

Green Bond Framework

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Introduction

Scotiabank is Canada’s international bank and a leading financial services provider in the Americas. We are dedicated to helping our more than 25 million customers become better off through a broad range of advice, products and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets. Scotiabank trades on the Toronto Stock Exchange (TSX: BNS) and New York Stock Exchange (NYSE: BNS).

Scotiabank seeks to create value for our customers, society, our employees, and our shareholders by adhering to a robust Sustainable Business strategy. As part of our commitment to sustainable business initiatives, we are supporters, signatories or members of the following:



The United Nations has established 17 Sustainable Development Goals (SDGs) which serve as the blueprint to achieve a better and more sustainable future for all. Of the 17 SDGs, we identified six in which we can make the most progress:



We believe that the long-term success of our Bank and the world around us are fundamentally intertwined.

We strive to ensure we are addressing the Environmental, Social and Governance (ESG) topics that matter most to our business and to our stakeholders, and on which we stand to make the greatest positive impact. That’s a Sustainable Business.



The four pillars of our Sustainable Business strategy – Trust, Climate Change, Economic Inclusion and Young People – are the lens through which we create economic, social and environmental value for our customers, employees, communities and our planet, while also delivering returns for our shareholders.

Trust	Building and enhancing trust by acting with integrity in everything that we do
Climate Change	Supporting the transition to a low-carbon economy
Economic Inclusion	Enabling economic inclusion for our customers and employees
Young People	Supporting young people in the community with resources to shape their future

Climate Change is one of the most pressing challenges of our time, and addressing it is an essential part of creating a sustainable future. As a bank we can play a fundamental role in the transition towards a low-carbon economy.

To further our commitment to addressing Climate Change and in support of SDG #13 on Climate Action, Scotiabank has established a Green Bond Framework.

This Green Bond Framework will allow Scotiabank to utilize the debt capital markets for climate change and energy transition solutions in line with the internationally recognized Green Bond Principles, doing our part to building a sustainable future.

Scotiabank Green Bond Framework



Scotiabank has prepared this Green Bond Framework (“the Framework”) in line with the ICMA Green Bond Principles 2018, with the following four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting





Scotiabank’s Green Bond Framework allows the bank to issue Green Bonds under different formats, including public or private placements.







1. Use of Proceeds

An amount equivalent to the net proceeds of Scotiabank’s Green Bond will be allocated exclusively to finance or refinance, in whole or in part, new or existing Eligible Green Assets, which refer to loans made by Scotiabank for assets, businesses or projects that meet Scotiabank’s Green Bond Framework Eligibility Criteria as defined below.

A business will be considered eligible for financing using a Scotiabank Green Bond only if it derives 90% or more of its revenues from activities in the below list of eligible categories.

1.1 Eligibility Criteria

Eligible Categories	Description
 Renewable Energy	Loans related to the acquisition, development, manufacturing, construction, operation and maintenance, distribution and transmission of renewable energies such as: <ul style="list-style-type: none"> • Offshore and Onshore Wind • Concentrated Solar Power • Solar Photovoltaic • Tidal • Geothermal • Small scale hydro (<25 MW) and run-of-river • Waste Biomass
 Energy Efficiency	Loans related to activities that contribute to the reduction of energy consumption and help manage and store energy such as: <ul style="list-style-type: none"> • Energy efficient investments in new or refurbished buildings which result in energy savings higher than 20%; including but not limited to retrofit, thermal insulation and/or upgrade of air conditioning system • Energy Storage Systems • Energy Efficient Lighting (LED lighting) • Energy Efficient District Heating and Cooling • Smart grid investments for more efficient transmission and distribution of energy
  Pollution prevention and control	Loans related to activities that contribute to soil remediation, waste prevention and collection, waste reduction and waste recycling such as: <ul style="list-style-type: none"> • Development, operation and upgrade of recycling (metals, plastic and paper) plants • Facilities, systems and equipment that are used to divert waste from landfills

