

## **NCB FINANCIAL GROUP LIMITED BOARD CHARTER**

NCB Financial Group Limited ("NCB Group") has adopted the following Charter to guide the company and its subsidiaries ("The Group") in the execution of its responsibilities to enhance shareholder value. The principles and guidelines contained in the Charter are founded in our tradition of integrity and are consistent with our Core Values, set out below:

- We hold a deep and abiding respect for each customer, every colleague in The Group, and all our shareholders.
- We commit to find new, practical and innovative ways to make the term "excellent service" more relevant to each customer – every day.
- We commit to the relentless renewal of our enterprise through the constant training of our people at all levels.
- In our merit-based culture, individual reward and recognition will be a result of measured performance.
- We treat all competitors as noble, but we will compete fairly and vigorously to win.

### **1.0 OVERVIEW**

- 1.1 The purpose of this Board Charter is to outline the principal role of the Board of Directors (hereinafter the 'Board'), the demarcation of the roles, functions, responsibilities and powers of the Board and various Board Committees of The Group, matters reserved for final decision-making or pre-approval by the Board; and the policies and practices of the Board.
- 1.2 This Charter further defines the specific responsibilities of the Board in order to enhance coordination and communication between the Executive and non-Executive Directors and more specifically, to clarify both Board and Management accountability for the benefit of NCB Group and its shareholders.

### **2.0 BOARD'S ROLE, AUTHORITY AND COMPOSITION:**

#### **2.1 Role of the Board:**

- 2.1.1 The principal role of the Board is to oversee the implementation of The Group's strategic initiatives and its functioning within the agreed framework, in accordance with relevant statutory and regulatory structures. The Board ensures the adequacy of financial and operational systems and internal control, as well as the implementation of corporate ethics and the code of conduct.
- 2.1.2 The Board has delegated responsibility for overall management of The Group to the President and Group Chief Executive Officer.
- 2.1.3 The Board reserves a formal schedule of matters for its decision to ensure that the direction, management and control of NCB Group rest with the Board. This includes strategic issues and planning, performance reviews, material acquisition and disposal of assets, capital expenditure, authority levels, appointment of auditors and review of the financial statements, financing and borrowing activities, including an annual operating plan and budget, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

2.1.4 All policies pertaining to NCB Group's operation and functioning are to be approved by the Board.

2.1.5 The Board must ensure equitable treatment of minority shareholders.

## **PRINCIPAL RESPONSIBILITIES OF THE BOARD**

### **Governance**

- Approve The Group's corporate governance framework and ensure it conforms to best practices and regulatory and statutory requirements.
- Approve the organisational/management structure and responsibilities.
- Provide effective oversight over Management's activities.

### **Strategic**

- Provide direction to the management concerning the articulation of the vision and strategy for The Group.
- Approve the vision and strategy proposed by Management.
- Approve Management's long term corporate strategy and performance objectives and ensure appropriate resources are available.
- Review The Group's annual business plans and the inherent level of risk in these plans.
- Assess the adequacy of capital to support the operations of The Group within acceptable risk parameters.

### **Performance Measurement Systems**

- Approve performance objectives and performance measurement systems.
- Review the performance of the Board, Board Committees, the President and Group Chief Executive Officer and the Deputy Group Chief Executive Officer.

### **Business Decisions**

- Approve and monitor the progress of material financial restructurings, including mergers, acquisitions, divestments and acquisitions, annual budgets, dividends etc. affecting the balance sheet.
- Approve financing and changes in authorised capital.
- Approve entering into, or withdrawing from, businesses or service lines.

### **Human Resources**

- Appoint and remove the President and Group Chief Executive Officer and Deputy Group Chief Executive Officer and executives reporting directly to the President and Group Chief Executive Officer and the Deputy Group Chief Executive Officer.
- Define the goals and objectives of the President and Group Chief Executive Officer and review performance at least annually.
- Ensure that succession planning with respect to the positions of President and Group Chief Executive Officer and Deputy Group Chief Executive Officer are in place and that the Board monitors management's succession planning for other executive positions.

