proactive communication with Stakeholders, including engagement with shareholders of the Company.

- ☐ The Chairman should ensure that the views of Stakeholders are communicated to the Governing Body.
- ☐ The Governing Body should document the steps they have taken to ensure that Members, understand major Stakeholders views about their Organization.

C. CONSTRUCTIVE USE OF THE GENERAL MEETING

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

- ☐ 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.

D. RELATIONS WITHIN A GROUP OF COMPANIES -SUBSIDIARY GOVERNANCE

(Applicable to companies within a group)

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 Governing Body of the parent Organization, should where possible, assume responsibility for governance across the group by approving policies and have clear strategies for the establishment of new group entities to properly guide and understand the group’s structure, its evolution and its limitations.

1. Executive Management should:

- ☐ avoid setting up unnecessarily complicated structures;
- ☐ have a centralized process and criteria for the creation of new group entities;
- ☐ be able to produce information on the structure, type, constitution, charter, ownership structure and businesses conducted for each group entity;
- ☐ recognize the risks that the complexity of the group structure itself may pose;
- ☐ evaluate how the risks of the structure and entity requirements affect the group’s ability to manage its risk profile;
- ☐ deploy funding and capital under normal and adverse circumstances.

2. 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:

- ☐ alignment of strategy across the group, with input by the parent Organization;
- ☐ alignment of processes and policies to manage key areas and matters;
- ☐ involvement in the appointment of key staff members of the subsidiary.

3. 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.

The Governing Body of the parent Organization should:

- ☐ ensure that each subsidiary has sufficient resources to meet both group standards and local governance standards;
- ☐ understand the roles and relationships of subsidiaries to one another and to the parent Organization and ensure that each subsidiary understands those roles and relationships.



D. RELATIONS WITHIN A GROUP OF COMPANIES -SUBSIDIARY GOVERNANCE

4. The Governing Body of a parent Organization must always recognize the fiduciary duties of its 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 for consideration and approval by the Governing Body of the subsidiary company as a separate legal entity.

6. The Governing Body of the holding company should ensure that the group governance framework is such that matters treated appropriately for each subsidiary as well as for the group as a whole, including the following:

- ☐ delineation of the rights and role of the holding company;
- ☐ delegation of certain responsibilities by the Governing Body of the subsidiary to a Governing Body committee of the holding company;
- ☐ the extent to which governance and operational policies of the holding company are to be adopted by subsidiary companies in the group;
- ☐ 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;
- ☐ arrangements to address the risk of breaching legal duty in relation to the use of information obtained while acting as a Governing Body Member in multiple roles.

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.:
 - Labour Relations and Industrial Disputes Act;
 - Labour Relations Code;
 - Employment (Flexible Work Arrangements) Miscellaneous Provisions Act;
 - Employment (Termination and Redundancy Payments) Act .
- ☐ 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 (Protection and Prevention) Act.
- ☐ 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 practice including details relating to disciplinary hearings.

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 as defined in line with required legislation. 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. Refer to section 20 of the Labour Relations Code.

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. Refer to the Protected Disclosures Act.

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. Refer to section 22 of the Labour Relations Code.

Dismissal

Organizations should establish and employ clear guidelines 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. Refer to 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.

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.

- ❖ 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.
- ❖ The Governing Body should adhere to a review and approval process designed to ensure that announcements by the Organization:
 - ☐ are made in a timely manner and are factual;
 - ☐ do not omit material information;
 - ☐ are expressed in a clear and objective manner that allows investors and other stakeholders to assess the impact of the information when making decisions.
- ❖ 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.
- ❖ 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 required to make Disclosure. The overall role and associated responsibilities and functions include:
 - ☐ The committee's composition, including each member's qualification and experience;
 - ☐ Any external advisers or invitees who regularly attend committee meetings;
 - ☐ Key areas of focus during the disclosure period;
 - ☐ The number of meetings held and the attendance during the reporting period for disclosure;
 - ☐ Whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

A. CORPORATE SOCIAL RESPONSIBILITY

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.

Stakeholder interests include employee, environmental, social, governance and economic matters.

