THE BANK OF NOVA SCOTIA

Corporate Governance Policies

June 2013

Scotiabank

Introduction

As a global and publicly traded financial institution, Scotiabank 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 of Directors (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 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 around the world, 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-law’s to fix the number of Directors, which should be in the range of 12 to 18, with the 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 Pension Committee, and recommended to the Board for approval, in accordance with guidelines approved by the Board, taking into consideration the overall composition and diversity of the Board and the areas of expertise that new Board members can offer.

The Bank's shareholders elect Directors at the annual meeting each year. Between meetings the Board may appoint additional members. Effective April 1, 2011, Directors who are members of the Board as at December 3, 2010, may serve on the Board until they attain the earlier of age 70 or the completion of a ten year term from 2011, provided that if such Director has not completed a ten year term at age 70, their term will be extended for additional years in order to complete a minimum ten year term. Directors appointed or elected to the Board after December 3, 2010 may serve on the Board until they attain the earlier of age 70 or the completion of a fifteen year term, except that a Director who, at the age of 70, has not completed a ten year term, will have their term extended for additional years to complete a minimum ten year term.

Majority Voting in Director Elections

In an uncontested election of Directors of the Bank, any nominee for Director who receives a greater number of votes “withheld” from his or her election than votes “for” such election (a “Majority Withheld Vote”) shall promptly tender his or her resignation to the Chairman of the Board of Directors following the Bank’s annual meeting. In this policy, an “uncontested election” shall mean an election where the number of nominees for Director shall be equal to the number of Directors to be elected.

The Corporate Governance and Pension Committee of the Board shall consider the resignation offer and shall recommend to the Board whether or not to accept it. The Corporate Governance and Pension Committee shall be expected to accept the resignation except in situations where extenuating circumstances would warrant the applicable Director to continue to serve on the Board. In considering whether or not to accept the resignation, the Corporate Governance and Pension Committee will consider all factors deemed relevant by members of such Committee including, without limitation, the stated reasons why shareholders “withheld” votes from the election of that nominee, the length of service and the qualifications of the Director whose resignation has been tendered, such Director’s contributions to the Bank and the Bank’s Corporate Governance Policies.

The Board shall act on the Corporate Governance and Pension Committee’s recommendation within 90 days following the applicable annual meeting. In considering the Corporate Governance and Pension Committee’s recommendation, the Board will consider the factors considered by that Committee and such additional information and factors that the Board considers to be relevant. Following the Board of Directors’ decision on the resignation, the Board shall promptly disclose, via press release, their decision whether to accept the Director’s resignation offer including the reasons for rejecting the resignation offer, if applicable. If a resignation is accepted, the Board may, in accordance with the provisions of the *Bank Act*, appoint a new Director to fill any vacancy created by resignation or reduce the size of the Board.

Any Director who tenders his or her resignation pursuant to this Policy shall not participate in the meeting of the Corporate Governance and Pension Committee meeting, if he or she is a member of that Committee, to consider the decision to recommend to the Board whether his or her resignation shall be accepted. However, if each member of the Corporate Governance and Pension Committee received a Majority Withheld Vote in the same election, or a sufficient number of Committee members such that that Committee no longer has a quorum, then the independent Directors shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them. However, if the only Directors who did not receive a Majority Withheld Vote in the same election constitute seven (7), all Directors may participate in the determination of whether or not to accept the resignation offers.

In the event that any Director who received a Majority Withheld Vote does not tender his or her resignation in accordance with this policy, he or she will not be re-nominated by the Board of Directors.

The Corporate Governance and Pension Committee may adopt such procedures as it sees fit to assist it in its determinations with respect to this policy.

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. As required under the Rules of the New York Stock Exchange ("NYSE") and the Canadian Securities Administrators' Corporate Governance Guidelines, the Board shall, annually, make an affirmative determination with respect to each Director's independence. The Board has determined that all Affiliated Directors, as defined in the *Bank Act*, shall be considered to be non-independent under the Bank's Director Independence Standards. The Bank's Director Independence Standards 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 Pension Committee is 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;
- residency in and 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 of and experience with financial institutions;
- risk management experience;
- 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.

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 and meet with the Chairman, the Chief Executive Officer, and other Executive Officers, 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 domestic and international operations. Management regularly updates the Board on changing regulation and practices related to corporate governance.

