



# Scotiabank Sustainable Bond Framework

## Investor Presentation

July 2021



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Except as required by law, the Bank does not undertake to update any forward-looking statement in this document.



# Outline

## **01 BNS Overview**

## 02 Sustainable Business at Scotiabank

## 03 Sustainable Bond Framework

## 04 Appendix

# Leading Bank in the Americas<sup>1</sup>

Core markets: Canada, USA, Mexico, Peru, Chile and Colombia

7th largest bank by assets<sup>1</sup> in the Americas

Full-Service,  
Universal Bank

- Canada
- Mexico
- Peru
- Chile
- Colombia
- Caribbean
- Uruguay

Wholesale  
Operations

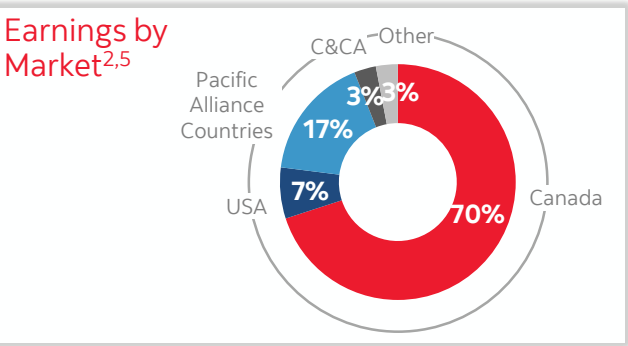
- USA
- UK
- Singapore
- Australia
- Ireland
- Hong Kong SAR
- China
- Brazil
- India
- Japan



Scotiabank <sup>2</sup>	2021 YTD	Change YTD/YTD
Revenue	\$15,808MM	(1%)
Net Income	\$4,893MM	+32%
Return on Equity	14.6%	+350 bps
Operating Leverage	+3.4%	n.a.
Productivity Ratio	51.8%	(190 bps)
Total Assets	\$1.1T	(10%)
CET1 Ratio	12.3%	+ 140 bps

Ranking by Market Share<sup>3</sup>

USMCA	Canada	#3
	USA <sup>4</sup>	#3
Pacific Alliance Countries	Mexico	#5
	Peru	#3
	Chile	#4
	Colombia	#6

