ANNUAL REPORT 2013 TRANSFORMATION Breaking Through the Barriers



Scotia Group Jamaica Limited



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# Ten Year Statistical Review - Scotia Group Jamaica Ltd

	2013	2012	2011
BALANCE SHEET DATA - \$'000			
TOTAL ASSETS	389,305,805	358,209,421	332,041,259
PERFORMING LOANS	130,332,373	117,973,642	94,719,222
NON-PERFORMING LOANS	4,491,383	4,551,026	5,257,217
INVESTMENTS & OTHER EARNING ASSETS	207,670,829	198,905,245	200,539,453
DEPOSITS BY THE PUBLIC	183,369,415	160,994,182	144,670,083
SECURITIES SOLD UNDER REPURCHASE AGREEMENT	42,588,792	45,384,758	44,700,992
STOCKHOLDERS' EQUITY	69,593,038	64,552,213	60,310,619
PROFITS AND DIVIDENDS - \$'000			
PROFIT BEFORE TAX	16,255,241	14,850,277	14,244,620
NET PROFIT AFTER TAX ATTRIBUTABLE TO STOCKHOLDERS	11,517,195	10,159,045	10,193,390
DIVIDENDS PAID AND PROPOSED	4,978,516	4,698,475	4,605,128
NUMBER OF STOCK UNITS AT YEAR-END <sup>(1)</sup>	3,111,573	3,111,573	3,111,573
FINANCIAL RATIOS EARNINGS PER STOCK UNIT <sup>(1)</sup> - \$	3.70	3.26	3.28
PRICE EARNINGS RATIO	5.40	6.51	7.59
DIVIDENDS PER STOCK UNIT <sup>(1)</sup> - \$	1.60	1.51	1.48
DIVIDEND YIELD (1)	7.64%	6.69%	6.48%
DIVIDEND PAYOUT RATIO	43.23%	46.25%	45.18%
RETURN ON AVERAGE EQUITY	43.23%	16.11%	43.18%
RETURN ON ASSETS AT YEAR-END	2.96%	2.86%	3.07%
		2.0070	0.0770
OTHER DATA			
TIER 1 CAPITAL (Bank only) <sup>(2)</sup> \$'000	17,623,522	17,122,852	16,526,173
RISK BASED CAPITAL ADEQUACY RATIO (Bank only)	11.23%	11.74%	14.95%
	19.97	21.23	24.90
PRICE CHANGE FROM LAST YEAR	-5.91%	-14.76%	22.36%
CHANGE IN JSE INDEX FROM LAST YEAR	-8.89%	-5.72%	14.30%
NUMBER OF STAFF	2,326	2,315	2,337
EXCHANGE RATE US\$1.00 = J\$	104.6866	90.8050	86.2778
INFLATION RATE YEAR-OVER-YEAR	9.40%	6.17%	7.26%

(1) Amounts have been retroactively adjusted to reflect the one-for-one bonus issue on March 10, 2005.

(2) Capital Adequacy ratio and Tier 1 Capital are calculated per Bank of Jamaica Regulations.

2010	2009	2008	2007	2006	2005	2004
325,823,953	315,555,872	280,284,251	263,125,631	199,840,115	183,460,578	168,167,649
91,599,243	88,591,281	86,726,366	74,557,390	58,578,711	57,324,645	52,420,106
4,215,254	3,587,030	2,970,714	2,109,177	1,009,003	918,164	1,039,396
200,362,102	194,182,553	167,116,031	162,688,005	120,465,837	107,526,232	90,600,604
145,664,085	141,877,096	130,673,257	131,017,687	113,279,538	107,546,636	98,810,819
45,025,585	46,120,207	40,206,572	31,530,287	18,234,105	17,319,240	18,546,429
53,155,381	45,724,655	37,940,932	34,373,330	27,389,555	23,524,953	20,605,017
14,417,094	15,379,659	13,119,095	10,167,221	9,315,624	8,329,812	8,172,633
10,405,649	11,152,199	9,390,739	7,492,854	6,798,908	5,885,586	5,856,057
4,605,128	4,325,086	4,045,044	3,649,313	3,132,138	2,927,232	2,707,689
3,111,573	3,111,573	3,111,573	3,111,573	2,927,232	2,927,232	2,927,232
3.34	3.58	3.02	2.48	2.32	2.01	2.00
6.09	5.13	6.68	8.56	9.51	10.51	12.62
1.48	1.39	1.30	1.19	1.07	1.00	0.93
7.08%	8.13%	5.58%	5.08%	5.15%	3.88%	4.41%
44.26%	38.78%	43.07%	47.26%	46.07%	49.74%	46.24%
20.78%	26.35%	25.28%	24.01%	26.35%	26.33%	29.85%
3.19%	3.53%	3.35%	2.85%	3.40%	3.21%	3.48%
15,959,189	14,932,460	14,159,189	11,450,000	10,700,000	9,950,000	9,200,000
15.40%	17.84%	17.86%	16.29%	20.68%	22.89%	24.32%
20.35	18.38	20.22	21.25	22.06	21.14	25.26
10.72%	-9.08%	-4.85%	-3.67%	4.35%	-16.31%	182.18%
3.46%	-14.06%	-5.85%	15.85%	-16.10%	-1.50%	72.46%
2,283	2,273	2,235	2,190	1,895	1,843	1,864
85.3825	89.1037	76.1253	71.0493	66.4118	63.9315	61.7698
10.37%	7.18%	25.34%	9.01%	6.49%	19.02%	12.27%



We are committed to being the institution of choice in the financial sector, providing superior products and services and being a good corporate citizen to the benefit of our customers, shareholders and staff.