Eligible Categories	Description
<p>Environmentally sustainable management of living natural resources and land use</p> 	<p>Loans related to activities that contribute to the sustainable management of living natural resources and land use as well as the natural ecosystem protection or restoration such as:</p> <ul style="list-style-type: none"> • Environmentally sustainable agriculture certified by recognized third-party certifications such as EU Organic, USDA Organic or Canada Organic • Environmentally sustainable animal husbandry certified by recognized third-party certifications such as Rainforest Alliance or Fairtrade • Climate smart farm inputs such as biological crop protection certified by recognized third-party certifications such as Rainforest Alliance or Fairtrade • Environmentally sustainable fishery and aquaculture, certified by recognized third-party certifications such as Marine Stewardship Council, Aquaculture Stewardship Council or Friend of the Sea • Sustainable forest management, including afforestation or reforestation, and certifications to recognized third-party standards such as Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) • Preservation or restoration of natural landscapes (habitat is appropriate for the location and is maintained in good health)
<p>Terrestrial and aquatic biodiversity conservation</p> 	<p>Loans related to activities that contribute to the enhancement or conservation of terrestrial or aquatic biodiversity, such as:</p> <ul style="list-style-type: none"> • Protection of coastal, marine and watershed environments certified by credible third-party certifications such as the Marine Stewardship Council
<p>Clean Transportation</p> 	<p>Loans related to low carbon transport assets and the acquisition, development, manufacturing, construction, operation and maintenance of infrastructure dedicated to low-carbon transport such as:</p> <p>Private Transport</p> <ul style="list-style-type: none"> • Electric vehicles • Hybrid vehicles (with CO₂ emission threshold of <75gCO₂/p-km) • Charging stations <p>Public Transport</p> <ul style="list-style-type: none"> • Train: Rolling stock and vehicles for electrified public transport, such as electrified rail, trams, and trolleybuses • Buses with no direct emissions (electric or hydrogen). Hybrid buses (same threshold as above) • Transportation infrastructure (expansion of metro/train network, station upgrade)
<p>Sustainable Water and Wastewater Management</p>  	<p>Loans related to activities that improve water quality, distribution efficiency and conservation, such as:</p> <ul style="list-style-type: none"> • Flood prevention, flood defence or storm water management subject to appropriate environmental assessments, internal approvals and external certifications • Water treatment infrastructure, including wastewater treatment systems • Water distribution systems with improved efficiency • Water capture and storage infrastructure, including storm water management systems, water distribution systems, aquifer storage, and sewer systems
<p>Green Buildings</p> 	<p>Loans related to existing or new construction/renovation of residential and commercial buildings that have received or expect to receive based on the design, construction or operation plans any of the following certifications:</p> <ul style="list-style-type: none"> • Leadership in Energy and Environmental Design (LEED) Gold or Platinum, Energy STAR (minimum of 75), Building Owners and Managers Association (BOMA) Gold or Platinum, Building Research Establishment Environmental Assessment Method (BREEAM) Excellent or Outstanding (or equivalent internationally recognized standards)

1.2 Exclusionary Criteria

Scotiabank has developed a list of exclusionary criteria for the proceeds of its Green Bond. Scotiabank commits itself to not knowingly be involved in financing any of the following projects or activities through the proceeds of its Green Bond:

- Weapons
- Tobacco
- Gambling
- Adult entertainment
- Predatory lending

2. Process for Project Evaluation and Selection

Project evaluation and selection is a key process in ensuring that the projects financed by the Green Bond meet the criteria in Scotiabank's Green Bond Framework.

The Bank's Asset & Liability Committee (ALCO) will oversee the implementation of the Framework. ALCO voting members include the CFO, CRO, Treasurer, and business line heads.

On a semi-annual basis and with the support and advice from Scotiabank's Environmental & Social Risks and Opportunities team and the Sustainable Business team, ALCO will be responsible for:

- Review and approval of the pool of Eligible Green Assets and any additions to the pool;
- Review and approval of the Green Bond Framework and any changes to the Framework;
- Review and approval of the Green Bond Annual Report for investors;
- Review of the Post Issuance External Verification Report and resolution of any issues that arise;
- Monitor any ongoing evolution related to Green Bond market practices

All Eligible Green Assets are subject to a consistent review with Scotiabank's applicable environmental and social risk management policies.

