

Orchestrating a Heritage of Trust

corporate governance



CORPORATE GOVERNANCE REPORT

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Guardian Group is the largest financial services institution throughout the English and Dutch Speaking Caribbean. The Group understands and takes very seriously its responsibility to strengthen and build upon the pillars of good corporate governance. The Group constantly reinforces its commitment to maintain a governance framework of the highest standards while nurturing a culture that is compliant, transparent and accountable.

The following sections focus on the key aspects of the Group's Corporate Governance framework and its corporate governance activities for the financial year ended December 31, 2017.

Set out in the Appendix of this report are further details on the Group's corporate governance framework, structure and duties of the Board committees.

BOARD COMPOSITION

The Board of Guardian Holdings Limited (GHL) comprises twelve directors, two of whom are Executives and ten who are Non-Executive. The members of the Board during the reporting period are:

1. Arthur Lok Jack	Chairman Non-Executive
2. Henry Peter Ganteaume	Deputy Chairman Non-Executive
3. Ravi Tewari	Group Chief Executive Officer Executive
4. Imtiaz Ahamad	Non-Executive
5. Dennis Cohen	Non-Executive
6. Richard Espinet	Executive

7. David Philip Hamel-Smith	Non-Executive
8. Patrick Hylton	Non-Executive
9. Antony Lancaster	Non-Executive
10. Michael Lee-Chin	Non-Executive
11. Nicholas Lok Jack	Non-Executive
12. Maxim Rochester	Non-Executive

The Chairman, Mr. Arthur Lok Jack is a Non-Executive Director but, as a significant shareholder, does not meet the independence criteria of the Company's by-laws. Mr. Henry Peter Ganteaume has been identified as the Lead Independent Director in keeping with the recommendations of the Trinidad and Tobago Corporate Governance Code (TTCGC).

INDEPENDENT DIRECTORS

It is provided in Regulation 4.1 of By-Law No. 1 of the Company that at least thirty per cent (30%) of the Board comprises Directors who satisfy the following criteria for independence contained in Regulation IA.

An Independent Director is a director who has no direct or indirect material relationship with the Company other than membership on the Board and who:

- i) Is not and has not been in the past five years, employed by the Company or its affiliates
- ii) Does not have and has not had in the past five years, a material business relationship with the Company or its affiliates (either directly or as a partner, shareholder (other than to the extent to which shares are held by such director pursuant to a requirement of applicable law to which the Company is subject relating to directors generally) and is not a director, officer or senior employee of a person that has or had such relationship)

- iii) Is not affiliated with any non-profit organisation that receives significant funding from the Company or its affiliates
- iv) Does not receive and has not received in the past five years any additional remuneration from the Company or its affiliates other than his director's fee and such director's fee does not constitute a significant portion of his annual income
- v) Is not employed as an executive officer of another Company where any of the Company's executives serve on that Company's Board of Directors
- vi) Is not, nor has been at any time during the past three years, affiliated with or employed by a present or former auditor of the Company or any affiliates
- vii) Does not hold a material interest in the Company or its affiliates (either directly or as partner, shareholder, Director, officer or senior employee of a person that holds such interest)
- viii) Is not a member of the immediate family (and is not the executor, administrator or personal representative of any such person which is deceased or legally incompetent of any individual who would not meet any of the test set out in (i) to (vi) (were he a director of the Company)
- ix) Is identified in the annual report of the Company distributed to the shareholders of the Company as an "Independent Director"

The Board annually considers and evaluates the independence of its directors and can confirm that the following four directors (being 33% of the Board) meet the criteria for independence. They are:

- Mr. Henry Peter Ganteaume (Lead Independent Director)
- Mr. David Philip Hamel-Smith
- Mr. Anthony Lancaster
- Mr. Maxim Rochester

MATERIAL CHANGES

On December 8, 2017 NCB Global Holdings Limited (NCBGH) issued an Offer and Take-Over Bid Circular to acquire up to Seventy - Four Million, Two Hundred and Thirty Thousand, Seven Hundred and Fifty (74,230,750) ordinary shares in order to achieve a total shareholding of up to 62% of GHL. NCBGH is a limited liability company incorporated in Trinidad and Tobago and is a wholly-owned direct subsidiary of NCB Financial Group Limited (NCBFG), a publicly traded company incorporated in Jamaica.