## Our Vision

To be the institution of choice by exceeding our customers' expectations, emphasizing convenience, professionalism, product innovation and diversification as we grow shareholder value.

### Our Core Values

### Integrity

We exhibit integrity by always interacting with others.

### Respect

We exhibit respect by emphathizing and fully considering the diverse needs of others.

### Commitment

We are fully committed to achieving success for our customers, our teams and our selves.

### Insight

We use our insight and high level of knowledge to proactively respond with the right solutions.

### Spirit

Our spirit enriches our work environment with teamwork, contagious enthusiasm and a 'can-do' attitude.

🕤 Scotiabank Group

## Statement from the Chair

- Scotia Group Jamaica Limited

Dear Fellow Shareholders,

Our financial year ended October 31, 2013 has been another year of solid financial performance by Scotiabank Group, and more importantly, a year in which we achieved significant milestones as a company.

In September 2013, we welcomed the historical appointment of our first female President & CEO – Jacqueline (Jackie) Sharp. Jackie truly embodies the Scotiabank values; her strong leadership skills, solid track record of performance and diverse experience in key areas across the Group has prepared her well for the role. The Board is exceedingly confident that with Jackie at the helm, supported by the exceptional management team, Scotiabank Group is well positioned to build on our legacy of delivering solid results for all our stakeholders.

We would also like to sincerely thank Bruce Bowen for his inspired leadership which has continued our long history of being the premier financial entity in Jamaica. On behalf of all Scotiabankers, we wish Bruce the very best in his new role as Senior Vice-President, English Caribbean Region and look forward to his continued contribution on the Board of Directors. There were also changes to the Board during the period. I was appointed as Chair, Scotia Group Jamaica Limited following the resignation of Brian Porter in February 2013. Brian was recently appointed President & CEO of Scotiabank, Toronto. Jackie was also welcomed to the Board in September 2013. Claude Norfolk retired this year, after serving the Board for 3 years, as he was appointed to his new role as Senior Vice President, Toronto Region.

Warren McDonald and Dr. Herbert Thompson also retired after 12 years and 15 years of service, respectively on the Board, in accordance with the Corporate Governance Policy. We express our sincere gratitude to our outgoing members for their invaluable contributions and sound guidance that have contributed to our continued success.

In June 2013, Scotia Jamaica Life Insurance Company Limited (SJLIC) celebrated its 15th anniversary. In its relatively short history, SJLIC has accomplished much – the company has grown to approximately \$52 billion in assets, has in excess of 97,000 policyholders and maintains 25% percent share of the market. We congratulate the team and management in achieving this important milestone, and we thank our valued policyholders for their continued support and loyalty.

Our rich culture of sound governance, prudent risk management, accountability and integrity has underpinned our long-standing history of success, and contributed to the stability we have enjoyed times of throughout economic uncertainty. Despite the impact of the National Debt Exchange Programme and a challenging economy, we have maintained a strong capital base while continuing to grow our business throughout the year.

We also maintained our focus as a leading corporate citizen, as our ScotiaVolunteers are deeply involved in the communities where we live and work. Through the ScotiaFoundation, 33 major programmes were executed during the year, where we improved the lives of some 51,000 beneficiaries, 14,000 of whom were children.

On behalf of the Board, I would like to thank the entire team of Scotiabankers for their diligence and commitment in maintaining our culture and values. We are confident that with this solid foundation, we will continue to celebrate successes for many years to come.

>ylven D Chonuska

Sylvia Chrominska Chair Scotia Group Jamaica Limited

## Shareholders' Report

- Scotia Group Jamaica Limited

#### Dear Fellow Shareholders,

We are extremely proud of the achievements of Scotiabank Group over the past year, despite the significant events that impacted our industry and the challenges of a weak economy. We are pleased to report that your company achieved net profit attributable to shareholders of \$11.517 billion for the year, meeting or exceeding all financial and operational objectives. Our results, driven by growth in all business lines confirm that our strategy is sound and our dynamic team of Scotiabankers continues to execute well.

