

OPENING REMARKS

HON. KARL SAMUDA

**MINISTER OF INDUSTRY, COMMERCE, AGRICULTURE &
FISHERIES**

**PRIVATE SECTOR ORGANISATION OF JAMAICA (PSOJ)
LAUNCH OF UPDATED CORPORATE GOVERNANCE CODE
39 HOPE ROAD (PSOJ's OFFICES)
THURSDAY, DECEMBER 1, 2016**

Salutations:-

-
-

Ladies and Gentlemen,

Once again, it is my great pleasure to engage with members of the private sector.

Today, I am particularly pleased to be here for the launch of the PSOJ's updated Corporate Governance Code.

Corporate governance, it is clear to me, has been very well appreciated by the PSOJ which, ten trailblazing years ago,

pioneered the country's first Corporate Governance Code - a first also in the Caribbean.

Unlike the first, this revised Code was not preceded by a major international financial crisis, as we experienced in 2007-2008. Following the financial crisis, many changes to corporate governance standards were initiated globally, regionally, and at national levels. Briefly, these included:

- Increased regulation, as opposed to voluntary codes, in some areas of corporate governance, to ensure compliance and to ensure that the codes provide for flexibility of application to support company diversity
- Increased transparency and better information were also demanded from companies, particularly on governance and board effectiveness, related-party transactions, company strategy, risk, performance, and company culture, and we have also seen
- A shift in the emphasis of corporate governance regulations, to consider its role and effects on capital markets, not just on individual companies

Importance of Corporate Governance

Good corporate governance, therefore, ensures that the business environment is fair and transparent and that companies can be held accountable for their actions.

Conversely, weak corporate governance can lead to waste, mismanagement, corruption, and also interrupt the proper functioning of a country's financial markets.

In this regard, we certainly appreciate the fact that the PSOJ's 2016 Corporate Governance Code is focused on companies listed on the Jamaica Stock Exchange. Indeed, experience has shown that the better the quality of corporate governance and shareholder protection, the more successful is a country's stock market.

In relation to the banking sector, we only recently welcomed the Bank of Jamaica's enforceable Banking Services (Deposit Taking Institutions) **Code of Conduct**, which deposit taking institutions must adhere when addressing customer related matters. This became effective on August 30, 2016.

The BOJ's Code of Conduct, as you may know, covers matters relating to disclosure, notification, advisories, and access to information, complaints, complaints resolution, confidentiality and record keeping. All of these are critical areas that consumers

must not only be aware of when conducting business with banks in Jamaica, but must also be protected against in cases where there are unfair practices.

Since 2009, the Consumer Affairs Commission (CAC) has been advocating a Code of Conduct for the banking industry, owing to the many concerns raised by consumers about the unfair and non-transparent practices being experienced. The **Banking Services Code of Conduct**, therefore, is a positive for consumers as it relates to accountability and transparency when conducting business with banks in Jamaica.

Let me also commend the PSOJ, particularly through your Corporate Governance Committee, for the significant contribution you have been making towards developing an appropriate corporate governance framework within the public sector. This has resulted in the Corporate Governance Framework for Public Bodies (2011), and more recently, the first Public Sector Corporate Governance Award to recognize public sector entities that display transparency, accountability, and good governance practices.

Ladies and gentlemen, the PSOJ's Code of Governance is being launched in an environment of growing business confidence, and

where there is firm commitment by both government and private sector to laying the groundwork for sustained economic growth.

We see today an unprecedented commitment to growth with the establishment of the **Economic Growth Council**, charged with driving economic growth in our country, and seeking to achieve 5% GDP in four years.

And so, you may ask, what is the connection or significance between the Code of Governance and economic growth?

Governance, Growth and Development

Corporate governance has an impact on growth and development in a number of ways, including, but not limited to:

- Increased access to external financing by firms, which can lead to greater investment, higher growth, and greater employment creation
- Lower cost of capital, thereby making investments more attractive to investors, and leading to growth and more employment.
- Improved operational performance through better allocation of resources and better management

- Reduced risk of financial crises, which is particularly important, as financial crises can have a huge social and economic impact

Conclusion

Corporate governance, however, is not an overnight remedy. It is a journey and, sometimes, a journey with challenges, as well as opportunities.

Corporate governance is about putting in place better informed boards, and improving the quality of corporate and management performance in all economic sectors, within the public and private sectors.

Good corporate governance is, therefore, key to sustainable private sector development, consumer protection, and the overall growth of our economy.

Ladies and gentlemen, for these and other reasons, we welcome and celebrate the launch of this revised PSOJ Code of Governance.