SCOTIABANK

Canadian Defence Issuance Framework

To support Canadian Defence and Security

September 2026

Contents

Introduction

Scotiabank's vision is to be our clients' most trusted financial partner and deliver sustainable, profitable growth. Guided by our purpose: "for every future," we help our clients, their families and their communities achieve success through a broad range of advice, products, and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets.

Scotiabank's Commitment to the Defence and Security Sector

Scotiabank[1] (the "Bank" or "we") recognizes the importance of financing defence, security and resilience activities that support Canada's long-term security, sovereign capabilities and economic resilience. Canada and its allies are increasing investment in defence and security in recognition of the importance of maintaining security, sovereignty, and resilience in an evolving geopolitical environment. In Canada, this includes renewed NATO defence spending commitments and the Government of Canada's Defence Industrial Strategy, which seeks to strengthen domestic industrial capacity, innovation, supply chain resilience, and sovereign capabilities.

Canada's Northern and Arctic regions will play an increasingly important role in strengthening national security, sovereignty, and the defence industrial base. Consistent with Scotiabank's commitment to Truth & Reconciliation, the Bank recognizes and respects the rights of Indigenous Peoples as rightsholders, partners in economic development, and meaningful contributors to long-term prosperity and resilience.

These developments are expected to support long-term investment across Canada's defence, security, and resilience ecosystem and strengthen domestic industrial capacity, supply chain resilience, and sovereign capabilities. The defence and security sector plays an important role in supporting innovation, productivity, workforce development, and economic competitiveness.

As governments and industry increase investment in defence, security, and resilience, access to private capital will play an increasingly important role in supporting research, development, production capacity, infrastructure investment, and commercialization.

Scotiabank is committed to supporting the responsible development of the defence, security and resilience ecosystem through financing, capital markets solutions, and strategic advisory services. Scotiabank is a founding partner bank to the Defence, Security and Resilience Bank Development Group, which supports the establishment of the Defence, Security, and Resilience Bank (DSRB). Scotiabank also supports efforts to mobilize private capital in support of NATO and allied partners.

Scotiabank recognizes the importance of balancing the sector's growing strategic and commercial opportunities with robust governance, risk management and oversight. The Bank remains committed to supporting clients while strengthening its role as a responsible participant in the sector.

1 "Scotiabank" is a reference to, and is used interchangeably with, The Bank of Nova Scotia and its subsidiaries. "We", "our" and "the Bank" refers to The Bank of Nova Scotia and its subsidiaries, operating as Scotiabank.

Scotiabank’s Defence & Security Financing Policy

The defence and security sector presents distinct legal, regulatory, social, ethical, and reputational considerations that require enhanced governance and oversight relative to many other sectors in which the Bank’s clients operate. These considerations arise from the nature of the products, end users, geographies, and dual-use applications inherent in the sector. Scotiabank’s Defence & Security Financing Policy (the "Policy") articulates the Bank’s risk management approach, governance, controls, due diligence expectations, and guardrails for financing and other banking activities related to the defence and security industry.

The Policy ensures that:

- Defence financing is conducted based on the Bank's risk management frameworks outlined in the Credit Risk Policy, Global KYC Standard, Enterprise AML/ATF & Sanctions Policy, Global ESG Risk Management Framework, Scotiabank Global Anti-Bribery and Anti-Corruption Policy, and Enterprise Reputational Risk Policy;

- The Bank conducts due diligence, including the identification and assessment of industry specific risks, prior to entering or expanding defence and security sector related relationships; and

- Governance and escalation mechanisms are in place to support transparent, consistent, and prudent decision-making.

The Policy sets out the principles governing due diligence and client expectations, including the expectation that clients operate in compliance with applicable laws, regulations, sanctions requirements, and, where relevant, internationally recognized human rights standards. The Policy further establishes guardrails addressing industry-specific considerations, including end-use and end-user considerations, geographic and sanctions-related risks, and environmental, social, and reputational risks, as well as exclusions relating to prohibited weapons and equipment subject to international conventions. Transactions presenting heightened risks are subject to enhanced review and escalation in accordance with the Policy's governance framework.

