Scotiabank Equator Principles Implementation Report for FY22

The Equator Principles (EPs) form a voluntary, internationally recognized environmental and social (E&S) risk management framework for financial institutions to use when financing large development projects. The framework serves as a common baseline for project due diligence and monitoring in the banking sector, enabling responsible risk decision-making.

Scotiabank (the "Bank") has been a signatory to these principles since 2006. We believe that they benefit Scotiabank, our customers, and society at large by helping to ensure that we are financing projects that will be developed in an environmentally and socially responsible manner.

Scope

The EP framework is designed for large industrial and infrastructure projects that are funded using project finance loans; project-related corporate loans; project-related refinance and acquisition finance loans; and/or bridge loans that meet specific financial and non-financial criteria, such as the size of the loan or estimated capital cost of the project. Project finance advisories can also fall within its scope.

Integration

The Bank has established governance structures and risk management elements that identify, assess, measure, monitor, manage, mitigate, and report ESG risks. These elements are described in the Bank's ESG Risk Management Framework. The framework, in conjunction with its supporting policies, processes, and guidelines, assists the Bank in managing ESG risks in a manner that is consistent with regulatory requirements, industry standards, best practices, and its risk appetite. Scotiabank's commitments under the EPs are incorporated within the Framework.

At the transaction-level, Scotiabank accounts for potential adverse E&S risks and impacts as part of our credit due diligence and adjudication processes, including the application of the EPs. Information on the EPs and a process for determining whether a project and transaction under consideration will comply with its requirements, are embedded within the Bank's credit risk due diligence policies and procedures. This includes a detailed questionnaire that is completed by the Banking unit responsible for the transaction. This questionnaire is reviewed and effectively challenged by Scotiabank's ESG Risk team (part of Global Risk Management, a second line of defence) prior to being submitted with the credit proposal to the appropriate Credit Risk unit for adjudication and approval. In addition, all Category A project transactions are automatically referred to a senior management-level credit committee for review to ensure adequate oversight of credit proposals with heightened E&S risks.

Dedicated Resources & Training

Scotiabank has a dedicated team of specialists within the ESG Risk team who develop, implement, and maintain it's ESG risk management program, including policies, processes, tools and training pertaining to the EPs. This ESG Risk team also serves as a technical resource to banking and credit teams across the Bank, providing advice and counsel on the nature and materiality of potential E&S risks and impacts. All transactions that apply the EPs framework are referred to this team for review and effective challenge prior to being submitted to the Credit Risk unit for adjudication.

Members of the ESG Risk team serve as representatives for the Bank in the EPs Association. They actively participate in working groups and voting processes to enhance the framework and its application, and play a key role in communicating EPs Association updates to the Bank's management. They are also responsible for facilitating Scotiabank's annual EP reporting.

The Bank has an in-house E&S risk due diligence training program that includes a detailed review of the EP framework to ensure our business banking and credit officers have a strong understanding of its scope and requirements, and our internal review process. This training is provided at least annually.

Scotiabank's EPs Reporting for 2022 (Nov 1, 2021 to Oct 31, 2022)

During our 2022 fiscal year, 10 project finance transactions and three project-related corporate loans applied the EPs framework and reached financial close. The tables below breakdown these transactions by their E&S risk category,[1] sector, region, country designation, and whether an independent review was carried out. For our full report refer to the Members & Reporting page on the EPA website.

Project Finance Loans	A	B	C
Sector	3	3	4
Mining	1	0	0
Infrastructure	0	1	3
Oil & Gas	1	0	0
Power	1	1	1
Others	0	1	0
Region	3	3	4
Americas	3	3	4
Europe, Middle East & Africa	0	0	0
Asia Pacific	0	0	0
Country Designation	3	3	4
Designated Country	2	3	4
Non-Designated Country	1	0	0
Independent Review	3	3	4
Yes	3	3	3
No	0	0	1

Project-Related Corporate Loans	A	B	C
Sector	0	1	2
Mining	0	0	0
Infrastructure	0	0	2
Oil & Gas	0	1	0
Power	0	0	0
Others	0	0	0
Region	0	1	2
Americas	0	1	2
Europe, Middle East & Africa	0	0	0
Asia Pacific	0	0	0
Country Designation	0	1	2
Designated Country	0	1	0
Non-Designated Country	0	0	2
Independent Review	0	1	2
Yes	0	1	2
No	0	0	0

[1] The E&S standards, and level of due diligence, monitoring and reporting that are applied to a project depends on its location and the magnitude of the potential E&S risks and impacts, which are ranked as either Category A, B or C. Category A refers to projects with potential significant adverse E&S risks and/or impacts that are diverse, irreversible, or unprecedented. Category B refers to projects with potential limited adverse E&S risks and/or impacts that are few, generally site-specific, largely reversible, and readily addressed through mitigation measures. Category C refers to projects with minimal or no adverse E&S risks and/or impacts. Each bank is responsible for categorizing the magnitude of the project risks as part of its EP review and due diligence process.

