

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.

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Issuer Location	Toronto, Canada

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Introduction

Founded in 1832, the Bank of Nova Scotia (“Scotiabank” or the “Bank”) is a Canadian financial institution, offering personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets services to approximately 25 million customers. As of December 2020, Scotiabank is the third-largest bank in Canada by both assets and market capitalization.

Scotiabank has developed the Scotiabank Sustainable Bond Framework (the “Framework”) under which it intends to issue green, social and/or sustainability bonds (collectively referred to as “Sustainable Bonds”) and use the proceeds to finance or refinance, in whole or in part, loans to eligible companies or projects that are expected to provide environmental and social benefits.

The Framework defines eligible green categories in the following areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Terrestrial and Aquatic Biodiversity Conservation
6. Clean Transportation
7. Sustainable Water and Wastewater Management
8. Green Buildings

The Framework defines eligible social categories in the following areas:

9. Affordable Basic Infrastructure
10. Access to Essential Services
11. Women-Owned Business Lending
12. Affordable/Community Housing
13. Creating Economic Resilience
14. Leadership in Diversity & Inclusion

The Framework builds upon the Bank’s 2019 Green Bond Framework;¹ eligible green categories three, and five to seven are unchanged from the previous document, while categories, one, two, four and eight have been modified, and the social categories are all new entries.

Scotiabank engaged Sustainalytics to review the Scotiabank Sustainable Bond Framework, dated June 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2021 (GPB),² Social Bond Principles 2021 (SPB),³ and the Sustainability Bond Guidelines 2021 (SBG).⁴ This Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

¹ The Scotiabank Green Bond Framework (June 2019) is available here:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/investors-shareholders/funding-programs/Scotia_Green_Bond_Framework_FINAL.PDF

² The Green Bond Principles are administered by the International Capital Market Association and are available at

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

³ The Social Bond Principles are administered by the International Capital Market Association and are available at

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-100621.pdf>

⁴ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at

<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-100621.pdf>

⁵ The Scotiabank Sustainability Bond Framework is available on The Bank of Nova Scotia’s website at:

<https://www.scotiabank.com/ca/en/about/investors-shareholders/fixed-income-investors.html>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The Framework's alignment with the Green Bond Principles 2021, Social Bond Principles 2021, and Sustainability Bond Guidelines 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Scotiabank's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Scotiabank representatives have confirmed (1) they understand it is the sole responsibility of Scotiabank to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Scotiabank.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Scotiabank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Scotiabank Sustainable Bond Framework

Sustainalytics is of the opinion that the Scotiabank Sustainable Bond Framework is credible, impactful and aligns with the four core components of the GBP and SBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eight green and six social use of proceeds categories are aligned with those recognized by the GBP and SBP, respectively.
 - In June 2019, Scotiabank published the Scotiabank Green Bond Framework; Sustainalytics reviewed the document and opined positively on the use of proceeds categories outlined in the document. As four of these eight categories – Pollution Prevention and Control; Terrestrial and Aquatic Biodiversity Conservation; Clean Transportation;⁷ and Sustainable Water and Wastewater Management⁸ – remain unchanged in the Framework, Sustainalytics has not

⁷ Scotiabank has updated the emission threshold for hybrid vehicles from <75gCO₂/p-km to <75g CO₂/km to meet current market practice.

⁸ Scotiabank has added an exclusion for wastewater from fossil fuel related operations and those involving tailing dams.

reassessed these categories. Please refer to the June 2019 Second-Party Opinion for Sustainalytics' opinion⁹ of the aforementioned eligible green categories.

- Scotiabank and/or its designated international subsidiaries¹⁰ may issue bonds in accordance with the criteria outlined in the Framework.
- The Framework includes four revised green categories:
 - Scotiabank has expanded the 'Renewable Energy' category to include the following criteria:
 - Geothermal projects will be limited to those with direct emissions of less than 100gCO₂/kWh.
 - Hydropower projects will be based on run-of-river systems with capacity limited to 25 megawatts. The Bank has confirmed that it intends to have environmental and social risk assessment conducted for all potential hydropower projects.
 - Waste biomass projects, including those with inputs from municipal biomass waste, forestry, and sustainable feedstocks. Scotiabank has confirmed that waste feedstock would only include agricultural residue.
 - Infrastructure to support integration of renewable energy into the grid. The Bank has confirmed that in order to be eligible, at least 90% of the energy transmitted must be derived from renewable sources.
 - Within the 'Energy Efficiency' category, Scotiabank has specified that Energy Efficient District Heating and Cooling networks will be those that primarily use renewable fuel sources. Sustainalytics has communicated to the Bank that distribution projects should be powered by at least 50% renewables and generation projects should be fully powered by renewables.
 - Within the 'Environmentally Sustainable Management of Living Natural Resources' Scotiabank has removed Fairtrade and Friend of the Sea certifications. Sustainalytics views these revisions positively and in line with current market practice.¹¹
 - The 'Green Buildings' category has been expanded and includes the following criteria:
 - Buildings certified LEED Gold or Platinum; ENERGY STAR, with a minimum score of 85, BOMA Best Gold or Platinum; BREEAM Excellent or Outstanding; or an equivalent certification from an internationally recognized scheme.
 - Sustainalytics notes that it is market expectation to specify all eligible schemes and encourages Scotiabank to report on any other schemes they intend to include.
 - For industrial/warehouse properties and data centers Scotiabank may finance buildings achieving LEED Silver, BOMA Silver, and BREEAM Very Good. For data centers, Scotiabank will ensure financed projects have an annualized power usage effectiveness ("PUE") of <1.5.¹²
 - With respect to data centers, Sustainalytics considers the inclusion of a PUE threshold of <1.5 to be sufficient to ensure alignment with market practice. With respect to industrial/warehouse properties, Sustainalytics notes that the selected certification levels do not meet market expectations, nor does the Framework include a minimum threshold for energy efficiency improvement above an appropriate baseline (such as ASHRAE 90.1). Sustainalytics encourages Scotiabank to measure and report on the energy efficiency of

⁹ The Scotiabank Green Bond Framework (June 2019) is available here: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/investors-shareholders/funding-programs/Scotia_Green_Bond_Framework_FINAL.PDF

¹⁰ This includes Scotiabank Chile, Scotiabank Mexico, Scotiabank Peru, and Scotiabank Colpatría.

¹¹ Sustainalytics has updated its position and no longer views Fairtrade or Friend of the Sea certification to be aligned with green bond market practice for green categories.

¹² Sustainalytics notes that the PUE threshold is applicable for when the Bank finances the complete development of data centers (i.e. not just the building envelope).