### **Financial Performance**

- Approve the annual budget and targets, annual financial statements and interim results and monitor financial performance.
- Ensure financial results are reported fairly and in accordance with IFRS and other relevant standards.

- Recommend to shareholders the Annual Report / financial statements released by Management and ensure that any reports issued by The Group, including the financial statements, present a 'true and fair' view of its position and performance.

### **Compliance**

- Ensure The Group operates at all times within applicable laws and regulations, including an effective Code of Conduct, Anti Money Laundering and Counter Financing of Terrorism policies.
- Ensure that The Group's policies and procedures manuals comply with all regulatory requirements covering all operations.

### **Communications**

- Ensure that there is an agreed communications strategy and procedure including agreement about appropriate channels and spokespersons.
- Ensure the development and implementation of an investor relations programme or shareholder communications process for NCB Group.

### **Risks**

- Approve the risk parameters/policies and The Group's risk appetite.
- Ensure principal risks are identified and Management has implemented appropriate systems to manage these risks.
- Ensure that the systems and controls framework, including the Board structure and organisational structure of The Group is appropriate for The Group's business and associated risks.

### **Internal Controls**

- Assess the adequacy of the systems of risk management, internal control, control environment and regulatory compliance.

#### **2.2 Authority:**

2.2.1 The Board of Directors is the ultimate decision making body of The Group except for matters reserved for the shareholders of NCB Group.

2.2.2 Consistent with the Board's power to delegate to the Management the day-to-day operation of The Group's business, the Board shall exercise judgment in establishing and revising the delegation of authority for Board Committees and Management. This delegation could be for authorisation of expenditures, approval of credit facilities and other corporate actions. Such delegation may be approved and expressed under various policies of The Group. The thresholds for the identified authorities will depend upon the operating requirements of The Group.

2.2.3 The issues of major capital expenditure, divestments, mergers and acquisitions and strategic investments shall be within the Board's authority.

2.2.4 The recommendations of the Committees will be referred to the Board for a decision.

2.2.5 The Board has full authority to seek any information it requires from the Management or any employee of The Group.

2.2.6 The Board reports to and is accountable to the shareholders of the NCB Group.

### **2.3 Board Appointment and Remuneration:**

2.3.1 The Group has rigorous and transparent procedures for the appointment of Board members. Directors shall be issued with Letters/Agreements of Appointment and other relevant policies/procedures of The Group including the Code of Conduct for Directors, to familiarise each new Director with his or her powers, duties, responsibilities and accountabilities and other matters relating to his or her appointment. The letters and the Code of Conduct will be countersigned and acknowledged by Directors.

2.3.2 The form and amount of Director compensation is determined by the Board based on The Group's Remuneration Policy for Directors.

### **2.4 Board Composition and Skills:**

2.4.1 The Board's composition will be guided by the Articles of Incorporation of NCB Group. The number of independent directors shall not be less than one-third of the membership of the Board.

2.4.2 The definitions of 'executive directors', 'non-executive directors' and 'independent directors', shall carry the following meanings (save where otherwise defined from time to time by The Group's regulators):

- *Executive Director* – employed to the company and is normally responsible for aspects of the entity's day-to-day operations.
- *Non-Executive Director* – A director who is not an executive director.
- *Independent Director* - A director who is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgment to bear on issues before the board and to act in the best interest of the entity and its shareholders generally.

2.4.3 The Board recognises the need for its composition to reflect a fair mix of diversity, independence, skills and expertise and facilitate objectivity in decision making. High levels of professional skills and appropriate personal qualities are pre-requisites for directorships.

2.4.4 Candidates for the Board shall be considered by the Corporate Governance and Nomination Committee, and recommended to the Board, in accordance with the qualifications acceptable by the Board, taking into consideration the overall composition and diversity of the Board and areas of expertise that new Directors might be able to offer.

