March 14, 2025

Relating to: Bank of Nova Scotia Annual General Meeting (April 8, 2025)

Subject: **Supplementary Information regarding Proposal No. 1 requesting the Bank of Nova Scotia to oversee and publish a racial equity audit.**

SHARE is urging the Bank of Nova Scotia's shareholders to vote FOR Proposal No. 1 requesting the bank to oversee and publish a third-party racial equity audit.

To Shareholders,

The Hamilton Community Foundation, represented by the Shareholder Association for Research & Education ("SHARE"), has submitted a shareholder proposal to be considered at the Bank of Nova Scotia's ("Scotiabank") 2025 annual general meeting of shareholders scheduled on April 8, 2025. This letter provides supplementary information relevant to your review in voting on Proposal No. 1 (page 115 of Scotiabank's 2025 Management Information Circular),[1] requesting that Scotiabank conduct a Racial Equity Audit ("REA"). This letter also directly addresses the Board's position (outlined on page 116 of the Scotiabank circular).[2]

As you review the proposal, we would like to draw your attention to the following:

- **Racial equity audits are a powerful risk mitigation tool.** They enable companies to assess both (1) the extent to which their practices create, perpetuate, and sustain inequities amongst employees, customers, stakeholders, and Indigenous rightsholders; and (2) how effectively a company's own commitments and initiatives translate into measurable equity outcomes. Racial equity audits provide companies with key recommendations to address identified compliance deficiencies through the strengthening of policies, practices, and accountability mechanisms. By proactively identifying and addressing inequities, Scotiabank will be better positioned to manage reputational, legal and operational risks; fulfill its own racial equity commitments; and build long-term value for shareholders and stakeholders alike.
- **Scotiabank is the only bank among Canada's "Big Six" that has yet to commit to a racial equity audit**. At present, Scotiabank is an outlier amongst leading banks, in its rejection of racial equity audits as an effective risk management tool to identify, mitigate and address potential and/or actual inequities stemming from the Bank's employment and commercial practices, as particular to racially marginalized and Indigenous communities. Failing to identify, mitigate and address inequities may expose

[1] https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2024/q4/Scotiabank-193rd-Management-Proxy-Circular-EN-AODA.pdf
[2] https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2024/q4/Scotiabank-193rd-Management-Proxy-Circular-EN-AODA.pdf

VANCOUVER OFFICE Suite 440, 789 West Pender Street, Vancouver, BC V6C 1H2
TORONTO OFFICE Unit 401, 401 Richmond Street West, Toronto, ON M5V 3A8

T 604 695 2037

shareholders to reputational, legal and operational risks stemming from gaps in the bank's risk mitigation practice.
- **Scotiabank has not demonstrated how its current racial equity initiatives and practices fulfill the same objectives of a racial equity audit**. The Proponent does not question the bank's stated commitment to racial equity. However, it views the bank's current approach to racial equity as insufficient to proactively identify and evaluate the full scope of related risks and to demonstrate the merit or effectiveness of its various initiatives.
- The withdrawal terms proposed and discussed with Scotiabank were **not overly prescriptive and substantively the same as those accepted by all four other Canadian banks** engaged by the Proponent in 2023.

The Proponent views the Bank's arguments outlined in the Management Information Circular as insufficient, warranting shareholders to vote FOR Proposal No. 1.

Section 1. A racial equity audit is a powerful risk mitigation tool for companies and their shareholders

Racial equity audits conducted by independent third parties can provide corporate boards and management with an objective evaluation of how company policies, practices, and culture are either diminishing or perpetuating systemic racism and racial inequities.

Racial equity audits consist of an in-depth and independent examination of whether a company's employment and commercial practices promote compliance with existing anti-discrimination regulatory frameworks. As specific to Canada, and federally regulated banks, these standards include federal human rights legislation, Section 35 of the Constitution Act of 1982, the Truth and Reconciliation Commission's Calls to Action No. 92, and the United Nations Declaration on the Rights of Indigenous Peoples ("UNDRIP"). As specific to the United States, where operating banks are dually subject to both federal and state laws, these standards include anti-discrimination equal employment opportunity, equal contract opportunity as well as fair lending statutes.

Racial equity audits help companies assess both (1) the extent to which their practices may create, perpetuate, and sustain inequities amongst employees, customers, stakeholders, and Indigenous rightsholders; and (2) how effectively a company's stated commitments and initiatives translate into measurable equity outcomes.

When done in alignment with existing best practices, a racial equity audit can be powerful risk mitigation tool that would help Scotiabank avoid potential future legal, reputational, and regulatory risks associated with any unintended adverse impacts of its employment and commercial practices on racially marginalized communities and Indigenous Peoples.

As part of the execution of its new strategy, Scotiabank reiterates its new culture framework, ScotiaBond, which consists of a set of values guiding its day-to-day interactions and decisions, namely: client centric, integrity, inclusion, and accountability.[3]

We commend Scotiabank for developing this new framework.

However, articulating a value-based approach to business does not automatically ensure meaningful access to talent, products, and services that promote financial inclusion and economic participation, particularly amongst underbanked demographics — a key customer segment to which racial equity analysis attaches. Stated values are not, on their own, an assurance of effective execution on those values. Evaluating whether such commitments translate into tangible actions and outcomes is an essential step in mitigating any legal or operational risks that could negatively impact the bank's reputation in the long run.

A sound risk management approach requires the proactive identification of potential blind spots and effective mitigation of vulnerabilities before they escalate into material reputational, legal or operational risks. A preventative strategy is a key component of good corporate governance. In contrast, a wait-and-see approach would be ill-advised, especially for banks which have shown to be particularly vulnerable to reputational risks.

