

Cayman Islands Directors Association

Code of Professional Conduct

October 2008

Introduction

This Code has been issued by the Cayman Islands Directors Association (CIDA) in order to assist each member of CIDA (CIDA Member) meet high standards of professionalism and ethics. The Code provides guidance to CIDA Members and lays down the standards that CIDA expects.

The fundamental aims of CIDA include the promotion and maintenance of high standards of professionalism, ethics, conduct, skill and efficiency for its members. To further these aims, it requires all CIDA Members to adhere to this Code of Professional Conduct (the Code), as a way of providing tangible evidence of their commitment to professionalism and probity. CIDA Members who breach the Code may be subject to disciplinary action by CIDA.

The Code applies to all CIDA Members irrespective of the country of incorporation of the company on whose board of directors they serve.

With permission from the Institute of Directors in the UK (IOD), the Code has been based upon the latest edition of IOD's Chartered Directors Code of Professional Conduct published in August 2008.

Cayman Islands Directors Association (CIDA)

Code of Professional Conduct

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The Code of Professional Conduct

All references to the masculine gender include the feminine

A Member of the Cayman Islands Directors Association (CIDA Member) shall:

Article 1

Exercise leadership, enterprise and judgement in directing a company so as to achieve its continuing prosperity and act in the best interests of the company as a whole.

A CIDA Member should recognise that, as a member of the board, he has individual and collective responsibility for enterprise and the exercise of commercial judgement in his company. Each CIDA Member should endeavour to ensure that the board fulfils its key purpose of safeguarding and improving the company's prosperity.

A CIDA Member should endeavour to make certain that the responsibilities of the board have been specified clearly and are properly understood. A CIDA Member should be diligent in discharging his duties to the company and must acquire a broad knowledge about the business of the company and the statutory and regulatory requirements affecting company direction.

A CIDA Member should aim to attend all board meetings.

Article 2

Follow the standards of good practice as promulgated by CIDA from time to time and act accordingly and diligently.

A CIDA Member should endeavour to ensure that the board is properly constituted and managed, addresses its key tasks and devotes sufficient time to address each of them properly.

A CIDA Member should always assist his board in ensuring that the board establishes vision, mission and values for the company, sets strategy, delegates appropriately to management, is accountable to shareholders and holds itself responsible to relevant stakeholders.

A CIDA Member should insist that the board is provided with sufficient regular and timely information to enable the directors to discharge their duties of care and diligence. If adequate or timely information is not provided, the CIDA Member should make an appropriate objection. Any objection, and the reasons for it, should be included in board minutes. An internal audit of systems supporting the board should be conducted regularly.

A CIDA Member should endeavour to make sure that access between the board and the auditors is open and unimpeded. A CIDA Member should be satisfied that the scope of the audit is adequate and that management and any internal auditors have co-operated fully.

Article 3

Serve the legitimate interests of the company's shareholders.

A CIDA Member should endeavour to ensure, acting as a member of the board of directors of a company, that the company is financially viable, and properly managed so as to protect and enhance the interests of the company and its shareholders over time.

A CIDA Member should seek to understand the expectations of shareholders and endeavour to fulfil them when deciding upon the best interests of the company. A CIDA Member should seek to ensure that proper communication is made with shareholders on the general strategies being adopted for the company and on other matters of importance, bearing in mind the needs of commercial security and Stock Exchange and other compliance requirements where appropriate.

A CIDA Member should seek to ensure that all shareholders or classes of shareholders are treated fairly according to their relative rights.

Article 4

Exercise responsibilities to employees, customers, suppliers and other relevant stakeholders, including the wider community.

Whilst the obligations of a CIDA Member are primarily owed to the company, it is also necessary to take into account the interests of all individuals and groups which the board judges have a legitimate interest in the achievement of company objectives and the way in which these objectives are achieved.

A CIDA Member should ensure that the board identifies and knows the interests, views and expectations of these stakeholders. He should ensure that communications with such parties are timely, effective and unbiased, subject to the needs of commercial security and regulatory compliance where appropriate.

A CIDA Member should help his board promote goodwill with stakeholders and be prepared to be accountable for company actions.

A CIDA Member should encourage the board to set up procedures for managing relationships with stakeholders, particularly at times of crisis (e.g. litigation, environmental disasters, takeover bids).