2.4.5 Appointment of Directors is subject to prior approval by NCB Group's regulators, where required.

2.4.6 There will be separation and clear division in the roles and responsibilities of the Chairman and the President and Group Chief Executive Officer.

- 2.4.7 A Director will meet the criteria for independence where he or she has been so identified by the Board, and a Director may only meet the criteria where he/she:
- is appropriately described by the definition of independent director at paragraph 2.4.2 above;
  - does not represent a substantial shareholding of NCB Group;
  - is not a close relative of a significant shareholder of NCB Group; and
  - does not have an employment relationship with The Group or its parent companies.

The Board shall annually identify which directors meet the criteria for independence, and may delegate to the Corporate Governance and Nomination Committee such activities in relation to the annual review of independence as the Board may consider appropriate.

- 2.4.8 The Boards of subsidiaries of NCB Group shall be guided by the definition of and approach to independence in this Charter, and any decision to apply a different definition and approach is to be referred to the Corporate Governance and Nomination Committee for its consideration.

- 2.4.9 Directors shall notify the Board of any changes in status which will affect their independence, and once so notified, the Board will give consideration to how this may affect its functioning.

- 2.4.10 One of the independent directors shall be identified by the Board as being the Lead Independent Director. The Lead Independent Director's responsibilities shall include the following:

- chairing meetings of the Board where the Board Chairman is absent;
- chairing meetings of the Independent Directors, guided by the framework set out in the Appendix;
- being available, as needed, for consultation with shareholders and other stakeholders; and
- Serving as a liaison between the independent directors and the Chairman, and the independent directors and the executive directors, as needed.

## **2.5 Other Board Memberships:**

Within a reasonable time (and no later than the next Board meeting) after appointment to a board outside The Group, a director shall notify the Chairman in writing, copying such notification to the Corporate Secretary. The Corporate Secretary shall notify the other Directors who shall have the opportunity to indicate any objections to such appointment.

## **2.6 Board Committees**

- 2.6.1 The Board may appoint standing and ad hoc Committees to assist it in carrying out its responsibilities.

- 2.6.2 The Board will, as it deems appropriate, consider and approve the appointment of members of the Board Committees and the Charters of these Committees which shall include the composition, duties and responsibilities, functioning and conduct of meetings.

- 2.6.3 The Committee Charters shall be reviewed on a regular basis and updated and amended as often as needed to respond to the evolving regulatory and market environments in which NCB Group operates.
- 2.6.4 The draft minutes of each Committee meeting shall be submitted to the Board at the next regular meeting of the Board of Directors, after they have been drafted by the Corporate Secretary. The Chair of the Committee shall report to the Board on any key actions taken by it or recommendations being made to the Board with respect to the Committee's mandate.
- 2.6.5 Each Committee shall submit a report to the Board through the Corporate Secretary at the end of each financial year (no later than the first day of the next financial year) summarising the work of the Committee.

### **3.0 ELECTION OF DIRECTORS, BOARD MEETINGS, RIGHTS OF DIRECTORS:**

#### **3.1 Election:**

- 3.1.1 Directors will be elected/appointed by the shareholders at the Annual General Meeting.
- 3.1.2 Each proposal by the Board to the shareholders for election of a Director shall be accompanied by a recommendation from the Board, a summary of the advice of the Corporate Governance and Nomination Committee, and the following specific information:
  - a. The term to be served
  - b. Biographical details and professional qualifications
  - c. In the case of an Independent Director, a statement that the Board has determined that the criteria of independent Director have been met
  - d. Any other directorships held
  - e. Particulars of other positions which involve significant time commitments
  - f. Details of relationships between the candidate and NCB Group or other Directors of NCB Group.

#### **3.2 Board Membership and Tenure:**

Pursuant to the Articles of Incorporation of NCB Group, all Non-Executive Directors must retire at least once every three (3) years but shall be eligible for re-election, if recommended by the Board, for a further three-year period.

