

**NATIONAL COMMERCIAL BANK JAMAICA LIMITED**  
**AND ITS SUBSIDIARIES (“THE BANK”)**  
**CORPORATE GOVERNANCE CHARTER**

# TABLE OF CONTENTS

<b>CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES.....</b>	<b>1</b>
<b>BOARD OF DIRECTORS OF NATIONAL COMMERCIAL BANK JAMAICA LIMITED.....</b>	<b>4</b>
<b>AUDIT COMMITTEE .....</b>	<b>5</b>
<b>CREDIT COMMITTEE.....</b>	<b>6</b>
<b>EXECUTIVE COMMITTEE .....</b>	<b>7</b>
<b>SEARCH AND COMPENSATION COMMITTEE.....</b>	<b>8</b>
<b>ASSET &amp; LIABILITY COMMITTEE (ALCO).....</b>	<b>9</b>
<b>CORPORATE GOVERNANCE COMMITTEE .....</b>	<b>9</b>
<b>STRATEGIC PLANNING COMMITTEE.....</b>	<b>10</b>

## **CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES**

National Commercial Bank Jamaica Limited has adopted the following Principles and Guidelines on Corporate Governance to guide the Bank and its subsidiaries ("The Bank") in the execution of its responsibilities. These said principles and guidelines 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 our companies, 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.

The Bank has a code of business conduct which speaks to conformity with the law, ethics, proper use of assets, confidentiality, reporting requirements and avoidance of conflicts of interest. Members of staff and Directors are expected to be conversant with the said code and adhere to its tenets strictly. This code will also guide the governance of the Bank.

In adhering to the essential Principles of Good Corporate Governance we shall endeavour to:

- Lay a solid foundation for management and oversight
- Structure the Board to add value
- Promote ethical and responsible decision-making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Recognise and manage risk
- Encourage enhanced performance
- Remunerate fairly and responsibly
- Recognise the legitimate interests of stakeholders
- Ensure the quality and independence of the external and internal audit processes.

### **Board Responsibilities**

To implement the above mentioned Principles, the Board will guide and monitor the business and affairs of the Bank to ensure that the interests of all its stakeholders are protected. The Board is therefore responsible for:

- General corporate governance of the Bank, which shall include supervising legal and regulatory compliance ensuring the adherence to high ethical standards, and realizing the Core Values of the Bank;
- Planning the general strategy and direction of the Bank, including formulating, monitoring and reviewing strategic, financial and operational plans;
- The appointment and removal of the Group Managing Director and Deputy Group Managing Director and executives reporting directly to the Group Managing Director, including the delegation of powers to these individuals within authorised discretionary levels.

In order to achieve these responsibilities the Board shall reserve to it and exercise the following powers:

- Reviewing the Bank's strategic plan annually;
- Approving the annual budgets;
- Reviewing financial results;
- Implementing and reviewing succession plans;
- Dealing with all matters which are not delegated to the Group Managing Director;
- Ensuring the identification and effective management of areas of significant business risk;
- Determining the terms and conditions of appointment and removal of the Group Managing Director;
- Establishing Board Committees wherever this would enhance its effectiveness in fundamental/strategic areas;
- Establishing targets for and evaluating the performance of the Group Managing Director;
- Reviewing Management compensation annually which shall be based on comparisons with industry norms;
- Reviewing Board compensation annually. Executive directors will not be entitled to separate compensation for their service to the Board;
- Evaluating the effectiveness of the Board;
- Delegating responsibility to a standing or ad-hoc Committee where necessary or appropriate.

### **Board Composition**

- There should be a balance of independence, skills, knowledge, experience, and perspectives among Directors to allow the Board to work effectively;
- The appointment and retirement of Directors shall be governed firstly by the Articles of Association of the Bank and thereafter by any standards or criteria imposed by the Board or the Bank's regulators.

### **Board Disclosure of Interest**

- Directors taking on other directorships shall disclose this to the Board;
- Where directors have interests that conflict with issues under discussion by the Board those directors should declare this and leave the meeting.

### **Independence**

- A Director will meet the formal criteria for independence where he or she does not represent a substantial shareholding and where he or she is not a close relative of a significant shareholder or where he or she does not have an employment relationship with the Bank or its parent companies;
- All Directors of the Bank shall act independently and bring an independent mind to bear on matters coming before the Board;
- Directors shall notify the Board of any changes in status which will affect their independence, and once so notified the Board will conduct its own reevaluation of the said director's independence;
- The Board will ensure that it has access to professional advice, both inside and outside of the Bank in order for it to perform its duties.