Article 5

Comply with relevant laws, regulations and codes of practice, refrain from anti-competitive practices, and honour obligations and commitments.

A CIDA Member must at all times comply with the law and should endeavour to ensure that his company at all times complies with the law governing its operations. In evaluating the interests of the company, a board of directors is accountable to the shareholders as a whole, but must also evaluate their actions in a broader social context and must be conscious of the impact of their business on society. Particular attention should be paid to the environment, questions of occupational health and safety, employee relations, equal opportunity for employees, the impact of competition rules and consumer protection rules, and other legislative and regulatory initiatives that may arise from time to time.

A CIDA Member who is a director of a company whose securities are listed on any Stock Exchange should ensure that the company complies with the listing rules of the Exchange. In particular he must observe those rules relating to any benefits that a director or an associated person may receive from the company by way of an issue of shares or any other transaction of a similar nature.

Article 6

At all times have a duty to respect the truth and act honestly in his business dealings and in the exercise of all his responsibilities as a director.

A CIDA Member should not obtain, attempt to obtain, or accept, any bribe, secret commission or illegal inducement of any sort.

A CIDA Member must be prepared, if necessary, to express disagreement with colleagues, including the chairman, chief executive or managing director.

A CIDA Member should accept that resignation or dismissal may sometimes be the ultimate consequence of sustained protest on a matter of conscience or judgement. However, if there is no need to express disagreement, a CIDA Member should be prepared to accept collective responsibility and implement the decisions of the board as a loyal member of the board.

If a CIDA Member is in doubt whether a proposed course of action is consistent with his fiduciary duties, then he should not support the course of action. Independent advice should be sought as soon as possible to clarify the issue.

When a CIDA Member concludes that he is unable to acquiesce in a decision of the board, some or all of the following steps should be considered:

- a) making his dissent and its possible consequences clear to the board as a means of seeking to influence the decision;
- b) asking for additional legal, accounting or other professional advice;
- c) asking that the decision be postponed to the next meeting to allow time for further consideration and informal discussion;
- d) tabling a statement of dissent or writing to the chairman and asking that the statement or letter be minuted;
- e) calling a special board meeting to consider the matter;
- f) resigning and considering advising the appropriate regulator.

A CIDA Member who chooses to resign on a point of principle should consider disclosing the reasons for resignation to shareholders or to the appropriate regulator, though a CIDA Member should bear in mind the duty not to disclose confidential information.

Article 7

Avoid conflict between his personal interests, or the interests of any associated company or person, and his duties to the company.

A CIDA Member must not take improper advantage of the position as director to gain, directly or indirectly, a personal advantage or an advantage for any associated person which might cause detriment to the company. A CIDA Member should not use inside information for gain.

The personal interests of a CIDA Member, and those of associated persons, must not take precedence over those of the company's shareholders generally.

A CIDA Member should seek to avoid conflicts of interest wherever possible. Full and prior disclosure of any conflict, or potential conflict, must be made to the board. Where an actual or potential conflict does arise, a CIDA Member should consider refraining from participation in the debate and/or voting on the matter. The board should develop guidelines on the circumstances in which benefits to be received by a CIDA Member or an associated person are of sufficient magnitude that the approval of the shareholders should be sought, even if not required by law. The board should inform shareholders of these guidelines.

A CIDA Member must not buy or sell shares while in possession of confidential information as a director of a company which, if disclosed publicly, would be likely materially to affect the price of the company's shares. The board should lay down precisely when shares can be traded by a director of a company, subject to legal or regulatory restrictions.

A CIDA Member who is appointed to a board at the instigation of a party with a substantial interest in the company, such as a major shareholder or a creditor, should recognise the potential for a conflict of interest. The CIDA Member's duty is to make a contribution in the interests of the company and the shareholders as a whole and not only in the interest of the interested party. Confidential matters should not be disclosed to such interested parties without the prior agreement of the board.

Where obligations to other people or bodies may preclude a CIDA Member from taking an independent position on an issue, the CIDA Member should disclose the position to the board and it is for the board to judge whether or not he should take part in the board's consideration of the issue.

A CIDA Member from time to time may need expert advice in order to discharge his duties properly. Separate independent advice should always be sought by a CIDA Member on matters that may affect his position vis-à-vis the company.

Article 8

Not make improper use of information acquired as a director or disclose, or allow to be disclosed, information confidential to the company.

