

**SCOTIA GROUP JAMAICA LIMITED**

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**CORPORATE GOVERNANCE  
POLICY**

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**REVIEWED BY THE BOARD OF DIRECTORS ON DECEMBER 1, 2015**

## **Introduction**

As a publicly traded financial institution and a member of the global Scotiabank Group, Scotia Group Jamaica Limited (the "Company") recognizes the need to adhere to best practices in corporate governance. Sound corporate governance policies and practices are important to the creation of shareholder value and maintaining the confidence of depositors and investors alike.

The Company's Corporate Governance Policies are designed to ensure the ability of the Board of Directors (the "Board") to effectively supervise management's operation of the Company.

## **The Board of Directors**

The Board's primary responsibility is to supervise the management of the Company's business and affairs. The Board must provide effective governance over the Company's affairs. In doing so it must strive to balance the interests of the Company's diverse constituencies, including its shareholders, customers, employees and the communities in which it operates. In all actions taken by the Board, the Directors are expected to exercise 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 honesty and integrity of the Company's Senior Management, its outside advisors and auditors.

## **Number and Selection of Board Members**

The Board has the authority under the Company's Articles to fix the number of directors, which should be in the range of 3 to 20. The Board currently has 10 (including a balance of independent and non-executive members) but has the flexibility to increase the number of members in order to accommodate an outstanding candidate or the Board's changing needs or circumstances.

A Director will not be considered independent if:-

- The Director has been an employee of the Company within the last five years;
- 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;
- The Director has received or receives additional remuneration from the Company apart from 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;
- The Director has close family ties with any of the Company's advisors, directors or senior employees;
- The Director represents a significant shareholder.

Each non-executive Director should provide the Board with all relevant information to assess his or her independence. In the event that there is a change in the Director's

independent status this should be disclosed and explained in a timely manner to the market.

### **<sup>1</sup>Annual Retirement of Directors**

All Directors retire from the Board at each Annual General Meeting in accordance with the Company's Articles. This means that Directors will automatically retire from the Board after serving for a term of one year.

The Board or its Executive and Enterprise Risk Committee may however recommend that a Director be invited to immediately seek re-election to the Board at the Annual General Meeting at which they retire if it is felt that it is in the best interests of the Company to do so. The Group's shareholders elect Directors at the Annual General Meeting each year and in between Annual General Meetings the Board may appoint additional members to the Board to hold office until the following Annual General Meeting.

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

### **Term Limits**

Effective March 1, 2013, 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 save and except that a Director first appointed to the Board at an age over 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 over 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 subcommittee of the Board charged with corporate governance, the Board may:-

- (a) in extenuating circumstances, consider and approve the extension of a Director's term beyond the stipulated period as is considered appropriate.
- (b) 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 6 weeks prior to the date of the Annual General Meeting of the year in which the term expires.

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<sup>1</sup> Amended May 22, 2009 –Based on amended Articles of Incorporation –Feb. 24, 2009

## **Qualifications for Directors**

One of the Board's most important responsibilities is to identify, evaluate and select candidates for the Board. The Executive and Enterprise Risk Committee are charged with reviewing the qualifications of potential director candidates and making recommendations to the whole Board. Factors considered by the Committee and the Board in its review of potential candidates include:

- ❑ prominence in business, institutions or professions;
- ❑ familiarity with the geographic regions where the Bank carries on business;
- ❑ integrity, honesty and the ability to generate public confidence;
- ❑ demonstrated sound and independent business judgment;
- ❑ financial literacy;
- ❑ knowledge and appreciation of public issues and familiarity with local, national and international affairs; and
- ❑ the ability to devote sufficient time to Board and committee work.

The Company is committed to complying with all applicable laws, rules and regulations related to the status of its directors.

## **Director Education**

Directors shall be knowledgeable and informed about the business of the Company and concerning their duties and responsibilities.

The Company shall assist directors in their education about the Company and their duties and responsibilities as directors. New directors are provided with written information about the Company and their duties and responsibilities as directors to assist them in their education and meet with the Chairman, the CEO, and other Executive Officers, as required. All directors have access to seminars and presentations on aspects of the Company's business and operations. Management regularly updates the Board on changing regulation and practices related to corporate governance.

## **Other Directorships**

There is no limit fixed by the Board with respect to the number of other public company boards on which a Director may sit. However, the number of public company directorships held by Directors is considered each year by the Executive and Enterprise Risk Committee. No director of the Company shall sit on more than three audit committees of other public company boards without the consent of the Audit and Conduct Review Committee and the Board.