Other Directorships

The Corporate Governance and Pension Committee will consider the following guidelines 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. Effective December 2, 2011, existing Directors will also be subject to these guidelines and prior to joining another public company board of directors, will be asked to review their existing board commitments with the Chair of the Corporate Governance and Pension Committee in order to assess whether the Director will be able to continue to devote sufficient time to the Bank's affairs.

The Corporate Governance and Pension Committee shall consider the following guidelines, which exclude the Bank's Board of Directors in the calculation, in reviewing public company directorships held by potential Director candidates or existing Directors:

(1) Directors who are CEOs or other senior executives of public companies should hold no more than three other public company directorships, including membership on the board of the company at which the individual is CEO or a senior executive officer;

(2) Directors who are employees with non-public companies or other entities, or employees of public companies (other than in a senior officer capacity) should hold no more than four public company directorships, including membership on the board of the corporation at which the individual is employed;

(3) For all other Directors, individuals should hold no more than five public company directorships.

The Corporate Governance and Pension Committee shall assess each Director's or potential candidate's other public company board commitments with reference to these guidelines. The Committee has discretion to determine, in certain circumstances, whether a Director candidate or existing Director is able to hold public company directorships which exceed these guidelines and will report decisions to the Board of Directors.
No Director of the Bank shall sit on more than three audit committees of public company boards without the consent of the Corporate Governance and Pension 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 Pension Committee.

No Director of the Bank shall also be a member of the board of directors of an unaffiliated financial institution (which includes another bank, trust company or insurance company), without the prior approval of the Corporate Governance and Pension Committee and the confirmation of the Executive Vice-President, General Counsel and Secretary.

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 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 Chief Executive Officer 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 Committee shall conduct an annual evaluation of its own performance as provided in its Charter. The results of these evaluations shall be summarized and presented to the Corporate Governance and Pension Committee which will then report on all these assessments to the Board. The Corporate Governance and Pension 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 assessments, 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 Pension 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 Pension 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 Pension 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 Chief Executive Officer, 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.

Non-Executive Chairman or Lead Director

The Board is committed to always having a Non-Executive Chairman or a Lead Director. Either of these structures is appropriate to ensure independent Board leadership and that the Bank 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, the Corporate Governance and Pension Committee, the Executive and Risk Committee, and the Human Resources Committee. Each Committee reports directly to the Board. Subject to their availability, each non-management Director should serve on one or more Board committees. All members of the Committees, other than the Executive and Risk Committee, shall meet the independence criteria, as determined by the Board, set forth in the NYSE Corporate Governance Rules and in the Canadian Securities Administrators' Corporate Governance Guidelines, and all other applicable laws, rules or regulations regarding Director independence. The Executive and Risk Committee shall be composed solely of non-management Directors. Committee members and chairs shall be appointed by the Board upon the recommendation of the Corporate Governance and Pension Committee, after consultation with the individual Directors. Committee chairs and members shall be rotated at the recommendation of the Corporate Governance and Pension Committee.

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.

Effective September 25, 2012 and subject to the Board's term limits, Committee chairs are appointed by the Board, upon the recommendation of the Corporate Governance and Pension Committee, for a term of three years. A Committee chair's term may be extended for an additional period of up to two years.

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 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 Chief Executive Officer, 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 Pension Committee following an annual review of Director compensation in the marketplace. Directors are required to hold a significant level of shares in the Bank and must take a significant portion of their compensation in shares or share equivalents.

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

Executive Management

The Human Resources Committee shall review the Bank's senior level organizational structure and the Bank's management succession plan, including succession planning for the Bank's control function heads, at least once a year. The Executive and Risk Committee and Audit and Conduct Review Committee shall provide input to the Human Resources Committee on the succession planning for the control function heads that those Committees oversee.

The candidacy of all proposed Executive Officer appointments shall be reviewed by the Human Resources Committee and then submitted to the Board for approval. The Executive and Risk Committee may approve Executive Officer appointments in the period between Board meetings. All new senior management appointments shall be reported to the Board at least quarterly.

The Board shall review the mandates of the Bank's Executive Officers and job descriptions of the Chief Auditor and Chief Compliance and Regulatory Officer as established by the Human Resources Committee. These mandates shall define the duties, responsibilities and authority of the Chief Executive Officer and the other Executive Officers and control function heads of the Bank. The Executive and Risk Committee shall also review the mandate for the Bank's Chief Risk Officer and the Audit and Conduct Review Committee shall review the mandate for the Bank's Chief Financial Officer and the job descriptions for the Chief Auditor and the Chief Compliance and Regulatory Officer, as set out in the Committees' respective charters.

