

# **SCOTIA INVESTMENTS JAMAICA LIMITED**

## **CORPORATE GOVERNANCE POLICIES**

### **1. INTRODUCTION**

“Corporate governance” refers to the oversight mechanisms and the way in which a corporate entity is governed. The Board of Directors of Scotia Group Jamaica Limited (the “Board”) is elected by shareholders to supervise the management of Scotia Investments Jamaica Limited’s (the “Corporation”) business and affairs with a view to enhancing long-term shareholder value. Corporate governance encompasses our processes and policies, how decisions are made and how the Corporation deals with the various interests of, and relationships with, our many stakeholders, including shareholders, customers, employees, regulators and the broader community.

As a regulated financial institution and a subsidiary of The Bank of Nova Scotia (“BNS” and together with its affiliates “Scotiabank Group”), a global and publicly traded financial institution, Corporation 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 customers and other stakeholders.

The Corporation’s practices are consistent with legislative and regulatory requirements, which in the case of the Corporation include but are not limited to, The Securities Act and the Companies Act.

The Corporation’s Corporate Governance Policies are designed to ensure the independent exercise of judgment by the Board and its ability to effectively supervise management’s operation of the Corporation.

### **2. THE BOARD OF DIRECTORS**

The Board’s primary responsibility is to supervise the management of the Corporation’s business and affairs. The Board must provide effective governance over the Corporation’s affairs. In doing so it must strive to balance the interests of the Corporation’s diverse stakeholders, including its shareholder(s), customers, employees, regulators, and the communities in which it operates and consider the long-term success of the Corporation.

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 Corporation. In discharging that obligation, directors may rely on the honesty and integrity of the Corporation’s senior management, as well as its external advisors and auditors.

### **3. NUMBER AND SELECTION OF BOARD MEMBERS**

Applicable legislation fixes the minimum number of directors at 2. According to its by-laws, the Board shall consist of a minimum of 3 to maximum of 20 members, elected by the shareholders at an annual meeting.

A minimum of two-thirds directors shall be independent.

The Corporation's shareholders elect all of the directors at the annual general shareholders' meeting each year for a one (1) year term. Where a vacancy arises during the term of a director or alternate director, the position shall be filled by a person designated by the Board. The director so appointed will remain in such position until the next annual shareholders meeting, where shareholders will elect directors for the following year.

Candidates for the Board shall be nominated in accordance with the procedures contemplated by the Scotiabank Subsidiary Governance Policy, as adopted by the Corporation. The shareholders elect the directors at the annual meeting each year. Between meetings, the Board may appoint additional directors. Nominees are selected taking into consideration the overall composition and diversity of the Board, the Board assessment and the areas of expertise that new Board members can offer.

#### 4. **TERM LIMITS**

The shareholders elect the directors at the annual meeting each year. Between meetings, the Board may appoint additional directors. Term limits set out the maximum period of time that directors can stand for re-election, and do not provide guaranteed tenure. The Board believes that its term limits provide an appropriate balance between experience and fresh perspectives. The Board's term limits, combined with director independence assessments and the Board evaluation process, enable the Board to confirm that effective and independent-minded directors are nominated for election and allow the Board to properly conduct its succession planning.

The Board has approved the following term limits:

In keeping with international best practices, it is proposed that effective November 1, 2021 Directors appointed to the Board may serve on the Board until the expiry of 12 years from the date of their first appointment, or in exceptional circumstances for such longer term as may be approved by the Board of Directors. A Director appointed prior to November 1, 2021 may also serve on the Board until expiry of 12 years from the date of their first appointment, save that any such Director who at the date of this policy, shall have exceeded 12 years of service, may continue to serve on the Board until the next AGM immediately following the date of the 15 year anniversary of their initial appointment to the Board.

The date of first appointment for Directors appointed prior to November 1, 2021, shall be the date on which the Director was first appointed to the Board of Scotia Investments Jamaica Limited.

## 5. **NON-EXECUTIVE AND INDEPENDENT DIRECTORS**

The Corporation is committed to complying with all applicable laws, rules and regulations related to the status of its directors. The Board has determined that all directors who do not meet the independence criteria outlined in applicable regulations shall be considered to be non-independent.