3. Management of Proceeds

Scotiabank's Treasury team is in charge of monitoring the allocation of the proceeds to the Eligible Green Assets on a nominal equivalence basis, as well as managing the Eligible Green Asset Portfolio.

The net proceeds from Scotiabank's Green Bond will be deposited in the general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Assets Portfolio.

The balance of the tracked proceeds should be adjusted on a quarterly basis, in order to match the allocation to Eligible Green Assets re/financed during this period.

The net proceeds can be attributed to Eligible Green Assets originated or refinanced up to 36 months before the issuance of the Green Bond.

Scotiabank will use its best efforts to substitute any Eligible Green Assets that are no longer eligible, as soon as practical once an appropriate substitution option has been identified.

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

Unallocated Proceeds

Pending the allocation or reallocation, as the case may be, of the net proceeds, Scotiabank will invest the balance of the net proceeds, at its own discretion, in cash and/or cash equivalents and/or other liquid marketable instruments, consistent with the Bank's liquidity management activities.

4. Reporting

A year after the Green Bond's issuance date, and every year thereafter until full allocation of the bond, Scotiabank will update investors on how the bond proceeds are allocated and share information on loans financed by the bond, in its Green Bond Annual Report. Reporting will be produced at the relevant Green Category level. The Green Bond Annual Report will include the information below, and will be readily available on the corporate website: <https://www.scotiabank.com/ca/en/about/investors-shareholders/fixed-income-investors.html>

4.1 Allocation Reporting

Scotiabank will provide investors with a Green Bond Annual Report on the allocation of the proceeds. The reporting will provide the following information:

- Net proceeds raised from each Scotiabank Green Bond;
- Aggregate amounts of funds allocated to each of the Eligible Categories;
- The balance of unallocated proceeds at the reporting period end;
- The portion of net proceeds used for financing vs. refinancing.

4.2 Impact Reporting

Scotiabank will also report on relevant environmental impact metrics where feasible, and it will disclose measurement methodology for quantitative indicators. Below are examples of impact indicators that may be reported:

Eligible Categories	Potential Quantitative Performance Measures
Renewable Energy	<ul style="list-style-type: none"> • CO₂ emission avoided (tCO₂ e) • Total installed capacity (MW)
Energy Efficiency	<ul style="list-style-type: none"> • CO₂ emission avoided (tCO₂ e) • Expected Energy savings per year (MWh)
Pollution prevention and control	<ul style="list-style-type: none"> • CO₂ emission avoided (tCO₂ e) • Waste diverted from landfill (tonnes)
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Total surface financed (hectares)
Terrestrial and aquatic biodiversity conservation	<ul style="list-style-type: none"> • Total surface financed (hectares)
Clean Transportation	<ul style="list-style-type: none"> • CO₂ emission avoided (tCO₂ e) • New clean transportation infrastructure built (km)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Volume of water saved/reduced/treated (m³) • Total Population served by the system
Green Buildings	<ul style="list-style-type: none"> • CO₂ emission avoided (tCO₂ e) • Floor space of green real estate (m²)

4.3 External Review

Second-Party Opinion

Scotiabank has obtained a Second-Party Opinion from Sustainalytics on this Green Bond Framework.

Post-Issuance External Verification

On an annual basis, an external auditor will verify the tracking of the bonds' proceeds and the conformance with the Framework of the selected Eligible Green Assets and provide a third party assurance.

Disclaimer

This Green Bond Framework is provided for informational purposes only and is subject to change without notice.

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The future outcomes that relate to forward-looking statements may be influenced by many factors including but not limited to: credit, market, liquidity and funding, insurance, operational, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive and systemic risks. These and other factors may cause the Bank’s actual performance to differ materially from that contemplated by forward-looking statements. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank’s results, for more information, please see the Bank’s most recent Annual Report, as may be updated by quarterly reports. When relying on the forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors. Except as required by law, the Bank does not undertake to update any forward-looking statement in this document.



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