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ASSESSMENT
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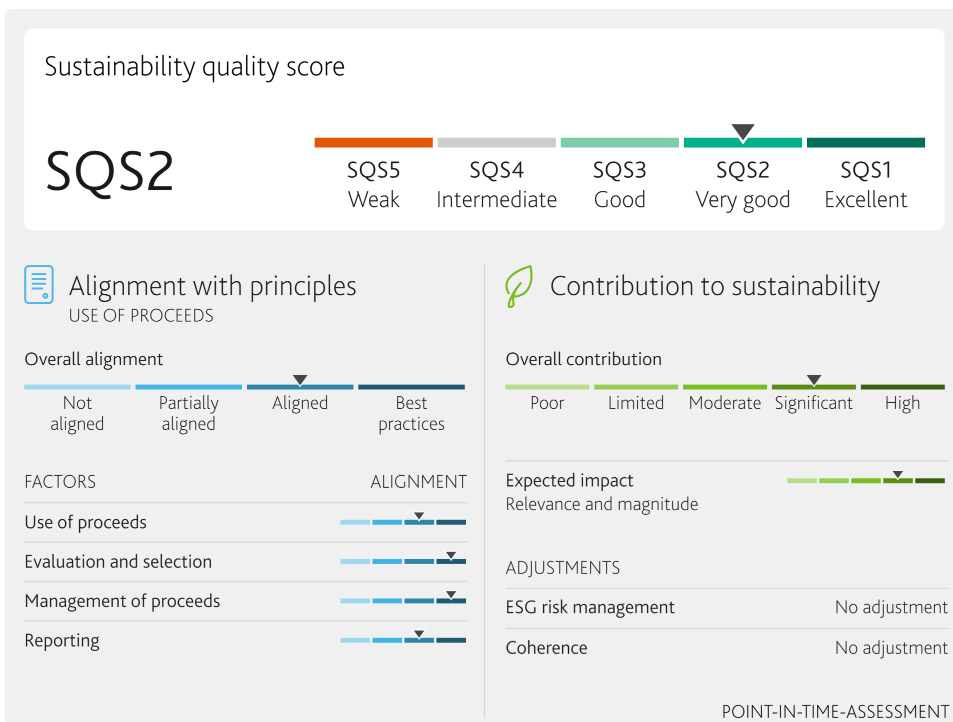
Bank of Nova Scotia

Second Party Opinion – Sustainable Issuance Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 sustainability quality score (very good) to the Bank of Nova Scotia (BNS)'s sustainable issuance framework dated April 2024. The issuer has established a use-of-proceeds framework with the aim of financing projects across 11 eligible green categories and seven eligible social categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), Social Bond Principles (SBP) 2023 and Sustainability Bond Guidelines (SBG) 2021, and the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2023 and Social Loan Principles (SLP) 2023. The framework demonstrates a significant contribution to sustainability.



Scope

We have provided a second party opinion (SPO) on the sustainability credentials of the Bank of Nova Scotia's framework, including the framework's alignment with the ICMA's GBP 2021 (with June 2022 Appendix 1), SBP 2023 and SBG 2021, and the LMA/APLMA/LSTA's GLP 2023 and SLP 2023. Under the framework, the bank, including certain subsidiaries and other funding entities, plan to raise sustainable financing through green, social and/or sustainability instruments in private or public format to finance green and/or social assets across 18 eligible categories, as outlined in Appendix 2 of this report. The sustainable instruments include but are not limited to bonds, notes, debentures, loans, certificates, commercial paper, deposits, guaranteed investment certificates, market-linked notes, and securitizations.

Our point-in-time assessment[1] is based on the latest version of the framework received on 3 April 2024 and reflects details contained in this version of the framework, and other public and non-public information provided by the company. We produced this SPO based on our Framework to Provide Second Party Opinions on Sustainable Debt, published in October 2022.

Issuer profile

BNS is an international bank headquartered in Toronto, Canada, offering personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets products and services. The bank operates in North America, Latin America, the Caribbean and Central America and parts of Asia-Pacific, employing more than 85,000 worldwide and with assets of over $1.4 trillion as of October 31, 2023. The bank operates through four business segments: Canadian Banking, Global Wealth Management, Global Banking and Markets, and International Banking, which focuses on the Pacific Alliance countries of Mexico, Peru, Chile and Colombia.

The banking sector is exposed to carbon transition risks primarily from its exposure to retail and corporate lending and investment activities that principally mirror the full spectrum of economic activities. Social risks stemming from data security and customer privacy are critical concerns for the sector because of the large amounts of personal data accessed. Banks play a central role to mobilize capital to support projects with environmental and social benefits for the broader economy. BNS is a signatory to the Net Zero Banking Alliance and has released its climate-related finance framework, which outlines financial products and services that support eligible activities that contribute to its $350 billion target of climate-related finance by 2030. BNS's climate commitment will contribute to the bank's goal of achieving net zero financed emissions by 2050. Additionally, BNS plans to mobilize $10 billion by 2030 for affordable housing initiatives that are in support of Canada's National Housing Strategy.

Strengths

» Clearly defined and relevant environmental and social objectives associated with all eligible categories

» Several eligible categories intend to finance activities that could result in significant reduction in greenhouse gas (GHG) emissions

» Robust environmental and social risk management process, including screening for potential controversies associated with projects

» Short allocation period within 18 months of issuance, in line with best market practice

» Demonstrated history of timely annual post-issuance reporting for previously issued sustainable bonds

Challenges

» Some eligible categories lack granular details on thresholds or specific assets to be financed

» Although the framework is in line with current market practices, the inclusion of general corporate purpose loans through pureplay means constitutes a non-standard use of proceeds susceptible to specific challenges

» No commitment for an independent external verification on the reported environmental benefits

Alignment with principles

BNS's sustainable issuance framework is aligned with the four core components of the ICMA's GBP 2021 (with June 2022 Appendix 1), SBP 2023 and SBG 2021, and the LMA/APLMA/LSTA's GLP 2023 and SLP 2023:

- [x] Green Bond Principles (GBP)
- [x] Social Bond Principles (SBP)
- [x] Green Loan Principles (GLP)
- [x] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned	Partially aligned	Aligned ▼	Best practices

Clarity of the eligible categories – ALIGNED

The bank has clearly communicated the nature of the expenditures, the eligibility and exclusion criteria for financed projects, including the target populations for the social categories. The net proceeds from sustainable instruments will be allocated to finance or refinance in whole or in part, new or existing eligible green and/or social assets, which are loans originated by the bank or certain subsidiaries for new or existing assets, businesses or projects that meet the eligibility criteria. The bank has articulated the eligibility criteria for nearly all projects which includes general project descriptions and technical thresholds, although the criteria for some categories remain broadly defined. Exclusion criteria are explicit in the framework, with additional exclusions specified for individual categories where relevant. Eligible projects will be primarily located in the US, Canada and Pacific Alliance countries — Mexico, Peru, Chile and Colombia.

The cornerstone of the ICMA's Green Bond Principles and Social Bond Principles is the full utilization of net bond proceeds to eligible projects with clear environmental or social benefits. The bank's framework includes a limited allocation of proceeds toward general corporate purpose loans to pure-play companies that derive at least 90% of their revenue from activities that adhere to the eligibility criteria in the framework. In the selection process for loans to such businesses, the bank will apply the exclusion criteria defined in the framework, with loans going to businesses whose primary operations focus on eligible activities as defined in the framework. Although pure play loans could be allocated to any category, the bank has shared that most of these loans will likely support projects in the low carbon energy and pollution prevention and control categories. Our assessment considers that pure play investments will continue to represent a small share of the bank's sustainable proceeds going forward.

In our view this represents a non-standard use of proceeds that introduces certain challenges in terms of asset-level adherence to sustainability objectives, allocation and traceability, impact reporting, as well as an increased risk of double counting. The bank has provided information that demonstrates suitable measures to identify, select and allocate net proceeds to pure-play companies that adhere to the sustainability objectives and benefits targeted in the framework, and to track and report on the associated sustainability benefits. With these mitigants in place, coupled with the expected limited allocation of proceeds to such loans and the 90% revenue threshold, we consider the structure to be in line with current market practices.

Clarity of the environmental or social objectives – BEST PRACTICES

The bank has clearly outlined the environmental and social objectives associated with all 18 eligible categories. These objectives include climate change mitigation, climate adaptation and resilience, promoting circular economy, sustainable water and wastewater management, sustainable management of land and natural resources, pollution prevention and control, biodiversity conservation, access to affordable housing, access to essential services, affordable basic infrastructure, food security, and socioeconomic development. All eligible categories are relevant to the respective environmental or social objectives to which they are aiming to contribute. The bank has referenced the UN Sustainable Development Goals (SDGs) in articulating the objectives of the eligible categories (see Appendix 1), and the objectives are coherent with these recognized international standards.

Clarity of expected benefits – ALIGNED

The bank has identified clear expected environmental or social benefits for the 18 eligible categories and these are relevant based on the projects likely to be financed under each category. The benefits are measurable for all project categories and the bank will report on these quantitative benefits in its annual reporting. Although the bank does not anticipate disclosing the share of refinancing before each issuance, the bank ensures immediate allocation of proceeds to assets in the event of a full refinancing.

Best practices identified — use of proceeds

- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting

Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices ▼

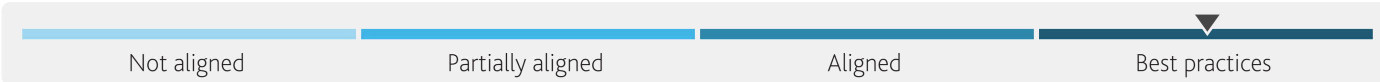
Transparency and quality of process for defining eligible projects – BEST PRACTICES
The bank has established a clear and structured process for the selection and evaluation of eligible assets, which is outlined in its framework. The bank's Asset & Liability Committee (ALCO) has the ultimate responsibility of framework oversight. ALCO is comprised of senior executive management and business line heads. ALCO's oversight is enhanced by the ALCO ESG subcommittee, whose voting members include relevant expertise across the company and oversees the implementation of the framework. The ALCO ESG subcommittee is primarily responsible for the review and approval of the eligible sustainable asset portfolio, in accordance with the framework criteria and with the support of the bank's ESG risk and social impact & corporate sustainability departments. The bank tracks and monitors the eligibility of assets on a semi annual basis. Traceability of the process is ensured via meeting minutes and an internal tracker of the proposed pool of assets that is shared with relevant teams within the bank.

