

# Corporate Governance Report

The following report focuses on the activities that took place during 2016 relative to Corporate Governance matters.

The standard Corporate Governance practices of the Group are set out in the Appendix to this Report.

## MATERIAL CHANGES

In our 2015 Annual Report, we noted the imminently pending closure of the transaction whereby the National Commercial Bank Jamaica Limited (NCBJ) would acquire a 29.99% shareholding in the Company. National Commercial Bank Jamaica Limited nominated NCB Financial Group Limited as the acquiring entity for the shares, which are held through a Trinidad and Tobago subsidiary, NCB Global Holdings Limited. The transaction closed on May 12, 2016 shortly after our 2015 Annual Meeting. As part of this transaction the RBC Royal Bank (Trinidad & Tobago) Limited sold its beneficial shareholding and the IFC shareholders (International Finance Corporation and IFC ALAC GH Holding Co. Ltd.) also sold their shares in the Company.

Following the closing of the transaction there were a number of changes to our Board of Directors in 2016.

Mrs. Marianne Loner resigned as Director of the Company and the GH Chairman and Corporate Governance

Committee received a proposal from NCBJ for the appointment of persons to the Board of GH and some of its committees and subsidiaries, including Guardian Life of the Caribbean Limited and Guardian General Insurance Limited. The Committee considered the background, skills and experience of the persons nominated and found them eminently qualified to serve as Directors of the Group. In the course of considering the proposals for nomination the Corporate Governance Committee also undertook a review of the composition of Group Boards including vacancies and pending retirements. The outcome of this review was the resignation and retirement of Mr. Douglas Camacho and Mr. Selby Wilson and the appointment of Mr. Michael Lee-Chin, Mr. Patrick Hylton and Mr. Dennis Cohen as Directors of GH to fill the casual vacancies created by the resignations and retirement.

## DIRECTOR CHANGES - DEPARTURES

### Mrs. Marianne Loner

Mrs. Marianne Loner, appointed to the Board on August 7, 2014 resigned on May 13, 2016, having chosen to resign her position given the changes in ownership of shares of the Company, whereby the International Finance Corporation (on whose nomination as a shareholder her appointment to the Board was effected) no longer had an interest in the Company.

### Mr. Selby Wilson

Mr. Selby Wilson, a former Minister of Finance in the Government of the Republic of Trinidad and Tobago and Fellow of the Certified Chartered Association of Accountants served as a Director on Boards of Guardian Holdings Limited and its member companies since March 24, 1997 and retired on August 4, 2016. During his tenure as a GH Director Mr. Wilson served as the Chairman of the GH Audit Committee and also served as a Director of Guardian Life of the Caribbean Limited and Guardian General Insurance Limited and he was also the Chairman of the Audit, Compliance and Risk Committees of these important Guardian Group companies.

### Mr. Douglas Camacho

Mr. Douglas Camacho who joined the Board of Guardian Holdings Limited on March 23, 1998 and served as a Director of several Guardian Group companies including Guardian Life of the Caribbean Limited, also resigned as a Director of GH on August 4, 2017. Mr. Camacho had served as President of Guardian Life of the Caribbean Limited from 2000 to 2005 and had retired as a senior officer of Guardian Group on September 30, 2015.

An accountant by profession, Mr. Camacho entered the insurance industry in 1980 and had been active there for

over 30 years, serving in many leadership roles both in the insurance and financial services industry as well as in the realm of sport where he contributed for 24 years on the National Olympic Committee of Trinidad and Tobago.

Guardian Group acknowledges deep appreciation of the contribution by these former Directors to the growth and success of the Group and extends its gratitude for their commitment and diligent and enthusiastic service.

## **DIRECTOR CHANGES - ADDITIONS**

Messrs. Michael Lee-Chin, Patrick Hylton and Dennis Cohen were appointed to the Board of Guardian Holdings Limited with effect from August 4, 2016 to fill the vacancies created by the resignations and retirement of Marianne Loner, Douglas Camacho and Selby Wilson.

### **Mr. Michael Lee-Chin**

Mr. Michael Lee-Chin is the Chairman of the Board of Directors of National Commercial Bank Jamaica Limited and the Chairman and President of Portland Holdings Inc.. He has over 32 years experience in financial services. Portland Holdings Inc. is a privately held investment Company which manages public equity, private equity as well as having direct ownership interest in a collection

of diversified businesses operating in sectors that include media, tourism, health care, telecommunications and financial services.

Mr. Lee-Chin holds a Bachelor's degree in Civil Engineering from the McMaster University in Canada and has received honorary Doctor of Laws degrees from McMaster University; the University of Toronto; The Northern Caribbean University Mandeville, Jamaica; the Wilfrid Laurier University School of Business & Economics, Waterloo, Canada; University of the West Indies and York University. He has received several prestigious awards in the areas of business and community service including the 2004 International Humanitarian Award from the American Friends of Jamaica.