#### **3.3 Board Attendance:**

- 3.3.1 All Directors must attend at least 75% of all Board meetings within the financial year
- 3.3.2 Board membership may be terminated if Directors are unable to attend three consecutive Board meetings.
- 3.3.3 The absence of Directors at Board and committee meetings shall be noted in the minutes. Board attendance will also be reported in the Annual Report.
- 3.3.4 The Board shall consider what actions, if any, should be taken, including pro-rating of the retainer fee or a recommendation to the shareholders for termination should a Board member not attend the required number of board meetings or fail to attend three consecutive Board meetings without an excuse which is notified to and accepted by the Board.

3.3.5 Voting and attendance proxies by Directors for Board and committee meetings are prohibited at all times.

**3.5 Appointment of Board Secretary:**

The appointment and removal of the Corporate Secretary is subject to the approval of the Board. The Board recognises the fact that the Corporate Secretary should be suitably qualified and capable of carrying out the duties required of the post.

**3.6 Meetings and Quorum:**

3.6.1 Board meetings will generally be held at least six times per year and Board Committees will meet as often as required.

3.6.2 The Corporate Secretary shall prepare and distribute a timetable for the meetings.

3.6.3 Meetings of the Board and Committees may also be held using video/teleconferencing facilities.

3.6.4 The quorum for a Board meeting is five Directors.

3.6.5 The Chairman will chair all sessions of the Board. In absence of the Chairman at a meeting, the Lead Independent Director or, in his/her absence, another Director approved by the Board shall chair the meeting.

3.6.6 The Group Chief Audit Executive or any other member of the Executive Management may be invited to attend for particular items within his or her responsibility. The Board may also invite external parties such as the auditors, attorneys and consultants as and when the need arises.

3.6.7 To facilitate free and open communication among Independent Directors, each Board meeting can be preceded or followed with an informal session at which only Independent Directors are present, except as may otherwise be determined by the Independent Directors themselves.

**3.7 Voting Rights:**

3.7.1 A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Board.

3.7.2 Any attendee who is not a member of the Board shall not vote on any matter coming before the Board for a vote.

3.7.3 All decisions of the Board will be based on a simple majority of the Directors present at the meeting in person. In the event of a tie, the Chairman will have the casting vote.

3.7.4 The Board may adopt resolutions by correspondence, including mail, electronic or fax correspondence, in accordance with the Articles.

### **3.8 Meetings and agenda:**

- 3.8.1 The Board of Directors shall meet at the request of its Chairman or if requested to do so by a Director.
- 3.8.2 The notice of a Board meeting should be given in advance of the meeting. The Chairman, President and Group Chief Executive Officer and Corporate Secretary shall undertake the primary responsibility of preparing the Board's agenda. The agenda should include matters specifically reserved for the Board's decision.
- 3.8.3 Save in urgent cases, as a matter of best practice and to allow sufficient time for Directors to consider the information, the Corporate Secretary shall provide the Directors with an agenda and any necessary documentation as early as possible and in general, at least five days before a regular meeting takes place. Where there is a need to table a report, a brief précis of findings and/or recommendations should be presented.
- 3.8.4 A record of Board submissions and papers, and of materials presented to the Board, shall be maintained and held by the Corporate Secretary together with minutes of meetings. All such records are accessible to Directors.
- 3.8.5 Directors shall have complete access to NCB Group's Executive Management through the President and Group Chief Executive Officer or through the Corporate Secretary.

### **3.9 Independent Professional Assistance:**

Directors are entitled to obtain independent professional advice relating to the affairs of NCB Group or to their individual responsibilities as Directors, subject to approval of the fee by the Board if NCB Group is to pay it.