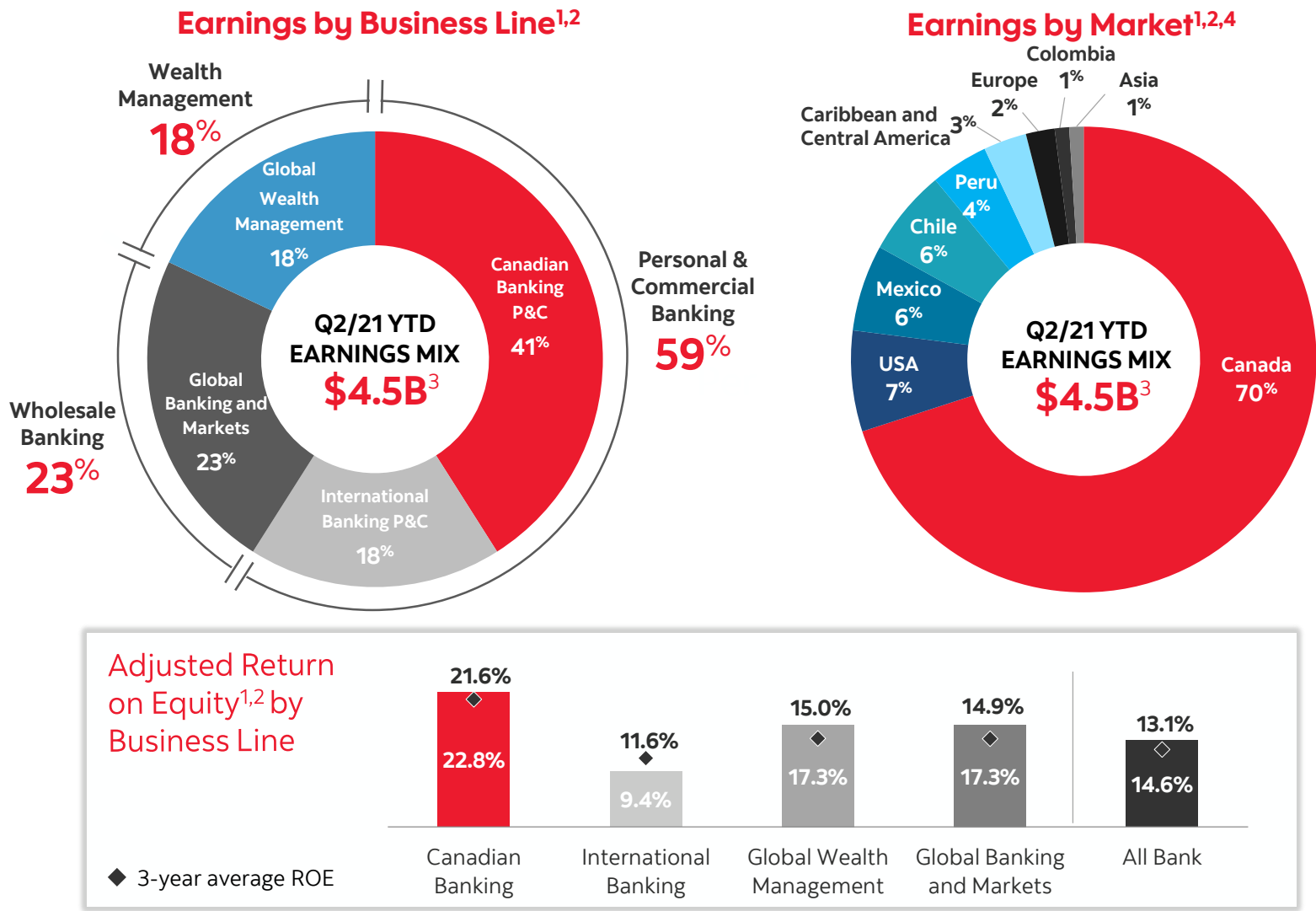


<sup>1</sup>Ranking by assets as at May 26, 2021, Bloomberg; <sup>2</sup> Adjusted for acquisition and divestiture-related amounts, impact of additional pessimistic scenario in ACLs, Derivative Valuation Adjustment, and impairment charge on software asset. Revenue growth, Net Income growth, and Operating Leverage excludes divested operations; <sup>3</sup>Ranking based on market share in loans as of March 2021 in Mexico, Peru and Chile, as of February 2021 in Colombia, as of January 2021 in Canada for publicly traded banks; <sup>4</sup>Ranking by asset as at December 2020; <sup>5</sup>Adjusted net income attributable to equity holders of the Bank for the 6 months ended April 30, 2021





# Well-Diversified Business with Strong Returns



<sup>1</sup>Net income attributable to equity holders for the 6 months ended April 30, 2021; <sup>2</sup> Adjusted for acquisition and divestiture-related amounts, impact of additional pessimistic scenario in ACLs, Derivative Valuation Adjustment, and impairment charge on software asset; <sup>3</sup> Excludes Other segment; <sup>4</sup> Earnings from Brazil and Other totaled 0.3% of all-bank earnings



# Why Invest in Scotiabank?

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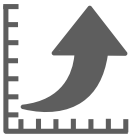
## Leading bank in the Americas

- Six core markets: Canada, USA, Mexico, Chile, Peru and Colombia
- >95% of earnings from the Americas
- Only universal bank with full presence in all Pacific Alliance countries



## Diversified exposure to high quality growth markets

- Unique Americas footprint provides diversified exposure to higher growth, high ROE banking markets
- 229 million people in the Pacific Alliance countries comprise the 6<sup>th</sup> largest economy in the world



## Increasing scale and market share in core markets

- Competitive scale and increasing market share in core markets
- Competitive advantages in technology, risk management, and funding versus competitors



## Strong risk culture: solid credit quality, well provisioned

- Strong Canadian risk management culture with strong capabilities in AML and cybersecurity
- Focus on secured and investment-grade lending
- \$6.9 billion in allowances for credit losses as of Q2/21



## Acceleration in Digital Banking

- Increased Digital Adoption to 54% in Q2/21
- Enhanced All-Bank Digital metrics to include Active Digital Users, Active Mobile Users, and Self-Serve Transactions in Q1/21
- Named “Best Bank in North America for Innovation in Digital Banking” (2020)
- #1 ranking for “Online Banking Satisfaction” - *J.D. Power 2020*



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# ESG AT SCOTIABANK

Our diversified geographic footprint, varied business lines, and large customer and employee base give us a responsibility and an opportunity: we can help address important social, environmental, and economic challenges while positioning our Bank for success.