Environmental and social risk mitigation process – BEST PRACTICES
The environmental and social risk mitigation process is disclosed in the framework. BNS carries out appropriate ESG risk due diligence by conducting mandatory environmental risk and climate change risk assessments in its credit processes. The management of such risks are covered under the bank's ESG risk management framework, the scope of which covers the identification, assessment, measurement, monitoring, management, mitigation and reporting of ESG risks. All eligible assets will be subject to a regular review in line with the bank's applicable environmental and social risk management policies, including the Equator Principles for project financing assets. Additionally, the bank's corporate banking team monitors for new ESG controversies for eligible assets on an ongoing basis, and this practice is embedded in existing credit processes to review the potential eligibility of an asset.

Best practices identified — process for project evaluation and selection

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » Material environmental and social risks for most project categories are identified
- » Presence of corrective measures to address environmental and social risks across projects
- » ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The bank has defined a clear process for the management and allocation of bond proceeds in its framework. The bank will deposit the bond proceeds in a general account and the proceeds will be earmarked for allocation to the sustainable asset portfolio. The bank will perform periodic adjustments of net proceeds to eligible assets on a semi-annual basis. The bank aims to fully allocate the net proceeds from each sustainable instrument within 18 months of issuance.

Management of unallocated proceeds – BEST PRACTICES

In the event that an asset becomes ineligible, the bank has formalized in its framework that it will reallocate proceeds to projects and assets that meet the eligibility criteria. In cases where proceeds are pending allocation, reallocation, or if the total amount of outstanding sustainable instruments is greater that the sustainable asset portfolio, the bank will allocate the balance of the net proceeds to cash, cash equivalents, or other liquid marketable instruments, such as Canadian and US treasuries in accordance with BNS's liquidity management activities. The bank's explicit liquidity management policy governs the types of permitted investments for unallocated proceeds which minimizes risk of temporary placement in environmentally harmful activities.

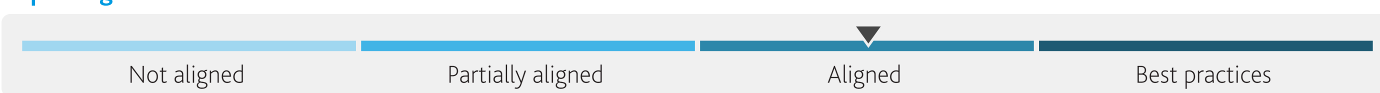
Best practices identified — management of proceeds

» Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum

» Short allocation period, for example typically less than 24 months

» Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – ALIGNED

The bank will report annually on the use of proceeds allocation and impact reporting until the maturity of the sustainable instruments. The report will be publicly available on the bank's website and will include exhaustive indicators, such as the net proceeds raised from each sustainable instrument; the amounts allocated to the eligible category level; the balance of unallocated proceeds at the reporting period end date; the share of proceeds used for refinancing, and the expected sustainable benefits of the eligible categories. The report will be made on a portfolio basis grouping all the applicable sustainable instruments by label at the relevant category level. Issuances that contains nuclear assets will be disclosed separately in the allocation reporting. The methodologies and key assumptions used to measure the sustainable impacts will be disclosed in post-issuance reports. The bank has identified relevant potential impact indicators in the framework for the eligible categories. The bank will request an external limited assurance report on the tracking and allocation of proceeds and asset compliance with the eligibility criteria. The environmental and social impact indicators and reporting will be verified internally.

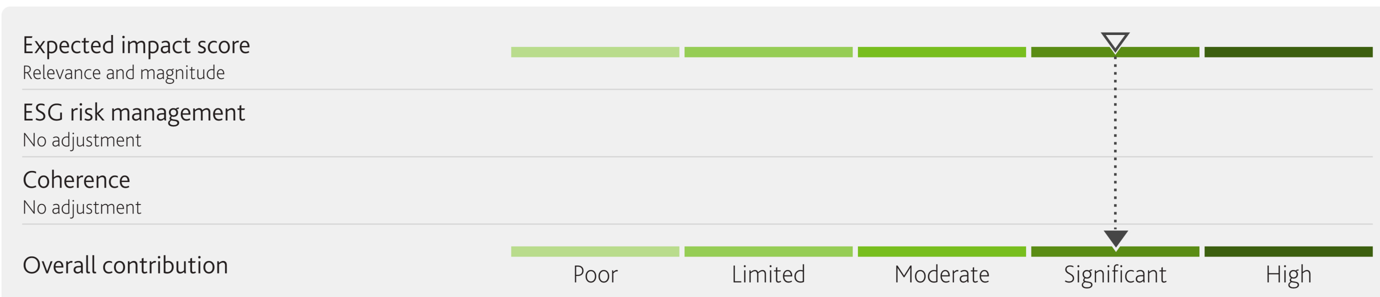
BNS is an experienced sustainable bond issuer. The bank issued its inaugural $500 million green bond in 2019, a $1 billion sustainability bond in 2021, and $92 million in structured notes in 2022. The bank has since demonstrated timely annual post-issuance reporting in line with the commitments in its prior sustainable bond framework, suggesting a high likelihood of continued timely and consistent reporting for future issuances.

Best practices identified — reporting

- Reporting until full bond maturity or loan payback
- Reporting on allocation of proceeds and benefits done at least at eligible category level
- Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes

Contribution to sustainability

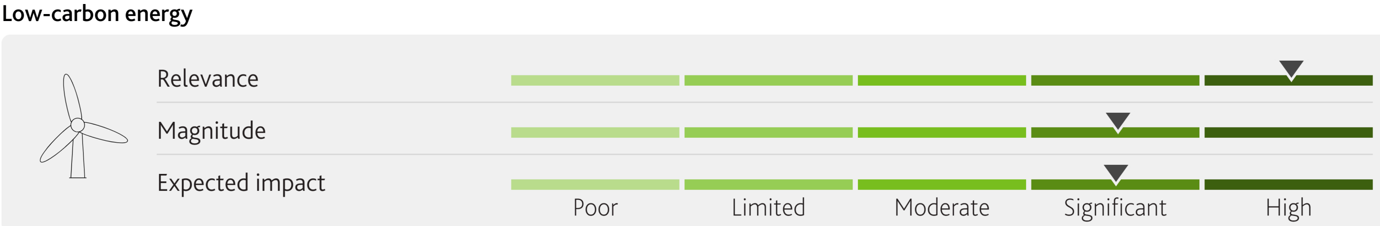
The framework demonstrates a significant overall contribution to sustainability.



Expected impact

The expected impact of the eligible projects on environmental and social objectives is considered significant. Based on information provided by the bank, we expect proceeds from forthcoming issuances to represent a higher proportion for the green building and low carbon project categories. We have therefore assigned a higher weight to those categories in our assessment of the overall framework's contribution to sustainability. A detailed assessment by eligible category is provided below.

Low-carbon energy

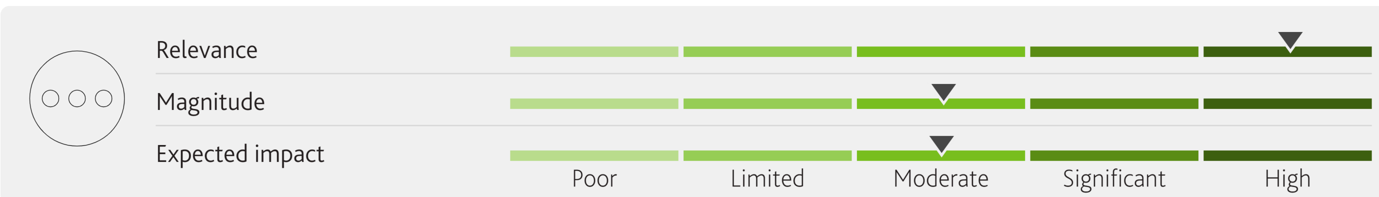


Investments supporting the energy transition to low carbon and renewable energy sources are highly relevant to the banking sector because of its critical role in mobilizing capital to address climate change and to support the decarbonization of energy sources. The shift to renewable technologies is key to decarbonize energy systems and the share of renewables would have to increase to over 60% in 2030 and to nearly 90% in 2050 globally under a net zero emissions in 2050 scenario[2]. Although most of Canada's and the Latin American and Caribbean (LAC) region's electricity systems are dominated by hydropower, both wind and solar account for a relatively small share of total generation. Investments in low carbon and renewable sources are crucial to enable clean electrification and to support the energy transition across the broader economy.

The projects will likely contribute significantly to emission mitigation over the long term and avoid lock-in impacts by replacing fossil energy with cleaner energy sources. Eligible projects include best available technologies to decarbonize such as onshore and offshore wind turbines, solar, hydropower and transmission and distribution assets that will comply with internationally recognized thresholds to substantially reduce GHG emissions. Although there are no specific details on water conservation management for concentrated solar photovoltaic projects, the bank's internal environmental and social risk assessment process provides an appropriate level of risk management. Biomass energy projects will be produced using waste feedstock and certified sustainable crops. While the latter is required to be certified to ensure its sustainability, use of first generation crops may still have relevant implications for food production.

Both biomass and geothermal projects with emissions less than 100g CO_2e/kwh are considered eligible. The significant magnitude is balanced by the lack of details on the emission thresholds for hydrogen production and energy efficiency thresholds for electrolyzers, which limits the extent of the category's contribution to sustainability. The bank has shared that only green hydrogen projects are eligible to be financed, defined as the production of hydrogen through electrolysis from renewable energy sources. Ammonia produced from green hydrogen is considered eligible.

