2021 Stewardship and Responsible Investment Report

Scotia Global Asset Management®

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Neal Kerr
Head, Scotia Global Asset Management (Canada)

A message from our Head of Scotia Global Asset Management (Canada)

At Scotia Global Asset Management, we are committed to enriching clients' financial futures with outstanding investment solutions, delivered in partnership with comprehensive wealth advice. Guided by our purpose – for every future – we incorporate Environmental, Social, and Governance (ESG) factors into our investment decisions, to deliver long-term value to our clients.

Our annual Stewardship Report outlines how we integrate ESG considerations throughout our business. While we've spent the past several years formalizing our approach, our commitment to ESG started before the term was even coined. As active investors, we have spent decades deepening our research process – ESG-related and otherwise – to identify opportunities for our portfolios.

We are proud of the continued progress we've made this past year:

- We've actively engaged on wide-ranging issues with the companies in which we invest, the industry associations to which we belong, and with policymakers, to influence change.
- Through our unique multi-brand platform, we've launched a variety of dedicated responsible investment strategies to best serve our clients.
- We've also examined our own corporate social responsibility practices, with a particular focus on continuing to attract, retain, and develop a diverse and inclusive workforce.

We are pleased to see increased focus on ESG as an important investment consideration. For our business, ESG is neither a trend, nor an opportunity to just quickly launch products to capture investor assets. As serious stewards of our clients' capital, we will only deliver well-built solutions that we have the investment expertise to manage in a manner that meets our clients' goals and expectations.

As active investors, we are passionate about doing our own research into the companies in which we invest, to ensure we best serve our clients' financial goals and the futures of those around us.

Our approach to responsible investment

As one of Canada's largest asset managers, Scotia Global Asset Management (Scotia GAM) places the highest priority on the stewardship of our clients' assets. For our primary investment team, the 1832 Investment Team, ESG considerations are a key component in delivering long-term value to clients and an integral part of the investment process.

ESG considerations integrated throughout the investment management approach

ESG integration throughout the investment process includes deep proprietary research, active involvement from our portfolio managers and research analysts, a systematic approach to risks and opportunities, and dedicated oversight from our ESG Investment Committee.

We believe in taking a fundamental, active approach to investing. For the past several decades, all financial and non-financial factors (ESG and otherwise) have been considered when researching and analyzing securities. The team continues to invest heavily in building out our proprietary research capabilities – across sectors, asset classes, and geographies. Our strong research engine is used across all mandates and is an important part of our overall process.

Active involvement

ESG factors for consideration

Environmental

- Climate change
- Water pollution
- Renewable power

Social

- Diversity, equity, and inclusion
- Labour standards
- Modern slavery and child labour

Governance

- Board independence
- Shareholder rights
- Bribery and corruption

Company engagement

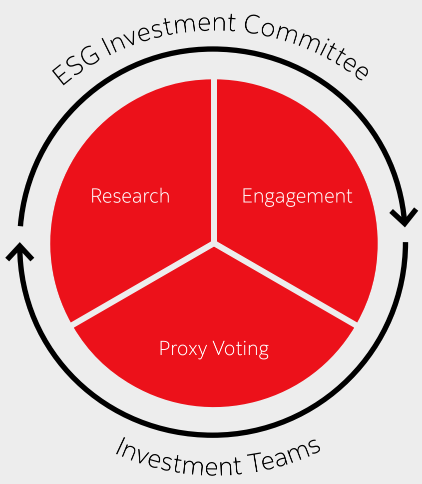
- Teams communicate views and concerns
- Gain deeper understanding of business

Proxy voting

- Exercising voting rights is a best practice for corporate governance
- Essential component of investment process

Comprehensive and integrated perspective

This formalized, systematic approach provides a fuller perspective on risks and opportunities associated with existing and potential investments.



Dedicated ESG Investment Committee oversight

Reporting directly to the 1832 Board of Directors, the ESG Investment Committee:

- Evaluates ESG-related policies and guidelines;
- Supports integration of ESG factors;
- Reviews potential ESG-related investment products;
- Provides oversight of ESG commitments to align with industry initiatives;
- Recommends ongoing ESG improvements to investment teams; and
- Communicates externally on firm-wide ESG efforts.

Rather than taking a passive, exclusionary approach to ESG investing and relying solely on third-party research providers, we deliver investor value through a fundamental active approach, enhanced by our own in-depth ESG research. Each of our underlying investment teams incorporates ESG factors into their own research processes, rather than relying on ESG expertise that is formulated in isolation from our approach. To support the ongoing integration of ESG considerations, our Head of Research also serves as Chair of our ESG Investment Committee.

For positive change to happen, companies need to adapt to new governance and operational norms. Our investment team engages closely with companies to encourage positive change, which assists the team in identifying the potential leaders of tomorrow. For example, the team considers securities with characteristics such as:

- Governance structures that ensure longevity and consistent results;
- Sustainable operations aligned to environmental regulations; and
- Socially diverse and inclusive standards that drive customer, employee, and community value.

Dedicated ESG Investment Committee

Several years ago, Scotia GAM established our ESG Investment Committee, which is comprised of senior portfolio managers from our 1832 Investment Team and members of our Executive Team. This Committee helps ensure ESG factors are top of mind in our decision-making processes, and that those engaging with management teams and allocating capital are sharing their perspectives.

> We don’t want to simply exclude companies. As fundamental active managers, we want to be part of the solution by identifying and allocating capital to the companies that are helping to solve society’s challenges.”

Daniel Yungblut
Head of Research and Chair of the ESG Investment Committee

ESG Investment Committee members

Daniel Yungblut
Head of Research and Chair of the ESG Investment Committee

Jim Morris
Managing Director, Investment Management SGAM and COO

Portfolio Management/Investment Teams

Derek Amery, VP & Senior PM, Core Fixed Income Team

Jeremy Lucas, VP & PM, Specialized Credit Team

Craig Maddock, VP & Senior PM, Multi-Asset Management Team

Danilo Martins, PM, Core Equity Team

Eric Mencke, VP & PM, Value Equity Team

Vishal Patel, VP & PM, Power Growth Team

Jennifer Stevenson, VP & PM, Equity Income Team

Myles Zyblock, Chief Investment Strategist

Wider Business Units

Farida Atta, Sustainability Analyst

Kevin Brown, VP, Compliance

Michael Jones, Senior Sustainability Analyst

Keir Kerr, Director, Investment Consulting

Rosh Panesar, Product Manager

Greg Storey, Director, Business Analysis

Steven Wood, Director, Investment Risk

Active engagement with key responsible investment organizations

Scotia GAM has taken a leadership role in several responsible investment-focused organizations that are helping to shape policy and influence capital markets to address a range of societal challenges. We are selective about the industry organizations we join to ensure high-quality engagement and that we are comfortable with the initiatives the organizations are pursuing.

Signatory of:

PRI Principles for Responsible Investment

Principles for Responsible Investment (PRI)

In 2018, Scotia GAM became a signatory to the United Nations-backed PRI, one of the world's leading proponents of responsible investment. Its mandate is to:

- Understand the investment implications of ESG factors; and
- Support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

Each year, signatories are required to complete a detailed questionnaire that the PRI reviews and assesses. Since joining in 2018, Scotia GAM has enhanced its PRI reporting processes and has shown year-over-year improvement in how the PRI has assessed us. This past year, Scotia GAM has taken a more active role within the PRI to shape its strategic direction going forward.