Considering the heightened risks inherent in the defence and security sector, including its impact on individuals and communities, the Bank is committed to balancing the opportunities within this sector with necessary guardrails. This includes upholding the Bank’s commitments with respect to human rights as a financial services provider and business partner, and its commitments to its workforce and communities. Refer to the Scotiabank Global Human Rights Statement for details.

Scotiabank’s approach to financing the defence and security sector, including any risk guardrails and safeguards will continue to evolve in line with applicable laws, regulations, and the Bank's commitments to its stakeholders.

Scotiabank's Canadian Defence Issuance Framework

Scotiabank has established this Canadian Defence Issuance Framework (the "Framework") to facilitate financing that supports Canadian national interests in defence, security and resilience. The Framework is informed by key Canadian and allied defence priorities, including Canada's Defence Industrial Strategy and Our North Strong and Free policy, NATO commitments to strengthen defence capabilities, and broader efforts to enhance security, resilience, and sovereign industrial capacity.

This Framework allows Scotiabank to raise financing through Canadian defence instruments, including Canadian defence bonds, in private or public format, where proceeds will be exclusively allocated to finance and/or refinance Eligible Assets, in accordance with this Framework ("Defence Instruments"). The Framework provides transparency across the following four pillars:

i. Use of Proceeds
   a. Eligible Assets
   b. Eligible Entities
   c. Eligible Activities
   d. Exclusionary Criteria

ii. Process for Project Evaluation and Selection

iii. Management of Proceeds

iv. Reporting

We note that there is no single universal definition of, or taxonomy for, defence, security and resilience. Rather, the market guidelines, frameworks, and other internal and external standards in this area continue to evolve. The Framework may therefore change to reflect such evolution or the introduction of new guidelines, frameworks, methodologies, and other standards.

For the avoidance of doubt, financing instruments issued under this Framework are not intended to be presented as being aligned with the International Capital Market Association's (ICMA) Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, Sustainability-Linked Bond Principles, or related Sustainable Finance market standards. Financing instruments issued under this Framework are not considered Sustainable Finance transactions. In addition, financing activities included in the Sustainable Asset Portfolio under Scotiabank's Sustainable Issuance Framework may not also be allocated to under this Framework.

Disclosure associated with Defence Instruments covered by this Framework promotes transparency regarding Scotiabank's exposure and financing role in relation to a key sector, while highlighting the various protective measures put in place to manage the specific risks associated with the defence and security sector.

Defence Framework Issuance Assessment

Scotiabank has obtained a Defence Framework Issuance Assessment from Sustainable Fitch on this Framework, which is published on our website. This independent assessment of the Framework ensures that the transparency and governance structure requirements are met and are in-line with market practices and the proceeds are in-line with Canadian defence policies and initiatives such as Our North, Strong and Free and the Defence Industrial Strategy.

i. Use of Proceeds

The net proceeds allocated to each Defence Instrument will be used exclusively for the financing and refinancing, in whole or in part, of new or existing eligible loans (“Eligible Assets”), which are loans originated by Scotiabank or certain subsidiaries for new or existing assets, businesses or projects that meet eligibility criteria outlined below.

The combination of all Eligible Assets will constitute the portfolio of Eligible Assets (the "Defence Asset Portfolio").

