Sustainable Fitch
a FitchSolutions Company

The Bank of Nova Scotia

Defence Issuance Framework Assessment

The Bank of Nova Scotia (Scotiabank) is one of Canada's six largest banks. It published a Canadian defence issuance framework. The proceeds will be used to finance eligible companies, assets, projects and activities related to Canada's defence, security and sovereign capability objectives. The framework is aligned with emerging defence financing market practices. The main drivers are the framework's clear linkage to Canada's defence, security and sovereign capability objectives through well-defined eligibility criteria supported by robust governance, exclusionary safeguards, traceability and export-control processes.

Framework Type	Defence Issuance Framework
Alignment	✓ Market practices
Date assigned	8 September 2026

See Appendix C for definitions.
See Appendix D for methodology.

Pillar	Key Drivers
Use of Proceeds	• Sustainable Fitch views the use of proceeds (UoP) as aligned with Canada's strategic defence priorities such as those outlined in its Our North, Strong and Free strategy; its 2026 defence industrial strategy; and other emerging defence-related frameworks such as Euronext's European Defence Bond Label. • The framework sets out eligible proceeds based on eligible asset, entity and activity, subject to exclusions. Eligible assets include general corporate and dedicated purpose loans for entities in the defence and security sectors. • Eligible defence-related activities include core defence categories such as aerospace, naval and maritime, land systems and defence and security-related categories such as critical infrastructure; and defence industrials and supply chain. These comprise a total of 10 categories.
Use of Proceeds – Exclusions and Other Information	• The framework is consistent with the treaties and conventions ratified by Canada. It incorporates comprehensive exclusionary safeguards, which we view as consistent with market best practice. • It includes exclusions relating to controversial weapons (including nuclear weapons); compliance with international conventions and applicable sanctions requirements; and controls addressing money laundering, terrorist financing and other illegal activities. • It excludes internationally prohibited weapons, including anti-personnel mines, biological weapons, chemical weapons and cluster munitions, consistent with the controversial weapons exclusions under the EU Paris-Aligned Benchmark.
Project Evaluation, Selection and Traceability	Evaluation and selection process: • We view the framework's project evaluation and selection process as well-defined and supported by a robust multi-layered governance structure, providing clear oversight, risk management and independent assurance. • The framework and supporting policy also establish comprehensive due diligence, know your customer (KYC), export control and monitoring processes that support counterparty traceability, end-user oversight and mitigation of end-use and diversion risks, where applicable. Traceability: • We positively view the framework's multi-layered approach to end-user and end-use risk management, combining enhanced due diligence, recipient traceability, export-control oversight and jurisdiction-based risk controls. • The combination of borrower-level reviews, end-user verification and escalation requirements provides multiple safeguards to identify, assess and manage diversion and misuse risks across defence financing activities. • Eligible activities that involve goods and technologies listed on Canada's Export Control List (ECL) have regulatory oversight by Global Affairs Canada, which provides an additional layer of independent review, strengthening end-user traceability and mitigation of end-use diversion risks.
Management of Proceeds	• The bank earmarks net proceeds for allocation to eligible assets, which is aligned with standard market practice for thematic bonds. • The bank's commitment to remove projects from the eligible pool if they become ineligible supports ongoing alignment with the eligibility criteria.
Reporting and Transparency	• The bank will provide annual allocation reporting on a portfolio basis as long as the issuances under the framework are outstanding. The report will be verified by an independent third party annually and include indicators that determine impact.

Analysts

Reshma Kulkarni
+1 647 800 9137
reshma.kulkarni@sustainablefitch.com

Sana Zehra
+1 647 977 1297
sana.zehra@sustainablefitch.com

Karey Mak
+1 647 499 7248
karey.mak@sustainablefitch.com

Media Contact

Anne Wilhelm
+1 212 908 0334
anne.wilhhelm@thefitchgroup.com

Scope of Assessment

This assessment evaluates the quality of the defence issuance framework based on existing market practices and emerging defence financing guidelines, including the process for identifying eligible defence UoP, process for project evaluation and selection, management of proceeds, and reporting and transparency.

In forming this assessment, we considered Canadian and NATO defence policies and strategies, and the Euronext European Defence Bond Label framework in relation to defence-specific use of proceeds, exclusionary criteria and other defence-related considerations. We also considered selected elements of the ICMA Green Bond Principles 2025, Social Bond Principles 2025 and Sustainability Bond Guidelines 2021; and the LMA, LSTA and APLMA Green Loan Principles and Social Loan Principles solely as reference points for governance, management of proceeds, and reporting and transparency considerations. These principles have not been applied as alignment criteria.

This assessment does not constitute a second-party opinion and does not assess alignment with the ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines or any other sustainable finance principles, standards or labels. Financing instruments issued under the framework are not intended to be presented as aligned with sustainable finance principles, standards or labels; and we do not consider them sustainable finance transactions.

Sector Context

The defence financing landscape is evolving alongside efforts by NATO members and allied countries to increase defence, security and resilience investment. In this context, the participating countries are working to establish the Defence, Security and Resilience Bank (DSRB). The proposed multilateral financial institution is intended to support defence, security and resilience investments across NATO members and allied countries. Canada has been selected as the future host country for the DSRB headquarters, subject to completion of the institution's establishment process.

According to the proposed model, DSRB would provide long-term, low-cost financing for defence, security and resilience investments accompanied by support for defence procurement, and guarantee mechanisms intended to mobilise private-sector capital across the defence and security supply chains.

Canada aims to increase its military spending and launched its defence industrial strategy in 2026. The strategy aims to seek low-cost financing for defence, security and resilience initiatives. A key objective of the strategy is to strengthen domestic defence manufacturing through its build-partner-buy approach and support the growth of small and medium-sized defence firms, which account for about 92% of companies and 40% of employment within Canada's defence sector.

As a part of the strategy, Canada is deploying substantial funding to strengthen its defence industrial base, including up to CAD6 billion through the Business Development Bank of Canada's Defence Platform, support for defence and dual-use technology innovation, and CAD357.7 million through the Regional Defence Investment Initiative.

Source: Sustainable Fitch, DRSB website

Entity Highlights

Scotiabank is one of Canada's largest banking institutions and a partner bank of the DSRB Development Group. Scotiabank has total assets of about CAD1.5 trillion as of July 2026. The bank operates through four business segments: Canadian banking, international banking, global wealth management, and global banking and markets. Scotiabank employed about 86,400 people and operated more than 2,100 branches and offices across North America, Central and South America, the Caribbean, Europe and APAC. Its business activities include retail and commercial banking, wealth management and capital markets.

Source: Sustainable Fitch, Scotiabank Canadian defence issuance framework, Scotiabank defence & security financing policy

Framework Highlights

Defence instruments, including defence bonds, are crucial instruments to support the sector by providing a dedicated source of capital for eligible defence, security, resilience and related industrial activities; with proceeds channelled toward defence manufacturers, critical infrastructure providers, supply-chain firms and technology developers. Against this backdrop, Scotiabank launched its defence issuance framework in Canada to facilitate financing that supports Canadian national defence interests.

We consider Scotiabank's defence issuance framework to be aligned with standard market practices.

We view the framework as supporting Canada's defence industrial strategy through financing activities that strengthen domestic defence production capacity, innovation, and supply chains resilience. The framework is informed by key Canadian and allied defence initiatives, including Canada's defence industrial strategy; its Our North, Strong and Free policy; and broader NATO efforts to strengthen defence capabilities and industrial resilience.

Under this framework, Scotiabank may issue defence-labelled instruments to finance or refinance eligible defence assets through a portfolio of loans originated by Scotiabank and certain subsidiaries. Eligible assets include both general-purpose loans for qualifying defence-related entities and dedicated-purpose loans supporting eligible defence, security, resilience and sovereign capability objectives.

The framework's UoP focuses on activities that support defence, security, resilience and sovereign capability objectives. The framework's eligible activity categories include aerospace, naval & maritime, land systems, ammunition & weapons, cyber & electronic systems, space & satellite, critical infrastructure, defence industrials & supply chain, strategic technologies, and civil security. Eligible activities include the R&D, manufacturing, production, acquisition, storage, maintenance, repair, operation, training, upgrade, supply, transfer, import, export, trade, brokerage and use of equipment and systems within these categories.

