

Second-Party Opinion

Scotiabank Green Bond

Evaluation Summary

Sustainalytics is of the opinion that the Scotiabank Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that projects in the areas of renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, and green buildings will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goals 6, 7, 11, 12, 14, and 15.



PROJECT EVALUATION / SELECTION Scotiabank’s Asset & Liability Committee, which includes senior executives, is charged with reviewing and approving eligible assets, as well as ongoing oversight and the coordination of reporting. This is in line with market practice.



MANAGEMENT OF PROCEEDS Scotiabank’s Treasury team is responsible for the management of proceeds, and will earmark an amount equivalent to the net proceeds for allocation to eligible green assets originated or refinanced no more than 36 months prior to issuance. Allocations will be tracked on a quarterly basis, and Scotiabank will, on a best efforts basis, substitute other assets should a given loan no longer be considered eligible. This is in line with market practice



REPORTING Scotiabank has committed to annual allocation and, where feasible, impact reporting. Allocation reporting will be provided at the category level, and will also disclose the balance of unallocated proceeds. Impact reporting will include relevant quantitative performance indicators. This is in line with market practice.

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Issuer Location	Toronto, Canada

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For inquiries, contact the Sustainable Finance Solutions project team:

Zach Margolis (Toronto)
 Project Manager
 zach.margolis@sustainalytics.com
 (+1) 647 695 4341

Jean-Claude Berthelot (Amsterdam)
 Client Relations
 susfinance.emea@sustainalytics.com
 +44 20 3880 0193

Introduction

The Bank of Nova Scotia (“Scotiabank” or the “Bank”) is a Canadian financial institution, offering personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets services to over 25 million customers. Founded in 1832, as of December 2018, Scotiabank is the third-largest bank in Canada by both assets and market capitalization.

Scotiabank has developed the Scotiabank Green Bond Framework (the “Framework”) under which it intends to issue green bond(s) and use the proceeds to finance or refinance, in whole or in part, existing and future loans to eligible projects and/or businesses which support action on climate change. The Framework defines eligibility criteria in eight areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Environmentally sustainable management of living natural resources and land use
5. Terrestrial and aquatic biodiversity conservation
6. Clean Transportation
7. Sustainable Water and Wastewater Management
8. Green Buildings

Scotiabank engaged Sustainalytics to review the Scotiabank Green Bond Framework dated June 2019, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Scotiabank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Bank’s green bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Scotiabank Green Bond Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Scotiabank Green Bond Framework is available on Scotiabank’s website at <https://www.scotiabank.com/ca/en/about/investors-shareholders/fixed-income-investors.html>

Sustainalytics' Opinion

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

Summary

Sustainalytics is of the opinion that the Scotiabank Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018. Sustainalytics highlights the following elements of Scotiabank's Framework:

- Use of Proceeds:
 - The eight use of proceeds categories are recognized as impactful by the GBP.
 - Scotiabank has specified as eligible wind (on- and off-shore) and solar power (concentrated and photovoltaic); these projects are generally considered to have positive environmental impacts. The Framework also allows for the inclusion of:
 - hydropower, with the additional criteria that it must be either <25MW in capacity or run of river. Sustainalytics considers these additional criteria to appropriately mitigate risk.
 - biomass from waste sources. Sustainalytics views positively that Scotiabank has defined that all biomass will be from waste sources, however notes that no emissions thresholds have been established and that providing such thresholds would increase transparency.³
 - geothermal. Sustainalytics views positively the inclusion of geothermal projects, which generally have overall positive environmental benefits, however notes that no emissions thresholds have been established and that providing such thresholds would increase transparency.⁴
 - Regarding clean transportation projects, Scotiabank has established emissions thresholds on a gCO₂/p-km or gCO₂/t-km basis, which apply to both private transport and public transit.⁵ Sustainalytics considers the use of the qualifications, including the levels chosen, to be aligned with market practice.
 - The Framework defines eligible green buildings as those that have achieved certification from LEED (minimum Gold), BOMA (minimum Gold), BREEAM (minimum Excellent), or EnergySTAR (minimum 75), or equivalent standards on other internationally recognized schemes. Sustainalytics views these certifications as credible, and the levels selected as impactful. See Appendix 1 for further description of the referenced schemes.
 - Sustainalytics notes positively that the Framework defines quantitative thresholds, namely 20%, for energy efficiency improvements, as well as specifying technologies which are considered to provide environmental benefits such as energy storage and LED lighting.
 - Sustainalytics views positively that Scotiabank intends to use recognized sustainability certifications to determine the eligibility of assets in the areas of environmentally sustainable management of living natural resources and land use and terrestrial and aquatic biodiversity conservation, including:
 - Loans to fishery-related assets certified by the Marine Stewardship Council, Aquaculture Stewardship Council, or the Friend of the Sea shall be considered eligible. Sustainalytics considers these certifications to be indicative of net-positive overall impacts;⁶ refer to Appendix 2 for further overview of these schemes.