Canadian Coalition for Good Governance (CCGG)

The CCGG is a prominent corporate governance organization in Canada, well-positioned to effect change as an important voice of institutional shareholders investing in Canadian public equities. The CCGG provides guidance to Canadian companies regarding best practices to ensure effective communications with shareholders.

The Chair of Scotia GAM's ESG Investment Committee is a member of the Environmental and Social (E&S) Committee, created to provide best practice guidelines on E&S matters through a governance lens. The Committee supports the development of guidelines for boards on their oversight of E&S factors, E&S risk disclosure, and other important areas.

Scotia GAM's ESG Investment Committee Chair has helped lead member education forums relating to the Task Force on Climate-Related Financial Disclosures (TCFD) reporting and the inclusion of E&S-related metrics in executive compensation. Scotia GAM continues to contribute to the development of CCGG policies and public statements.

Carbon Disclosure Project (CDP)

The CDP is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts more effectively. The world's economies look to CDP as a recognized standard of environmental reporting, with a rich and comprehensive dataset on corporate and city action. Scotia GAM became a CDP signatory in 2021 and continues to participate in annual survey disclosures with Scotiabank. As a signatory, Scotia GAM has access to CDP's dataset on carbon emissions and is in the early stages of working to integrate the data into our investment process.

Climate Engagement Canada

Scotia GAM is a founding member of Climate Engagement Canada (CEC), a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net-zero economy.

The CEC's development was inspired by Canada's Expert Panel on Sustainable Finance, which, in 2019, made a series of recommendations to align Canada's financial system with a low carbon future.

The CEC is led by several investor networks including the Responsible Investment Association (RIA), Shareholder Association for Research and Education (SHARE), and Ceres. The UN-supported Principles for Responsible Investment (PRI) is also supporting the program, and the Canadian Coalition for Good Governance provided governance advice during the development phase.

CFA Institute

The CFA Institute provides the premier global investment designation, the CFA Charterholder program, and is also one of the world's most influential voices in global capital markets. Given the growing prominence of responsible investing, the CFA Institute continues to produce influential research on ESG-related issues.

The CFA is in the process of developing ESG disclosure standards for investment products. Scotia GAM has contributed to the final draft of the standards document, which is expected to have a significant impact on the direction of investment product regulation around the world, including Canada.

The CFA's ESG disclosure standards will serve an important function in the market by providing a consistent framework to support investors when comparing different products on their ESG-related attributes. The standards will provide clear and detailed claims by investment managers that will facilitate due diligence by regulatory or third-party reviews – and thus support accountability. The draft provisions are also sufficiently open to allow asset managers flexibility in their approach to investment product design. Scotia GAM believes that it is imperative that the disclosure standards not be prescriptive on what is deemed a best practice when it comes to ESG investing. The CFA Institute does not try to impose any specific investment strategy onto managers in traditional equity or fixed-income investing, so ESG investing should be no different.

Scotia GAM has voiced strong support for the Institute's decision not to establish minimum classification thresholds for ESG products – or to create product ratings, given the highly subjective nature of ESG characteristics and ratings. By distilling information into different sections on security-level and portfolio-level processes, the standards should help investment managers have informed conversations with their clients to ensure appropriate matching of investment products with investor expectations.

IFRS

International Financial Reporting Standards Foundation (IFRS Foundation)

The IFRS Foundation is a not-for-profit corporation that sets global accounting standards for the financial statements of public companies, giving investors confidence that they can rely on financial statements to make informed investment decisions. The IFRS Foundation is currently exploring the possibility of creating a parallel set of sustainability-reporting standards to complement the existing rules on financial reporting.

The wide variety of competing global sustainability-reporting frameworks has often led to confusion and inefficient allocation of global resources. Consequently, Scotia GAM believes a set of harmonized sustainability standards would be a game-changer for global capital markets and has made multiple contributions to the Foundation's efforts.

Scotia GAM supports the creation of global sustainability reporting standards under a new Sustainability Standards Board (SSB) governed by the IFRS Foundation. To be successful, the new SSB will require:

- Support from global regulators and key market stakeholders;
- A trusted governance framework;
- A sufficient level of personnel expertise;
- Adequate funding;
- Compatibility with existing financial reporting standards; and
- Verifiable enforcement standards.

RIA

Responsible Investment Association (RIA)

As an important industry association for responsible investment in Canada, the RIA is focused on education, policy advocacy, and supporting the development and integrity of the industry. RIA members include asset managers, asset owners, advisors, and service providers who support the promotion of responsible investment in Canada's retail and institutional markets.

Scotia GAM continues to deepen and expand its engagement with the organization. In 2021, our ESG Investment Committee Chair joined the RIA's Leadership Council to help guide the strategic direction of RIA initiatives. As part of the RIA's Product Knowledge Series, the Chair and one of our senior portfolio managers presented to a group of several hundred industry stakeholders on Scotia GAM's approach to ESG investing, while also showcasing an investment strategy (the Dynamic Energy Evolution mandate) where we allocate capital through investment in a diversified portfolio of companies involved in renewable energy or related activities from around the globe. Throughout 2021, Scotia GAM professionals have contributed thought leadership articles to RIA publications which are highlighted later in this report.

Active engagement: Case studies

At Scotia GAM, we use our access to management teams and influence as a large investor to actively engage on a variety of issues and themes. We generally prefer to engage with companies on issues and support behavioural improvement, rather than exclude entire sectors.

Meeting with company management teams and other stakeholders has always been a hallmark of our active, fundamental investment process. We firmly believe we must consider all material issues, including ESG-related issues, as our fiduciary duty to our clients. With an increasing focus on ESG factors, we now explicitly label certain issues as ESG in our process and place greater emphasis on these factors when we meet with investee and potential investee companies.

Our engagement activities are not limited to companies we may or may not invest in, but also include other stakeholders, and we contribute thought leadership to help influence public policy-making, where appropriate. We view our research, engagement, and proxy-voting activities as key pillars of a comprehensive active investment process.

None of these pillars functions in isolation, because of concerns that the depth and effectiveness of our engagements could be diminished. Our investment professionals know companies best, meet regularly with executive teams, and are therefore best positioned to effectively engage with stakeholders and actively vote proxies. Through our engagement, we look to encourage companies to solve problems for society through innovation and targeted capital spending.

Our engagement approach in 2021 can be highlighted by examples in the two themes of climate change and plastic waste reduction.

Climate change case study: Engaging companies across the spectrum to make positive change

Across our mandates, our engagement with companies on climate change includes encouraging certain companies to reduce their negative impact, while encouraging others to establish proactive strategies for adapting to a changing climate. The most visible area for climate change engagement is to push companies to help society's transition to a lower carbon economy.

While we accept that we cannot eliminate our fossil fuel dependence overnight, we continue to encourage companies to expend capital on innovations and solutions that will help reduce that dependence as quickly as possible. As we support society's transition to a lower carbon future, we continue to actively engage with companies in the energy, utilities, real estate, and other sectors, with hundreds of meetings held with companies across these sectors in 2021.

