

## **CORPORATE GOVERNANCE POLICY**

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## **POLICY STATEMENT**

The TCL Group is committed to adhering to the principles and practices of good corporate governance. The Group recognises that a robust corporate governance system redounds to the overall benefit of the organization by fostering better performance and by facilitating a lower 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 throughout the Group.

### **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 Group in the 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 as well as to the interests of the shareholders.

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 in active cooperation between corporations 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 six 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, appointing committees and determining directors' compensation;

- Appointment and replacement of a CEO/GM, for monitoring CEO's/GM's performance, determining CEO's/GM's compensation and providing advice and counsel in the execution of the CEO's/GM's duties;
- Approving the appointment and remuneration of all corporate officers, acting upon the advice of the CEO/GM;
- Ensuring that adequate provision has been made for management discussion.

**b. Monitoring and Taking Action**

The Board has the responsibility for:

- Monitoring the Group's/Subsidiary'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, Group/Subsidiary 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 the Group/Subsidiary 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 the Group/Subsidiary 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;
- Approving any payment of dividends to shareholders.

**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 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.

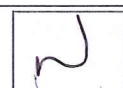
**i. RESPONSIBILITY FOR APPOINTMENT:**

- All appointments are the responsibility of the TCL Parent Board of Directors. The Group Chairman shall lead and guide the process through the Governance Committee. The Governance Committee, following its deliberations, shall submit recommendations to the Parent Board on prospective directors' appointments. Board appointments are subject to shareholder confirmation in accordance with the Company's Bye-laws.
- Members of TCL's Parent Board should bear in mind the overall philosophy, vision, strategic direction and profile of the TCL Group, (the TCL Parent Board and each of the Subsidiary Boards), when assessing the requirements of each Board. There must be compliance with all applicable statutory requirements.

**ii. COMPOSITION OF EACH BOARD:**

Factors to be considered in determining composition of each Board:

- a. The minimum and maximum number of directors shall be as prescribed in TCL's Bye-laws and Articles of Continuance (currently a minimum of three (3) and a maximum of twelve (12) directors).
- b. As stipulated in TCL's Bye-laws, there shall be no more than five (5) executive directors on the Board, provided always that the number of non-executive directors shall at all times exceed the number of executive directors by at least two (2). Ideally, the majority of Parent Board directors should be independent non-executive directors with at least one (1) seat available for an executive director. Subsidiary Boards should be comprised of an appropriate mix of independent non-executive directors, and executive directors from within the TCL Group. Factors such as the extent of ownership by the Parent Company and whether or not the subsidiary is a publicly owned company will be taken into account in allocating the appropriate mix of directors.



- c. The Chairperson of the Parent Board should be a non-executive director and preferably an independent director. A Subsidiary Board Chairperson should be an independent non-executive director.
- d. There should be an appropriate spread of persons of varying ages so as to facilitate succession planning within the Board.
- e. There should be a balance of independence and diversity of skills, knowledge experience, perspectives and gender among directors so as to maximize Board effectiveness.
- f. Board Members will be appointed for a term of not more than three (3) years and be eligible for re-election.

**iii. SELECTION CRITERIA:**

- Strong business acumen, ethics, integrity, good character;
- Competence and ability to understand the technical requirements of the business;
- Proven track record demonstrating 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 over at least a 10 year period;
- Demonstrated willingness and ability to comply with relevant legal, professional and regulatory requirements and standards.

**3. DIRECTORS' COMPENSATION**

**i. GUIDING PRINCIPLES:**

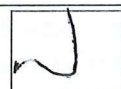
The Board should ensure that directors' remuneration is transparent, fair and reasonable. Such compensation shall be determined in accordance with the following guiding principles:

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

**4. MANAGEMENT SUCCESSION**

**i. OBJECTIVES OF THE SUCCESSION PLAN:**

- a. To assist in the development of the Group's Strategic Plans;
- b. To match available talent with future requirements given the Group'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 Group;
- f. To increase the pool of promotable professionals.

**ii. STANDARDS FOR SUCCESSION PLAN:**

- a. The Group should have at least two (2) well qualified internal candidates for each key position;
- b. Most key Management position openings should be filled from within the organization;
- c. Critical turnover should not exceed five percent (5%).