³ Based on the work of the Climate Bonds Initiative, Sustainalytics considers biomass projects with lifecycle emissions of >100 g CO₂/kWh to be aligned with a two-degree global warming scenario, and representative of best practice in the green bonds market.

⁴ Based on the work of the Climate Bonds Initiative, Sustainalytics considers geothermal energy projects with direct emissions of >100 g CO₂/kWh to be aligned with a two-degree global warming scenario, and representative of best practice in the green bonds market

⁵ The Framework references the Climate Bonds Initiatives thresholds for transportation, which align with a 2-degree-compliant emissions trajectory. For 2020, these thresholds are 75gCO₂/passenger-km and 25gCO₂/tonne-km.

⁶ The Framework does not exclude ASC certifications granted with a variance from the standard. Sustainalytics encourages the bank to prioritize bond allocations to companies with full and complete ASC certifications so as to ensure full alignment with the standard. A list of variance requests and variances previously granted is available on ASC's website: <http://variance-requests.asc-aqua.org/>

- Loans to forestry assets certified by the Forestry Stewardship Council or the Programme for the Endorsement of Forest Certification shall be considered eligible. Sustainalytics considers these certifications to be indicative of net-positive overall impacts; refer to Appendix 3 for further overview of these schemes.
- Loans to environmentally sustainable agriculture, and associated activities, certified organic by USDA Organic, EU Organic, or Canada Organic, as well as those with certifications from the Rainforest Alliance or Fairtrade. Sustainalytics considers these certifications to be indicative of positive impacts in relation to the agricultural sector;⁷ refer to Appendix 4 for further overview of these schemes.
- In the area of water infrastructure, the Framework allows for the inclusion of projects that improve water use efficiency and those related to flood prevention and stormwater management. Sustainalytics recognizes the potential environmental benefits of these assets, and in particular notes positively that flood and stormwater projects will require appropriate risk assessments and that distribution systems are specified to be those that improve water efficiency or quality.
- Sustainalytics recognizes that the GBP prefer project-based lending and financing, and that there is, in general, less transparency with non-project-based lending. While the Framework allows for general purpose lending to pure-plays, Sustainalytics views favourably the high threshold (90% of revenue) that Scotiabank has established in order to deem a company eligible for inclusion.
- Project Evaluation and Selection:
 - Scotiabank has charged its Asset & Liability Committee (ALCO) with the overall oversight of its green bond programme. The ALCO consists of the CFO, CRO, Treasurer, and business line heads, and will consult with the Environmental & Social Risk and Opportunities and Sustainable Business teams as needed to verify the eligibility of assets.
 - The ALCO, with support from both the Environmental & Social Risk and Opportunities and Sustainable Business teams, will also be responsible for post-issuance review and ongoing monitoring of market practices which may affect the Framework, while the Treasury team will be responsible for ongoing monitoring of green assets.
 - Based on the clear delegation of authority, which includes senior executives, Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
 - The net proceeds of the Green Bond will be deposited in Scotiabank's general account, and earmarked for allocation to the eligible assets. Scotiabank's Treasury team will be responsible for monitoring green bond allocations and adjusting on a quarterly basis to ensure that the amount allocated matches the balance of proceeds.
 - Assets originated or refinanced up to 36 months prior to issuance of the green bond shall be considered eligible for inclusion in the portfolio, and Scotiabank will, on a best efforts basis, substitute other eligible assets should a green asset no longer be considered eligible. Pending allocation, proceeds will be held in line with the Bank's liquidity management activities.
 - Based on the commitment to ongoing monitoring by the Treasury team, and the formalization of a look-back period, Sustainalytics considers this to be in line with market practice.
- Reporting:
 - Scotiabank has committed to reporting on an annual basis, until full allocation of the bond.
 - Allocation reporting will include the net proceeds from each green bond, the amount allocated to each eligible category, the balance of unallocated proceeds, and the share of financing vs. refinancing.
 - Impact reporting will be provided where feasible, and will include relevant quantitative metrics and methodological disclosure. The Framework includes a list of potential indicators.
 - Based on the commitment to annual reporting, and the intention to disclose quantitative performance indicators where feasible, Sustainalytics considers this to be in line with market practice.