The framework is underpinned by Scotiabank's defence and security financing policy, which provides an overarching risk management and governance framework for defence-related financing activities. The policy incorporates due diligence requirements, industry-specific risk assessments, and governance controls, while requiring alignment with the bank's credit risk, anti-money laundering (AML) and sanctions, ESG risk management, anti-corruption and reputational risk frameworks.

Source: Sustainable Fitch, Scotiabank Canadian defence issuance framework, Scotiabank defence and security financing policy

Use of Proceeds

Company Material	Sustainable Fitch's View
Eligible assets	
• Proceeds may be allocated to loans for assets, business or projects that meet the following criteria for eligible assets. Eligible assets include: – general purpose loans to an eligible entity, as defined in the following section, where the bank will use a reasonable proxy (revenue, capex, operation case flow, among others) to determine the portion of financing to be considered eligible; – dedicated purpose loans, including project finance, export finance, trade finance where the borrower is an eligible entity and the proceeds are dedicated to eligible activities defined in the following sections. • In cases where defence-related activities are central to the entity's business and represent at least 50% of revenue, capex, operating cash flow or another reasonable proxy, the full financing amount will be considered eligible. • For dedicated purpose loans, when the end-users or ultimate beneficiaries are located outside of Canada and countries with which Canada maintains a formal defence or security partnership, the relevant jurisdictions will be assessed against Scotiabank's AML–Anti-Terrorist Financing (ATF) Geography Risk Ratings. • As of August 2026, Canada has formal defence and security partnerships with the US, EU, UK, Norway, Japan, South Korea, Australia and New Zealand.	• The criteria for general-purpose loans and dedicated-purpose loans are aligned with standard market practices. • Allocation proxies for general-purpose loans, such as revenue, capex or operating cash flow, are a credible approach in determining the eligible share of general corporate loans where proceeds are not dedicated to a specific asset or project. • The 50% threshold is a credible basis for treating an entity as predominantly engaged in the defence-related sector. Financial metrics such as revenue, capex or operating cash flow support a transparent linkage between financing and an entity's defence- and security-related activities. • The threshold reflects a core business approach and is broadly consistent with market practices used to identify sector-focused companies. It is also aligned with emerging defence finance frameworks, including the Euronext European Defence Bond Label, which applies a 50% threshold for defence bond issuer eligibility. • Proceeds for dedicated-purpose loans, including project finance, export finance and trade finance, must be dedicated to eligible activities undertaken by eligible entities. • We view this positively as the financing is linked to identifiable projects, transactions or activities, providing greater clarity on the intended UoP than general-purpose loans. The following sections provide a detailed assessment of the eligible entity and activity criteria.
Source: Scotiabank Canadian defence issuance framework	Source: Sustainable Fitch

Company Material	Sustainable Fitch's View
Eligible entities	
• Proceeds may be allocated to assets, business or projects that meet the following criteria for eligible entities. • Eligible entities are public institutions or public/private entities of any size and are listed on a Canadian stock exchange or headquartered in Canada and can demonstrate meaningful participation in the Canadian defence and security sector through one of the following: – Participation in recognised defence and security associations, including the Canadian Association of Defence and Security Industries (CADSI), the Aerospace Industries Association of Canada (AIAC) or other recognised Canadian defence and security industry associations. – Listed in government-recognised defence supplier, procurement, industrial or national security programmes, registries or supplier lists, including programmes administered by the Government of Canada or provincial and territorial governments. – Active involvement in one or more eligible activities.	• The eligibility criteria provide a credible and market-aligned basis for identifying participants in the defence and security sector, supporting a robust and externally supported approach to determining entity eligibility. • Participation in recognised defence and security industry associations is an indicator of an entity's involvement in the Canadian defence and security sector. Industry associations such as CADSI and AIAC represent companies operating within Canada's defence, aerospace and security ecosystem and provide a recognised mechanism through which sector participation can be identified. • This approach is aligned with standard market practice. Notably, the Euronext European Defence Bond Label recognises industry associations, sectoral organisations, defence registers and comparable classification frameworks as credible sources for assessing whether an entity is active in the defence and security sector. • Inclusion in government-recognised defence supplier, procurement, industrial or national security programmes, registries and supplier networks is a stronger indicator of defence-sector participation. • The inclusion in these lists confirms vetting against the requirements of the government procurement, defence capability development, industrial participation requirements, security-related oversight, or supplier qualification processes. • This approach is consistent with emerging standard market practice, including the Euronext European Defence Bond Label, which recognises national or supranational defence registries as indicators of eligible entities for financing. • Active involvement in one or more eligible activities is a reasonable criterion for supporting eligibility under the framework. The criterion links eligibility to participation in activities defined by the framework, rather than requiring the entity to be solely or primarily defence focused. Our detailed assessment of the eligible activity categories is provided in the following section.
Source: Scotiabank Canadian defence issuance framework	Source: Sustainable Fitch

Company Material	Sustainable Fitch's View
Eligible activities	
• Proceeds may be allocated to activities related to the R&D, manufacturing, production, acquisition, storage, maintenance, repair, operations, training, refit, upgrade, supply, transfer, import, export, trade, brokerage and use of the equipment of any of the materials and systems outlined as eligible activities in this section. • Eligible activities also include dual-use products and infrastructure within the categories below. Activities are eligible only if they support defence, security and resilience objectives. • Eligible activities under the core defence theme include the following: – aerospace: includes military aircraft, unmanned aerial systems (drones), avionics, air defence systems, aircraft communications and training and simulation. – naval and maritime: includes naval vessels and platforms, naval weapons systems, underwater systems, maritime sensor networks, naval communication, coastal and maritime surveillance, port and harbor defence, and training and simulation. – land systems: includes land vehicles and platforms, ground-based surveillance and sensors. – ammunitions and weapons: includes ammunition and explosives, and missiles and guided weapons. – cyber and electronic systems: radar and sensing systems, secure military communication and networks, electronic warfare, command, control and battle management, and cyber and information security for military and government systems. – space and satellite: includes space-based intelligence, surveillance and reconnaissance, space domain awareness, satellite communications and space launch. • Eligible activities under the defence and security related theme include the following: – critical infrastructure: includes energy infrastructure, transportation and logistics infrastructure, arctic and remote infrastructure, and telecommunications infrastructure. – defence industrials and supply chain: includes critical minerals, rare earth materials, logistics and supply chain, and engineering and technical services. – strategic technologies: includes secure cloud and data infrastructure, and AI, quantum and advanced semiconductors. – civil security: includes civil protection, emergency management and resilience, and medical counter measures. • For the critical infrastructure, defence industrials and supply chain, and strategic technologies categories, activities are eligible only where they are dedicated to, essential for, or directly support the production, maintenance, resilience or operation of defence and security capabilities.	• Activities across the defence value chain, from R&D through to production, maintenance, operation and supply are aligned with Canada's defence priorities as set out in its defence industrial strategy. • This is consistent with emerging defence finance frameworks, including the Euronext European Defence Bond Label, which recognises financing of defence and security activities across the broader defence ecosystem. • The inclusion of dual-use products and infrastructure is a strength of the framework as it recognises the growing role of technologies, infrastructure and industrial capabilities that support both civilian and defence applications. • Eligibility criteria provide clarity on the inclusion of dual-use activities. This approach is broadly consistent with emerging defence finance market practice, including the Euronext European Defence Bond Label. • The eligible activity categories are aligned with Canada's defence and security priorities, particularly the 10 key sovereign capabilities and related objectives identified in Canada's defence industrial strategy. • The activities support a range of strategically important capabilities, including aerospace, specialised manufacturing, sensors, digital systems, training and simulation, space, ammunition, and uncrewed and autonomous systems. **Core defence activities:** • The aerospace, naval and maritime, land systems, ammunition and weapons, cyber and electronics, and space and satellite categories are aligned with key sovereign capability areas identified in the defence industrial strategy. • Also, the naval and maritime category supports broader maritime security objectives reflected in Canadian defence and maritime security strategies, while port and harbour defence activities are consistent with NATO maritime security objectives. **Defence and security-related activities:** • The framework also includes activities that support the broader defence ecosystem. Critical infrastructure activities align with Canada's objectives to enhance operational readiness, northern and Arctic capabilities, and infrastructure resilience, including through the Northern Operational Support Hubs programme. • Defence industrials and supply chain activities support the development of domestic industrial capacity and resilient supply chains, including those related to critical minerals and other strategic inputs. • Strategic technologies and civil security activities further support national security priorities through advanced technologies, resilience-focused capabilities and security-related innovation. • Certain civil security activities are also consistent with eligible activities recognised in emerging frameworks such as the Euronext European Defence Bond Label framework. • Overall, we consider the eligible activity categories to be aligned with recognised Canadian defence and security priorities of sovereign capability development, industrial capacity, security infrastructure and resilience objectives. • Please see Appendix A for all detailed mapping.
Source: Scotiabank Canadian defence issuance framework	Source: Sustainable Fitch