## 6. **QUALIFICATIONS FOR DIRECTORS**

A key Board responsibility is to select candidates for the Board with the appropriate balance of skills, experience, independence and knowledge of the Corporation to enable them to discharge their respective duties and responsibilities effectively. The Board considers it is of sufficient size such that the requirements of the business can be met and has an appropriate combination of executive directors and independent directors. Factors considered by the Board in its review of potential candidates include:

- prominence in business, institutions or a profession;
- residency in and familiarity with the geographic regions where the Corporation carries on business;
- independence and any business relationships with the Corporation;
- integrity, honesty and the ability to generate public confidence;
- demonstrated sound and independent business judgment;
- financial literacy;
- knowledge of and experience with financial institutions;
- risk management experience;
- knowledge and appreciation of public issues and familiarity with local and national affairs;
- professional experience required to contribute to the Board's committee(s) (if applicable);
- the ability to devote sufficient time to Board and committee work;
- the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; and
- the competencies and skills that the Board considers each existing director to possess.

The Board believes that its membership should be composed of highly qualified directors from diverse backgrounds, who reflect the qualities enumerated above. To support this composition as part of the Board's commitment to sound and effective corporate governance practices, the HR & Corporate Governance Committee will, when identifying candidates to recommend for appointment or election to the Board:

- Consider only candidates who are highly qualified based on their experience, expertise, perspectives, and personal skills and qualities; and
- Consider diversity criteria including gender, age and ethnicity.
- The board aspires to have each gender comprise of at least 30% of its members.

In addition, the Corporate Secretary shall maintain a director skills matrix which forms part of the annual board evaluation process. In considering candidates, the Board shall consider the skills represented on the Board and any skills needed now or in the future, in assessing Board composition and committee needs as a whole.

Proposed directors and alternate directors must have prior approval to stand for election from BNS' Executive Offices, pursuant to the Subsidiary Governance Policy.

7. **DIRECTOR EDUCATION**

Directors shall be knowledgeable and informed about the business of the Corporation, the regulatory environment within which it operates, and their director duties and responsibilities.

The Corporation shall assist directors in their education about the Corporation and their duties and responsibilities as directors. New directors are provided with written information about the Corporation and their duties and responsibilities as directors to assist them in their understanding of the above-mentioned knowledge. They are invited to meet with the Chair and senior management, as necessary. All directors have access to seminars and presentations on aspects of the Corporation's business and operations and are provided with opportunities to visit the Corporation's various operations. Management regularly updates the Board on changing regulation and practices, especially those related to corporate governance.

8. **OTHER DIRECTORSHIPS**

The Board has not set a limit with respect to the number of boards on which a director may sit. No director of the Corporation 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 Corporation shall also be a member of the board of directors of an unaffiliated financial institution (which includes another bank, securities dealer, stockbroker, building society, trust company, insurance company, or any entity regulated by the Bank of Jamaica or Financial Services Commission), excepting that current Corporation Directors may retain any existing non-bank directorships which they hold, provided there is no conflict of interest.

A director who is being considered or has been appointed to serve in any charitable, governmental, or other such capacity must also inform the Secretary so that any potential conflicts or reputational risk issues may be addressed.

Directors must inform the Secretary prior to taking any additional officer or director roles, in any jurisdiction so that conflicts may be assessed.

9. **CHANGE IN DIRECTORS' PRINCIPAL OCCUPATION**

A director who has 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 and to make a decision accordingly.

10. **ELIGIBILITY OF EMPLOYEE DIRECTORS**

Applicable legislation does not prohibit employees or officers of the Corporation or the Scotiabank Group from serving as a director of the Corporation.

Any officer or employee of the Corporation or an affiliated company who is also a Corporation director, upon ceasing to be employed as an employee on a full-time active basis, shall be deemed to have resigned as a director, excepting that in certain circumstances, the Board may specifically and unanimously request said director to continue to serve on the Board for a defined period of time, subject to the prior approval of the Corporate Governance Office.

