

# TROPICAL BATTERY COMPANY LIMITED

## CORPORATE GOVERNANCE POLICY



### INTRODUCTION

The Board of Directors (the “Board” or “Directors”) of Tropical Battery Company Limited (“Tropical Battery”) represents the owners’ interests in the Company. The Board’s primary role is to grow and maintain a successful business, to optimize long-term shareholders’ financial value and to adhere to the best practices of corporate governance.

In the discharge of the Board’s fiduciary responsibility, Board Directors will exercise independent business judgment in what they reasonably believe to be the best interest of Tropical Battery, relying on the honesty and integrity of the Company’s senior management, external advisors and auditors.

### FUNCTIONS OF THE BOARD

The Board develops and directs strategies, oversees policy and monitors the effectiveness of management decisions and the execution of duties. The Board makes decisions directly or through its established Sub-Committees, and reviews and approves key policies, particularly in relation to:

- Business strategy, including annual operating plans and budgets.
- Business development initiatives including major investments and disposals.
- Compliance with regulatory, statutory, and legal obligations and codes of ethical business conduct.
- Corporate social responsibility.
- Corporate financing and treasury related activities.
- Directors’ compensation, executive compensation and overall remuneration policies and practices (including employee benefit plans).
- Risk management and the adequacy of financial controls.
- Organizational structure and succession planning.
- Financial reporting
- Timely, accurate and balanced disclosure of material information about Tropical Battery to appropriate stakeholders, including the shareholders and Jamaica Stock Exchange.
- The identification, evaluation, and selection of candidates to the Board.
- The investment in capital, plant, equipment, and technology to increase operational capabilities and efficiencies.

The Board has assigned specific responsibilities for the Chairman, all Directors and the Company Secretary.



As the leading representative of the Company, the Chairman presides over Board meetings, maintains the Board's focus on strategic direction, oversees its operations and ensures that sufficient resource material is provided to enable Directors to make informed judgements. The Chairman shall, in consultation with the Managing Director and the Company Secretary, establish the agenda for each Board meeting. In collaboration with the Directors, the Chairman takes the leading role in determining the Boards composition, structure and culture.

Directors are expected to regularly attend meetings of Tropical Battery's shareholders, Board and meetings of Board Committees on which they serve.

Directors should be provided with information and material pertinent to the Board's understanding of the business to be conducted in sufficient time ahead of each meeting to review the material and to prepare the meetings.

During each financial year, there will be a minimum of four regular meetings of the Board. Special Board meetings may occur at such other times as any member of the Board may reasonably request. Each Board member may suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for a meeting.

Directors shall be knowledgeable and informed about the business of Tropical Battery and of their duties and responsibilities. Tropical Battery shall assist Directors in this regard. The Directors' education program will include a periodic review of the vision, core values, strategic direction, financial matters, industry news and market trends, corporate governance practices of the Company and will provide for meetings with Executive Management. New Directors are provided with written information about Tropical Battery to assist them in their education. All Directors have access to presentations on aspects of Tropical Battery's business and operations. Management has a duty to regularly update the Board on changing regulations and practices related to corporate governance.

The Directors shall conduct a periodic review of the Board's performance in accordance with applicable standards of corporate governance.

The Company Secretary is responsible for recording Board decisions and for administering the Board's agreed policies and procedures so as to support effective decision-making and governance. The Company Secretary is appointed by the Board. All Director have access to the Company Secretary's advice and services in respect of administration of the functions of the Board. Directors may obtain independent professional advice in the course of the duties, if necessary, at the Company's expense.

## **SELECTION/COMPOSITION OF THE BOARD AND COMPENSATION OF DIRECTORS**

Directors are required to apply a diversity of skill, knowledge and experience to the execution of their responsibilities. This is taken into account in the selection and composition of the Board.



The Board of Company will have a maximum of seven (7) directors. The number of independent directors of the company should be equal to or exceed thirty per cent of the total number of Directors. An “independent Director” means a director who is not related to the company by virtue of the following circumstance, this is, a director who:

1. Has been an employee of Tropical Battery within the last three (3) years.
2. Has or has had within the last three (3) years, a material business relationship with Tropical Battery either directly, or as a partner, shareholder, director or senior officer of a body that has such a relationship with Tropical Battery;
3. Is an immediate family member or any Non-Independent Director or Senior Officer of the Company; or
4. Is employed as a senior officer of another company where any of the Company’s Directors or Senior Officers serve on that Company’s Board of Directors.

"Senior Officers" of the company are those persons named as such in quarterly and annual reports of the Company to the Jamaica stock Exchange.

Elections, terms, re-election and retirement of each Board member shall be consistent with the Articles of Incorporation (“Articles”) of the Company, The Compensation and Human Resources Committee is responsible for keeping under review the composition of the Board and succession to it.

