



## CORPORATE GOVERNANCE POLICY

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### 1. Introduction

The Board of Directors of FUTURE ENERGY SOURCE COMPANY LIMITED (FESCO), a Company listed on the Junior Market of the Jamaica Stock Exchange (JSE), has adopted this Policy to govern its conduct, decision-making processes and the execution of its duties, for the preservation of stakeholder confidence and to sustainably enhance FESCO's business success. This Policy guides the Board's commitment to competent and effective leadership and a responsible corporate culture, developed and maintained through transparency, accountability, fairness and integrity.

This Policy was prepared with reference to the Jamaica Corporate Governance Codes of 2021 and 2016 by the Private Sector Organisation of Jamaica (the PSOJ) and shall be read together with the provisions of the Companies Act of Jamaica, FESCO's Articles of Incorporation, the Junior Market Rules of the Jamaica Stock Exchange (JSE), the Securities Act and all other applicable licence terms, regulations and laws.

### 2. Functions of the Board

The Board is accountable to FESCO's shareholders for the execution of its duties in a manner that promotes the long-term and socially responsible success of the Company through effective corporate governance practices. The Board fosters an attitude of teamwork and articulates the vision, values and purpose of FESCO and holds management accountable. The Board in its support and supervisory role of management shall:

- 2.1 Adopt policy and set strategy that will protect the Company's brand and support the achievement of the Company's strategic objectives.
- 2.2 Assess the Company's financials and performance, review and approve operating plans and budgets as well as provide checks and balances over the management team with performance reviews.
- 2.3 Conduct risk assessment and implement an effective internal control and risk management system in addition to external auditors.
- 2.4 Set clear guidelines to help distinguish between decisions properly to be made by management and those reserved for the Board and those which can only be made by shareholders.
- 2.5 Meet by way of Board and board committee meetings sufficiently regularly, at least four (4) times annually, to ensure that the strategic imperatives of the Company are being addressed and that decisions that need to be made receive the required attention.
- 2.6 Oversee and ensure the timely and clear disclosure of material information, including quarterly unaudited and annual audited financial statements, to stakeholders.
- 2.7 Conduct periodic evaluation of its own performance.
- 2.8 Have a procedure for relying upon external independent advice as may be necessary.



### **3. Board Composition**

The Board shall consist of a balance of appropriate skills, experience, independence, and knowledge that build business acumen competency to represent FESCO, carry on its business ethically and ensure compliance with its legal obligations. In the selection of candidates for appointment to the Board, the following shall be considered:

- 3.1 The minimum number of directors at any given time is three (3).
- 3.2 At least one (1) of every three (3) directors appointed should be an independent director, which is a director who is not –
  - 3.2.1 Executive, that is an employee of FESCO; or
  - 3.2.2 A former employee of FESCO for the past three (3) years;
  - 3.2.3 An immediate relative, as defined by the Securities Act, a dependent or cohabitant of a Director or member of staff;
  - 3.2.4 A business associate (including but not limited to service station dealers and other bulk fuel customers) of FESCO, a director or a member of FESCO's management team within the past three (3) years; and
  - 3.2.5 A shareholder or beneficiary of more than 10% interest in FESCO.
- 3.3 Appointment of a director should be done on the basis of objective criteria including their skill, knowledge and capabilities as needed by the Company.
- 3.4 At the first opportunity following a Board appointment, directors are to be elected by shareholders and shall on rotation be subject to retirement and re-election at an Annual General Meeting, in accordance with the Company's Articles of Incorporation.
- 3.5 Ineligibility for re-election, disqualification and removal of directors shall be determined in accordance with the Company's Articles of Incorporation.
- 3.6 The procedure for appointment of directors is to be formal, rigorous and transparent to ensure that the best available candidates are considered and selected.
- 3.7 The Company shall make appropriate provision for liability insurance coverage for directors and the Company secretary in respect of legal actions brought against them in the discharge of their duties.