- buildings in which it invests and to aim to ensure at least a 20% energy efficiency improvement above ASHRAE 90.1.
- Buildings achieving a minimum 30% improvement in energy use or carbon emissions as a result of refurbishment.
 - Except as otherwise noted above, Sustainalytics views the selected thresholds to be in line with market practice.
- The Framework identifies six social categories: Affordable Basic Infrastructure; Access to Essential Services; Women-Owned Business Lending; Affordable/Community Housing; Creating Economic Resilience; and Leadership in Diversity & Inclusion.
- Within the 'Affordable Basic Infrastructure' category, Scotiabank intends to finance the development of infrastructure to provide underserved/remote communities with access to clean drinking water, sewers, sanitation, transport, and energy. The Bank will apply the following additional criteria to determine eligibility; Sustainalytics views this to be in line with market practice:
 - Transportation projects include public roads aimed at connecting rural communities.
 - Energy projects deriving less than 90% of power from renewable sources are excluded.
 - Under the 'Access to Essential Services' category, Scotiabank intends to allocate proceeds to public, subsidized and/or non-profit facilities, services and systems or equipment in the areas of healthcare, eldercare, childcare, and education, with the goal of increasing access for target populations.
 - Sustainalytics notes that the Framework allows investments in only those privately-owned facilities that target vulnerable populations and are located in areas with limited access to public services¹³.
 - Scotiabank has confirmed that it intends to select assets on a case-by-case basis to ensure that they are accessible to vulnerable populations, regardless of ability to pay. In the event that they finance private facilities, the services must be free or highly subsidized under public government support to ensure accessibility for the target population.
 - Sustainalytics recognizes the potential of enhancing access to essential services, including healthcare and education services in the Latin American ("LATAM") region, and considers the criteria to be aligned with market practice.
 - Within the 'Women-Owned Business Lending' category, Scotiabank intends to finance businesses that meet the criteria of the Scotiabank Women Initiative.¹⁴ This includes lending to small-, and medium-sized enterprises ("SMEs") where at least one of the owners of the enterprise is a woman, or lending to a non-SME where at least one third of the owners are women.
 - Sustainalytics notes that market expectation is to finance SMEs which are majority owned by members of historically, systemically marginalized, or disadvantaged groups, and that the criteria listed under the aforementioned category are a substantial deviation from market practice. While noting that Scotiabank intends to prioritize the financing of both SME and non-SME businesses with more than 50% female ownership, Sustainalytics nevertheless views the criteria in this category to be a limitation of the Framework.
 - The 'Affordable/Community Housing' category includes investments that support registered affordability housing, halfway homes, and shelters based on local classification systems, or that contribute to increasing access for low-income populations, and/or investments in public or private programs that facilitate affordable housing in regions that underperform economically or suffer from multiple deprivations as measured in the local context. Sustainalytics notes the following criteria:

¹³ These facilities must be located in one of Scotiabank's designated International Subsidiaries countries, as mentioned in Footnote 8.

¹⁴ Scotiabank website, "About the Initiative", at: <https://www.scotiabank.com/women-initiative/ca/en/about-us.html>

- Scotiabank defines low-income populations based on relevant definitions within the jurisdiction in which it is built. In Canada, low-income populations are defined as 50% of median adjusted household income. Sustainalytics views this criterion to be in line with market practice.
- Sustainalytics notes that Scotiabank will only use bond proceeds for the percentage of units that have been subsidized, and hence considered affordable based on applicable definitions within the jurisdiction(s) within which they are built and/or refurbished. Sustainalytics further notes that affordable housing programs in the LATAM region receiving bond proceeds will ensure a degree of affordability for low-income populations that is on par with the level of affordability guaranteed in the equivalent programs referenced in the category. Sustainalytics views the pro-rata approach along with the complementing criteria to be aligned with market practice.
- Under the 'Creating Economic Resilience' category, Scotiabank intends to promote socioeconomic advancement by providing access to capital for excluded and/or marginalized populations and communities, including through SME financing, and by investing in initiatives which promote economic opportunities or alleviate economic hardship. Sustainalytics notes the following:
 - This category includes lending to SMEs¹⁵ in regions that economically underperform. Sustainalytics views the Bank's definition of SMEs to be in line with market practice.
 - Investments in this category may also include loans originated by the Bank's Aboriginal Banking Team to support Indigenous Peoples. Sustainalytics views positively Scotiabank's intent to support marginalized communities and notes that this initiative may deliver both direct short-term benefits as well as further the preparation of such companies for the future economy.
 - Scotiabank also intends to invest in emergency response relief, for example loans related to COVID-19 relief for small businesses.¹⁶ This is in line with market practice.
- Under the 'Leadership in Diversity & Inclusion' category, Scotiabank intends to provide funding to companies for projects that aim to advance diversity¹⁷ and inclusion.
 - Scotiabank has confirmed that the goal of this category is to directly fund projects that aim to improve diversity and inclusion within businesses.
- Sustainalytics recognizes that the GBP prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. While the Framework allows for general purpose lending to pure-plays, Sustainalytics views favourably the high threshold (90% of revenue) that Scotiabank has established in order to deem a company eligible for inclusion.
- Sustainalytics views positively that the Framework specifically excludes financing for businesses whose principal industry relates to weapons, tobacco, gambling, adult entertainment, or predatory lending. Sustainalytics notes that there are no environmentally focused exclusions, and that therefore eligible social assets could include lending to businesses whose activities are not aligned with broad sustainability goals such as the transition to a low carbon economy. While recognizing that this does not necessarily detract from the positive social impacts achieved, Sustainalytics notes that market expectation is to avoid allocating Sustainable Bonds proceeds to activities with major negative environmental impacts. Scotiabank has disclosed in the Framework that, upon issuance of any Sustainable Bond under the Framework, additional details pertaining to the objective of the bond, including intended environmental and social impact by eligible asset categories, may be disclosed. These disclosures may specify to which categories proceeds are directed or may further refine the qualifications for lending in certain eligible categories, without allowing for the inclusion of assets beyond the scope of the Framework.

¹⁵ SMEs in Canada are defined by the Government of Canada Bureau of Statistics while SMEs in other countries as defined by the IFC Definitions of Targeted Sectors.

¹⁶ *Ibid.*

¹⁷ Scotiabank defines "diversity" based on gender, ethnicity, visible minorities, sexual orientation and able-bodiedness, among other factors.