The four pillars of our approach to Environmental, Social, and Governance (ESG) strategy:  
**Environmental Action, Economic Resilience, Inclusive Society and Leadership & Governance**

The four pillars are the lens through which we develop, implement and invest in initiatives in order to maximize our positive impact on the world.



The UN has established 17 Sustainable Development Goals (SDGs) of which we have identified seven where we can make the greatest positive impact.

**1 NO POVERTY**

**3 GOOD HEALTH AND WELL-BEING**

**4 QUALITY EDUCATION**

**5 GENDER EQUALITY**

**8 DECENT WORK AND ECONOMIC GROWTH**

**10 REDUCED INEQUALITIES**

**13 CLIMATE ACTION**

## Environmental

- Mobilized over \$28 billion since November 1, 2018, toward our commitment of \$100 billion by 2025 to reduce the impacts of climate change
- Committed to release a concrete plan in 2021 with interim targets and timelines to reach net-zero carbon emissions by 2050
- In 2020, established a dedicated ESG Equity Research Team and launched a Sustainable Finance Group within Global Banking and Markets
- Implemented a Climate Change Risk Assessment tool for all business banking loans as a mandatory part of credit due diligence
- Updated Bank-wide credit policies and published statements on our position to not finance oil and gas activities within the Arctic Circle, thermal coal mining or coal power generation
- Established a target to secure 100% of electricity from non-emitting sources<sup>1</sup> by 2030 on a global basis , and by 2025 for Canadian operations
- Full suite of financing capabilities for carbon and environmental markets

## Social

- Launched ScotiARISE in January 2021, a 10-year, \$500 million initiative to promote economic resilience among disadvantaged groups
- Invested almost \$85 million in communities in which we operate through donations, community sponsorships, employee volunteering, and other types of community investment
- Contributed over \$16 million to support people and communities most at risk during the pandemic, including direct contributions for COVID-19 relief, as well as support of hospitals and healthcare professionals
- Launched renewed five-year Diversity and Inclusion Goals, with a focus on people who identify as Black, Indigenous Peoples, Visible Minorities, People with Disabilities and Women
- Introduced a training module titled Building Indigenous Cultural Competency to help employees better understand and serve our Indigenous customers in Canada

## Governance

- For the third consecutive year, achieved top 1% in Corporate Governance among financial institutions globally according to the Dow Jones Sustainability Index, and awarded a perfect score on Anti-Crime Policies
- Strengthened approach to responsible procurement and supplier diversity by joining Canadian Aboriginal and Minority Supplier Council
- 42% of Board Directors are women<sup>2</sup>. We first established a Board Diversity Policy in 2013
- Spearheaded the development of Project Shadow, a public-private partnership designed to combat online child sexual exploitation by enhancing methods to detect, report and disrupt suspicious financial transactions
- Completed second human rights assessment since 2016 to evaluate our progress and better understand emerging human rights risks
- Developed new internal training on ethics in artificial intelligence (AI) and delivered a data ethics workshop for executives



<sup>1</sup> Includes renewable (hydro, solar, wind, geothermal, tidal) and nuclear sources, and may include the use of renewable energy certificates (RECs).  
<sup>2</sup> As at April 30, 2021.

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# Looking ahead: Selected Strategic Priorities

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## Environmental

- Continue to mobilize capital toward goal of \$100 billion by 2025 to support customers in transitioning to a low-carbon economy through lending, green bond underwriting, sustainability-linked loans and other products, services and advice
- Determine Scotiabank's net zero pathway to 2050, and announce time-bound targets by end of the year
- Reduce electricity-related GHG emissions to zero by 2025 in Canada and by 2030 globally through renewable power purchase, and investments in energy efficiency
- Expand Climate Change Centre of Excellence to provide climate change fundamentals training to employees, informational podcasts, thought leadership pieces, and strategic external partnerships
- Deepen integration of ESG criteria into request-for-proposals processes and procurement