### **4. Directors**

Each director owes a duty of care to the Company and must act with care, diligence and skill, which a reasonably prudent person would exercise in comparable circumstances. In discharging this duty a director may have regard to the interest of the Company's shareholders and employees and the community in which the Company operates. Directors in the best interest of the Company shall:

- 4.1 Conduct themselves in a manner that ensures the Board's independence.
- 4.2 Be knowledgeable and informed on the industry and business of FESCO.
- 4.3 Apply their general knowledge, skill and experience in fulfilling their responsibilities to the Company.
- 4.4 Attend and effectively contribute to Board and committee meetings, regularly.
- 4.5 Have an executive meeting in which only independent non-executive directors are present, at least annually.
- 4.6 Participate in Company organised training and professional development.
- 4.7 Shall conduct themselves responsibly with honesty, integrity and in good faith.

- 4.8 Promote and develop policies that facilitate accountability, transparency as well as responsible and ethical decision-making.
- 4.9 Avoid conflicts of interest but in the event such conflict is unavoidable, it shall be disclosed to the Chairman, the Lead Independent Director or the Company Secretary at the earliest opportunity to be addressed by the Board.

## **5. Chairman**

The Chairman shall be a different person from the Managing Director and shall be responsible for the leadership of the board and for the oversight of management through effective communication with the Managing Director. The Chairman shall be non-executive however, where the Chairman is not independent (see clause 3.2) or in the event of an appointment of an Executive Chairman for a term defined by the Board, there shall be a proximate appointment of a Lead Independent Director. The Chairman as leader of the Board shall:

- 5.1 Lead the Board of Directors in the Company's strategic direction in a manner that promotes trust, respect, commitment and collegiality.
- 5.2 Facilitate the contribution of both independent and non-independent directors alike.
- 5.3 Set the agenda for each Board meeting in consultation with the Managing Director and the Company Secretary to take account of key and material matters and to ensure that adequate time is available for thorough discussion.
- 5.4 Ensure effective communication between the Board and Management as well as between the Company and its Stakeholders.
- 5.5 Ensure that the strategies and policies approved by the Board are effectively implemented by the Managing Director.
- 5.6 Establish good corporate governance practices and promote the highest standards of integrity, probity and corporate governance throughout the Company.

## **6. Lead Independent Director**

The Lead Independent Director shall be elected by the independent Directors from among the independent directors where a non-independent or an Executive Chairman has been elected. Independent directors have no executive management responsibilities, they bring a level of objectivity in the decision making process which is required to help enhance shareholder value. The Lead Independent Director shall:

- 6.1 Preside over meetings of the Board at which the Chairman is not present, including executive meetings of the independent non-executive directors.
- 6.2 Act as a sounding board for the Chairman.
- 6.3 Lead the independent directors to ensure the independence, good governance and effective functioning of the Board.
- 6.4 Serve as an intermediary between the Chairman and the independent directors as well as between the Board and stakeholders when necessary.
- 6.5 Make recommendations for Board and board committee succession.

## **7. Managing Director**

The Managing Director is appointed by the Board and employed to FESCO as the executive head responsible for the overall management and day-to-day operations of the Company and reports to the Board on the Company's performance. The Managing Director implements Board approved strategies and ensures that the Company's structure and processes meet the strategic and cultural needs of the Company. The Managing Director as the face and leader of FESCO shall:

- 7.1 Develop business plans, budgets and strategies for the Board's consideration and implement those approved by the Board.
- 7.2 Implement the policies, processes and codes of conduct approved by the Board and thereafter facilitate the monitoring and provide feedback for the reviewing of the same.
- 7.3 Be responsible for retaining talent and planning for management succession in a manner that supports the strategic direction of the Company.
- 7.4 Manage the Company's financial and other reporting mechanisms and ensure the Company achieves its vision, mission, long-term and financial goals.
- 7.5 Ensure the Board is provided with sufficient accurate information on a timely basis and regularly account to the board for the performance of the Company.
- 7.6 Alert the Board to new issues affecting the Company and industry.
- 7.7 Delegate responsibilities and supervise the work of executives.