11. **SEPERATION OF CHAIR AND PRESIDENT & CEO**

There is a division of responsibilities at the head of the Corporation between the running of the Board and the executive responsibility for the running of the Corporation's business. The roles of Chair and President & CEO are not exercised by the same individual. The division of responsibilities between the two are clearly established and understood by all those concerned.

The Chair is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chair should have frequent dialogues with, and a strong level of influence among, other Board members and senior management, as well as access to all Corporation information and staff. The Chair is also responsible for ensuring that the directors receive accurate, timely and clear information. Management has an obligation to provide such information, but directors should seek clarification or amplification where necessary.

12. **BOARD AND DIRECTOR EFFECTIVENESS**

The Board shall conduct an annual assessment of its performance and that of its committees, if any. The results of these evaluations must be summarized and presented to Board and the Executive Office's Corporate Governance Office each year.

Following the review of such evaluations, the Board may develop recommendations and/or an action plan, where determined necessary or desirable to address issues raised as a result of such assessments, and will monitor the progress of the Board in addressing issues identified in the assessment process.

13. **ATTENDANCE AT MEETINGS**

Directors are expected to attend meetings of the Corporation's shareholders, Board meetings and meetings of a committee 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 appropriate form and quality, in order to allow sufficient time for review.

The Secretary, in consultation with the Chair and senior management, 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-executive and independent Directors shall meet in camera at each regularly scheduled Board and Committee meeting.

#### 14. **BOARD COMMITTEES**

The present standing committees of the Board are the Audit & Conduct Review, HR & Governance, and Risk Committee. Where required and appropriate, the Board may delegate responsibilities to a committee of the Board.

Each Board committee shall have its own written charter/guidelines which shall comply with all applicable laws, rules and regulations. The charter/guidelines shall set forth the mission and responsibilities of the committee as well as qualifications for committee membership, procedures for committee member appointment, committee structure and operations and reporting to the Board. Such charter/guidelines shall be submitted for prior advice and counsel by the Executive Offices' Corporate Governance Office before being approved by the relevant committee and the Board.

The chair of a 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/guidelines. The chair of a committee, in consultation with the appropriate members of the committee and senior management, shall develop the committee's agenda. A committee shall annually establish a schedule of major topics to be discussed during the year (to the degree these can be foreseen).

#### 15. **ACCESS TO MANAGEMENT**

Directors shall have full and free access to senior management and other employees of the Corporation. Contact or meetings can be arranged for directors through the Secretary, the Chair or the director him/herself. The Board welcomes regular attendance at each Board meeting by senior management of the Corporation.

Subsidiary directors may also request to meet with the Chairman of the Board of The Bank of Nova Scotia, pursuant to the Subsidiary Governance Policy.

#### 16. **DIRECTOR COMPENSATION**

The form and amount of director compensation is determined by the Board, in light of local market practice and so that directors are compensated appropriately for their duties.

Directors who serve as an officer of the Corporation or another entity within the Scotiabank Group are not compensated in their capacity as directors.

17. **EXECUTIVE MANAGEMENT**

As the Corporation is a subsidiary of BNS, BNS directs and approves all performance review and compensation matters and directs and reviews all senior level succession matters. The Board shall review the Corporation's senior level organisational structure and the Corporation's management succession plan as required from time to time. As part of such reviews, the Board will consider regulatory findings, as appropriate. The Board is cognisant of the need for plans for orderly succession for appointments to senior management so as to maintain an appropriate balance of skills and experience within the Corporation.

18. **ESTABLISH AND MONITOR STANDARDS OF BUSINESS CONDUCT AND ETHICAL BEHAVIOUR**

The Corporation is committed to the highest standards of ethical business behaviour. The Board is responsible for adopting the Scotiabank Code of Conduct which applies to all employees and directors of the Corporation.

The Code of Conduct outlines BNS' rules and expectations regarding proper business conduct and ethical behaviour of directors, officers and employees of BNS and its subsidiaries, including:

- ❑ following the law wherever BNS and its subsidiaries do business;
- ❑ avoiding putting themselves or BNS in a conflict of interest;
- ❑ conducting themselves honestly and with integrity;
- ❑ respecting confidentiality and protecting the integrity and security of assets, communications, information and transactions;
- ❑ treating everyone fairly, equitably and professionally - whether customers, suppliers or service providers, employees or others who deal with BNS and/or its subsidiaries; and
- ❑ honour our commitments to the communities in which BNS and its subsidiaries operate.

