

# STATEMENT ON SCOTIABANK'S AML PROGRAM

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## Our Enterprise-wide Anti-Money Laundering/Anti-Terrorist Financing Program

The Bank of Nova Scotia, its branches, and wholly-owned or controlled subsidiaries (collectively "Scotiabank" or the "Bank") are firmly committed to participating in international efforts to combat money laundering ("ML") and terrorist financing ("TF") activities, as well as complying with Anti-Money Laundering ("AML"), Anti-Terrorist Financing ("ATF") and sanctions laws and regulations applicable to the Bank.<sup>1</sup>

### Governance Framework

Scotiabank's Board of Directors (the "Board") and Executive Management provide oversight over the Bank's AML/ATF and sanctions compliance program (the "AML Program"). Scotiabank has designated an enterprise-wide Chief Anti-Money Laundering Officer ("Group CAMLO"), who is accountable for the design and operation of the Bank's AML Program. Business Line CAMLOs ("BL CAMLO") support the Group CAMLO by providing oversight of, and day to day advisory services to, their specific lines of business. Each jurisdiction in which the Bank operates has a designated money laundering reporting officer responsible for the oversight of the AML Program for their jurisdiction, and who is accountable to a BL CAMLO. The Group CAMLO has unfettered direct access to, and regular communication with, Executive Management and the Board, and provides them with regular reports on the operations and effectiveness of the Bank's AML Program.

Pursuant to the Bank's Three Lines of Defense risk governance framework, Scotiabank's Financial Crimes Risk Management ("FCRM") group<sup>2</sup>, under the oversight of the Group CAMLO and BL CAMLOs, is a Second Line of Defense function that provides leadership, expertise, and effective challenge to the Business Lines. As the First Line of Defense, the Business Lines develop and maintain appropriate processes and controls to manage the risks associated with their business activities according to established AML and sanctions policies and standards. Internal Audit, as the Third Line of Defense, provides enterprise-wide independent assurance to senior management and the Board on the effectiveness of risk management practices.

### Policies and procedures

Scotiabank has developed clear policies and procedures outlining its enterprise standards regarding the various components of the AML Program, including the sharing of information within Scotiabank for AML/ATF purposes. These enterprise standards represent AML/ATF measures consistent with the requirements of Canada, Scotiabank's home country, in implementing the FATF Recommendations. Operations in each jurisdiction also maintain policies and procedures designed to comply with applicable laws and regulations. Where local legal or regulatory requirements differ from enterprise requirements, the Business Line must follow the stricter standard. All policies and policy-related documents are published internally and accessible to employees. Policies are subject to periodic review for updates and are approved by senior management.

### Risk Assessment & Management

The risk management principles that govern Scotiabank's management of ML/TF and sanctions risks include:

- To accept as clients only those individuals and legal entities whose identity and ownership can be adequately ascertained and whose activities can reasonably be established to be legitimate;
- To not knowingly provide any form of financial services to clients whose money is believed to be derived from the proceeds of crime or activity that violate sanctions, or whose money is believed to be intended for use for illegal activities;
- To cooperate with regulators, law enforcement agencies, and financial intelligence units in accordance with applicable law;
- To assess and document the risk of ML/TF and sanctions across the organization and evaluate the controls in place designed to mitigate such risk; and
- To review new products, services, and delivery channels, and associated systems, acquisitions, mergers, joint ventures, policies, and procedures, as well as significant changes to any of them, to ensure that the associated ML/TF risk is within the Bank's risk appetite and that appropriate internal controls are in place to mitigate identified risk.

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<sup>1</sup> Please visit the following link for the Scotiabank's Statement on Sanctions Policy.

<https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/ScotiabankGroupSanctionsPolicyStatement.pdf>

<sup>2</sup> The Global Sanctions team is part of the FCRM group, with the Global Head of Sanctions reporting to the Group CAMLO.

Our AML and Sanctions risk appetite statement guides our approach to products, services, customers, accounts and activities to ensure risks are understood and manageable within our control framework, expertise, resources and infrastructure. The Bank has no appetite to allow its products or services to be used to facilitate money laundering, terrorist financing, human trafficking, or any activity that is prohibited by laws and regulations including sanctions.

### **KYC Program**

Scotiabank maintains Know Your Client (“KYC”) standards, policies and procedures in compliance with applicable regulations. Scotiabank takes a risk-based approach to KYC, which includes client identification; verification based on reliable independent source documents, data or information; identification of material beneficial owners; PEP and sanctions exposure determination; client risk rating, and conducting ongoing due diligence. If Scotiabank places reliance on third parties for client due diligence because the client is not face-to-face with the Bank, the Bank has policies and standards governing such practices.

Scotiabank conducts searches of its clients against lists of known or suspected terrorists and sanctioned parties issued by competent authorities of the relevant jurisdiction. It also applies special measures regarding Politically Exposed Persons (“PEPs”) including identification, enhanced due diligence, senior management approval, and periodic review and monitoring. Other clients identified as having higher ML/TF risks are also subjected to risk-based enhanced measures.

### **Monitoring and Reporting**

The Bank takes a risk-based approach to the level of monitoring conducted on client activity to identify and report potentially suspicious and/or unusual activity, or otherwise reportable transactions and attempted transactions in compliance with applicable regulatory requirements. The Bank also complies with and screens its payments against the applicable sanctions requirements. The Bank will not facilitate transactions for customers who refuse to provide the necessary information to assess sanctions compliance, or who change, manipulate, or strip data with intent to avoid sanctions obligations.

### **Training Program**

The Board and Executive Management are trained annually on AML/ATF and sanctions requirements and their oversight responsibilities. Employees receive formal and up to date training, including an assessment of their knowledge of their AML/ATF and sanctions obligations and AML Program requirements when they join the Bank and on an annual basis thereafter. Additional targeted and ongoing training for roles and functions which have increased AML/ATF and sanctions responsibilities is provided as appropriate.

### **Independent Testing**

The Bank periodically monitors, tests, and reports on the effectiveness of the AML Program through 1st and 2nd Line quality assurance and testing activities. Scotiabank’s Internal Audit Department conducts independent, risk-based testing of AML controls, and provides an independent assessment of the effectiveness of the enterprise-wide AML Program.

### **Records Retention**

As a part of the AML Program, Scotiabank maintains records of relevant AML/ATF and sanctions-related documents as required by applicable laws and makes them accessible within the timeframes set out by such applicable laws.

For additional information please refer to our Wolfsberg Due Diligence Questionnaire.

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May 2022

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