## Social

- Establish community partnerships aligned to ScotiARISE commitment to provide \$500 million to support economic resilience globally
- Establish the Scotiabank Centre for Digital Transformation for women in STEM at Santa Maria University in Chile
- Develop and promote initiatives to achieve the Bank's Diversity and Inclusion Goals and advance our commitment to the UN LGBTI Standards of Conduct for Business and UN Women's Empowerment Principles
- Deploy sustainable finance and community investment solutions in support of our 10-year Commitment to support Canada Mortgage and Housing Corporation Affordable Housing Strategy
- Meet commitment to the BlackNorth Initiative to invest 3% of corporate donations to create economic opportunities in the Black community
- Increase community investment in Indigenous communities in 2021

## Governance

- Maintain strong governance of ESG at Scotiabank through the senior-level enterprise ESG Advisory Council
- Maintain strong board diversity, in accordance with Board Diversity Policy
- Expand board training to women in business through the Good Corporate Governance Program
- Implement updated Environmental & Social risk credit policies for high-risk sectors and geographies
- Further strengthen and enhance KPIs for tracking and reporting on ESG performance



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# Scotiabank Sustainable Bond Framework

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Scotiabank is migrating our Green Bond Framework published in 2019 to a Sustainable Bond Framework to better align with the Bank's ESG strategic priorities

- Incorporation of Social assets in the Use of Proceeds aligns with corporate initiatives such as the Bank's 10-year commitment to support CMHC's Affordable Housing Strategy and Scotiabank's Women Initiative
- Sustainable Bond Framework aids in harmonizing Scotiabank's bond issuance programs with global Green and Social Bond Principles
- Both Scotiabank and Designated International Subsidiaries<sup>1</sup> are permitted issuers under the Framework

## GREEN CATEGORIES

- Renewable Energy
- Energy Efficiency
- Pollution Prevention & Control
- Environmentally Sustainable Management of Living Resources & Land Use
- Terrestrial and Aquatic Biodiversity Conservation
- Clean Transportation
- Sustainable Water & Wastewater Management
- Green Buildings



## SOCIAL CATEGORIES

- Affordable Basic Infrastructure
- Access to Essential Services
- Women-Owned Businesses
- Affordable/Community Housing
- Creating Economic Resilience
- Leadership in Diversity & Inclusion



Note: Further description of the alignment of Eligible Asset and categories with the UN SDG principles can be found in the framework located here [Scotiabank Sustainable Bonds](#)

<sup>1</sup>Designated International Subsidiaries which are eligible to issue Sustainable Bonds under this framework are Scotiabank Chile, Scotiabank Inverlat, Scotiabank Peru and Scotiabank Colpatría.



# Scotiabank Sustainable Bond Framework

Scotiabank has prepared the Sustainable Bond Framework<sup>1</sup> in line with the ICMA Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Guidelines 2021 with the following core components:



The  
Green Bond  
Principles



The  
Sustainability Bond  
Guidelines



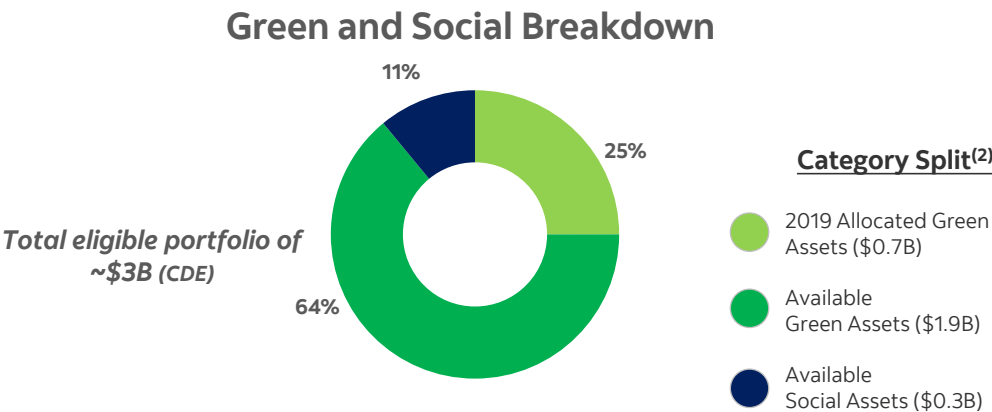
The  
Social Bond  
Principles

Use of Proceeds	<ul style="list-style-type: none"><li>▪ Net Proceeds will be allocated to finance or refinance existing or future Eligible Green and/or Social assets that meet Sustainable Bond Framework Eligibility Criteria</li><li>▪ If and when a Designated International Subsidiary issues its own sustainable bond, the Eligible Assets will be loans made by that specific subsidiary and originated within the subsidiary's country of domicile.</li></ul>
Process for Project Evaluation and Selection	<ul style="list-style-type: none"><li>▪ The Bank's Asset &amp; Liability Committee (ALCO) will oversee the implementation of the Framework. ALCO voting members include the CFO, CRO, Treasurer, and business line heads.</li><li>▪ All Eligible Asset are subject to a consistent review in line with Scotiabank's applicable environmental and social risk management policies.</li></ul>
Management of Proceeds	<ul style="list-style-type: none"><li>▪ Scotiabank's Treasury team is responsible for monitoring the allocation of the proceeds to the Eligible Assets as well as managing the Eligible Asset Portfolio.</li><li>▪ <b>Look back period:</b> the net proceeds can be attributed to Eligible Assets originated or refinanced up to 36 months before the issuance.</li><li>▪ Scotiabank aims to have net proceeds of each Sustainable Bond to be <b>fully allocated within 18 months of issuance of the Sustainable Bond.</b></li></ul>
Reporting <sup>1</sup>	<ul style="list-style-type: none"><li>▪ Scotiabank will update investors <b>annually</b> on the use of proceeds via a public report posted on the company's website.</li><li>▪ The report will include net proceeds raised from each Sustainable bond, aggregate amount of funds allocated to each of the Eligible Asset categories and the balance of unallocated proceeds at the reporting period end date.</li><li>▪ Where feasible, relevant environmental/social impact metrics and measurement methodology for quantitative indicators will be disclosed.</li><li>▪ Scotiabank has committed to engaging an external auditor on an annual basis to provide a third-party assurance to verify the tracking of the Sustainable Bond proceeds and the Bank's ongoing compliance with the Framework.</li></ul>

<sup>1</sup> The Framework, second-party opinion as well as future annual reports can be found on the corporate website [Scotiabank Sustainable Bonds](#)



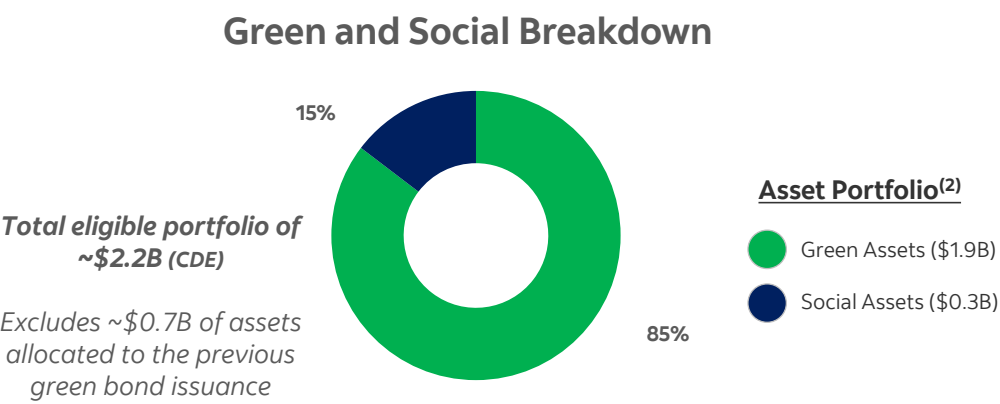
## TOTAL PORTFOLIO (Incl. Assets allocated to 2019 Green Bond)