The Offer was expected to close on January 12, 2018. However, this Closing Date was extended to February 23, 2018. On this date, NCBGH issued a press release informing the public that the Bid had lapsed and disclosed the decision of the Trinidad and Tobago Securities and Exchange Commission ("TTSEC") to convene a Hearing in respect of the facts and circumstances surrounding NCBGH's equity interest in GHL and the issuance of the Bid. Certain matters raised with the TTSEC by some GHL minority shareholders will also form the subject matter of the Hearing. The TTSEC has since convened a Hearing in which NCBGH and GHL are named as parties, along with entities controlled by the Lok Jack and Ahamad families. At the Hearing convened on the February 26, 2018 directions were given for the parties to file their respective Statements of Case with the TTSEC. At the time of printing this Annual Report, GHL filed its Statement of Case with the TTSEC on March 19, 2018 and awaits the Hearing Date of March 26, 2018. The shareholding of NCBGH in GHL remains at 29.99%.

COMMITTEE REPORTS

REPORT OF THE AUDIT, COMPLIANCE & RISK COMMITTEE

The Audit, Compliance & Risk Committee (ACRC) comprises five Non-Executive Directors, three of whom also meet the criteria specified for independence in the Company's By-Laws. The Committee members are:

- Mr. Maxim Rochester (Chairman)
- Mr. Imtiaz Ahamad
- Mr. Dennis Cohen
- Mr. Henry Peter Ganteaume
- Mr. Anthony Lancaster

The Committee's Charter sets out its responsibilities in respect of compliance and risk matters, the financial statements, internal controls, the internal audit function and external audit.

MEETINGS:

The Committee held five meetings in 2017 to discharge its responsibilities. The Group Chief Risk Officer, the Group Head Compliance Officer and representatives of the Group's Internal Audit department attended all meetings of the Committee and provided comprehensive reports on internal audit activities as well as all aspects of risk management and compliance and their impact on both the financial and non-financial objectives of the Group.

Following every meeting of the Committee, the Chairman certifies to the Board the Committee's satisfaction that:

- Internal controls are functioning properly in those areas reviewed by Group Internal Audit
- Risk-corrective actions identified by Management for implementation have been taken, or identified any exceptions thereto and management's committed remedial actions

- Compliance management issues identified have been satisfactorily resolved
- Risk management systems are operating effectively
- Risk management strategies have been consistently applied to minimize exposures to risk or that any exceptions thereto have been identified and action is being taken to address

STRUCTURE OF INTERNAL AUDIT:

The Group Head Internal Audit is responsible for the overall Group Internal Audit function. Under a co-sourcing arrangement, PricewaterhouseCoopers has been engaged to supplement the Group's Internal Audit capacity specifically in the area of information technology. Internal Audit has unfettered access to the GHL Audit, Compliance and Risk committee. The Group Head Internal Audit reports administratively to the Chief Executive Officer.

INDEPENDENCE OF INTERNAL AUDIT:

The Committee is satisfied that the Internal Audit function has been discharged in an objective and transparent manner. Further, the Committee has satisfied itself that the performance of the function is not subject to management's undue influence.

INTERNAL CONTROL AND THE INTERNAL AUDIT FUNCTION: The ongoing assessment of the adequacy and effectiveness of the Group's internal control system is the primary responsibility of Internal Audit. During the year under review, weaknesses in internal controls noted by the internal auditors and management's risk-corrective actions, were presented to the Committee at its quarterly meetings. The Committee is satisfied that approved risk-corrective actions have been taken.