Use of Proceeds –Exclusions and Other Information

Company Material	Sustainable Fitch's View
Exclusions (framework and other applicable policies): • The bank will not enter into or provide new banking or financial products or services to clients engaged in illegal activities as defined by applicable laws, regulations, guidance or interpretations. • The bank will not finance counterparties involved in certain weapons and equipment prohibited by international conventions ratified by Canada and excludes counterparties engaged in the supply, development, manufacturing, production, acquisition, storage, preservation, offering, import, export, trading, brokering, transfer, employment or use of excluded weapons and equipment, including their key and dedicated components. **Controversial weapons:** – The defence issuance framework includes explicit exclusions for controversial weapons, prohibiting financing of counterparties involved in activities related to anti-personnel mines, biological weapons, chemical weapons and cluster munitions. These exclusions are defined with reference to the Ottawa Treaty (1997), the Biological and Toxin Weapons Convention (1972), the Chemical Weapons Convention (1993) and the Oslo Convention on Cluster Munitions (2008), respectively. – In addition, activities directly related to nuclear weapons and their dedicated delivery systems are not to be included in the defence asset portfolio. – Exceptions apply to transactions and businesses involved in the neutralisation, destruction or storage of excluded weapons and equipment for eventual neutralisation or safety purposes, and to transactions subject to a specific exemption linked to a UN Security Council resolution or the implementation of an arms control treaty. **International Humanitarian Law:** – Eligible entities must comply with applicable laws, human rights requirements and international conventions governing arms trade, defence equipment and dual-use goods. – Scotiabank's defence & security financing policy references the Geneva Conventions of 1949 and their Additional Protocols I, II and III, which form the core framework of international humanitarian law, alongside other key international treaties governing weapons prohibitions, arms transfers and non-proliferation, including the Convention on Cluster Munitions, the Ottawa Treaty, the Convention on Certain Conventional Weapons, the Biological Weapons Convention, the Chemical Weapons Convention, the Treaty on the Non-Proliferation of Nuclear Weapons and the Arms Trade Treaty. – The policy also considers human rights risks and risk of violation of relevant treaties, conventions and regulations as part of Scotiabank's environmental, social, legal and reputational risk assessment process, including assessments of eligible entities, end-users, end-use, destination jurisdictions and potential diversion risks, with higher-risk activities subject to enhanced review and escalation procedures. – The bank expects clients to conduct their business in compliance with applicable domestic laws and regulations, which includes the Geneva Conventions and Additional Protocols. **Sanctions:** – Scotiabank's global sanctions policy statement requires compliance with applicable economic and trade sanctions laws and regulations and prohibits engaging in business activities that would be inconsistent with applicable sanctions requirements. Sanctions screening and related controls form part of the bank's compliance and risk management framework. **National interests:**	**Exclusions**: • The framework's clear exclusions for controversial weapons, policies for sanctions screening and AML controls provide a robust basis for restricting financing to eligible activities that are consistent with applicable legal, regulatory and national policy requirements. • The policy provides safeguards consistent with best practice in defence financing frameworks, including expectations that clients comply with, relevant treaties and conventions, including the Geneva Conventions and Additional Protocols, which form the core treaty framework of international humanitarian law. **Controversial Weapons:** – The framework's exclusion of anti-personnel mines, biological weapons, chemical weapons and cluster munitions is consistent with emerging international market practice for defence financing frameworks. – Referencing the underlying international conventions governing each weapon category ensures the framework applies clear, objective and internationally recognised boundaries to activities that are ineligible for financing. – The framework's explicit exclusion of activities directly related to nuclear weapons and their delivery systems further limits the potential use of financing for nuclear weapons. – The explicit exclusion of internationally prohibited weapons enhances transparency over eligible UoP and provides investors with greater confidence that financing will not support activities that are subject to widely recognised international prohibitions. **International Humanitarian Law:** – The exclusions related to human rights violations provide assurance to investors that Scotiabank implemented adequate risk assessment and control for adverse human rights impacts. – Scotiabank's defence & security financing policy is underpinned by its human rights statement and references the Geneva Conventions and Additional Protocols, which form the core treaty framework of international humanitarian law. We view the client expectations positively as a mechanism to meet the requirements of international humanitarian law. – The framework, combined with due diligence and risk assessment processes and policies that consider human rights, end-users, end-use, destination jurisdictions and diversion risks provide a robust mechanism to identify entities and activities that are not compliant with relevant treaties, conventions and regulations such as the Geneva Convention and Additional Protocols that form the core framework of international humanitarian law. – This approach is consistent with emerging international defence financing frameworks and market standards, which increasingly require the exclusion of activities that are not compliant with international humanitarian law. **Sanctions:** – We view the bank's sanctions programme as aligned with applicable national and international sanctions regimes. Scotiabank's enterprise sanctions programme is designed to comply with sanctions laws and regulations, including those of Canada, the US, the UN, the UK and the EU. As a result, activities that do not comply with these sanctions frameworks would be excluded from financing. **National interests:** – The framework supports Canadian national strategic interests, as it was established to support Canadian interests in defence, security and resilience. This is further anchored in Canada's defence industrial strategy; its Our North, Strong and Free policy, and NATO commitments that are consistent with national defence priorities.

Use of Proceeds –Exclusions and Other Information

Company Material	Sustainable Fitch's View
– Scotiabank has established the Canadian defence issuance framework to finance activities related to defence, security, and resilience that support Canada's security, sovereign capabilities, and economic resilience. The framework is informed by Canadian and allied defence priorities, including Canada's Defence Industrial Strategy; its Our North, Strong and Free policy; NATO commitments to strengthen defence capabilities; and broader efforts to enhance security, resilience and sovereign industrial capacity. **Money laundering, terrorist financing and related illicit activity:** – The defence & security financing policy is designed to ensure that defence financing activities are conducted in accordance with the bank's risk management frameworks, including its credit risk, KYC, AML/ATF and sanctions, ESG risk management and reputational risk policies. The policy requires business lines to conduct risk-based due diligence before establishing or expanding defence and security sector relationships, and establishes governance and escalation processes to support transparent and accountable decision-making. – Scotiabank will not finance businesses engaged in illegal activities as defined by applicable laws, regulations, guidance or interpretations of such laws and regulations. **Other information:** • Scotiabank will allocate net proceeds from the defence issuances to finance or refinance, in whole or in part, new or existing eligible assets, which are loans originated by Scotiabank or certain subsidiaries for new or existing assets, businesses or projects that meet the eligibility criteria outlined in the framework.	**Money laundering, terrorist financing and related illicit activity:** – Money laundering, terrorist financing and related illegal activities are appropriately excluded from financing. The defence and security financing policy aligns with the bank's KYC and AML/ATF policy and explicitly prohibits transactions involving funds derived from money laundering or intended to support illegal or terrorist activities. – This prohibition is supported by Scotiabank's credit risk policy, global KYC standard, enterprise AML/ATF and sanctions policy, global ESG risk management framework and enterprise reputational risk policy. **Other information:** • The framework does not specify the share of proceeds allocated to new projects or a refinancing lookback period.
Source: Scotiabank Canadian defence issuance framework, Scotiabank defence & security financing policy, Scotiabank sanctions programme statement	Source: Sustainable Fitch