## **8. Company Secretary**

The Company Secretary is appointed by the Board and is an impartial governance officer who provides independent advice to the Board, through the Chairman or where appropriate the Lead Independent Director. The Company Secretary shall:

- 8.1 Manage relations with the relevant regulatory bodies and ensure the Company's transparency and compliance with applicable laws and rules, including the Companies Act, the Securities Act and the JSE's Junior Market Rules.
- 8.2 Oversee the organisation and protocols of Board, board committee and shareholders meetings, which includes the preparation of meeting agendas and distribution of board papers and other documents required for the meeting, in a timely manner.
- 8.3 Implement and communicate procedures for the compliance of directors and senior officers with the JSE's Model Code for Securities Transactions.
- 8.4 Administer board processes and output and facilitate communication between the Board and its committees and between management and independent non-executive directors.
- 8.5 Ensure that accurate minutes are kept and that minute books are maintained with certified copies of the minutes.
- 8.6 Facilitate directors' orientation, training and development, and governance-related procedures.
- 8.7 Be available to all directors for independent advice relevant to the discharge of their statutory and fiduciary duties and to the fulfilment of their responsibilities to the Company under its Articles of Incorporation and this Policy.

## **9. Board Committees**

The Board may delegate responsibilities to sub-committees and will have at all times an Audit Committee, a Corporate Governance Committee and a Human Resources & Remuneration Committee. The Board may delegate responsibilities to an Executive Committee, as it deems fit. The Audit, Corporate Governance, Human Resources & Remuneration and Executive Committees shall be headed by an independent non-executive director and governed by their respective Charters. Committee members may be rotated from time-to-time and total membership shall not exceed seven (7) directors. The Chairperson of each Committee shall prepare a report on the actions and decisions of the respective Committee between board meetings to be presented at the next board meeting.

9.1 The Audit Committee is responsible for –

- 9.1.1 Reviewing and recommending to the board for adoption, the quarterly unaudited and the annual audited financial statements of the Company.
- 9.1.2 Ensuring an internal audit system is in place and overseeing its function.
- 9.1.3 Periodically (at least every seven (7) years) evaluating the external audit services being provided and annually review the independence of the audit function.

9.2 The Human Resources & Remuneration Committee is responsible for –

- 9.2.1 Determining the nomination, selection and appointment procedure for directors and senior officers.
- 9.2.2 Reviewing the remuneration arrangements of the directors, officers and staff of the Company and recommending a remuneration policy for approval, so that the compensation paid by the Company remains current in reflecting the time, commitment and responsibilities of the roles.
- 9.2.3 Reviewing the effectiveness of the composition of the Board and making recommendations for nomination and succession in consultation with the Chairman and Managing Director.
- 9.2.4 Establishing policies that govern employee relations.

9.3 The Corporate Governance Committee is responsible for –

- 9.3.1 Preparing and reviewing the Articles of Incorporation, governance policies and procedures of the Company from time-to-time to ensure they continue to reflect current best practices and regulatory requirements;
- 9.3.2 Overseeing the evaluation of the performance of the Board, its committees and management; and
- 9.3.3 Ensuring the timely disclosure of material information to stakeholders.

9.4 The Executive Committee is responsible for –

- 9.4.1 Assessing strategic business decisions proposed by management and making recommendations to the full Board; and
- 9.4.2 Making decisions on matters requiring urgent or short notice action, on behalf of the full Board in between board meetings.

9.5 The Board may expand the responsibilities of the committees or introduce new committees as it sees fit.

9.6 The Board may also create ad hoc committees as the need arises and which may be dissolved when the need no longer exists.



## 10. Orientation & Training

Orientation and training must be made available to directors upon appointment to the board. Members of the Board shall:

- 10.1 Be well- informed about the Company and the industry in which FESCO operates.
- 10.2 Be aware of their duties and responsibilities and have access to opportunities of continuing education and development.

## 11. Performance Evaluation

To determine the strengths and weaknesses of the Board in carrying out its responsibilities, there shall be an annual performance evaluation of the Board as a whole, the Committees and individual directors to be overseen by the Corporate Governance Committee.