No Director of the Company shall also be a member of the board of directors of an unaffiliated financial institution (which includes another bank, securities dealer, stock

broker, building society, trust company, insurance company, or any entity regulated by the Bank of Jamaica or Financial Services Commission), excepting that Directors may retain any existing non-bank directorships which they hold, provided that the Board has considered and deemed that there is no material conflict of interest.

### **Change in Directors' Principal Occupation**

A director who makes a change in principal occupation must immediately offer to resign from the Board in order to give the Board the opportunity to review the impact of the change on the composition of the Board.

### **Eligibility of Employee Directors**

Any officer of the Company who is also a Bank Director, upon ceasing to be employed as an officer on a full-time active duty basis shall be deemed to relinquish the position of a Bank Director, excepting that a former CEO may, if specifically requested to do so by the Board, continue to serve on the Board for a defined period of time.

### **Board and Director Effectiveness**

The Board shall conduct an annual review of its performance. Director peer evaluations shall be conducted each year as well. Each Board committee shall conduct an annual evaluation of its own performance and each Director shall undertake a Director Self-Assessment in the form provided by the Company. The results of these evaluations shall be summarized and presented to the Board.

### **Attendance at Meetings**

Directors are expected to attend meetings of the Company's Shareholders, Board meetings and meetings of committees on which they serve, and to spend the time needed to prepare for and to meet as frequently as necessary to properly discharge their responsibilities. Information and materials that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should be distributed to the Directors prior to the meeting, in order to provide time for review.

The Board shall approve a calendar of standard agenda items to be discussed at each meeting scheduled to be held over the course of the ensuing year. The Chairman and the CEO shall establish the agenda for each Board meeting. Each Board member is free to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting. The non-management Directors may meet in absence of management directors as they may deem necessary.

### **Non-Executive Chairman**

The Board is committed to having a Non-Executive Chairman and Deputy Chairman, to ensure that the Company is managed for the long-term benefit of its major stakeholders.

## **Board Committees**

The standing committees of the Board are the Audit and Conduct Review Committee and the Executive and Enterprise Risk Committee. The committees report directly to the Board. Committee members and chairs shall be appointed by the Chairman after consultation with the individual directors. Committee chairs and members shall be rotated at the recommendation of the Chairman.

Each committee shall have its own written charter which shall comply with all applicable laws, rules and regulations. The charters shall set forth the mission and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment, committee structure and operations and reporting to the Board.

The chair of each committee, in consultation with the committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chair of each committee, in consultation with the appropriate members of the committee and senior management, shall develop the committee's agenda. Each committee shall annually establish a schedule of major topics to be discussed during the year (to the degree these can be foreseen).

The Board may from time to time, establish or maintain additional committees as necessary or appropriate.

## **Access to Management**

Directors shall have full and free access to senior management and other employees of the Company. Contact or meetings can be arranged for directors through the Chief Executive Officer, the Secretary or directly by the Director. The Board welcomes regular attendance at each Board meeting by senior management of the Company.

## **Director Compensation**

The Board determines the form and amount of Director Compensation based on the recommendation of the Executive and Enterprise Risk Committee following a periodic review of director compensation in the marketplace. Directors are encouraged to hold shares in the Company.

Directors who are also officers of the Company are not compensated in their capacity as directors.

## **Executive Management**

The Executive and Enterprise Risk Committee shall review the Company's senior level organization structure and the Company's management succession plan at least once a

year.

The Chief Executive Officer (CEO) shall on an annual basis evaluate the performance of the Executive Team, and the Chairman shall on an annual basis evaluate the CEO's performance.

The Chairman and two (2) Directors of the Board<sup>2</sup> shall on an annual basis review the succession plan for the CEO and in the event of an emergency or retirement of the CEO shall select and recommend to the Board a replacement for the post of CEO.

### **Review Compensation**

The Human Resources and Pension Committee, which is a committee appointed by the Board of The Bank of Nova Scotia Jamaica Limited, a subsidiary of the Company, and the major hiring arm of the Company, shall review and recommend to its Board and the Board of the Company all material employee compensation and benefits plans and programs including matters pertaining to the Bank's employee pension plan, prior to Board approval. This review will include an assessment of whether the Bank's compensation plans are consistent with the sustainable achievement of the Bank's business objectives, the prudent management of its operations and the risks to which it is exposed, and will look for adherence to the Bank's processes, policies, procedures and controls.

