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(ISAR)**

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Corporate governance disclosure

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2012 Review of the Implementation Status of Corporate Governance Disclosures: Case study Jamaica



Report by Syntegra Change Architects Ltd of Trinidad & Tobago
In collaboration with Private Sector Organization of Jamaica (PSOJ), and Institute of Chartered Accountant of Jamaica (ICAJ)
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Geneva, 2 November 2012

Possible Trends relating to Corporate Governance disclosures

- 1996 Financial Sector meltdown in Jamaica

- Period of Regulatory Reform
 - 2001 Jamaica entered a programme of regulatory reform (Banking Act, Financial Institutions Act, Financial Services Act, Securities Act)
 - 2002 International Financial Reporting Standards and International Standards on Auditing
 - 2004 Amended Companies Act

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Possible Trends relating to Corporate Governance disclosures

- PSOJ Corporate Governance Leadership
 - Between 2000-2005 work across the Caribbean to institute Corporate Governance codes
 - PSOJ provides leadership in Corporate Governance with, including a Corporate Governance Committee of 13 prominent people, seminars, training, partnerships, and very successful national Corporate Governance awards since approximately 2008.
 - PSOJ collaborated with Ministry of Finance and Office of Prime Minister with responsibility for governance in the public sector with a view to assist with the development of the Corporate Governance Framework for Public Bodies in Jamaica.

Jamaican statutory framework

related to Corporate Governance

- *The Corporate Governance Practices Disclosure requirements are within*
1. Companies Act, 2004
 2. JSE Rule Book, The Jamaica Stock Exchange, amended 2010
 3. JSE Rule Amendments 2010
 4. Bank of Jamaica Standard of Best Practice for Effective Corporate Governance of Deposit-Taking Entities of 2008
 5. Jamaica Public Bodies Corporate Governance Framework 2011
 6. PSOJ Corporate Governance Code 2006, 2009
 7. Bank of Jamaica Act, Amended 2002, 2004, 2005
 8. Financial Institutions Act, Amended 2002, 2004
 9. The Banking Act of 1992, Amended 2002, 2004
 10. Public Bodies Management and Accountability Act 2011 (PBMA)