- **Project Evaluation and Selection:**
 - Scotiabank has charged its ALCO to oversee the project evaluation and selection process. The ALCO consists of the CFO, CRO, Treasurer, and business line heads, and will consult with the Environmental & Social Risk and Opportunities and Social Impact & Sustainability departments as needed to verify the eligibility of assets. With the support of these teams, 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 on an ongoing basis.
 - Based on the clear delegation of authority, which includes senior executives, Sustainalytics considers this to be in line with market practice.
- **Management of Proceeds:**
 - Scotiabank's Treasury team will be responsible for ongoing monitoring of green, social and/or sustainability assets. The net proceeds of the Sustainable Bonds will be deposited in Scotiabank's general account, and an amount equal to the net proceeds will be earmarked for allocation to the eligible assets. The Bank'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.
 - Assets originated or refinanced up to 36 months prior to issuance of the Sustainable Bond shall be considered eligible for inclusion in the portfolio, and Scotiabank will, on a best-effort basis, substitute other eligible assets should a green or social asset no longer be considered eligible. Scotiabank aims to fully allocate an amount equal to the net proceeds of each issuance within 18 months. Pending allocation, proceeds will be held in line with the Bank's liquidity management activities.
 - Based on the commitment to ongoing monitoring by the Treasury team, and the formalization of a look-back period, Sustainalytics considers this to be 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 Sustainable Bond, the aggregated amount allocated to each eligible asset category, and the balance of unallocated proceeds.
 - Impact reporting will be provided where feasible and will include relevant quantitative metrics and methodological disclosure. The Framework includes a list of potential indicators.
 - 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.
 - Based on the commitment to annual reporting, and the intention to disclose quantitative performance indicators where feasible, Sustainalytics considers this to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Scotiabank Sustainable Bond Framework aligns to the four core components of the GBP and SBP. For detailed information please refer to Appendix 5: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Scotiabank

Contribution of framework to Scotiabank's sustainability strategy

Scotiabank approaches its sustainability commitments through its ESG Strategy,¹⁸ with a focus on four pillars: (i) Environmental Action, (ii) Economic Resilience, (iii) Inclusive Society, and (iv) Leadership & Governance. Within its Environmental Policy¹⁹ and Code of Conduct,²⁰ the Bank also commits to environmental protection, monitoring, and addressing the direct and indirect impacts of its operations on the environment. In 2019, the Bank set a target of providing CAD 100 billion in sustainable financing by 2025, of which it had already mobilized over CAD 28 billion as of October 31 2020.²¹

In 2019, the Bank issued a USD 500 million green bond to finance eligible green building and public transportation projects.²² To complement these activities, Scotiabank participates in international initiatives related to environmental and social sustainability. The Bank is a signatory to the Equator Principles, the Principles for Responsible Investment and participates in the United Nations Environment Programme Finance Initiative ("UNEP FI"), which provides sustainable business principles for responsible lending. Scotiabank is also a member of the CDP, Carbon Pricing Leadership Coalition, and supports the Task Force on Climate-Related Financial Disclosures.²³ The Bank's ESG performance has been recognized by several sustainability indices, and in 2020, Scotiabank figured among the top 15% of global financial institutions in ESG practices on the Dow Jones Sustainability Indices.²⁴ Regarding its own operational goals, the Bank has set a target of reducing its absolute GHG emissions by 25% from the 2016 baseline by 2025 achieving a 19.9% reduction in 2020.²⁵ The Bank has also increased its internal carbon price from CAD 15 per tonne of CO₂e in 2019 to CAD 30 per tonne of CO₂e, in 2020 with an intention to increase.²⁶

In addition to its environmental commitments, Scotiabank has taken on social initiatives including steps to embed diversity and inclusion considerations within its sustainability strategy. In 2018, the Bank launched the Scotiabank Women Initiative through which it committed CAD 3 billion in capital over the first three years to advance women-led businesses in Canada.²⁷ In the same year, it became the first bank in Peru to remove gender from all applications²⁸ and in 2020, the Bank partnered with a Quebec-based organization to provide free-of-cost virtual advisory services for women entrepreneurs affected by the COVID-19 pandemic in the region.²⁹ To promote diversity in its business operations, in 2019, it became the first Canadian bank to sign onto both the UN LGBTI Standards of Conduct for Business and the UN Women's Empowerment Principles and in 2020, it developed a LGBT+ Inclusion roadmap.³⁰ Later that year, the Bank witnessed a 19% growth in its Aboriginal customer base in Canada, which it intends to increase by a further 12% by the end of 2021.³¹ In 2021, the Bank launched ScotiARISE, a CAD 500 million grant-based program to promote economic resilience among disadvantaged groups across its region of operations. With a goal of supporting quality education, in

¹⁸ Scotiabank website, "Scotiabank's ESG Approach", at: <https://www.scotiabank.com/ca/en/about/responsibility-impact/esg-strategy.html>

¹⁹ Scotiabank document, "Overview of Scotiabank's Environmental Policy", at:

https://www.scotiabank.com/ca/common/pdf/about_scotia/overview_of_scotiabank_environmental_policy.pdf

²⁰ Scotiabank document, "Code of Conduct", (2010), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Code_of_Conduct_EN.pdf

²¹ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p11), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

²² Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p7), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

²³ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p22), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

²⁴ Cision report, "Scotiabank ranked highest in Financial Industry for Corporate Governance and Anti-crime Policy Measures by Dow Jones Sustainability Index", at: <https://www.newswire.ca/news-releases/scotiabank-ranked-highest-in-financial-industry-for-corporate-governance-and-anti-crime-policy-measures-by-dow-jones-sustainability-index-882994545.html>

²⁵ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p11), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

²⁶ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p11), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

²⁷ Scotiabank website, "Scotiabank Women Initiative", at: <https://www.scotiabank.com/women-initiative/ca/en.html>

²⁸ Scotiabank, "2018 Sustainable Business Report, p59", at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/2018_Sustainable_Business_Report_Final_ENG.pdf

²⁹ Ibid.

³⁰ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p34), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

³¹ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p41), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

2020, the Bank invested more than CAD 6.4 million in academic institutions across its operational regions, including Canada, Chile, Mexico and Peru.³² To strengthen its contribution towards the SME sector, the Bank also intends to grow the value of loans authorized to small businesses in Canada by 4.5% in 2021.³³ In 2020, the Bank contributed nearly CAD 85 million globally through community contributions such as donations, sponsorships and other forms of assistance.³⁴

In 2020, Scotiabank renewed its Diversity and Inclusion Goals for 2025,³⁵ through which it aims to (i) double the enterprise-wide representation of indigenous employees at all levels (compared to 2020 figures); (ii) increase the representation of people with disabilities by 20% (across all levels of the organization), (iii) have at least 30% and 40% representation of visible minorities and women respectively among its senior management, and (iv) 30% female representation on its Board of Directors.³⁶ In 2020, the Bank's global senior management constituted 36% women in leadership, with 46% women on the Board.³⁷

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 bonds will further Scotiabank's sustainability strategy.