During the year, the Jamaican Government, supported by a 4-year Extended Fund Facility from the International Monetary Fund (IMF), began an aggressive programme to transform the longstanding structural impediments of the economy, restore investor confidence, and establish the conditions for sustainable economic growth. As a prior condition to entering the IMF agreement, the Government executed the National Debt Exchange (NDX) programme in February 2013 to lower interest costs and reduce the Government's medium-term financina needs. The overall reform, while intended to return the economy to a path of economic stability and growth, has required the entire country to make significant adjustments and sacrifices in the short-term. Scotiabank Group's full participation in the NDX, and subsequent Private Debt Exchange, demonstrates our unwavering commitment to supporting Jamaica in its efforts to restore stability and restart the engines of economic growth.

Despite these challenges, we continue to reap the rewards of playing to our institutional strengths. Our culture of prudent risk management, brand recognition for safety and stability and our exceptional team of Scotiabankers has enabled us to continue to grow our business notwithstanding a difficult operating environment.

We continued our efforts to grow our residential mortgage portfolio and have benefited immensely from a series of well executed initiatives and targeted sales efforts to acquire new customers and deepen our share of wallet. During the period we increased our market share to 17.4% compared to 16.6% as at October 31, 2012. We continued to see growth in deposits from the take up of our new suite of deposit products which better aligns account offerings to our customers' unique spending and saving habits. The value in this enhanced product offering bolstered by our reputation for safety and stability during times of economic and market turmoil led to an increase in both balances and number of accounts opened during the period.

Post-NDX, the financial services industry has experienced substantial reduction in asset yields. Careful management of margins and expenses has been a critical component of our performance over the period. We leveraged our size, international footprint and culture of cost discipline to effectively contain expense growth through ongoing management of procurement practices, process reengineering and consolidation of support functions.

Determined in our efforts to improve our customer service delivery, we launched Premium Banking in April 2013 to further differentiate our service offering to our toptier customer segment. We also continued to improve traction in our



alternative channels by driving the adoption and usage of our recently upgraded Retail and Business Internet Banking platforms.

At Scotia Insurance and Scotia Investments, we continued to innovate and expand the product offerings during the year. We deepened our share of wallet with existing customers through cross Group referrals. We are confident that the expanded product offering coupled with our focus on deepening existing relationships will provide a solid base for increasing shareholder value.

Scotiabank Group remains well capitalized, with capital levels above regulatory requirements across all our operating subsidiaries. As we look forward to celebrating our rich 125-year history of achievements in the coming year, we will leverage our strengths to meet the challenges and opportunities of the next 125 years. Our strong capital base positions us well to take advantage of these future growth initiatives as they arise.

Jamaica faces some significant economic challenges in the near term. Slow economic growth, waning investor and consumer confidence will continue to weigh on the local business climate in 2014. We anticipate that the long-term road to recovery will not be an easy one. However, we are confident about our strategic direction and will stick to our core business principles and execute on our strategic imperatives to succeed within this business environment.

We will continue to be deliberate about investing in our people and developing the foundations of our high performance culture. This will enhance our ability to attract and retain the best people and cultivate a rich source pool of talent to fill key positions within the organization.

Our focus will remain on building longterm shareholder value by leveraging the Group's infrastructure to deepen relationships with our existing clients as well as penetrating new market segments with effective business models and innovative product offerings.

In order to reduce duplication and increase productivity across the Group, we will continue to pursue opportunities through the optimization of our distribution network so that our clients have more convenient, cost effective and secure ways of doing business with us. We will also continue to build regional centres of excellence through the consolidation of key support functions across the Group. Finally, by delivering the right solutions, the best advice and a seamless experience across all entities within the Group, we will stay close to our customer, deepening relationships and building loyalty.

Over 124 years, Scotiabank Group has provided our customers with a safe and stable place to meet their financial needs, maintaining our position as the institution of choice for the majority of Jamaican households. Our hard earned reputation for safety has proven an invaluable source of competitive advantage. We are confident that our core strengths in managing risk and expense control will continue to serve us well, allowing us to weather any potential storms, while we fulfill our mission of helping customers become financially better off.

In closing we would like to thank each of our exceptional team members for their hard work and dedication; our valued customers for their loyalty and business, and our shareholders for their unwavering support and confidence in our institution.

Bruce Bowen Snr. Vice President, English Caribbean Region International Banking

Jacqueline Sharp President & CEO Scotia Group Jamaica Limited

### **Corporate Governance**

- Scotia Group Jamaica Ltd.



"Corporate Governance provides a disciplined structure through which a company establishes its objectives and means of attaining them, as well as monitoring the performance of those objectives." - Analyzing and Managing Banking Risk, 2nd Edition, Hennie Van Greuning & Sonja Brajovic Bratanovic

#### **The Board of Directors**

The Board of Directors is committed to the creation of value for its shareholders and stakeholders through supervising and monitoring the performance of Management and by ensuring that the business operates in compliance with legal and regulatory requirements and approved policies. The Board of Directors provides advice and counsel to Management to ensure that the strategic objectives of the business are achieved.