Nuclear energy



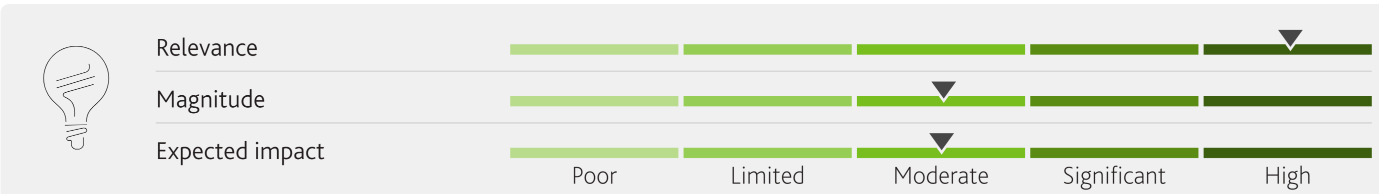
Nuclear energy investments are highly relevant to support a low-carbon energy future. Although wind and solar sources are expected to generate most of the clean energy under a net zero scenario, nuclear capacity is projected to double between 2020 and 2050, with a share of generation just below 10%.[3] According to the International Energy Agency (IEA), failing to meet the projected needed capacity from nuclear sources would place an additional burden on wind and solar sources for carbon free generation. Within the local context, nuclear plays an important role in Canada's energy grid, generating 14% of electricity from 19 nuclear reactors, and is a key energy source for the provinces of Ontario and New Brunswick. Finally, the banking sector plays a critical role to provide financing for high capital costs associated with large scale nuclear plants as well as to mobilize capital to support research and development (R&D) of advanced nuclear technologies for power generation.

The magnitude is moderate, balancing the long-term climate mitigation potential of low-carbon nuclear generation against the inherent challenges and externalities associated with the operation of nuclear plants. Under the category, the bank can finance a variety of nuclear investments including the development and safe operation of new facilities for electricity and heat generation, refurbishments of existing facilities with the aim of improving operational safety and to increase operational lifespan, and R&D of advanced technologies such as small modular reactors with minimal waste from the fuel cycle. Project eligibility can include nuclear assets in Canada, US, EU as well as assets in member countries of the International Atomic Energy Agency (IAEA) that have experience with nuclear energy operations and have appropriate nuclear regulations in place. The bank has shared that initial allocations will likely support nuclear projects in Canada. We expect such projects will broadly provide a long-term positive benefit to the objective of climate change mitigation given nuclear power's role as a low-carbon fuel source that will aid in countries' decarbonization efforts, while avoiding investments that lock-in greenhouse gas emissions.

Environmental and social externalities related to nuclear power plant operations include risks from the long-term management of radioactive waste, water risks resulting from thermal anomalies from the discharge of heat to water bodies, as well as health and safety risks for plant workers and surrounding communities in the event of potential nuclear accidents. While risks could be quite severe if realized, the national regulatory framework for nuclear projects, particularly in advanced economies, is comprehensive. In Canada, the regulations on nuclear operations as well as the extensive oversight from the Canadian Nuclear Safety Commission provide assurance that the most severe inherent nuclear risks will be adequately managed. However, we note that implementation of regulatory risk controls may vary by region. For example, Canada is currently evaluating the construction of a deep geological repository for the safe, long-term management of used nuclear fuel in line with international best practices, but site location has not yet been confirmed.[4]

An additional consideration in the moderate magnitude score is the relatively broad nature of project eligibility for this category. The non exhaustive list of eligible assets limits visibility into whether the most advanced technologies and risk management practices will always be employed. While projects in the EU will be required to meet the EU taxonomy criteria, non-EU nuclear assets may not consistently follow the best market standards for nuclear efficiency and operational safety. The International Financial Corporation's performance standards, which are an international benchmark for the management of environmental and social risks, can offset the challenges from potentially less stringent nuclear regulations in developing economies. The bank has shared that it will identify at issuance its intention to finance eligible nuclear assets with proceeds of the instrument. The bank also includes a screening criterion for potential operators to demonstrate mitigation and management of environmental and social risks from uranium sourcing.

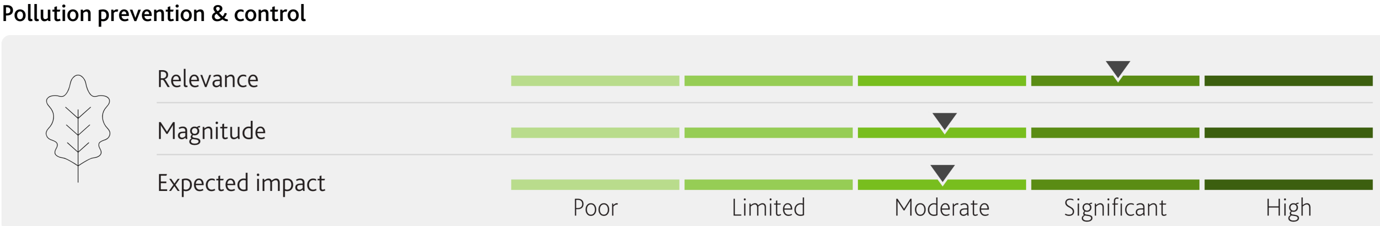
Energy efficiency



Energy efficiency projects are highly relevant to respond to the sustainability challenges faced across economic sectors in BNS's portfolio of assets. Measures to promote energy savings and improvement in energy performance are pertinent to reduce energy-related emissions in the broader economy. The category is also highly relevant at the country level because energy efficiency initiatives are key to achieve Canada's 2030 emission reduction goal (40-45% reduction from 2005 levels) and net zero target by 2050. The net zero strategy includes various initiatives related to energy efficiency for the industrial and buildings sectors, in which both sectors are responsible for 51% of energy use.[5]

The magnitude of this category is moderate because of the broad eligibility of sectors which limits visibility into the extent to which energy efficiency measures could advance the clean energy transition. Financed projects will adhere to a minimum 30% improvement in energy efficiency threshold for energy storage, distribution, and management systems. Other eligible projects include mobile network upgrades that are primarily focused on the transition to fiber optic cables, the latter of which would demonstrate a 30% energy improvement compared to legacy technologies. The bank has shared that fossil-fueled based sectors are excluded from financing.

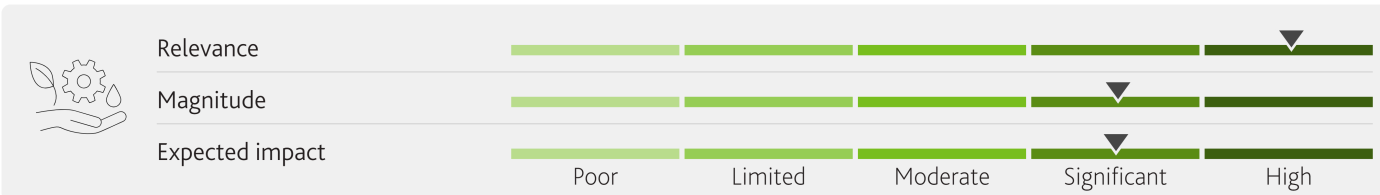
Pollution prevention & control



Projects under this category are significantly relevant investments in the sector to mitigate emissions. Although waste represents a relatively modest share of emissions at 4% of total emissions in Canada and just 6% of emissions in the LAC region, the absence of an effective waste management program can lead to harmful environmental externalities related to air and water pollution that may endanger human health. Projects focusing on waste recovery and treatment are pertinent to reduce pollution, which in turn can help to reduce emissions within the local and regional context.

We expect projects will likely have a moderate contribution to sustainability. Although projects address the negative effects from pollution, efforts focusing on waste reduction have stronger mitigation potential compared to recycling and waste to energy projects according to the waste hierarchy. The bank aims to finance projects to support soil remediation, segregation of waste, and projects that promote the recovery of non-hazardous waste through recycling efforts. Eligible recycling technologies include both mechanical and chemical recycling, the latter of which is more energy and emission intensive than the former. The bank has shared that the likely allocation of proceeds would support mechanical facilities, which would minimize the exposure to negative externalities. Favorably, the bank follows market standards on mitigation criteria for landfill biogas capture projects, requiring at least a 75% capture rate for power and heat at decommissioned landfill sites. For projects related to the treatment of biowaste for the production of biogas, BNS has identified best market practice thresholds related to methane and emissions. For carbon capture and storage (CCUS) projects, the bank requires a 90% or greater capture rate for point source carbon capture projects, in line with recommendations set by the IEA. Eligible CCUS projects also include direct air capture projects. The bank has also shared that contemplated CCUS projects are at the research and development stage, which can drive technological improvements and innovation in capture rates. Although the projects have broad sectoral applicability, the bank excludes CCUS projects for upstream enhanced oil recovery activities and fossil fuel related sectors, which offsets the risk of lock-in effects from carbon intensive activities.

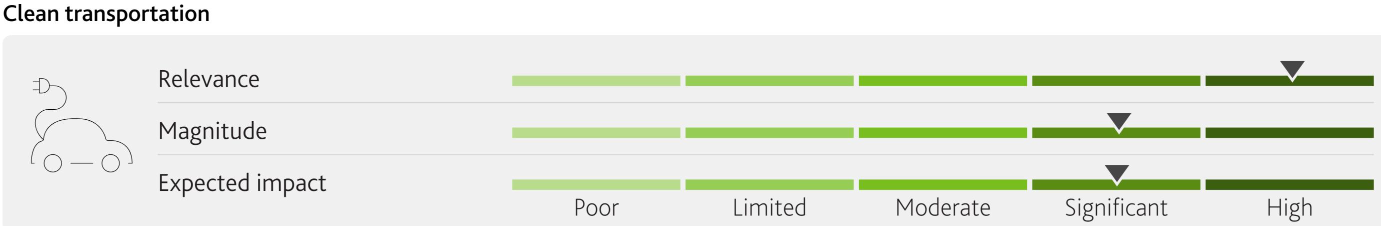
Environmentally sustainable management of living natural resources



Sustainable forest management and agriculture projects are highly relevant for the conservation, protection and restoration of ecosystems in the local and regional context. Globally, the agriculture, forestry and other land use (AFOLU) sector was responsible for 13-21% of global net anthropogenic emissions over the period of 2010-2019.[6] Emissions from the sector vary regionally, with the LAC region at 58% and North America at 7%. Within the local context, Canada aims to increase its conserved terrestrial land and freshwater areas to 30% by 2030 and is focused on increasing forested areas through sustainable forest management practices. Preserving natural capital is similarly important in the LAC region, as countries rely on their natural capital for agriculture and tourism activities for their local economies. The banking sector plays an important role to channel capital into programs that preserve ecosystems, and to support small scale farmers for sustainable crop production. According to BNS's 2022 Net Zero Pathways Report, roughly 30% of the bank's identified four priority sectors' financed scope 1 and 2 emissions come from the agriculture sector, highlighting the need to reduce financed emissions through investments in sustainable forestry and agricultural projects.