Michael Lee-Chin was awarded the Order of Jamaica for outstanding service in business and philanthropy in October 2008.

### **Mr. Patrick Hylton**

Mr. Patrick Hylton is Group Managing Director of National Commercial Bank Jamaica Limited. He is Chairman of NCB Capital Markets Limited, NCB Global Finance Limited, Mona School of Business and Management and Harmonisation Limited. He sits on several Boards including Massy Holdings Limited and the Caribbean

Information and Credit Rating Services (CariCRIS). He is a member of the Economic Oversight Committee that monitors the implementation of Jamaica's programme with the International Monetary Fund (IMF).

### **Mr. Dennis Cohen**

Mr. Dennis Cohen is the Group Finance and Deputy Managing Director of National Commercial Bank Jamaica Limited. He is the Chairman of Advantage General Insurance Company Limited (AGIC) and Mutual Security Insurance Brokers Limited; a Director of NCB Capital Markets Limited, NCB Insurance Company Limited, NCB (Cayman) Limited, NCB Global Finance Limited and West Indies Trust Company Limited. He is also a member of the Institute of Chartered Accountants of Jamaica (ICAJ).

Having been appointed to fill casual vacancies Messrs. Lee-Chin, Hylton and Cohen retire at the 2017 Annual Meeting but are eligible and have offered themselves for re-election.

## **NOMINATION FOR APPOINTMENT OF NEW DIRECTOR**

In addition to the changes identified above the Board also considered a nomination for appointment of Mr. Nicholas

Lok Jack to the Board of the Company. Having considered Mr. Lok Jack's qualifications and experience as well as his contributions to the Boards of operational subsidiaries within Guardian Group, the Corporate Governance Committee and Board are pleased to recommend Mr. Nicholas Lok Jack for election as a Director of GHL.

#### **Mr. Nicholas Lok Jack**

Mr. Nicholas Lok Jack is an Executive Director of Associated Brands Industries Limited. He is a second generation businessman growing up in his family business. He holds a Bachelor of Business Administration, double major in Finance and Marketing as well as a Masters of Business Administration (MBA) both from the University of Miami. He graduated from his MBA in 2003 and has over 13 years experience in Finance, Marketing, Product Development, Manufacturing and all other aspects of running a business from the shop floor to the Boardroom.

He was appointed a Director of the Trinidad and Tobago Manufacturing Association in 2011 and became its President in 2013 in which position he served until April, 2015.

In 2004 Mr. Nicholas Lok Jack was appointed a Director of the Trinidad and Tobago based operational subsidiaries of the Guardian Group, namely Guardian Life of the Caribbean Limited, BancAssurance Caribbean Limited,

Guardian General Insurance Limited, Guardian Group Trust Limited (formerly Guardian Asset Management Limited) and most recently Guardian Asset Management and Investment Services Limited.

### **BOARD EVALUATION AND REVIEW**

We are pleased to report that the Board concluded a formal evaluation of Board performance over the period January 2016 to March 2017 from which it proposes to implement a number of recommendations.

Based on its current plans and strategies, the Governance Committee has reviewed the composition of the Board and is satisfied that, with the addition of Mr. Nicholas Lok Jack, the Board's composition will provide the required balance of independence and diversity of skills, knowledge, experience and perspectives among Directors to facilitate high quality decision-making.

The Directors retiring at this Annual Meeting are Messrs. Ravi Tewari, Arthur Lok Jack and Antony Lancaster. The Committee has recommended:

- The re-election of all the retiring Directors
- The election of the Directors appointed to fill casual vacancies, namely, Messrs. Lee-Chin, Hylton and Cohen

- The election of Mr. Nicholas Lok Jack as a Director all for the terms stated in the notice of the Annual Meeting.

### **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 be comprised of Directors who satisfy the criteria for independence contained in Regulation IA of the Company's by-laws (which criteria are set out in the Appendix).

The Board has identified the following four (4) Directors (being thirty-six per cent (36%) of the Board) as meeting such independence criteria:

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

## Committee Reports

### REPORT OF THE AUDIT COMMITTEE

Following the Director changes mentioned earlier in this report the Audit Committee (“the Committee”) was reconstituted with effect from August 4, 2016 to comprise five (5) Non-Executive Directors, three (3) of whom also meet the criteria specified for independence in the Company’s by-laws:

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

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

#### Meetings

The Committee held five (5) meetings in 2016 to discharge its responsibilities. Following each meeting of the Committee, the Chairman certifies to the Board the Committee’s reasonable satisfaction that internal controls are functioning properly in those areas reviewed by Group Internal Audit and that risk-corrective actions identified

by management for implementation have been taken, or identifies any exceptions thereto and management’s committed remedial actions.