For any fossil fuel producer or pipeline company, a significant portion of any meeting is devoted to discussing their plans to manage their greenhouse gas emissions over time. A few examples we will highlight include:

Major oil & gas producer

We met with the company in the week before their highly public annual general meeting and proxy vote in which investors ultimately supported new board members who would push further initiatives to reduce the company's carbon footprint. We support the company as it improves its ESG profile, and strongly shared that message with them.

We had a thoughtful engagement and made clear that while oil continues to be required through the energy transition, it should be produced in the most environmentally responsible way. The company also needs to be thoughtful about how it uses free cash flow generated from fossil fuel production. We advised the company that we believed it was important to continue to increase investment in carbon capture technology and alternative forms of non-fossil fuels to both reduce the emissions and carbon footprint of their own business, as well as to assist in reducing emissions from other sectors. It is equally important to make sure that they're engaging with their stakeholders on these initiatives.

The company is developing what may potentially be one of the largest carbon capture and storage (CCS) facilities in the world. The company is a world leader in CCS and has been for decades, but it acknowledges that a price on carbon through regulation is needed to support significant investment in the technology.

It may surprise some, but most fossil-fuel producers are supportive of carbon pricing as it helps drive incentives for their lower carbon initiatives. We told the company that ramping up its conceptual projects in using captured CO_2 in other products and accelerating the production and use of hydrogen, would be welcome and would likely help their cost of capital. The company has the scale, the Board support, and the technological and scientific expertise to move the needle for society on reducing emissions, and it is important that we continue to use our influence to drive that change.

Oil sands producer

We met with the company multiple times this year and congratulated management on their public commitment to net zero but made it clear that public statements must be backed up by tangible plans for capital spending and action to drive behaviour and effect change.

We engaged with the company and shared detailed feedback as they continued to evolve their sustainability strategies. Following our meetings last spring, the company announced a collaboration with four other major oil sands producers to mutually support net-zero aspirations, anchored by a major carbon capture and storage project in Alberta.

Consistent engagement and encouragement from large institutional investors like Scotia GAM will be important to continue to lower emissions and accelerate technology development and application from these oil producers.

Pipeline company

Past initiatives by the company to increase spending on renewable power were not visibly rewarded by investors. However, Scotia GAM persistently encouraged the company to continue to invest in non-fossil fuel energy initiatives, and we were vocal in our written public comments to our clients supporting these renewable power investments.

Over time, company stakeholders have embraced the company's actions and now share the view that the company's renewable power investments are a cornerstone of its business. We are supportive of the company's issuance of sustainability-linked bonds that created incentives for them to meet their explicit target of reducing carbon intensity by 35% below 2018 levels by 2030. When we engaged with the company on the issuance of the bonds, they outlined the specific projects already planned to help achieve these goals.

Outside of activist proxy fights, it is difficult for one large asset manager to say that they alone changed the strategy of a large corporation. It requires years of consistent messaging and encouragement from multiple key stakeholders to have a meaningful influence on company activities over time.

We have seen our ongoing direct conversations and actions have a positive impact and will remain an active fundamental manager that constructively engages with management teams. Scotia GAM will continue to leverage its access to investment management teams to communicate our views on how they can help solve challenges for their customer base and society, to ultimately drive the long-term value of their securities.

As a large discretionary investor, we can play an important role in supporting companies to allocate their capital and best talent towards solutions. Our engagement efforts are a key pillar of our efforts as an investment manager to drive beneficial corporate behaviour that serves the best interests of our own clients and stakeholders.

Plastic waste case study: Engagement at every stage of the cycle

Plastic waste reduction

Our planet is overrun with plastic, given current annual global polypropylene production of approximately 170 billion pounds, with only an estimated 1-2% of recycled plastic. Unfortunately, reducing plastic waste is a complex challenge, and some plastic substitutes have an equally negative environmental impact.

Innovation and investment in every stage of the plastic life cycle are crucial to help address the challenge. This past year, we engaged with industry organizations, consumer, industrial, and waste management companies on plastic waste issues. We also contributed to Conference Board of Canada research to help inform public policy on plastic waste management.

Consumer companies

More than 60% of global consumption of polypropylene (the most common type of plastic) is for consumer-related uses.[1]

Consumer brands are increasingly advertising the recycled content of their packaging to better attract environmentally conscious consumers – and while desperate for high-quality recycled content at reasonable prices, they are frustrated by lack of supply. Recycled plastic is still expensive compared to virgin content, and many users of plastic packaging say it is hard to find recycled content that meets their specifications.

To meet the gap in availability, recycling technology must innovate to provide higher-quality recycled plastic. It will also be important for consumer companies to be a part of the solution by considering full-cycle waste concerns when designing products and packaging.

This year we engaged with one of the largest beverage companies in the world. We supported their initiatives to dramatically reduce their use of virgin plastic in packaging, as we believe it will support the outlook for its brand and market valuation over time.

[1]Equity Research Department, PureCycle Technologies, PCT: Initiating Coverage at outperform and $24PT, Oppenheimer & Co., May 24, 2021, New York.

Industrial/packaging companies

Continued packaging innovation is critical to resolve plastic waste concerns. As investors, we can push packaging suppliers, but the most influential constituents are their direct clients (i.e., the consumer companies themselves).

It will take a concerted effort from consumers, investors, and regulators to drive consumer companies to adopt new packaging options.

At a conference in the fall, we met with an industrial plastics manufacturer, and encouraged their steps to incorporate more recycled content into their process. We believe it could give them an advantage over competitors and drive market share if they can execute on the strategy.

Waste management companies

Private waste management companies continue to expand their plastics recycling capacity and have the expertise to help solve plastic waste problems.

Historically, only certain plastic grades could be recycled, but processes are improving, and companies need to build large-scale facilities and invest in state-of-the-art sorting technology to effectively separate different types of plastic from other waste.

Because waste management companies have historically collected and sorted plastic for free, then earned revenue by selling the recycled material on the open market, the economics of recycling are often not favourable. With volatile commodity prices for recycled plastic and uncertain demand, it has been difficult to justify large capital spending for scale facilities with state-of-the-art sorting technology.

Contracts between waste management companies and municipalities are evolving to help share the economics of plastic recycling and reduce risk. Recycled plastic is still more expensive than virgin plastic, but consumer brands are increasingly willing to pay more for the recycled content to meet consumer expectations.

Plastic sorting technologies continue to improve, as does the plastic recycling process itself, and experimental processes like recycling multi-coloured polypropylene inputs to create clear virgin high-quality plastic are a potential industry game-changer.

As investors, we will continue to stay on top of these trends, and we will be ready to provide the funding when there are attractive investment opportunities in waste management companies to build new capacity for plastic processing and recycling.

Throughout 2021, we met multiple times with some of the largest North American waste management companies and other industry leaders. We spent a significant part of the meetings asking questions on plastics recycling, and making it clear we would be interested in providing capital to companies to help build their recycling capacity where it makes economic sense. There is the potential for critical alignment between companies earning increasingly profitable revenue, Scotia GAM as an investor delivering returns for our clients, and an important societal challenge being addressed.