Jamaican statutory framework

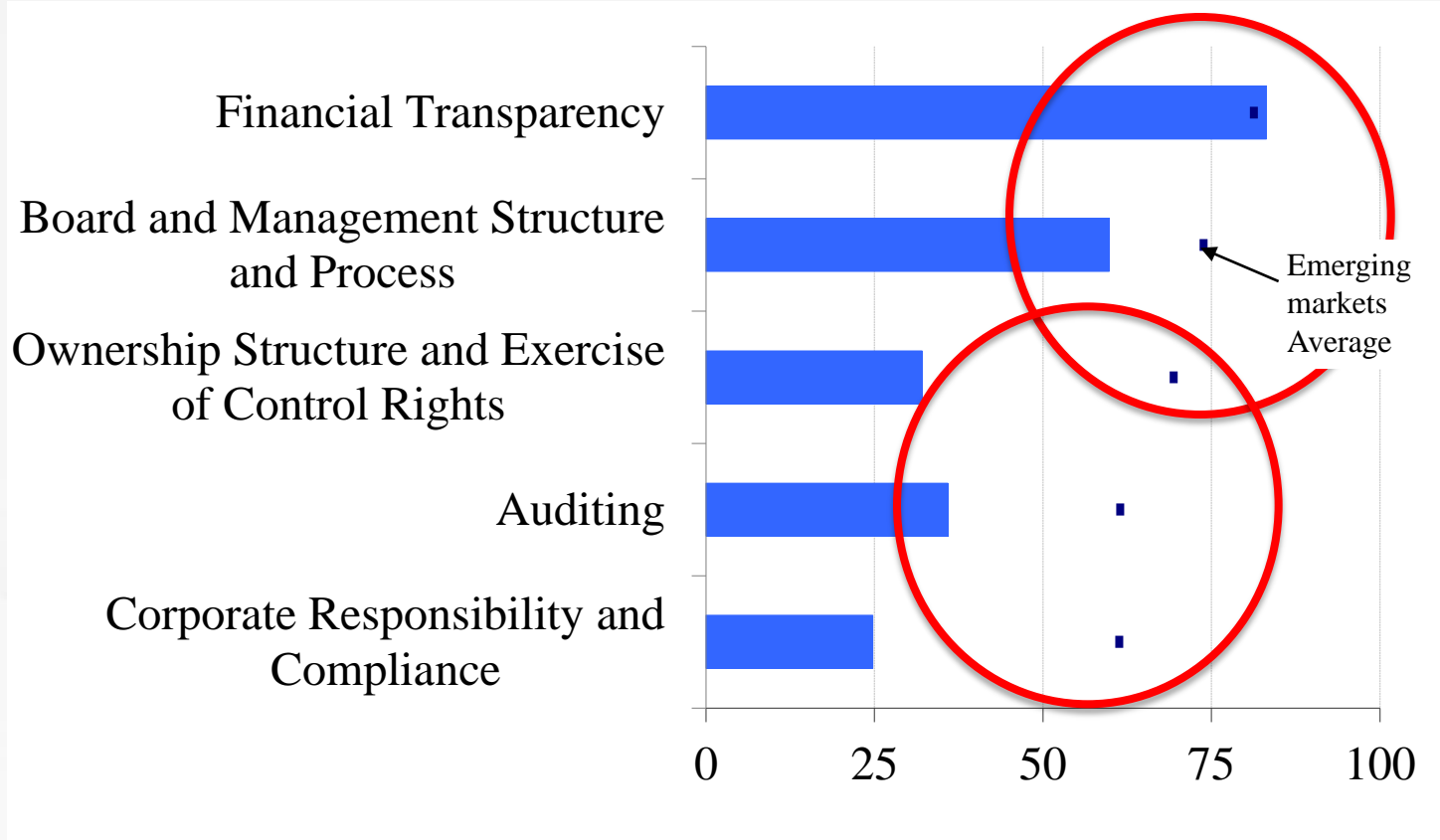
related to Corporate Governance

- *Companies in sample also bound by other laws and regulations that affect their corporate governance practices*
 1. Protected Disclosures Act of 2011
 2. *Financial Institutions Act, of 1992, amended as of 2004.*
 3. Contractor-General Act
 4. Proceeds of Crime Act
 5. Securities Act of 1993, Updated 2001
 6. Insurance Act (Act 26 of 2001)
- Jamaica is the only English Speaking Caribbean Country to have a Corporate Governance Code