Project Evaluation, Selection and Traceability

Company Material	Sustainable Fitch's View
Project evaluation and selection process: • Scotiabank's project evaluation and selection process assesses the eligibility of assets, entities and activities against the framework's eligibility and exclusion criteria, as well as relevant internal policies and procedures. • The assessment may consider the nature of the financing, ownership structure, end-use, end-user, geography, applicable laws and regulations, export controls, sanctions and other relevant risk considerations. Financings involving heightened-risk activities may be subject to enhanced due diligence, risk assessment and escalation. • Framework implementation is overseen by both the asset and liability committee, comprising senior executive management, and the defence steering committee, a cross-functional senior management committee responsible for strategic direction, oversight and application of the framework. The defence steering committee is supported by the defence sub-committee, which reviews eligible activities and supports the application of the framework. • For eligibility determinations, business leads or product originators conduct the initial assessment of transactions or activities against the framework, while the relevant defence coordinator independently verifies eligibility. Subject-matter experts may be consulted where appropriate. • The defence & security financing policy establishes a three-lines-of-defence governance structure for defence financing activities. Depending on the nature of the risks identified, transactions may be subject to escalation and review by relevant governance committees, while responsibilities are assigned across business lines, risk management, compliance, AML and internal audit functions to provide oversight, independent review and assurance over defence financing activities.	**Project evaluation and selection process:** • The framework's project evaluation and selection process is clearly defined and supported by a robust governance structure. • It is positive that the defence and security financing policy expands the three-lines-of-defence approach for project evaluation and selection for defence financing, • This involves checks by business lines, global risk management, global compliance and AML, and internal audit departments, which provide multiple layers of review, risk oversight and independent assurance. **Process to track manufacturer and/or borrower profile, including country of origin:** • We positively view that the policy combines an ongoing, risk-based KYC process with additional assessment of ownership, operating and supply-chain structures. • Beyond identifying the direct borrower, the assessment considers beneficial owners, government affiliations, intermediaries, suppliers, subcontractors and affiliated entities, providing greater transparency over the parties associated with financed activities and supporting the identification of elevated risk relationships. **Process to track the intended recipients or clients (eg types of buyers or counterparties), including destination country):** • We positively view the requirement to verify end-use controls, end-users and destination countries, together with the escalation of transactions involving unclear end-use or end-users and higher-risk jurisdictions. These measures support greater traceability of intended recipients and provide an additional control to identify and manage diversion risk.

Project Evaluation, Selection and Traceability

Company Material	Sustainable Fitch's View
Process to track manufacturer and/or borrower profile, including country of origin: • Scotiabank's defence & security financing policy states that its KYC policy applies to all new and existing entity relationships and to all products and services. KYC is an ongoing, risk-based process, and each entity is processed following Scotiabank's four-step KYC process: identify; collect and record; verify; and monitor, report and action. • In identifying and assessing client and counterparty risk for defence financing, consideration is given to obtaining a clear understanding of the client's ownership, operating, and supply-chain structures. This includes, where relevant: – identifying and understanding beneficial owners, directors and controlling parties (including any government or state ownership, control or affiliation); – intermediaries, agents and distributors acting on the client's behalf; – key suppliers and sub-contractors; and – affiliates within the broader corporate group. • Ongoing monitoring is conducted under the bank's global KYC standards, with higher-risk relationships subject to enhanced due diligence, including assessment of sanctions exposure, export-control issues, corruption concerns and diversion risks. **Process to track the intended recipients or end-users (eg types of buyers or counterparties), including destination country:** • Scotiabank's defence & security financing policy identifies verification of end-use controls, end-users and destination countries is a key control to mitigate diversion risk. This assessment builds on the client and counterparty risk assessment. • For dedicated-purpose financing, end-users or ultimate beneficiaries, third parties, sub-contractors, or outsourced arrangements must be in jurisdictions classified as "low risk" under the Enterprise AML/ATF and Sanctions Geography Risk Ratings. Defence financing with unclear end-use or end-users, or involving ultimate beneficiaries, third parties, sub-contractors or outsourced arrangements in jurisdictions classified as "moderate", "high" or "very high" risk must be escalated to global sanctions screening for guidance. • Transactions involving end users based in jurisdictions classified as low risk, will proceed through the standard approval process. • Transactions with unclear end-use or end-users or involving ultimate beneficiaries, third parties, sub-contractors, or outsourced arrangements in jurisdictions classified as moderate, high or very high risk will be escalated for heightened risk assessment in accordance with applicable governance and escalation processes. • Scotiabank may subject certain activities, including, among others, activities involving dual-use goods to a heightened risk assessment, review, and escalation due to their inherent risk characteristics. This category is non-exhaustive, and additional activities may also be subject to heightened risk assessment and escalation where warranted. **Export controls to mitigate end-use and end-user risks for goods and technologies:** • Scotiabank's defence & security financing policy requires business lines to verify that clients involved in the manufacture, transfer, export or import of controlled or dual-use goods hold the necessary export licences and authorisations. • The policy also requires the assessment of end-users, end-use, destination countries and applicable export control and sanctions requirements, with transactions involving unclear end-use or end-users, or higher-risk jurisdictions, subject to escalation to global sanctions services for review and guidance.	• Also, for entities for who eligibility is demonstrated through inclusion in government-recognised defence supplier, procurement, industrial or national security programmes, registries or supplier lists, such programmes add an additional layer of transparency and support traceability of intended recipients beyond purely commercial arrangements. • The standard KYC requirements and exclusions for eligible entities provide safeguards against diversion risks and align with standard market practices. • For dedicated financing, the consideration of end-user, end-use and jurisdiction-specific factors is consistent with market best practices for defence-related and export-controlled financing. • Additional scrutiny for activities with elevated inherent risks supports the framework's governance approach. The project evaluation, selection and traceability section assesses the effectiveness of these review processes separately from the UoP analysis. **Export controls to mitigate end-use and end-user risks for goods and technologies:** • We positively view that the policy establishes a defined export-control process for transactions involving controlled or dual-use goods. Verification of export licences and authorisations, together with assessment of the end-user, end-use and destination country, supports oversight of end-use risks and intended recipients. • The requirement to escalate transactions involving unclear end-users, end-use or higher-risk jurisdictions provides an additional safeguard against diversion risk. • Activities involving goods, software or technologies subject to Canada's ECL, end-user traceability and end-use risk mitigation are subject to export authorisation requirements and review by Global Affairs Canada of the item, end-user, end-use and destination. The strength of these safeguards varies across eligible activities. • Where the ECL applies to the entire good or technology, export-control oversight provides a particularly robust safeguard. In other cases, controls may apply only to specific components or technologies, while certain activities may not be subject to ECL controls. Mitigation of end-use and end-user risks for these activities relies more heavily on Scotiabank's entity-level due diligence, end-user verification and escalation processes. • A full list of ECL applicability by eligible activity and the corresponding end-use and end-user risk mitigation considerations is provided in Appendix B.
Source: Scotiabank Canadian defence issuance framework	Source: Sustainable Fitch

Management of Proceeds

Company Material	Sustainable Fitch's View
• Proceeds from the bonds will be deposited in the bank's general account and an amount equal to the net proceeds will be earmarked for allocation to the defence asset portfolio. • The defence asset portfolio will have eligible assets equal to or exceeding the total net proceeds of the issuances. • Any unallocated proceeds will be allocated by Scotiabank, at its own discretion, to cash, cash equivalents or other liquid marketable instruments consistent with the bank's liquidity management activities. Proceeds will be allocated within 24 months from issuance. • The bank commits to substitute assets that are no longer eligible as soon as practical, once an appropriate substitution option has been identified.	• Scotiabank's defence sub-committee will manage the proceeds with oversight from its asset and liability committee and defence steering committee with net proceeds earmarked for allocation. This approach aligns with standard market practice for thematic bonds. • The unallocated proceeds will be invested according to the treasury's general liquidity guidelines for short-term investments, which is consistent with market standards. The bank's commitment to fully allocate proceeds within 24 months from issuance aligns with standard market practice for thematic bonds. • It is positive that the bank commits to replace assets no longer eligible as it ensures the integrity of the thematic issuance and ensures that the proceeds align with the framework's objectives.
Source: Scotiabank Canadian defence issuance framework	Source: Sustainable Fitch

Reporting and Transparency

Company Material	Sustainable Fitch's View
• Scotiabank commits to provide an allocation report annually on the allocation of proceeds. Relevant indicators include reporting on net proceeds raised, amount of funds allocated and the balance of unallocated proceeds. • In addition, the bank may report, on a best-effort basis, on the breakdown of entities financed by type and sector and the breakdown of SMEs financed. • The bank commits to obtain an independent external review of the allocation of defence instrument proceeds annually.	• The commitment to disclose allocation information annually until maturity is aligned with market best practice for thematic bonds. • The bank will provide information at the portfolio level. More granular reporting at both the issuance and project levels enhances the transparency of the issuance. • We view positively the availability of verification from a third party on the allocation of proceeds, as it strengthens the credibility of the disclosure and provides assurance to investors. • The additional indicators in the framework would enhance transparency of the issuance by providing information on sectors financed and the SMEs supported, which determine impact. • Disclosure on sector financed enhances transparency regarding alignment with the 10 key sovereign capabilities identified under the strategy. Reporting on SMEs also provides confirmation on support for the strategy's objectives of strengthening the domestic defence sector, of which 92% is comprised of SMEs. • The reporting commitments and the proposed metrics provide investors with transparency on the type of projects financed and their contribution to Canada's defence industrial strategy.
Source: Scotiabank Canadian defence issuance framework	Source: Sustainable Fitch