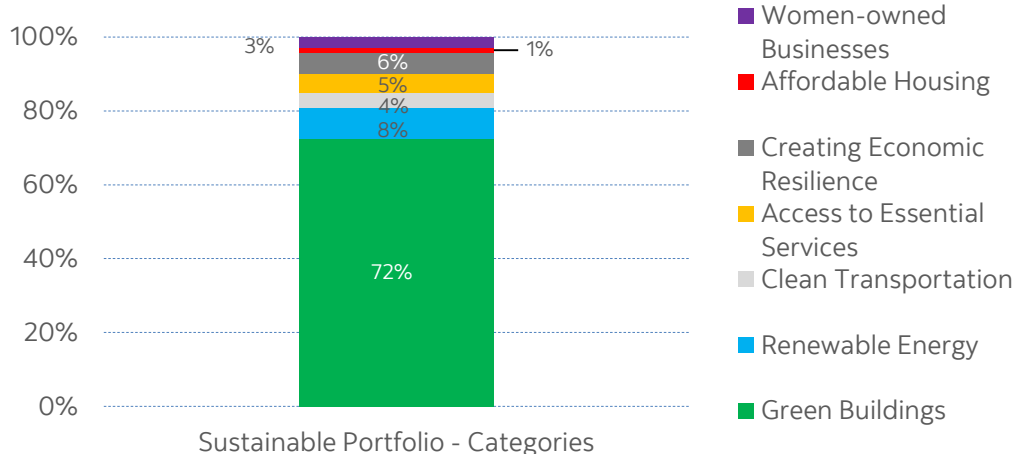
## TOTAL PORTFOLIO ALLOCATION (\$B, CDE)



## AVAILABLE SUSTAINABLE BOND ELIGIBLE ASSETS<sup>(1)</sup>



## SUSTAINABLE PORTFOLIO CATEGORY BREAKDOWN (%)



<sup>1</sup> Inclusive of CDE ~\$88mm of Social assets that are expected to be ring-fenced for any potential Designated International Subsidiary issuance.  
<sup>2</sup> As per Scotiabank's Sustainable Bond Framework eligibility criteria. Total Eligible Assets and category split can change as new Eligible Assets are added or assets mature on a periodic basis.



*“Scotiabank Sustainable Bond Framework is credible and impactful and aligns with Sustainability Bond Guidelines 2021.”*

*“Sustainalytics considers that **the projects funded by the sustainable bond proceeds will provide positive environmental and social impact.**”*





*“Given its policy commitments, lending activities, and participation in sustainability-focused initiatives, Sustainalytics is of the opinion that **Scotiabank is well positioned to issue sustainability bonds and that the bond will further Scotiabank’s sustainability strategy.**”*

## Second-Party Opinion Scotiabank Sustainable Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Scotiabank Sustainable Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021. This assessment is based on the following:

-  **USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Clean Transportation, Sustainable Water and Wastewater Management, Green Buildings, Affordable Basic Infrastructure, Access to Essential Services, Women-Owned Business Lending, Affordable/Community Housing, Creating Economic Resilience, and Leadership in Diversity & Inclusion – are aligned with those recognized by both the Green Bond Principles 2021 and Social Bond Principles 2021. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 3, 4, 5, 6, 7, 8, 10, 11, 12, 14 and 15.
-  **PROJECT EVALUATION / SELECTION** Scotiabank’s Asset & Liability Committee (ALCO), comprised of the Bank’s CFO, CRO, Treasurer, and business line heads, will oversee the project evaluation and selection process. The ALCO will also be responsible for post-issuance reviews, producing annual reports for investors, and for monitoring market practices which may affect the Framework. Sustainalytics considers the project selection process in line with market practice.
-  **MANAGEMENT OF PROCEEDS** Scotiabank will deposit the net proceeds into its general account, and an amount equal to the net proceeds will be earmarked for allocation to the eligible assets. Scotiabank’s Treasury team will be responsible for monitoring Sustainable Bond allocations and adjusting on a quarterly basis to ensure that the amount allocated matches the balance of proceeds. The Bank will apply a 36-month look-back period and intends to fully allocate proceeds within 18 months of each issuance. This is in line with market practice.
-  **REPORTING** Scotiabank has committed to providing allocation and impact reporting on its website on an annual basis, until full allocation of the bond. Allocation reporting will include the net proceeds from each issuance, the aggregated amount allocated to each eligible asset category, and the balance of unallocated proceeds, while impact reporting will be provided where feasible and will include relevant quantitative metrics and methodological disclosure. Sustainalytics views the Bank’s reporting commitments as aligned with market practice.