## **Directors and Board Meetings**

- The Board shall normally meet once every month and otherwise as required with the management;
- Directors shall attend Board and committee meetings and prior to such meetings review the relevant preparatory material;
- The non-management Board members may periodically meet in executive sessions in order to review appropriate topics;
- The Board shall conduct the orientation of new Board Members and ensure the continual training and professional development of all Board Members;
- Every Director is entitled to receive Notice of Meetings of Directors in accordance with the Articles of Association;
- The quorum for any meeting of the Board of Directors is 5;
- Non-directors inclusive of management may be invited by the Chairman to be present at Board Meetings;
- Directors are expected to attend annual general meetings of the Bank;
- The Board believes that confidentiality is essential to the deliberative process and therefore information and deliberation in Board and Committee meetings shall not be disclosed.

## **Committees**

While the Board recognises that it is responsible as a whole for the oversight of management on behalf of the stakeholders, in order to do so more effectively the Board has established the following standing committees to assist in the execution of its responsibilities:

- Asset and Liability Committee;
- Audit Committee;
- Corporate Governance Committee;
- Credit Committee;
- Executive Committee;
- Investment Committee;
- Search & Compensation Committee;
- Strategic Planning Committee.

Each Committee has its own terms of reference.

Each Committee will generally report to the Board at the next scheduled Board Meeting after a Committee's meeting by providing copies of the minutes of the said Committee meeting to the Board. Each Committee shall be afforded an opportunity to present to the Board Meeting on any pertinent issues arising from the execution of its responsibilities.

The Board will annually review the membership of each Committee, and make any necessary changes based on committee requirements, director availability, interest, and experience as well as any legal or regulatory qualifications that may be applicable to the specific committees.

**DIRECTORS OF NATIONAL COMMERCIAL BANK JAMAICA LIMITED  
AS AT OCTOBER 30, 2008**

**Maximum number of Directors: 16**  
**Minimum number of Directors: 2**  
**Quorum for Board Meetings: 5**

**Directors**

- |     |  |   |                                |
|-----|--|---|--------------------------------|
| 1.  | Hon. Michael Lee-Chin, OJ              | - | Chairman                       |
| 2.  | *Mr. Patrick A. A. Hylton, CD          | - | Group Managing Director        |
| 3.  | *Mr. Dennis Cohen                      | - | Deputy Group Managing Director |
| 4.  | Mr. Wayne Chen                         | - | Director                       |
| 5.  | **Dr. Nigel A. L. Clarke               | - | Director                       |
| 6.  | **Mrs. Sandra A. C. Glasgow            | - | Director                       |
| 7.  | **Hon. Noel A.A. Hylton, OJ, Hon. LL D | - | Director                       |
| 8.  | Mr. Donovan A. Lewis                   | - | Director                       |
| 9.  | **Mrs. Thalia Lyn                      | - | Director                       |
| 10. | **Professor Alvin G. Wint              | - | Director                       |
| 11. | Mr. Robert Wilfred Almeida             | - | Director                       |

**Company Secretaries**

- |                              |   |                             |
|------------------------------|---|-----------------------------|
| *Mrs. Jennifer Dewdney-Kelly | - | Company Secretary           |
| *Mrs. Misheca Seymour Senior | - | Assistant Company Secretary |
| *Mrs. Lana Ann Smith         | - | Assistant Company Secretary |

*\*Employee*

*\*\*Independent Director*

## TERMS OF REFERENCE FOR BOARD COMMITTEES

(1) **AUDIT COMMITTEE**  
***(Quorum: 2)***

***(Meetings are held quarterly)***

### **Membership**

The Audit Committee shall consist of at least three and no more than six members of the Board of Directors. All members of the Committee shall be non-executive and the majority independent. The Chairman and members are appointed by the Company's Board. Each member of the Committee shall be financially literate, as defined by applicable regulation and the Board of Directors. At least one member shall have expertise in financial reporting.

Prof. Alvin G. Wint, **Chair**  
Hon. Noel Hylton  
Mrs. Sandra Glasgow  
Mr. Donovan Lewis

Group Chief Internal Auditor - Secretary

Recording Secretary

### **By Invitation:**

Group Managing Director  
Deputy Group Managing Director  
Group Chief Financial Officer  
2 representatives from the Bank's Auditors  
Such other General Manager/person as the Committee may from time to time see fit to invite.

In accordance with the requirements of the recently amended Stock Exchange Listing Agreement that the majority of Committee members should be identified by the Board as independent, the Board has identified the following directors as independent:

Prof. Alvin Wint  
Hon. Noel Hylton  
Mrs. Sandra Glasgow

### **Functions**

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the company's process for monitoring compliance with laws and regulations and the Code of Conduct. (See the Audit Committee Charter).

The Committee reviews the company's financial statements, prior to same being referred for the Board's approval, and liaises as necessary, with the external auditors.

The Audit Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility.

The Committee meets at least four times a year with authority to convene additional meetings as circumstances require.