Overall, we cannot look at any component of the plastics problem in isolation. There are many important players in the life cycle of plastic; as a large institutional investor, we have the opportunity to engage with companies at every stage of that cycle and continue to use our influence to help reduce plastic waste and pollution. Our clients' return expectations, company interests, and society's need to find solutions to the plastics problem are all aligned.

Extended producer responsibility

This year, we participated in a discussion with a key material-neutral trade association in the U.S. packaging industry that focused on potential Extended Producer Responsibility (EPR) regulation across North America.

With the goal of increasing recycling, reducing waste, and increasing recycled content in new packaging, EPR would create legal liabilities for consumer companies when disposing of product packaging waste.

Historically, the trade association was against EPR regulation, but it is now supportive because it understands the importance of reducing waste.

The discussion with the trade association highlighted regulatory best practices across jurisdictions, such as producer responsibility for waste disposal costs, requirements for the percentage of recycled content in packaging, and how municipalities should reimburse waste management companies for part of the cost of plastic recycling and disposal.

The insights gained through the discussion have helped inform our ongoing engagement activities with different stakeholders.

Research contribution: Conference Board of Canada

In spring 2021, we contributed to Conference Board of Canada research on how to attract private capital to help fund increases in plastics recycling capacity. We shared how decisions are made by Scotia GAM as an investor and discussed how waste management companies make capital spending decisions.

The specific policy suggestions we contributed to the research include:

- **Extended producer responsibility** – Require plastic packaging producers to help fund the processing of plastic waste by paying fees into an industry fund that can help reimburse municipalities – and ultimately the waste management companies they contract with – for collecting, sorting, and processing plastic waste.
- **Recycled content requirements in packaging** – Require consumer companies to have a minimum amount of recycled content in their packaging to further create demand for recycled plastics and provide greater revenue certainty for waste management companies to invest in recycling capacity and sorting technology.
- **Improved municipal licensing structure** – Improve the current regulatory structure to provide the needed stability waste management companies need to invest with confidence.
- **Industry innovation fund** – We support an industry innovation fund to help deliver breakthroughs in polypropylene processing and other new packaging approaches.

Overall, we cannot look at any component of the plastics problem in isolation. There are many important players in the life cycle of plastic; as a large institutional investor, we have the opportunity to engage with companies at every stage of that cycle and continue to use our influence to help reduce plastic waste and pollution. Our clients' return expectations, company interests, and society's need to find solutions to the plastics problem are all aligned.

Proxy voting analysis and disclosure

Proxy voting is a key part of our fiduciary duty and an important component of active engagement with companies. Our portfolio managers vote proxies to serve the best interests of our clients. Scotia GAM has hundreds of mandates and serves a breadth of clients across retail, institutional, and other distribution channels.

Scotia GAM generally does not impose a firm-level view on proxy votes. As with investment research, we do not believe proxy voting can be separated out as a function distinct from our investment team's research processes without impairing the effectiveness of our management engagement and also our overall fundamental investment process.

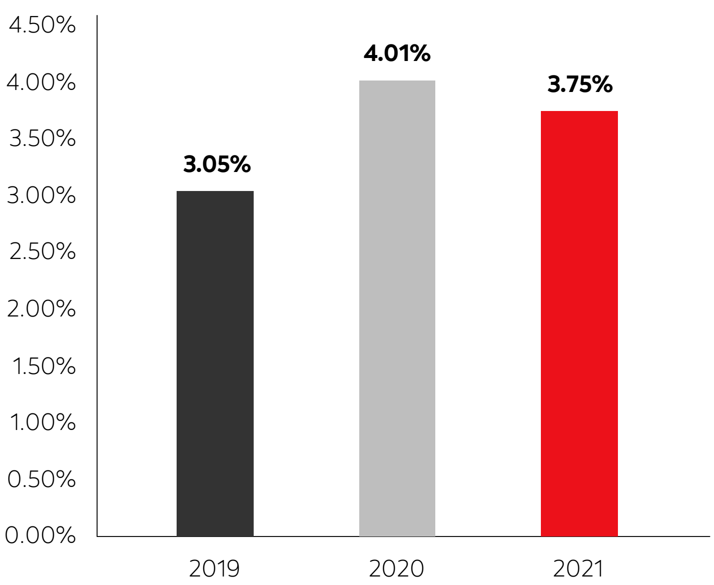
Appropriate consideration of each proxy vote is essential in fulfilling our fiduciary duty to clients. Every proxy vote is analyzed on a case-by-case basis, using our own proprietary assessment of the issues at stake. Voting decisions (for or against) are based on the merits of the proposal, whether it has been brought forward by management or shareholders.

Scotia GAM portfolio managers are supportive of companies taking positive action on environmental and social issues. However, there can be many reasons to vote for or against proposals on environmental and social issues. There are times where portfolio managers may feel that a company is already taking significant action on a given issue or that the specific proposal is too prescriptive and limits effective strategic options.

Scotia GAM continues to enhance our proxy voting disclosure as part of our fiduciary duty to clients.

Our detailed voting record is available on a searchable dashboard on our website. We update our proxy voting disclosures on a semi-annual basis. To see Dynamic Funds' Proxy Voting Dashboard, click here.

% of ESG Votes to Total Votes (2019-2021)

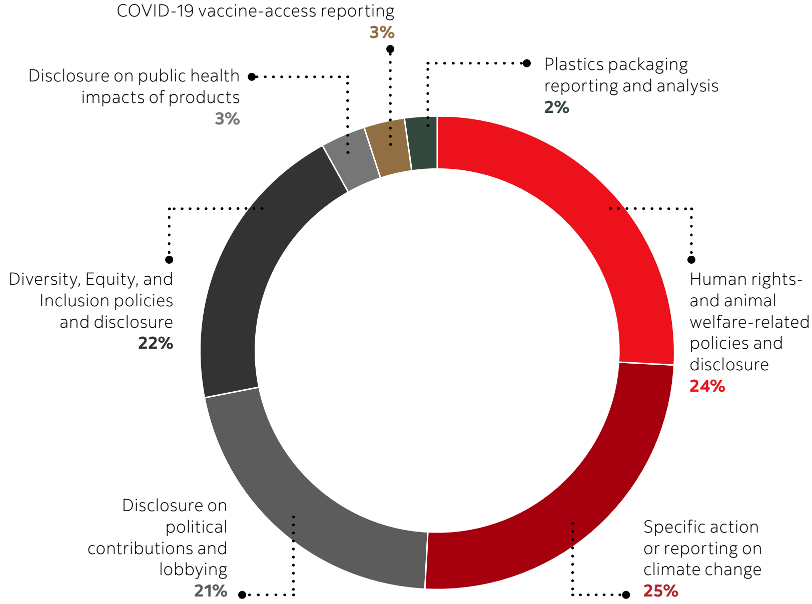


Environmental and Social-related proxy voting record

As ESG issues continue to become more prominent, proxy votes dealing with Environmental and Social (E&S) issues are occurring with greater frequency. Scotia GAM portfolio managers assess every E&S-related proxy vote within the context of their overall investment process and take action in the best interests of our investment funds.

E&S votes cover a wide range of issues that are important for the strategic direction of businesses.

