

# Scotia Sustainable Funds

## Frequently Asked Questions

Scotia Sustainable Funds are a suite of dedicated sustainable investment mutual fund solutions.

Scotia Sustainable Funds are intended for investors who seek to invest in businesses that have highly defensible competitive advantages and are prepared to confront emerging risks and embrace new opportunities that directly impact long-term performance.

Four core principles guide the Scotia Sustainable Funds' research, decision-making and management as they seek to invest in sustainable businesses: conduct fundamental research, incorporate proprietary Environmental, Social and Governance (ESG) analysis, engage company leadership and drive change.

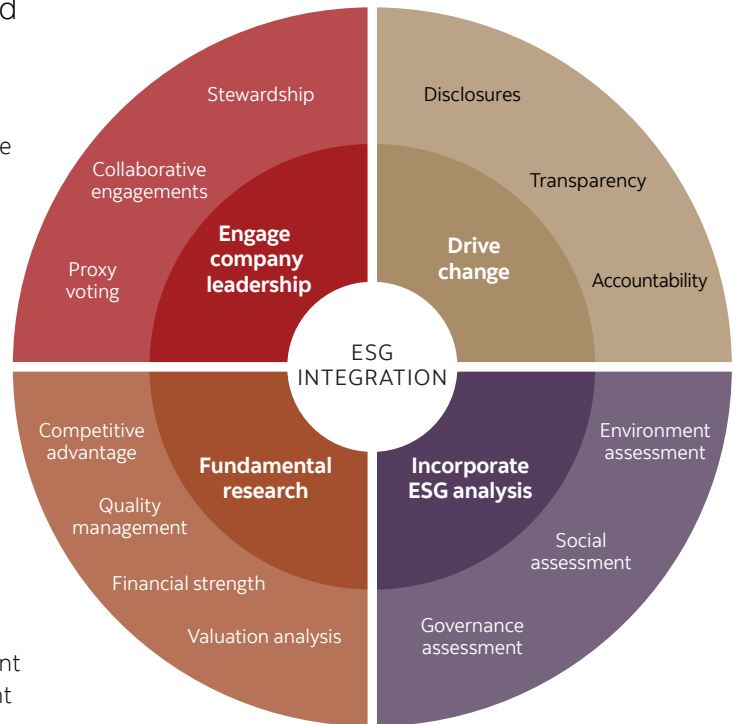
The suite consists of:

**Scotia Sustainable Global Corporate Bond Fund**

**Scotia Sustainable Global Equity Fund**

**Scotia Sustainable Emerging Markets Equity Fund**

The Funds are managed by JFL Global Investment Management (JFL Global), one of Canada's premier investment management firms and a signatory to the United Nations Principles for Responsible Investment.



## Scotia Sustainable Funds – At a glance

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

## Section 1: Background on Scotia Sustainable Funds

### 1. What is the mandate of the Funds?

The Scotia Sustainable Funds are an actively managed, diversified portfolio of high-quality businesses that integrates traditional financial and environmental, social and governance factors into fundamental investment analysis, while attempting to generate either income or growth, consistent with the investment objective of each Fund.

### 2. What is the investment process for the Funds?

The Funds are primarily ESG-integrated solutions. Starting with the full investment universe, JFL Global applies its fundamental investment process to create a recommended target portfolio. The investment process fully integrates an analysis of conventional and unconventional risks, which includes Environmental, Social, and Governance (ESG) factors.

### 3. What are the reasons to invest in the Scotia Sustainable Funds?

The Scotia Sustainable Funds are intended for investors who want a forward-thinking, diversified portfolio of high-quality businesses and robust risk management.

#### High-quality investments

- Long-term ownership in companies with highly defensible competitive advantages and quality management

#### Integrated risk analysis

- Investment decisions driven by traditional financial factors and ESG-related factors

#### Positive change

- Use an ownership stake in the equity or debt of a company to engage and influence their management and board of directors to improve their business practices, activities and behaviors

#### Active management

- An actively managed and diversified portfolio of well-run businesses

#### Principled leadership

- Hold businesses accountable by integrating proxy voting into the investment process

## Section 2: Understanding Sustainable Investing

### 4. What is sustainable investing?

Sustainable investing is an umbrella term that includes ESG Investing, Socially Responsible Investing, among others. It refers to investment strategies that consider the impact of a company's business practices on society and the environment, while also offering the potential for enhanced long-term risk-adjusted returns.