- (2) **CREDIT COMMITTEE** *(Meetings held twice monthly)*  
*(Quorum: 3 including 1 non-executive director)*

**Membership**

Mr. Donovan Lewis, **Chair**  
Mr. Patrick Hylton, Group Managing Director  
Mr. Dennis Cohen, Deputy Group Managing Director  
Dr. Nigel Clarke  
Miss Allison Wynter General Manager, Credit & Risk Management  
Mrs. Yvonne Clarke, Group Chief Financial Officer  
Mrs. Sandra Glasgow  
Prof. Alvin Wint  
Secretary

**By Invitation:**

Assistant General Managers, Credit

**Functions**

The Credit Committee is responsible for the approval of facilities within limits set by the Board and for reviewing and making recommendations to the Board and to the Executive Committee of the Board in respect of facilities over its limit and to the Board in respect of connected parties. The Committee also reviews and reports to the Board on the broad credit portfolio and related issues within the Group. The Committee meets twice monthly and is chaired by a non-executive director.

**The Authority of the Credit Committee given by the Board is presently to consider credit proposals as follows:**

**(Approved at Board Meeting - 27/9/07)**

**For Counterparty Approval Limits – Banks, Building Societies, Insurance Companies:**

Notional limit for deposits – over J\$250M up to J\$3B.  
Notional limit for Repo transactions - over J\$600M up to J\$2B.

**For Counterparty Approval Limits – Money Market Brokers**

Over \$250M to J\$1.5B.

**For Corporate and Retail Approval Limits**

Secured facilities - over J\$200M up to \$500M.  
Unsecured facilities - over J\$100M up to \$500M.

**Secured Loan Approval Limits – Limits excesses/amendments to terms.**

The Credit Committee may approve requests up to 20% above an approved Board facility, not to exceed J\$700M in total facilities. Amendment to Terms of Board approved facilities, where there is no significant change to the Bank's risk exposure, may be approved by the Credit Committee and noted at the subsequent meeting of the Board.

**Note however that:**

All facility requests in respect of connected parties irrespective of size (save and except for credit card facilities) must be approved by the full Board, on the recommendation of the Credit Committee.

**Credit Loss write-off limits:**

The Credit Committee has authority to write off principal over J\$5M and up to J\$10M plus all accrued interest.

**(3) EXECUTIVE COMMITTEE**

*(Meetings held as required)*

*(Quorum: 3 members including the Chairman, Group Managing Director or Deputy Group Managing Director and 1 independent director.)*

**Membership**

The Executive Committee shall consist of not less than five directors appointed by the Board, at least two of whom shall be independent directors. The Committee shall be chaired by the Chairman of the Board.

Hon. Michael Lee-Chin, **Chair**  
Mr. Patrick Hylton, Group Managing Director  
Mr. Dennis Cohen, Deputy Group Managing Director  
Mrs. Sandra Glasgow  
Professor Alvin Wint

Secretary: Mrs. Jennifer Dewdney Kelly, Company Secretary

**Functions**

The Executive Committee of the Board has the powers of the full Board vested in it from time to time and ordinarily exercises these powers only in exceptional (versus routine) matters.

**(4) INVESTMENT COMMITTEE**

*(Quorum: 3, including the Group Managing Director or Deputy Group Managing Director, and 1 independent director)*

**Membership**

The Committee shall consist of six members, two of whom shall be deemed by the Board as independent and is chaired by the Chairman of the Bank.

Hon. Michael Lee-Chin, **Chair**  
Mr. Patrick Hylton, Group Managing Director  
Mr. Dennis Cohen, Deputy Group Managing Director  
Dr. Nigel Clarke  
Mr. Donovan Lewis

Secretary: Mrs. Jennifer Dewdney Kelly, Company Secretary

**Functions**

The primary purposes of the Investment Committee are:

*NCB Corporate Governance Charter, 2006 July 26*

*Approved by the Board: 2006 July 27*

*Amendments: 2006 September 28, 2006 October 26, 2007 November, 2008 January and 2008 October 23*

- To oversee and review the Company's investment policies and strategies and making recommendations to the Board as to changes to such policies and strategies
- To monitor the authority delegated to management to execute agreed investments
- To consider and make recommendations for final action by the Company's Board on acquisitions, mergers or divestments of an unusual or material nature.

**Meetings:**

The Committee shall meet at least once per year. Additional meetings will be convened as necessary.

**5. SEARCH AND COMPENSATION COMMITTEE  
(Quorum: 3)**

**Membership**

The Committee shall consist of not less than five directors appointed by the Board of Directors, two of whom shall be deemed to be independent.