- 11.1 There shall be an annual internal evaluation exercise.
- 11.2 The performance evaluation shall enable:
  - 11.2.1 The independent non-executive directors to evaluate the Chairman's performance.
  - 11.2.2 The opportunity to review the structure, size and composition of the board by means of the appointment and resignation of directors.
  - 11.2.3 The confirmation of directors' effectiveness for the purposes of re-election.
  - 11.2.4 The tracking of meeting attendance by board members as well as other measures proposed by the Corporate Governance Committee and approved by the Board.
- 11.3. The Chairman of the Board shall ensure that the strengths identified in the evaluations are affirmed and the weaknesses are addressed for the improvement of the effectiveness of the Board
- 11.4 FESCO's Annual Report shall indicate the date of the evaluation and how it is conducted.

## 12. Dealings in FESCO shares

Directors and officers of the Company are free to deal in the Company's shares subject to the Company's Insider Trade Policy which reflects the prohibition by the Securities Act of trades by persons with price-sensitive information not yet announced to shareholders and the imposition of disclosure obligations and closed periods by the market rules of the JSE.

- 12.1 Directors and Officers as well as their spouse, dependents or other companies in which the director or officer has control ("connected party") shall not deal in the Company's shares as long as they are in possession of unannounced information likely to materially affect the Company's share price ("price sensitive information") until such information is published to the JSE and Shareholders.
- 12.2 Directors and Officers, unless the dealing is part of an exercise under the Company's share option scheme or other exemption recognised by the JSE, shall not deal in the Company's shares during the closed periods imposed by the JSE beginning:
  - 12.2.1 The moment price-sensitive information concerning the Company's shares is obtained until such information is announced to the JSE;
  - 12.2.2 Thirty (30) days prior to the due date of the Company's quarterly financial results to be announced until such announcement is made to the JSE; and
  - 12.2.3 Sixty (60) days prior to the due date of the Company's annual financial results to be announced until such announcement is made to the JSE



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12.3 Directors and Officers shall promptly notify the Company Secretary of dealings in the Company's shares by themselves or by or on behalf of a connected party, for disclosure to the JSE and publication on the JSE's website.

### 13. Control Systems

The Company shall at all times have effective internal controls and an appointed external auditor.

13.1 There shall be adequate, up-to-date and accurate record keeping, including maintenance of an asset register and credible books of accounts, and there shall be regular presentation of financial statements to the Board.

13.2 There shall be procedures that enforce accountability, and policies that address risks to the business of the Company, including but not limited to health and safety, human resources, operations and environment, IT security, and corporate reputation.

13.3 The appointed auditor shall be provided with the records and information required for an annual review of the financial records and the effectiveness of the internal controls.

### 14. Shareholders

Shareholders shall be kept well-informed of the Company's constitution, leadership, performance and financial reports.

14.1 A register of shareholders shall be maintained and all shall be entitled to attend and participate in the Annual General Meeting (AGM) of the Company for which at least 21 days' notice shall be given to the Shareholders.

14.2 The Company shall publish an annual report as well as other material information regarding the Company.

14.3 Shareholders shall at a general meeting be able to participate in the appointment and monitoring of directors and the external auditor.

### 15. Corporate Social Responsibility

The Company shall conduct its business ethically and in a manner that is considerate of its impact on its staff, customers, the environment and the communities in which it does business with reference to social norms, by operating in compliance with applicable laws, rules and regulations.

15.1 The Company shall be committed to the safety and security of its staff, customers and other internal stakeholders and policies shall be made and periodically updated to adopt best practices to foster long-term relationships.

15.2 The Company shall operate using sustainable business practices aimed at reducing its impact on the environment, avoiding health risk factors and supporting the development of the community and the island as a whole.

15.3 The Company shall seek to promote community involvement and to contribute to altruistic causes.



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### 16. Review & Publication of Corporate Governance Policy

The purpose of this Corporate Governance Policy is to maintain good governance practices including proper separation of roles and accountability measures of the Company's leadership.

16.1 This Policy shall be reviewed periodically, at least every two (2) years and the Jamaica Stock Exchange shall be advised of the revised Policy.

16.2 This Policy shall be made publicly available via the Company's website and such availability shall be stated in the Company's Annual Report.

Adopted by the Board of Directors of Future Energy Source Company Limited.



Chairman

March 30, 2022

Board Approval	Date	Next Review Target
1 <sup>st</sup>	March 30, 2022	March 30, 2024