#### **Board Responsibility**

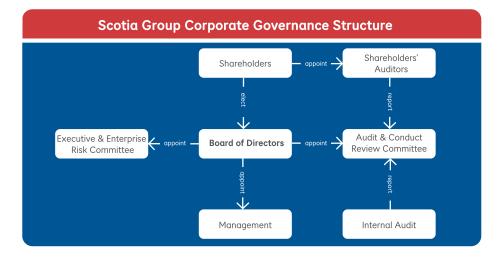
The Board's primary responsibility is to supervise the Management of the Company and to provide effective governance over the Company's affairs. In so doing, it must strive to balance the interests of the Group's diverse constituents including its shareholders, customers, employees and the communities in which it operates. At all times, Directors are expected to exercise sound independent business judgment in what they reasonably believe to be in the best interests of the Company. In discharging that obligation, Directors may rely on the expertise of the Company's Senior Management, its external advisors and auditors.

#### Corporate Governance

The Board has established and maintains a robust enterprise wide approach to corporate governance. This enables Management to operate within a safe and sound environment to protect the interests of all stakeholders and to preserve shareholder value and confidence in the Group.

The Corporate Governance Policy, which is a Board approved Policy, is reviewed on an annual basis to ensure that its provisions remain relevant and accord with local and international best practices, laws, regulations, and regulatory guidance. The Corporate Governance Policy was amended this year to include term limits for directors and director self-evaluation of performance on the Board. A copy of the Policy is available at http:// www.scotiabank.com.

Although the day-to-day functions of the business are delegated to Management, it is the Board which remains ultimately accountable to its shareholders to ensure that the business is managed in compliance with applicable laws, and is consistent with safe and sound business practices.



The responsibility of the Board is outlined in an approved Board mandate which includes the following key duties and functions:

- Developing the Group's approach to corporate governance and its principles and guidelines;
- Overseeing and approving the Group's strategic direction, the organizational structure and succession planning of Senior Management;
- Evaluating the actual operating and financial results of the Group against the Group's business objectives, business strategy and plans;
- Identifying the principal business risks, reviewing and approving key risk management policies and practices and overseeing the implementation of appropriate systems to enable compliance with such policy;
- Overseeing the integrity of the Group's internal controls and management information systems;
   Identifying, evaluating and selecting candidates for the Board of the Company and that of its subsidiaries;
- Establishing committees of the Group and subsidiary Boards with appropriate responsibilities and appointing Chairs for these Committees.

Our Directors have diverse skill sets, experience and backgrounds which include local and international experience in banking, business, strategic management, accounting, education and law, and they are recognized as strong leaders in their respective fields of work and experience. Our Directors take care in ensuring that decisions are made after fulsome open discussion at the Board level and careful deliberation of relevant information.

The majority of Directors are independent Directors. Six (6) of our nine (9) Directors are independent of Scotia Group, its parent, subsidiaries and affiliates. Eight (8) Directors are non-executive Directors.

#### **Committees of the Group and Subsidiary Board**

The Board has delegated specific responsibilities to its Audit & Conduct Review Committee and its Executive & Enterprise Risk Committee. These responsibilities are set forth in the Terms of Reference for each Committee.

The Bank of Nova Scotia Jamaica Limited, the main subsidiary and hiring arm of the Group, has delegated specific responsibilities to the Human Resources & Pension Committee. The responsibility of the Committee is set forth in the Terms of Reference.

#### **Board Composition**

As at October 31, 2013, the Board is comprised of nine (9) Directors and is chaired by Ms. Sylvia Chrominska, a Non-Executive Chairperson.

Below is the definition of a non-independent Director extracted from the Corporate Governance Policy:

- 1. The Director has been an employee of the Company within the last five years;
- 2. The Director is, or has been within the last three years, an employee or executive officer of any company within the Group or its parent company;
- 3. The Director has received or receives additional remuneration from the Company apart from a director's fee, participates in the company's share option plan or performance related pay scheme, or is a member of the Company's pension scheme;
- 4. The Director has close family ties with any of the Company's advisors, directors or senior employees;
- 5. The Director represents a significant shareholder;
- 6. The Director was a former Chief Executive Officer unless there has been a period of at least three years between ceasing employment with the Company and serving on the Board.

### Corporate Governance (cont'd)

- Scotia Group Jamaica Ltd.