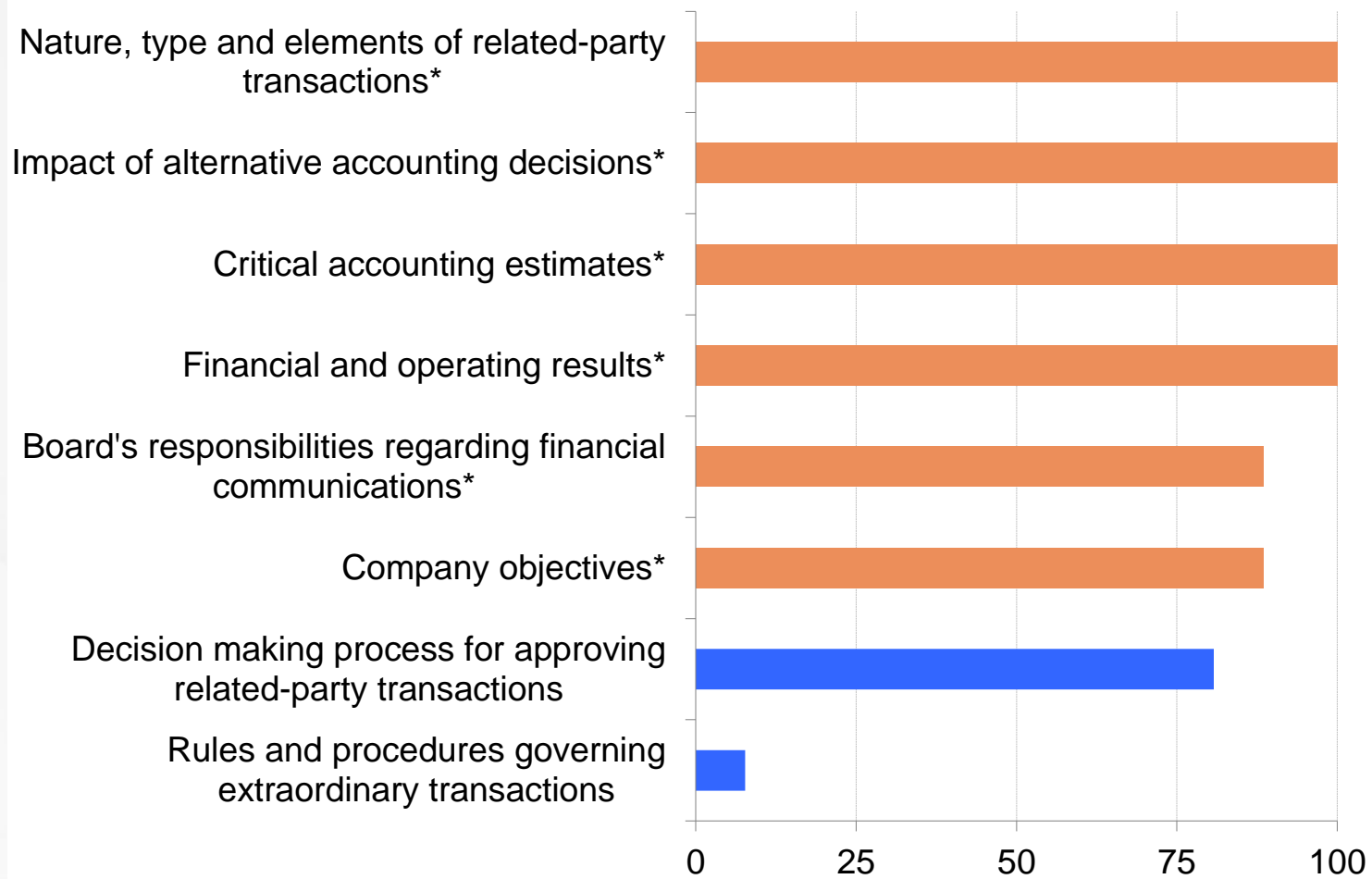
Method

- Purpose: evaluate the level of implementation of good practices in corporate governance disclosures in Jamaica
- Not attempting to measure the quality of the disclosure of individual items. Instead, the focus was to measure the existence of the selected disclosure items
- Sample of 26 enterprises was compared with the ISAR benchmark of 51 disclosure items
- Sample includes 26 of 38 members of the Jamaican Stock Exchange (JSE) Composite Index and therefore comprises a representative sample of members trading ordinary stocks on the JSE 'Main Market'
- Sources of information: Annual Reports, Company Website, By-Laws, Articles of Incorporation, Sustainability Reports, JSE website and direct representation – and any other information source accessible from the position of an 'interested investor'.
- Method: collection of accessible data, create individual company disclosure findings summary sheets, mail findings records to boards of all sample companies for review, comments and correction (30% response rate to findings review).