Equator Principles in Action[2]

Vineyard Wind 1, Massachusetts, US

In December 2021, Scotiabank participated in financing the first commercial-scale offshore wind farm in the United States – Vineyard Wind 1. The 800-megawatt, 62-turbine wind farm is being built roughly 15 miles off the coast of Massachusetts and will provide clean, renewable, and affordable energy for over 400,000 homes and businesses across the Commonwealth, while reducing carbon emissions by over 1.68 million metric tons per year - the equivalent of taking 325,000 cars off the road. The Project is expected to support the offshore wind industry in Massachusetts by creating thousands of local full-time jobs over its life. Construction began in August 2021 and full commercial operation is expected in 2024.

This transaction was subject to Scotiabank's enhanced environmental and social risk due diligence processes, including the application of the EPs for Category B projects. The Project was designated as Category B based on its scale and the ability to effectively mitigate potential significant adverse impacts in line with the Environmental Impact Assessment and the associated management plans and control measures. For example, hundreds of square miles of ocean were removed from consideration due to sensitive marine habitat and valuable commercial fishing grounds. Vineyard Wind and the Natural Resources Defense Council, the National Wildlife Federation, and Conservation Law Foundation also entered into an unprecedented agreement to protect critically endangered North Atlantic right whales by implementing a variety of mitigation measures and strategies.

For more information visit the project's website at: https://www.vineyardwind.com/

Generadora de Gatun S.A., Telfers Combined-Cycle Power Plant, Panama:

In December 2021, Scotiabank, as part of a syndicate of lenders provided financing to support the construction of a new combined-cycle natural-gas-fired power plant at the inlet to the Panama Canal near the City of Colón in Panama. The plant is designed for a gross capacity of 670 megawatts which will make it the largest, most efficient natural gas power plant in not only Panama, but all of Central America. The new plant will help to replace thermal power plants that have already been taken offline in Panama, supporting the country's transition to a lower carbon economy. The plant will also play a crucial role in diversifying Panama's energy mix, resulting in a more reliable, stable and flexible network that will better support Panama as it works toward its goal of generating 70% of its energy from renewable sources by 2050, as outlined in its National Energy Plan. Panamanians are also expected to benefit from more affordable and stable electricity prices.

This transaction was subject to Scotiabank's enhanced environmental and social risk due diligence processes, including the application of the EPs framework for Category A projects. The banking syndicate classified the magnitude of the environmental and/or social risks and impacts as Category A based on the overall size of the development, its emissions, and the potential effects on adjacent water bodies. The power plant will be built in an uninhabited industrial area that is designated for this type of activity, and about 1km from the nearest communities.

ENADOM LNG Tank, AES Terminal, Santo Domingo, Dominican Republic:

In January 2021, Scotiabank participated in financing the construction of ENADOM's liquified natural gas (LNG) tank within the operating Andres LNG Terminal in Santo Domingo, Dominican Republic. The tank will have a 120,000 m^3

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[2] For each of the following projects, Scotiabank obtained an independent review of the project documentation to assess its compliance with the relevant EPs requirements. Any gaps or areas for improvement that were identified were either addressed immediately or incorporated into an agreed upon Equator Principles Action Plan that documented the corrective action(s) and timeline for remediating the issue(s). Covenants were included in the loan documentation seeking to ensure that the project maintains its compliance with the EPs over the life of the loan, including adherence to the applicable international standards and guidelines, and host country laws, regulations and permits.

storage capacity and will be located next to the existing tank within the LNG terminal facility. This transaction also supported the expansion of the regasification equipment and truck-loading terminal infrastructure at the facility. The increased storage capacity will help turn the Dominican Republic into a hub for the distribution of natural gas in the region, playing an important role in long-term energy security and transitioning to lower carbon economies. Commercial operation of the new equipment and infrastructure is expected in 2023.

Scotiabank applied the international Equator Principles framework to this transaction, helping to ensure that the project complies with the applicable laws and regulations in the Dominican Republic, as well as the relevant international environmental and social risk management standards and guidelines. The Bank classified the expansion project as Category B, meaning that the environmental and social risks and/impacts are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. The Project setting is urban and peri-urban and considered a brownfield. The LNG Tank component will be built inside the AES Andres Terminal, an industrial area in operation since 2003. The LNG Tank site was cleared of vegetation.