

JAMAICA SOCIAL INVESTMENT FUND BOARD OF DIRECTORS CORPORATE GOVERNANCE

Corporate Governance Principles

The Board of Directors is committed to the achievement of business success and the enhancement of long-term value with the highest standards of integrity and ethics. In that regard, the Board has adopted these principles to provide an effective corporate governance framework for the Jamaica Social Investment Fund ("JSIF") intending to reflect a set of core values that provide the foundation for the JSIF's governance and management systems.

Role of Board of Directors

It is the responsibility of the Board to direct, guide and oversee the conduct of the JSIF's business and to ensure that the interests of the Government and people of Jamaica are being served.

Article 93 of the JSIF's Articles of Association states that:

"The Board shall guide and supervise the overall administration and operations of the Company. In particular, the Board shall:-

- a. approve the Operations Manual and the Financial and Administration Manual containing the Company's operating procedures, and any revisions thereof, subject to the provisions of Article 125 relating to restrictions on amendments;
- b. approve the Company's annual budget and workplan;
- c. approve the Company's Annual Report and Financial Statements;
- d. approve allocations to projects financed by the Company, where such allocations are beyond the authority of the Company's staff, as set out in the Operations Manual;
- e. appoint the Company's senior management;
- f. approve pay scales and remuneration packages for the Company's staff; and
- g. decide on other policy matters concerning the Company."

In carrying out these responsibilities, the Board considers its primary functions to include the following:

Management Planning and Oversight: Select, evaluate and compensate the Managing Director and planning for CEO succession; providing counsel and oversight in the selection, evaluation and compensation of, and succession planning for, other members of senior management; and approving the appointment and compensation of executive officers.

In providing oversight, the JSIF Board should ensure that the JSIF complies with all statutory and other legal obligations, especially those imposed by:

- a. The Income Tax Act
- b. The National Insurance Act
- c. The National Housing Trust Act
- d. The HEART Act
- e. The Education Tax Act
- f. The General Consumption Act
- g. The Financial Administration and Audit Act
- h. The Public Bodies Management and Accountability Act (“the PBMA”)
- i. The Companies Act (“the new Act”)
- j. The Clean Air Act
- k. The Forest Act
- l. The Wild Life Protection Act
- m. The Natural Resources Conservation Authority Act

Project investment policies: Ensure that the JSIF’s project investment policies are in keeping with Government of Jamaica (“GOJ”) policies.

Project approval or rejection: Approve or reject projects submitted to it for approval.

Award of contracts: Approve the award of contracts, through the Procurement & Contracts Committee of the Board, which fall within the dollar approval limits of the Board.

Strategic and operational planning: Review, understand and approve long-term strategic plans and annual operating plans, and monitoring the implementation and execution of those plans.

Major corporate actions: Review, understand and approve significant financial and business transactions and other major corporate actions.

Financial reporting: Review, understand and approve financial statements and reports, and overseeing the establishment and maintenance of controls, processes and procedures to ensure accuracy, integrity and clarity in financial and other disclosures.

Governance, compliance and risk management: Establish and maintain governance and compliance processes and procedures to ensure that the JSIF is managed with the highest standards of responsibility, ethics and integrity.

General advice to management: Provide general advice and counsel to the Chairman, the Managing Director and senior management in connection with issues arising during the course of managing the JSIF's business.

Meetings with portfolio Minister: When necessary and appropriate, the JSIF Board may meet with and make representations to the Minister with portfolio responsibility for the JSIF and/or the Minister of Finance & Planning, to request such GOJ support or resources, or special concessions for the JSIF, as the JSIF may require from time-to-time.

Meetings with representatives of funding partners: When necessary and appropriate, the JSIF Board may meet with and make representations to representatives of the JSIF's funding partners, to request such technical and/or additional financial support, or special concessions for the JSIF, as the JSIF may require from time-to-time.

General Statutory Duty of Care on Directors

Section 174 of the new Act introduced a statutory duty of care on directors, which was not in the old Companies Act. That section provides, as follows:

“(1) Every director and officer of a company in exercising his powers and discharging his duties shall -

(a) act honestly and in good faith with a view to the best interest of the company; and

(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, including, but not limited to the general knowledge, skill and experience of the director or officer.