EXTERNAL AUDIT:

The Committee has assessed whether any circumstance existed that may reasonably affect the external auditors' independence. The external auditors have not been

engaged to perform any non-audit related work that might impair their independence. Furthermore, the Committee has confirmed with the external auditors that there were no known relationships between the external auditors and the Group or its staff that might impact the external auditors' independence.

The Committee has reviewed and approved the external auditors' approach to and the scope of their examination of the financial statements for the 2017 financial year. The members are satisfied that the external auditors have planned the audit to obtain reasonable assurance that the financial statements are free of material misstatement and present a fair view of the financial position of the Group as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

FINANCIAL STATEMENTS:

During 2017, the interim unaudited financial statements were presented to the Committee at its quarterly meetings for review and recommendation for adoption by the Board. The Committee is also satisfied that the audited financial statements contained in this Annual Report are complete, consistent with information known to its members and in conformity with approved accounting principles that have been consistently applied.

RISK MANAGEMENT:

The primary objective of the Risk Management function is to provide value and protection to the Company by:

- Maintaining a comprehensive oversight of all financial and non-financial risk that may create an adverse effect on the Group's earnings and shareholder value
- Managing risk and increasing the efficiency and effectiveness through which capital and other resources are allocated by robust assessment of the risk and reward trade-off

- Building and sustaining our competitive advantage through increasing our knowledge of the risk environments in which we operate and assuring an adequate pricing of risk
- Increasing our resistance to financial contagion and resilience to the impact of external events

During the year under review, the Committee focused on the following areas:

- The Group's risk appetite was reviewed by the Committee based on performance against set targets. The Chief Risk Officer has overall responsibility for monitoring the Group's risk appetite and reporting on performance to the Committee
- The Committee received regular Key Risk Indicator reports with details of the key risk exposures, the drivers of risk in the Group, emerging and potential risks, and actions taken to mitigate any risk that exceeded pre-established tolerance levels. The Committee also monitored the adequacy of the Group's control framework. In particular, the Committee focused on assessing the Group's capital and liquidity positions, existing and emerging regulatory requirements and dynamic risk based models
- The Committee continued its focus on business continuity and IT security risks
- The Committee also has oversight of the Group's strategic initiatives and projects, including merger & acquisition activity
- The Committee received regular reports on regulatory and other public policy developments. In particular, it monitored the actions being taken by management in response to risk-based insurance supervisory enquiries as well as overall readiness for the passage of new legislation
- The Committee continued to oversee and assess the Group's existing risk management approaches and responses to significant losses such as Hurricanes Irma and Maria

CYBER RISK MANAGEMENT:

GHL recognises that the widespread use of technology in society has resulted in increased exposure to cyber threats across all our business segments. Global incidences of cyber-attacks have shown the extent of damage done to the operations and reputation of companies.

Our Risk Management team has responded to this threat by making cybersecurity initiatives a top priority. The team has collaborated with the Group's experienced technology experts; the Chief Information Officer, the Chief Digital Officer and the Security Risk Architect, to implement suitable policies and robust controls to address emerging cyber-attacks.

The Audit, Compliance and Risk Committee provides oversight of the Group's cybersecurity programme and ensures that our capabilities are adequate to meet evolving threats.

FUTURE ACCOUNTING DEVELOPMENTS:

The Committee together with the Finance team actively monitor developments and changes in accounting standards promulgated by the International Accounting Standards Board (IASB). The Committee evaluates the impact of adopting the new standards and also evaluates and make recommendations on elections available during transition. Considerable work has been carried out by the Committee during the year on the following two major standards:

IFRS 9:

IFRS 9 has replaced IAS 39 Financial Instruments with effect from January 1, 2018. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial asset and hedge accounting. In September 2016, the IASB issued amendments to IFRS 4, to allow insurance entities whose predominant activities are to issue contracts within the scope of IFRS 4, an optional temporary exemption

from applying IFRS 9 until 2021 (the "deferral approach"). The Group and its insurance subsidiaries qualify and after a detailed review, has elected the deferral approach permitted under the amendments. Consequently, the Group will continue to apply IAS 39, the existing financial instrument standard, in its consolidated financial statements until 2021 or earlier.