⁷ Sustainalytics notes that the requirements for these schemes vary, and that no one scheme is an overall guarantor of strong environmental and social performance across all dimensions of impact that agriculture and related industries may pose. Nevertheless, Sustainalytics considers these certifications to be robust and credible, and supporting positive impacts.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that Scotiabank's Green Bond Framework aligns to the four core components of the Green Bond Principles 2018. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to Scotiabank's sustainability strategy

Scotiabank, strives to take environmental and social issues into consideration when making business decisions.⁸ Through its Sustainable Business Strategy, Scotiabank commits to addressing the ESG topics that are most relevant for their business model and stakeholders.⁹ Within its Environmental Policy,¹⁰ and Code of Conduct,¹¹ the bank also commits to environmental protection, monitoring and addressing the direct and indirect impacts of its operations on the environment.

These commitments are put in practice in the Bank's lending and financing products; Scotiabank notes that it makes investments into sustainable solutions and lending in a manner which mitigates social and environmental risks.¹² In terms of sustainable business, Scotiabank has a focus on a number of environmentally-friendly products and services, such as being the first bank in Canada to introduce a suite of sustainable investing tools for retail investors in its Scotia iTRADE platform¹³ and the CreditAuto program, which provides clients an incentivized credit plan in order to procure a hybrid or electric vehicle and whose bookings increased by 162% compared to the previous year.¹⁴ In its most recent Sustainable Business Report, Scotiabank disclosed that it provided financing for the renewable energy sector worth CAD 8.5 billion in 2018, an almost two-fold increase since 2017, focused in Canada and Latin America.¹⁵

To complement these activities, Scotiabank participates in international initiatives related to environmental and social sustainability; the Bank is a signatory to the Equator Principles and the Principles for Responsible Investment (PRI) and participates in the UNEP Finance Initiative, which provides sustainable business principles for responsible lending. Scotiabank is also a member of the CDP (Carbon Disclosure Project) and the Carbon Pricing Leadership Coalition and Task Force on Climate-Related Financial Disclosures, which are involved in promoting low-carbon policies for enterprises.¹⁶ Scotiabank's ESG performance has been recognized by several sustainability indices, and the Bank is in the top 20% of global financial institutions in ESG practices on the Dow Jones Sustainability Indices.¹⁷

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

⁸ Scotiabank, "2018 Sustainable Business Report", (2018), at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/2018_Sustainable_Business_Report_Final_ENG.pdf.

⁹ Scotiabank, "Our Strategy", at: <https://www.scotiabank.com/corporate/en/home/corporate-responsibility/strategy.html>.

¹⁰ Scotiabank, "2018 Sustainable Business Report, p38", at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/2018_Sustainable_Business_Report_Final_ENG.pdf.