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

**5. ACCOUNTABILITY AND AUDIT**

The Board should present an accurate, timely, balanced and understandable assessment of the Company's performance, position and prospects. To this end, there shall be four (4) main sub-committees of the Parent Board: Audit Committee, Governance Committee, Finance Committee and Human Resource Committee.

**i. THE ROLE OF THE PARENT BOARD COMMITTEES:**

- **Audit** - to increase the credibility and objectivity of financial reports and ensure that an effective system of internal controls is established and maintained by the Group. Under law, the Audit Committee is required to review the financial statements of the Company and report its finding to the Board, before such financial statements are approved by the directors.

The responsibilities of the Board 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 and reviewing the effectiveness of the internal audit function;
- f. Promoting integrity in financial reporting by, inter alia, reviewing and advising the Board on the integrity of financial statements;
- 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.
- **Governance** - to provide guidance and assistance to the Board in relation to the identification of potential new directors, and to develop and recommend guidelines regarding directors' qualification standards, responsibilities, access to management and independent advisors when necessary, non-executive directors' compensation, director orientation and continuing education; and to consider and report to the Board on any issues relating to conflicts of interest of Board members.

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

- a. Recommending all remuneration for directors and the Chairperson;
  - b. Recommending and monitoring the level and structure of remuneration for Senior Management;
  - c. Establishing the policy for determining remuneration;
  - d. Reviewing and evaluating the appropriateness of remuneration plans on an annual basis;
  - e. Ensuring that the total remuneration and other benefits paid to directors are properly disclosed.
- **Finance** - to enhance the financial strength and shareholder value of the Group by providing guidance and recommendations on issues which have a major financial impact on the Group.

The objectives of the Finance Committee are two-fold:

- a. To enhance the financial strength and shareholder value of the TCL Group by providing guidance and recommendations on issues which have a major financial impact on the TCL Group; and
- b. To enhance communication and understanding between TCL Group's management and the Board on financial matters.

A summary of the terms of reference of the Finance Committee follows:

- To review all significant issues of a financial nature before they are presented for consideration to the Board;
- To review the adequacy and sourcing of working capital for the TCL Group;
- To evaluate and recommend proposals for the ongoing long term financing of the TCL Group;
- To examine and/ or develop proposals for reducing the tax obligation of the TCL Group and the efficient management of its tax affairs;
- To review annual budgets and five year plans for the TCL Group before submission for approval to the Board;

- To examine and/or develop solutions for problems of a financial nature arising from changes in accounting standards, tax regulations and governmental legislation;
  - To develop a set of financial objectives for the TCL Group; and
  - To determine the appropriate capital structure for the TCL Group.
- **Human Resource** - to develop and/or review policies and goals relevant to executive compensation and development and to make appropriate recommendations to the Board.

A summary of the Terms of Reference of the Human Resources Committee follows:

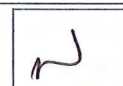
- a. To formulate policies for the TCL Group's Human Resource Management function and to make recommendations to the Board for approval and adoption;
- b. To review, approve and ensure compliance with existing administrative policies and recommend to the Board the adoption of proposals for all senior managers and executives across the TCL Group;
- c. To ensure that the TCL Group Human Resource function provides efficient services to all Subsidiaries utilizing equitable, transparent and contemporary performance management measures and systems;
- d. To act autonomously and approve on its own account specific human capital initiatives and recommendations that fall within the overall ambit of pre-existing Board approved policies and systems.

## **6. BALANCE OF RESPONSIBILITY**

The Company 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 and exercises appropriate levels of control in the Group's affairs. To help to achieve this, the Company also maintains a prescribed list of matters reserved for Board decision to ensure a clear delineation of Board and executive management functions.

## **7. MANAGING SHAREHOLDER RELATIONSHIP**

The Company strives to treat all of its shareholders openly and fairly and is strongly committed to promoting effective communication with shareholders, and 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 Group'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.

**8. PRINCIPLE ON DISCLOSURE OF THIS POLICY**

This policy shall be posted on the TCL Group's website and shall be available in print upon the request of any shareholder.

**9. 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.

Approved by the Board of Directors on the **23<sup>rd</sup>** day of **February, 2017**

Signed by:



**WILFRED ESPINET**

**Chairman of the Board of Directors - Trinidad Cement Limited**