The Board shall have the authority to dismiss and replace the President and the Chief Executive Officer, if required.

<u>Review Executive Performance</u>

The Human Resources Committee shall annually assess the performance of the Chief Executive Officer and all other Executive Officers. In addition to this assessment, the Executive and Risk Committee shall assess the effectiveness of the Chief Risk Officer and the Audit and Conduct Review Committee shall assess the effectiveness of the Chief Financial Officer, Chief Auditor and Chief Compliance and Regulatory Officer and the Committees shall convey their views on these assessments to the Human Resources Committee and management, in accordance with the Committees' Charters. The Board Committees shall consider regulatory findings as part of their reviews of management.

<u>Review Compensation</u>

The Human Resources Committee shall review and recommend to the Board all material employee compensation and benefits plans and programs except for matters pertaining to the Bank's employee pension plan, which shall be reviewed by the Corporate Governance and Pension Committee, 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.

The Human Resources Committee shall review and the Board shall approve the compensation for all Executive Officers, the Chief Auditor and Chief Compliance and Regulatory Officer 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 Guidelines for Business Conduct which apply to all employees of the Bank and its subsidiaries. The Scotiabank Guidelines for Business Conduct contain an addendum dealing specifically with matters of particular Director concern.

The Guidelines for Business Conduct outline 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:

- following the law wherever the Bank does business;
- avoiding putting themselves or the Bank 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 the Bank; and
- honour our commitments to the communities in which we operate.

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 Bank and its subsidiaries must provide written certification of their compliance with the Scotiabank Guidelines for Business Conduct. Global Compliance 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 Guidelines for Business Conduct and by taking decisive disciplinary action where warranted.

Oversee Strategic Management

The Board shall establish the business objectives of the Bank, consider and approve the Bank's business strategy and its business plans for significant operations, and review those things at least once a year to ensure that the strategic plans remain appropriate and prudent in light of the Bank's current and anticipated business and 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 Bank.

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 business plans.

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 policies. The Executive and Risk Committee shall oversee and have regard to the independence of the Bank's risk management function by annually: reviewing and approving the mandate of the Chief Risk Officer and the Charter of the Global Risk Management Department; approving sufficient resources and budget for the Bank's Global Risk Management Department; and reviewing and approving the organizational structure of the Global Risk Management Department. The Committee shall assess the Global Risk Management Department's effectiveness and shall also periodically request independent reviews of the Global Risk Management Department and review the results of such reviews prior to reporting to the Board.

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

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 Audit and Conduct Review Committee shall establish the charter of, and allocate 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.

Oversee Finance Function

The Bank's Finance Department performs in-depth analysis of the Bank's financial and operating results independently of the Bank's business lines and actively manages the reliable and timely reporting of financial information. The Audit and Conduct Review Committee shall oversee and have regard to the independence of the Bank's Finance Department by annually: reviewing and approving the mandate of the Chief Financial Officer and the Charter of the Finance Department; approving sufficient resources and budget for the Bank's Finance Department; and reviewing and approving the organizational structure of the Finance Department. The Committee shall assess the Finance Department's effectiveness and shall also periodically request independent reviews of the Finance Department and review the results of such reviews prior to reporting to the Board.

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

Oversee Compliance Function

The Bank's Global Compliance Department provides independent oversight of the management of the Bank's compliance with laws, regulations and guidelines relevant to the activities of the Bank in the jurisdictions in which it operates. The Audit and Conduct Review Committee shall oversee and have regard to the independence of the Bank's Global Compliance Department by annually: reviewing and approving the mandate of the Chief Compliance and Regulatory Officer and the Mandate of the Global Compliance Department; approving sufficient resources and budget for the Bank's Global Compliance Department; and reviewing and approving the organizational structure of the Global Compliance Department. The Committee shall assess the Global Compliance Department's effectiveness and shall also periodically request independent reviews of the Global Compliance Department and review the results of such reviews prior to reporting to the Board.

