1. POLICY STATEMENT

Factories Corporation of Jamaica Ltd (FCJ) is committed to a risk aware culture that is fundamental to the maintenance and improvement of the agency's objectives of sustainably building growth and value, whilst protecting its:

- position as a leading provider of industrial and commercial space in Jamaica;
- respected position in the community; and
- Employees' engagement and wellbeing.

SCOPE OF THE POLICY

This policy is intended to provide a framework for embedding a culture of risk through the organization. The policy also documents the persons responsible for reporting and monitoring risks, and the procedures for identifying, assessing and controlling risks. This policy and the supporting Risk Management Guidelines and Compliance Plan, are reviewed at least annually or in response to changes and are designed to encourage a balance of both risk and reward.

In support of the above, FCJ has adopted the guidance provided by ISO 31000:2009 "Risk Management Principles & Guidelines" in its approach to Risk Management and the formulation of this policy.

The risk aware culture maintained by FCJ is further supported by compliance systems and processes consistent with the requirements of Jamaican Standard "Compliance Programs" as well as Principle 14 – Role of the Board in Enterprise Risk Management laid out in the Corporate Governance Framework for Public Bodies.

2. GUIDING PRINCIPLES

The objectives of the Enterprise Risk Management Policy are to:

- integrate risk management into the annual strategic business planning & budgeting process;
- quickly and effectively respond to environmental and legislative changes;
- encourage a balance of both risk and reward; and
- embed a culture of risk management into all of FCJ's operations and business units.

These objectives will be realized by

- having effective risk assessment tools and procedures for identifying, assessing and monitoring risk throughout the organization;
- using Information Technology as a component in the risk management process;
- periodic training for all members of staff, executive team and the Board of Directors;
- instituting clear roles, responsibilities and reporting lines for risk management.

3. DEFINITIONS

a) **Risk event** – A specific occurrence that negatively impact the organization.
b) **Inherent Risk** – This is the likelihood of loss arising out of a risk event without any mitigating or control actions.
c) **Residual Risk** – The risk that remains after mitigating or control actions have been taken.
d) **Risk Matrix** - A matrix that is used during risk assessment to define the level of risk by considering the category of probability or likelihood against the category of consequence severity.

4. RISK MANAGEMENT

a) Risk Appetite and capacity

FCJ, through the Board and Audit and Risk Management Committee (ARMC), determines its capacity for risk by examining the organization's ability to absorb losses in key areas:

(i) **Financial Risk** – the chance that FCJ does not have sufficient cash flows to meet its obligations.
(ii) **Infrastructure Risk** – the risk of losses (not limited to financial losses) due to failure in facilities, organizational structures and services.
(iii) **Investment Risk** – The risk of receiving lower than expected returns on investments.
(iv) **Counterparty Risk** – The risk that each party to a contract fails to uphold its obligations.
(v) **Reputation Risk** – The risk of losses due to damages of FCJ brand.

The Board and the ARMC will assess at least once per year (or whenever there are significant changes in FCJ's objectives or environment) if these five (5) keys remain the critical ones.

FCJ's risk appetite and risk capacity are reviewed and endorsed by the Minister of Finance and the Public Service as well as the Permanent Secretary of the Ministry under which the FCJ falls.

FCJ therefore sets its risk appetite and tolerance to be consistent with its risk capacity. This policy is structured so that FCJ accepts, avoids or treats risks based on its risk appetite, in order to achieve business objectives.

b) Risk Register

The integration of risk management into the annual strategic business planning & budgeting process is a key element of FCJ's approach to risk management. FCJ's business planning framework includes a process for identifying, recording and updating the risk register. The risk register records all significant risks that could prevent FCJ from achieving its objectives, thereby ensuring that Risk Management remains an intrinsic part of the planning process.

The process of identifying these risks involves using a variety of methodologies, including but not limited to, surveys, questionnaires, workshops, flowchart, SWOT and PESTLE analyses. This process is driven by management but includes all members of staff in all business units of FCJ.

FCJ's Risk Officer (Chief Strategic Officer) is responsible for the maintenance and updating of the risk register. The Risk Officer is also responsible for recording in the risk register, those risks that cut across business units within FCJ.

c) Risk Assessment

Risk is assessed along the dimensions of likelihood and impact and where applicable, velocity. The measurement scales for these dimensions are periodically reviewed and endorsed by the Board of Directors. Severity scores are computed based on the likelihood, impact and velocity scores and compared with FCJ's risk appetite for each type of risk. This determines the appropriate risk response for each risk event. A risk matrix is used to depict the critical risk events.

d) Risk Response (Risk Treatment)

FCJ's response to the risk assessment falls into four (4) categories.

- Accept and monitor if the inherent risk is within FCJ's risk capacity.
- Exploit the risk to better achieve FCJ's objectives, if FCJ has the resources to do so.
- Develop control actions (for example, insurance) to reduce the likelihood and impact of the risk events so that the residual risks fall within FCJ's risk capacity.
- Avoid the risk if FCJ is unable to develop control actions that can reduce the residual risk within FCJ's risk capacity.

e) Conflict of Interest

Where in the course of undertaking risk management activity (as outlined within the Risk Management Guidelines) conflicts of interest arise, the Enterprise Risk function is utilised as a means to ensure the unbiased rating and reporting of risk. Via participation in regular risk workshops (and more broadly via the FCJ Business Code of Conduct), the Enterprise Risk & Compliance function independently ensures that conflicts of interest are identified and appropriately addressed.