(2) A director or officer of a company shall not be in breach of his duty under this section if the director or officer exercised due care, diligence and skill in the performance of that duty or believed in the existence of facts that, if true, would render the director's or officer's conduct reasonably prudent.

(3) For the purposes of this section, a director or officer shall be deemed to have acted with due care, diligence and skill where, in the absence of fraud or bad faith, the director or officer reasonably relied in good faith on documents relating to the company's affairs, including financial statements, reports of experts or on information presented by other directors or, where appropriate, other officers and professionals.

(4) In determining what are the best interests of the company, a director or officer may have regard to the interests of the company's shareholders and employees and the community in which the company operates.

(5) The duties imposed by subsection (1) on the directors or officers of a company is owed to the company alone.

(6) Where pursuant to a contract of service with a company, a director or officer is required to perform management functions, the terms of that contract may require the director or officer in the exercise of those functions, to observe a higher standard than that specified in subsection (1).”

PBMA’s Relevance to the Board’s Operation

Since the JSIF is a “government company” within the meaning of the PBMA, it falls within the definition of a “public body” in Section 2 of the PBMA.

Section 6 (1) of the PBMA imposes the following statutory corporate governance obligations on the Board of Directors of the JSIF:

“(1) Every board shall-

(a) take such steps as are necessary

(i) for the efficient and effective management of the public body;

(ii) to ensure the accountability of all persons who manage the resources of the public body;

(b) develop adequate information, control, evaluation and reporting systems within the body;

(c) develop specific and measurable objectives and performance targets for that body;

(d) advise the responsible Minister on matters of general policy relating to the management of the body;

(e) notwithstanding the provisions of any relevant enactment or any constituent document, enter into a performance contract with its Chief Executive Officer (or person performing like duties, by whatsoever title designated), on terms approved by the responsible Minister and the Minister.”

Corporate Plan

Section 7 of the PBMA (as amended) requires the JSIF Board to prepare and submit a corporate plan to the relevant Minister, as follows:

“(1) The Board of Directors of a public body shall, not later than November 30 in each financial year of the public body, deliver to the Minister and to the

responsible Minister, respectively, a draft corporate plan, which shall be in such form (if any) as may be prescribed.

(2) Every corporate plan shall contain the information specified in the First Schedule.

(3) The board shall -

(a) consider any comments on the draft corporate plan that are made by the responsible Minister (and, where applicable, the Minister); and

(b) deliver -

(i) the final corporate plan to the responsible Minister for his approval; and

(ii) a copy of the approved plan to the Minister on or before the 31st day of January in any year.

(4) Subject to subsection (5), the board may modify a corporate plan and shall give written notice of such modification to the Minister.

(5) Where a board intends to modify a corporate plan it shall -

(a) give written notice of that intention to the responsible Minister, stating the nature of the proposed modification;

(b) take into account any comments made by the responsible Minister in relation thereto.

(6) The responsible Minister shall cause a copy of the corporate plan to be laid on the Table of the House of Representatives and the Senate.”

PBMA Duty of Care

Section 17 of the PBMA also imposes a duty of care on the JSIF Directors, as follows:

(1) Every director and officer of a public body shall, in the exercise of his powers and the performance of his duties -

(a) act honestly and in good faith in the best interests of the public body; and

(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances including, but not limited to the general knowledge, skill and experience of the director or officer.

(2) A director who is directly or indirectly interested in any matter which is being dealt with by the Board -

(a) shall disclose the nature of his interest at a board meeting;

(b) shall not take part in any deliberation of the board with respect to that matter.”

Role of the JSIF Board in Enterprise Risk Management

The Governance Framework for Public Bodies (February 2015) issued by the Ministry of Finance & Planning mandates that:

- a. Every Board should put in place a formal Enterprise Risk Management (“ERM”) framework to manage risk across all functional areas and business units of the Public Body.
- b. The risk profile of a Public Body includes: operational, business, regulatory, market, credit, economic, capital and HR related risks.
- c. The Board must ensure that an ERM framework is designed to identify, assess, prioritise, monitor and manage risks to the Public Body. The Board should ensure that the Framework is implemented, monitored and controlled.