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

Confirm Adequacy of Control Environment

The Board shall approve the Bank's internal control framework and 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 President and the 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: the President and the Chief Executive Officer, the Vice-Chairman and Chief Operating Officer; all Group Heads; the Executive Vice-President, General Counsel and Secretary; the Executive Vice-President and Chief Financial Officer, the Chief Compliance and Regulatory Officer and the Chief Auditor. 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. Further, senior management must also decide if the matter may be properly addressed by the Executive and Risk Committee of the Board, as that Committee's mandate includes responsibility for exercising all powers of the Board during intervals between Board meetings, subject to the limitations prescribed by the Bank Act and as determined by the Board from time to time. Where a matter may be properly addressed by the Executive and Risk Committee, as opposed to the full Board, then it will be put before that Committee at a specially called meeting. Where a matter cannot be considered by the Executive and Risk Committee or another 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

DIRECTOR INDEPENDENCE STANDARDS

A majority of the Bank's directors are independent, as required by Canadian Securities Administrators' National Policy 58-201 — *Corporate Governance Guidelines* and the current NYSE listed company corporate governance rules. To be considered independent under these rules, the Board must determine that a director has no direct or indirect material relationship with the Bank. A material relationship is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's judgement independent of management. The rules permit the Board to adopt categorical standards in making its independence determinations. The standards adopted by the Board are reproduced below. Definitions and interpretation of terms in the standards are in accordance with applicable source rules and regulations, as amended from time to time. In applying these standards, the Board broadly considers all relevant facts and circumstances.

1. A director will not be independent if:

   - the director is, or has been within the last three years, an employee or executive officer of the Bank or a subsidiary, or an immediate family member of the director is, or has been within the last three years, an executive officer of the Bank or a subsidiary;

   - the director has received, or an immediate family member of the director has received for service as an executive officer, during any twelve-month period within the last three years, more than the lesser of Cdn$75,000 and US$120,000 in direct compensation from the Bank or a subsidiary, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

   - (a) the director or an immediate family member of the director is a current partner of a firm that is the Bank's or a subsidiary's internal or external auditor; (b) the director is a current employee of such firm; (c) an immediate family member of the director is a current employee of such a firm and personally works on the Bank’s or a subsidiary’s audit, or the director’s spouse, or child or stepchild who shares a home with the director, is an employee of such firm and participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (d) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Bank's or a subsidiary's audit within that time;

   - the director or an immediate family member of the director, is, or has been within the last three years, employed as an executive officer of another company where any of the Bank's or a subsidiary's present executive officers at the same time serves or served on that company's compensation committee;

   - the director is currently an employee, or an immediate family member of the director is currently an executive officer, of a company that has made payments to, or received payments from, the Bank or a subsidiary for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of US$1 million or 2% of such other company's consolidated gross revenues (with the exception that contributions to tax exempt organizations shall not be considered payments for this purpose); or

- the director is "affiliated" with the Bank as that term is used in the Affiliated Persons (Banks) Regulations made under the *Bank Act* (Canada).

An "immediate family member" includes a person's spouse, parents, children, stepchildren, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the person's home.

2. In addition to satisfying the independence standards set forth above, members of the audit committee must satisfy the following additional independence requirements:

   - An audit committee member may not accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Bank or any subsidiary, other than compensation in his or her capacity as a member of the Board or any committee or any fixed amount of compensation under a retirement plan (including deferred compensation) for prior service with the Bank (provided such compensation is not contingent in any way on continued service).

   - An audit committee member may not be an "affiliated" person of the Bank or any subsidiary, as defined in applicable Canadian and U.S. securities laws.

The indirect acceptance by an audit committee member of any consulting, advisory or other compensatory fee includes acceptance of such fee by a spouse, minor child or stepchild or a child or stepchild who shares a home with the audit committee member or by an entity in which such audit committee member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Bank or any subsidiary.

3. In addition to satisfying the independence standards set forth above in section (1), in affirmatively determining the independence of any director who will serve on the Bank's compensation committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to the Bank which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:

   - the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Bank or a subsidiary to such director; and

   - whether such director is affiliated with the Bank, a subsidiary of the Bank or an affiliate of a subsidiary of the Bank.

Whether directors meet these categorical independence standards will be reviewed and will be made public annually prior to their standing for re-election to the Board. The Board will examine relationships such as the nature of the director's banking, lending or other business dealings with the Bank or a director's role in a charitable organization which has received a certain level of contributions from the Bank. For relationships not covered by the standards in section 1 above, the determination of whether the relationship is material, and therefore whether the director would be independent, will be made by the directors who satisfy those standards. The Bank will disclose the basis for any Board determination that a relationship is immaterial despite the fact that it does not meet the categorical standards set forth above.