CORPORATE GOVERNANCE POLICIES

March 2019
Introduction

“Corporate governance” refers to the oversight mechanisms and the way in which Scotiabank Trinidad and Tobago Limited (“the Bank”) is governed. The Board of Directors of the Bank (the “Board”) is elected by shareholders to supervise the management of the Bank’s 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 Bank deals with the various interests of, and relationships with, our many stakeholders, including shareholders, customers, employees and the broader community.

As a publicly traded financial institution and a subsidiary of The Bank of Nova Scotia, a global and publicly traded financial institution, the Bank 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 investors alike.

The Bank’s Corporate Governance Policies are designed to ensure the independence of the Board and its ability to effectively supervise management’s operation of the Bank.

The Board of Directors

The Board’s primary responsibility is to supervise the management of the Bank's business and affairs. The Board’s responsibility is one of stewardship. Senior management is accountable for implementing the Board’s decisions and responsible for directing the Bank’s operations. The Board must provide effective governance over the Bank’s affairs. In doing so it must strive to balance the interests of the Bank’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 Bank. In discharging that obligation, Directors may rely on the honesty and integrity of the Bank's Senior Management, its outside advisors and auditors.

Number and Selection of Board Members

The Board has the authority under the Bank’s By-laws to fix the number of directors, which should be in the range of 3 to 20, within which there is flexibility to increase the number of members in order to accommodate an outstanding candidate or the Board's changing needs or circumstances. Candidates for the Board shall be selected by the Corporate Governance and Human Resources Advisory Committee, and recommended to the Board for approval, taking into consideration the overall composition and diversity of the Board and the expertise that new Board members can offer.

Term Limits

The Bank’s shareholders elect Directors at the annual meeting each year. Between meetings the Board may appoint additional members. 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.
Effective December 1, 2012, Directors who are members of the Board and who have already served a ten year term as at November 30, 2012, may serve on the Board until they attain the earlier of age 70 or the completion of a three year term from December 1, 2012 and Directors who are members of the Board and who have not yet served a ten year term may serve on the Board until they attain the earlier of age 70 or the completion of a ten year term from their respective dates of appointment to the Board. Directors appointed or elected to the Board after December 1, 2012 may serve on the Board until they attain the earlier of age 70 or the completion of a ten year term.

Upon the recommendation of the Corporate Governance and Human Resources Advisory Committee, the Board may, in extenuating circumstances, consider and approve the extension of a Director’s term beyond the stipulated limit for such period as is considered appropriate.

**Affiliated, Related and Independent Directors**

The Bank 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 the Financial Institutions Act, 2008 (“FIA”), shall be considered to be non-independent. The independence criteria are attached as Appendix “A”.

**Qualifications for Directors**

One of the Board's most important responsibilities is to identify, evaluate and select candidates for the Board. The Corporate Governance and Human Resources Advisory Committee is charged with reviewing the qualifications of potential Director candidates and making recommendations to the whole Board. The Board believes that its membership should be composed of highly qualified Directors who demonstrate integrity and suitability for overseeing the management of a financial institution. Factors considered by the Committee and the Board in its review of potential candidates include:

- prominence in business, institutions or professions;
- familiarity with industries with which the Bank conducts and proposes to conduct business;
- knowledge and experience in the fields of banking and finance;
- risk management experience;
- integrity, honesty and ability to generate public confidence;
- sound and independent business judgment;
- knowledge and appreciation of public issues and familiarity with local, national and international affairs;
- 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.

To support this composition and as part of the Board’s commitment to sound and effective corporate governance practices, the Corporate Governance and Human Resources Advisory Committee will, when identifying candidates to recommend for appointment or election to the Board:

(a) consider candidates who are highly qualified based on their experience, expertise, perspectives, and personal skills and qualities;
(b) consider diversity criteria including gender, age, ethnicity and geographic background; and
(c) in addition to its own search, as and when appropriate from time to time, engage qualified independent external advisors to conduct a search for candidates who meet the Board’s expertise, skills and diversity criteria.
As part of its approach to Board diversity, the Board aspires to have each gender comprise at least 30% of its members.

**Director Education**

Directors shall be knowledgeable and informed about the business of the Bank, the regulatory environment in which the Bank and its subsidiaries operate, and their duties and responsibilities as Directors.