Well positioned to address common environmental and social risks associated with the projects

While the proceeds from Scotiabank's sustainability bonds will be directed towards eligible projects that will deliver overall positive environmental and social ("E&S") outcomes, Sustainalytics recognizes that all large investments, in particular those related to infrastructure and construction, may be associated with the risk of negative E&S impacts. While Scotiabank has limited involvement in the development of specific projects which are financed, by offering lending and financial services, it is exposed to E&S risks associated with companies and/or projects that it may finance. Some key risks related to the projects financed by Scotiabank include climate-related physical and transitional risks; biodiversity loss from infrastructure projects; air, soil and water emissions; workers' health and safety during construction and/or operation; and increased exposure of local communities to adverse effects. Sustainalytics is of the opinion that Scotiabank is able to manage and/or mitigate potential risks through implementation of the following:

- Scotiabank has implemented a Climate Change Risk Assessment ("CCRA") tool in corporate and commercial lending to assess the physical and transition risks its clients may face due to climate change. The CCRA tool also assesses a client's awareness of, and response to, such risks as an indicator of the quality of management.³⁸ In terms of environmental protection, Scotiabank's Environmental Policy establishes guidelines on managing its impact on the environment as well as providing actions that mitigate, prevent, and address the negative outcomes.³⁹
- Scotiabank has internal processes and responsibilities in place, such as an E&S Risk management process through which it analyses the potential impact of its financed projects on people and the environment. The banking and credit teams are also required to assess transactions for potential environmental risks including biodiversity loss,⁴⁰ and air, water, and soil pollution and social risks⁴¹ such as occupational health and safety and community misalignment.⁴²

³² Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p43), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

³³ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p13), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

³⁴ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p29), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

³⁵ Scotiabank press release, "For Every Future: Scotiabank Renews its Diversity and Inclusion Goals", at: <https://www.newswire.ca/news-releases/for-every-future-scotiabank-renews-its-diversity-and-inclusion-goals-880712676.html>

³⁶ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p11-13), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

³⁷ Ibid.

³⁸ Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (p17-18), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

³⁹ Scotiabank, "Overview of Scotiabank's Environmental Policy", at:

https://www.scotiabank.com/ca/common/pdf/about_scotia/overview_of_scotiabank_environmental_policy.pdf

⁴⁰ Scotiabank website, "Environment", at: <https://www.scotiabank.com/corporate/en/home/corporate-responsibility/strategy/environment.html>

⁴¹ Scotiabank website, "Responsibility & Impact", at: <https://www.scotiabank.com/ca/en/about/responsibility-impact.html>

⁴² Scotiabank report, "2020 Environment, Social and Governance (ESG) Report" (23), at:

https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

- Scotiabank applies a global Human Rights Statement (the “Statement”) across all of its operations. The Statement is signed by the Bank’s President and CEO and addresses key E&S themes including climate change, health and safety risks, aboriginal rights, among others. Sustainalytics views the Statement as particularly relevant for the mitigation of risks related to labour rights and workplace health and safety.⁴³ In addition, the Bank has enacted policies to mitigate social and employee risk, including a Code of Conduct, which commits the Bank to ensuring occupational health and safety and maintaining a healthy and safe workplace.⁴⁴
- Scotiabank also engages with the communities in which it operates, working on initiatives aimed at reducing the environmental and social impacts of its business and promoting responsible actions.^{45,46}
- Scotiabank is as a signatory to the Equator Principles⁴⁷ and in its most recent reporting year assessed seven project finance transactions and two project-related corporate loan transactions under the Principles.⁴⁸

Given the above, Sustainalytics is of the opinion that Scotiabank is well prepared to manage potential environmental and social risks associated with the use of proceeds.

Section 3: Impact of Use of Proceeds

All fourteen use of proceeds categories are aligned with those recognized by the GBP and the SBP. Sustainalytics has focused on nine below where the impact is specifically relevant in the local context.

The role of financial institutions in financing sustainable development sectors

The financial sector is both particularly susceptible to climate change risk, and uniquely positioned to take actions which will have a positive impact.⁴⁹ According to a report by the International Energy Agency (“IEA”), The UNEP FI states that “bank loans are the most important source of external finance for companies and will play a crucial role in steering businesses towards lower emission activities”.⁵⁰ The United Nations Conference on Trade and Development estimates that to meet the SDGs by 2030, total annual investments in SDG-relevant sectors in developing countries will need to be between USD 3.3 trillion and USD 4.5 trillion, which translates into an annual financing gap of approximately USD 2.5 trillion.⁵¹ Scotiabank has explicitly recognized this challenge and made Environmental Action and Inclusive Society, among the four pillars of its ESG Strategy.⁵²

Sustainalytics is of the opinion that the eligible projects described in the Framework are consistent with this ambition, and that Scotiabank’s financing of eligible green assets is expected to deliver environmental and social benefits.

The environmental impact of the projects funded by Scotiabank’s sustainable bonds

Scotiabank’s Framework defines as eligible a range of environmentally beneficial projects, across eight eligibility categories. Sustainalytics is of the opinion that loans to projects within all these areas have the potential to deliver positive environmental impacts. Sustainalytics has further assessed the below projects

⁴³ Scotiabank, “Scotiabank’s Human Rights Statement”, at: https://www.scotiabank.com/ca/common/pdf/about_scotia/Scotiabank_Human_Rights_Statement.pdf

⁴⁴ Scotiabank, “Code of Conduct”, (2020), at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Code_of_Conduct_EN.pdf

⁴⁵ Scotiabank report, “2020 Environment, Social and Governance (ESG) Report” (61-63), at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

⁴⁶ Scotiabank report, “2020 Environment, Social and Governance (ESG) Report” (43-44), at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

⁴⁷ Scotiabank report, “2020 Environment, Social and Governance (ESG) Report” (23), at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Scotiabank_2020_ESG_Report_Final.pdf

⁴⁸ Ibid.

⁴⁹ Global Risk Institute, “Climate Change: Why Financial Institutions should take note”, <https://globalriskinstitute.org/publications/climate-change-whyfinancial-institutions-should-take-note/>

⁵⁰ UNEP-FI, “Financial Institutions Taking Action on Climate Change”, at: <http://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>

⁵¹ IFC document, “Closing the SDG Financing Gap—Trends and Data”, at: <https://www.ifc.org/wps/wcm/connect/842b73cc-12b0-4fe2-b058-d3ee75f74d06/EMCompass-Note-73-Closing-SDGs-Fund-Gap.pdf?MOD=AJPERES&CVID=mSHK14S>

⁵² Scotiabank website, “Scotiabank’s ESG Approach”, at: <https://www.scotiabank.com/ca/en/about/responsibility-impact/esg-strategy.html>

areas that are particularly innovative and that are anticipated to generate a large share of the sustainable bond's overall environmental benefits.