The level of compensation of the Non-Executive Directors reflects the time, commitment, and responsibilities of the role. It consists of a package appropriate to attract, retain and motivate Non-Executive Directors of the quality required.

## **CONFLICTS OF INTEREST**

Any dealings in the Company’s shares by any Directors must be promptly reported to the Company Secretary who is obliged to disclose such information on a regular basis to the Jamaica Stock Exchange. No Director or their connected parties should trade in the Company’s share during “black-out” periods, including:

- A period two (2) weeks prior to the end of a reporting period and up to the date of release of its financial result to the Jamaica Stock Exchange.
- Any period in which the Directors are in possession of price-sensitive information not available to the public of its shareholders.

A Director who has a personal interest in any transaction with Tropical Battery that could create or appear to create a conflict of interest must disclose such interests. These transactions include but are not limited to:

- Any interest in contracts or proposed contracts with Tropical Battery or in a firm, that does business with the Company
- A transaction involving securities held in Tropical Battery
- Emoluments received from Tropical Battery
- Loans or guarantees granted by Company to/for the Directors
- Declaration of Board membership with government body or agency in accordance with the Public Procurement Commission's guidelines (if applicable).

Disclosure shall be made in writing to the Chairman for disclosure to the Board or at the first opportunity at a Board Meeting in which case such disclosure shall be recorded in the Minutes of the Board Meeting. The Director shall then offer to recuse himself or herself from the Board's deliberations over any such contract and shall not vote on any such issue.

The disclosure of the Director's interest shall include interests of his connected persons. Persons deemed to connected with a director are:

1. The Director's husband or wife.
2. The Director's minor children (these include step-children and adopted children) and dependents, and their spouses.
3. The Director's partners.
4. Corporate bodies of which the directors/or persons connected with him/her together have control (i.e. carrying more than 50% voting control).

## **BOARD COMMITTEES**

The Board has established three Committees, each with clearly defined terms of reference, procedures, responsibilities, and powers.

### **a. Audit Committee**

On behalf of the Board, the Audit Committee shall be appointed by the Board and shall be comprised of no more than 5 members and no fewer than three members, a majority of whom shall be non-executive, independent members of the Board. The Chairman of the Audit Committee shall be appointed by the Board. The duties of the Audit Committee shall be to:

- Review quarterly and annual financial information of the Company.
- Analyze the results of assessments of the Company for the effectiveness and reliability of the Company's information systems and internal control processes.
- Oversee the qualification, independence, and performance of the Company's independent accountants and auditors.

- Review and reassess the adequacy of this Charter and the performance of the Committee at least annually and recommend any proposed changes to the Board.
- Review the Company's quarterly and annual financial statements and any reports or other financial information prepared by or on behalf of the Company, including any certification, report, opinion, or review rendered by the Independent Accountants.
- Review the regular internal financial reports prepared by management.
- Review the results of financial assessments prepared by or on behalf of the Company for the effectiveness and reliability of the Company's information systems and internal control processes.

The Audit Committee shall meet at least four (4) times per year, or as often as necessary to fulfill its mandate.

## **b. Corporate Governance and Nomination Committee**

The Corporate Governance and Nomination Committee ("CG Committee") shall be appointed by the Board and shall be comprised of no more than 5 members and no fewer than three members, a majority of whom shall be non-executive, independent members of the Board. The Chairman of the CG Committee shall be appointed by the Board. The duties of the CG Committee shall be to:

- Develop for the Board's approval and review the Company's Corporate Governance Policy.
- Develop for the Board's approval and review the chart of authorities and delegation of Authorities to management.
- Consider possible conflicts of interests of directors and any related party transactions of directors and make relevant proposals to the Board in accordance with the Company's Corporate Governance Policy.
- Review any change in status (including fulfillment of independence requirements) and professional affiliation of current directors and make relevant proposals to the Board in accordance with the Company's Corporate Governance Policy.
- Review, every two (2) years, the JSE's Articles of Incorporation and overall corporate governance policy and practices and submit to the Board any suitable recommendations in relation to its amendment.
- Review at least every two (2) years, the adequacy of the charters of the Board and its various subcommittees and submit to the Board any suitable recommendations in relation to any amendments.
- Oversee the development and implementation of a Board induction process for new directors and a program of continuing directors' development as needed.
- Develop a process for evaluating Board effectiveness as well as to coordinate the Board effectiveness evaluation.
- Review corporate governance policies and practices of the Company and make relevant proposals to the Board.
- Monitor trends and best practices in corporate governance and nomination practices in order to properly discharge its duties.