#### Structure of Internal Audit

The Group Head Internal Audit is responsible for the overall Group Internal Audit Function. Under a cosourcing arrangement, PricewaterhouseCoopers was engaged to supplement GHIL’s own Internal Audit Department with the objective of increasing the Group’s internal audit capacity. Internal Audit has unfettered access to the GHIL Audit Committee. The Group Head Internal Audit reports administratively to the Group 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 systems

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 members have satisfied themselves that approved risk-corrective actions have mitigated the weaknesses in internal controls that were highlighted in the internal audit reports.

#### External Audit

The Committee has assessed whether any circumstance existed that may reasonably be thought to bear on the external auditors’ independence. The external auditors have not been engaged to perform any non-audit related work that could 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 could impact the external auditors’ independence.

The Committee has reviewed and approved the external auditors’ approach to and scope of their examination of the financial statements for the 2016 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Financial Statements**

During 2016, 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 appropriate accounting principles that have been consistently applied.

### **REPORT OF THE RISK & COMPLIANCE COMMITTEE**

Following the Director changes mentioned earlier in this report the Audit, Compliance and Risk Committee (“the Committee”) was reconstituted with effect from August 4, 2016 to comprise five (5) Directors, all of whom are Non-Executive Directors and three (3) of whom also meet the criteria specified for independence in the Company’s by-laws:

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

The Committee is governed by a Charter that sets out its responsibilities in respect of compliance and risk matters and is a key element of the Group’s corporate governance framework. The Committee acts in a review and advisory capacity to the Board of Directors by providing leadership, direction and oversight of the Group’s management of risk and compliance.

The Committee met on four (4) occasions in 2016. The Group Chief Risk Officer and the Group Head Compliance attend all meetings of the Committee and provide comprehensive reports on all aspects of risk management and compliance and their impact on both the financial and non-financial objectives of the Group. The Chairman of the Group Audit Committee normally attends all meetings of the Committee by invitation to ensure that risk-related issues are considered in decisions of that Committee.

### **Risk Management**

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

- Maintaining a comprehensive perspective on risk reduction as it relates to the erosion of critical sources of shareholder value through our focus on earnings volatility reduction and the avoidance of earnings related surprises
- Optimising 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 thoroughly 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 key risk exposures, the drivers of risk in the Group, emerging and potential risks and actions taken to mitigate any risks that were out of appetite. The Committee also monitored the adequacy of the Group's control framework in collaboration with the Audit Committee. In particular, the Committee focused on assessing the Group's capital and liquidity positions against risk appetite and emerging regulatory-based risk-based capital models and the drivers of financial and insurance risks
- The Committee continued its focus on business continuity and IT security risks as well as assessment of strategic and business risks associated with 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

### **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 operate. 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 of Guardian Holdings Limited 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.

Following each meeting of the Risk and Compliance Committee, the Chairman certifies to the Board the Committee's reasonable satisfaction that:

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

### **Combination of Committees**

At its meeting held on October 27, 2016 the Board accepted a recommendation from the Corporate Governance Committee that to improve the efficiency of meetings the GHL Audit Committee be merged with the GHL Risk and Compliance Committee to form one Committee to be known as the "Audit, Compliance and

Risk Committee” and the then current members and Chairman of the Audit Committee were confirmed as the members and Chairman of the Audit, Compliance and Risk Committee.

## REPORT OF THE REMUNERATION COMMITTEE

The required composition and responsibilities of the Remuneration Committee are set out in the Appendix to this report. The Committee is comprised of four (4) Non-Executive Directors, three (3) of whom also meet the criteria specified for independence in the Company’s by-laws. The members of the Committee are:

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

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

### Meetings

During 2016, the Committee held three (3) meetings at which the Committee conducted its regular business

including the review of CEO and senior executive performance and the setting of targets as well as consideration of succession plans for senior executive positions within the Group. Following consideration of these matters, various recommendations were made to the Board.

The Committee is satisfied that the remuneration of Directors and Senior Management is fair and reasonable.

## REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

The required composition and responsibilities of the Corporate Governance Committee are set out in the Appendix to this report. The Committee is comprised of four (4) Non-Executive Directors, three (3) of whom also meet the criteria specified for independence in the Company’s by-laws. The members of the Committee are:

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

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

### Meetings

The Committee held three (3) meetings during 2016, at which the Committee conducted its regular business including:

- Consideration of nominations for appointment to the GHL Board
- Review of composition of Boards and committees of GHL and its subsidiaries
- Initiation of the 2016 Board evaluation exercise which is in progress at the date of the 2016 Annual Report.