Board Independence

The Board believes that its primary function is to manage the JSIF's business in the best interests of the stakeholder and that those interests are best served by having a substantial number of objective, independent representatives on the Board.

Consequently, at all times, a majority of the directors will be "independent." For this purpose, a director shall be considered to be "independent" only if the Board affirmatively determines that the director does not have any direct or indirect material relationship with the JSIF that may impair, or appear to impair, the director's ability to make independent judgments.

With respect to each director, the Board's assessment and determination of such director's independence shall be made by the remaining independent members of the Board. In each case, the Board shall broadly consider all relevant facts and circumstances and shall apply the following standards:

- (a) A director will not be considered to be "independent" if any of the following conditions exist at the time of determination or existed at any time during the immediately preceding five-year period:

1. The director is employed by the JSIF;
2. An immediate family member of the director is employed as an officer of the JSIF;
3. The director is employed by or affiliated with the JSIF's independent auditor;
4. An immediate family member of the director is employed as a partner, principal or manager by the JSIF's independent auditor; or
5. An executive officer of the JSIF serves on the board of directors of a company that employs the director or employs an immediate family member of the director as an officer.

For purposes of the above, "immediate family member" includes spouse, parents, children, siblings, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law, sisters-in-law and other persons living in the director's home (not including employees of the director).

(b) The following relationships will not be considered to be material relationships that would impair, or appear to impair, a director's ability to make independent judgments and, therefore, will not alone prevent the director from being considered to be "independent":

- (i) The director is an executive officer of a company that does business with the JSIF and the other company's annual sales to, or purchases from, the JSIF are less than one percent of the JSIF's annual revenues and less than one percent of the annual revenues of the other company;
- (ii) The director is an executive officer of a company that is indebted to the JSIF, or is an executive officer of a company to which the JSIF is indebted and, in either case, the aggregate amount of such debt is less than one percent (1%) of the JSIF's total consolidated assets and less than one percent (1%).

Conduct of Board Meetings

Number of Meetings and Attendance: The Board shall be responsible for determining the appropriate number of regular meetings to hold each fiscal year. Currently, the Board holds eleven (11) regular meetings each year. Each director is expected to attend all regular meetings of the Board and of the committees of which he or she is a member, and is expected to make every effort to attend any specially called Board or committee meetings

Unless otherwise requested by the Board, the Managing Director, and Manager Legal and Governance shall attend all Board meetings. In addition, the Chairman may request other members of management to attend all or portions of Board meetings for discussion purposes or to make appropriate presentations.

Meeting Agenda: The Board shall be responsible for its agenda, and each director is encouraged to suggest agenda items to the Chairman at any time. Prior to each Board meeting, the Corporate Secretary will review the specific agenda items for that meeting and, if needed, discuss the agenda with the ~~Managing Director~~ or the Chairman.

Pre-Meeting Materials: Prior to each regularly scheduled Board meeting, the ~~Managing Director~~ shall distribute appropriate written materials relating to the substantive agenda items to be discussed at that meeting (unless confidentiality or sensitivity concerns suggest that materials be distributed only at the meeting). Each director is encouraged to offer suggestions to either the ~~Managing Director~~ or the Corporate Secretary regarding the nature or extent of information or materials that are regularly distributed in advance of Board meetings.

Committees of the Board

The Board shall maintain the following committees to assist it in discharging its oversight responsibilities:

- (i) Audit Committee - The Audit Committee assists the Board in fulfilling its responsibilities to provide oversight with respect to financial statements and reports and other disclosures, the system of internal controls and the audit process.

Section 8 of the PBMA requires every public body to establish an audit committee. That section states:

“(1) Subject to subsections (2) and (3), every public body that has four or more directors shall establish an audit committee consisting of not less than three directors.

(2) The board of a public body with less than three directors shall constitute the audit committee of that body.

(3) The majority of members of an audit committee shall not be officers or employees of the public body.