E&S proxy votes by issue



2021 E&S Proxy voting summary

Issue	E&S total votes	% by issue of E&S votes	Votes with management	% E&S votes with management	Votes against management or abstain	% votes against management
Human rights- and animal welfare-related policies and disclosure	653	24%	645	24%	8	10%
Plastics packaging reporting and analysis	51	2%	51	2%	0	0%
Disclosure on political contribution and lobbying	579	21%	563	21%	16	20%
Specific action or reporting on climate change	689	25%	636	24%	53	67%
Diversity, Equity, and Inclusion policies and disclosure	592	22%	590	22%	2	3%
Disclosure on public health impacts of products	85	3%	85	3%	0	0%
Covid-19 vaccine access reporting	68	3%	68	3%	0	0%
Total votes	**2,717**	**100%**	**2,638**	**100%**	**79**	**100%**

Proxy voting case studies

Case study #1

Type of company: European air & freight

Issue at stake: Climate change-related reporting

Details of vote: Shareholder proposal to require company to formally report on climate-related financial risks and opportunities

Voting decision: Voted in support of the shareholder proposal

Rationale: The improved disclosure will be a meaningful contribution to assessing how the company is managing climate change risks and opportunities. The additional information will help us gauge management's overall credibility and hold them accountable for public commitments the company has made.

Case study #2

Type of company: Canadian financial institution

Issue at stake: Board diversity

Details of vote: Shareholder proposal to adopt a board diversity target higher than 40% for the next five years

Voting decision: Voted against the shareholder proposal

Rationale: The company has already made significant progress on its board diversity goals and continues to show leadership. In addition, the prescriptive nature of the proposal to set specific quotas was not considered an ideal approach.

Case study #3

Type of company: U.S. medical products and pharmaceuticals

Issue at stake: Disclosures on vaccine access

Details of vote: Shareholder proposal to require company to report on government financial support and distribution of COVID-19 vaccines

Voting decision: Voted in support of the shareholder proposal

Rationale: Further information on how government support impacts the company's pricing strategy for COVID-19 vaccines and distribution plans will help better evaluate potential future financial performance and risk management.

Responsible investment solutions for our diverse clients' needs

Scotia GAM has a unique multi-brand, multi-distribution platform that serves clients across the investment spectrum and across our international footprint. This platform includes serving our Scotiabank customers via our ScotiaFunds brand and other Canadian retail investors via our Dynamic Funds brand. We also manage investments for higher-net-worth clients who are serviced through Scotia Private Investment Counsel and ScotiaMcLeod. Scotiabank's international client base is also served by Scotia GAM in a variety of geographic locations around the world. Our dedicated responsible investment-focused solutions across our platform include:

Dynamic Energy Evolution Fund

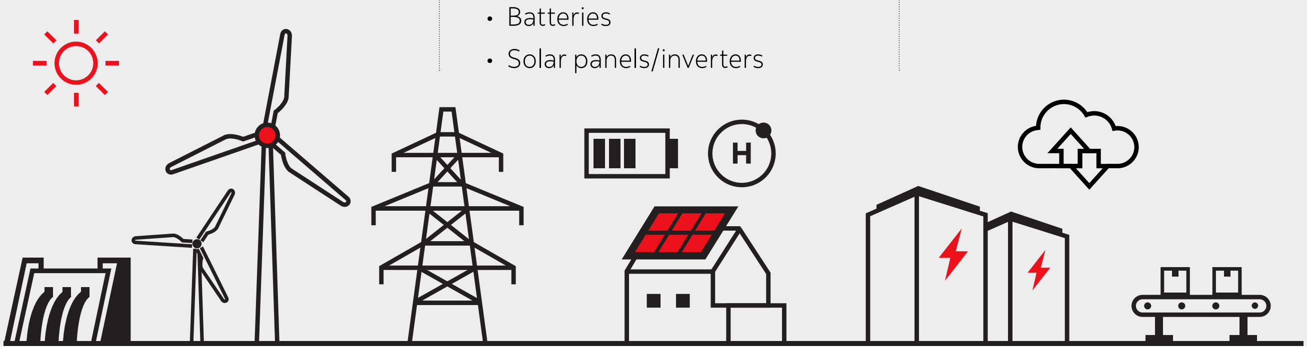
Renewable energy, endless opportunity

Dynamic Energy Evolution Fund is a thematic investment solution developed for our Dynamic Funds business. The Fund is designed to provide exposure to the opportunities arising from the energy industry's secular shift away from traditional fossil fuels towards a more sustainable model focused on renewable energy sources.

Exclusively focused on established companies with proven technologies and solid prospects for organic growth, the Fund is committed to finding and investing in the renewable energy leaders of today, and the innovators of tomorrow.

The Fund invests primarily in equity securities of companies involved in renewable energy or related activities, with no geographic restraint. These include renewable power, emerging solutions, and new energy innovators.

Renewable power	Emerging solutions	New energy innovators
Energy generation, transmission, storage, and distribution through primarily renewable sources: • Wind • Solar • Hydroelectricity • Geothermal • Nuclear	Emerging energy technologies to help meet the growing demand for renewable power: • Residential solar • Wind turbines • Hydrogen • Fuel cells • Biofuels • Batteries • Solar panels/inverters	Key companies providing support and services in the great energy transition: • Services • Logistics • Materials • Energy industrials • Sustainable finance



Dynamic Sustainable Credit Private Pool

An active approach to sustainable investing

Dynamic Sustainable Credit Private Pool combines active management, our unique approach to ESG integration, and specific sustainable themes to deliver long-term value for investors and drive positive societal change. The Pool takes a positive inclusion approach to selecting fixed-income issuers who are engaged in the development of a sustainable economy.

Why Dynamic Sustainable Credit Private Pool?

- Positive inclusions: Combines Dynamic Funds' active approach to ESG integration with alpha-driven, positive inclusions of companies engaged in sustainable development activities
- Flexible approach: Expansive investment universe with the ability to tactically adjust thematic allocations to capitalize on emerging opportunities
- Risk-return focused: Actively managed, multi-strategy, core fixed-income portfolio that minimizes security overlap and optimizes risk-adjusted returns

Key investment themes

In the journey to a more sustainable economy, capital allocation will play an important role in driving positive environmental and societal change. The Pool will initially focus on five key sustainable investment themes that are derived from the United Nations Sustainable Development Goals. For a given theme, the Pool will invest in companies that are leaders and enablers or have an improving story, as defined by the portfolio managers.