a. Eligible Assets

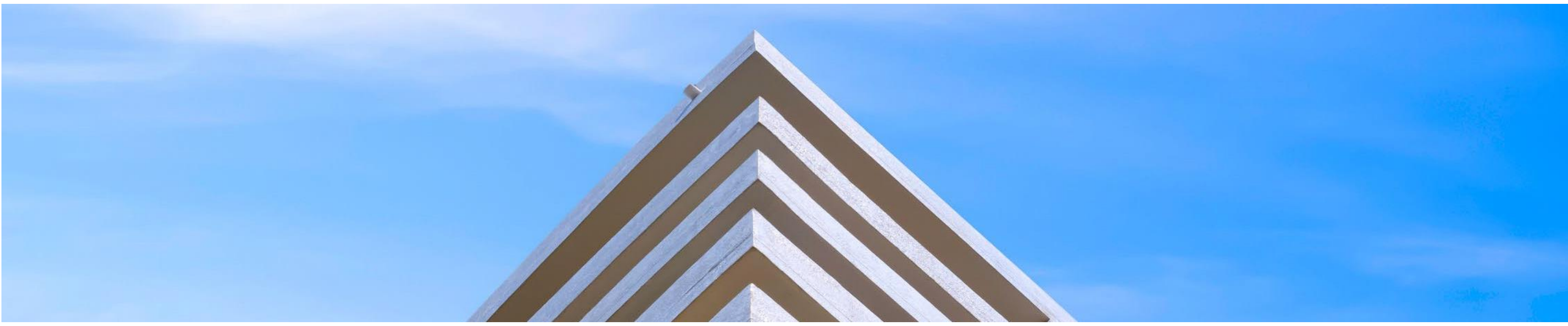
Eligible Assets include:

- General purpose loans, where the borrower is an Eligible Entity (defined in Section b. Eligible Entities); and
- Dedicated purpose loans, including project finance, export finance, trade finance, etc., where the borrower is an Eligible Entity and the proceeds are dedicated to Eligible Activities

For general purpose loans, Scotiabank will determine the portion of financing considered eligible based on a reasonable proxy reflecting the entity’s defence-related activities. In cases where defence-related activities are central to the entity’s business and represent at least 50% of revenues, capex, operating cash flow, or another reasonable proxy, the full financing amount will be considered eligible.

For dedicated purpose loans, the following additional conditions apply:

- Where end users or ultimate beneficiaries are located outside of Canada and countries with which Canada maintains a formal defence or security partnership[2], the relevant jurisdictions are assessed against Scotiabank's AML–ATF Geography Risk Ratings.
- Based on this assessment, transactions involving end users or beneficiaries located in jurisdictions classified as Low Risk may 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 must be escalated for heightened risk assessment in accordance with applicable governance and escalation processes.



[2] As of August 2026, Canada has formal defence and security partnerships with the US, EU, UK, Norway, Japan, South Korea, Australia, and New Zealand. These are subject to change based on Canada partnerships for defence and security activities.

b. Eligible Entities

Eligible Entities must be public institutions or public/private entities of any size that meet one or more of the criteria outlined below ("Eligible Entities"). An Eligible Entity must be listed on a Canadian stock exchange or headquartered in Canada.

Eligible Entities must demonstrate meaningful participation in the Canadian defence and security sector through at least one of the following:

- Participation in recognized defence and security associations, including organizations such as the Canadian Association of Defence and Security Industries (CADSI), the Aerospace Industries Association of Canada (AIAC), or other recognized Canadian defence and security industry associations.
- Inclusion in government-recognized defence supplier, procurement, industrial, or national security programs, registries, or supplier lists, including programs administered by the Government of Canada or provincial and territorial governments.
- Active involvement in one or more Eligible Activities described in this Framework.