¹¹ Scotiabank, "Code of Conduct", (2018), at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/Code_of_Conduct_EN.pdf.

¹² Scotiabank, "Climate Change", (2018), at: <https://www.scotiabank.com/corporate/en/home/corporate-responsibility/priorities/climate-change.html>

¹³ Scotiabank "Sustainable Investing – Scotia iTrade", <https://www.scotiabank.com/itrade/en/0,11414,00.html>. Sustainalytics notes that it provides the ESG research and ratings that underpin the iTRADE tools.

¹⁴ Scotiabank, "2018 Sustainable Business Report", (2018), at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/2018_Sustainable_Business_Report_Final_ENG.pdf.

¹⁵ Scotiabank, "2018 Sustainable Business Report", (2018), at: https://www.scotiabank.com/content/dam/scotiabank/canada/en/documents/about/2018_Sustainable_Business_Report_Final_ENG.pdf.

¹⁶ Scotiabank, "Our Strategy", at: <https://www.scotiabank.com/corporate/en/home/corporate-responsibility/strategy.html>.

¹⁷ *ibid*

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

While the proceeds from Scotiabank's green bonds will be directed towards eligible projects that will deliver overall positive environmental outcomes, Sustainalytics recognizes that all large investments, in particular those related to infrastructure and construction, may be associated with the risk of negative environmental and social impacts. As a financial institution, Scotiabank has limited involvement in development of specific projects which are financed; some key risks related to the projects that will be financed by loans from Scotiabank include biodiversity loss from infrastructure projects, air, soil and water emissions, workers' health and safety during construction and/or operation, and increased exposure of local communities to adverse effects. Sustainalytics considers that the following mechanisms, circumstances, and procedures which Scotiabank has put in place will help mitigate risks:

- Scotiabank has a global Human Rights Statement across all of its operations. The Statement is signed by their President and CEO. Sustainalytics views this policy as particularly relevant for the mitigation of risks related to labour rights and workplace health and safety.¹⁸
- Scotiabank has internal processes and responsibilities in place, such as an Environmental and Social Risk management team which analyses the potential impact of its financed projects on people and the environment while the banking and credit teams are also required to assess transactions for potential environmental and social risks.
- Scotiabank has enacted policies to mitigate social and employee risk, including a Code of Conduct¹⁹ and Supplier's Code of Conduct,²⁰ which commits the Bank to ensuring occupational health and safety and maintaining a healthy and safe workplace
- Scotiabank is as a signatory to the Equator Principles,²¹ and in its most recent reporting year assessed ten project finance transactions under the Principles.
- In terms of environmental protection, Scotiabank's Environmental Policy²² establishes guidelines in managing its impact on the environment, providing actions that mitigate, prevent and address the negative outcomes.
- Scotiabank also engages with the communities in which it operates, working on initiatives aimed at reducing the environmental impacts of its business and promoting responsible actions.²³

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

Section 3: Impact of Use of Proceeds

All eight use of proceeds categories are recognized as impactful by the GBP. Sustainalytics has focused below on where the impact is specifically relevant based on the markets in which the Bank operates and its potential priority areas for allocation.

The role of financial institutions in financing a climate transition

The financial sector is both particularly susceptible to climate change risk, and uniquely positioned to take actions which will have a positive impact.²⁴ According to a report from the World Energy Agency, in order to achieve the 2°C trajectory envisioned by the Paris Agreement, the amount of annual investment in clean energy and energy efficiency must double from 2014 levels by 2020, reaching US\$790 billion, and increase

¹⁸ Scotiabank, "Scotiabank's Human Rights Statement", (2019), at:

http://www.scotiabank.com/content/dam/scotiabank/canada/common/documents/pdf/Scotiabank_Human_Rights_Statement_Feb2019.pdf.