The Bank shall assist Directors in their education about the Bank and their duties and responsibilities as Directors. New Directors are provided with written information about the Bank and their duties and responsibilities as Directors to assist them in their education. New Directors also meet with the Chairman, the Managing Director, and other members of Executive Management, as required. All Directors have access to seminars and presentations on aspects of the Bank's business and operations and are provided with opportunities to visit local and international operations. Management regularly updates the Board on changing regulation and practices related to corporate governance.

**Other Directorships**

The Corporate Governance and Human Resources Advisory Committee will consider the following factors in determining whether a potential Director candidate is able to devote the requisite time and attention to the Bank's affairs, prior to the Board's approval of the individual's appointment or nomination for election. Existing Directors are also subject to these guidelines and prior to joining another public or private company board of directors, will be asked to review their existing board commitments with the Chair of the Corporate Governance and Human Resources Advisory Committee in order to assess whether the Director has the requisite time for the Bank’s affairs, or will be able to continue to devote sufficient time to the Bank’s affairs.

In doing so, the Corporate Governance and Human Resources and Advisory Committee shall take into account:

- The number of public and/or private company directorships;
- Whether the Director is a CEO or other senior executive of another company and the number of company directorships of that individual, including membership on the board of the company at which the individual is a CEO or other senior executive;
- The complexity of the other companies’ businesses;
- Other roles a Director may undertake on such boards; and
- The time commitment expected of the Director with respect to such boards.

There is no limit fixed by the Board with respect to the number of other company boards on which a Director may sit. However, the number of company directorships held by Directors will be considered each year by the Corporate Governance and Human Resources Advisory Committee with a view to determining whether a Director is able to devote the requisite time and attention to the Bank’s affairs.

No Director of the Bank shall sit on more than two audit committees of public company boards without the consent of the Corporate Governance and Human Resources Advisory Committee and the Board.

The Board also reviews interlocking board memberships to determine whether any common board
memberships impair the ability of the involved Directors to exercise independent judgment as Bank Directors. No more than two Directors may sit on the same public company board without the consent of the Corporate Governance and Human Resources Advisory Committee and the Board.

No Director of the Bank shall also be a member of the board of directors of an unaffiliated financial entity (which includes another bank, trust company or insurance company) as defined by the FIA, without a permit from the Central Bank of Trinidad and Tobago and the consent of the Chairman of the Board.

**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 Bank or an affiliated 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 have resigned as a Bank Director, excepting that a former Managing Director may, if specifically requested to do so by the Board, continue to serve on the Board as a Director for a defined period of time.

**Board and Director Effectiveness**

The Chairman of the Board shall conduct an annual review of Members’ performance. The Board shall also conduct an annual evaluation of its performance. The results of this evaluation shall be summarized and presented to the Corporate Governance and Human Resources Advisory Committee which will then report on the assessment to the Board. The Corporate Governance and Human Resources Advisory Committee may develop recommendations and/or an action plan for the Board, where determined necessary or desirable, to address issues raised as a result of such assessment, and will monitor the progress of the Board in addressing issues identified in the assessment process.

**Attendance at Meetings**

Directors are expected to attend meetings of the Bank’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. Directors are expected to attend a minimum of 75% of Board and Committee meetings held in a fiscal year. Those Directors who fail to meet this requirement must meet with the Chair of the Corporate Governance and Human Resources Advisory Committee to discuss the reasons contributing to the Director’s attendance record and the Chair will make a recommendation to the Board, as necessary, with respect to the Director’s continued role on the Board. In extraordinary circumstances where a significant number of special Board and/or Committee meetings are held in a fiscal year, the Chair of the Corporate Governance and Human Resources Advisory Committee will consider extenuating circumstances that may prevent a Director from meeting the attendance requirement noted above and will report to the Board any exceptions to this requirement determined to be acceptable.

The Corporate Governance and Human Resources Advisory Committee recommends for Board approval 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 Managing Director, in consultation with the Secretary, 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 shall meet in executive session at each Board meeting.

**Board Committees**

The standing committees of the Board are the Audit and Conduct Review Committee, the Corporate Governance and Human Resources Advisory Committee, and the Enterprise and Credit Risk Management Committee (each a “Committee”). Each Committee reports directly to the Board. Subject to their availability, each non-management Director should serve on one or more Committees. A majority of members of the Audit and Conduct Review Committee shall meet the independence criteria set forth in the FIA. Committee members and chairs shall be appointed by the Board upon the recommendation of the Corporate Governance and Human Resources Advisory Committee, after consultation with the individual Directors. Committee chairs and members shall be rotated at the recommendation of the Corporate Governance and Human Resources Advisory Committee.