Appendix A: Detailed Use of Proceeds Alignment Mapping

Eligible Activity	Sustainable Fitch's View on Alignment	Referenced Standard
Aerospace		
Military aircraft	This activity supports Canada's aerospace key sovereign capability development identified in its defence industrial strategy and is consistent with the strategy's focus on aerospace platforms, although military aircraft are not explicitly identified as a standalone capability.	Canada's defence industrial strategy
Unmanned aerial systems (drones)	This is a sub-sector under the uncrewed and autonomous systems key sovereign capability, which includes uncrewed aerial platforms.	Canada's defence industrial strategy
Avionics	Avionics aligns directly with Canada's aerospace key sovereign capability, which includes aerospace platforms, avionics and aircraft communications.	Canada's defence industrial strategy
Air defence systems	Air defence systems encompass a range of integrated components supporting the detection, tracking, command-and-control, and interception of airborne threats. This activity will include ground-based air defence systems; very short-range and short-range air defence capabilities; counter-drone technologies; radar systems; munitions; sensors; fire control software and integrated command; control; communications; radar technologies; and surveillance and reconnaissance systems to identify, track and respond to aerial threats. Sensors and radar technologies are aligned with the sensors key sovereign capability; munitions are aligned with the ammunition key sovereign capability. Ground-based air defence systems depend on radar and tracking technologies for threat engagement. These are aligned with both the sensors and ammunitions key sovereign capabilities. Systems and technologies providing tactical air defence protection, fire control software and integrated command, control and communications are aligned with the digital systems key sovereign capability.	Canada's defence industrial strategy Euronext European Defence Bond Label
Aircraft communication	Aircraft communication aligns directly with the aerospace key sovereign capability, which includes aerospace platforms, avionics and aircraft communications.	Canada's defence industrial strategy
Training and simulation	This activity aligns directly with the training and simulation key sovereign capability: air.	Canada's defence industrial strategy
Naval and maritime		
Naval vessels and platforms	This activity aligns with the Euronext European Defence Bond Label's recognition of the manufacturing, production, assembly and integration of military equipment and platforms, including naval systems, as they directly contribute to the development, sustainment and deployment of maritime defence capabilities. Naval vessels and platforms also overlap with Canada's defence industrial strategy's reference to surface ships and marine systems; however, the framework category is broader and may encompass additional naval platform types and capabilities that are not explicitly captured within the strategy's terminology.	Canada's defence industrial strategy Euronext European Defence Bond Label
Naval weapons systems	This activity aligns with the Euronext European Defence Bond Label's recognition of manufacturing, production, assembly and integration of military equipment and platforms (including naval systems), as they form part of the weapon systems and capabilities deployed on naval platforms. Naval weapons systems also overlap with the ammunition key sovereign capability, where the systems incorporate missiles, munitions, torpedoes or other ammunition-related components; however, the framework category is broader and may also include launch, targeting, fire-control and combat management functions that are not explicitly captured within the ammunition capability.	Canada's defence industrial strategy Euronext European Defence Bond Label
Underwater systems	Underwater systems align with the uncrewed and autonomous systems: uncrewed and autonomous land, aerial, underwater and surface systems (including uncrewed collaborative platforms) key sovereign capabilities.	Canada's defence industrial strategy
Maritime sensor networks	This activity aligns with the sensors key sovereign capability, which includes marine sensors. Marine sensors refer to individual sensing technologies deployed in the maritime domain, while maritime sensor networks are broader in scope and may include the systems used to collect, integrate, transmit and analyse information across multiple maritime sensing assets. Maritime sensor networks are also consistent with Canada's maritime security strategic framework, which identifies maritime domain awareness as a key pillar of Canada's maritime security approach and highlights the importance of networked systems, tools and information-sharing capabilities in supporting maritime security objectives.	Canada's defence industrial strategy Canada's maritime security strategic framework

Naval communication	This activity aligns with the digital systems key sovereign capability, particularly integrated command, control and communications and high-assurance communications equipment, which support secure communications and information exchange across defence operations. Naval communications also align with the Euronext European Defence Bond Label's recognition of cyber defence, digital sovereignty and secure communication systems, including encryption, infrastructure hardening and zero-trust architectures, given their role in enabling secure and resilient military communications.	Canada's defence industrial strategy Euronext European Defence Bond Label
Coastal and maritime surveillance	This activity aligns with the maritime domain awareness pillar of Canada's maritime security strategic framework. The framework identifies maritime domain awareness as the collection and use of information relating to activities, infrastructure, vessels and other elements across the maritime domain to support maritime security objectives. Coastal and maritime surveillance may be supported by capabilities within the sensors key sovereign capability, including marine sensors; however, surveillance activities are broader than sensor technologies alone and therefore do not represent a direct one-to-one alignment with the capability definition.	Canada's defence industrial strategy Canada's maritime security strategic framework
Port and harbour defence	This activity is consistent with Canada's maritime security strategic framework, which identifies maritime security, the protection of maritime infrastructure and supply routes, and the safeguarding of critical infrastructure as key national security objectives. Examples include projects and financings related to marine security initiatives, including maritime commerce resilience, small vessel and facility security, maritime domain awareness, security of offshore installations, and international capacity-building initiatives supporting the of maritime security standards. Marine security initiatives such as maritime domain awareness align with the sensor key sovereign capability. All the activities mentioned align with Canada's maritime security strategic framework, which is supported by several related strategies, including maritime domain awareness, maritime security safeguarding and responsiveness, maritime security resilience and recovery, small vessel and facility security strategy and Arctic and northern maritime security. Port and harbour defence is also consistent with NATO's alliance maritime strategy, which highlights the protection of critical infrastructure, maritime access, and sea lines of communication as important components of deterrence and defence in the maritime domain.	Canada's defence industrial strategy Canada's maritime security strategic framework NATO Alliance maritime strategy
Training and simulation	This activity aligns directly with the training and simulation: naval key sovereign capability.	Canada's defence industrial strategy
Land systems		
Land vehicles and platforms	This activity aligns with the Euronext European Defence Bond Label category of manufacturing, production, assembly and integration of military equipment and platforms (aerial, naval, terrestrial and space-based), including unmanned systems and autonomous technologies, as military land vehicles constitute terrestrial military platforms. The activity also aligns with the specialised manufacturing key sovereign capability, where financing supports the production or manufacture of military land vehicles.	Canada's defence industrial strategy Euronext European Defence Bond Label
Ground-based surveillance and sensors	Ground-based surveillance and sensors align with the Euronext European Defence Bond Label category of surveillance, intelligence, reconnaissance and early-warning systems, including ground-based, airborne or space-based assets, as the activity forms part of the capability used to detect, monitor and assess potential threats and support operational awareness. The activity also partially aligns with the digital systems key sovereign capability, where the sensors are integrated with command-and-control systems, secure communications networks, AI or other digital defence technologies.	Canada's defence industrial strategy Euronext European Defence Bond Label
Soldier systems including personnel protection	Soldier systems and personnel protection when referring to wearable communication and protection suits align are underpinned by the digital systems key sovereign capability.	Canada's defence industrial strategy
Training and simulation	This activity aligns directly with the training and simulation: land key sovereign capability.	Canada's defence industrial strategy
Ammunitions and weapons		
Ammunition and explosives	Ammunition and explosives align with Canada's defence industrial strategy ammunition key sovereign capability, which includes common ammunition, battle-decisive munitions, small arms, missiles and bombs.	Canada's defence industrial strategy