Renewable Energy

The electricity and heat generation sectors are responsible for approximately 41% of global CO₂ emissions.⁵³ In this context, increasing the share of renewable energy generation has the potential to have significant impact on meeting climate goals. A study from the IEA and the International Renewable Energy Agency ("IRENA") supports this assessment, estimating that 65-70% of worldwide primary energy demand would need to be met by low-carbon energy sources by 2050 in order to meet the 2°C target.⁵⁴ While the share of renewables in electricity supply increased by 2% from 2019 to 2020,⁵⁵ the rate of deployment would need to be ramped up significantly on a global scale in order to meet international long-term targets. According to an IEA report, renewable energy was the only energy source in 2020 that was expected to experience growth despite the lockdowns due to the COVID-19 pandemic⁵⁶; indicating an upward trend in the renewable energy sector.

Canada is a signatory to the Paris Agreement and has committed to becoming a net-zero emission economy by 2050.⁵⁷ In line with this, the country has set a target of producing 90% of its electricity from non-emitting sources by 2030.⁵⁸ Canada currently derives 16% of its power from renewable energy sources as of October 2020.⁵⁹ In the case of Latin American countries, in 2019, governments in the region set a collective target of achieving 70% renewable energy in total energy mix (which was estimated at 25% in 2018)⁶⁰ by the same year.⁶¹

Sustainalytics expects Scotiabank's financing in the area of renewable energy to contribute positively to Canada and Latin America's energy transition that may also help meet global environmental objectives.

Green Buildings

In 2019, the building sector accounted for 28% of the global energy-related CO₂ emissions, with (direct and indirect) emissions reaching an all-time high of 10 gigatons of CO₂.⁶² Furthermore, UNEP reports that the energy intensity per unit of floor area in the buildings sector needs to improve by 30% worldwide in order to be aligned with the targets of the Paris Agreement.⁶³

In 2020, Environment and Climate Change Canada reported that 12% of Canada's GHG emissions could be attributed to the buildings sector, with the figure rising to 17% if emissions from generating the electricity used in buildings are included.⁶⁴ The Canada Green Buildings Council recommends that in order to meet Canada's 2030 emissions targets, investments in building performance and net-zero buildings are critical.⁶⁵ The buildings sector in Canada has an important role to play in GHG emissions reductions arising from the potential to reduce over 20 metric tons of CO₂-equivalent per year.⁶⁶ The scenario is even more concerning in Latin American countries, where in 2018, the IEA estimated the buildings sector to account for 24% of final energy use and 21% of process-related CO₂ emissions.⁶⁷

⁵³ IEA report, "CO₂ Emissions from Fuel Combustion" p6, at: <https://webstore.iea.org/download/direct/4036>

⁵⁴ International Energy Agency and International Renewable Energy Agency, "Perspectives for the Energy Transition" (2017), at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2017/Mar/Perspectives_for_the_Energy_Transition_2017.pdf

⁵⁵ IEA report, "Global Energy Review 2020", at: <https://www.iea.org/reports/global-energy-review-2020/electricity>

⁵⁶ IEA, "Global Energy & CO₂ Status Report 2020", at: <https://www.iea.org/reports/global-energy-review-2020/global-energy-and-co2-emissions-in-2020>

⁵⁷ Government of Canada, "Progress towards Canada's greenhouse gas emissions reduction target", at: <https://www.canada.ca/en/environmentclimate-change/services/environmental-indicators/progress-towards-canada-greenhouse-gas-emissions-reduction-target.html>

⁵⁸ Government of Canada, "Powering our future with clean electricity", at:

<https://www.canada.ca/en/services/environment/weather/climatechange/climate-action/powering-future-clean-energy.html>

⁵⁹ Government of Canada, "Renewable energy facts", at: <https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/energy-facts/renewable-energy-facts/20069>

⁶⁰ ABN AMRO report, "Energy Monitor – Renewable energy in Latin America", at: <https://insights.abnamro.nl/en/2018/05/energy-monitor-renewable-energy-in-latin-america/#:~:text=Of%20the%20primary%20renewable%20energy,a%20share%20of%20around%2075%25.>

⁶¹ Reuters report, "Latin America pledges 70% renewable energy, surpassing EU: Colombia minister", at: <https://www.reuters.com/article/us-climate-change-un-colombia-idUSKBN1WA26Y>

⁶² IEA report, "Tracking Buildings 2020", at: <https://www.iea.org/reports/tracking-buildings-2020>

⁶³ UNEP, "Global Status Report 2017", https://www.worldqbc.org/sites/default/files/UNEP%20188_GABC_en%20%28web%29.pdf

⁶⁴ Environment and Climate Change Canada, "Greenhouse Gas Emissions – Canadian Environmental Sustainability Indicators", (2020), at: <https://www.canada.ca/content/dam/eccc/documents/pdf/cesindicators/ghg-emissions/2020/greenhouse-gas-emissions-en.pdf>

⁶⁵ Canada Green Building Council, "Building Solutions to Climate Change – How Green Buildings Can Help Meet Canada's 2030 Emissions Targets", (2021), at: https://www.cagbc.org/CAGBC/Advocacy/Building_Solutions_to_Climate_Change.aspx

⁶⁶ Environment and Climate Change Canada, "Greenhouse Gas Emissions – Canadian Environmental Sustainability Indicators", (2020), at: <https://www.canada.ca/content/dam/eccc/documents/pdf/cesindicators/ghg-emissions/2020/greenhouse-gas-emissions-en.pdf>

⁶⁷ IEA website, "GlobalABC Regional Roadmap for Buildings and Construction in Latin America 2020-2050", at: <https://www.iea.org/reports/globalabc-regional-roadmap-for-buildings-and-construction-in-latin-america-2020-2050>

With that in mind and considering that the average LEED-certified green building is expected to use 32% less electricity than non-certified buildings,⁶⁸ the financing of certified green buildings has the potential to contribute positively to these goals. In this context, Sustainalytics views positively the Framework's inclusion of credible building certifications, along with an intent to adhere to equivalent local certification standards applicable in the regions of financing, and expects the investments in green buildings to reduce emissions among the building sectors of Canada and Latin America.