The projects will likely generate significant long-term environmental impacts and avoid locked in effects. Although eligible sustainable agricultural crop production will require market recognized certifications, the sustainability standards and requirements across certifications vary. Other financed activities include regenerative farming techniques such as crop rotation as well as the reduction of pesticides and water use to improve nitrogen level in soils. Although industrial livestock farming projects are excluded, we recognize some environmental externalities associated with fisheries farming, though this is likely managed through the adherence to relevant market certification. The bank has shared that commercial projects to promote sustainable forest management practices must adhere to standards set by the Forest Stewardship Council or Program for the Endorsement of Forest Certifications to demonstrate responsible forest stewardship practices. Land-based mitigation measures such as in-situ conservation have the potential to reduce GHG emissions while offering other co-benefits such as biodiversity restoration. Afforestation and reforestation projects can increase the carbon sink potential of forests, while projects to support the protection of ecosystems can preserve and enhance the biodiversity of species.

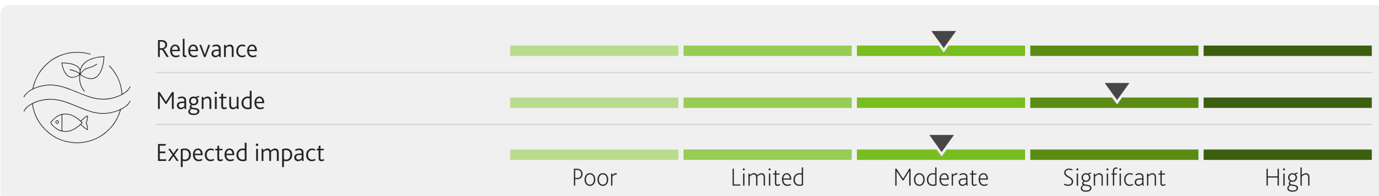
Clean transportation



Projects in this category are highly relevant investments to decarbonize transportation emissions. Transportation is responsible for 23% of global carbon emissions in 2021. In Canada, fuel combustion from the transportation sector is responsible for nearly a third of total country emissions, and is the largest source of energy consumption from end use sectors in the LAC region. According to the IEA, emissions from the road transport sector must decline by more than 3% per year to 2030 to get on track with the net zero emissions by 2050 scenario.[7] The international shipping sector today accounts for about 2% of global emissions and would require a 15% reduction in emissions from 2022 to 2030 under a net zero by 2050 scenario.[8] Capital investments supporting the electrification of the transportation sector by increasing the uptake of zero emission vehicles and scaling up zero and low emissions fuels for the hard to abate shipping sector are pertinent to support the decarbonization of the broader transportation sector.

The eligible assets will likely have a significant magnitude in mitigating emissions through the use of best available technologies with minimal negative lock-in effects. The projects include charging stations and infrastructure dedicated to low-carbon transport, as well as the manufacturing of zero direct emission vehicles for road and public transportation. Eligible passenger, freight and hybrid buses are required to meet relevant market recognized thresholds, and are likely to contribute substantially to the stated objective. Eligible cargo and passenger ships to be financed include zero-emission and low-carbon vessels and associated infrastructure that are electrified or are powered by green hydrogen or green ammonia. These are fuels that can displace and reduce the dependency on marine fossil fuels. However, the toxicity of ammonia in fuel use and bunkering present environmental externalities to marine life and human health if not managed appropriately. BNS expects potential companies to have appropriate mitigation strategies in place to manage ammonia toxicity.

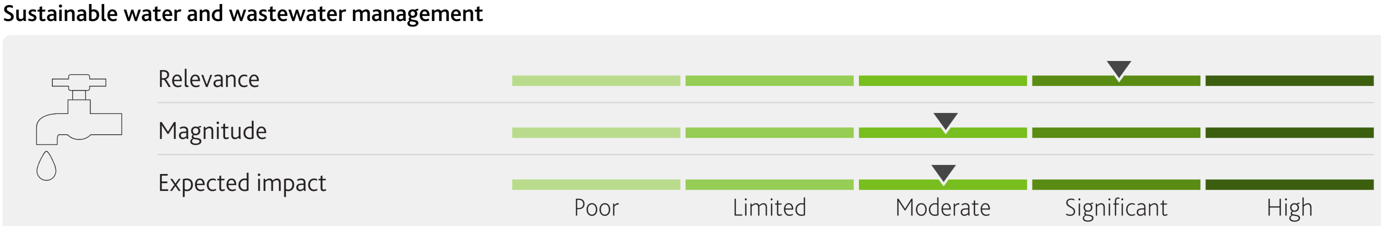
Terrestrial and aquatic biodiversity conservation



The project category has moderate relevance overall, mainly because the category is less relevant to commercial banks in the context of sustainable financing. Since terrestrial and aquatic biodiversity conservation projects are less commercially viable, it is not a pressing sustainability issue faced by the banking sector. Nevertheless, biodiversity conservation is one of many important sustainability issues in Canada and in the LAC region.

While protecting marine environments can help generate long-term positive effects on marine and coastal ecosystems, the category lacks details on the types of marine conservation activities to be financed, which limits visibility into the extent to which projects can contribute to the environmental objective. However other eligible investments such as the restoration of upland and lowland peatland are likely to increase its carbon sink potential. Re-wilding and wildlife habitat management projects will likely support the restoration of ecosystems including the prioritization of the conservation of the most vulnerable species per the International Union for Conservation of Nature (IUCN) Red List.

Sustainable water and wastewater management

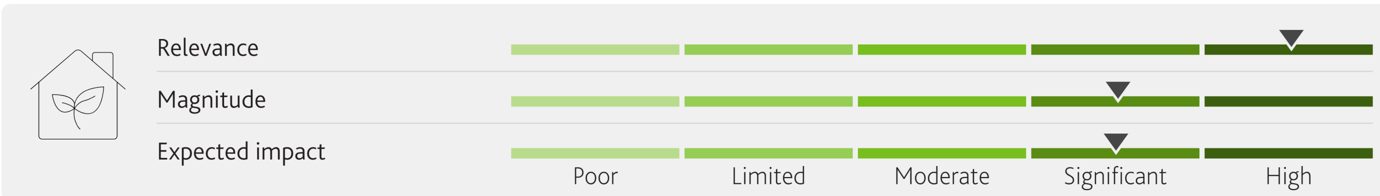


Projects under this category have significant relevance because the projects do not respond to the most pressing sustainability issue in Canada. However, we note that there is a need to support sustainable water management in the LAC region, particularly in countries such as Chile, Mexico and Peru, that are exposed to water stress risks. Investments that improve water quality, efficiency and conservation are relevant to enhance the sustainable management of water resources.

The magnitude is moderate. The lack of specific details on desalination projects such as the type of eligible feedwater and energy efficiency thresholds limits our view of the sub-project's contribution to sustainability. Eligible desalination projects may include thermal and membrane technologies, in which the former is likely to be more energy and emission intensive. The bank has shared that financed desalination plants will be limited to those powered by renewables or where the carbon intensity of the plant is at or below 100gCO2e/kWh. Although the bank requires potential desalination projects to include waste management plans for brine disposal, the lack of specific details on the disposal methods may not fully mitigate externalities from improper brine discharges. Still, the overall category is likely to have a positive contribution, supported by the requirement for water and wastewater systems to demonstrate a

20% energy improvement and a 20% reduction of water leakage, in line with the EU taxonomy criteria. Eligible projects also include water metering activities as a demand side reduction lever to promote efficient water use.

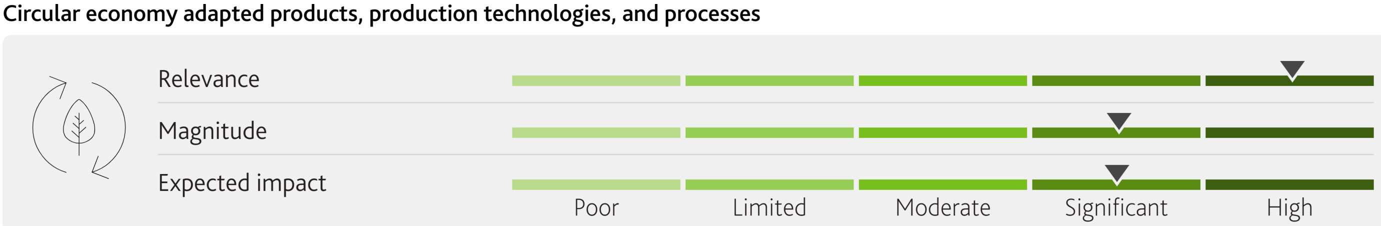
Green buildings



The relevance of this category is high because the financing of building upgrades for energy efficiency addresses a key sustainability issue in BNS's target locations. According to the IEA, operational energy use in buildings account for a third of global final energy consumption and is responsible for 26% of global energy related emissions, primarily for the consumption of heat and electricity.[9] Within the Canadian context, emissions from buildings represent 13% of total emissions, and 18% when including electricity related emissions.[10] Rapid development in the LAC region has increased energy demand for residential heating and cooling that will require substantial energy efficiency measures to reduce energy and electricity related emissions, particularly in countries with fossil dependent grid systems.

We expect that projects will likely have significant long-term benefits to mitigate building emissions. Eligible projects must adhere to one of the eligibility criteria for building certifications as presented in the framework. This include among others, assets that meet best in class certifications such CAGBC Zero Carbon Building, LEED Gold or Platinum (for all properties excluding industrial or data centers) and other equivalent standards such as ENERGY STAR, BOMA BEST and BREEAM certifications. Although the category includes a less stringent LEED Silver certification for industrial buildings, the bank requires eligible industrial buildings to also demonstrate a 20% energy improvement from baseline standards. BNS has shared that majority of allocations will support new buildings with certifications of LEED Gold and higher. Other criteria includes assets with a minimum energy savings of at least 30%, or achieving an energy performance in the top 15% of each national building stock. For buildings in the EU, the bank requires eligible assets to achieve primary energy demand that are at least 10% lower than the threshold set for nearly zero-energy buildings requirements based on national measures. Eligible data centers are required to meet one of the eligible certifications and to demonstrate a power usage effectiveness (PUE) of 1.5 and below and assets that have achieved or are expected to receive the green building certifications listed above. The PUE criteria is in line with the global average PUE of 1.55.[11] However, a lower and more stringent PUE threshold can deliver stronger data center efficiency, particularly in areas with higher local grid emissions in warmer climates. BNS has shared that water usage externalities are mitigated by requiring eligible data centers to obtain relevant certifications. Currently, the bank does not have any eligible data centers in the portfolio.