A CIDA Member must not make improper use of information acquired by virtue of his position as a director. This prohibition applies irrespective of whether or not the CIDA Member or any associated person would gain directly or indirectly a personal advantage or whether or not the company would be harmed.

A CIDA Member must not disclose, or allow to be disclosed, confidential information received in the course of the exercise of his duties as a director, unless that disclosure has been authorised by the board of the company or is required by law. Matters such as trade secrets, processes, advertising and promotional programmes, and statistics affecting financial results are particularly sensitive and must not be disclosed.

A CIDA Member should make sure that any information which is not publicly available and which would have a material effect on the company's share price is not provided to anyone who may be influenced to subscribe for, buy or sell shares, or may advise others to do so. Such information includes, but is not limited to: profit forecasts, proposed share issues, borrowings, impending take-overs, impending litigation, significant changes in operations, new products, new discoveries, and financial problems. A CIDA Member who is a director of a company listed on any Stock Exchange should ensure that adequate

and timely disclosure is made to such Stock Exchange. In addition, they must not knowingly or recklessly disseminate false or misleading information to the market.

Article 9

Not recklessly or maliciously injure the professional reputation of another member of CIDA and not engage in any practice detrimental to the reputation and interests of CIDA or of the profession of director.

This clause covers all behaviour which unjustifiably brings the profession or CIDA into disrepute. It is impossible to list all instances where questions of duties to the profession of company direction and to colleagues may arise. However, there is a continuous and comprehensive duty on all members of CIDA to act in such a way as to uphold the dignity and reputation of the profession, and to conform with any specific requirements that CIDA may prescribe in connection with particular circumstances.

A CIDA Member is obliged to uphold the traditions of CIDA and to strive to maintain and improve its reputation.

A CIDA Member should always act with integrity towards CIDA; he should declare his position if faced with a conflict of interest when representing CIDA; and he should not knowingly misrepresent the views or policies of CIDA. He should not purport to represent CIDA without the express or implied authority of CIDA.

A CIDA Member should respect the professional standing of other members of CIDA.

Ultimately, the conduct of companies depends upon the propriety and behaviour of those engaged in directing them. A CIDA Member should therefore accept the responsibility to contribute personally to the efficiency and welfare of the profession as a part of the professional concept of service to the community.

Article 10

Keep abreast of current good practice.

A CIDA Member should keep abreast of both practical and theoretical developments in direction to ensure that his expertise is constantly relevant. Directors should refer to any guidance issued by CIDA from time to time (which can be accessed on CIDA's website), to ascertain how this obligation may be put into practice.

Continuous and rapid change is the norm in business and it is the responsibility of a CIDA Member continually and systematically to add to his knowledge and expertise; it is not enough to match present good practice and thereafter regard oneself as adequately equipped for the future.

Article 11

Set high personal standards by keeping aware of and adhering to this Code, both in the spirit and in the letter, and promoting it to other directors.

A CIDA Member must honour the Code in the spirit as well as in the letter. No Code can be all-embracing. It is not possible to identify every circumstance in which the provisions of this Code need to be applied and undoubtedly there are many other circumstances not mentioned in the Code in which the conduct and integrity and enterprise of a CIDA Member must be of considerable importance. However, the Code is not intended merely to prohibit certain specified kinds of conduct, allowing any kind of actions it does not specifically rule out.

When questions arise which are not covered explicitly by the Code, personal adherence to the generally accepted principles of honesty, professionalism and justice should determine a CIDA Member's behaviour.

A CIDA Member is expected to use common sense in applying the spirit of the Code, but the intention of the Code is that members should consistently meet a standard higher than basic acceptable requirements.

A CIDA Member is expected to bring the same high standard of integrity to his non-business life as is demanded in his professional activities when these spheres of activity overlap.

A CIDA Member must not knowingly cause or, where he has the power to prevent, permit any other party to be in breach of this Code or be a party to a breach.

Article 12

Apply the principles of this Code appropriately when acting as a director of a non-commercial organisation.

Many aspects of this Code apply specifically to commercial companies. However, many of the principles will be applicable to CIDA Members who find themselves retained as directors of other types of organisation.

If there is any doubt, CIDA Members who are directors of such organisations should always endeavour to apply the spirit of this Code and its general principles.

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