Clean Transportation

As of May 2020, the transportation sector as a whole was responsible for around 24% of CO₂ emissions from fossil fuel combustion globally.⁶⁹ According to a report by the International Transport Forum, a specialized intergovernmental organization within Organization for Economic Co-operation and Development, CO₂ emissions in the sector have the potential to increase by 60% by 2050 in the absence of proper mitigation measures.⁷⁰ Moreover, the report also highlights that while the Nationally Determined Contribution⁷¹ of member states pledged to the Paris Climate Agreement to provide CO₂ reduction ambitions, the measures proposed are not sufficiently clear in assessing the environmental impact of the transportation sector and will likely miss their targets if growing emissions from passenger and freight mobility are not addressed.⁷²

In Canada, the transportation sector's GHG emissions have increased by 27% between 2000 and 2018, of which passenger transportation accounts for 53%, while freight and off-road emissions contribute 42% and 5% respectively.⁷³ For the Latin America and the Caribbean ("LAC") region, as of December 2019, the transportation sector was responsible for 35% of the total GHG emissions from burning fossil fuels.⁷⁴

Scotiabank has identified clean transportation options, including low-emissions mobility, and environmentally friendly mass transit, as areas in which it can provide positive impacts in the clean transportation space. Sustainalytics expects the financing of clean transportation projects in Canada and Latin America to provide environmental benefits and notes in particular that financial-sector actors such as Scotiabank have a key role to play in low-carbon transportation projects.

Certified Environmental Activities

Within the use of proceeds categories of environmentally sustainable management of living natural resources and land use and terrestrial and aquatic biodiversity conservation, Scotiabank may provide loans to qualifying companies and projects in a variety of sectors, including agriculture, forestry, and fisheries. Due to the array of environmental impacts and benefits that activities within these industries may generate, the Framework defines reputable third-party certifications that can be used to qualify eligible projects. Refer to Appendices 2-4 for an overview of the reference certifications. Although the specific environmental benefits will vary based on the individual projects, environmental interventions in these areas are an important part of both the transition to a low-carbon economy and environmental protection more broadly. For example, improved forest management globally, including avoiding deforestation and restoring degraded forests, could result in removing seven billion tons of CO₂ from the atmosphere annually,⁷⁵ while agriculture accounts for approximately 20% of global GHG emissions.⁷⁶ Sustainalytics is of the opinion that the financing of certified environmental activities is expected to contribute towards the global climate targets.

⁶⁸ U.S. Green Building Council, "The business case for green buildings", "at: <https://www.usgbc.org/articles/business-case-green-building>

⁶⁹ IEA report, "Tracking Transport Globally", at: <https://www.iea.org/reports/tracking-transport-2020>

⁷⁰ ITF report, "Transport demand set to triple, but sector faces potential disruptions", at: <https://www.itf-oecd.org/transport-demand-set-triple-sector-faces-potential-disruptions>

⁷¹ According to the United Nations Framework Convention on Climate Change, Nationally Determined Contributions are "national climate plans highlighting climate actions, including climate related targets, policies and measures governments aims to implement in response to climate change and as a contribution to global climate action".

⁷² ITF, "Transport Outlook 2017", January 2017, <https://www.itf-oecd.org/sites/default/files/docs/transport-co2-paris-climate-agreement-ndcs.pdf>

⁷³ Government of Canada, "Energy and Greenhouse Gas Emissions (GHGs)", at: <https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/energy-facts/energy-and-greenhouse-gas-emissions-ghgs/20063#L4>

⁷⁴ IDB website, "Efficiency standards to decarbonize the transport sector in Latin America", at: <https://blogs.iadb.org/sostenibilidad/en/efficiency-standards-to-decarbonize-the-transport-sector-in-latin-america/#:~:text=The%20transport%20sector%20in%20Latin%20America%20and%20the%20Caribbean%20is,emissions%20from%20burning%20fossil%20fuels.>

⁷⁵ Griscom et al, "Natural Climate Solutions", <https://doi.org/10.1073/pnas.1710465114>

⁷⁶ McKinsey & Co. Report, "Agriculture and climate change", at: <https://www.mckinsey.com/~media/mckinsey/industries/agriculture/our%20insights/reducing%20agriculture%20emissions%20through%20improved%20farming%20practices/agriculture-and-climate-change.pdf>

Energy Efficiency

Improvements in energy efficiency are generally considered one of the most cost-effective ways to mitigate environmental impact, particularly by deferring the need for the provision of new energy supply.⁷⁷ As per a recent report published by the IEA⁷⁸, energy efficiency improvements have the potential to contribute to a 40% reduction in energy-related emissions over the next 20 years, which can contribute immensely towards achieving global climate goals.

In 2020, Canada joined the Three Percent Club,⁷⁹ through which it committed to collaborating with other countries to help drive an annual three percent improvement in global energy efficiency.⁸⁰ For Latin America, a 2019 report by Inter-American Development Bank indicates that while in 2015, the energy intensity in the LAC region was 30% lower than the global intensity level, this could be a function of a low level of appliances.⁸¹ Scotiabank's intended loans in this area are of particular importance, as the American Council for an Energy-Efficient Economy has identified that closing the financing gap is "vital" for achieving the substantial energy savings that can result from "deep retrofits".⁸² Considering the foregoing, Sustainalytics expects that eligible projects within this area of the Framework will deliver positive environmental impacts.

The social impact of the projects funded by Scotiabank's sustainability bonds

Access to Affordable Education

As per the World Bank, about 86% of the global adult population can read and write.⁸³ However, the school enrollment rate is only around 38%.⁸⁴ It also notes that tertiary education is becoming the standard school-leaving point and recognizes that the benefits of post-secondary education include lower levels of unemployment, higher wages, greater social stability, increased civic engagement, and better health outcomes.⁸⁵

In Canada, around 62% of 25–34-year-olds held a tertiary qualification in 2018.⁸⁶ In terms of accessibility and affordability, as per a survey conducted by Abacus Data in 2019, almost 8 in 10 Canadians agree that students have to borrow too much to pay for their post-secondary education and the cost should never prevent anyone from pursuing an education. Similarly, around 93% of the respondents were willing to get a post-secondary degree if they did not have to pay tuition.⁸⁷ In the case of Latin America, which witnessed less than 53% tertiary school enrollment in 2019,⁸⁸ the COVID-19 global pandemic led to millions of students dropping out of universities due to affordability issues in 2020.⁸⁹

Given the above context, Sustainalytics is of the opinion that investments under the Access to Education use of proceeds category are expected to create positive social impact by increasing the availability and accessibility of education in Canada and select Latin American regions.