- Perform any other activities relevant to these Terms of Reference, at the request of the Board or as required by the Company's Corporate Governance Policy.
- Give full consideration to succession planning for directors and other senior executives in the course of its work, considering the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.
- Keep under review the leadership needs of the organization, both executive and non- executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace.
- Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience, and diversity on the Board, and in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
  - Use open advertising or the services of external advisers to facilitate the search.
  - Consider candidates from a wide range of backgrounds; and
  - Consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.
- For the appointment of a chairperson, the Committee should prepare a job specification, including the time commitment expected. A proposed chairperson's other significant commitments should be disclosed to the Board before appointment and any changes to the chairperson's commitments should be reported to the Board as they arise.
- Prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest.
- Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside of Board meetings.
- Review the results of the Board performance evaluation process that relate to the composition of the Board.
- Review the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfill their duties.
- Report to the Board on the advisability of permitting a member of the Board to become a member of another company's Board and develop a policy on whether and how to cap the number of directorships a director may hold; and
- Report to the Board on any conflicts of interest that may arise if a member of the Board accepts a position on another company's Board.

The CG shall meet at least once (1) per year, or as often as necessary to fulfill its mandate.

### c. Compensation Committee

The Compensation Committee shall be appointed by the Board and shall be comprised of no more than 5 members and no fewer than three members, a majority of whom shall be non-executive, independent members of the Board. The Chairman of the Compensation Committee shall be appointed by the Board. The duties of the Compensation Committee shall be to:

- Review and make recommendations to the Board with respect to the Company's compensation strategy to ensure it is appropriate to attract, retain and motivate senior management and other key employees.
- Review and make recommendations to the Board with respect to the executive compensation philosophy, policies and programs that in the Committee's judgment support the Company's overall business strategy and review and discuss, at least annually, the material risks associated with executive compensation structure, policies and programs to determine whether such structure, policies and programs encourage excessive risk-taking and to evaluate compensation policies and practices that could mitigate any such risk.
- On an annual basis, review and approve corporate goals and objectives relevant to the compensation of the Company's CEO, evaluate the CEO's performance in light of those goals and objectives and determine and approve CEO compensation based on this evaluation. In evaluating, determining, and approving the long-term incentive component of CEO compensation, the Committee may consider, among such other factors as it may deem relevant, the Company's performance, shareholder returns, the value of similar incentive awards to executive officers at comparable companies, the value of similar awards given to other executive officers of the Company and the awards given to the executive officer in past years. The CEO shall not be present during voting or deliberations relating to his or her compensation.
- On an annual basis, review and approve the compensation of the Company's other executive officers, evaluate the executive officers' performance in light of those goals and objectives and determine and make recommendations to the Board with respect to executive officer compensation based on this evaluation. In evaluating and making recommendations with respect to the long-term incentive component of executive officer compensation, the Committee may consider, among such other factors as it may deem relevant, the Company's performance, shareholder returns, the value of similar incentive awards to executive officers at comparable companies, the value of similar awards given to other executive officers of the Company, and the awards given to the executive officer in past years. No executive officer may be present during voting or deliberations relating to his or her compensation.
- Review and make recommendations to the Board with respect to the Company's incentive compensation, equity-based and pension plans, if any. With respect to each such plan, the Committee shall have responsibility for:
  - implementing and administering the plan;
  - setting performance targets under all annual bonus and long-term incentive compensation plans as appropriate and committing to writing any and all performance targets for executive officers who may be "covered employees" under applicable laws and regulations.

- if called for by the plan, certifying that any and all performance targets used for any performance-based equity compensation plans have been met before payment of any executive bonus or compensation or exercise of any executive award granted under any such plans.
- Approving all amendments to, and terminations of, all compensation plans and any awards under such plans.
- Granting any awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers or current employees with the potential to become the CEO or an executive officer, including stock options and other equity rights (e.g., restricted stock and stock purchase rights).
- approving which executive officers are entitled to awards under the Company's stock option plans; and
  - approving repurchases of securities from terminated employees.
- In reviewing the Company's incentive compensation, equity-based and pension plans, the Committee may consider the plan's administrative costs, current plan features relative to any proposed new features, and the performance of the plan's internal and external administrators if any duties have been delegated.
- Review and recommend to the Board for approval any employment agreement or compensatory transaction with an executive officer of the Company involving compensation more than \$5,000,000.00 per year.
- Establish and periodically review policies concerning perquisite benefits and approve all special perquisites, special cash payments and other special compensation and benefits arrangements for officers and employees of the Company.
- Review and make recommendations to the Board with respect to executive officer and director indemnification and insurance matters.
- Review and recommend to the Board for approval the compensation of directors for their service to the Board. Review, evaluate and recommend changes, if appropriate, to the remuneration of directors.
- Approve compensation awards, including individual awards, as may be required to comply with applicable tax and corporate laws.
- Review and assess the adequacy of this Charter annually and recommend to the Board any changes deemed appropriate by the Committee.
- Review its own performance annually.
- Report regularly to the Board.
- Perform any other activities consistent with this Charter, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

The Compensation Committee shall meet at least two (2) times per year, or as often as necessary to fulfill its mandate.