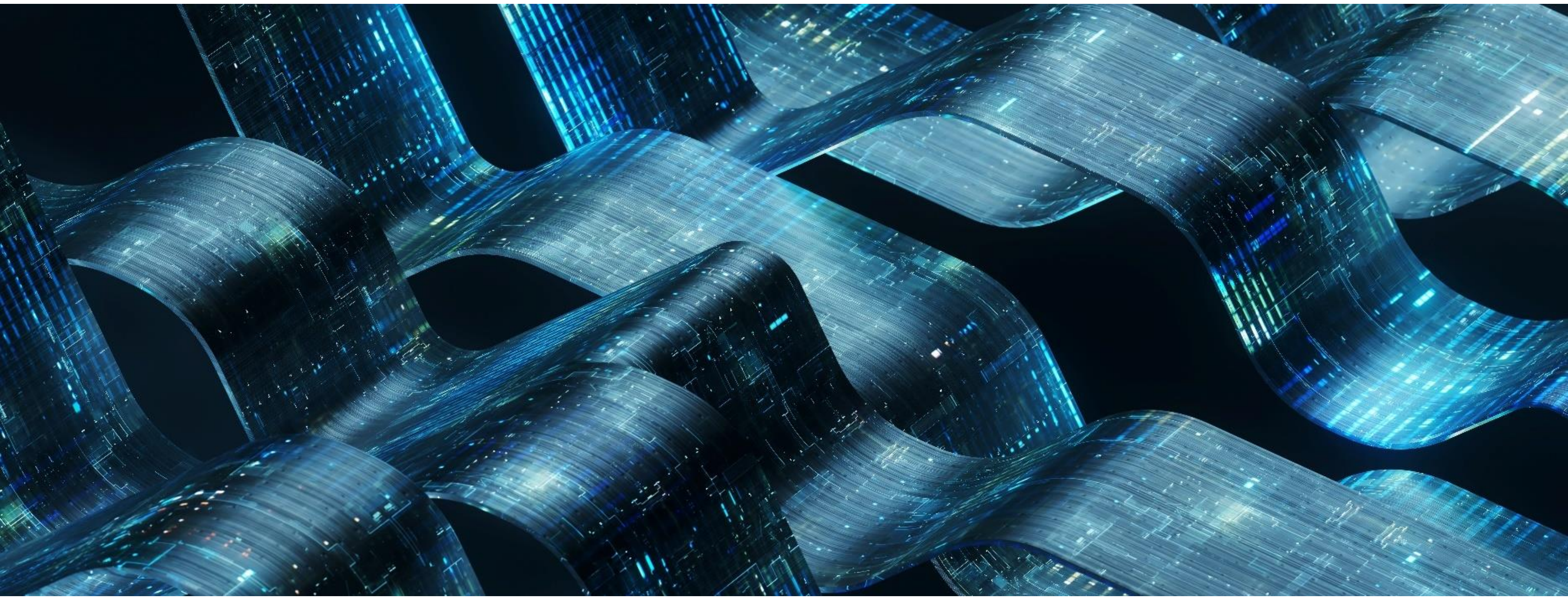
Eligible Entities must adhere to relevant international conventions and treaties governing the trade in arms, security equipment and services, and dual-use goods. Eligible Entities must be in compliance with Canadian laws and regulations, including export licensing and trade restrictions.

c. Eligible Activities

Eligible Activities include activities related to the research, development, 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 in the categories below ("Eligible Activities").

For the avoidance of doubt, Eligible Activities include dual-use products and infrastructure within the following categories. Projects along the defence and security value-chain, including finished products and their critical materials and intermediary components, are also included.

Activities are eligible only if they support defence, security and resilience objectives. Inclusion within an activity category does not automatically make an activity eligible under this Framework.



Theme	Category	Activities
Core Defence	**Aerospace**	• Military aircraft • Unmanned aerial systems (drones) • Avionics • Air defence systems • Aircraft communication • Training and simulation
	Naval & Maritime	• Naval vessels and platforms • Naval weapons systems • Underwater systems • Maritime sensor networks • Naval communication • Coastal & maritime surveillance • Port and harbor defence • Training and simulation
	Land Systems	• Land vehicles and platforms • Ground-based surveillance and sensors • Soldier systems including personnel protection • Training and simulation
	Ammunition & Weapons	• Ammunition and explosives • Missiles and guided weapons
	Cyber & Electronic Systems	• Radar & sensing systems • Secure military communication and networks • Electronic warfare • Command, control & battle management • Cyber and information security for military and government systems
	Space & Satellite	• Space-based intelligence • Surveillance and reconnaissance • Space domain awareness • Satellite communications • Space launch