IFRS 17:

IFRS 17, which is effective from January 1, 2021, establishes for the first time a comprehensive insurance standard that provides guidance on the recognition, measurement, presentation and disclosures of insurance contracts. The new standard will replace the guidance in IFRS 4 and requires insurance contracts to be measured using current fulfillment cash flows and for revenue to be recognised as the service is provided over the coverage period. Compliance with this standard when it takes effect requires significant work, with plans already being established.

GROUP COMPLIANCE:

The remit of the Group Compliance Unit is to provide assurance to the Board that the GHL Group of Companies complies with all applicable laws, regulations, internal policies, codes of conduct and standards of good practice in those jurisdictions in which the Group's businesses are located. The Unit is vested with the authority to formulate and establish procedures to facilitate the implementation and enforcement of the Group's Anti-Money Laundering Compliance Policy and the Group Compliance Policy adopted by the Board in 2004.

The Unit has established a compliance reporting framework throughout the Group and receives periodic compliance reports from the business units on compliance with applicable laws and regulations, regulatory developments and compliance issues. During the year under review, the Unit reported to the Committee on the status of each business unit's compliance, with applicable laws and regulations, regulatory developments and the follow up and resolution of compliance issues. The Committee is satisfied that

compliance issues raised during the year have been properly followed up and resolved and that there are no material issues remaining unresolved at the year-end.

REPORT OF THE REMUNERATION COMMITTEE

COMMITTEE STRUCTURE

The Committee comprises four Non-Executive Directors, three of whom also meet the criteria specified for independence in the Company's By-Laws. The members of the Committee are:

- Mr. Henry Peter Ganteaume (Chairman)
- Mr. David Philip Hamel-Smith
- Mr. Patrick Hylton
- Mr. Antony Lancaster

The Board has confirmed to the Committee its satisfaction that, as currently composed, the Committee demonstrates the required level of independent thought in its deliberations.

MEETINGS:

During 2017, the Committee held five meetings at which the Committee conducted its regular business including the review of subsidiary directors' fees, CEO and senior executives' performance and the setting of their respective objectives, as well as consideration of succession plans for senior executive positions within the Group. Following consideration of these matters, recommendations were made by the Committee and approved by the Board to adjust directors' fees of some subsidiaries. The Committee is satisfied that the remuneration of directors and senior management is fair, reasonable and competitive.

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

COMMITTEE STRUCTURE

The Committee comprises four Non-Executive Directors, three of whom also meet the criteria specified for independence in the Company's By-Laws. The members of the Committee are:

- Mr. David Philip Hamel-Smith(Chairman)
- Mr. Henry Peter Ganteaume
- Mr. Antony Lancaster
- Mr. Arthur Lok Jack

The Board is satisfied that as currently composed, the Committee demonstrates the required level of independent thought in its deliberations.

MEETINGS:

The Committee held six meetings during 2017, at which the Committee conducted its regular business including:

- Consideration of nominations for appointment to all boards within the Group
- Reviewing the composition of board and committees of GHL and its subsidiaries
- Reviewing the results of succession planning exercises undertaken during the year
- Receiving a report of a training program to develop internal talent

APPENDIX TO THE CORPORATE GOVERNANCE REPORT

FRAMEWORK FOR EFFECTIVE GOVERNANCE

The Board acknowledges its collective responsibility for the long-term success of the Company and has adopted a number of policies and procedures to support its effective discharge of this responsibility.

Prominent among these policies is the Corporate Governance Policy, which has established a formal mandate for stewardship of the Company including oversight of:

- Strategy and the achievement of its strategic plans
- Succession planning, training and induction programme for board members and senior management
- Risk management
- Internal controls
- Material transactions
- Corporate governance
- Financial reporting
- Compliance
- Stakeholder communication

Specific responsibilities and authorities are delegated by the Board to the CEO. The primary objectives of the role of the CEO are to lead the management of the Company's business and affairs and to lead the implementation of the resolutions and policies of the Board of Directors.