	This activity also aligns with pillar IV, securing supply chains for key inputs and goods, of Canada's defence industrial strategy. The strategy identifies ammunition and explosives as an initial priority area for expanding domestic defence production capacity and notes the planned establishment of the Canadian defence industry resilience programme to support Canadian businesses involved in defence-related goods, equipment, services, materials and related inputs.	
Missiles and guided weapons	This activity directly aligns with the ammunition key sovereign capability, whereas guided missiles fall under the uncrewed and autonomous systems capability.	Canada's defence industrial strategy
Cyber and electronic systems		
Radar & sensing systems	Radar and sensing systems fall under the electronic warfare and marine sensors component of the sensors key sovereign capability. Activities under this category include airborne, spaceborne and satellite radar systems, marine and quantum sensors, and related surveillance technologies used to detect, track and monitor potential threats. These are aligned with the sensors key sovereign capability of Canada's defence industrial strategy.	Canada's defence industrial strategy
Secure military communication and networks	Secure military communications support the integrated command, control and communications component of the digital systems key sovereign capability. Examples include communication networks or infrastructure such as radio-borne secure voice communication networks, fixed communications systems and portable communications systems; these are aligned with the digital systems key sovereign capability. Next-generation military satellite communications and satellite communications systems are aligned with the space key sovereign capability. This may also include encryption technologies and technologies supporting cyber network resilience, which enable secure communication and are aligned with the digital systems key sovereign capability.	Canada's defence industrial strategy
Electronic warfare	This activity is directly aligned with the sensor key sovereign capability.	Canada's defence industrial strategy
Command, control and battle management	Command and control is directly aligned with the digital systems key sovereign capability. Battle management is aligned with digital systems capability when it explicitly involves command and control. Systems and technologies related to offensive counter-air operations that involve detecting and disrupting adversary aircraft and missile threats aligns with the sensors key sovereign capability; those that involve degrading and disrupting adversary aircraft and missile threats align with the ammunitions and uncrewed and autonomous systems key sovereign capabilities.	Canada's defence industrial strategy
Cyber and information security for military and government systems	We view this category as aligned with the digital systems key sovereign capability by providing a secure platform for the digital systems. These also support the BOREALIS programme, which aims to accelerate defence research and innovation in frontier technologies including cybersecurity.	Canada's defence industrial strategy BOREALIS programme
Space and satellite		
Space-based intelligence Surveillance and reconnaissance Space domain awareness Satellite communications Space launch	These activities directly align with the space key sovereign capability, which includes space-based intelligence, surveillance and reconnaissance, space domain awareness, satellite communications and space launch.	Canada's defence industrial strategy
Critical infrastructure **Infrastructure must be dedicated to or essential for defence and security operations**		
Energy infrastructure	When related to Arctic and remote regions, this activity aligns with pillar V of Canada's defence industrial strategy, which focuses on strengthening capabilities and partnerships in Canada's North and Arctic. NATO recognises energy security as key to enabling security of its allies and has undertaken various initiatives to emphasise the importance of the energy infrastructure. This activity supports NATO's role in ensuring energy security.	Canada's defence industrial strategy NATO's role in energy security report

Transportation and logistics infrastructure	When related to Arctic and remote regions, this activity also aligns with pillar V of Canada's defence industrial strategy. NATO recognises logistics security as underpinning its ability to act and has formulated guiding principles for its logistics functional area. In its logistics role, NATO identifies four core logistics functions: supply, movement, maintenance and services. Transport is a key component of the movement function. We consider the activities aligned with NATO's logistics objectives.	Canada's defence industrial strategy NATO logistics principles
Arctic and remote infrastructure	Arctic and remote infrastructure also aligns with pillar V of Canada's defence industrial strategy, which enables infrastructure, resilience and sustained operational access in Arctic and remote environments. It also directly supports the northern operational support hubs (NOSH) programme established in 2024 to strengthen the Canadian armed forces' operational presence in the Arctic and north. The NOSH programme forms part of pillar V of the strategy.	Canada's defence industrial strategy
Telecommunications infrastructure	Telecommunications infrastructure aligns with the Euronext European Defence Bond Label's recognition of cyber defence, digital sovereignty and secure communication systems, including encryption, infrastructure hardening and zero-trust architectures, as it directly supports secure connectivity, resilient communications networks, protected data transmission and the operational integrity of critical communications systems. This activity is not explicitly referenced in the strategy, but we view it as contributing to digital systems key sovereign capability under the defence industrial strategy.	Canada's defence industrial strategy Euronext European Defence Bond Label
Defence industrials and supply chain **Activities must directly support the production, maintenance and resilience of defence and security capabilities**		
Critical minerals	Critical minerals that support the resilience of defence and security capabilities align with one of the five core objectives of Canada's critical minerals strategy: enhancing global security and partnerships with allies. The strategy identifies critical minerals as strategic resources for global security objectives, among other uses. The strategy also identifies critical minerals as vital inputs to the defence supply chain under pillar IV – securing supply chains for key inputs and goods.	Canada's defence industrial strategy Canada's critical minerals strategy
Rare earth materials	Rare-earth elements, a subset of critical minerals, are also identified as one of the six priorities in Canada's critical minerals strategy due to their importance to Canada's priority supply chains. Rare earth elements are also identified as 12-defence critical raw materials and are therefore part of the multinational initiative focusing on critical minerals, including rare earth elements.	Canada's defence industrial strategy Canada's critical minerals strategy
Logistics and supply chain	Logistics and supply chain align with the Euronext European Defence Bond Label's recognition of military logistics, maintenance and operational support chains, including fuel; ammunition; warehousing; transport; and maintenance, repair and overhaul, as they directly support the movement, readiness, sustainment and operational continuity of defence capabilities. The supply chain component overlaps with pillar IV of the defence industrial strategy as it ensures supply chain resilience, domestic production capacity, industrial readiness and access to critical inputs. Logistics activities support the operational resilience of defence supply chains by facilitating the efficient movement, storage, sustainment and delivery of critical equipment, materials and services.	Canada's defence industrial strategy Euronext European Defence Bond Label
Engineering and technical services	Engineering and technical services align with the Euronext European Defence Bond Label's recognition of services directly enabling defence capabilities, such as engineering, simulation, tactical software, and specialist recruitment and training, as they directly support the design, development, integration, operation and sustainment of defence functions and systems.	Euronext European Defence Bond Label
Strategic technologies **Activities must directly support the production, maintenance and resilience of defence and security capabilities**		
Secure cloud and data infrastructure	This activity directly aligns with the digital systems capability, whereas data infrastructure aligns indirectly as it is essential for carrying out this capability.	Canada's defence industrial strategy
Advanced materials	Advanced materials align with the Euronext European Defence Bond Label's recognition of the R&D and industrialisation of defence systems, including advanced materials, prototypes, dual-use technologies, testing and certification phases, as they directly support the innovation, performance, durability and operational effectiveness of defence capabilities. Advanced materials also align with pillar III – investing purposefully to strengthen an innovative Canadian defence sector – of the defence industrial strategy and contribute to the development, production or enhancement of defence-related systems and technologies as one of the key areas funded under Canada's defence innovation programme.	Euronext European Defence Bond Label Canada's defence industrial strategy

AI, quantum, advanced semiconductors	AI and quantum directly align with the digital systems key sovereign capability. Advanced semiconductors align indirectly as these are essential enabling technologies for this capability.	Canada's defence industrial strategy
Civil security		
Civil protection	Civil protection aligns with the Euronext European Defence Bond Label's recognition of civil protection and crisis response capabilities including emergency response logistics and resilience against hybrid threats, as these activities directly support preparedness, response and continuity in the face of security, emergency and disruptive events.	Euronext European Defence Bond Label
Emergency management & resilience	This activity aligns with the Euronext European Defence Bond Label's recognition of civil protection and crisis response capabilities, which includes defence, emergency response logistics, resilience against hybrid threats. Emergency management & resilience also overlaps with aspects of the defence industrial strategy where capabilities contribute to national resilience, emergency support or crisis response functions; however, the framework category is broader and may encompass a wider range of emergency management, continuity and resilience activities that are not explicitly captured within the strategy's terminology.	Euronext European Defence Bond Label Canada's defence industrial strategy
Medical counter measures	This activity directly aligns with the personnel protection key sovereign capability.	Canada's defence industrial strategy

Source: Sustainable Fitch, Scotiabank Canadian defence issuance framework, Canada defence industrial strategy 2026, other issuer material