### **3.10 Director's Professional Development:**

- 3.10.1 The Board is required to be up to date with current business, industry, regulatory and legislative developments and trends that will affect The Group's business operations.
- 3.10.2 Immediately after appointment, NCB Group will provide a formal induction, if necessary.
- 3.10.3 Meetings will also be arranged with Executive Management, Heads of Divisions and The Group's auditors. This will foster a better understanding of the business environment and markets in which The Group operates.
- 3.10.4 The induction programme will also include meetings with the Chairman and, if necessary, legal counsel or compliance officer to review the Board's role and duties, particularly covering legal and regulatory requirements.
- 3.10.5 A continuing awareness programme is essential and it may take many different forms, through distribution of publications, workshops, presentations at Board meetings and attendance at conferences encompassing topics on inter alia, directorship, corporate governance, business, industry or regulatory developments. The Group will have rigorous training procedures for the continuous development and awareness of Directors on a need-based basis.



#### **4.0 CODE OF CONDUCT, CONFLICTS OF INTEREST, INSIDER TRADING:**

- 4.1 Directors should ensure that they conduct their affairs with a high degree of integrity, taking note of applicable laws, codes and regulations.
- 4.2 The Board has approved a Code of Conduct for Directors which binds Directors to the highest standard of professionalism and due diligence in discharging their duties. The Code outlines areas of conflict of interest, confidentiality and responsibilities of the signatories.
- 4.3 Each Director is required to sign the Code of Conduct on an annual basis signifying that they have read the document and agree to be bound by the provisions.
- 4.4 A Director shall declare to the Board any personal interest, whether direct or indirect (of 'connected persons'), he or she may have in matters brought before the Board. This declaration shall be recorded in the minutes and the interested Director shall not be present for the deliberations, discussion or voting on the resolutions to be adopted in this respect.
- 4.5 Any decisions to enter into transactions, under which NCB Group's Directors, would have conflicts of interest that are material, shall be approved by the Board and the Director must leave the room during the Board's discussion or voting on the resolutions with respect to this matter. Unless otherwise prohibited by law from doing so, Directors must inform the entire Board of actual or potential conflicts of interest in their activities with, and commitments to other organisations as they arise. This disclosure must include all material facts in the case of a contract or transaction involving the Director.
- 4.6 All Directors must declare in writing all of their other interests in other enterprises or activities (whether as a shareholder of above 10% of the voting capital of a company, a manager, or other form of significant participation) to the Board on an annual basis.
- 4.7 NCB Group shall disclose in the Annual Report, the significant transactions and contracts in which any Director has a significant personal interest.
- 4.8 All Directors and members of Executive Management must declare in writing all of their and of their 'connected persons' holding and interests in NCB Group and its subsidiaries and associates, quarterly in the form required by The Group.
- 4.9 NCB Group has established a Securities Trading Policy to ensure that the Insiders/Key Persons are aware of the legal and administrative requirements regarding holding and trading in NCB Group's securities, with the primary objective of preventing abuse of inside information. The responsibility for ensuring compliance with this Policy is entrusted to the Corporate Governance and Nomination Committee of the Board.

- 4.10 NCB Group protects Directors by insuring them against personal liability as per the Directors' Compensation Policy through a comprehensive Liability Insurance cover.

## **5.0 BOARD RESOLUTIONS AND MINUTES:**

- 5.1 The Corporate Secretary shall minute the proceedings and resolutions of all Board and Committee meetings.
- 5.2 Minutes will be circulated for endorsement at the subsequent regular meeting of the Board of Directors.
- 5.3 A Director who objects to any resolution adopted by the Board shall have his or her objection recorded in the minutes.
- 5.4 All resolutions approved by Round Robin should be noted at the next regular Board meeting.

## **6.0 BOARD AND COMMITTEE EVALUATION:**

- 6.1 The Board shall perform an evaluation of its performance on an annual basis. The Board shall annually review its Charter and its own effectiveness and composition; and initiate suitable steps for any amendments.
- 6.2 The evaluation process shall also cover the review of the performance of each individual Board member, or his or her attendance and his or her constructive involvement in discussions and decision making.
- 6.3 The Board will also review evaluations of the Board Committees and consider appropriately any recommendations arising out of such evaluation.
- 6.4 While the evaluation is a responsibility of the entire Board, it will be organised and assisted by the Corporate Governance and Nomination Committee and external resources may be utilised in the conduct of the evaluation.
- 6.5 The Board will report to the shareholders, through the Annual Report, concerning the process of the evaluation.