(4) The auditor of a public body shall -

(a) be entitled to be given notice of and attend every meeting of the directors or audit committee, in relation to matters concerning the auditor's functions or on which the auditor has made a report; and

(b) attend every such meeting when requested to do so by the directors or audit committee.

(5) The auditor of a public body shall be entitled to -

(a) attend an annual general meeting of the public body;

(b) receive all notices of and other communications relating to any annual general meeting which any member of the public body is entitled to receive; and

(c) be heard at any such annual general meeting which he attends, regarding any part of the business of the meeting which concerns him as auditor.

(6) For the purpose of ensuring that the audit committee of a public body has the capability to perform the duties of the audit committee, the board may co-opt, to perform the duties of the audit committee, individuals who are not members of the board but who possess a broad range of qualifications relevant to the functions of the public body.

(7) At least one member of the audit committee shall be a qualified accountant, registered under the Public Accountancy Act, or possess expertise in the area of finance.

(8) Every individual co-opted pursuant to subsection (6) shall have all the rights and responsibilities of the other members of the audit committee in respect the work of that committee.”

Statutory Duties of Audit Committee: For completeness, the JSIF Board should be aware of the duties of an audit committee of a public body. Section 9 of the PBMA specifies these duties, as follows:

“(1) The audit committee of a public body shall -

(a) advise the board on -

(i) practices and procedures which will promote productivity and the quality and volume of service;

(ii) the extent to which the objects of the public body are being achieved; and

(iii) the adequacy, efficiency and effectiveness of the accounting and internal control structure and systems of the public body;

(iv) the independence of the auditors auditing the public body;

(b) review and advise the board on the financial statements that are to be included in the annual report of the public body;

(c) oversee any internal audit of the public body;

(d) review and advise the board on the annual auditor's report;

(e) in the case of a public body undergoing a special audit or examination, review and advise the board with respect to the report of that audit or

examination; and

(f) perform such other functions as are assigned to it by the board.

(2) The audit committee shall keep detailed records of its meetings and such records shall be made available to the external auditor and any examiner of a public body during any external audit or examination.”

- (ii) Finance Committee - The Finance Committee oversees all areas of corporate finance, including capital structure, equity and debt financings, capital expenditures, cash management, banking activities and relationships, investments, foreign exchange activities and share repurchase activities.
- (iii) Projects Committee - This Committee (a) recommends or reject projects; (b) refers to the appraisal department for revision and resubmission, projects in need of further review and or clarification; (c) refers to the Board of Directors, projects that are considered exceptional; (d) provides authorisation for the engagement of contractors and notification of sponsors for projects approved by the Committee; and conducts periodic review of projects under implementation.
- (iv) Procurement & Contracts Committee - The Procurement Committee is charged with the responsibility of overseeing the manner in which the JSIF procures goods, services and works, whether by way of formal contract or otherwise, and to which authority is granted to approve and endorse procurements and the conclusion of contracts up to specified limits approved by the Board of Directors and within the limits specified in the *Government of Jamaica, Hand Book of Public Sector Procurement Procedures (March 2014)*, and or subsequent Circulars issued by the relevant government agency.
- (v) Human Resources Committee - This Committee oversees matters pertaining to the Managing Director, Managers and other staff members employment with the JSIF; reviews and advises the Board on total compensation policies for all employees and make recommendations to the Board with respect to incentive-compensation plans; determines the salary and annual and long-term incentive opportunities and awards for the Managing Director; reviews and ratifies compensation and benefits to employees outside the Government of Jamaica Memorandum of Associations, Circulars and other guidelines on compensation and benefits for public sector employees; and reviews executive development and long range planning for orderly succession of senior executives, including contingency procedures for management succession in the event of the unexpected departure of senior executives.

The Board shall convene other standing or special committees, as it deems appropriate.

Each committee is governed by a written terms of reference approved by the full Board. Once approved, each committee charter shall be considered to be an integral part of these Principles. Each committee shall review its charter at least annually and shall report the results of such review (including any recommended changes) to the full Board.

Whenever a committee, pursuant to its terms of reference, makes a decision or takes an action on behalf of the Board, the committee, through its chair, shall promptly make a report to, or otherwise notify, the full Board of such decision or action.