¹⁹ Scotiabank, "Code of Conduct", (2018), at:

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

²⁰ Scotiabank Corporate Website, "Scotiabank's Supplier Code of Conduct", at: <https://www.scotiabank.com/ca/en/about/inside-scotiabank/vendor-code-of-conduct.html>.

²¹ Scotiabank, "2018 Sustainable Business Report", (2018), at:

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

²² Scotiabank, "Annual Report 2018", (2018), at: https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2018/q4/BNS_Annual_Report_2018.pdf

²³ Scotiabank, "Scotiabank's Human Rights Statement", (2019), at:

http://www.scotiabank.com/content/dam/scotiabank/canada/common/documents/pdf/Scotiabank_Human_Rights_Statement_Feb2019.pdf.

²⁴ Global Risk Institute, "Climate Change: Why Financial Institutions should take note", <https://globalriskinstitute.org/publications/climate-change-why-financial-institutions-should-take-note/>

almost six times by 2035.²⁵ The United Nations Environment Programme Finance Initiative (UNEP FI) states that “bank loans are the most important source of external finance for companies and will play a crucial role in steering businesses towards lower emission activities”.²⁶ Scotiabank has explicitly recognized this challenge, and made Climate Change one of the four pillars of its Sustainable Business Strategy. As part of this initiative, Scotiabank intends to actively support a transition to a low-carbon economy. Sustainalytics is of the opinion that the eligible projects described in the Framework are consistent with this ambition, and that Scotiabank’s financing of eligible green assets will deliver environmental benefits broadly, and in particular support climate mitigation.

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

Scotiabank’s Framework defines as eligible a range of environmentally beneficial projects, across eight eligibility categories. Sustainalytics is of the opinion that loans to assets within all these areas have the potential to deliver positive environmental impacts. Additionally, Scotiabank has disclosed to Sustainalytics a selection of projects that are being contemplated for inclusion in the green portfolio; Sustainalytics has further assessed the below projects areas that are particularly innovative and that are anticipated to generate a large share of the green bond’s overall environmental benefits.

Renewable Energy

Greenhouse gas emissions from electricity and heat generation are the largest single source of global emissions, making up 42% of all emissions²⁷ and 49% of emissions from fuel combustion.²⁸ In this context, increasing the share of renewable energy generation has the potential to have significant impact on meeting climate goals. A study from the International Energy Agency (IEA) and the International Renewable Energy Agency (IRENA) supports this assessment, estimating that 65-70% of worldwide primary energy demand would need to be met by low-carbon energy sources by 2050 in order to meet the 2°C target.²⁹ Although in 2017, renewable energy grew more rapidly than other forms of generation, meeting a quarter of the global demand growth,³⁰ this rate of deployment must be ramped up to meet international targets. Sustainalytics considers Scotiabank’s financing in the area of renewable energy to contribute positively to the global energy transition that is required to meet climate objectives.

Green Buildings

In 2017, the most recent year for which data is available, the buildings sector (excluding purchased energy) contributed approximately 12% the total emissions in both Canada and the US.³¹ Furthermore, the UNEP reports that the energy intensity per unit of floor area in the buildings sector needs to improve by 30% worldwide in order to be aligned with the targets of the Paris Agreement.³² Considering that, according to a report from the US Green Building Council, the average LEED-certified green building uses 32% less electricity than non-certified buildings, the financing of certified green buildings has the potential to contribute positively to these goals. In this context, Sustainalytics views positively the Framework’s inclusion of LEED, BOMA, BREEAM, and EnergySTAR certified buildings.

Clean Transportation

In 2014, the transportation sector as a whole was responsible for around 23% of CO₂ emissions from fossil fuel combustion globally.³⁴ According to a report by the International Transport Forum (ITF), a specialized intergovernmental organization within the OECD, CO₂ emissions in the sector have the potential to increase 60% by 2050 in the absence of proper mitigation measures. Moreover, the report also highlights that while the Nationally Determined Contribution of member states pledged to the Paris Climate Agreement provide CO₂ reduction ambitions, the measures proposed are not sufficiently clear in assessing the environmental impact

²⁵ IEA, “World Energy Outlook”, <https://www.iea.org/publications/freepublications/publication/WEIO2014.pdf>

²⁶ UNEP, “Financial Institutions Taking Action on Climate Change”.