ADOPTION OF TRINIDAD AND TOBAGO CORPORATE GOVERNANCE CODE

As a company with public accountability as defined in the Trinidad and Tobago Corporate Governance Code, GHL has adopted the Code on an "apply or explain basis" and its adherence to the Code is outlined in this report.

BOARD INFORMATION AND DECISION MAKING

The Corporate Governance policy sets the standard for information provided to directors. The policy requires that such information is relevant, concise, timely, well organised and supported by the necessary background which informs directors of the material aspects of the Company's business, performance and prospects. In order to allow directors to adequately prepare for meetings, information must be provided in due time to encourage thoughtful reflection and meaningful participation.

The Board is expected to meet at least quarterly to deal with routine business. Meetings are convened as necessary for special business matters such as strategic planning or major transactions. The Company is committed to managing its lines of business in a socially conscious way, while maintaining ethical corporate governance practices in all territories in which it operates. The Company also takes into account the legitimate interest and expectations of all stakeholders. During 2017, the Board held four regular board meetings and its annual shareholders' meeting.

COMMITMENT OF TIME

Non-Executive directors are required to sign terms of engagement, under which their commitment is acknowledged to attend Board meetings and devote such time and attention as necessary for proper discharge of duties and responsibilities as a director.

CONFLICTS OF INTERESTS

All directors and employees of the Company are subject to the GHL Conflict of Interest policy which requires full disclosure of any conflict or perceived conflict of interest and describes the process to manage that conflict. Compliance with the policy is monitored by the Corporate Governance Committee.

DIRECTOR TENURE

Directors are elected for stated terms not exceeding three years. Upon the expiration of the term of office, the performance of the director is reviewed by the Corporate Governance Committee prior to a recommendation being made on his/her nomination for re-election.

RELATIONSHIPS WITH SHAREHOLDERS

The Board has adopted a formal Disclosure Policy designed to provide accurate, timely and balanced disclosure of all material matters concerning the Company.

The Board is committed to facilitating the ownership rights of all shareholder groups, including minority and foreign shareholders and institutional investors. Provision is made for shareholders to have the opportunity to engage with the Company and participate effectively in annual and special meetings through the provision of proxies. External auditors and members of senior management and the Board are available at meetings with shareholders, to respond to shareholder questions. In addition to the statutory reporting requirements, each quarter's review is accompanied by a comprehensive report from the Chairman dealing with both the strategic and operational aspects of the Group's business.

COMMITTEES

In accordance with recognised principles of corporate governance, the Board has established standing Committees to assist in the discharge of its responsibilities. The standing Committees of the GHL Board are:

- The Audit, Compliance and Risk Committee
- The Remuneration Committee
- The Corporate Governance Committee

Each Committee is governed by a charter which sets out its responsibilities and the requirements for its composition. The composition of each Committee is reviewed on an annual basis by the Corporate Governance Committee, which makes recommendations to the Board in this regard. Each charter is reviewed annually by the relevant Committees and the Board. All Committees report periodically to the full Board and circulate Committee minutes and reports to all Directors. The authority of Committees is determined by the Board subject to any statutory prohibition against delegation.

Each Committee provides an annual report that is provided to shareholders in the Company's Annual report.

AUDIT, COMPLIANCE AND RISK COMMITTEE

The purpose of the Audit, Compliance and Risk Committee (ACRC) is to assist the Board in fulfilling its oversight responsibilities for:

- The integrity of the Group's financial statements
- The Group's external auditor's qualifications and independence
- The performance of the Group's internal audit function and its external auditors
- Establishing a sound system of risk oversight and management
- Reviewing management's recommendations on risk including risk appetite and risk profile
- Reviewing the policies, programmes and procedures to ensure compliance with all relevant legal and regulatory requirements and other relevant policies, standards and best practice
- Reviewing efforts to implement legal obligations arising from material agreements and undertakings

The Committee's charter requires that it consists of at least three and no more than six members of the Board, a majority of whom are non-executive directors. The Committee is required to be chaired by a member who is a non-executive director. Each Committee member must be financially literate and at least one member is designated as the "financial expert", being a qualified accountant or having significant recent and relevant financial experience.