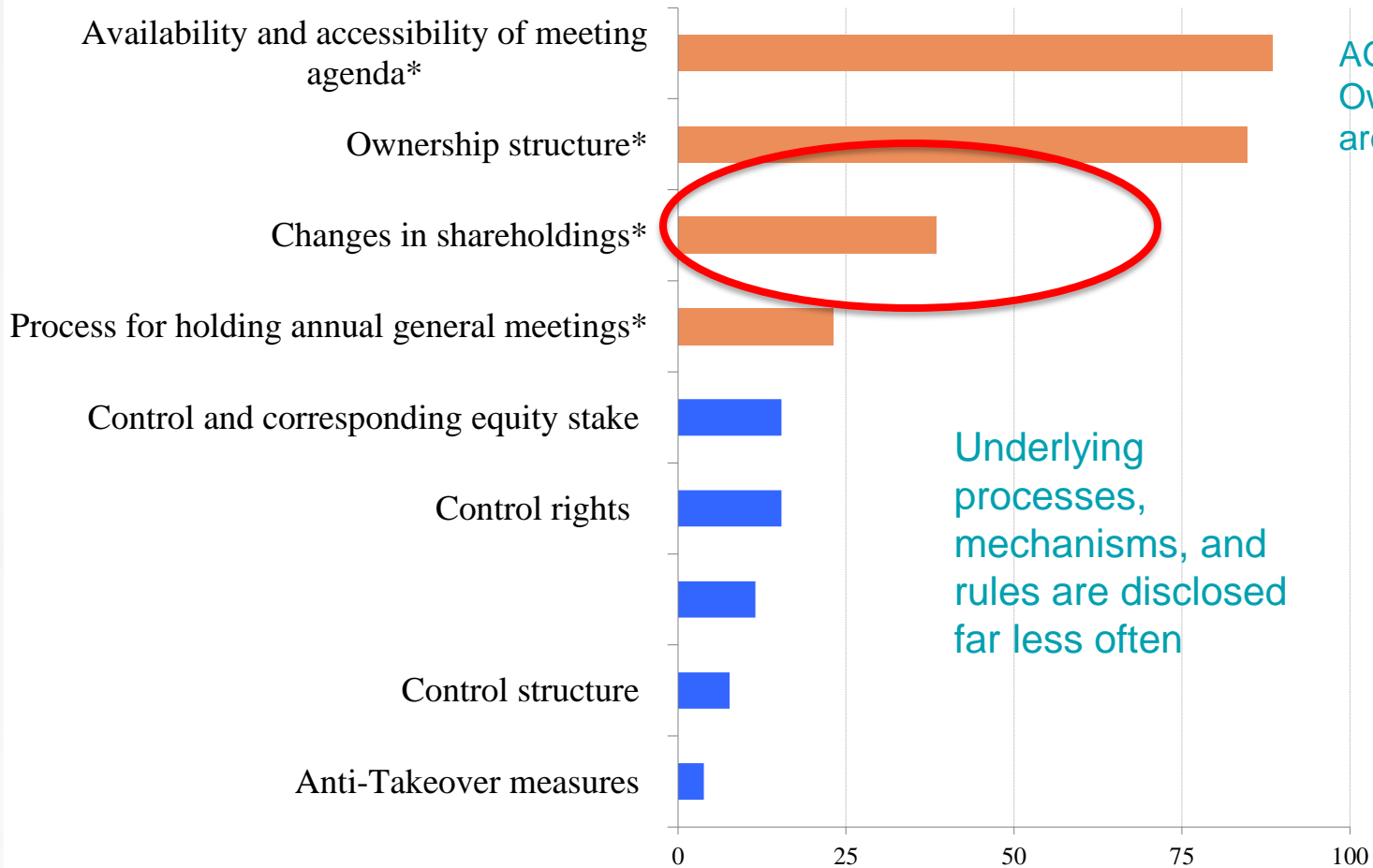
Jamaican enterprises disclosure practices