Leadership in Diversity & Inclusion

Recognizing the importance of supporting diversity and inclusion in the Canadian economy, Scotiabank intends to use a portion of net proceeds from its bonds to fund businesses demonstrating meaningful advancements in diversity⁹⁰ and inclusion. Research shows that diverse workforces are critical to encouraging

⁷⁷ EPA report, "The Multiple Benefits of Energy Efficiency and Renewable Energy" (p8), at: https://www.epa.gov/sites/production/files/2018-07/documents/mbg_1_multiplebenefits.pdf

⁷⁸ IEA report, "Energy Efficiency 2020", at: <https://webstore.iea.org/download/direct/4259>

⁷⁹ EEGlobal Alliance, "What is the Three Percent Club?", at: <https://eeglobalalliance.org/three-percent-club>

⁸⁰ CISION report, "Canada Joins Three Percent Club to Improve Global Energy Efficiency", at: <https://www.newswire.ca/news-releases/canada-joins-three-percent-club-to-improve-global-energy-efficiency-844174713.html>

⁸¹ IDB report, "Towards Greater Energy Efficiency in Latin America and the Caribbean: Progress and Policies", at: https://publications.iadb.org/publications/english/document/Towards_Greater_Energy_Efficiency_in_Latin_America_and_the_Caribbean_Progress_and_Policies.pdf

⁸² ACEEE, "Deep retrofits: Financing needs to play a critical role", <https://aceee.org/blog/2019/05/deep-retrofits-financing-needs-play>

⁸³ World Bank website, "Literacy rate, adult total (% of people ages 15 and above)", at: <https://data.worldbank.org/indicator/SE.ADT.LITR.ZS>

⁸⁴ World Bank website, "School enrollment, tertiary (% gross)", at: <https://data.worldbank.org/indicator/SE.TER.ENRR>

⁸⁵ World Bank website, "Higher Education", at: <https://www.worldbank.org/en/topic/tertiaryeducation>

⁸⁶ OCED document, "Education at a Glance 2019", at: https://www.oecd.org/education/education-at-a-glance/EAG2019_CN_CAN.pdf

⁸⁷ Abacus Data report, "Post-Secondary Education, The Future of Canada, and Federal Policy", at: https://www.caut.ca/sites/default/files/abacus_data_release_2_0.pdf

⁸⁸ Sustainalytics notes that the figure for the entire LAC region. More information at: World Bank website, "School enrollment, tertiary (% gross) - Latin America & Caribbean", at: <https://data.worldbank.org/indicator/SE.TER.ENRR?locations=ZJ>

⁸⁹ New York Times report, "Pandemic Drives Millions from Latin America's Universities", at: <https://www.nytimes.com/2020/09/04/world/americas/latin-america-education.html>

⁹⁰ Diversity can include gender, ethnicity, sexual orientation and able-bodiedness, among other types.

different perspectives and ideas that drive innovation.⁹¹ A study conducted by McKinsey & Company found that in Canada, Latin America, the United Kingdom, and the United States, companies in the top quartile for gender diversity are 15% more likely to have financial returns above their respective national industry medians.⁹² One of the takeaways of the study is that the unequal performance of companies in the same industry and the same country signals that diversity is a competitive differentiator for long-term success, shifting the market share toward companies that are actively embracing diversity.⁹³

Sustainalytics is of the opinion that using bond proceeds to invest in this category is expected to contribute to fostering greater diversity and inclusion in both Canada and the Latin American region.

Affordable/Community Housing

The UN estimates that approximately 3 billion people will require affordable housing in cities by 2030.⁹⁴ A McKinsey and Company study even suggests that the affordable housing gap now stands at USD 650 billion a year, with the gap expected to increase further as the urban populations expand.⁹⁵

In 2018, more than 1.6 million (11.6%) Canadian households lived in “core housing need”, defined as living in an unsuitable, inadequate, or unaffordable dwelling, and not able to afford alternative housing in their community.⁹⁶ Given the COVID-19 pandemic, Canada Mortgage and Housing Corporation estimates that the average home price could rise by as much as 14 % in 2021.⁹⁷ In the case of the LAC region, around 21% of the urban population lives in slums, informal settlements, or inadequate housing where basic services are not affordable, making the pandemic containment measures even more difficult in the region.⁹⁸

Considering the above, Sustainalytics is of the opinion that the affordable housing use of proceeds category is expected to create positive social impact by increasing the availability and accessibility of affordable housing in Canada and select Latin American regions, including for low-income residents.

⁹¹ The Globe and Mail website, “Diverse and inclusive corporate cultures make for better business decisions”, at:

<https://www.theglobeandmail.com/business/careers/leadership/article-diverse-and-inclusive-corporate-cultures-make-for-better-business/>

⁹² McKinsey & Company, “Why diversity matters”, at: <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁹³ McKinsey & Company, “Why diversity matters”, at: <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

⁹⁴ UN website, “SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable”, at: <https://unstats.un.org/sdgs/report/2019/goal-11/>

⁹⁵ McKinsey Global Institute report, “Tackling the world’s affordable housing challenge”, at: <https://www.mckinsey.com/featured-insights/urbanization/tackling-the-worlds-affordable-housing-challenge>

⁹⁶ Government of Canada, “One in ten Canadian households living in core housing need in 2018”, at: <https://www150.statcan.gc.ca/n1/daily-quotidien/201002/dq201002a-eng.htm>

⁹⁷ CMHC report, “Housing Market Outlook”, at: <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/housing-market/housing-market-outlook/2021/housing-market-outlook-61500-spring-2021-en.pdf?rev=c2fff441-c2f4-4fcd-97ec-6f7ac21e4a6c>

⁹⁸ OECD website, “COVID-19 in Latin America and the Caribbean: Regional socio-economic implications and policy priorities”, at: <https://www.oecd.org/coronavirus/policy-responses/covid-19-in-latin-america-and-the-caribbean-regional-socio-economic-implications-and-policy-priorities-93a64fde/>

Alignment with/contribution to SDGs

The SDGs were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This sustainability bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Terrestrial and Aquatic Biodiversity Conservation	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Affordable Basic Infrastructure	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Access to Essential Services	3. Good Health and Well-Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
	4. Quality Education	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for

		employment, decent jobs and entrepreneurship.
Women-Owned Business Lending	5. Gender Equality 8. Decent Work and Economic Growth	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
Affordable/Community Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Creating Economic Resilience	8. Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
Leadership in Diversity & Inclusion	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

Conclusion

Scotiabank has developed the Scotiabank Sustainable Bond Framework under which it may issue green, social or sustainability bonds and use the proceeds to finance projects within the categories of 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.

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





The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 4, 5, 6, 7, 8, 10, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that Scotiabank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Scotiabank is well-positioned to issue green, social or sustainability bonds and that that Scotiabank Sustainable Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021) and Social Bond Principles (2021).