Theme	Category	Activities
Defence & Security Related	**Critical Infrastructure**	• Energy infrastructure • Transportation & logistics infrastructure • Arctic and remote infrastructure • Telecommunications infrastructure *Infrastructure assets must be dedicated to or essential for defence and security operations*
	Defence Industrials & Supply Chain	• Critical minerals • Rare earth materials • Logistics and supply chain • Engineering & technical services *Activities must directly support the production, maintenance, and resilience of defence and security capabilities*
	Strategic Technologies	• Secure cloud and data infrastructure • Advanced materials • AI, quantum, advanced semiconductors *Activities must directly support the production, maintenance, and resilience of defence and security capabilities*
	Civil Security	• Civil protection • Emergency management & resilience • Medical counter measures

d. Exclusionary Criteria

Scotiabank will not finance businesses engaged in illegal activities as defined by applicable laws, regulations, guidance or interpretations of such laws and regulations.

Exclusion of Certain Weapons and Equipment

Scotiabank will not finance counterparties involved in certain weapons and equipment that are prohibited by international conventions ratified by Canada, as defined below. Consequently, Scotiabank also excludes counterparties engaged in the supply, development, manufacturing, production, acquisition, storage, preservation, offering, import, export, trading, brokering, transfer or employment, and use of excluded weapons and equipment, including their key and dedicated components.

Excluded weapons and equipment are as follows:

- Cluster munitions as defined by the Convention on Cluster Munitions, Oslo Convention adopted in 2008
- Anti-personnel mines as defined by the Convention on the Prohibition of Anti-Personnel Mines, Ottawa Treaty adopted in 1997
- Non-detectable fragments weapons, blinding laser weapons, and incendiary weapons, including those using white phosphorus, as defined by the Convention on Prohibition of Certain Weapons I, II, III, IV adopted in 1980
- Biological or toxin weapons as defined by the Convention on the Prohibition of Biological and Toxin Weapons adopted in 1972
- Chemical weapons as defined by the Convention on the Prohibition of Chemical Weapons adopted in 1993
- Nuclear weapons and systems, except for NATO Member States that are authorized to hold them, as defined by the Non-Proliferation Treaty adopted in 1970

With respect to this Framework, activities directly related to nuclear weapons and their dedicated delivery systems are not contemplated to be included in the Defence Asset Portfolio.

An exception to these exclusions concerns transactions and businesses that are involved in the neutralization, destruction, or storage of excluded weapons and equipment for their eventual neutralization or for safety purposes, as well as transactions that are subject to a specific exemption linked to a United Nations Security Council resolution or linked to the implementation of an arms control treaty.

Heightened Risk Activities

In addition to explicitly excluded weapons and equipment, certain lawful activities may present heightened inherent legal, compliance, regulatory, reputational, human rights, or financial crime risk (including elevated AML-ATF, sanctions, fraud, or conduct risks).

Consistent with Scotiabank's Defence & Security Financing Policy, certain defence and security activities may be subject to heightened risk assessment, review, and escalation based on Scotiabank's governance processes, due to their inherent risk characteristics. These activities may include, among others, activities involving dual-use goods. This category is non-exhaustive, and additional activities may also be subject to heightened risk assessment and escalation where warranted.

ii. Process for Project Evaluation and Selection

Evaluation and selection are key processes in ensuring that the defence and security related activities financed under the Framework are aligned with the eligibility criteria outlined above.

To determine whether an asset is eligible for inclusion in the Defence Asset Portfolio, Scotiabank assesses the eligibility of the financing, entity, activity, and applicable exclusionary criteria in accordance with the requirements set out in this Framework and internal policies and procedures. As part of this assessment, Scotiabank may consider, as applicable, 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 through Scotiabank's governance processes, as appropriate.

Enterprise-wide governance of the Framework, including strategic guidance and direction of defence financing, and coordination of defence and security commercialization and engagement strategies, is underpinned by a multilayered governance model leveraging cross-business leadership and centralized oversight.