Evaluation date	June 10, 2021
Issuer Location	Toronto, Canada
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For inquiries, contact the Sustainable Finance Solutions project team:	
Jonathan Laski (Toronto) Project Manager jonathan.laski@sustainalytics.com (+1) 647 264 6640	
Tina Ghaemmaghami (Toronto) Project Support	
Hrithik Sharma (Toronto) Project Support	
Guilherme Grunthal (Toronto) Client Relations susfinance.americas@sustainalytics.com (+1) 646 518 9623	





# Outline

## Question & Answer Period

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# Green Bond Update


- Scotiabank issued its inaugural Green bond on **July 18, 2019** (USD 500mm) with a focus on Green Buildings, Clean Transportation and Renewable Energy
- Net proceeds were used to (re)finance assets that were eligible based on Scotiabank's Green Bond Framework
- Since launch, Scotiabank has issued Green Bond Reports in 2020 and 2021 which outline allocations of Use of Proceeds to Eligible Asset categories as well as impact measures, where applicable
  - Each report also incorporates an assurance report provided by KPMG that confirms asset eligibility and category allocations
- Sustainalytics was the second-party opinion provider for the Green Bond Framework
- Green Bond Framework will remain in effect for the inaugural Green Bond until its maturity on January 18, 2023



		Focus Areas	Recent Achievements
	ESG Investing	Leadership in ESG Education	<ul style="list-style-type: none"> <li>Introduced Canada's first sustainable investing tools through Scotiabank's iTrade in 2017. Over 20,000 users interacted with the sustainable investing tool in 2020.</li> <li>iTrade continues to deliver online learning modules to customers interested in learning more about ESG issues.</li> </ul>
		Leadership in ESG Funds	<ul style="list-style-type: none"> <li>Launched four ESG focused funds in 2020, the Scotia Low Carbon Funds (Global Equity, Global Balanced, &amp; Canadian Fixed Income) &amp; the Dynamic Energy Evolution Fund for retail investors.</li> <li>These funds add to other ESG investing offerings, the ESG Equity Guided Portfolio, the Jarislowsky Fraser Fossil Fuel Free Funds and the MD Fossil Fuel Free Funds.</li> </ul>
	Green Vehicles	Leadership in EV Incentives	<ul style="list-style-type: none"> <li>Scotiabank in Mexico has offered customers an incentivized credit plan to purchase an electric or hybrid vehicle through CrediAuto's Green Credit Program.</li> <li>Scotiabank in Canada launched an EV special on Earth Day, April 22. This program applies to all electric and hybrid vehicles through our non-subservent program with preferred rates/reserves for the financing of eligible vehicles.</li> </ul>
		Leadership in EV Financing	<ul style="list-style-type: none"> <li>Scotiabank is a market leader in financing electric vehicles, having financed 43% of EVs in Canada in 2020.<sup>1</sup></li> <li>Substantial booking growth for electric vehicles in 2019 at 248% YoY and 16% YoY growth in 2020.</li> <li>We have an exclusive relationship with <b>Polestar</b> and <b>Rivian</b> as well as a semi-exclusive relationship with <b>Tesla</b>.</li> </ul>
	Housing	Leadership in Aboriginal Banking	<ul style="list-style-type: none"> <li>Scotiabank operates 27 Aboriginal Banking Centres in Canada providing communities with our full range of banking services.</li> <li>The First Nations Leasehold program provides financing options for leasehold interests on First Nations land being developed with residential housing.</li> </ul>
		Leadership in Newcomers Banking	<ul style="list-style-type: none"> <li>Scotiabank's StartRight® program addresses the unique banking needs of newcomers in Canada.</li> <li>The Scotiabank StartRight® permanent resident mortgage program and the Scotiabank StartRight® temporary resident mortgage program help facilitate newcomers' financing of home purchases.</li> </ul>

<sup>1</sup>Represents bookings from Scotiabank subvented partners only.





Scotiabank Scotia Plaza,  
44 King Street West  
Toronto, Ontario  
Canada M5H 1H1

[investor.relations@scotiabank.com](mailto:investor.relations@scotiabank.com)

[www.scotiabank.com/sustainability](http://www.scotiabank.com/sustainability)

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