



Statement of Corporate Governance Practices

DFLSA Inc is required to disclose on an annual basis its approach to Corporate Governance in conformance to Guidelines (effective November 30th 2007) published by the Bank of Guyana on its website on January 14th 2008. Since DFLSA Inc is a subsidiary of Development Finance Ltd it is governed as a subsidiary in conformance to Guidelines issued by the Central Bank of Trinidad & Tobago. As noted in the Bank of Guyana's Guidelines, it is expected that *"the parent organization's strategic guidance and policies will have a major influence on the operations of a foreign LFI's subsidiary or branch. It is to be recognized, however, that the board of directors of the subsidiary or the CEO of the branch remains fully responsible for ensuring that such guidance and policies are proper and adequate in the light of the subsidiary's or branch's circumstances and operational contingencies. If the board of the subsidiary or the CEO of the branch is of the view that the parent organization is engaging in practices or giving instructions that are not in the branch/subsidiary's best interest, they should put their views on record and take whatever action is necessary to protect those interests"*

1. Major influence on organisational structure and functions

- 1.1. Apart from the parent organization's strategic guidance and policies, the major influence on DFLSA's operations is the small size and value of its loan portfolio relative to the cost of infrastructure to support subsidiary-level Risk Management, Assurance, Business Process Improvement and Compliance. These are essential components of good Corporate Governance which in terms of Cost and Effectiveness can best be supported and supplied by the parent company (DFL) and by the financial holding company (DFL Caribbean Holdings Ltd)
- 1.2. The company, and its parent company, has entered into various funding and shareholder agreements that bind the company to carry on operations in the form and manner described in those agreements, none of which conflicts with anything in this Statement of Corporate Governance Practices.

2. Mandate of the board, its duties and objectives

- 2.1. The Mandate of the Board is to carry out the operations of the company to achieve the Mission and Objectives (a) as agreed broadly among by the shareholders through formal agreements and (b) as set from time to time by Development Finance Ltd, the major shareholder. Accordingly, the Board has a duty to Development Finance Ltd which has set the following as objectives:
 - A. Compliance with policies and standard procedures of Development Finance Ltd
 - B. Avoidance of foreign currency, market and interest rate risk not approved by the parent company
 - C. Expansion of the loan portfolios taking into account Required Yields, LGD, Diversity and Impact
 - D. Risk-adjusted Return of 4.5% of Shareholders' Funds in 2010 increasing to 10% from 2011
 - E. Development of local management and staff



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3. Composition of the Board

3.1. The Board is composed mainly of executives of the DFL Caribbean Group, who are therefore not “Independent”. There are three “Independent”, non-executive directors. Mr Stephen Singh is “Independent” and is a director of DFL Caribbean Holdings Ltd. Mr Richard Joseph is “Independent” and is a director of a related company, Caribbean Development Capital Ltd. Mr Gerard Pemberton, a former employee of the DFL Caribbean Group is now Independent. Mr Edward Muller is General Manager of the company’s branch in Suriname but is not a director within the DFL Caribbean Group other than in DFLSA Inc. The parent company Board (DFL) has seven directors who are all “Non-executive” and “Independent” except for Ms Gillian Golah.

4. Board Committees

4.1. The Board has an Audit Committee, which reports to the Audit Committee of the parent company. The Audit Committee members are Richard Joseph (FCCA, BSc), a former banker and Mr Stephen Singh.

4.2. The Remuneration Committee of the parent company Board is the Remuneration Committee for DFLSA Inc.

4.3. The Nominations Committee of the parent company Board is the Nominations Committee for DFLSA Inc responsible for nominating directors and senior managers for appointment by the Holding company Board.

4.4. A Credit Committee operates in accordance with a mandate and specific loan approval limits.

4.5. An Executive Committee makes decisions and provides guidance on matters that do not require Board approval but which will significantly affect profitability, management systems and procedures. The Board’s Chairman chairs the Executive Committee, which includes Mr Edward Muller, Mr Siew Paltoo, Mr Lindel Harlequin and the CFO or Finance Director.

5. Description of decisions requiring prior approval of the Board

5.1. All loans above US\$ 300,000 require Board approval and loans above US\$ 8,000 require the approval of specified directors or a Board Committee.

5.2. All matters relating to Strategy, Standard Operating Procedures, Loan Policy, Capital expenditure, recruitment of managers and borrowings require Board approval and require approval of the CEO of DFL Caribbean Holdings Ltd and/or the Board of the parent company.



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6. Senior management structure

- 6.1. The General Managers in Guyana and Suriname report to the Managing Director of DFLSA, Mr Siew Paltoo (BSc). They are supported by Loan Operations Managers. The Credit Administration Officer, the Accounting Officer and the IT Officer all report to the General Manager, Guyana until a Chief Financial Officer is appointed.
- 6.2. Recruitment at management (and other levels) requires candidates to participate in an “Assessment Centre” and is subject to a mandatory probationary period during which the successful candidate has temporary employment with DFLSA Inc.

7. Board’s expectations of management and the measurement of performance

- 7.1. Managers have agreed targets and budgets for 2010 and are expected to meet them.
- 7.2. The incentive structure is based on specific portfolio performance benchmarks and levels.
- 7.3. The Board’s remuneration policy is to set salary ranges and levels aligned with ranges and levels in Guyana’s financial services sector for comparable job content, responsibility, impact and proven abilities.

8. Nature and extent of transactions with affiliates and related parties.

- 8.1. The DFL Group minimises inter-company transactions but DFLSA Inc, as all subsidiaries, must bear the economic cost of services provided by DFL, CDN Management Services Ltd (a services subsidiary) and the ultimate parent company.
- 8.2. DFLSA Inc and DFL regularly arrange Loan Participations (Funded and Non-funded) between them thus expanding the scope of DFLSA Inc and regularly pool funds to optimise liquidity and funding positions. DFL is licensed in Trinidad and Tobago as a foreign currency dealer (Exchange Control Act), as a Trustee (FIA) and as an Underwriter and reporting issuer (Securities Industry Act).
- 8.3. DFLSA Inc carries out joint lending operations with the Inter-American Investment Corporation (IIC), a minority shareholder and borrows from entities affiliate with the IIC as well as from the EIB, a preference shareholder.



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9. Risk Management and Compliance (Governance) not covered elsewhere

- 9.1. In general, DFL Group Policy requires that DFLSA Inc conform to and comply with laws and regulations to which DFL is subject where there is no applicable Guyana or Suriname law or regulation unless there is a conflict with Guyana or Surinamese law.
- 9.2. The DFL Group early adopts standards and amendments issued by the IASB (IFRS) and requires DFLSA Inc to conform.
- 9.3. Change in Governance systems and practices require either prior approval from or notification to the Board of Development Finance Ltd

10. Succession Planning

- 10.1. The Board follows the policy and strategy of the DFL Caribbean Group, which is to develop employees at all levels to provide an array of suitable candidates for positions as they arise or become vacant and to have in place, contingency plans to temporarily carry out key activities in the un-expected or expected absence of key individuals.
- 10.2. Currently, should Mr Siew Paltoo be un-available, the CEO of the DFL Group will take his place temporarily, subject to notification to the Bank of Guyana. In addition, management resources will be drawn from Caribbean SME Development Finance Ltd (SME Devfin) in which the DFL Caribbean Group holds a minority shareholding. Should Mr Lindel Harlequin be un-available for a short period, the CFO or Finance Director or Ms Gillian Griffith will act for him temporarily and if required, Ms Yvette Saroop (ACCA).

Signed for the Board of Directors

G.M. Pemberton
Chairman

Lindel Harlequin
Company Secretary