

CARIBBEAN CEMENT COMPANY LIMITED

CORPORATE GOVERNANCE POLICY

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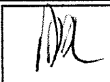
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POLICY STATEMENT

Caribbean Cement Company Limited (“CCCL” or “the Company”) is committed to adhering to the principles and practices of good corporate governance. CCCL recognises that a robust corporate governance system redounds to the overall benefit of the organization by fostering better performance, lowering risk of scandal as well as a lower cost of capital. Based on the guiding principles of fairness, transparency and accountability, the Company strives to maintain a high standard of corporate governance through the establishment of a comprehensive and efficient framework of policies, procedures and systems and the promotion of a responsible corporate culture.

This Policy was compiled with reference to the United Kingdom Combined Code on Corporate Governance issued in 2010, the Private Sector Organization Code on Corporate Governance and the Corporate Governance Guidelines set out in the Jamaica Stock Exchange Rules and were adopted by the Board of Directors of CCCL.

1. RESPONSIBILITIES AND DUTIES OF THE BOARD OF DIRECTORS

i. DIRECTORS’ RESPONSIBILITIES:

The Board of Directors is responsible under law for the direction and control of the Company’s business. It has the statutory authority and obligation to protect and enhance the assets of the Company which will enure to the best interest of all shareholders.

Although directors may be elected by the shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent any particular constituency. The best interests of the Company must be paramount at all times. In determining what constitutes the best interests of the Company, directors shall have regard to the interests of the employees in general, the shareholders and the community in which the company operates.

The involvement and commitment of directors is evidenced by regular Board and Committee attendance, active participation in setting the Company’s strategic objectives, and a focus on performance in the interest of all stakeholders. In addition, the Board should take into account the legitimate interests and expectations of all stakeholders and foster an active cooperation between the Company and stakeholders, with a view to creating wealth, employment and the sustainability of a financially sound organisation.

ii. DIRECTORS’ DUTIES:

The Board operates by delegating certain of its authorities to Management and reserving certain powers to itself. Its principal duties fall into seven categories:

a. Selection of Management

The Board has the responsibility for:

- Managing its own affairs, including planning its composition, selecting its Chairperson, nominating candidates for election to the Board, and appointing committees;
- Appointment and removal of a General Manager (GM), for monitoring the GM's performance, and providing advice and counsel in the execution of the GM's duties;
- Approving the appointment and remuneration of all corporate officers, acting upon the advice of the GM.

b. Monitoring and Taking Action

The Board has the responsibility for:

- Monitoring CCCL's progress towards its goals, and to revise and alter its direction in light of changing circumstances;
- Taking action when performance falls short of its goals or other special circumstances warrant (for example, mergers and acquisitions or changes in control).

c. Strategy Determination

The Board has the responsibility to:

- Participate through its committees, in developing and approving the mission of the business, its objectives and goals, and the strategy by which it proposes to reach these goals;
- Ensure congruence between shareholder expectations, CCCL plans and management performance.

d. Approval and Monitoring of Policies and Procedures

The Board has the responsibility to:

- Approve and monitor compliance with all significant policies and procedures;
- Ensure that CCCL operates at all times within applicable laws and regulations, and to display the highest ethical standards as well as responsible decision-making.

e. Reporting to Shareholders

The Board has the responsibility for:

- Ensuring that the financial performance of CCCL is reported to shareholders on a timely and regular basis;
- Ensuring that the financial results are reported fairly and in accordance with generally accepted accounting standards;
- Timely reporting of any other developments that have a significant and material impact on the value of the shareholders' assets;
- Reporting annually to shareholders on its stewardship for the preceding year;
- Recommending any payment of dividends to shareholders, to be declared by Ordinary Resolution.

f. **Legal Compliance**

The Board is responsible for ensuring that there is compliance with statutory and regulatory requirements and that documents and records have been properly prepared, approved and maintained.

g. **Annual Performance Evaluation**

A self-evaluation (or any other appropriate performance evaluation) will be conducted at least annually to determine whether the Board and its committees are functioning effectively.

2. GUIDELINES FOR THE APPOINTMENT OF DIRECTORS

Directors should be selected and appointed through a rigorous and formal process designed to give the Board a balance of independence and diversity of skills, knowledge, experience, perspectives and gender among Directors, so that the Board works effectively.

i. RESPONSIBILITY FOR APPOINTMENT:

The Governance Committee is responsible for leading the process for Board appointments and making recommendations to the Board. The Governance Committee should evaluate the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for each appointment.

ii. COMPOSITION OF THE BOARD:

Factors to be considered in determining composition of the Board:

- a. The Board should be of sufficient size that the requirements of CCCL's business can be met and that changes to the Board's composition and that of its committees can be managed without undue disruption, and should not be so large as to be unwieldy. The minimum and maximum number of Directors shall be as prescribed in CCCL's Articles of Incorporation.
- b. The Board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision making. An Executive Director is one who is employed by CCCL and is normally responsible for aspects of CCCL's day to day operations. An Independent Non-executive Director is a director 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 an independent judgment to bear on issues before the Board and to act in the best interests of CCCL and its shareholders generally. Independence is the absence of undue influence and bias which can be affected by the intensity of the relationship between the director and CCCL.