Sustainable energy generation	Efficient consumption of energy	Responsible consumption and waste management	Sustainable industry, infrastructure and communities	Good health and well-being
Renewable power, alternative fuels, carbon capture and storage, energy infrastructure	Electric transportation and supporting infrastructure, cleaner industrial production, efficient building design and construction, real estate redevelopment	Consumer products and packaging, logistics, waste management companies	Telecommunications, infrastructure companies, utilities, real estate	Efficient and equitable food supply, healthcare, and wellness companies

Scotia Low Carbon Funds

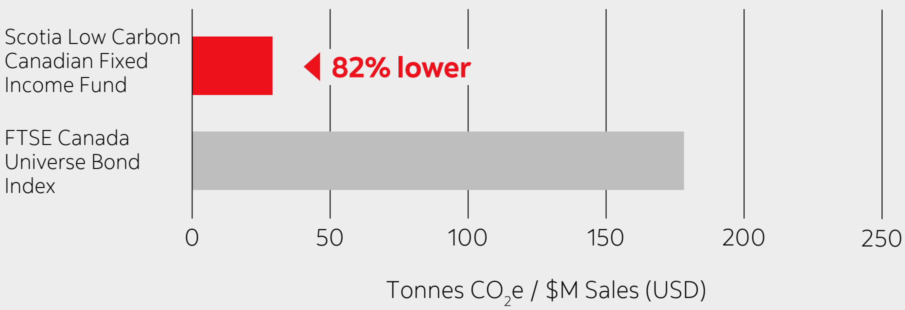
Scotia Low Carbon Funds – including Scotia Low Carbon Canadian Fixed Income Fund, Scotia Low Carbon Global Balanced Fund, and Scotia Low Carbon Global Equity Fund – are intended for environmentally conscious investors seeking a diversified portfolio of high-quality investments with lower carbon intensity than the broader market.

Scotia Low Carbon Funds are managed to have a lower weighted average carbon intensity than their respective benchmark index.*

Scotia Low Carbon Canadian Fixed Income Fund

Weighted Average Carbon Intensity

Fund holdings using available carbon intensity data as at June 30, 2021.

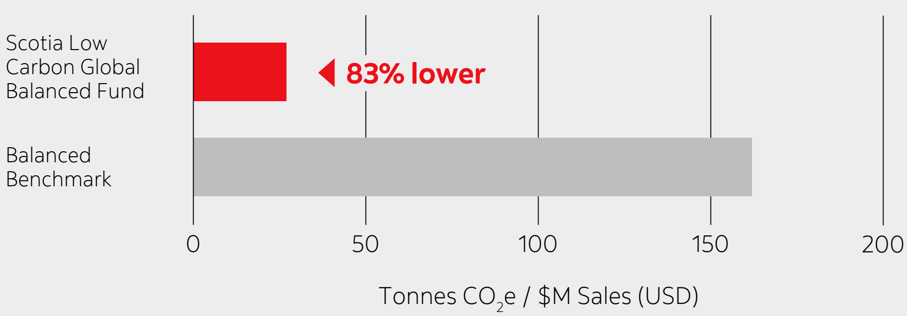


Carbon Intensity = tCO_2e/$M USD revenue. For Fund, data availability is 57.0% with 19.9% comprised of MSCI estimates; for benchmark, data availability is 34.8% with 15.7% comprised of MSCI estimates. Data Sources: JFL and MSCI. Emissions include Scope 1 and Scope 2 Emissions. Note that data availability is lower for bond funds because of the inclusion of government bonds.

Scotia Low Carbon Global Balanced Fund

Weighted Average Carbon Intensity

Fund holdings using available carbon intensity data as at June 30, 2021.



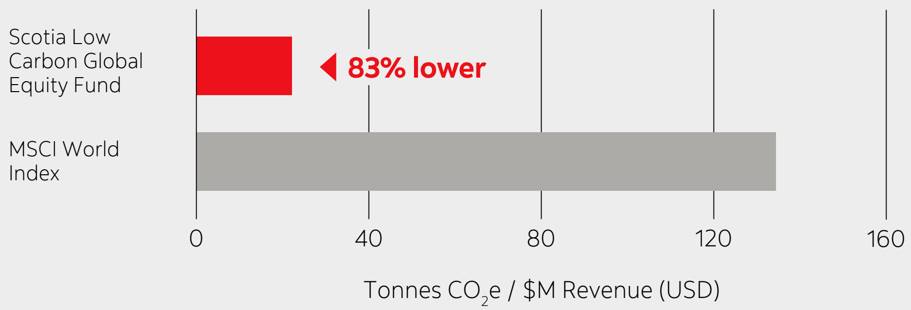
Carbon Intensity = tCO_2e/$M USD revenue. Balanced Benchmark is 50% MSCI World Index and 50% FTSE Canada Universe. For Fund, data availability is 80.2% with 17.5% comprised of MSCI estimates; for benchmark, data availability is 67.4% with 14.6% comprised of MSCI estimates. Data Sources: JFL and MSCI. Emissions include Scope 1 and Scope 2 Emissions.

* The carbon intensity of the funds is determined by measuring direct CO_2 emissions from the individual companies in each portfolio (Scope 1 emissions) as well as emissions from purchased energy (Scope 2 emissions) relative to their revenue. Carbon Intensity is expressed in metric tonnes of Scope 1 & 2 carbon dioxide equivalent (CO_2e) emissions per million USD in revenue generated by the business. A weighted average carbon intensity methodology is used, whereby the carbon intensity of each equity and corporate bond holding is proportionally weighted based on its representation in the fund. The weighted average carbon intensity is measured periodically for the funds and their benchmark.

Scotia Low Carbon Global Equity Fund

Weighted Average Carbon Intensity

Fund holdings using available carbon intensity data as at June 30, 2021.



Carbon Intensity = tCO_2e/$M USD revenue. For Fund, data availability is 100% with 15.5% comprised of MSCI estimates; for benchmark, data availability is 99.9% with 13.5% comprised of MSCI estimates. Data Sources: JFL and MSCI. Emissions include Scope 1 and Scope 2 Emissions.

To meaningfully lower the funds' carbon footprint, some of the specific exclusions are:

- Energy sector companies (except renewables)
- Non-energy sector companies that own businesses operating with proven thermal coal, oil, or gas reserves
- Companies that have a significant amount of value attributable to the extraction/production of fossil fuels
- Companies with significant exposure to power generation from fossil fuels†

Near- and longer-term forces underpin the funds' investment thesis and growth potential:

Mounting societal and regulatory forces will drive greater focus on environmental stewardship

The transition to a low-carbon economy will create long-term headwinds for fossil fuel-reliant companies and sectors

Businesses that are less dependent on fossil fuels and/or invest in sustainable infrastructure today will be well positioned for growth tomorrow

† Exceptions may be made where a company has a clear strategy to meaningfully increase its renewables.

Scotia Responsible Investing ETFs

Scotia Responsible Investing ETFs are a suite of ESG exclusion funds that provide a simple, transparent, and low-cost approach for investors seeking a responsible foundation for their portfolio. The suite includes four core asset class building blocks that offer broad market exposure while screening out fossil fuels, reducing carbon intensity,[1] and eliminating controversial businesses.

SRIB Scotia Responsible Investing Canadian Bond Index ETF

SRIC Scotia Responsible Investing Canadian Equity Index ETF

SRIU Scotia Responsible Investing U.S. Equity Index ETF

SRII Scotia Responsible Investing International Equity Index ETF

Screening

Each ETF tracks a responsible index screened by a set of responsible investment criteria defined by Scotia GAM and the index provider.