## **7.0 COMMUNICATION WITH SHAREHOLDERS**

- 7.1 NCB Group has an open policy on communication with its stakeholders. NCB Group has an approved 'Disclosure Policy' which is consistent with Basel II requirements.
- 7.2 The Chairman will ensure that the Annual General Meeting (AGM) is conducted in an efficient manner and serves as a crucial mechanism in active shareholder communications. Key ingredients behind this include the supply of comprehensive timely information to shareholders and the encouragement of their active participation in the AGM.
- 7.3 The Chairman and other Directors shall attend the AGM and be available to answer questions, as appropriate.
- 7.4 On an annual basis, the Board shall submit a report on Corporate Governance in the Annual Report, addressing implementation of corporate governance best practices on a 'comply or explain' basis.

- 7.5 The Group shall at all times be mindful of its regulatory and statutory obligations regarding dissemination of information to its stakeholders.
- 7.6 A suitable section on the NCB Group's website shall provide appropriate and useful information to shareholders.

## **8.0 EXTERNAL TRANSPARENCY:**

- 8.1 NCB Group shall provide information on all events that merit announcement, either on its website ([www.myncb.com](http://www.myncb.com)) or through newspapers, stock exchanges and other channels.
- 8.2 NCB Group's Annual Reports for the previous three years, including its audited financial statements shall be posted on its website.
- 8.3 NCB Group shall use its Intranet for communicating with its staff on general matters and sharing information of common interest and concern.
- 8.4 The Annual Report shall contain a separate section on Corporate Governance and Disclosures, which covers details on the number of Board meetings, information on Directors, Board Committees and other related information. The Chairman's and President and Group Chief Executive Officer's Reports in the NCB Group Annual Report review major events during the past financial year and the outlook for the future.

## **9.0 CONCLUSION:**

- 9.1 This Board Charter has been developed with the intention of providing an informative written reference for Directors and for others who relate to the Board. The provisions in this document are consistent with the regulatory requirements of the Bank of Jamaica and with best industry practice. Although this document sets forth the key principles under which the Board operates, it is a working document that can change from time to time as the Board considers appropriate and as circumstances and conditions change.
- 9.2 This document is not intended to supersede the requirements under the Articles of Incorporation of NCB Group. In the case of a conflict between this document and the Articles of Incorporation, the provisions in the Articles of Incorporation will govern, unless and until the relative provisions are duly amended through appropriate corporate action.

## APPENDIX

### Framework for Meetings of Independent Directors

Purpose:

The Independent Directors of NCB Financial Group Limited (NCBFG) shall meet to achieve the following:

- To assess the extent to which directors are able to provide an independent perspective on Board deliberations;
- To assess the extent of their independence from the controlling shareholder and from management;
- To assess the quality, quantity and timeliness of the flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform its duties.
- To carry out such other purposes as may from time to time be agreed.

The meetings are to provide feedback to the Board. No duties of the Board, any Board Committee or Management are delegated to this grouping.

#### *Meeting Administration:*

The meetings should be chaired by the Lead Independent Director or another independent director, elected by the other independent directors present, to chair in his/her absence.

The Corporate Secretary (as a member of management) will not attend the meeting, nor will any other employee of the Company. It will be the responsibility of the Lead Independent Director to report the outcome of each meeting to the next regular Board meeting, orally or in writing. If an oral report is given, any material feedback is to be captured in the minutes. Action items are to be identified and carried out accordingly.

Meetings of the Independent Directors should occur at least twice per year. Ideally, they should be scheduled for immediately before, but if not immediately after, each meeting of the Corporate Governance and Nomination Committee. The Corporate Governance Statement in the Annual Report is to report briefly and in an appropriate and sensitive manner in relation to these meetings.