Subject to the Board’s term limits, Committee members and chairs shall be appointed by the Board upon the recommendation of the Corporate Governance and Human Resources Advisory Committee, after consultation with the individual Directors. Committee chairs and members shall be rotated at the recommendation of the Corporate Governance and Human Resources Committee.

Each Committee shall have a 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 may annually establish a schedule of major topics to be discussed during the year (to the degree these can be foreseen).

The Board and each Committee shall have the power to hire and fire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of senior management of the Bank in advance. Each Committee shall have the power to form a sub-committee or to otherwise delegate specific responsibilities as such Committee sees fit and in compliance with applicable laws and regulations.

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 Bank. Contact or meetings can be arranged for Directors through the Managing Director, the Secretary or directly by the Director. The Board welcomes regular attendance at each Board meeting by senior management of the Bank.
**Director Compensation**

The Board determines the form and amount of Director compensation based on the recommendation of the Corporate Governance and Human Resources Advisory Committee following at minimum a bi-annual review of Director compensation in the marketplace. Directors are required to hold shares in the Bank.

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

**Executive Management**

The Corporate Governance and Human Resources Advisory Committee shall review the Bank’s senior level organization structure and the Bank’s management succession plan at least once a year.

The candidacy of all proposed Managing Director appointments shall be reviewed by the Corporate Governance and Human Resources Advisory Committee and then submitted to the Board for approval. All new senior management appointments shall be reported to the Board at least quarterly.

The Corporate Governance and Human Resources Advisory Committee shall rely on management to consult with the Human Resources Department of The Bank of Nova Scotia and seek its advice and counsel prior to reporting to the Corporate Governance and Human Resources Advisory Committee on such matters.

**Review Executive Performance**

The Corporate Governance and Human Resources Advisory Committee shall annually assess the performance of the Managing Director.

**Review Compensation**

The Corporate Governance and Human Resources Advisory Committee shall periodically review a competitive benchmarking of all material employee compensation and benefits plans and programs of the Bank, except for matters pertaining to the Bank’s employee pension plan. This review will include an assessment of whether the Bank’s compensation plans are aligned with 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, including The Bank of Nova Scotia Compensation Policy. On the basis of this benchmarking, the Committee will make recommendations to the Board.

The Corporate Governance and Human Resources Advisory Committee shall review and the Board shall approve, with advice and counsel from The Bank of Nova Scotia, the compensation for the Managing Director on an annual basis.

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

The Bank is committed to the highest standards of ethical business behaviour. The Board has adopted the Scotiabank Code of Conduct which applies to all employees of the Bank and its subsidiaries, as well as its directors.

The Scotiabank Code of Conduct outlines the Bank’s rules and expectations regarding proper business conduct and ethical behaviour of directors, officers and employees of the Bank and its subsidiaries, including:
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 employees and Directors of the Bank and its subsidiaries must provide written certification of their compliance with the Scotiabank Code Conduct. The Compliance Department reports to the Audit and Conduct Review Committee on such compliance, noting any instances of material deviation from the standards together with any corrective action taken. The Bank promotes a strong compliance culture by strictly enforcing the Scotiabank Code Conduct and by taking decisive disciplinary action where warranted. This forms part of the Board’s overall responsibility for overseeing the Bank’s management of conduct review and conduct risk.

**Oversee Strategic Management**

The Board shall review the business objectives of the Bank, consider and approve the Bank’s business strategy and its business plans for significant operations, and review these at least once a year to ensure that the Bank’s strategic plans remain appropriate and prudent in light of the Bank’s current and anticipated business and economic environment, resources, risks 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 Bank, including that the strategic plans adopted by The Bank of Nova Scotia are being taken into account.

The Board shall frequently evaluate the Bank’s actual operating and financial results against forecast results, in light of the Bank’s business objectives, business strategy and The Bank of Nova Scotia’s business plans and risk appetite framework.

**Oversee Risk Management and Risk Management Function**

A sound system of risk management is critical to the profitability and ongoing viability of the Bank. Directors must understand the significant risks to which the Bank is exposed. The Board shall establish appropriate and prudent risk management framework/policies.

**Oversee Liquidity and Funding Management**

A sound system of liquidity and funding management is critical to the profitability and ongoing viability of the Bank. Directors must understand the liquidity and funding needs of the Bank. The Board shall establish appropriate and prudent liquidity and funding management policies for the Bank.