### 5. What is ESG investing?

ESG investing refers to investment strategies that consider a company's environmental, social and corporate governance business practices in addition to traditional financial information.

- Environmental: considerations are generally based on concerns related to climate change and sustainability. These can include, but are not limited to, reduced greenhouse gas (GHS) emissions, proper energy usage, sourcing, waste and pollution management
- Social: considerations traditionally look at the impact a business has on society in general. They relate to rights and well-being of stakeholders, including suppliers, customers, workers and communities, to name a few. Human rights, labour standards and workplace health and safety fall within this category
- Governance: considerations related to how a business governs itself. These would include corporate governance policy, risk management, shareholders' rights and transparency, to name a few. A well-structured corporate governance system aligns the interests of company shareholders, management, employees, clients, suppliers and/or the community

### 6. Are there different approaches to ESG investing?

There are numerous approaches and categories of ESG investing, including, but not limited to, ESG integration, ESG engagement, ESG screening and ESG thematic.

- ESG Integration: considers ESG-related factors when making investment decisions
- ESG Engagement: invest in the securities of companies with the intent to influence their activities or behaviors that relate to ESG issues
- ESG Screening: do not invest in the securities of companies that have business practices or are in an industry that is not supportive of ESG factors, such as fossil fuels, alcohol, gaming, tobacco or controversial weapons
- ESG Thematic: invest in the securities of companies that are expected to benefit from long-term ESG-related trends, such as alternative energy, energy transition or pollution prevention and control

## Section 2: Understanding Sustainable Investing (cont'd)

### 7. What category of ESG are the Scotia Sustainable Funds?

The Scotia Sustainable Funds have an ESG integration and engagement approach that is pragmatic and considers material ESG-related factors in addition to traditional financial factors in the investment decision-making process.

### 8. Do ESG factors affect the return of an investment?

Companies that have positive ESG policies are more likely to be of higher quality with business practices that are more aligned with the long-term interests of investors. Including ESG factors in the investment decision-making process has the potential to enhance long-term risk-adjusted returns.

## Section 3: Investment Process

### 9. Who is the Portfolio Manager?

Scotia Sustainable Funds are managed by JFL Global (JFL), a Canadian investment management firm whose history and culture are rooted in investment stewardship. This stewardship is expressed through an adherence to investing in higher-quality businesses, fundamental research, a long-term investment horizon, and the advancement of good governance and sustainable investing.

JFL believes that a company's Environmental, Social and Governance (ESG) policies and track record provide a good lens to gauge quality. For this reason, JFL integrates the analysis of material ESG risks and opportunities into their investment process and have adopted a Sustainable Investment Policy that formalizes this commitment.

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### 10. Describe JFL's investment process

JFL Global has been performing fundamental securities research dating back to 1955. Their investment process can be outlined in three steps:

- Investment Universe: Screen the asset class universe with a focus on global/regional leaders in industries with positive long-term growth trends
- Fundamental Research: Select high-quality companies based on a bottom-up fundamental investment approach that considers ESG factors
- Ongoing Management: Active security selection, ongoing risk assessment

JFL defines quality companies as those that possess four key characteristics:

- A highly defensible competitive advantage versus the competition
- Quality management
- Financial strength
- Reasonable valuation with long-term potential value

## Scotia Sustainable Funds – Fund Information

|  | Scotia Sustainable<br>Global Corporate Bond Fund | Scotia Sustainable<br>Global Equity Fund | Scotia Sustainable<br>Emerging Markets Equity Fund |
|--|--|--|--|
| Management Fee <sup>1</sup> % (Class K, F & I) | 0.25/0.50/0.15                                   | 0.28/0.95/0.20                           | 0.28/1.00/0.20                                     |
| Minimum/Subsequent Investment<br>(Class K & F) | 100,000/100                                      | 100,000/100                              | 100,000/100  |
| Minimum/Subsequent Investment<br>(Class I)     | 250,000/1,000                                    | 250,000/1,000                            | 250,000/1,000                                      |
| Portfolio Manager                              | JFL Global <sup>2</sup>                          | JFL Global <sup>2</sup>                  | JFL Global <sup>2</sup>                            |
| Fund Currency                                  | USD  | USD                                      | USD  |

<sup>1</sup> There is no investment advisory fee charged by the Manager in respect of Class K and Class I. With respect to Class K the registered dealer may pay the Portfolio Manager a portion of the Managed Account Program Fee.

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## Scotia Global Asset Management™

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. 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.

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