Committee members may not simultaneously serve on the audit committee of more than two public companies.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations pertaining to:

- The compensation of the Chairmen and members of the Boards of Directors of all GHIL Group companies
- The remuneration, performance and incentive awards of senior executives of all Group companies as identified from time to time by the Committee
- Succession programmes for GHIL and its subsidiaries including the processes for recruitment, engagement, training and development and promotion of senior executives of the Group as identified from time to time by the Committee

REMUNERATION POLICY FOR DIRECTORS AND EXECUTIVES

The Company's remuneration policy is designed to provide competitive remuneration to attract and retain outstanding talent, taking into account market conditions and long-term interest of the Company.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Non-Executive directors are remunerated by means of a fixed annual retainer, with a separate annual retainer payable for service on standing Committees. Fees for service on ad hoc Committees are established at the time of the formation of such Committees and take into account the responsibilities and time commitments expected of directors serving on such Committees.

The Chairman of the Board and the Chairmen of Committees receive an additional annual retainer in recognition of the responsibilities attached to the office. The Board may also approve supplemental fees, in addition to the annual retainer, for directors who provide additional services on the Company's behalf other than the routine work ordinarily required of a director.

The remuneration of the Directors is determined by reference to the responsibilities and workload requirements, the size and complexity of the Group's operations and prevailing market practices.

Directors are provided with insurance cover under the Company's Directors and Officers Liability Insurance Policy and are reimbursed for expenses incurred in attending Board meetings such as airfare, hotel and meals.

REMUNERATION OF EXECUTIVES (INCLUDING EXECUTIVE DIRECTORS)

The Group's Executive remuneration systems are designed to attract, retain and motivate exceptional professionals focused on the attainment of the strategic objectives of the Group.

Executive remuneration comprises fixed salaries and benefits, as well as a variable component. The fixed salary considers standards in the market, the desired executive competencies and the needs of the Group from time to time.

Standard benefits include membership of group life and health insurance plans as well as the provision of a motor vehicle. The variable component of the Group's Executive remuneration is designed to reward and recognise excellent performance. It is linked to the achievement of specific, quantifiable, pre-established objectives that are closely aligned with the Group's strategic goals and objectives.

Executives who are directors on the Board of GHL receive the same fees as non-executive directors for such service.

However, executives who serve as directors on Group subsidiary companies receive no fees for such service.

CORPORATE GOVERNANCE COMMITTEE

The objectives of the Corporate Governance Committee are to develop, implement and periodically review guidelines for appropriate corporate governance of the GHL member companies. The Corporate Governance Committee's (CGC) responsibilities include:

- Regularly reviewing the Corporate Governance Policy adopted by the Board and recommending revisions as appropriate
- Developing and recommending to the Board for its approval an annual self-evaluation process of the Board and its committees and overseeing the annual self-evaluations
- Developing, implementing and regularly reviewing an induction programme for newly appointed directors to group member companies
- Developing, implementing and regularly reviewing an ongoing education programme for directors of group member companies
- Reviewing annually the composition of the Boards of all GHL member companies and their committees and making recommendations to the respective Boards with respect to changes thereof

- Interviewing all candidates for election or appointment as directors and making recommendations thereon to the board of respective Group companies
- Ensuring that the membership of the Board collectively provides appropriate years of experience and diversity of age as well as strong skill sets and ensuring corporate alignment of business initiatives with mission, values and long-term strategic plan

The existence of all Committees previously outlined is considered by GHL to be a key contributor to its corporate governance framework and evidence of the GHL commitment to best practice in the area of corporate governance. The Committees support the Board and essentially act in a review and advisory capacity.