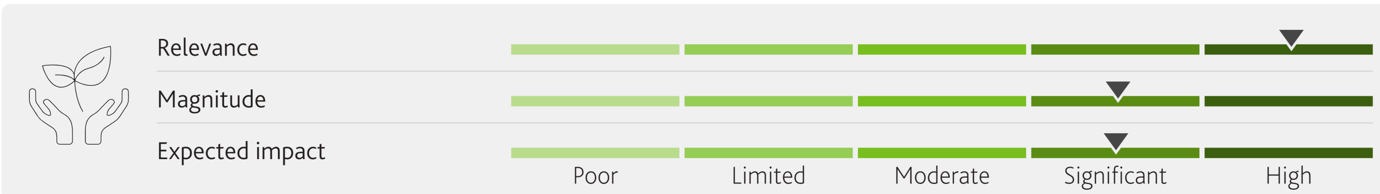
Circular economy adapted products, production technologies, and processes



Projects under this category are highly relevant investments to increase circularity efforts within the product chain. In Canada, plastic waste primarily from packaging is responsible for 87% of landfilled waste.[12] In the LAC region, plastic represents 10-12% of municipal solid waste, though only 4.5% of waste is recycled because of the lack of circular recycling systems. Circular economy strategies are important to move away from a linear economy model through improved material recycling and reusability technologies, that can in turn contribute to the reduction of waste, waste emissions, and associated environmental externalities.

The projects will likely have a significant magnitude. The bank has shared that eligible feedstocks for bio-based materials include Roundtable on Sustainable Biomaterials certified bio-waste that are not in competition with food production and are fully biodegradable. The development of bio-based plastics can displace plastic packaging in consumer goods and avoid emissions from virgin resins. BNS has shared relevant market recognized thresholds related to the production of plastic products, with products having a recycled, renewable and/or bio-based input of at least 90%, and limiting the use of single use plastic in consumer products. Other eligible projects include R&D for mechanical and molecular recycling capabilities such as polyester renewable and carbon renewable technologies that offer recyclability solutions for hard plastics. Although R&D expenditures are likely to support continued innovation in new recycling technologies, the thermal processes inherent in these technologies can have potential negative effects if not managed appropriately. The bank will also finance circular economy strategies that support the refurbishment and repairability of products. Although the category includes financing of credible strategies across various circular economy elements, we do not have visibility on the distribution of proceeds among these elements, especially with respect to the reduction in materials use, which would be considered the most favorable action in terms of waste management.

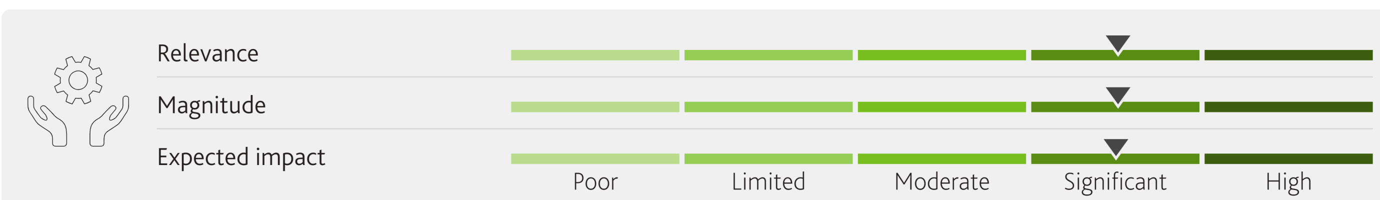
Climate adaptation & resilience



Projects in this category are highly relevant to reduce the vulnerability of infrastructure in the face of rising climate change risks. Canada is exposed to flooding and rising sea levels risks and faces heightened exposure to wildfire events across several territories. Across the LAC region, investments in climate adaptation assets are similarly important to mitigate climate induced hazards to infrastructures.

The magnitude is significant as projects will likely have long-term environmental benefits to climate change adaptation. The eligible projects include infrastructure to improve adaptability of assets to physical climate risks such as flood defense systems and early warning systems to minimize service disruptions. Other eligible projects include wildfire mitigation and management measures such as through grid hardening and line undergrounding to reduce the risk of ignition on transmission lines. Although no lock-in effects were identified, there is no visibility that the construction and restoration of infrastructure for adaptation will follow the best available technology.

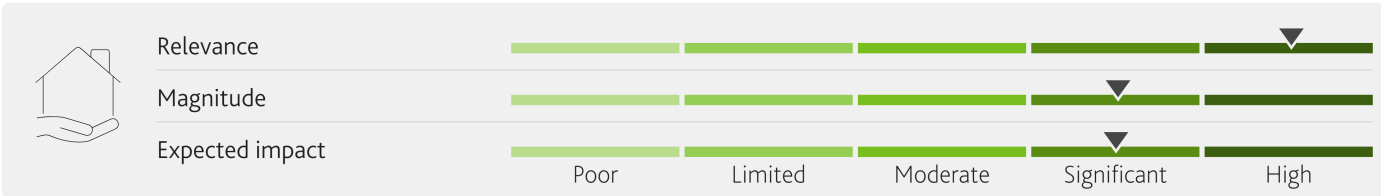
Access to essential services



The project category has significant relevance. The provision of essential services is not a major social challenge in Canada as it benefits from strong institutions, resources, and programs for healthcare and education in line with those of other advanced economies. Still, continued investments in the social infrastructure will be critical in maintaining quality of services in Canada. Additionally, investments to enhance the access and quality of healthcare and education services in the LAC region are important to achieve SDG 3 and SDG 4 targets.

The magnitude of projects is significant because the projects will likely benefit a vulnerable target population over the long term. However, the lack of visibility on the out of pocket cost burden on the target population limits our view on the affordability of services. The bank plans to finance public, subsidized and nonprofit healthcare and educational facilities. Privately owned health and education facilities may be included when there is a demonstrable increase in the accessibility of services for a vulnerable population in areas with limited access to public services. These services will likely benefit low-income and disadvantaged populations that have been marginalized from having equitable access to health services. Affordability of private services is ensured through a screening criteria that requires facilities to demonstrate either the provision of free of cost services, or provision of subsidized services such that the cost burden of the target population is comparable to the cost of service at a public facility.

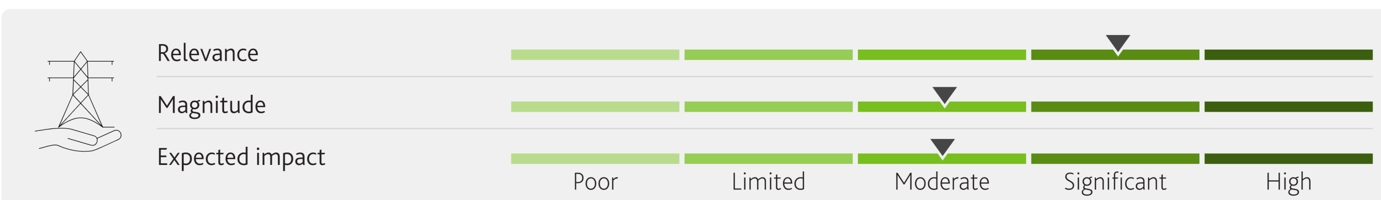
Affordable housing



The provision of affordable housing addresses a highly relevant social issue in Canada and the LAC region. In 2021, about 10% of Canadian households were in core housing need and faced high housing unaffordability challenges. The projects are aligned with Canada's 10 year National Housing Strategy which aims to enhance access to housing and homeownership by increasing housing supply and improving the quality of existing units through federal and provincial housing programs. Across the LAC region, more than 100 million people or roughly 15% of the total population live in urban slums, highlighting the need to increase the supply of quality affordable housing.

The magnitude is significant because the programs will provide structural improvement to the housing challenges faced by a vulnerable population. The bank has shared that the eligibility of the target population is determined according to local jurisdiction guidelines for low to moderate income individuals. Eligible programs include rent-to-own programs for qualifying individuals or family households with defined income limits to increase access to homeownership. BNS also plans to support public and private programs that facilitate affordable housing for individuals with low-to-moderate incomes, based on regional definitions per national census and adjusted for household size. One example include the *Servicios de Vivienda y Urbanizacion* program administered by the Chilean government to expand affordable housing units by ensuring a minimum 20% of units are intended for low-income families. While the affordability criteria is prioritized, we recognize that not all units from financed developments are affordable.

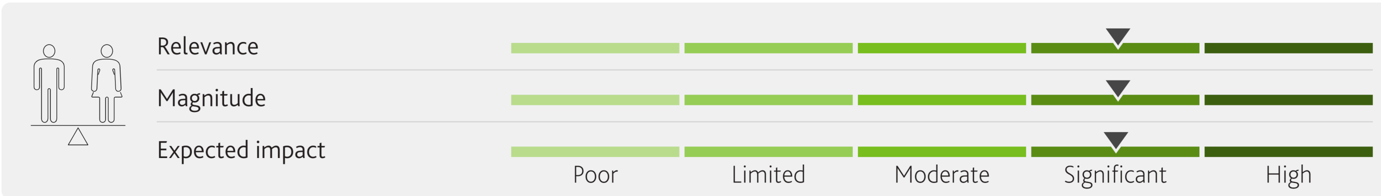
Affordable basic infrastructure



The relevance of the project category is significant because the projects will likely improve infrastructure for underserved and remote communities who typically have the least access to basic services. Among BNS's target locations, roughly half of Mexico and Peru's populations have access to safely managed drinking water. Although the projects addresses a relevant social challenge, these are not a high social risk issues in advanced economies that typically benefit from stronger infrastructure and access to basic services.

The magnitude of the projects is moderate. Although services will positively benefit the most vulnerable population, defined as the indigenous and rural populations, the lack of specific details on the management of externalities associated with desalination projects limits the overall extent of the benefits. BNS will use definitions provided by relevant government agencies in the region of financing to identify underserved and remote communities. Although the affordability criteria for projects have not been set, BNS aims to consider affordability measures for projects that offer free and subsidized services as well as services offered by public or not-for-profit entities. Additionally, investments in road projects may carry negative environmental externalities.