#### The Table below highlights independent and non-independent Directors and their respective skill sets.

Board								
Expertise	Independent (I)/ Non-Independent (N)	General Management	Finance & Audit	Strategic Management	Banking	H.R & Education	Legal	Risk Management
Barbara Alexander	1							
Bruce Bowen	NI							
Anthony Chang	1							
Sylvia Chrominska	NI							
Jeffrey Hall	1							
Charles Johnston, cD	1							
Joseph M. Matalon, cD	1							
Warren McDonald, JP**	1							
Claude Norfolk***	NI							
Brian Porter*	NI							
Jacqueline Sharp****	NI							
Dr. Herbert Thompson, cD*****	1							

\*Resigned Feb. 28, 2013

\*\*Resigned May 28, 2013

\*\*\*Resigned Sept. 1, 2013

\*\*\*\*Appointed Sept. 1, 2013 \*\*\*\*\*Resigned Nov. 29, 2013

#### Audit & Conduct Review Committee

The Terms of Reference of the Group's Audit & Conduct Review Committee are reviewed by the Committee and approved by the Board. The Committee has oversight responsibility for the Group and the Bank in relation to the following areas:

- The integrity of the financial reporting of the Bank and the Group, and system of internal controls;
- Ensuring compliance with legal and regulatory requirements;
- The performance of the internal audit and external auditors;
- The identification and resolution of conflict of interest which may arise from transactions conducted by the Group and its subsidiaries.

Prior to and during Committee meetings, the Chairman meets independently with the Internal and External Auditors to discuss any areas of concerns. The Audit Committee reviewed and recommended for approval (where relevant) the following items during the year:-

- Management Accounts
- Audited Financial Statements
- Internal Audit Plan
- Terms of engagement of the external Auditors
- External Audit fees
- Internal Audit Reports
- Regulatory Examination Reports &
   Management Response
- Connected Party List & Transactions
- Compliance Reports
- Management Letter (KPMG)
- Litigation updates

The Members of the Committee and their record of attendance are listed in the Table overleaf. During the year, Mr. Jeffrey Hall was appointed to the Committee consequent on the resignation of Mr. Warren McDonald from the Board and Committee.

#### **Executive & Enterprise Risk Committee**

The Executive & Enterprise Risk Committee has oversight of the following areas:-

- Corporate Strategy and Annual Profit Plans of the Bank and its subsidiaries/affiliates;
- Review of Board nominees prior to appointment;
- Appointment and/or reappointment of the external Auditors;
- Review of the Corporate Governance Policy;
- Enterprise wide risk management;
- Review of Board performance.

The principal activities undertaken by the Committee during the year included the review and recommendation to the Board of the following matters:-

- Annual Profit Plan
- Evaluation of Board performance
- Quarterly Press Releases on financial results
- Market, Operational, Credit & Liquidity Risk Reports
- Revised Risk Management Policies & Limits
- Corporate Governance Policy

The Members of the Committee and their record of attendance are listed in the Table of Attendance overleaf. Mr. Joseph Matalon and Mrs. Jacqueline Sharp were appointed to the Committee during the year.

#### Human Resources & Pension Committee

The Human Resources & Pension Committee has oversight responsibility for the following staff welfare and compensation matters:

- Staff compensation, including incentive programmes; Senior level organizational structure and staffing needs;
- Mandates for the negotiation of collective bargaining agreements;
- Performance of the Executive Team and Board appointed officers;
- Pension Plan design and Investment policies;
- Monitoring Fund performance against its

policies, objectives and strategies; Appointment and/or removal of the Sponsor Trustees of the Pension Fund; Review of actuarial reports, audited financial statement of the Fund and proposed changes to the Pension Plan Rules and benefits.

During the year, the Committee reviewed and recommended to the Board for approval where necessary the following matters:-

- Pension Fund Administrative & Fund
  Management fees
  - Revised Terms of Reference
- Collective Bargaining Strategy for 2013
- Pension Fund performance
- Pension Plan enhancements
- Senior Management changes
- Executive Team performance

The Members of the Committee and their record of attendance are listed in the Table overleaf. During the year, Mrs. Jacqueline Sharp was appointed to the Committee.

#### **Director Orientation & Training**

Our Directors are continuously educated about the Group, its subsidiaries, business lines and products.

All Directors have access to and are encouraged to meet with the Chairperson, the Chief Executive Officer and Senior Management. Prior to and during Board meetings, the Chairperson reserves time to engage the independent directors in open discussion in the absence of Management.

Senior Management officers are invited to the Board meetings to make presentations on various topics (including Compliance and the economic outlook) in an effort to update Directors on the operations of the Group and the current operating environment. This affords Directors the opportunity to pose questions to Senior Management on the business operations.

### Corporate Governance (cont'd)

- Scotia Group Jamaica Ltd.

#### The Members of the Committee and their attendance at Committee meetings are reflected in the Table of Attendance below.