Fossil fuels

- Excludes companies materially involved in fossil fuel exploration, production, distribution, and servicing
- Includes activity-based screens that eliminate companies with material exposure to coal mining, oil sands, and hydraulic fracturing production

Carbon intensity

- Carbon screen removes companies with the highest carbon intensity as measured by CO_2e per million USD in revenue generated
- Top 25% of emitters in each sector are excluded

Controversies

- Norms-based screen excludes companies with alleged or verified failure to respect international norms (e.g., human rights, environment challenges, corruption)
- Activity-based screen eliminates companies with material exposure to a range of controversial business activities (e.g., controversial weapons, gambling, alcohol, tobacco)
- Excludes companies with no female representation in key decision-making positions

With a clearly defined approach to exclusions, Scotia Responsible Investing ETFs allow investors to align their investments and their values.

[1] Carbon intensity is expressed in metric tonnes of Scope 1 (direct) and Scope 2 (purchased) carbon dioxide (or CO_2e) emissions per million USD generated by the business.

Scotia Global Asset Management™ Sustainable Funds[1]

The world is changing. Your investments can too.

Sustainability has become a central part of decision-making for consumers, businesses and governments – and investors can no longer ignore the impact on their investments.

Why invest?

- The transition to a sustainable economy is presenting a broad array of financial risks and opportunities.
- Holding an actively managed diversified portfolio of high-quality businesses is the best way to protect against those risks and access those opportunities.
- Investors benefit from active ownership through productive corporate engagements that seek to improve business practices and drive long-term shareholder value creation.

Scotia Sustainable Funds – At a glance

	Scotia Sustainable Global Corporate Bond Fund	Scotia Sustainable Global Equity Fund	Scotia Sustainable Emerging Markets Equity Fund
Asset class	Corporate fixed income	Global equity	Emerging markets equity
Benchmark	Bloomberg Barclays US Corporate Total Return Value Unhedged Index	MSCI World Index	MSCI Emerging Markets Index
Portfolio manager[2]	JFL Global	JFL Global	JFL Global
Recommended time horizon	Medium to long term	Long term	Long term
Objective	Capital preservation and stable income	Growth	Growth
Risk rating	Low to medium	Medium to high	High

[1] The Scotia Sustainable Funds ("The Funds") are registered with and regulated by Cayman Islands Monetary Authority (the "Monetary Authority"). The Funds are indented for accredited investors only. Important information concerning the investment objectives, strategies, risks, charges and expenses of investing in mutual funds is contained in the relevant prospectus. Investors should carefully consider these before investing. Copies of the prospectus are available from the financial institution where you are buying the mutual fund and should be read before investing. Commissions, management fees and expenses all may be associated with mutual fund investments. Mutual Funds are not guaranteed or covered by your local Deposit Insurance Corporation, other government deposit insurer, The Bank of Nova Scotia, or its subsidiaries/affiliates, their values change frequently, and you may not get back the original amount you invested. This is for informational purposes only and is subject to change without notice. Always consult your professional tax and legal advisors with respect to your circumstances. Nothing herein is intended to constitute an offer or solicitation to transact business for products or services in any jurisdiction where such an offer or solicitation would be unlawful. In Mexico, Colombia, Chile, and Peru, this document shall be exclusively made available to institutional investors and financial intermediaries only and it is not intended for public distribution. No securities regulator within Mexico, Colombia, Chile or Peru has confirmed the accuracy of any information contained herein. Views expressed regarding a company, security, industry or market sector are the views of the writer and should not be considered an indication of trading intent of any investment funds managed by Scotiabank & Trust (Cayman) Ltd. These views should not be considered investment advice nor should they be considered a recommendation to buy or sell.

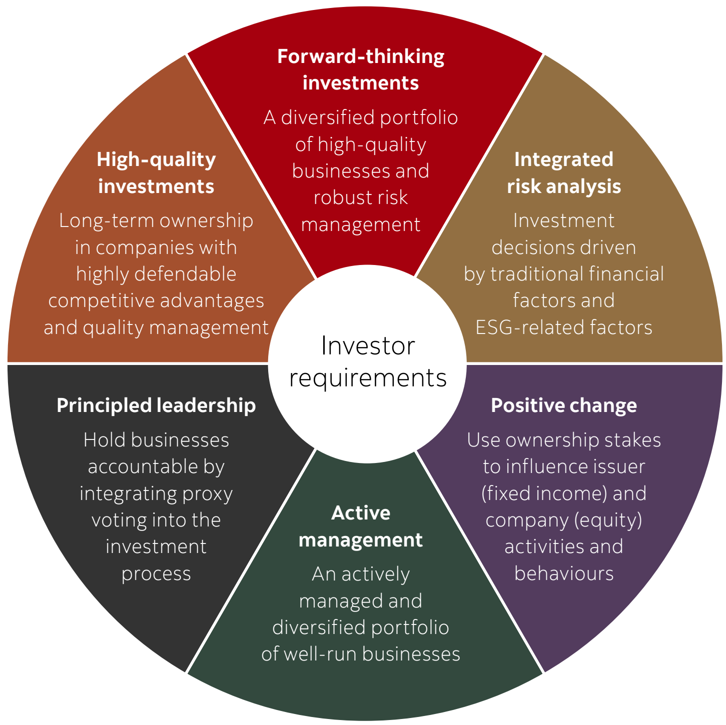
[2] Scotia Global Asset Management is a business name used by Scotiabank & Trust (Cayman) Ltd. Scotia Global Asset Management offers a range of wealth management solutions, including mutual funds, and investment solutions for private clients, institutional clients and managed asset programs. ™Trademark of The Bank of Nova Scotia, used under license where applicable. Jarislowsky, Fraser Limited (JFL Global Investment Management) is a wholly owned subsidiary of The Bank of Nova Scotia ("Scotiabank") and operates as a distinct business. Its investment management approach and decision-making process are independent from Scotiabank and its other asset management businesses.

Managed by leaders in sustainable investing

Scotia Sustainable Funds are managed by JFL Global Investment Management (JFL Global), a wholly-owned subsidiary of Scotiabank. JFL Global is one of Canada's leading investment firms that is widely recognized and valued for its core strengths:

- Fundamental, high-quality investing
- Rigorous in-house research
- Active, bottom-up investing since 1955
- 20+ years of developed and emerging markets equity experience
- Focus on global leaders, non-cyclical businesses
- Long-term ownership approach
- Companies seek counsel as a trusted shareholder
- Long history of governance advocacy

Scotia Sustainable Funds are intended for investors who want:



Diversity, Equity, and Inclusion initiatives

Scotiabank is committed to ongoing efforts to build a more diverse, equitable and inclusive workplace, and, in 2020, set ambitious goals to increase the diversity of its employee population over the next five years. You can read more in the Scotiabank 2020 ESG report (page 31). Scotia GAM's efforts are closely aligned with the goals and ambitions of Scotiabank, and we aspire to be an industry leader in recruitment, retention, and advancement of underrepresented talent.

Our Diversity, Equity, and Inclusion (DEI) efforts are shaped by our intention to foster a supportive, respectful, and inclusive environment where employees can bring their authentic selves to work – and we increasingly find ways to permeate this throughout our business, with the support of our senior leadership team.

A focused **Scotia GAM DEI Committee** was formed in 2020, comprised of team members from diverse backgrounds, representing different areas of the business, to design and execute initiatives that address our core areas of focus, while ensuring they are relevant and customized to our business unit's needs, including:

- **Awareness** – Build awareness of biases and experiences of underrepresented groups and impact on results;
- **Advocacy** – Advocate the need for change now, to foster an inclusive culture focused on attracting, developing, and retaining high potential talent in underrepresented groups; and
- **Action** – Commit to taking action to increase representation to reflect our communities and to inform deeper insights into our diverse client base.