Financial transparency



Ownership structure and exercise of control rights



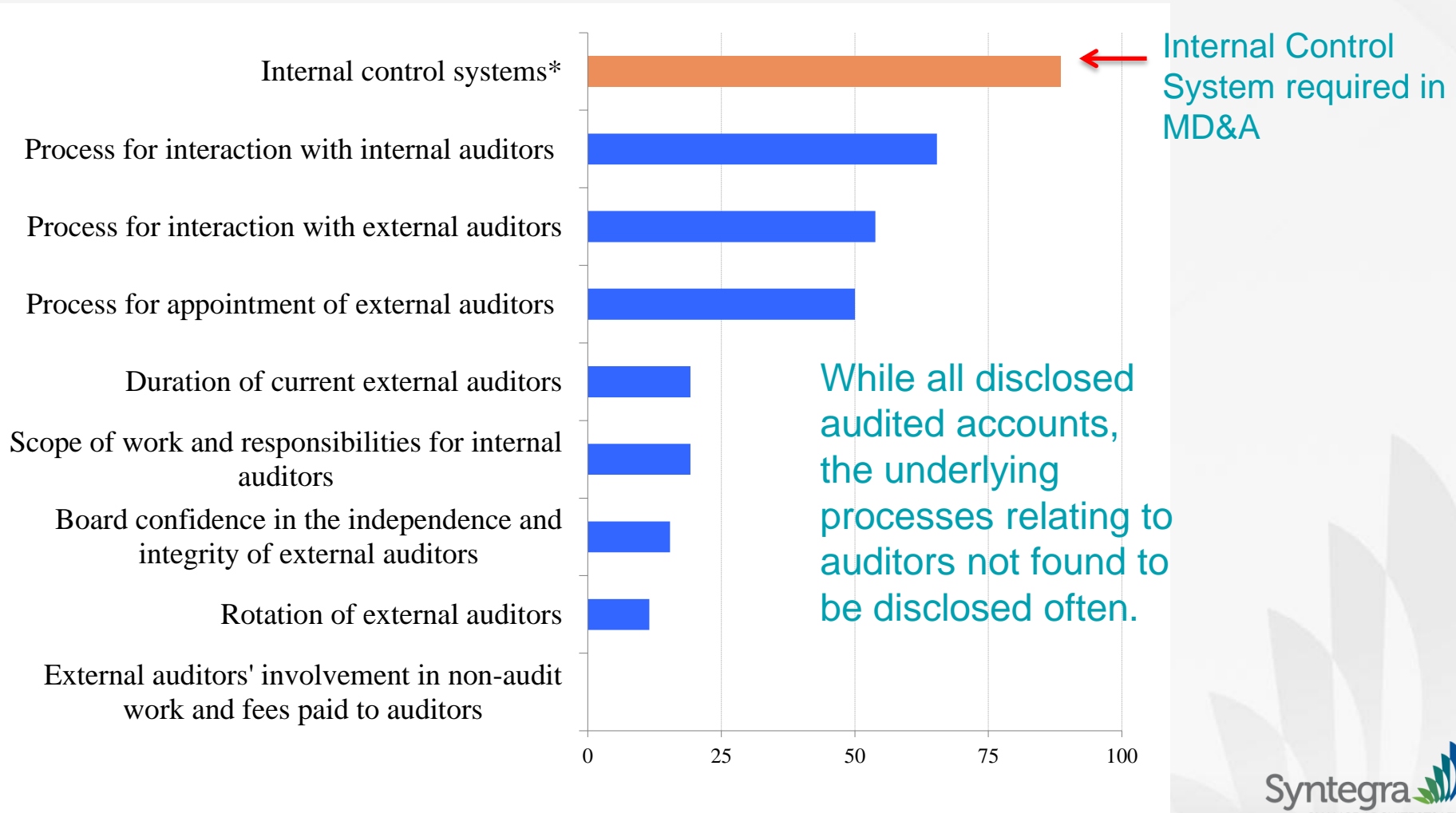
AGM, Agenda, Ownership Structure are clear