The implementation of the Framework is overseen by both the Bank's Asset & Liability Committee ("ALCO"), which is comprised of senior executive management, and the Defence Steering Committee (the "SteerCo"), which is a cross-functional committee of senior management representatives with responsibility for decision-making related to, and with accountability for, the oversight and execution of defence and security financing and Scotiabank's strategic positioning. ALCO is responsible for providing strategic oversight of the Framework and Defence Instruments. The SteerCo is responsible for providing strategic guidance and direction on defence and security financing as well as the ongoing review and application of the Framework.

SteerCo will be supported by the Defence Sub-Committee (the "Sub-Committee"), which is co-chaired by the Defence Coordinators and comprised of representatives with defence and security related accountabilities. The Sub-Committee is accountable to the SteerCo for reviewing eligible activities and supporting bankers in applying the Framework.

To determine the eligibility of assets as use of proceeds under this Framework, the following roles and responsibilities have been assigned:

- Business leads or originators of products are responsible for first assessing eligibility of an activity or transaction against this Framework.
- Scotiabank's Defence Coordinator for the respective business line verifies that those transactions, activities, or entities identified as eligible by the business are in fact eligible according to the Framework; in performing this verification, subject matter experts within or outside the Bank may be consulted.

iii. Management of Proceeds

Scotiabank's Defence Sub-Committee, with oversight from the Defence SteerCo, is tasked with allocation of Defence Instrument proceeds to Eligible Assets on a portfolio basis. Scotiabank has set up an internal information process to track the pool of Eligible Assets (the "Defence Asset Portfolio") supporting Defence Instruments until maturity.

Scotiabank will review and monitor Eligible Assets at least on a semi-annual basis to ensure the total amount of Eligible Assets in the Defence Asset Portfolio is equal to or greater than the total net proceeds of all Defence Instruments outstanding. The Defence Asset Portfolio will be dynamic with existing Eligible Assets maturing and new Eligible Assets being added. Scotiabank will endeavour to substitute any Eligible Assets that are no longer eligible as soon as practical, once an appropriate substitution option has been identified.

The net proceeds from Scotiabank's Defence Instruments 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. Scotiabank aims to have an amount equal to the net proceeds of each Defence Instrument fully allocated within 24 months of issuance.

The payment of principal and interest on Defence Instruments issued by Scotiabank under the Framework will be made from its general funds and will not be linked to the performance of any Eligible Assets.

Unallocated Proceeds

Pending the allocation or reallocation of the net proceeds, or if for any reason the total amount outstanding of applicable Defence Instruments is greater than the Defence Asset Portfolio, Scotiabank will allocate the balance of the net proceeds, at its own discretion, to cash, cash equivalents or other liquid marketable instruments consistent with the Bank's liquidity management activities.

iv. Reporting

Scotiabank is committed to transparent reporting. On an annual basis, Scotiabank will publish on its website a report on the use of Defence Instrument proceeds, as long as Defence Instruments remain outstanding. Reporting will be produced on a portfolio basis and may include, on a best-efforts basis, the following information where relevant and within the limits of the confidentiality rules applying to such financing:

- Net proceeds raised from Defence Instrument
- Aggregate amount of funds allocated to Eligible Assets
- The balance of unallocated proceeds at the reporting period end date
- Breakdown of entities financed by type or sector
- Breakdown of small and medium-sized enterprises (SMEs) financed