The Board shall obtain reasonable assurance that there is an ongoing, appropriate and effective process in place for ensuring adherence to the Scotiabank Code of Conduct. Annually all directors, officers and employees of the Company must provide written certification of their compliance with the Scotiabank Code of Conduct. The Corporation's Compliance Department reports to the Board on such compliance. The Corporation promotes a strong compliance culture by strictly enforcing the Scotiabank Code of Conduct and by taking decisive disciplinary action where warranted. This forms part of the Board's overall responsibility for overseeing the Corporation's management of conduct review and conduct risk management and its oversight responsibilities for understanding, assessing and monitoring the Corporation's corporate culture.

The Board should be satisfied that policies and procedures are implemented such that the Corporation is in compliance with applicable laws, regulatory requirements and codes of conduct specific to its business.

19. **OVERSEE STRATEGIC AND FINANCIAL MANAGEMENT**

The Board should review and approve all Corporation business objectives, corporate strategies, major corporate plans, and review their implementation against actual results to ensure that the objectives, strategies and plans continue to be appropriate and prudent in light of current and anticipated Corporation business and the economic climate, resources and corresponding results. In adopting a strategic planning process and reviewing corporate strategies, the Board shall oversee that the opportunities and risks of the business and the strategic plans of BNS are taken into account as part of the review process. The Board must obtain reasonable assurances, on a regular basis, that there is an ongoing and effective process that ensures appropriate strategic management of the Corporation.

The Board shall oversee the implementation of the Bank's strategic plans and regularly review the Bank's actual and operating financial results against forecast results, in light of the Bank's business objectives, corporate strategies and corporate plans.

The Board shall also oversee Environmental, Social and Governance (ESG) matters as appropriate for the Bank, in line with the ESG strategy of BNS.

The Board shall review and approve for presentation to the shareholder(s), the [un]audited financial statements to ensure they provide a fair representation of the firm's financial position, capital and the results of the operations for the period; and ensure the financial statements have been prepared in accordance with the requirements of generally accepted accounting principles.

20. **OVERSEE RISK MANAGEMENT**

The Board should understand the nature and extent of the significant financial and non-financial risks to which the Bank is exposed and review and be satisfied that there are adequate systems in place to manage the risks. The Board shall approve a Risk Appetite Framework that is specific to and supports the Corporation's business. The Board shall establish appropriate and prudent risk management policies/frameworks. The risk function is a corporate control function and actively manages risk in an independent fashion to ensure the Corporation's integrity and to meet regulatory and fiduciary requirements. The risk management function helps the Corporation articulate its risk appetite and monitors actual risk taking against the Corporation's risk appetite.

The appointment and removal of the Corporation's Chief Risk Officer shall be approved by the Risk Committee/Board. The Risk Committee/Board is responsible for overseeing that the Risk Department has unfettered access and a functional reporting line to the Committee/Board.



21. **OVERSEE LIQUIDITY AND FUNDING MANAGEMENT**

A sound system of liquidity and funding management is critical to the profitability and ongoing viability of the Corporation. All directors must understand the liquidity and funding needs of the Corporation. The Board shall establish appropriate and prudent liquidity and funding management policies for the Corporation consistent with all applicable regulatory requirements and guidance.

22. **OVERSEE CAPITAL MANAGEMENT**

A sound system of capital management is critical to the profitability and ongoing viability of the Corporation. All directors must understand the capital needs of the Corporation as the Board is responsible for overseeing the enterprise-wide capital management of the Corporation. The Board shall establish appropriate and prudent capital management policies for the Corporation consistent with all applicable regulatory requirements and guidance.