Underlying processes, mechanisms, and rules are disclosed far less often

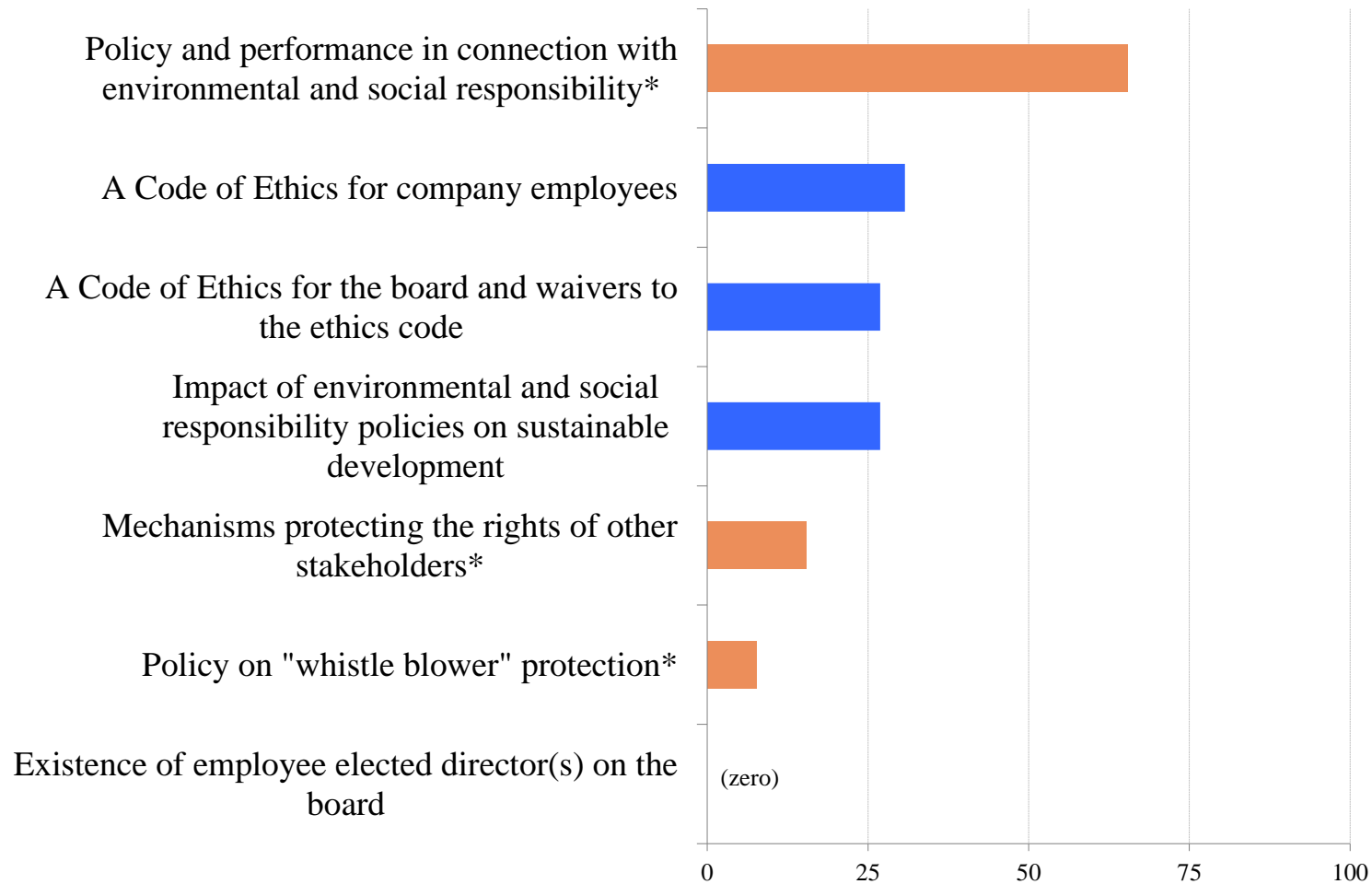
Board and management structure and process



Auditing



Corporate responsibility and compliance



31 Items from ISAR benchmark required by Jamaican laws and regulations

Part 1

	Findings (%)
Financial Transparency	
• Financial and operating results*	100
• Critical accounting estimates*	100
• Impact of alternative accounting decisions*	100
• Nature, type and elements of related-party transactions *	100
• Company objectives*	88
• Board's responsibilities regarding financial communications*	88
• Decision making process for approving related-party transactions*	81
Ownership Structure and Exercise of Control Rights	
• Availability and accessibility of meeting agenda*	88
• Ownership structure*	85
• Changes in shareholdings*	38
• Process for holding annual general meetings*	23
Auditing	
• Internal control systems*	88
Corporate Responsibility and Compliance	
• Policy and performance in connection with environmental and social responsibility*	65
• Mechanisms protecting the rights of other stakeholders*	15
• Policy on "whistle blower" protection*	8

