

LUMBER DEPOT LIMITED

CORPORATE GOVERNANCE POLICY

INTRODUCTION

The Board of Directors (the “Board” or “Directors”) of Lumber Depot Limited (“Lumber Depot”) 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 judgement in what they reasonably believe to be the best interest of Lumber Depot, 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 its 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
- Organisational structure and succession planning
- Financial reporting
- Timely, accurate and balanced disclosure of material information about Lumber Depot to appropriate stakeholders, including the shareholders and the 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 effective 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 Board’s composition, structure and culture.

Directors are expected to regularly attend meetings of Lumber Depot’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 for 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 reasonable 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 Lumber Depot and of their duties and responsibilities. Lumber Depot shall assist Directors in this regard. The Directors' education programme will include a periodic review of the vision, core values, strategic direction, financial matters, industry news and market trends, corporate governance practices and other key practices of the Company and will provide for meetings with Executive Management. New Directors are provided with written information about Lumber Depot to assist them in their education. All Directors have access to presentations on aspects of Lumber Depot'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 Directors have access to the Company Secretary's advice and services in respect of the administration of the functions of the Board. Directors may obtain independent professional advice in the course of their 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 the Company will have a maximum of ten (10) Directors. The number of Independent Directors of the Company should equal or exceed fifty 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 circumstances, that is, a Director who:

- a) Has been an employee of Lumber Depot within the last three (3) years;
- b) Has or has had within the last three (3) years, a material business relationship with Lumber Depot either directly, or as a partner, shareholder, director or senior officer of a body that has such a relationship with Lumber Depot;
- c) Is an immediate family member or any Non-Independent Director or Senior Officer of the Company; or
- d) 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 Director 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 shares during “black-out” periods that include:

- the period of one month immediately preceding the announcement to the Jamaica Stock Exchange of Lumber Depot Limited’s quarterly financial results;
- the period of two months immediately preceding the preliminary announcement to the Jamaica Stock Exchange of Lumber Depot Limited’s annual financial results;
- 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 transactions with Lumber Depot 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 Lumber Depot or in a firm, that does business with the Company
- A transaction involving securities held in Lumber Depot
- Emoluments received from Lumber Depot
- Loans or guarantees granted by the Company to/for the Director
- Declaration of Board membership with a 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 a Director’s interest shall include interests of his connected persons.

Persons deemed to be connected with a Director are:

- a) The director's husband or wife.
- b) The director's minor children (these include step-children and adopted children) and dependents, and their spouses.
- c) The director's partners.
- d) Bodies corporate of which the director /or persons connected with him together have control (i.e. carrying more than 50% voting control).

BOARD COMMITTEES

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

a. Audit and Finance Committee

On behalf of the Board, the Audit Committee shall:

- Monitor the adequacy and effectiveness of Lumber Depot's systems of risk management, internal control and external auditors.
- Review Lumber Depot's annual and interim financial statements and related accounting policies and assumptions and any accompanying reports or related policies and statements.
- Monitor and review the effectiveness of the external auditor's independence, objectivity and effectiveness
- Develop and implement policy on the engagement of the external auditor to supply non-audit services
- Review and approve related party transactions.

The Chairman of the Audit Committee shall be appointed by the Board. The Board Chairman shall not be appointed Chairman of the Audit Committee. The Audit Committee shall consist of not less than three (3) members and shall not include more than one (1) Executive Director. The Audit Committee shall meet at least four (4) times per year.

b. Corporate Governance, Human Resources and Compensation Committee

The Corporate Governance 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:

- i. address corporate governance issues;
- ii. review the corporate governance practices and policies of the Company and to ensure that they are up to date and in compliance with the Board's Corporate Governance Policy, the law and best practices, and to make recommendations to the Board on any changes as necessary to such practices and policies;
- iii. oversee the development and implementation of a Board induction process for new directors and a programme of continuing director development, as needed;
- iv. establish and facilitate an effective process for the annual evaluation of Board members, committees, committee chairs and the Chairman of the Board and to make recommendations to the Board arising from the results of the annual evaluation process as appropriate; and
- v. review other corporate governance matters when necessary or required by the Board including the nomination of potential candidates for membership of the board and its subsidiaries
- vi. conduct an annual review of the remuneration policies for Senior Officers as well as employee benefits and compensation plans and training and other programmes.

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