### **Establish and Monitor Standards of Business Conduct and Ethical Behaviour**

The Company is committed to the highest standards of ethical business behaviour. The Board has adopted the Scotiabank Guidelines for Business Conduct which apply to all employees of the Company and its subsidiaries.

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

- following the law wherever the Company does business;
- avoiding putting themselves or the Company in a conflict of interest;
- conducting themselves honestly and with integrity;
- keeping Company transactions, communications and information accurate, confidential and secure, and Company and customers' assets safe; and
- treating everyone fairly and equitably - whether customers, suppliers, employees or others who deal with the Company.

The Board shall obtain reasonable assurance that there is an ongoing, appropriate and effective process in place for ensuring adherence to the Scotiabank Guidelines for Business Conduct. Annually, all employees and Directors of the Company and its

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subsidiaries must provide written certification of their compliance with the Scotiabank Guidelines for Business Conduct. The Company promotes a strong compliance culture by strictly enforcing the Scotiabank Guidelines for Business Conduct and by taking decisive disciplinary action where warranted.

### **Oversee Management**

The Board shall establish the business objectives of the company, oversee a planning process, and approve the Company's business strategy and its plans for significant operations at least once a year. This is to ensure that the Company's strategic plans remain appropriate and prudent in light of the Company's current and anticipated business economic environment, resources and results. The Board shall obtain reasonable assurance, on a regular basis, that there is an ongoing and effective process in place for ensuring appropriate strategic management of the Company.

The Board shall frequently evaluate the Company's actual operating and financial results against forecast results, in light of the Company's business objectives and strategic imperatives

### **Oversee Risk Management**

A sound system of risk management is critical to the profitability and ongoing viability of the Company. Directors must understand the significant risks to which the Company is exposed. The Board shall, with the assistance of the Executive and Enterprise Risk Committee, establish appropriate and prudent risk management policies.

### **Oversee Liquidity and Funding Management**

A sound system of liquidity and funding management is critical to the profitability and ongoing viability of the Company. Directors must understand the liquidity and funding needs of the Company. The Board shall establish appropriate and prudent liquidity and funding management policies for the Company with the assistance of the Executive and Enterprise Risk Committee.

### **Oversee Capital Management**

A sound system of capital management is critical to the profitability and ongoing viability of the Company. Directors must understand the capital needs of the Company. The Board shall establish appropriate and prudent capital management policies for the Company with the assistance of the Executive and Enterprise Risk Committee.

### **Oversee Internal Audit Function**

The Board, on the recommendation of the Audit and Conduct Review Committee, shall establish the mandate of, and allocate sufficient resources for, the Company's independent internal audit department, and approve its annual plan. The independent



internal audit department shall have full access to the Company's records, information and personnel. The Board shall seek from the independent audit department, on a regular basis, validations that the Company's processes, policies, procedures and controls are being monitored and adhered to, and that appropriate action is being taken to address any significant weaknesses or breakdowns that have been identified.

The Board has determined that the independent audit department may have an internal administrative reporting relationship, but that functionally the Chief Auditor shall also report to the Audit and Conduct Review Committee.

### **Confirm Adequacy of Control Environment**

The Board shall obtain reasonable assurance, on a regular basis, that the Company has a sound control environment that supports the appropriate, effective and prudent management of the Company's operations and the risks to which it is exposed, and that contributes to the achievement of the Company's business objectives. The internal audit department, the external auditors and senior management shall report to the Board on the state of the Company's control environment.

### **Disclosure and Communications**

The Company is committed to providing timely, accurate and balanced disclosure of all material information about the company and to providing fair and equal access to such information.

The Board requires that management has processes in place to support its policy of full, true, plain and timely disclosure of financial results, significant developments and other material information to appropriate stakeholders such as shareholders, regulators, employees, analysts and the Jamaica Stock Exchange. Disclosure by the Company will be made in accordance with the Policy Statement on Timely Disclosure issued by the Jamaica Stock Exchange.

The Corporate Governance Policy shall be reviewed annually and Management shall immediately advise the Jamaica Stock Exchange of any amendments to the Policy. Management shall take steps to ensure that the Policy is made available on the website of the Company and state as such (including the website address) in its Annual Report.