Hon. Michael Lee-Chin, **Chair**  
Mr. Patrick Hylton, Group Managing Director  
Hon. Noel Hylton  
Mr. Donovan Lewis  
Professor Alvin Wint

Secretary: Mrs. Jennifer Dewdney Kelly, Company Secretary

***(If a matter concerns the Group Managing Director, he would not attend).  
For matters concerning nominations of members of the Board of Directors, the committee shall be comprised of the Chairman and two independent directors. In this event, the quorum shall be all three.***

**By invitation:**

Mr. Dennis Cohen, Deputy Group Managing Director  
Mr. Rickert Allen, Snr. General Manager – Training & Human Resources Division

**Functions**

The Search and Compensation Committee is responsible for developing and agreeing on the bank's general policy on executive and senior management remuneration and recommending to the Board specific remuneration packages for executive directors and senior managers. The Committee will review (at least annually) the terms and conditions of executive directors' service agreements, taking into account information from comparable companies, where relevant. The Committee also performs the role of the bank's nomination committee, making recommendations to the Board on the appointment of new executive and non-executive directors and senior managers, including making recommendations on the composition of the Board in general.

(6) **ASSET & LIABILITY MANAGEMENT COMMITTEE (ALCO)**  
*(Quorum – 4, to include 1 director of the Bank)*

**Membership**

The Committee shall be chaired by a director.

Mr. Donovan Lewis, **Chair**

Mr. Patrick Hylton, Group Managing Director

Mr. Dennis Cohen, Deputy Group Managing Director

Mrs. Yvonne Clarke, Group Chief Financial Officer

Chief Operating Officer

Mrs. Marjorie Seeberan, General Manager, Corporate Banking

Miss Allison Wynter, General Manager, Credit & Risk Management

Mr. Septimus Blake, General Manager, Treasury & Correspondent Banking

Mrs. Audrey Tugwell Henry, General Manager, Retail Banking

General Manager, Financial Control Division, Secretary

Recording Secretary:

**Functions**

The Committee is responsible for the monitoring and management of the capital, liquidity, balance sheet positions and trends, and the market risks of the accrual and trading portfolios.

The Committee functions as the top level forum which agrees asset and liability management policy, and reviews its implementation by the Treasury & Correspondent Banking Division.

The Committee receives and considers reports from the Treasury & Correspondent Banking Division on the liquidity profile, the interest rate turn interest/exchange rate/securities price sensitivities, balance sheet structure, regulatory considerations, market and economic intelligence. On the basis of forecasts, projections, scenario modeling and recommendations placed before it, ALCO affirms the policies to be followed, actions to be taken and prudential limits applied pending its next review, and conveys the necessary instruction to line management.

(7) **CORPORATE GOVERNANCE COMMITTEE**  
*(Quorum - 2)*

*(Meetings held at least twice per year)*

**Membership**

The Committee shall be comprised of three members, all of whom must be non-executive directors and the majority deemed independent. Members shall be appointed by the Board of Directors and shall serve until resignation or until the termination of their appointment to the Board. Members may also be removed by majority vote of the Board of Directors.

Mrs. Sandra Glasgow, **Chair**

Prof. Alvin Wint

Mrs. Thalia Lyn

Secretary: (Company Secretary)

## **Functions**

The Committee facilitates the evaluation of the performance of the Board of Directors; develops and recommends additions and changes to the Board's corporate governance policies and procedures; reviews the organisation and operation of Board Committees; ensures the orientation of new Directors and appropriate training of all Directors; monitors the bank's operations to ensure adherence to principles of good corporate governance.

The Committee shall also develop and periodically review the bank's share trading policy.\*

**\*The function of the now defunct Share Trading Committee was merged into the Corporate Governance Committee on October 23, 2008.**

- (9) **STRATEGIC PLANNING COMMITTEE** *(Meets at least once per year)*  
*(Quorum – 4 to include the Group Managing Director or Deputy Group Managing Director and 1 independent director)*

### **Membership**

Dr. Nigel Clarke, **Chair**  
Mr. Patrick Hylton, Group Managing Director  
Mr. Dennis Cohen, Deputy Group Managing Director  
Mrs. Sandra Glasgow  
Mr. Robert Almeida

### **Functions:**

The primary purposes of the Strategic Planning Committee are:

- To review and advise the Board on the strategic planning process
- To review and recommend to the Board the Company's long-term strategic business plan
- To review and approve, or recommend for approval by the full Board, as the case may be, major corporate transactions which were designed to support the implementation of the company's business strategy
- Based upon its review and assessment of the status of the implementation of the business strategy, recommend areas of improvement and provide feedback to the Board.
- To review and recommend to the Board, the Company's annual strategic business plan.
- To review the Company's capital structure and financial strategies and recommend changes and/or other modifications to the Company's capital structure.
- To develop and implement a policy for the review and approval of acquisitions; including appropriate levels of delegation of authority to the Company's management.
- To perform such other duties and responsibilities expressly delegated to the Committee by the Board.

### **Meetings:**

The Committee will meet at least once per year. Additional meetings will be convened as necessary.