23. **OVERSEE INTERNAL AUDIT FUNCTION**

The Corporation's Internal Audit function performs in-depth analysis in order to provide validations that indicate that Corporation processes, policies, procedures and controls are being monitored and complied with and that appropriate actions are taken to address any significant weaknesses or breakdowns that have been identified. The Internal Audit Unit shall have full access to Corporation records, information and staff.

The appointment and removal of the Corporation's Chief Internal Auditor shall be approved by the Audit & Conduct Review Committee/Board. The Audit & Conduct Review Committee is responsible for overseeing that the Internal Audit Department has unfettered access and a functional reporting line to the Committee/Board.

24. **OVERSEE FINANCE FUNCTION**

The Corporation's Finance Department performs in-depth analysis of the Corporation's financial and operating results independently of the Corporation's business lines and actively manages reliable and timely reporting of financial information. The Audit & Conduct Review Committee shall oversee and have regard to the independence of the Corporation's Finance Department.

The appointment and removal of the Corporation's Chief Financial Officer shall be approved by the Audit & Conduct Review Committee/Board. The Audit & Conduct Review Committee is responsible for overseeing that the Finance Department has unfettered access and a functional reporting line to the Committee/Board.

25. **OVERSEE COMPLIANCE FUNCTION**

The Corporation's Compliance Department provides independent oversight of the management of the Corporation's compliance with laws, regulations, and guidelines relevant to the activities of the Corporation in the jurisdictions in which it operates. The Audit & Conduct Review Committee shall oversee and have regard to the independence of the Corporation's Compliance Department.

The appointment and removal of the Corporation's Compliance Officer shall be approved by the Audit & Conduct Review Committee. The Audit & Conduct Review Committee is responsible for overseeing that the Compliance Department has unfettered access and a functional reporting line to the Committee/Board.

26. **OVERSEE ANTI-MONEY LAUNDERING FUNCTION**

The Corporation's Anti-Money Laundering function provides oversight of the management of the Corporation's compliance with anti-money laundering and anti-territory financing laws, regulations and guidelines relevant to the Corporation in the jurisdictions in which it operates. The Audit & Conduct Committee shall oversee and have regard to the independence of the Corporation's Anti-Money Laundering function.

27. **ISSUE ESCALATION**

The President and Chief Executive Officer and/or the Chairman of the Board will ultimately decide if a matter requires the attention of the Board between regularly scheduled meetings and if so, whether the Board or a Board Committee needs to be informed about or involved in the decision-making process concerning the issue that has been raised.

The decision as to whether or not to escalate an issue to the Board's attention and/or a Committee between regularly scheduled meetings is a matter of business and/or legal judgment on the part of senior management and /or the Chairman of the Board. The decision may be informed by the views of senior management, including Corporate Secretary/General Counsel, Chief Risk Officer, Chief Auditor, Chief Compliance Officer, Chief Financial Officer. This determination will take into consideration the following, among other factors:

- (a) the materiality or significance of the issue to the Corporation, its reputation, risk appetite framework, overall operations or strategic direction, considering both qualitative and quantitative measures;
- (b) prior Board discussion and decision-making on the matter;
- (c) existing authorities given to management in respect of the subject-matter; and
- (d) the necessity for the Board's involvement in the matter prior to the next scheduled meeting.

Senior management must also assess if the issue being considered has been delegated to a Committee as part of its mandate or pursuant to a prior Board resolution and if the matter may be properly addressed by a Committee of the Board, subject to the limitations prescribed by applicable laws and regulations and as determined by the Board from time to time. Where a matter cannot be considered by a Committee, then a full Board meeting will be called.

28. **CONFIRM ADEQUACY OF CONTROL ENVIRONMENT**

The Board should be satisfied that there are adequate internal controls in relation to the firm's accounting, financial reporting, capital adequacy, segregation and safekeeping of clients' securities

and approve the internal control framework. Internal Audit, the external auditors and senior management shall report to the Board on a regular basis on the state of the Corporation's control environment.

29. **DISCLOSURE POLICY**

The Corporation is committed to providing timely, accurate and balanced disclosure of all material information about the Corporation 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 and employees.

The Corporate Governance Policy shall be reviewed every year by the Board.

Approved	: December 1, 2015
Revised	: December 6, 2016
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