The Governing Body should:

- ☐ consider financial performance along with the impact of the Organization's operations on society and the environment;
- ☐ consider the protection, enhancement and investment in the well-being of the economy, society and the environment;
- ☐ ensure that the Organization's performance and interaction with its Stakeholders is guided by the Constitution;
- ☐ ensure that collaborative efforts with Stakeholders are embarked upon to promote ethical conduct and good Corporate Citizenship;
- ☐ ensure that the Organization is and is seen to be a responsible corporate citizen;
- ☐ ensure that measurable Corporate Citizenship programmes are implemented; and
- ☐ ensure that management develops a Corporate Citizenship policy.

B. ENVIRONMENTAL CONSIDERATIONS

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 Governing Body should:

- ❖ disclose whether it has any material exposure to environmental or social risk and, if it does, how it manages or intends to manage those risks.
- ❖ 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.
- ❖ Assess a robust policy developed by the Executive Management in dealing with pollution and ensure that its business activities are compliant with legal and ethical standards with the environment in mind.
- ❖ ensure there are appropriate policies prepared by Executive Management 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.
- ❖ 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

Organizations should actively promote ethical and responsible decision-making.

Organizations should:

- ☐ comply with their legal obligations and have regard to the reasonable expectations of their Stakeholders;
- ☐ 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:
 - the practices necessary to maintain confidence in the Organization's integrity;
 - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;
 - 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;
- ☐ 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;
- ☐ ensure that training on the code of conduct is updated on a regular basis.

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.

Codes of conduct should be approved by the Governing Body, effectively communicated throughout the Organization and integrated into the Organization's culture, strategy and operations, risk management systems and remuneration structures.

Codes of Conduct may include matters relating to the expected conduct and behaviour 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.

The JCG 2021 Code guides the implementation of a Corporate Governance framework for Medium Small, Micro Enterprises (MSMEs) to enable these organizations to effectively manage and control their enterprises.

A. GUIDANCE ON USE OF THE CODE FOR MSMES

MSME Guidelines set out policies that will:

- ☐ foster accountability and transparency;
- ☐ help to improve investor confidence;
- ☐ stimulate investment;
- ☐ assist in building the foundation for the growth of the MSMEs into major enterprises.

MSME Guidelines use, as a benchmark, characteristics directly applicable to companies under the Companies Act. This benchmark:

- ☐ Provides the necessary support for employing “best practice”;
- ☐ Can be viewed as aspirational for the smaller enterprises;
- ☐ Can be used for enterprises other than companies e.g. unregistered businesses.

The Code is intended to highlight the general pillars of corporate governance that each MSME enterprise can implement based on its specific needs, growth stage and legal type and will adopt applicable aspects of the Code as appropriate.

B. RECORD KEEPING

MSMEs are encouraged to document and maintain accurate and complete records and policies of the business.

- ☐ Small enterprises should exercise prudence in their record keeping, so as to be aware of their financial performance as well as their obligations to creditors and other stakeholders.
- ☐ Proper record keeping will ensure that accounting and other information generated by the enterprise are accurate and credible.
- ☐ 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.
- ☐ 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.

Good Corporate Governance contributes to the success of Charitable Organizations or non-profit Organizations (NPOs). It enhances the functioning of its leadership structures and provides the arrangements by which the Governing Body should govern the organization to meet its strategic objectives.

PRINCIPLE 1 – MANAGEMENT AND OVERSIGHT

- ☐ Every Charitable Organization should be headed by an effective Governing Body, which is collectively responsible for the long-term success of the Organization.
- ☐ Members of the Governing Body should individually and collectively cultivate and exhibit in their conduct ethical and effective leadership exemplified by integrity, competence, responsibility, accountability, fairness and transparency.

PRINCIPLE 2 – GOVERNING BODY EFFECTIVENESS

- ☐ 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.
- ☐ A formal process for the nomination, election and appointment of Governing Body Members will help to ensure that the knowledge, skills, experience, diversity and independence requirements for candidates are identified, vetted and communicated to those responsible for the nomination and election.
- ☐ 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 that it has support to coordinate the functioning of the Governing Body and its committees.