<http://www.unepfi.org/fileadmin/documents/FinancialInstitutionsTakingActionOnClimateChange.pdf>

²⁷ IES, “Emissions Statistics”, <https://www.iea.org/statistics/co2emissions/>

²⁸ World Bank, “CO₂”, <https://data.worldbank.org/indicator/EN.CO2.ETOT.ZS>

²⁹ IRENA, “Perspectives for the Energy Transition 2017”,

http://www.irena.org//media/Files/IRENA/Agency/Publication/2017/Mar/Perspectives_for_the_Energy_Transition_2017.pdf?la=en&hash=56436956B74DBD22A9C6309ED76E3924A879D0C7

³⁰ IEA, “Global Energy & CO₂ Status Report 2017”, <https://www.iea.org/publications/freepublications/publication/GECO2017.pdf>

³¹ EPA, “Greenhouse Gas Emissions”, <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

³² Government of Canada, “Greenhouse Gas Emissions”, <https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html>

³³ UNEP, “Global Status Report 2017”, https://www.worldgbc.org/sites/default/files/UNEP%20188_GABC_en%20%28web%29.pdf

³⁴ Santos, G, “Road Transport and CO₂ emissions: What are the challenges”, October 2017,

<https://www.sciencedirect.com/science/article/pii/S0967070X17304262>

of the transportation sector, and will likely miss their targets if growing emissions from passenger and freight mobility are not addressed.³⁵ Scotiabank has identified clean transportation options, including low-emissions mobility, environmentally friendly mass transit, and, as areas in which it can provide positive impacts in the clean transportation space. Sustainalytics views the financing of projects in this area as providing environmental benefits, and note in particular that financial-sector actors such as Scotiabank have a particular role to play in large infrastructure projects, such as those required for rail-based mass transit.

Certified Environmental Activities

Within the use of proceeds categories of environmentally sustainable management of living natural resources and land use and terrestrial and aquatic biodiversity conservation, Scotiabank may provide loans to qualifying companies and projects in a variety of sectors, including agriculture, forestry, and fisheries. Due to the array of environmental impacts and benefits that activities within these industries may generate, the Framework defines reputable third-party certifications that can be used to qualify eligible projects. Refer to Appendices 2-4 for further overview of the reference certifications. Although the specific environmental benefits will vary based on the individual projects, environmental intervention in these areas are an important part of both the transition to a low-carbon economy and environmental protection more broadly. For example, improved forest management globally, including avoiding deforestation and restoring degraded forests, could result in removing seven billion tonnes of CO₂ from the atmosphere annually,³⁶ while agricultural is the second-heaviest emitting sector, responsible for approximately 13% of anthropogenic carbon emissions.³⁷ In this context, Sustainalytics considers Scotiabank’s lending to environmentally friendly operations to provide substantial positive impacts.

Energy Efficiency

Improvements in energy efficiency are generally considered one of the most cost-effective ways to mitigate environmental impact, in particularly by deferring the need for the provision of new energy supply. The IEA projects that energy efficiency improvements have the potential to contribute to 35% of the carbon savings needed to meet global climate goals.³⁸ Scotiabank’s intended loans in this area are of particular importance, as the American Council for an Energy-Efficient Economy has identified that financing is “vital” for achieving the substantial energy savings that can result from “deep retrofits”.³⁹ Considering the forgoing, Sustainalytics is confident that eligible projects within this area of the Framework will deliver positive environmental impacts.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally sustainable management of living natural resources and land use	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Terrestrial and aquatic biodiversity conservation	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans

³⁵ ITF, “Transport Outlook 2017”, January 2017, <https://www.itf-oecd.org/sites/default/files/docs/transport-co2-paris-climate-agreement-ndcs.pdf>