Scotia GAM statement on Diversity, Equity, and Inclusion

As one of the leading investment firms in Canada, Scotia GAM and its registrant recognizes that it has a responsibility to take a leadership role in the advancement of Diversity, Equity, and Inclusion (DEI).

Significant inequities exist both in Canada and globally with respect to race, gender, sexual orientation, age, disability, religion, and socio-economic status. To address these inequities, we are committed to furthering DEI – in the corporate culture we foster, in the communities in which we operate, and in the companies in which we invest.

We will focus, but not limit, our efforts on:

1. **Expanding our efforts internally to address barriers to entry** by adopting hiring practices that create and systematize a more diverse pool of candidates.
2. **Improving DEI practices internally** by collecting and monitoring DEI data, heightening awareness across the organization, and providing ongoing education opportunities.
3. **Expanding our reach to build and sustain a robust pool of diverse and inclusive professional talent** that engages employees throughout their career journey.
4. **Reviewing the diversity disclosures across the companies in which we invest** – as we recognize a connection between diversity and long-term company financial performance over time.

We commit to continually reviewing and evolving our approach to bring about a more diverse and inclusive investment landscape and community in Canada now – and in the future.

Recruitment

While we focus on recruiting from a wider pool of candidates, our hiring managers have undergone Inclusive Hiring Training, with the goal of equipping and supporting hiring managers to offer an inclusive, consistent hiring experience for all candidates, regardless of their backgrounds. Areas covered included: Confronting Bias, Attracting Talent, and the Candidate Experience.

The Scotia GAM Investment Team launched an **Analyst Rotation program** in 2019, hiring highly qualified new graduates from underrepresented groups. Participants undergo a two-year rotational training program, before being offered full-time positions. Our inaugural group of diverse candidates have all been placed as full-time employees in our investment team.

In 2022, we are proud to support an external program that aims to improve female diversity on investment teams. The goals of the program are to:

- Inform women of the diverse asset management career options and to enable them to secure employment in the Canadian asset management industry;
- Increase the number of women in the Canadian asset management industry; and
- Build a network of female leaders in the Canadian asset management industry that can mentor other women.

Candidates selected to participate will then be considered for our Analyst Rotation Program.

Talent development and retention

We have hosted Listening Sessions with underrepresented employees, facilitated by a third-party, to collect authentic feedback in a safe space to help identify how we can continue to improve as a business.

The Inclusive Leaders workshop, facilitated by Seramount, was born of these Listening Sessions, which included the Scotia GAM Executive Leadership team. The workshop shared key findings from the listening sessions, discussed experienced leadership behaviours, and provided real-life examples of inclusive leadership traits. 85% of the participants found the workshop useful and were committed to furthering the action plans. Work is underway to identify action plans to ensure the following leadership behaviours are fostered:

- Promote transparency;
- Foster psychological safety;
- Invest in team growth and development;
- Advance a shared vision;
- Empower team members; and
- Create an environment for open discussions and debates.

Another gap that was identified was the need for targeted mentoring opportunities to help close the gap in perceived or real differences in career progression of underrepresented individuals which led to the creation of our **Uplift and Ascend Programs**.

The **Uplift Program** – A Women in Leadership Program for Scotia GAM – was created to increase gender diversity by developing our existing top talent while expanding and expediting our talent pipeline. The Program provides mentorship for a small cohort of women and focuses on cultivating deep network connections and engagement as well as providing long-term career development. Our inaugural cohort began in October 2020 and graduated 10 individuals, with the next cohort starting in October 2021.

The Scotia GAM Committee launched several other initiatives, including ones aimed at encouraging allies to take a more active role, a storytelling series to share lived experiences and build more empathy, and team members volunteering as DEI Ambassadors to champion inclusive values and participation in DEI initiatives.

In 2022, Scotiabank is piloting a **Global Sponsorship Program** with Scotia GAM's involvement to help build the next generation of leaders – by advancing high-performing individuals from equity deserving groups. Sponsorship is a strategic alliance between a protégé and a more senior professional sponsor, who uses their influence and advocacy to help their protégé obtain high visibility and positive career impacts. It is the process of 'power' being transferred from one individual to another.

Scotia GAM is committed to a growth mindset and continuous improvement. We encourage our team members to challenge us and help evolve our initiatives as we remain committed to this journey of making our business a more diverse and inclusive place to work.

Thought leadership

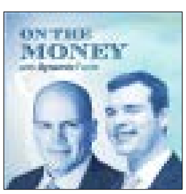
Scotia GAM is committed to advancing dialogue on a multitude of ESG issues, with thought leadership ranging from our views on greenwashing, to the shortcomings of third-party ESG research, to our future renewable energy leaders.

Behind the curtain: ESG ratings, the agencies that create them and why an active approach matters

Analyzing the limitations of third-party ESG ratings and diving into the ambiguities and inconsistencies of ratings from one agency to the next, this article examines whether ratings agencies can accurately identify the emerging ESG strength of tomorrow's leaders.

Why ESG investing is about more than labels and advertising campaigns

This article delves into how ESG investing has progressed over time and how investors can navigate this space to help ensure their investments are in line with their objectives.



Podcast on ESG investing, the Dynamic way

Decoding ESG terminology, challenging misconceptions, and the shortcomings of relying solely on ESG rating agencies are all covered in this podcast. Also discussed is how important it is for investors to have an informed conversation with their advisor to ensure expectations are appropriately aligned with investment choices.

Active Matters: a dynamic approach to ESG investing

This *Wealth Professional* article looks at the momentum building in the industry around ESG investing, as well as Scotia GAM's focus over the past several years on creating a formal ESG infrastructure across all investment teams, following our long history of incorporating ESG factors into the fundamental investment process.

How to get exposure to era-defining renewable energy growth opportunity

This *Wealth Professional* article profiles Vice President and Portfolio Manager Jennifer Stevenson, who prides herself on leveraging her extensive industry experience to identify quality companies at a reasonable price for Dynamic Energy Evolution Fund – and her ability to identify the sector winners 10 years from now.

The Responsible Bond Market: How Traditional Bonds Can Deliver Significant Social Change

This *Responsible Investment Association* article explores the corporate bond side of ESG. It argues that while green and sustainability-linked bonds are a welcome trend, there is a strong case for a significantly higher potential impact from traditional bond buyers who actively engage with companies and push for change.

Looking ahead

At Scotia Global Asset Management, we are firmly committed to enriching clients' financial futures with outstanding investment solutions, delivered in partnership with comprehensive wealth advice.

To fulfill that purpose, we integrate ESG considerations throughout our business to deliver long-term value to our clients. This includes active engagement with a wide range of stakeholders, deep in-house research, active involvement from our portfolio managers, dedicated oversight from our ESG Investment Committee, the launch of dedicated responsible investment solutions, and examining our own corporate social responsibility practices.

As we look ahead, we are dedicated to continual progress in all of these areas – to best serve our clients' financial goals and the futures of those around us.

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