- c. The Chairman of the Board should be an Independent Non-Executive Director.
- d. The Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

iii. SELECTION CRITERIA:

- Strong business acumen, ethics, integrity, good character;
- Competence and ability to understand the technical requirements of the business;
- Proven track record which demonstrates the capacity to undertake the responsibilities of a Director;
- Financial independence;
- Ability or disposition to work with other persons as members of a team;
- No obvious conflicts of interest;
- Suitable skills to ensure appropriate configuration of relevant skill sets among Board members;
- National, regional or international executive or Board experience
- Demonstrated willingness and ability to comply with relevant legal, professional and regulatory requirements and standards.

3. DIRECTORS' COMPENSATION

The remuneration of the Directors shall from time to time be determined by an Ordinary Resolution of the shareholders of CCCL in accordance with CCCL's Articles of Incorporation. Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the Company successfully. The Board should be guided by the following principles in making a recommendation to the Shareholders of the Company on the remuneration of Directors:

- Remuneration based on time required, expertise and experience;
- Compensation for legal exposure;
- Comparability with similar companies;
- Official overseas travel for Board duties

4. MANAGEMENT SUCCESSION

- i) Objectives of the Succession Plan:
 - a) To assist in the development of CCCL's Strategic plans;
 - b) To match available talent with future requirements given CCCL's goals;
 - c) To ensure that there are viable replacements for important positions in cases of promotions, transfers, resignations, retirements and other forms of exit;



- d) To have an organized system for planning the development of executives and professionals;
- e) To provide increased opportunities to high potential professionals in the Company; and
- f) To increase the pool of promotable professionals.

ii) Standards for Succession Planning:

- a. CCCL should have well qualified internal candidates for each key position;
- b. Critical turn over should not be excessive

(Critical turnover is defined as a key executive who resigned or retired prematurely.)

5. DIRECTORS' ACCESS TO MANAGEMENT AND INDEPENDENT ADVICE

In discharging its duties the Board should have unrestricted access to members of management and any information it considers relevant. The Chairman is responsible for ensuring that the Directors receive accurate, timely and clear information. Management has an obligation to provide such information but Directors should seek clarification or amplification where necessary.

All Directors should have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman the Company Secretary's responsibilities include facilitating induction and professional development, ensuring good information flows within the Board, its committees and between non-executive directors and senior management.

Both the appointment and the removal of the Company Secretary should be a matter for the Board as a whole.

The Board should ensure that Directors, especially non-executive Directors, have access to independent professional advice at CCCL's expense where such advice is necessary to discharge their responsibilities as directors. Committees should be provided with sufficient resources to undertake their duties.

6. DIRECTORS' ORIENTATION AND CONTINUING EDUCATION

All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.

The Chairman should ensure that the directors continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board committees.

CCCL should provide the necessary resources for developing and updating its directors' knowledge and capabilities. To function effectively, all directors need appropriate knowledge of the Company and access to its operations and staff.

The Chairman should ensure that new directors receive a full, formal and tailored induction on joining the Board. As part of this, directors should avail themselves of opportunities to meet major shareholders.

The Chairman should regularly review and agree with each director their training and development needs.

7. ACCOUNTABILITY AND AUDIT

The Board should present an accurate, timely, balanced and understandable assessment of CCCL's performance, position and prospects. To this end, there shall be three (3) main sub-committees of the Board: Finance and Audit Committee, Governance Committee and Human Resource Committee.

8. BOARD COMMITTEES:

i. Finance & Audit –

- The Finance & Audit Committee has oversight responsibilities for the qualitative aspect of financial reporting to the shareholders and reviewing the financial process, the system of internal controls, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.
- The Finance & Audit Committee should comprise of at least three (3) independent non-executive directors. The Chairman may be a member in addition to the independent non-executive directors but not chair the committee.
- Each Committee member should collectively possess sufficient knowledge of the audit function, financial expertise, specific industry knowledge, law, risk and control, permitting them to be equipped to provide valuable contributions to the Committee.

The responsibilities of the Finance & Audit Committee include, but are not limited to the following:

- a. Recommending the appointment of external auditors;
- b. Assessing the suitability and independence of external auditors;
- c. Following-up on recommendations made by internal and external auditors;
- d. Overseeing all aspects of the company-audit firm relationship;
- e. Monitoring the performance of the internal audit function ensuring its objectivity and independence in the completion of its duties and responsibilities.