PRINCIPLE 3 – REMUNERATION

- ☐ Remuneration should be designed to promote the long-term success of the Organization. Performance-related elements should be transparent, rigorously applied but should not encourage excessive risk taking outside of the Organization's defined risk parameters.
- ☐ To overcome resource constraints and inability to pay market-related fees for the services an NPO should collaborate with professional bodies in its search for Governing Body Members. Many experienced professionals are prepared to serve their communities for none or minimal fees.

PRINCIPLE 4 – ACCOUNTABILITY & AUDIT

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

PRINCIPLE 5 – RELATIONS WITH STAKEHOLDERS

- ❑ In execution of its governance role and responsibilities, the Governing Body should balance the need, interest and expectations of the material stakeholders in the best interest of the Organization over time. Establishing stakeholder relationships that result in legitimacy is critical to the long-term viability and sustainability of the Charitable Organizations or NPO.
- ❑ Charitable Organizations or NPOs stakeholders who are primary providers of financial capital to the Organizations may be:
 - Shareholders;
 - members;
 - donors or funders.
- ❑ Other Stakeholders include employers, regulators, media, partners, beneficiaries, communities, suppliers and creditors.

PRINCIPLE 6 – TIMELY AND BALANCED DISCLOSURES

- ❑ 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.
- ❑ The process of reporting is a powerful means for the Charitable Organizations or NPO to:
 - Communicate meaningfully with its stakeholders, among other beneficiaries, donors and regulators.
 - 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.
 - provide opportunities for its stakeholders to assess its policies and programmes and effectiveness, and the economic, social and environmental impacts of its activities.

PRINCIPLE 7 – CORPORATE SUSTAINABILITY AND ETHICS

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

A. OVERVIEW

There is no legal definition of a family business (FB) and 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. FB's comprise the majority of all businesses in the Caribbean, contributing significantly to the region's gross domestic product.

B. FAMILY CONSTITUTION

A family constitution should be formulated setting out the family's vision and policies. It should:

- ☐ set out clear lines of authority and decision-making;
- ☐ have policies and procedures for employing family members;
- ☐ separate personal family interests from those of the business.

C. FAMILY COUNCIL

A family governance institution with clear written procedures should be established to facilitate effective communication and coordination between family members and the Organization. It serves as the link to allow for communication on management decisions, succession planning, strategic objectives, and the future of the Organization.

D. FAMILY MEMBER EMPLOYMENT POLICIES

A family member employment policy should be formalised and the policy should set out:

- ☐ clear rules about the terms and conditions, including the conditions of entry, stay and exit from the business;
- ☐ treatment of family member employees in comparison with non-family employees;
- ☐ conditions that do not discriminate against or favour family members;
- ☐ climate of fairness and motivation for all employees and the family business.