**Oversee Capital Management**

A sound system of capital management is critical to the profitability and ongoing viability of the Bank. Directors must understand the capital needs of the Bank as the Board is responsible for overseeing the enterprise-wide capital management of the Bank. The Board shall establish appropriate and prudent
capital management policies for the Bank.

**Oversee Internal Audit Function**

The Bank's independent Audit Department performs in-depth analysis, on a regular basis, in order to provide validations to the Board that the Bank'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 Audit and Conduct Review Committee shall establish the charter of, and ensure the allocation of sufficient resources for, the Bank's independent Internal Audit Department, and approve its annual plan. The independent Internal Audit Department shall have full access to the Bank's records, information and personnel. The Board shall seek from the independent Internal Audit Department, on a regular basis, validations that the Bank'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 Audit and Conduct Review Committee shall review and approve the Internal Audit Department's organizational structure and review the effectiveness of the Chief Auditor and the Internal Audit Department. The Audit and Conduct Review Committee shall periodically review the results of independent reviews of Internal Audit and report such results to the Board.

The appointment and removal of the Bank’s Chief Auditor shall be approved by the Audit and Conduct Review Committee. The Board has determined that the independent Internal Audit Department may have an internal administrative reporting relationship, but that functionally the Chief Auditor shall report to the Audit and Conduct Review Committee. The Audit and Conduct Review Committee shall review and approve the job description of the Chief Auditor.

**Confirm Adequacy of Control Environment**

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

The Board shall obtain, on a regular basis, reasonable assurance that the Bank is in control.

**Issue Escalation**

The Managing Director 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 Board 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.
This determination will take into consideration the following, among other factors:

(a) the materiality or significance of the issue to the Bank, 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.

Examples of issues that may be escalated to the Board or a Committee for decision-making in between meetings could include the following:

(a) strategic acquisitions or transactions;
(b) a requirement to issue securities;
(c) changes in executive management;
(d) material misstatements in prior financial statements which would reflect a material weakness in the Bank's internal controls; or
(e) significant write-downs or other events which would significantly impact the assets, liabilities and earnings of the Bank on a consolidated basis.

Examples of issues that may be escalated to the Board or a Committee for informational purposes only in between meetings could include the following:

(a) correspondence from regulators;
(b) information pertaining to potential transactions;
(c) press releases or other information pertaining to announced transactions; or
(d) media articles concerning the Bank.

In determining the necessity for and extent of Board and/or Committee involvement, senior management must assess if the issue being considered has been delegated to a Committee as part of its mandate or pursuant to a prior Board resolution. Where a matter cannot be considered by a Committee, then a full Board meeting will be called.

**Disclosure and Communications**

The Bank is committed to providing timely, accurate and balanced disclosure of all material information about the Bank 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, rating agencies, analysts and stock exchanges.
APPENDIX A

INDEPENDENCE CRITERIA PURSUANT TO THE FINANCIAL INSTITUTIONS ACT, 2008

Pursuant to section 36 of the FIA, an “independent director” means a director who:

- is not the holder of five per cent or more of the shares of the Bank or of a connected party of the Bank;
- is not a current officer of the Bank or of a connected party of the Bank;
- is not a relative of a current officer or director, or of a person who was an officer or director of the Bank or a connected party of the Bank within two years prior to his appointment;
- is not the auditor, nor has been employed by the auditor of a Bank nor the auditor of any of the connected parties of the Bank within three years prior to his appointment;
- has not been employed by the Bank or any of its connected parties within three years prior to his appointment;
- is not an incorporator of the Bank or of a connected party of the Bank;
- is not a professional advisor of the Bank or of a connected party of the Bank;
- is not a supplier to the Bank or of a connected party of the Bank;
- is not indebted to the Bank or any of its affiliates, other than by virtue of –
  o a fully collaterised loan; or
  o an outstanding credit card balance not exceeding sixty thousand dollars.

A person is a “connected party” of the Bank where the person is a financial holding company, holding company, controlling shareholder (includes 50% plus control) or significant shareholder (20% influence); a person who holds 10% or more of any class of shares of the Bank or of the financial holding company, controlling shareholder or significant shareholder; an affiliate of the Bank; a director or officer of the Bank or its holding company, controlling shareholder or significant shareholder; a relative of a director or officer of the Bank; and a company controlled by any of the foregoing persons. The Inspector of Financial Institutions may determine that any other person is a connected party of a Bank where in his opinion their relationship may create a conflict of interest or may pose regulatory risk.