Appendices

Appendix 1: Comparison of Referenced Green Building Certification Schemes

	LEED	ENERGY STAR	BOMA BEST	BREEAM
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	ENERGY STAR is a U.S Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.	BOMA BEST, administered by the Building Owners and Managers Association (BOMA) of Canada, is a certification program for existing buildings. The assessment considers performance and operation of buildings in a wide range of performance and operations categories.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, this scheme can be used for new, refurbished and extension of existing buildings.
Certification levels	Certified Silver Gold Platinum	<ul style="list-style-type: none"> 1-100 score, 75 is minimum for certification 	<ul style="list-style-type: none"> Certified Bronze Silver Gold Platinum 	<ul style="list-style-type: none"> Pass Good Very Good Excellent Outstanding
Areas of assessment	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority	<ul style="list-style-type: none"> Energy use 	<ul style="list-style-type: none"> Energy Water Air Comfort Health and Wellness Custodial Purchasing Waste Site Stakeholder Engagement 	<ul style="list-style-type: none"> Management Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation
Requirements	Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level. The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.	1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least 75 percent of similar buildings nationwide.	Minimum requirements independent of level of certification; score based on checklist to determine certification level. The minimum best practices and category scoring is adjusted for seven different asset classes: office, enclosed shopping centres, light industrial, open air retail, universal, MURB, and health care.	Minimum requirements depending on the level of certification; scoring system weighted by category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.

<p>Qualitative Considerations</p>	<p>Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.</p>	<p>Accounts only for energy use, not other measures of environmental performance. Is a key component of other green building certification systems.</p>	<p>Most commonly used certification for existing buildings in Canada, and considered less administratively burdensome for existing buildings.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.</p>
<p>Performance display</p>				

Appendix 2: Overview of Referenced Fishery Sustainability Certifications

	Marine Stewardship Council ⁴⁰	Aquaculture Stewardship Council ⁴¹
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.
Minimum standards	A minimum score must be met across each of the performance indicators. As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.
Scope of certification or programme	The MSC standard consists of a fisheries standard and a chain of custody standard. The Fishery Standard assesses three core principles: sustainable fish stocks, minimizing environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts. The Chain of Custody standard addresses certified purchasing, product identification, separation, traceability and records, and good management.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.
Verification of standards and risk mitigation	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065. Certification is valid for up to five years.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.
Third party expertise and multi-stakeholder process	Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)	Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organisation (ILO) principles. Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.
Performance display		
Qualitative considerations	The MSC label is the most widely recognized sustainable fisheries label worldwide, and is generally accepted to have positive impacts on marine environments.	Widely recognized, and modeled on the successful MSC certification.

	<p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>Some criticism has been focused on the ability to certify with a "variance", in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>
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Appendix 3: Sustainalytics' Analysis of FSC and PEFC Certifications

Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC), including PEFC's North American implementation as the Sustainable Forestry Initiative (SFI), are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labour Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impacts of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance, and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:





Type of organization: Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.

Indigenous People's Rights: FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.

Sourcing wood from non-certified sources: Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

Appendix 4: Overview of Referenced Agriculture Sustainability Certifications

	Canada Organic	EU Organic	USDA Organic	Rainforest Alliance
Background	Canada Organic is a regulatory certification implemented by the Government of Canada's Canadian Food Inspection Agency, based on authorities granted in section 13 of the SFCR regulation. A Canada Organic claim applies to food, feed, or seed that is produced in or imported to Canada.	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.	The USDA Organic label is a US certification system overseen, administered and enforced by the National Organic Program of the United States Department of Agriculture. The US Organic label is regulated by the US Organic Foods Production Act of 1990 and involves input from the National Organic Standards Board (a Federal Advisory Committee made up of 15 members of the public) and the public.	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.
Clear positive impact	Promote sustainable agricultural processes and products.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.	Promoting sustainable farming practices that improve water quality, conserve energy, increase biodiversity and contribute to soil health.	Promoting sustainable practices in agriculture, forestry and tourism.
Minimum standards	The Canada Organic regulation prohibits specific chemicals, and mandates minimum standards for agricultural practices.	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.	The USDA Organic seal sets strict production and labeling requirements: <ul style="list-style-type: none"> • produced without genetic engineering, ionizing radiation or sewage sludge • produced using allowed substances based on a comprehensive list of authorized synthetic and non-synthetic substances overseen by a USDA NOP authorized agent	Rainforest alliance establishes a minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.
Scope of certification or programme	Specific standards apply to crop production, livestock production, aquaculture, chain of custody, and products. The regulations also specifically name prohibited and permitted substances.	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).	The USDA Organic system addresses key risks such as substance use through the regulation of synthetic and non-synthetic substances to preserve soil quality and in line with federal guidelines on animal raising practices, pest and weed control and the use of additives.	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.
Verification of standards and risk mitigation	Certification of products and processors is granted by CBs, and requires annual verification.	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.	The USDA seal has a twofold enforcement mechanism, one by Organic Certifiers and one by the USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.
Third party expertise and multi-stakeholder process	Developed by the Government of Canada through a consultative legislative process.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the	The USDA Organic seal is organized by the National Organic Program which develops the rules and regulations for the production,	Standard setting is aligned with the ISEAL Standard Setting Code.

		European Commission's typical legislative approach.	handling, labeling and enforcement of all USDA organic products. This process receives input from the national Organic Standards Board (a Federal Advisory Committee made of 15 members of the public) and the general public.	
Performance Display				
Third-party verified	Certification Bodies (CBs) are accredited by Conformity Verification Bodies (CVBs), which are in turn accredited by the Canada Food Inspection Agency.	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.	80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.	<ul style="list-style-type: none"> • Africert • Conservacion y Desarrollo Certificado S.A. • Imafloa • IMO India • CERES • IBD • Indocert • NaturaCert • Productos y Procesos Sostenibles, A.C. • NEPCon
Qualitative considerations	The Canada Organic certification is the only legally recognized organic scheme in Canada, and applies to both imports and domestically-produced agriculture products.	The EU Organic Farming system is widely recognized across all 28 Member States. Currently, 11.9% million hectares are currently certified under the system, with the whole organic area representing 6.2% of the total utilized agricultural area in the European Union.	Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredient and labeled 100% organic, products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic. A third category with at least 70% organic ingredients may be labeled as "made with organic ingredients", but cannot display the USDA Organic seal.	Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.

Appendix 5: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	The Bank of Nova Scotia
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Scotiabank Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 10, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

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.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

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.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

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.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

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.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Floor space of green real estate and Average |

performance of businesses on key diversity & inclusion metrics.

Frequency:

- Annual Semi-annual
 Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): Bank's website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.scotiabank.com/ca/en/about/investorshareholders/funding-programs/green-bonds.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria.

Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.

- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

Disclaimer

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



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SRI Awards

Named

2015: Best SRI or Green Bond Research or Rating Firm
2017, 2018, 2019: Most Impressive Second Opinion Provider