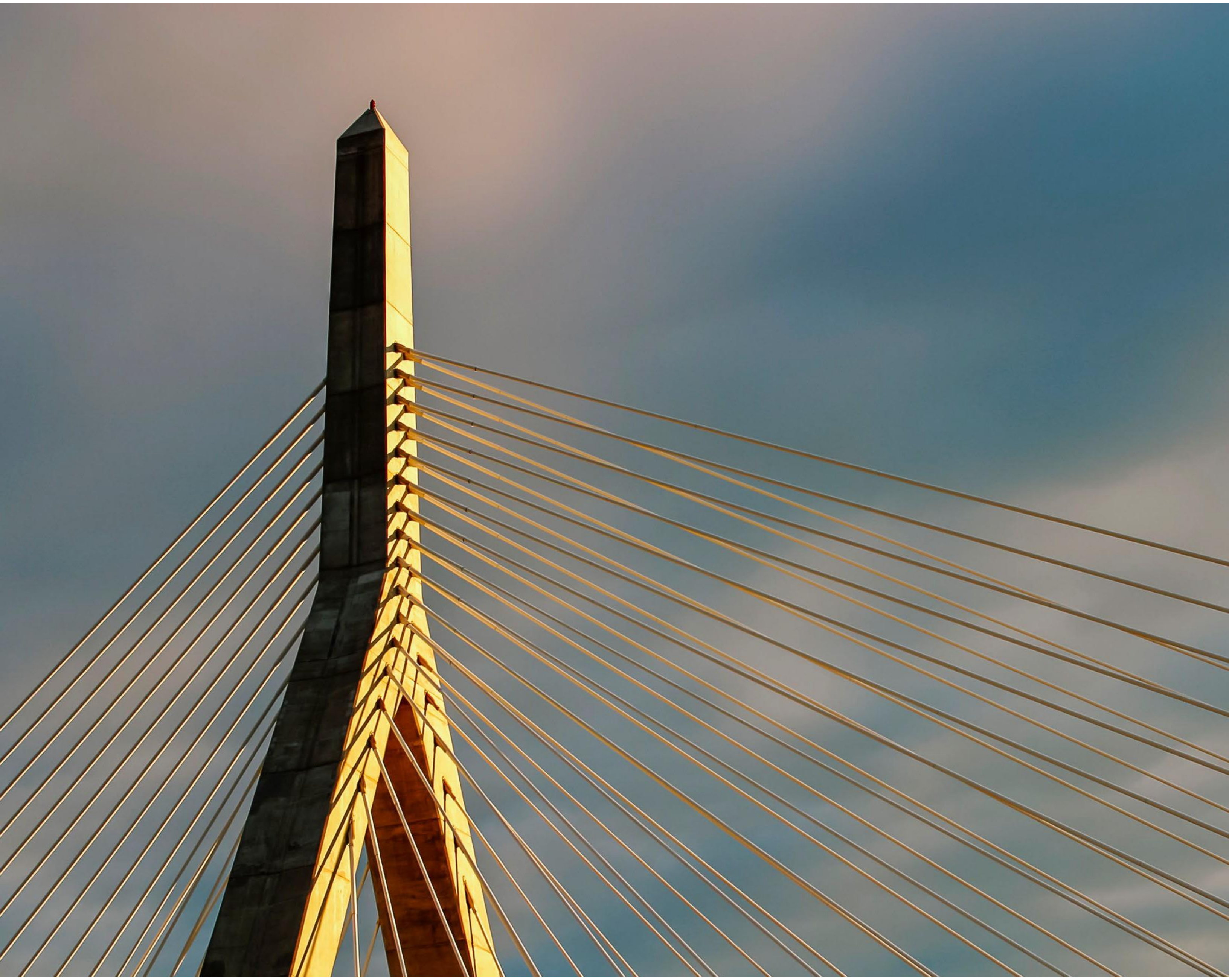
External Review

Defence Framework Issuance Assessment:

Scotiabank has obtained a Defence Framework Issuance Assessment from Sustainable Fitch on the Framework.

Post Issuance External Verification:

On an annual basis, Scotiabank intends to obtain an independent external review of the allocation of Defence Instrument proceeds and the application of the Framework's eligibility criteria to the Defence Asset Portfolio.



Contact Us

Scotiabank
40 Temperance Street, Toronto, ON M5H 0B4
Tel: (416) 775-0798
Email: investor.relations@scotiabank.com