5. REPORTING

As part of FCJ's approach to risk management, regular reporting as to business risk management performance is ensured via key risk indicators (KRI's), which are linked to the organisational objectives. These indicators are detailed within regular reporting to the group's ARMC and are measured and reported on a quarterly basis.

Management is charged with the responsibility of investigating incidents or near misses and taking appropriate action to prevent/reduce recurrence. Key compliance processes outlining the methods by which incidents and breaches are reported, are outlined in FCJ's Compliance Plan, which further builds on the intent of this policy. These incident reports will guide the ARMC to new and emerging risks that are to be included and assessed in the risk register in subsequent periods.

The reports are critical to continual assessment and improvement of the risk management framework. These reports will indicate if the existing control actions and monitoring are sufficient to reduce risks to acceptable levels. If not, then prompt corrective actions will be initiated.

6. ROLES & RESPONSIBILITIES

a) FCJ Board

Since risk management and compliance are both complex and critical components of FCJ's Governance Framework, the FCJ Board has empowered the Audit and Risk Management Committee ("ARMC") to oversee, review and report to the Board on the Risk Management and Compliance Frameworks for the agency. FCJ Board receives minutes and reports from the ARMC.

b) Executive Risk Committee ("ERC")

To ensure there is a disciplined approach to the identification and management of risk, an ERC comprising the Chief Audit & Risk Officers (CARO), the Managing Director and various other senior executives meets on a quarterly basis. These meetings are used to Analyse and Assess the different key areas.

c) Managing Director

The Managing Director is charged with implementing appropriate risk and compliance systems within FCJ and aspects of this process have been delegated to the CARO and the Legal division.

d) Internal Audit/Risk and Compliance

Internal Audit facilitates good governance by periodically reviewing the continuing suitability and effectiveness of the Risk & Compliance framework, with findings and recommendations for continuous improvement provided to the ARMC.

Internal Audit (IA) also conducts ongoing audits of compliance performance and the compliance programs established throughout the business. IA is responsible for monitoring, investigating and reporting on internal control systems.

Internal Audit/Risk and Compliance will also:

- Report to the Board of Directors and the ARMC as to the agency's risk & compliance practices. Part of this reporting and assurance involves conveying the results of monitoring undertaken on business unit progress in implementing agreed treatments for key risks.

- Providing guidance, policy and tools to enable business units to manage their risk.

e) FCJ Business Units

Each business unit is required to:

- Establish clear objectives aligned to corporate objectives and identify, analyse and evaluate risks that arise from uncertain events that may impact the business unit's ability to meet those objectives;

- Ensure that all existing controls are operating as required and providing a level of comfort with respect to the mitigation of the identified risk;

- Develop, implement and maintain appropriate risk treatments for those risks deemed to be of a sufficient rating that warrants further mitigation than the existing control frameworks;

- Continuously monitor and review the risks, controls and treatments, in conjunction with Enterprise Risk & Compliance;

- Provide assurance regarding the extent of compliance with this policy on a quarterly basis;

- Actively promote compliance and establish a culture and appropriate systems within their respective workplaces, which ensure that breaches of the law do not occur.

7. COMMUNICATION

Senior Management are responsible to ensure that all staff members are fully aware of their roles and responsibilities in ensuring that FCJ is fully compliant with the highest level of risk management. Senior management are required to:

- Communicate with staff as to their roles and responsibilities in managing risk;

- Communicate to the ARMC as to risk assessment, identified weaknesses, identified opportunities and risk events as they occur;

- Use the risk management approach and language outlined in this policy and Risk Management Guidelines when defining and communicating risk; and

- Comply with detailed and specific risk management policies designed to provide further guidance and clarity as to the Corporation's risk appetite.

8. BUSINESS CULTURE

FCJ's staff at all levels, are responsible for being aware of the requirements of any laws that apply to their day to day activities and for complying with them. They must:

- Observe the Risk & Compliance Policy and adhere to the systems and procedures established to make it effective;
- Report immediately any incident or occurrence thought or known to constitute a breach of a requirement of a law, whether or not it is within the person's immediate area of responsibility;

- Seek advice from their Manager if they are uncertain about any aspect of the relevant law;

- Where appropriate, suggest ways in which practices, systems and procedures could be improved so as to reduce the likelihood of a breach occurring.

9. TRAINING

- All Board members will be exposed to high training in enterprise risk management.

- Staff with direct responsibility and oversight of the risk management process will undergo detailed/formal training in enterprise risk management.

- All members of staff must be exposed to sufficient training in risk management that will, at a minimum, sensitize them to the various aspects of risk management.

10. POLICY REVIEW

This policy should be subject to review at least every two (2) years to ensure its effectiveness and continued relevance. The Audit and Risk Management Committee will be responsible for conducting this review and making the necessary recommendations to the Board.

REVISION HISTORY

Version	Description	Reviewed by	Date Reviewed
1	No amendments/ adjustments made	Corporate Governance Committee	March 2021
2	Reviewed and amended	Corporate Governance Committee	March 15, 2023
3	Name changed from Risk and Compliance Policy to Enterprise Risk Management Policy. Management to research relevant requirements of the Disabilities Act and Board to review Risk Matrix throughout the year.	Corporate Governance Committee	March 27, 2025

APPROVAL HISTORY

Version	Approved by	Date Approved	Date Effective
1	Board of Directors	March, 2019	April, 2019
2	Board of Directors	March, 2021	April, 2021
3	Board of Directors	March 30, 2023	March 30, 2023
4	Board of Directors	May 1, 2025	May 1, 2025