Appendix B: Mapping to Canada's Export Controls List

Activities	Military-Specific ECL (Group 2 / Group 6)	Dual-Use / Strategic ECL (Group 1)	Sustainable Fitch's View on ECL Coverage
Aerospace Capability			
Military aircraft	2-10.a - Combat "aircraft", specially designed or modified for military use	n.a.	Military use: fully covered
Unmanned aerial systems (drones)	2-10.c - Unmanned aerial vehicles, remote piloted vehicles (RPVs), and autonomous programmable vehicles, specially designed or modified for military use	1-9.a - Aerospace and propulsion	Military use: fully covered Dual use: fully covered once technical thresholds are met
Avionics	2-10 - Aircraft equipment 2-11 - Electronic equipment, specially designed for military use	1-7 - Navigation and avionics 1-3 - Electronics	Military use: fully covered Dual use: fully covered once technical thresholds are met
Air defence systems	Weapons pillar: 2-4 - Interceptor missiles Sensor pillar: 2-5.a/b - Fire control, target acquisition and tracking radar 2-11 - Electronic equipment 2-6.a - Launcher vehicle chassis, if military-built Command & control pillar: 2-5.a - Fire control computers 2-21 - Software 2-22 - Technology, where specially designed for the fire-control or radar equipment above	Sensor pillar: 1-6 - Sensors and lasers, once the radar meets a controlled threshold Data links: 1-5, part 1- Telecommunications if not military-built Command & control pillar: 1-4 - Computers, once the hardware meets a controlled threshold - but standalone battle-management or AI decision-support software that is not tied to one specific piece of controlled hardware has no clear threshold in either list	Military use: covered for the missile, radar, launcher platform and fire-control computer/software tied to that equipment; Dual use: covered by component once thresholds are met
Aircraft communication	2-11 - Electronic equipment, specially designed for military use	1-5 part 1 - Telecommunications 1.-5 part 2 - Information security (encryption)	Military use: fully covered Dual use: fully covered once technical thresholds are met
Training and simulation	2-14 - Specialised equipment for military training / simulation 2-22 - Technology for such equipment	None, once the hardware or content is specially designed for military use	Military use: fully covered Dual use: none
Naval and Maritime Capability			
Naval vessels and platforms	2-9 - Vessels of war (surface or underwater), special naval equipment, specially designed or modified for military use	None, once a vessel counts as military under Group 2, it cannot also be classified under Group 1	Military use: fully covered Dual use: none
Naval weapons systems	2-4 - Torpedoes, missiles, explosive devices 2-5 - Fire control, surveillance and warning equipment 2-9 - Weapons built into a vessel's structure	Minimal	Military use: fully covered Dual use: minimal
Underwater systems	2-9 - Vessels of war (surface or underwater), specially designed or modified for military use	1-8 - Marine submersibles	Military use: fully covered Dual use: fully covered once technical thresholds are met
Maritime sensor networks	2-11 - Electronic equipment, specially designed for military use	1- 6- Sensors and lasers	Military use: fully covered Dual use: fully covered once technical thresholds are met
Naval communication	2-11 - Electronic equipment, specially designed for military use	1-5 part 1 1-5 part 2	Military use: fully covered Dual use: fully covered once technical thresholds are met
Coastal & maritime surveillance	2-11 - Electronic equipment, specially designed for military use	1-6 - Sensors and lasers (radar)	Military use: fully covered Dual use: fully covered once technical thresholds are met

Port and harbour defence	2-4 - Mines/explosive charges 2-9 - Patrol or interceptor vessels (if military-designed) 2-11 - Electronic equipment, each covered individually	1-6 - Sensors and lasers, once harbour sonar/intrusion detection meets a controlled threshold	Military use: covered by component, but usually sold as one integrated programme Dual use: covered by component once thresholds are met
Training and simulation	2-14 - Specialised equipment for military training / simulation 2-22 - Technology for such equipment	None once the hardware or content is specially designed for military use	Military use: fully covered Dual use: none
Land Systems Capability			
Land vehicles and platforms	2-6.a - Ground vehicles and components, specially designed or modified for military use (tanks, armed/armoured military vehicles) 2-6.b - Other ground vehicles and components	None for vehicles that meet the 2-6.a/b rules. There is a specific, narrow exception for certain civilian vehicles (such as armoured cash-transport trucks) that don't carry weapons and aren't military-modified	Military use: fully covered Dual use: none
Ground-based surveillance and sensors	2-11 - Electronic equipment, specially designed for military use, not elsewhere specified	1-6	Military use: fully covered Dual use: fully covered once technical thresholds are met
Soldier systems including personnel protection	2-1/2-2 - Small arms and weapons 2-13.d - Body armour manufactured to military standards or specifications / 2-11 - Electronic equipment, if integrated into a soldier-worn system	1-1.a.5 – Soft body armour not built to military standard, hard body armour at or below National Institute of Justice Level IIIA Soldier-worn electronics such as exoskeletons or health monitors are only covered if they meet a specific technical threshold	Military use: fully covered - weapons and body armour Dual use: fully covered - weapons and body armour
Training and simulation	2-14 - Specialised equipment for military training / simulation 2-22 - Technology for such equipment	None once the hardware or content is specially designed for military use	Military use: fully covered Dual use: none
Ammunitions and Weapons Capability			
Ammunition and explosives	2-3 - Ammunition and fuse setting devices, specially designed components 2-8 - Energetic materials and related substances (explosives, propellants and pyrotechnics formulated or modified for military use)	1-1 - Explosives list (named compounds such as RDX, PETN, TNT, HMX), controlled by composition, purity and quantity when used in detonators; shaped charges; or supplied for civil mining, quarrying or demolition	Military use: fully covered Dual use: fully covered
Missiles and guided weapons	2-4 - Bombs, torpedoes, rockets, missiles and other explosive devices, specially designed or modified for military use	n.a.	Military use: fully covered Dual use: fully covered
Cyber and Electronic Systems			
Radar & sensing systems	2-5.b – Target acquisition, designation, range-finding, surveillance or tracking systems, sensor integration equipment 2-11 - Electronic equipment, specially designed for military use	1-6	Military use: fully covered Dual use: fully covered once technical thresholds are met
Secure military communication and networks	2-11 - Electronic equipment, specially designed for military use	1-5 part 1 1-5 part 2 - Information security, which controls cryptographic equipment either by key-length threshold or because it is specially designed for military or intelligence use	Military use: fully covered Dual use: fully covered
Electronic warfare	2-5.c - Countermeasure equipment for items in 2-5.a/2-5.b 2-15 - Imaging or countermeasure equipment, specially designed for military use	n.a.	Military use: fully covered Dual use: minimal
Command, control & battle management	2-11 - Electronic equipment 2-21 - Software 2-22 - Technology, each tied to equipment already listed elsewhere on the munitions list (combination of rules)	1-4 - Computers (if the underlying computer hardware is not military-specific)	Military use: fully covered for hardware and equipment-linked software Dual use: AI software

Cyber and information security for military and government systems	2-11 / 2-17 - Miscellaneous equipment 2-21, 2-22 - Software and technology, if specially designed for military use	1-5 part 2 - Information security, which controls cryptographic and cybersecurity items	Military use: fully covered Dual use: fully covered
Space and Satellite Capability			
Space-based intelligence	2-11 – "Spacecraft" and components, specially designed for military use	1-6 - Sensors and lasers (imaging payload) 1-9 - Aerospace and propulsion (satellite bus) / Group 6 (launch vehicle, see "Space launch" below)	Military use: fully covered, by component Dual use: fully covered, by component
Surveillance and reconnaissance	2-11 – "Spacecraft" and imaging equipment, specially designed for military use	1-6 - Sensors and lasers, which controls satellite imaging systems once they cross a resolution/capability threshold	Military use: fully covered Dual use: fully covered once technical thresholds are met
Space domain awareness	2-11 - Electronic equipment, specially designed for military use (tracking radar/optical systems)	1-6 - Sensors and lasers	Military use: fully covered Dual use: fully covered once technical thresholds are met
Satellite communications	2-11 - Electronic equipment, specially designed for military use	1-5 part 1 - Telecommunications, which controls satellite communications equipment once it meets a controlled frequency, anti-jam or capability threshold	Military use: fully covered Dual use: fully covered once technical thresholds are met
Space launch	None specific to Group 2 - space launch vehicles are addressed through Group 6 regardless of the payload being military or civilian	6-1.a - Complete delivery systems (Missile Technology Control Regime [MTCR] category I) 6-19.A - Other complete delivery systems (MTCR category II)	Military use: fully covered Dual use: fully covered
Critical Infrastructure Capability			
Energy infrastructure	n.a.	n.a.	n.a.
Transportation & logistics infrastructure	n.a.	n.a.	n.a.
Arctic and remote infrastructure	n.a. – general infrastructure is not a controlled good	n.a., except military-specific radar/sensor installations (2-11 or 1-6, same logic as other sensor rows)	Not relevant to the activity - entity-driven
Telecommunications infrastructure	2-11 - Electronic equipment, specially designed for military use	1-5 part 1 - Telecommunications, once equipment meets a controlled threshold	Military use: fully covered Dual use: fully covered once technical thresholds are met
Defence Industrials and Supply Chain Capability			
Critical minerals	n.a.	n.a.	n.a.
Rare earth materials	n.a.	n.a.	n.a.
Logistics and supply chain	n.a.	n.a.	n.a.
Engineering & technical services	2-22 – "Technology" for the development, production or use of equipment specified elsewhere on the Munitions List; equivalent technology-transfer notes exist in Groups 1, 3, 4, 6 and 7	Same technology-transfer principle applies within Group 1 categories, if the know-how relates to a dual-use item	Military use: fully covered Dual use: fully covered
Strategic Technologies Capability			
Secure cloud and data infrastructure	2-11 - Electronic equipment, specially designed for military use	1-5 part 2 - Information security, controlled either by key-length threshold or because it is specially designed for military or intelligence use	Military use: fully covered Dual use: fully covered
Advanced materials	2-8 or other Group 2 entries, if the material is formulated specifically for a listed military application	1-1 - Special materials, once the specific composite, alloy or coating meets a controlled technical threshold	Military use: fully covered Dual use: fully covered once technical thresholds are met
AI, quantum, advanced semiconductors	n.a.	n.a.	n.a.
Civil Security Capability			
Civil protection	n.a.	n.a.	n.a.