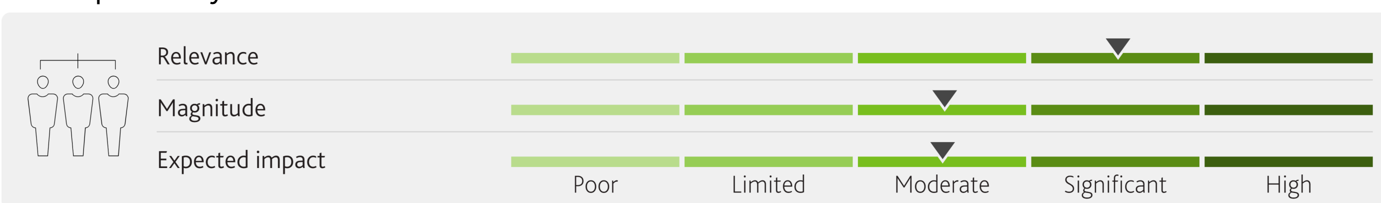
Women-owned businesses



The relevance of the project category is significant. Globally, the financing gap for micro, small and medium enterprises is the second largest in the LAC region, with women-led micro enterprises facing high access barriers to financial services. Although financing of micro, small medium enterprises (SMEs) will provide a solution that addresses a highly important social issue for the banking sector, there is a lower need for SME support in advanced economies compared with SMEs in developing economies. Nevertheless, loans directed to women-owned SMEs are important to support their growth, financial inclusion and participation in the national economy.

The magnitude is significant. Loans primarily support the Scotiabank Women Initiative, a program established to enhance the access to capital for women-owned businesses. Although the loans support a vulnerable population, the category lacks detail on whether a greater share of loans will be targeted to support micro women-led SMEs, deemed as the most vulnerable, or whether additional support such as through financial literacy training programs are provided to support empowerment for the target population. Still, we expect a positive long-term impact for the target population in enhancing access to financial services, which in turn supports the financial inclusion of women-owned SMEs and their participation in the broader economy.

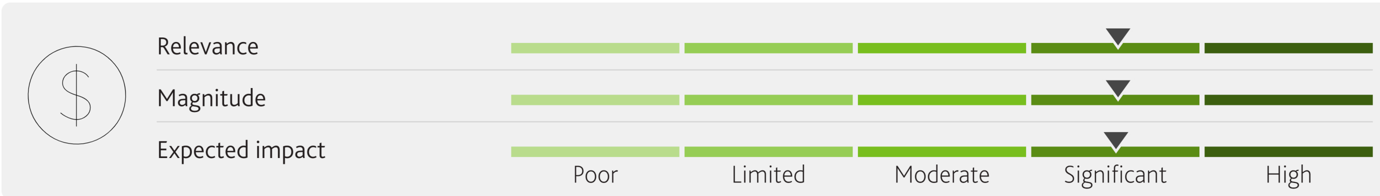
Leadership in diversity & inclusion



The relevance of the project category is significant as efforts to improve diversity and inclusion programs among SMEs are vital across the regions in which BNS operates. Loans specifically supporting diversity and inclusion programs do not address the most pertinent social issue for the banking sector compared to other social categories in the framework. Nevertheless, programs to support workplace diversity and inclusion are relevant for SMEs, as SMEs play a key role in supporting the local job market and the national economy. For example, Canadian SMEs account for more than 50% of the national gross domestic product (GDP) and employ almost 90% of the total private labor force.[13] In the US, small businesses represent 44% of the GDP and employ 46% of private sector employees.[14] In LAC, SMEs contribute 25% of the regional GDP and drive 60% of formal productive employment.[15]While there is limited visibility on diversity and inclusion data within SMEs, capital support for SMEs can address the unique resource constraints faced by SMEs to advance workplace diversity and inclusion.

The magnitude is moderate because of the broad definition of the category and the lack of specificity on the nature of diversity and inclusion advancement programs for financing. Diversity is defined as employees who identify with a diversity factor that is underrepresented such as through the lens of gender, ethnicity, visible minorities, sexual orientation, and able-bodiedness. BNS has also shared that eligible programs include those that directly improve diversity and inclusion in a target business, such as training and development programs for diverse employees. While we recognize that programs target a vulnerable population, the category lacks detail on whether programs are focused on the leadership growth and development of non-executive employees within SMEs, as well as the types of programs that can enhance their professional development. The lack of visibility into how eligible projects demonstrate advancements leadership in diversity and inclusion constrains the extent to which projects can contribute to the social objective.

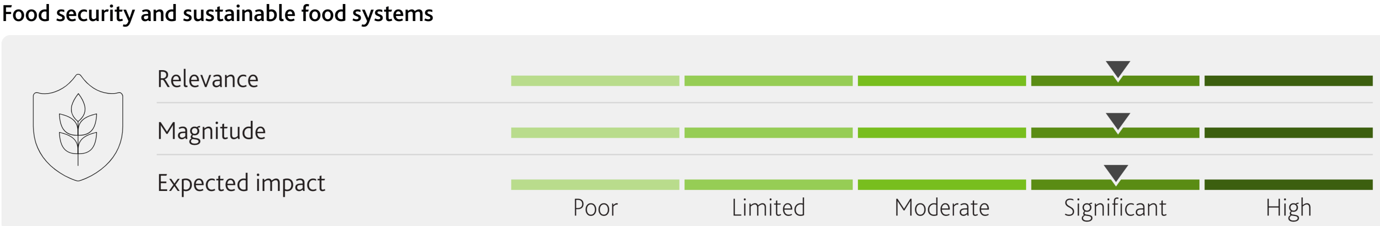
Creating economic resilience



The relevance for this project category is significant given the local context and the role of banks to advance economic resilience through capital support and financial services for a vulnerable population. However the degree of need varies between advanced and developing economies, with SMEs operating in the latter having a higher need for financial support. SMEs in advanced economies on average benefit from stronger institutions and financial programs that support their economic resiliency. In Canada, over a third of SMEs experienced temporary closures during the COVID-19 pandemic, with higher closures experienced by SMEs owned by persons with a disability.[16] Within the LAC region, micro enterprises face higher risks of job losses and permanent closures from the pandemic,[17]highlighting the critical role of the banking sectors to support SME access to capital and financial services to withstand economic shocks.

The magnitude is significant. Although capital access benefit the target population, the category lacks detail on the share of financing supporting micro enterprises. Still, we expect significant benefits as loans target the economic resilience of SMEs in economically underperforming regions. BNS also supports loans originated by the Indigenous Financial Services that provides financing to the indigenous peoples' council and government. The bank offers financial fitness services to communities as part of the lending package. The exclusionary criteria for controversial activities as outlined in the framework applies to the business activities for eligible beneficiaries. Other eligible projects include programs to increase access to banking services which will likely enhance economic opportunities and provide structural socioeconomic improvements to underbanked populations, in accordance with the definitions provided by the government of Canada and the Federal Deposit Insurance Corporation. BNS's services and programs for the underbanked population include financial literacy services which will likely provide empowerment over the long term. Finally, emergency response programs to alleviate unemployment and support individuals and businesses during a crisis will reduce the effects of economic hardship and promote resilience in the targeted communities.

Food security and sustainable food systems



Projects in this category have significant relevance to address food security and sustainable food systems, which are important social issues in the areas in which BNS operates with a particular need in certain jurisdictions. In Canadian and American households, 18%[18] and 13%,[19] respectively, reported experiencing food insecurity in the past 12 months. The situation is more acute in the LAC region where the prevalence of food insecurity is higher (41%) than the world average (29%).[20] While smallholders produce 70% of the world's food, they face barriers to market and financial access. Thus, the inclusion of small scale farmers through financial products is important to ensure their inclusion in the global food system and to enhance food security.

The magnitude of this category is significant. Projects under this category include the provision of safe meals for vulnerable groups in low-income populations or populations in food insecure areas through food assistance programs, which will provide long-term positive impact toward food security for the target population. In addition, financing and training programs for smallholders and small-scale farmers will generate long-term support for the sustainable development of food systems. Although eligible crops include those with sustainable agriculture certifications as cited in the framework, the sustainability standards vary across the certifications, which limits visibility on whether best market practices are consistently applied across eligible crops. The credit facilities offered to smallholders and small-scale farmers can help improve their market access and ensure their participation and contribution to the food production system. The financing of small-scale farmers' equipment, infrastructure, and facilities aims to support food supply and improve small farmers' connectivity in the food chain, which supports food security. Furthermore, training programs to be financed include sustainable agricultural practices which will empower smallholders and small-scale farmers to improve the nutritional quality of crops.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. BNS has a robust ESG risk management process in place, integrating ESG into its existing risk management frameworks, such as its risk appetite framework. As detailed in the sustainable issuance framework, all eligible assets will be subject to a consistent review in line with the bank's applicable environmental and social risk management policies. BNS is a signatory to and a participant in key global initiatives that advance transparency and disclosures in sustainability. The bank's ESG reporting is informed by several global sustainability disclosure standards, frameworks, and initiatives including, but not limited to, the TCFD (now maintained by the International Financial Reporting Standards Board starting in 2024), CDP, the Partnership for Carbon Accounting Financials, the Sustainability Accounting Standards Board, the Global Reporting Initiative, the UN Global Compact, and the Sustainable Development Goals (SDGs).

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. Projects to be financed under the bank's framework align with the bank's overall sustainability objectives and ESG strategy. As a signatory to the NZBA and as outlined in the bank's 2022 Net-Zero Pathways Report, the bank commits to achieve net zero operations by 2030 and net zero financed emissions by 2050. Green eligible projects align with the bank's net zero ambition, as well as help support the Government of Canada's targets to reduce the country's GHG emissions by at least 40-45% below 2005 levels by 2030 and achieve net zero by 2050. Projects to be financed under the social category also support the bank's broader social commitments, including supporting resilient communities, enabling economic resilience, and empowering its customers.