Attendance Record for Directors	Annual General Meeting (SGJL)	Board Meeting (SGJL)	Audit & Conduct Review (SGJL & BNSJ)	Executive & Enterprise Risk (BNSJ)	Human Resources & Pension (BNSJ)
Number of Meetings	1	9	4	5	4
Bruce Bowen	1	8	N/A	5	4
Barbara Alexander	1	9	4	N/A	4
Anthony Chang 🔹	1	8	4	4	N/A
Sylvia Chrominska (Chairperson)	1	8	N/A	4	N/A
Jeffrey Hall 🔮	1	7	1	N/A	4
Charles Johnston, cd 👩	1	9	3	5	N/A
Joseph M. Matalon, CD	1	7	N/A	3	N/A
Warren McDonald, JP**	1	4	1	N/A	N/A
Claude Norfolk***	1	7	N/A	N/A	2
Brian Porter*	1	1	N/A	N/A	N/A
Jacqueline Sharp****	N/A	2	N/A	1	1
Dr. Herbert Thompson, cD*****	1	9	N/A	5	3

Audit & Conduct Review Committee Chairman

🕑 Human Resources & Pension Committee Chairman

Executive & Enterprise Risk Committee Chairman

#### Director Orientation & Training (cont'd)

During the year, presentations were made to the Board on legislation which would impact the operations of the business, including the Proceeds of Crime Act, Credit Reporting Act, Security Interest in Personal Property Act and the Foreign Account Tax Compliance Act.

#### **Appointment, Term, Election & Retirement of Directors**

All Directors automatically retire from the Board at each Annual General Meeting (AGM) and are elected or re-elected (as the case may be) by the shareholders of the Company on the recommendation of the Board. Directors appointed to the Board may serve on the Board until the earlier of age 70 or the completion of a 15 year term from the date of their first appointment \*Resigned Mar. 1, 2013 \*\*Resigned May 28, 2013 \*\*\*Resigned Sept. 1, 2013 \*\*\*\*Appointed Sept. 1, 2013 \*\*\*\*\*Resigned Nov. 29, 2013

save and except that a Director first appointed to the Board over the age of 60 may serve the earlier of a term of 10 years or age 75. A Director appointed prior to March 1, 2013 who has attained the age of 70 but who has not completed a 15 year term from the date of first appointment may serve the unexpired period of the 15 year term.

The date of first appointment for Directors appointed prior to March 1, 2013, shall be the date on which the Director was first appointed to the Board of The Bank of Nova Scotia Jamaica Limited. Upon the recommendation of the Executive & Enterprise Risk Committee or any sub-committee of the Board charged with corporate governance, the Board may:-

- In extenuating circumstances, consider and approve the extension of a Director's term beyond the stipulated period as is considered appropriate;
- Reserve the right not to recommend a Director with an unexpired term to the shareholders for re-election at the Annual General Meeting.

A Director shall resign from the Board of Directors upon the expiration of the respective term (including any variation of the term recommended by the Executive & Enterprise or other Committee) no later than six weeks prior to the date of the Annual General Meeting of the year in which the term expires.

Any director employed to the Company shall cease to be a director upon termination of any employment contract with the Company.

#### **Director Compensation**

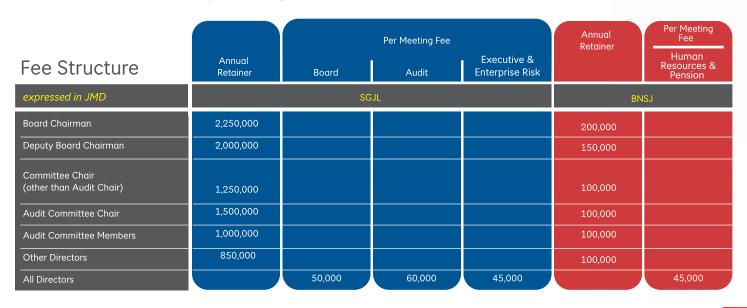
The Board determines the form and amount of Director compensation based on peer reviews, with the aim of recruiting and retaining qualified and experienced candidates. Directors who are employees of any of the subsidiary companies are not compensated in their capacity as directors.

#### **Guidelines for Business Conduct**

The Board of Directors, the management and all employees of the Group, its subsidiaries and affiliates are required to observe the Group's Guidelines for Business Conduct and in this regard, annual certification of due compliance is required.

The Guidelines for Business Conduct, outlines the Group's rules and expectations regarding proper business conduct and ethical behaviour of directors, officers and employees of the subsidiaries, including:

- Following the law wherever the Group and its subsidiaries do business;
- avoiding putting themselves or any of the subsidiaries in a conflict of interest;
- Conducting themselves honestly and with integrity;
- Keeping the subsidiaries' transactions, communications and information accurate, confidential and secure, and all customers' assets safe; and
  - Treating everyone fairly and equitably whether customers, suppliers, employees or others who deal with the Group and its subsidiaries.



#### The compensation structure for directors includes an annual retainer fee and per meeting fees as reflected in the Table of Fees below.

### **Corporate Governance** (cont'd)

- Scotia Group Jamaica Ltd.

#### **Guidelines for Business Conduct (cont'd)**

In keeping with the established code of conduct, Board members and senior management of the Group's subsidiaries are subject to our 'insider trading policy' in respect of trading in the securities of the Company, its subsidiaries and affiliates.