Emergency management & resilience	n.a.	n.a.	n.a.
Medical counter measures	Not applicable in Group 2	Group 1 – multiple categories	Military use: Not covered Dual use: fully covered

Source: Sustainable Fitch, guide to Canada's ECL (January 2026)
Note: n.a. – not applicable.

Appendix C: Definitions

Term	Definition
Debt types	
Defence	Proceeds are allocated to finance or refinance eligible defence and security-related activities, assets, projects, or capabilities, including through lending, in accordance with the European Defence Bond Label or an equivalent national defence financing framework
Dual-use technologies	Dual-use technologies refer to products, components, materials, software and know-how that can be used for both civilian and military purposes, as per the European Defence Bond Label, July 2025.
Dual-use infrastructure	Dual-use infrastructure refers to facilities, networks, or systems that serve both civilian and defence or security purposes, where the assets contribute to military readiness, national security, resilience or strategic autonomy while also supporting civilian economic or public functions.
Conventional	Proceeds are not specific to any project or activity, and the financial or structural features are not linked to any specific objective.
Other	Any other type of financing instrument or a combination of the above instruments.
Standards	
ICMA	International Capital Market Association. A series of principles and guidelines for green, social, sustainability and sustainability-linked bonds.
LMA, LSTA and APLMA	Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA). A series of principles and guidelines for green, social and sustainability-linked loans.
European Defence Bond Label	A voluntary framework created by Euronext supporting European companies, both national and supranational, in financing their defence-related projects through debt instruments.

Source: Sustainable Fitch, ICMA, UN, Euronext

Appendix D: Defence Framework Assessment Methodology

Analytical Process

Sustainable Fitch's analysis considers all available relevant information such as defence financing framework, origination and credit policies, due diligence questionnaires and any relevant policies. The reports transparently display the sources of information we analysed for each pillar and provide a commentary on the sub-factors we analysed. Our ratings & opinions analysts working on an assessment will also engage directly with the issuer to acquire any additional relevant information not already in the public domain.

Once the analyst has completed the analysis, with commentary for the related opinions, it is submitted to the approval committee, which reviews it for accuracy and consistency. Based on issuer preference and mandate, we can monitor an assessment (annually or more frequently, if new information becomes available) or on a point-in-time basis.

Scale and Definitions

	Defence Framework
Aligned	Defence finance framework and/or debt instrument structure is aligned with market best practice, and informed by core international principles and guidelines. Practices inherent to the structure meet the minimum standards in terms of rigour and transparency commonly followed by the market.
Not Aligned	Defence finance framework and/or debt instrument structure is not aligned with market best practice, and not informed by relevant core international principles and guidelines. Practices inherent to the structure fall short of standard market practice.

Source: Sustainable Fitch

SOLICITATION STATUS

The Defence Issuance Framework Assessment was solicited and assigned or maintained by Sustainable Fitch at the request of the entity.

A Sustainable Fitch Analytical Product provides an assessment of the Environmental, Social and/or Governance qualities of an issuer and/or its financial instruments or securities. Sustainable Fitch Analytical Products include without limitation ratings, scores, second-party opinions and other assessments, opinions and data-related products, among other Analytical Products. A Sustainable Fitch Analytical Product is not a credit rating. Analytical Products are provided by Sustainable Fitch, a Fitch Solutions company, and an affiliate of Fitch Ratings. Sustainable Fitch has established specific policies and procedures intended to avoid creating conflicts of interest and compromising the independence or integrity of Fitch Ratings' credit rating activities and Sustainable Fitch's Analytical Product generation activities. For a description of the methodology, limitations and disclaimers relating to Sustainable Fitch's Analytical Products, please use this link: www.sustainablefitch.com.

Please note that individuals identified in any Analytical Product report or press release are not responsible for the opinions stated therein and are named for contact purposes only. A report regarding an Analytical Product is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of financial instruments and securities. Sustainable Fitch's Products are not considered investment advice and they are not and should not be considered as a replacement of any person's own assessment of the sustainability factors related to a financial instrument or an entity. Sustainable Fitch does not represent, warrant or guarantee that an Analytical Product will fulfil any of your or any other person's particular purposes or needs. Sustainable Fitch does not recommend the purchase or sale of financial instruments or securities or give investment advice or provide any legal, auditing, accounting, appraisal or actuarial services. Sustainable Fitch's Analytical Products are not an opinion as to the value of financial instruments or securities. Sustainable Fitch does not audit or verify the accuracy of the information provided to it by any third party for the purpose of issuing an Analytical Product, including without limitation issuers, their representatives, accountants and legal advisors and others. Sustainable Fitch does not represent, warrant or guarantee the accuracy, correctness, integrity, completeness or timeliness of any part of the Analytical Product. The information in an Analytical Product report is provided "as is" without any representation or warranty of any kind, and Sustainable Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. Sustainable Fitch does not provide a limited or reasonable assurance on any information presented in an Analytical Product report.

Sustainable Fitch receives fees from entities and other market participants who request Sustainable Fitch Analytical Products in relation to the analysis conducted to assign a rating, score, opinion or an assessment to a given financial instrument and/or entity, as well as the distribution of data. The assignment, publication, or dissemination of a Sustainable Fitch Analytical Product shall not constitute a consent by Sustainable Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction.

Any ratings, second-party opinions, assessments, commentaries or other reports and products issued by Sustainable Fitch are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Sustainable Fitch Analytical Products offered to clients in Australia. Analytical Products in Australia are available only to wholesale clients (as defined in section 761G and 761GA of the Corporations Act (Cth) (the "Act")) in Australia. Information related to Analytical Products published by Sustainable Fitch is not intended to be used by persons who are retail clients within the meaning of section 761G and 761GA of the Act ("Retail Clients") in Australia. No one shall distribute, disclose or make references to any information related to Analytical Products in a manner which is intended to (or could reasonably be regarded as being intended to) influence a Retail Client in making a decision in relation to a particular financial product (as defined in the Act) or class of financial products, unless required to do so by law to meet continuous disclosure obligations. No one shall make reference to any Sustainable Fitch Analytical Product information in any publication, promotional material, disclosure document, correspondence, website, or any other venue that may be accessed by clients and investors who are Retail Clients in Australia (except in the circumstances as permitted by law). Sustainable Fitch does not hold an Australian financial services license to provide general financial product advice and the Analytical Products are provided subject to the conditions of the class no-action position to second party opinion providers issued by the Australian Securities & Investments Commission on 14 June 2024. Except as disclosed above or on our website, there is no conflict of interest that is material that may arise in providing the views and opinions here. For Industry- accepted framework and standards relevant to this Analytical Product, please refer to information above and in the methodology.

Copyright © 2026 by Sustainable Fitch, Inc., Sustainable Fitch Limited and their subsidiaries. 300 West 57th Street, New York, NY 10019. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.