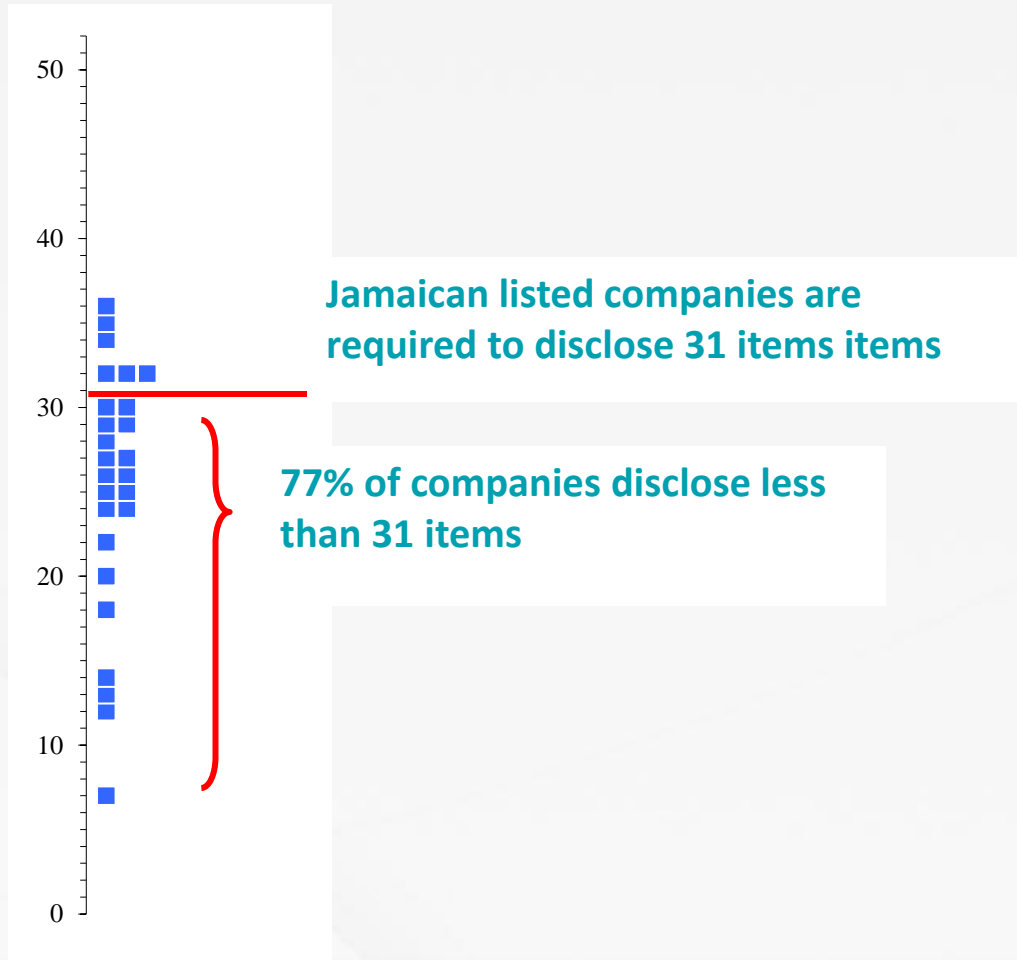


31 Items from ISAR benchmark required by Jamaican laws and regulations

Part 2

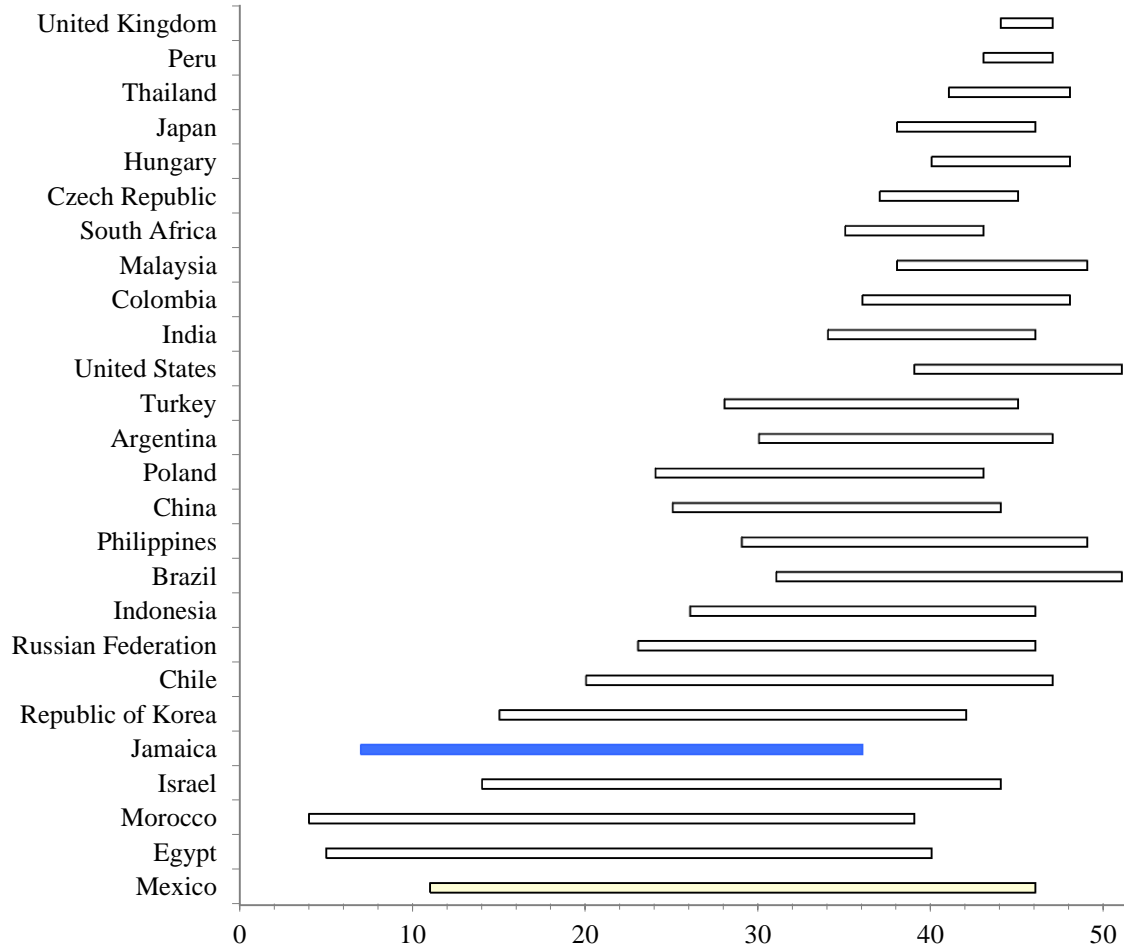
	Findings (%)
Board and Management Structure and Process	
• Composition of the board of directors*	96
• Risk management objectives, system and activities*	96
• Governance structures, such as committees and other mechanisms to prevent conflicts of interest*	88
• Qualifications and biographical information on board members*	85
• Types and number of outside board and management positions*	85
• Composition and function of governance structures*	73
• Role and functions of the board of directors*	73
• Independence of the board of directors*	73
• Material interests of senior executives and board members*	73
• Determination and composition of directors' remuneration*	58
• Existence of succession plan for senior executives and board members*	35
• Professional development and training activities for board members*	35
• Performance evaluation process for board members*	35
• Duration of directors' contracts*	19
• Availability of advisorship facility for board members or board committees*	19
• Compensation policy for senior executives departing the firm as a result of a merger or acquisition*	4

Reporting by enterprise



Reporting by enterprise

company practices highly variable



Conclusion

- *Many laws and regulations supporting Corporate Governance framework*
- *Mix of different Codes and Standards*
- *Lack of a central reference document needed to facilitate consistency and a coordinated programme*
- *The JSE & Public Bodies mandate each company to provide its own Corporate Governance framework*
- *However, the PSOJ, the lead organization in Corporate Governance in Jamaica does not obligate its members to comply with its Corporate Governance Code but strongly encourages them*
- *Given that the market capitalization of the 38 companies on JSE represents almost 50% of GDP, further progress is important for the Jamaica's sustainable advancement in economic growth.*
- *A possible policy recommendation would be to require all listed companies to post their Corporate Governance disclosures in a unified summary format to a central address, such as Financial Services Commission (FSC) website.*
- *The FSC may also want to give consideration to summarize the disclosed information and prepare on a scorecard to compare the results on an annual basis*

Thank you

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