³⁶ Griscom et al, “Natural Climate Solutions”, <https://doi.org/10.1073/pnas.1710465114>

³⁷ WRI, “Agricultural Emissions”, <https://www.wri.org/blog/2014/05/everything-you-need-know-about-agricultural-emissions>

³⁸ IEA, “Economic value of energy efficiency can drive reductions in global CO₂ emissions”, <https://www.iea.org/newsroom/news/2018/april/economic-value-of-energy-efficiency-can-drive-reductions-in-global-co2-emissions.html>

³⁹ ACEEE, “Deep retrofits: Financing needs to play a critical role”, <https://aceee.org/blog/2019/05/deep-retrofits-financing-needs-play>

Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

Conclusion

Scotiabank has developed a framework, under which it intends to issue green bonds, with the proceeds being used to fund loans to companies or projects with environmental benefits, in the areas of renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation clean transportation, clean transportation, sustainable water and wastewater management, and green buildings. Sustainalytics is of the opinion that the lending described by the framework will provide positive environmental impacts and support Scotiabank's Sustainable Business strategy.





All of the use of proceeds categories specified in the framework are aligned with those of the Green Bond Principles 2018; Scotiabank has charged its Assets & Liabilities committee with oversight of its green bond programme; transparent procedures have been put in place for the management and tracking of funds; and, commitments have been made to report on allocation and impacts. Furthermore, Sustainalytics believes that the initiatives funded by the green bond will contribute to the advancement of various UN Sustainable Development Goals.

Based on the above, Sustainalytics is confident that Scotiabank is well-positioned to issue green bonds, and that the Scotiabank Green Bond Framework is robust, transparent, and in alignment with the Green Bond Principles 2018.

Appendices

Appendix 1: Comparison of Referenced Green Building Certification Schemes

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




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

Appendix 2: Overview of Referenced Fishery Sustainability Certifications

	Marine Stewardship Council ⁴⁰	Aquaculture Stewardship Council ⁴¹	Friend of the Sea
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	Friend of the Sea is an organization founded by the Earth Island Institute NGO, and currently run by the World Sustainability Organization.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.	Promoting sustainable fisheries and aquaculture practices.
Minimum standards	A minimum score must be met across each of the performance indicators. As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions, but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.	Minimum standards, classified as “essential” or “important”, must be fully met. These two categories are distinguished by the time period allotted to undertake corrective actions. Additional “recommendations” are not required for certification, but deficiencies in these areas are noted in audit reports.
Scope of certification or programme	The MSC standard consists of a fisheries standard and a chain of custody standard. The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts. The Chain of Custody standard addresses certified sourcing, product identification, separation, traceability and records, and good management.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance. Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.	Friend of the Sea certifies both wild fisheries and aquaculture, as well as various other related industries such as whale watching, restaurants, aquaria and ornamental fish, and products such as UV creams.
Verification of standards and risk mitigation	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065. Certification is valid for up to five years.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065. Major non-compliances must be remedied within three months.	On-site audits are carried out by Conformity Assessment Bodies, which are accredited by Friend of the Sea.

⁴⁰ <https://www.msc.org/standards-and-certification/fisheries-standard>

⁴¹ <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

<p>Third party expertise and multi-stakeholder process</p>	<p>Aligned with the UN Code of Conduct for Reponsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)</p>	<p>Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organisation (ILO) principles.</p> <p>Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.</p>	<p>Accredited by the International Accrediation Forum and Accredia, the Italian Accreditation Body.</p> <p>The certification follows best-practice guidelines from the United Nation’s Food and Agriculture Organization and the International Social and Environmental Accreditation and Labelling (ISEAL).</p>
<p>Performance display</p>			
<p>Qualitative considerations</p>	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide, and is generally accepted to have positive impacts on marine environments.</p> <p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>Widely recognized, and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	<p>The largest single certifier of sustainable wild seafood by volume, Friend of the Sea is highly visible in the European market and has partnerships with several major retailers.</p> <p>While the FOS certification is recognized to adequately address many of the environmental and social risks, it has faced some criticism regarding its transparency in stakeholder interactions.</p>