Appendix 1 — Mapping eligible categories to the United Nations' Sustainable Development Goals

The 18 eligible categories included in BNS's framework are likely to contribute to fourteen of the United Nations' Sustainable Development Goals, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 2: Zero Hunger	Food security and sustainable food systems	2.1: End hunger and ensure access by all people to safe, nutritious and sufficient food all year round
		2.3: Double agricultural productivity and incomes of small-scale farmers through equal access to resources and opportunities
		2.4: Ensure sustainable food production systems that improve productivity and support ecosystems and climate change adaptation
GOAL 3: Good Health and Well-being	Access to essential services	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
		3.C: Increase health financing and promote the recruitment, development and training of the health workforce in emerging markets
GOAL 4: Quality Education	Access to essential services	4.A: Build and upgrade education facilities that provide safe and effective learning environments for all
GOAL 5: Gender Equality	Women-owned businesses	5.5: Ensure women's full participation and equal opportunities for leadership at all levels of political and economic life
GOAL 6: Clean Water and Sanitation	Sustainable water and wastewater management	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	Low-carbon energy; Nuclear energy	7.2: Increase substantially the share of renewable energy in the global energy mix
	Energy efficiency; Green buildings	7.3: Double the global rate of improvement in energy efficiency
GOAL 8: Decent Work and Economic Growth	Creating economic resilience; Leadership in diversity & inclusion; Women-owned businesses	8.3: Promote policies that support productivity, job creation, entrepreneurship, innovation, and encourage the growth of SMEs
	Circular economy adapted products, production technologies, and processes	8.4: Improve global resource efficiency and endeavour to decouple economic growth from environmental degradation
	Women-owned businesses	8.5: Achieve full, productive employment and decent work for all women and men, and equal pay for work of equal value
	Creating economic resilience	8.10: Strengthen the capacity of domestic financial institutions to expand access to insurance and financial services for all
GOAL 9: Industry, Innovation and Infrastructure	Circular economy adapted products, production technologies, and processes	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 10: Reduced Inequality	Affordable housing; Creating economic resilience; Leadership in diversity & inclusion; Women-owned businesses	10.2: Empower and promote the social, economic and political inclusion of all

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 11: Sustainable Cities and Communities	*Affordable housing*	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	Affordable basic infrastructure; Clean transportation	11.2: Provide access to safe, affordable, accessible and sustainable transport systems for all
	Pollution prevention & control	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
	Affordable basic infrastructure	11.B: Increase number of cities with plans towards inclusion, resource efficiency, and climate change and disaster resiliency
GOAL 12: Responsible Consumption and Production	*Sustainable water and wastewater management*	12.2: Achieve the sustainable management and efficient use of natural resources
	Pollution prevention & control	12.4: Achieve environmental management of chemicals and all wastes, and reduce their release to air, water and soil
	Circular economy adapted products, production	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action	*Climate adaptation and resilience*	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
GOAL 14: Life Below Water	*Terrestrial and aquatic biodiversity conservation*	14.2: Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts
GOAL 15: Life on Land	*Environmentally sustainable management of living natural resources*	15.2: Promote the implementation of sustainable management of all types of forests
		15.B: Mobilize resources to finance sustainable forest management and provide adequate incentives to emerging markets to advance such management

The United Nations' Sustainable Development Goals mapping in this SPO considers the eligible project categories (or key performance indicators) and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 2 — Summary of eligible categories in BNS's framework

Eligible categories	Description	Sustainability objectives	Impact reporting

Low-carbon energy	Eligible Assets related to the acquisition, development, refurbishment, manufacturing, construction, operation, and maintenance of the following low carbon energy sources:
	
	Electricity Generation
	• Wind
	• Solar
	  • Photovoltaic generation facilities
	  • Concentrated solar power facilities
	• Hydropower
	• Ocean power
	• Geothermal with direct emissions less than 100g CO_2e/kWh
	• Biomass or biogas power with lifecycle emissions less than 100g CO_2e/kWh
	  • Feedstock is from waste materials, or
	  • Feedstock from certified sustainable crops
	
	Transmission and Distribution
	• Electricity transmission and distribution infrastructure and equipment that complies with at least one of the following criteria:
	  • Average system grid emissions factor is below the threshold value of 100 gCO_2e/kWh, over a rolling five-year period, or
	  • Over 67% of newly enabled generation capacity is below the generation threshold value of 100 gCO_2e/kWh, over a rolling five-year period
	• Development or improvement of existing or new transmission and distribution systems dedicated to connecting renewable energy generation capacity to the grid
	  • Note: Direct connection of fossil fuel power plants to the grid will be excluded
	
	Green Hydrogen and Ammonia
	• Production, transport, distribution, or use of the following:
	  o Hydrogen produced through electrolysis powered by renewable energy sources
	• Ammonia produced from hydrogen that complies with the above criteria
		Climate change mitigation	• CO_2 emission avoided (tCO_2e)
			• Total installed capacity (MW)

Energy efficiency	Eligible Assets related to projects, products or systems that contribute to reduced energy consumption, and the management and storage of energy, including:
	
	• Energy efficiency projects that result or are expected to result in a minimum 30% energy efficiency improvement including:
	  • Efficiency improvements for transmission and distribution of energy
	  • Centralized energy control systems, purchase of efficient industrial appliances, smart meters, HVAC systems, grid technology and energy efficient lighting (LED)
	  • Mobile network updates to reduce energy consumption, such as (but not limited to) replacement of legacy copper wiring with fiber optic networks, replacement of legacy 2G and 3G networks with 5G and LTE networks
	  • Software aimed at reducing power consumption, server virtualization, and remote data management of mobile networks
	• Energy storage systems connected to low carbon energy or grids with average system grid emissions factor less than 100gCO_2e/kWh, over 5-year rolling period
	• District heating and cooling distribution networks that use greater than 90% renewable fuel sources and/or waste heat
		Climate change mitigation	• CO_2 emission avoided (tCO_2e)
			• Expected Energy savings per year (MWh)

Eligible categories	Description	Sustainability objectives	Impact reporting
Nuclear energy	**Note: Scotiabank shall identify at issuance if it intends to finance eligible nuclear energy projects with the proceeds of a given instrument.** Eligible Assets related to the acquisition, development, refurbishment, manufacturing, construction, operation, and maintenance of nuclear energy: • Development and safe operation of new and existing nuclear projects: • New installations to produce electricity • New installations for process heat for district heating, industrial processes • Increasing operational lifespan or output of existing facilities, component replacement of existing facilities, while maintaining or improving operational safety • Research and development of advanced technologies that produce energy from nuclear processes with minimal waste from the fuel cycle • All nuclear related projects will go through environmental & social risk management review and will be financed only in jurisdictions in which processes are in place to pursue viable options for the secure, long-term storage of high-level radioactive waste	Climate change mitigation	• Installed capacity refurbished/impacted by investments (MW) • Expected production (GWh/year)
Green buildings	Eligible Assets related to the acquisition, development, construction, renovation, operation, and maintenance of residential and commercial buildings that have achieved one of the following criteria: • Received or expect to receive based on their design, construction or operation plans, certification according to third party verified building standards or other relevant international equivalent including: • LEED • Gold or Platinum for all properties other than industrial and data centers • Silver for the following- Data centers, Industrial buildings designed to achieve a minimum 20% energy efficiency improvement • ENERGY STAR (minimum score of 85) • BOMA BEST (Gold or Platinum) • BREEAM (Excellent or Outstanding) • CaGBC Zero Carbon Building • Data centers with a power usage effectiveness (PUE) of below 1.5 and that have received or expect to receive, based on their design, construction or operation plans, eligible certifications listed above • Refurbishment projects that achieve, or intend to achieve, energy savings or emission reduction of at least 30%, based on a third-party assessment • A top 15% energy-performing building in the relevant national or regional building stock	Climate change mitigation	• CO_2 emission avoided (tCO_2e) • Floor space of green real estate (m2)

Eligible categories	Description	Sustainability objectives	Impact reporting
Pollution prevention & control	Eligible Assets related to the acquisition, development, construction, operation, and maintenance of land, facilities, systems, or equipment used for prevention, collection, remediation, treatment of contaminated soil, or reduction and recycling of waste: • Soil remediation projects where the remediation is not related to the contamination or negative environmental externality from the borrower's own activities • Processes, infrastructure, and technology that facilitate recycling and waste reduction • Facilities, systems, and equipment that are used to collect and divert waste from landfills and support the segregation of waste • Treatment of bio-waste through anaerobic digestion in dedicated plants that segregate recyclables from the feedstock and produce / utilize biogas and digestate where methane emissions are less than 1285g CH_4/tonne of waste input or 100g CO_2e/kWh • Treatment of bio-waste through composting (aerobic digestion) in dedicated facilities that produce / utilize compost • Biogas capture and/or production of biogas (biosynthetic, renewable natural gas) through landfill gas capture from closed or decommissioned landfill with gas capture efficiency greater than 75% for power and heat Activities related to the acquisition, construction, research, development, infrastructure, operation and maintenance of carbon capture, utilization and storage (CCUS) facilities, systems, or equipment including: • CCUS and direct air capture projects with dedicated geological storage or storage of CO_2 in concrete • Note: CCUS for upstream enhanced oil recovery is excluded	Pollution prevention and control; Climate change mitigation	• CO_2 emission avoided (tCO_2e) • Waste diverted from landfill (tonnes)
Environmentally sustainable management of living natural resources	Eligible Assets related to the sustainable management of living natural resources and land use, as well as the protection or restoration of natural ecosystem, through: **<u>Sustainable Food and Agriculture</u>** • Certified agricultural crop production (e.g., Canada Organic; USDA Organic; Round Table on Responsible Soy Association Standard (RTRS); among others) • Programs to promote regenerative farming practices • Techniques and equipment that improve conventional agricultural crop production • Integrated cropland-livestock-forestry systems that utilize sustainable forestry management plans for smallholders, • Climate smart farm inputs, such as Rainforest Alliance certified biological crop protection • Certified environmentally sustainable fishery and aquaculture operations (e.g. Marine Stewardship Council (MSC) and Global G.A.P for Aquaculture Integrated Farm Assurance for Aquaculture, among others) **<u>Sustainable Forest Management</u>** • Commercial forests and sustainable forest management certified with Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) • Afforestation or reforestation of native forests and/or high conservation value forests • Preservation, restoration, or expansion of natural landscapes	Natural resource conservation	• Total surface financed (hectares)