Membership - The membership of each committee (including the number and identity of directors comprising the committee and the director designated to serve as committee chair) shall be determined by the full Board. The membership of the committees shall be rotated on a periodic basis.

Conduct of Committee Meetings

Within the confines of its purpose (as stated in its charter), each committee shall be responsible for determining the frequency and length of committee meetings and the agenda of items to be discussed. The committee chair, in consultation with appropriate members of management, shall develop the agenda for each meeting and shall prepare and distribute appropriate written materials prior to the meeting. The committee chair, generally with the assistance of a designated member of management, shall be responsible for of the total consolidated assets of the other company; and

The director serves as an executive officer, director or trustee of a charitable organization to which the JSIF or any of its executive officers contributes and the combined annual contributions to such organization by the JSIF and its executive officers are less than one percent of that organization's total annual charitable receipts.

The Board will review annually all commercial and charitable relationships between each director and the JSIF and will make a determination of such director's independence.

The Board recognizes that members of certain Board committees may be subject to more stringent standards of "independence" pursuant to applicable rules and regulations, accounting and auditing rules. Any such more stringent standards will be reflected in the terms of reference of the respective committee.

Directors' Time Commitments

Each director must be willing and able to devote sufficient time and attention to carrying out his or her duties and responsibilities effectively. While the Board acknowledges the value in having directors with significant experience in other businesses and activities, it also understands that effective service requires substantial commitment. Generally, a director should not serve on more than five (5) boards, including the JSIF ensuring minutes of each committee meeting are properly recorded, and the Secretary shall

incorporate these minutes into the official Board minute book. The committee chair shall be responsible for advising the full Board on a regular basis of all committee proceedings, determinations and recommendations.

Any director shall be entitled to attend the meeting of any committee, regardless of whether he or she is a member of that committee. Unless otherwise requested by the committee chair, appropriate members of management shall also attend committee meetings for discussion purposes or to make appropriate presentations.

Other Board Operations and Practices

Access to Senior Management: Each director shall have complete and open access to management. Directors are encouraged to coordinate such access or contact with management through the Chairman or the Managing Director.

Director Orientation and Education: The Managing Director, the Chief Financial Officer and the General Counsel, shall be responsible for providing orientation materials and arranging orientation meetings for new directors, as well as periodically providing materials or briefing sessions for all directors on subjects that would assist them in discharging their Board duties. Each new director is encouraged to spend a day at the JSIF for personal briefing by senior management on the JSIF's business, its strategic plans, its financial statements and its key policies and practices.

Self-Evaluation: The Board will conduct an annual self-evaluation to identify areas of concern or potential issues relating to Board and committee processes, performance and effectiveness and to assess and evaluate the overall effectiveness of individual directors. These evaluations will be administered by the Strategic Planning and Organization Committee and will be reviewed and discussed with the full Board.

Evaluation of Managing Director: On an annual basis, the Board shall evaluate the performance and effectiveness of the Managing Director.

Management Succession and Development Plannin: The Board, shall approve and maintain a succession plan for the Managing Director. In addition, on an annual basis, the Managing Director shall present to the Board a report on succession planning for senior management and a report on management development.

Reporting of Concerns to Independent Directors or the Audit Committee: Anyone who has a concern about the JSIF's conduct, accounting, financial reporting, internal controls or auditing matters, may communicate that concern directly to the independent directors (through the Chairman) or to the Audit Committee (through the committee chair). Such communications may be confidential or anonymous, and may be e-mailed, submitted in writing or reported by phone. All such concerns

will be forwarded to the appropriate directors for their review and will be simultaneously reviewed and addressed by the Office of the CEO in the same way that other concerns are addressed by management. The status of all outstanding concerns addressed to the independent directors or the Audit Committee will be reported to the full Board on a quarterly basis. The Chairman, independent directors or the Audit Committee may direct special treatment, including the retention of outside advisors or counsel, for any concern addressed to them. The JSIF's Code of Conduct prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

Board Interaction with the Press and Others

The Board believes that management should speak for the JSIF. Individual directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the JSIF, however, it is expected that directors will do so only with the knowledge of the Chairman.

July 21, 2017