Appendix 3: Sustainalytics' Analysis of FSC and PEFC Certifications

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






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

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

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

Appendix 4: Overview of Referenced Agriculture Sustainability Certifications

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

	and requires annual verification.	continuous improvement at least once a year, or more often based on a risk assessment.	USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.	criteria and continuous improvement.	and continuous improvement.
Third party expertise and multi-stakeholder process	Developed by the Government of Canada through a consultative legislative process.	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.	The USDA Organic seal is organized by the National Organic Program which develops the rules and regulations for the production, handling, labeling and enforcement of all USDA organic products. This process receives input from the national Organic Standards Board (a Federal Advisory Committee made of 15 members of the public) and the general public.	Standard setting is aligned with the ISEAL Standard Setting Code.	Standard setting is aligned with the ISEAL Standard Setting Code.
Performance Display					
Third-party verified	Certification Bodies (CBs) are accredited by Conformity Verification Bodies (CVBs), which are in turn accredited by the Canada Food Inspection Agency.	Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.	80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.	<ul style="list-style-type: none"> • Africert • Conservacion y Desarrollo Certificado S.A. • Imaflores • IMO India • CERES • IBD • Indocert • NaturaCert • Productos y Procesos Sostenibles, A.C. • NEPCon 	FLO-CERT GmbH. FLO-CERT is the largest certifier for Fairtrade, responsible for the certification of all producers and most traders.
Qualitative considerations	The Canada Organic certification is the only legally recognized organic scheme in Canada, and applies to both imports and domestically-produced agriculture products.	The EU Organic Farming system is widely recognized across all 28 Member States. Currently, 11.9% million hectares are currently certified under the system, with the whole organic area representing 6.2% of the total utilized agricultural area in the European Union.	Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredient and labeled 100% organic, products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic. A third category with at least 70% organic ingredients may be labeled as "made with organic ingredients", but cannot display the USDA Organic seal.	Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.	Global recognition across 74 countries present in the Fairtrade System. The system covers 1.4 million farmers and workers in 1,140 producer organizations. The Fairtrade certification scheme is less strict on the scope of the environmental and social requirements as it does not cover human rights issues and impact on biodiversity.

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

Section 1. Basic Information

Issuer name:	The Bank of Nova Scotia
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Scotiabank Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 17, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

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

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

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

ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

Section 3. Detailed review

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

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that projects in the areas of renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, and green buildings will lead to positive environmental impacts and advance the UN Sustainable Development Goals, in particular Goals 6, 7, 11, 12, 13, and 14.

Use of proceeds categories as per GBP:

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

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Scotiabank's Asset & Liability Committee, which includes senior executives, is charged with reviewing and approving eligible assets, as well as ongoing oversight and the coordination of reporting. This is in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

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

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Scotiabank's Treasury team is responsible for the management of proceeds, and will earmark an amount equivalent to the net proceeds for allocation to eligible green assets originated or refinanced no more than 36 months prior to issuance. Allocations will be tracked on a quarterly basis, and Scotiabank will, on a best efforts basis, substitute other assets should a given loan no longer be considered eligible. This is in line with market practice

Tracking of proceeds:

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

Additional disclosure:

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

4. REPORTING

Overall comment on section (if applicable):

Scotiabank has committed to annual allocation and, where feasible, impact reporting. Allocation reporting will be provided at the category level, and will also disclose the balance of unallocated proceeds. Impact reporting will include relevant quantitative performance indicators. This is in line with market practice.

Use of proceeds reporting:

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

Information reported:

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

Frequency:

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

Impact reporting:

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

Frequency:

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

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): Various, as specified in Framework |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Published to corporate website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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

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

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

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

Review provider(s):

Date of publication:

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

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics

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For more information, visit www.sustainalytics.com

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