#### **Board's Annual Self Evaluation**

The Group's Board and the Boards of its subsidiaries conduct an annual self-evaluation of performance during the year. Directors are required to complete a questionnaire which tests a wide range of issues regarding the effectiveness of the Board's governance. The issues include the quality of the information provided by Management, the effectiveness of the operation of any Committee and a performance assessment of the Board and Chairperson during the year. The results are reviewed in detail by the Executive and Enterprise Risk Committee and appropriate action is taken to remedy any areas of concern or areas requiring improvement. The implementation of an electronic board reporting portal as well as Director participation in the Strategic retreats of the subsidiaries were as a result of Management's action in response to Directors' feedback on the survey.

Scotia Group remains committed to an effective corporate governance framework and to complying with the laws, regulations, local and international best practices and guidance from the Jamaica Stock Exchange, the Bank of Jamaica, the Financial Services Commission, and other regulators.

A robust corporate governance structure preserves shareholder value and confidence in the long-term viability and profitability of the Group.

Mrs. Julie Thompson-James Vice-President, Senior Legal Counsel & Company Secretary

## **Board of Directors**

- Scotia Group Jamaica Ltd.



#### Sylvia D. Chrominska

Ms. Sylvia Chrominska joined The Bank of Nova Scotia in 1979 and prior to her retirement on May 1, 2013, she served in several capacities including Senior Vice-President, Corporate Credit and Executive Vice-President, Human Resources. In 2008, she was appointed Group Head, Global Human Resources and Communications. Ms. Chrominska has been a Banker for 33 years.

In 2007, Ms. Chrominska was inducted in the Hall of Fame of Canada's Top 100 Most Powerful Women. In 2010, she was the inaugural recipient of the Catalyst Canada Honours in the category of Human Resources/Diversity Leader. In 2012, she was honoured by Women Against MS for her support in the fight to end multiple sclerosis, as well as her broader philanthropic contributions. She was recognized as one of Canada's Top 25 Women of Influence for 2012 by Women of Influence, Inc., and by Evanta as a Top 10 Breakaway Leader, an award that celebrates North American leaders who are changing the face of Human Resources.

Ms. Chrominska was appointed Chairperson of Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited on March 1, 2013 and is a member of the Executive & Enterprise Risk Committee of these Boards. She is also the Chairperson of the Scotiabank Trinidad and Tobago Limited and the Scotiatrust and Merchant Bank Trinidad and Tobago Limited. Ms. Chrominska is also a member of the Board of Directors of Emera Inc., since 2010.



## Board of Directors (cont'd)

**Jacqueline T. Sharp** 

Jacqueline Sharp is the President &

CEO of Scotia Group Jamaica Limited

since September 1, 2013. Prior to being appointed President & CEO, she was

the Chief Financial Officer and Chief

Administration Officer for the Group with

responsibility for financial and regulatory

reporting, financial risk management,

strategic planning, legal, compliance and

oversight of the Systems Support Centre. Jackie has had a range of experience

within the Group, since joining in 1997,

including establishing the Private Banking

Unit and successfully leading Scotia Jamaica Life Insurance Company Limited.

Mrs. Sharp serves as a member of several Boards including Scotia Group

Jamaica Limited, The Bank of Nova Scotia

Jamaica Limited, Scotia Investments

Jamaica Limited, The Scotia Jamaica

Building Society, Scotia Jamaica Life Insurance Company Limited, Scotia

Limited and Chair of the Board of

Trustees of the Pension Plan for The

Bank of Nova Scotia Jamaica Limited.

Mrs. Sharp holds a BSc (Honours) in Accounting from the University of the West Indies, is a CFA Charter Holder and has successfully completed the Certified Public Accountant (CPA) examinations.

Jamaica

Microfinance Company

- Scotia Group Jamaica Ltd.



#### Barbara A. Alexander

Ms. Barbara Alexander was appointed to the Board on November 26, 2007. She has been a practicing Attorney-at-Law since 1976 and became a Partner in the law firm Myers, Fletcher & Gordon in 1980. She is now the Managing Partner of the firm. Her experience includes Banking and Finance, Project Finance, Real Estate and Commercial Law.

She is a member of the Audit & Conduct Review Committee and the Human Resources & Pensions Committee of the Board. She also serves on the Boards of The Bank of Nova Scotia Jamaica Limited, Scotia Investments Jamaica Limited, Scotia Asset Management (Jamaica) Limited, The Scotia Jamaica Building Society, United Way of Jamaica and the Arts Foundation of the Edna Manley College.

Ms. Alexander is a graduate of the University of the West Indies and is a member of the Jamaican Bar Association and the Law Society of England, United Kingdom.

#### **Bruce F. Bowen**

Mr. Bruce Bowen, former President & CEO of Scotia Group Jamaica Limited, was recently appointed to the position of Senior Vice-President, English Caribbean Region, International Banking of The Bank of Nova Scotia, effective September 1, 2013.

He began his career with Scotiabank in 1990 in the International Division. His career at Scotiabank has exposed him to various areas in banking and has taken him on assignments for Scotiabank in the Cayman Islands, Trinidad & Tobago, Jamaica and Puerto Rico.