E. SUCCESSION PLANNING

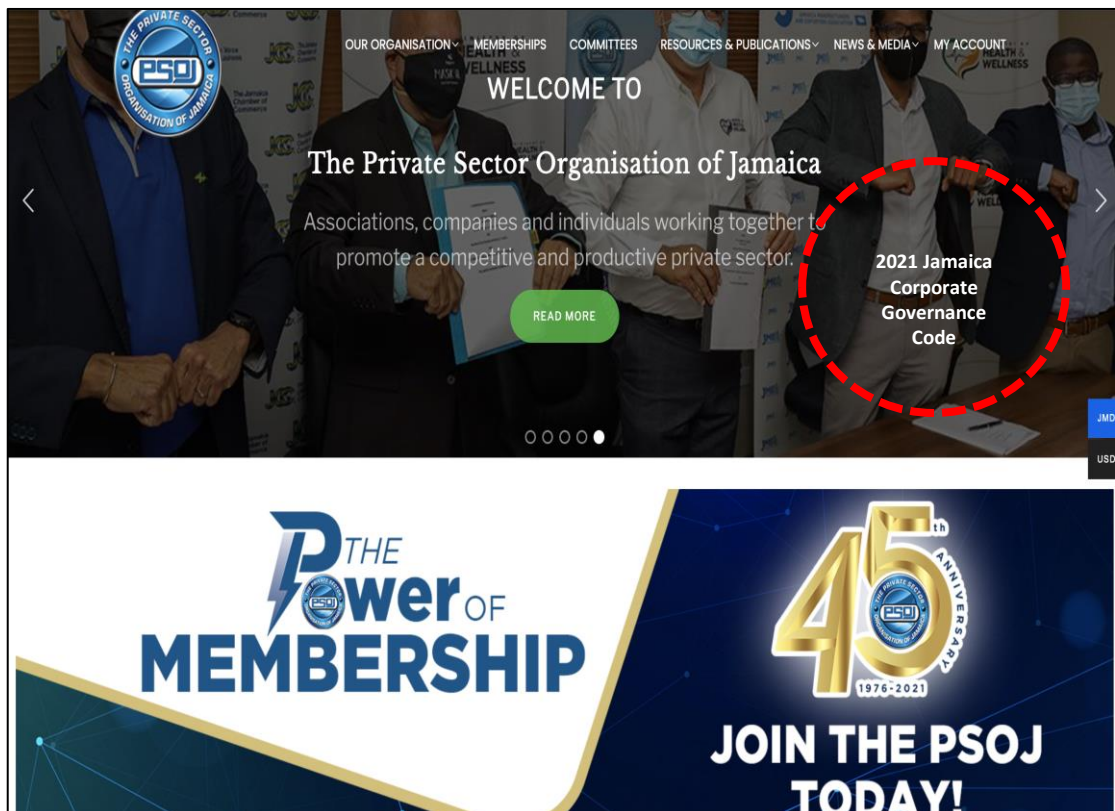
In family-owned MSMEs, succession planning is important to ensure that as the leadership of the Organization moves from one generation to the next, the successor is sufficiently able, well trained and willing to take over leadership of the Organization.

This Guide is an abridged version of the 2021 Jamaica Corporate Governance Code. Users should refer to the more comprehensive 2021 Jamaica CG Code for full details and guidance to strengthen their corporate governance practices in their respective organizations.

Corporate Governance is constantly evolving and over the last few years, environmental and social aspects have taken center stage based on the existential threats the world faces. While the 2021 Code touches on environmental issues, it is highly recommended that each organization seeks to formulate its own ESG policy.

The Guide is available on PSOJ's website, and the link is provided below for your ease of reference.

<https://www.psoj.org/wp-content/uploads/2022/02/Jamaica-Corporate-Governance-Code-2021.pdf>



PARTICIPANTS IN THE DEVELOPMENT OF THE CODE:

In order to ensure the best practices set out in the Code were widely agreed upon as meeting the governance needs of Jamaican entities, a wide cross section of entities and persons were engaged and participated in the development of the 2021 Code. These entities and persons include:

1. *PSOJ Corporate Governance Committee*
2. *Jamaica Stock Exchange*
3. *Financial Services Commission*
4. *Jamaican Bar Association*
5. *Chartered Governance Institute, Jamaica*
6. *Institute of Chartered Accountants of Jamaica*
7. *Ms. Greta Bogues (deceased)*
8. *Mrs. Camille Facey (Attorney-at-Law)*
9. *Mrs. Julie Thompson James (Attorney-at-Law)*
10. *Ms. Anna Harry (Attorney-at-Law)*
11. *Mrs. Suzanne Ffolkes-Goldson (Attorney-at-Law)*
12. *The Honorable Douglas R. Orane CD, JP Hon. LLD*
13. *Mr. Donovan Wignall (MSME Alliance)*
14. *Mr. Robert Hamilton (Financial Services Commission)*
15. *Mr. Matthew Hogarth (Jamaica Stock Exchange)*
16. *Mr. Deon Sewell (KPMG)*
17. *Dr. Twila Mae Gordon (Academia)*
18. *Mrs. Tracy Campbell (PWC Corporate Services)*
19. *Ms. Shantol Harris (Attorney-at-Law)*
20. *Mr. Immanuel Williams (Norman Manley Law School)*