- f. Monitoring the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgments contained in them.
 - g. Overseeing the establishment, implementation and assessment of the Risk Management Function;
 - h. Assessing compliance with applicable laws and regulations;
 - i. Ensuring that an effective system of internal controls is established and maintained.
- ii. **Governance** - to review the effectiveness of the Company's governance structure and practices and report its findings and recommendations to the Board.

The responsibilities of the Governance Committee include, but are not limited to the following:

- a. providing guidance and assistance to the Board in relation to the identification of potential new directors;
- b. developing and recommending guidelines regarding directors' qualification standards, non-executive directors' compensation, director orientation and continuing education;
- c. coordinating the on-boarding and training for new directors and promoting the acquisition and recycling of expertise in areas related with the Corporate Governance of the Company;
- d. developing and administering, on behalf of the Board, the annual self-evaluation process of the Board and its committees;
- e. periodically reviewing the Company's internal regulations, with special emphasis on corporate governance and compliance policies, and proposing such amendments and updates to the Board of Directors, for approval or submission to the shareholders at their General Meeting, as may be necessary for their ongoing development and improvement;
- f. promoting the Company's corporate governance strategy;
- g. supervising compliance with statutory requirements and with the rules and standards enshrined in the Company's internal regulations;
- h. ensuring diligent compliance with the rules contained in the Company's internal regulations, and to propose to the Board of Directors the amendments deemed necessary in order to align corporate governance standards with existing best practices;
- i. supervising compliance with internal codes of conduct and with the Company's corporate governance rules;
- j. periodically assessing the alignment of the Company's corporate governance system in order to ensure that it fulfils its mission of furthering the corporate interest and takes the legitimate interests of other stakeholders into account where appropriate;

- k. reviewing the Company's corporate responsibility policy, ensuring that it is oriented to the creation of value;
 - l. monitoring the corporate social responsibility strategy and practices to assess the level of compliance; and
 - m. reviewing and reporting on all related-party transactions entered into by the Company with significant shareholders, directors, executives or other persons related to them, approval of which is reserved for the Board of Directors or the Executive Committee, when appropriate. The Corporate Governance Committee shall verify that such transactions are carried out on an arms' length basis and that do not infringe equal treatment of shareholders.
- iii. **Human Resource** - to develop and/or review policies and goals relevant to executive compensation and development and to make appropriate recommendations to the Board.

The responsibilities of the Human Resource Committee include, but are not limited to the following:

- a. formulating policies for the Company's Human Resource Management function and making recommendations to the Board for approval and adoption;
- b. reviewing, approving and ensuring compliance with existing administrative policies and recommending to the Board the adoption of proposals for all senior managers and executives;
- c. ensuring that the Company's Human Resource Department provide efficient services utilizing equitable, transparent and contemporary performance management measures and systems;
- d. acting autonomously and approving on its own account specific human capital initiatives and recommendations that fall within the overall ambit of pre-existing Board approved policies and systems.

9. **BALANCE OF RESPONSIBILITY**

CCCL should seek to maintain an appropriate balance of responsibility between the Board and the executive management of the Company. While the managers are charged with the responsibilities of administering the day-to-day business and operation of the Company, the Board is responsible for overall leadership and direction. To help to achieve this, CCCL also maintains a prescribed list of matters reserved for Board decision to ensure a clear delineation of Board and executive management functions.

10. MANAGING SHAREHOLDER RELATIONSHIP

CCCL strives to treat all its shareholders openly and fairly and is committed to promoting effective communication with shareholders. It has put great effort in maintaining an open and constructive dialogue with shareholders. The Board actively communicates with the Company's shareholders at annual general meetings and other general meetings and encourages participation by shareholders to facilitate their understanding of the Company's operations. Separate resolutions are proposed at shareholders' meetings on each substantive and separate issue, including the election of individual Directors. The Chairman of the Board and Board committees attend annual general meetings of the Company to answer any questions raised by the shareholders and to ensure that all queries are fully and adequately addressed.

11. PRINCIPLE ON DISCLOSURE OF THIS POLICY

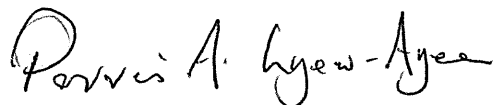
This policy shall be disclosed to the Jamaica Stock Exchange (JSE) and the JSE shall be advised of any changes in the Policy. The policy shall be posted on CCCL's website and be available in print upon the request of any shareholder.

12. PRINCIPLE ON CONTINUOUS REVIEW OF THIS POLICY

The Board adopts a proactive approach to the review of the Company's corporate governance policy and endeavours to maintain adequate, updated and credible corporate governance arrangements in the best interests of the Company and its stakeholders. To this end, the Board will review the policy at least every two (2) years.

Revised and approved by the Board of Directors on the 17th day of January, 2020

Signed by:



PARRIS A. LYEW - AYEE

Chairman of the Board of Directors – Caribbean Cement Company Limited