Eligible categories	Description	Sustainability objectives	Impact reporting

Clean transportation	Eligible Assets related to transport assets and the acquisition, development, manufacturing, construction, operation and maintenance of infrastructure dedicated to low-carbon transport:
	• Electric and hydrogen fuel cell vehicles
	• Electric vehicle charging stations for private and public transport
	• Public transportation:
	  • Electrified rail, trams, and trolleybuses
	  • Passenger rail that meets a universal direct emission threshold of <50g CO_2e/pkm (0g CO_2/pkm from 2025)
	  • Freight rail (<25g CO_2e/tkm; 0g CO_2e/tkm after 2025)
	  • Hybrid buses (<50 gCO_2e/pkm; 0g CO_2e/pkm after 2025)
	  • Activity mobility infrastructure such as public walking and cycling
	• Cargo and passenger ships and supporting infrastructure:
	  • Zero-emission and low-carbon vessels powered by electricity, green hydrogen or green ammonia
	  • Supporting infrastructure for eligible vessels, such as facilities to refuel green hydrogen and green ammonia, batteries, supporting renewable power use
		Climate change mitigation	• CO_2 emission avoided (tCO_2e)
			• New clean transportation infrastructure built (km)

Terrestrial and aquatic biodiversity conservation	Eligible Assets related to the enhancement or conservation of terrestrial or aquatic biodiversity including: • Protection, conservation, and restoration of coastal, marine and watershed environments • Wildlife habitat management, rehabilitation, restoration, and conservation of ecosystems from a degraded state and rewilding projects • Restoration of upland and lowland peatlands to enhance the sequestration and long-term storage of carbon from the atmosphere	Biodiversity conservation	• Total surface financed (hectares)
Sustainable water and wastewater management	Eligible Assets related to the improvement of water quality, conservation, and/or efficiency, where water and wastewater efficiency projects result in a 20% improved energy efficiency or water efficiency through reduced leakage: • Collection, treatment, recycling, or reuse of water, rainwater, or wastewater including wastewater treatment systems and desalination plants • Water supply infrastructure and distribution systems with improved efficiency • Water capture, storage and distribution including storm water management systems • Water metering activities to support conservation and water-use efficiency	Pollution prevention and control; Natural resource conservation	• Volume of water saved/reduced/treated (m^3) • Total population served by the system

Eligible categories	Description	Sustainability objectives	Impact reporting
Circular economy adapted products, production technologies, and processes	Eligible Assets related to promoting a circular economy including the design, development, manufacturing and/or distribution of circular economy adapted products, production technologies and processes, including: • Research and Development ("R&D") for products, processes and technologies using bio-based materials (such as biopolymers/bioplastics) • R&D for mechanical and molecular recycling capabilities, such as polyester renewable technology and carbon renewal technology • Procurement of recycled / waste / resource-efficient materials as an input • Production of new resource-efficient/low-carbon bio-based products that are Roundtable on Sustainable Biomaterials (RSB)-certified • Production of end-use plastic products with i) at least 90% of recycled, renewable and/or bio-based input, and ii) at least 90% is not intended for single use consumer products, and iii) all products are recyclable • Refurbishment, reconditioning and repairing of products for reuse given their original purpose is retained with minimal requirement of pre-processing • Procurement of recycled and reusable packaging made from certified sustainable paper products such as FSC	Circular economy of products	• Circular materials or circular design components produced (volume or %) • Volume of recycled/waste/resource-efficient materials used as input (tons) • Types of R&D of processes, products and technologies using bio-based materials
Climate adaptation and resilience	Eligible Assets related to measures that contribute to reducing vulnerability to climate change impacts based on vulnerability assessments and adaptation plans: • Climate change adaptation infrastructure for natural disasters, such as flood defense, early warning systems and wildfire mitigation and management • Development and/or use of information and communications technology solutions for the purpose of collecting, transmitting, storing, and using data to facilitate climate adaptation and resilience	Climate change adaptation	• Area protected (m3) • Number of adaptation and resilience measures installed (#) • Types of adaptation and resilience measured installed
Access to essential services	Eligible Assets related to existing or new development, construction, operation, renovation and/ or maintenance of facilities, services, systems, or equipment for public, subsidized and/or non-profit facilities that provide access and affordability to target populations, including: HEALTHCARE: • Hospitals, clinics, health-care centres, hospices, and medical and diagnostic equipment • Mental healthcare services (e.g., medical hospitals, psychiatric, and substance abuse facilities) • Public health systems, including emergency response and disease control services • Health and medical education, including emergency medical response training • Healthcare and medical research • Investments in digital healthcare which expands and augments healthcare service delivery provided by public, subsidized and/or non-profit facilities CARE CENTRES: • Facilities and services for elder care, childcare and refugees • Development of and free/discounted access to recreation centers, cultural centers, museums, and libraries in target areas or for target populations EDUCATION: • Universities, colleges, schools, and early learning services • Activities that target inclusion of excluded and/or marginalized populations in the education system • Investments in digital learning which expands, and augments education service delivery provided by public, subsidized and/or non-profit facilities	Access to essential services	HEALTHCARE • Number of hospitals and other healthcare facilities built or refurbished (#) • New or improved service provided by number of beds (#) • Number of patients served (#) CARE CENTRES • Number and type of facilities built or refurbished (#) • Number of children, refugees and elderly served (#) EDUCATION • Number of educational institutions funded by type and location (#) • Number of students served (#)

Eligible categories	Description	Sustainability objectives	Impact reporting
Affordable housing	Eligible Assets related to existing or new development, construction, operation, renovation and/or maintenance of facilities, services, systems, or equipment used for accredited or registered affordable housing, halfway homes and shelters based on local or regional classification systems, or that contribute access to low-income population, including: • Rent-to-own programs for qualifying individual or family households whose income is below 80% area median income ("AMI") or 120% of AMI in high-cost areas and where rents are ≤30% pre-tax income • Public and/or private programs that facilitate affordable housing for low-to-moderate income individuals in regions that economically underperform or suffer from multiple deprivations as measured in the local context	Affordable housing	• Number of affordable/community housing units built or refurbished (#) • Number of people with access to safe, affordable and sustainable housing (#)
Affordable basic infrastructure	Eligible Assets related to the development, construction, operation, renovation and/or maintenance of facilities, services, systems, or equipment used for: • Development of infrastructure to provide underserved/remote communities that have limited access or no access to services such as clean drinking water, sewers, sanitation, transportation, energy and telecommunication infrastructure and services	Affordable basic infrastructure	• Additional people served by infrastructure type (#)
Women-owned businesses	Eligible Assets related to supporting micro-, small- and medium-sized enterprises (SMEs) which are at least 50% owned or led by women.	Socioeconomic advancement and empowerment	• Number of loans provided (#) • Value of loans provided ($) • Number of women-owned businesses financed (#) • Number of women entrepreneurs supported (#) • Number of jobs supported (#)
Leadership in diversity & inclusion	Eligible Assets related to supporting SMEs or projects demonstrating advancements in diversity and inclusion as identified and quantified through third party assessments or certifications. Diversity can include gender, ethnicity, visible minorities, sexual orientation and able-bodiedness, among other types.	Socioeconomic advancement and empowerment	• Number of loans provided (#) • Number of businesses supported (#) • Average performance of businesses on key diversity & inclusion metrics

Eligible categories	Description	Sustainability objectives	Impact reporting
Creating economic resilience	Eligible Assets related to supporting enterprises, organizations and/or governments, which support the socioeconomic development of Indigenous peoples, or excluded and/or marginalized populations and communities through: **Access to Capital** • Lending/financing to SMEs in regions that economically underperform or suffer from multiple deprivations as measured in the local context • Assistance provided to Indigenous Peoples, communities and/or government for socio-economic development, including loans supported by Indigenous Financial Services. This includes financing for Indigenous councils, and/or governments, and community owned enterprises. **Initiatives Which Promote Economic Opportunities or Alleviate Economic Hardship** • Programs designed for an emergency response to a crisis (economic or health, for example) to alleviate unemployment and/or provide support for individuals and businesses • Projects and investments which increase access to banking services for underbanked populations	Socioeconomic advancement and empowerment	• Number of loans provided (#) • Value of financing provided ($) • Number of Indigenous owned businesses financed (#) • Number of Indigenous communities supported (#) • Number of jobs supported (#) • Number and type of programmes funded (#)
Food security and sustainable food systems	Eligible Assets related to supporting sustainable food systems, food security, and reducing food loss and waste, including: • Programs that increase the provision of safe meals for vulnerable groups including low-income populations in regions of financing (e.g., food banks, food stamp programs) or to areas with a need to tackle food security • Financing or training programs to smallholder and small-scale farmers, such as: • Training to increase nutritional quality of agricultural products • Equipment and facilities that help prevent food loss and waste, improve productivity, and increase market access for farmers; and infrastructure and facilities such as warehouses to provide adequate storage, improve food conservation or improve connectivity in the food chain to avoid food losses.	Food security and sustainable food systems	• Number of programs installed (#) • Number of people from low-income populations and vulnerable groups supported (#)

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.
2 International Energy Agency, Net Zero by 2050, accessed December 2023
3 International Energy Agency, Net Zero by 2050, accessed December 2023
4 Canada's deep geological repository, The Nuclear Waste Management Organization, accessed March 2024.
5 Natural Resources Canada, Energy Fact Book 2023-2024, accessed December 2023
6 Intergovernmental Panel on Climate Change, Sixth Assessment Report: Chapter 7: Agriculture, Forestry, and Other Land Uses, accessed December 2023
7 International Energy Agency, Transport, accessed December 2023
8 International Energy Agency, International Shipping, accessed December 2023
9 International Energy Agency, Buildings, accessed March 2024
10 Government of Canada, Green buildings principles, accessed March 2024
11 Uptime Institute, Global Data Center Survey 2022, accessed December 2023
12 Environment and Climate Change Canada, Economic Study of the Canadian Plastic Industry, Markets and Waste, accessed December 2023
13 Government of Canada, Key Small Business Statistics 2022, accessed March 2024
14 U.S. Chamber of Commerce, Small Business Data Center, accessed March 2024
15 Inter American Development Bank, MSME Financing Instruments in Latin America and the Caribbean during COVID-19, accessed March 2024
16 Innovation, Science and Economic Development Canada, Ownership Demographics Statistics 2022, accessed December 2023
17 CEPAL, Sectors and businesses facing COVID 19: emergency and reactivation, 2 July 2020, accessed December 2023
18 Statistics Canada, Food insecurity among Canadian families, accessed December 2023
19 U.S. Department of Agriculture, Food Security in the U.S., accessed December 2023
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