Mr. Bowen was appointed to the Board of Scotia Group Jamaica Limited on November 27, 2008 and is a member of the Executive & Enterprise Risk and Human Resources & Pension Committees of the Board. He is a member of several Boards including The Bank of Nova Scotia Jamaica Limited, Scotiabank Trinidad & Tobago Limited, Scotiatrust and Scotia Merchant Bank Trinidad and Tobago Limited.

Mr. Bowen holds a BA (Honours) in Business Administration from the Wilfrid Laurier University in Waterloo, Ontario, Canada.

### Anthony V. Chang Mr. Anthony Chang is a Director of Lasco Distributors Limited and

of Lasco Distributors Limited and Lasco Manufacturers Limited. He is also a Director of Digicel Jamaica and Consolidated Bakeries Jamaica Limited.

Mr. Chang was appointed to the Board of The Bank of Nova Scotia Jamaica Limited on February 5, 2001. He is the Chairman of the Audit & Conduct Review Committee and a member of the Executive & Enterprise Risk Committee of the Board.

Mr. Chang is the Chairman of Scotia Jamaica Life Insurance Company Limited and a Director of Scotia Investments Jamaica Limited.

He is a graduate of the Richard Ivey School of Business, University of Western Ontario. He is also the recipient of the Hubert H. Humphrey fellow at American University, Washington DC which was awarded by the Government of the United States of America. He has done professional courses with several organizations some of which include York and Wharton Universities.

## Board of Directors (cont'd)

- Scotia Group Jamaica Ltd.

& Pension Committee of BNSJ and

a member of the Audit & Conduct

Mr.Hall currently serves as a Director of Scotia Investments Jamaica Limited, Jamaica Producers

Group Limited, Kingston Wharves

Limited, Junior Achievement, Blue Power Group Limited, the Agro

Jamaica Promotions Corporation (JAMPRO). He has practiced as an Attorney-at-Law and has served as a Director of the Jamaica Stock Exchange and the Bank of Jamaica.

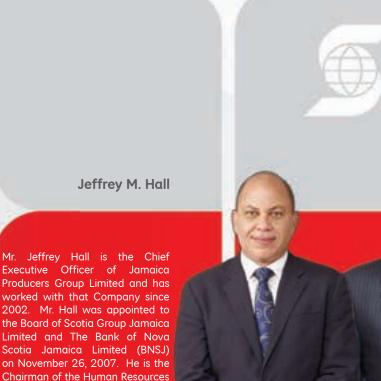
Mr. Hall is a graduate of the Harvard Law School, Harvard University and Washington University. He holds a BA in Economics from the Washington University and an MPP

from Harvard University.

Investment Corporation,

Institute of

Review Committee of the Group.



Charles H. Johnston, CD

Mr. Charles Johnston is the Chairman and Managing Director of Jamaica Fruit and Shipping Company Limited and Chairman of Jamaica Producers Group.

He was appointed Deputy Chairman of Scotia Group Jamaica Limited on May 24, 2013 and is the Chairman of the Executive & Enterprise Risk Committee and a member of the Audit & Conduct Review Committee.

Mr. Johnston is a graduate of the Wharton School of Finance & Commerce at the University of Pennsylvania.

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#### Joseph M. Matalon, CD

Mr. Joseph M. Matalon is Chairman of ICD Group Limited and the Development Bank of Jamaica. He is also Chairman of British Caribbean Insurance Company Limited and holds directorships on a number of other Boards including the Gleaner Company Limited, CGM Gallagher Group, West Indies Home Contractors Limited, WIHCON Properties Limited, Prime Asset Management Limited, Matalon Homes Limited, The Tony Thwaites Wing of the University Hospital of the West Indies, National Integrity Action Limited and US based International Youth Foundation.

Mr. Matalon also serves as Honorary Chairman of St. Patrick's Foundation, which supports charitable activities in inner-city communities. He is Chairman of the Board of Governors of Hillel Academy and a member of the regional Investment Advisory Committee of the University of the West Indies.

He served as President of the Private Sector Organisation of Jamaica (PSOJ) during the period 2009 to 2012, and has also served on a number of special national committees established to advise the Government on financial and economic matters.

Mr. Matalon is a graduate of the London School of Economics and Political Science.

#### Dr. Herbert J. Thompson, CD

Dr Herbert Thompson is the former President of Northern Caribbean University and former Pro Chancellor of the University College of the Caribbean. He was appointed to the Board of The Bank of Nova Scotia Jamaica Limited on August 19, 1998 and is a member of the Executive & Enterprise Risk Committee and the Human Resources & Pension Committee of the Board. Dr Thompson is the former Chairman of the Board of Scotia Jamaica Building Society.

Dr Thompson is a motivational speaker and an author. He is a graduate of Northern Caribbean University, the University of the West Indies, with a PhD in Biochemistry and a MSc in Physiology from Loma Linda University.