Indeed, studies show that a bank's "positive societal influence" is increasingly becoming a driver of reputation.[4] According to PwC, 83% of consumers think companies should be actively shaping ESG best practices, and 86% of employees prefer to support or work for companies that care about the same issues they do.[5] Another study shows that 14% of Gen Zers and 12% of millennials think "their primary bank is the one that acts in the best interest for the environment and society".[6] A study from PwC indicates that "banks are facing intense public scrutiny over the impact of their lending practices" including on human rights, social cohesion and other ESG topics.[7] A report from Sustainalytics concludes that the financial services sector is "highly exposed to societal incidents due to institutional financing of projects affecting Indigenous communities and other underrepresented ethnic groups".[8] The findings also suggest that "firms need to be more proactive in managing the initiatives they have in place to mitigate controversies related to race and ethnicity."[9]

---

3 https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2024/q4/Annual_Report_2024_English.pdf
4 https://www.reviewtrackers.com/blog/bank-reputation-risk-management/
5 https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/consumer-and-employee-esg-expectations.html
6 https://www.pwc.com/us/en/industries/financial-services/library/digital-banking-consumer-survey.html
7 https://www.strategyand.pwc.com/de/en/industries/financial-services/transforming-eu-banks/esg.html
8 https://connect.sustainalytics.com/hubfs/INV/Reports/SustainalyticsESGSpotlight-Race-Ethnicity-and-Public-Equity-14July2021.pdf
9 https://connect.sustainalytics.com/hubfs/INV/Reports/SustainalyticsESGSpotlight-Race-Ethnicity-and-Public-Equity-14July2021.pdf

Lastly, as noted in management's response, Scotiabank does have a variety of initiatives in place or under development which touch on areas of this concern, which we address in section 3 below. An independent racial equity audit is a means of producing a comprehensive baseline and a comprehensive foundation for each of the bank's disparate initiatives, providing a single, cohesive approach and enterprise-wide recommendations for the bank as a whole.

Section 2. Scotiabank is an outlier among Canada's big six banks on racial equity audits

The practice of conducting racial equity audits has now been established as an industry standard for financial institutions in both Canada and the U.S.

Scotiabank is the only bank among Canada's big six banks that has not committed to conduct a racial equity audit. Bank of Montreal ("BMO"), Royal Bank of Canada ("RBC"), Canadian Imperial Bank of Commerce ("CIBC"), and National Bank of Canada ("NBC") have all committed to conducting a comprehensive racial equity audit covering both their employment and commercial practices, with Toronto Dominion Bank ("TD") setting industry precedent, in its 2023 publication of Canada's first racial equity audit, covering employment practices.[10]

In the U.S., many other financial institutions have undergone the same exercise including, but not limited to: Citi Group,[11] BlackRock,[12] State Street,[13] JP Morgan Chase,[14] Goldman Sachs,[15] Wells Fargo[16] and others. Notably, KeyCorp – which has recently been acquired by Scotiabank with a minority stake of 14.9%[17] – is also undergoing a racial equity audit[18] following allegations of systematic redlining practices in the U.S.[19]

---

10 https://www.investmentexecutive.com/news/research-and-markets/rbc-commits-to-racial-equity-audit-following-engagement-from-share/
11 https://www.citigroup.com/rcs/citigpa/storage/public/2022-audit-results.pdf
12 https://www.workingideal.com/results-old-1/blackrock-racial-equity-assessment/
13 https://www.statestreet.com/web/about/our-people/documents/state-street-relman-civil-rights-audit.pdf
14 https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/2022-Racial-Equity-Commitment-Audit-Report.pdf
15 https://www.goldmansachs.com/investor-relations/corporate-governance/corporate-governance-documents/racial-equity-audit-report.pdf
16 https://newsroom.wf.com/English/news-releases/news-release-details/2022/Wells-Fargo-to-Commission-Third-Party-Racial-Equity-Audit/default.aspx
17 https://investor.key.com/press-releases/news-details/2024/KEYCORP-AND-SCOTIABANK-COMPLETE-STRATEGIC-MINORITY-INVESTMENT/default.aspx
18 https://investor.key.com/press-releases/news-details/2023/KEYCORP-ENGAGES-THIRD-PARTY-FOR-RACIAL-EQUITY-AUDIT/default.aspx
19 https://www.usatoday.com/story/money/2023/05/11/keybank-worst-lender-black-borrowers-reacts-with-audit/70188905007/

SHARE

Section 3. Scotiabank's current initiatives do not fulfill the objectives of a racial equity audit

Management argues that Scotiabank's current racial equity initiatives are sufficient substitutes for the transparency, accountability, and risk mitigation that an independent racial equity audit provides. The Proponent argues that Scotiabank's current initiatives do not fulfill the same objectives and/or scope of a racial equity audit.

A. An Employment Systems Review is a compliance exercise mandated by Federal law that does not meet the objectives of a racial equity audit.

Scotiabank states that it is finalizing a federally mandated Employment Systems Review (ESR) to assess workplace equity, expanding its scope to include Black and 2SLGBTQIA+ employees.

An ESR is a compliance exercise mandated by Canada's *Employment Equity Act* for federally-regulated employers.[20] The Act obligates Scotiabank to identify and remove barriers to workforce inclusion for statutorily designated groups. This obligation, however, attaches solely to Scotiabank's Canadian workforce and does not: (1) address the Bank's equal employment and equal contracting obligations under U.S. civil rights laws, as specific to the Bank's U.S. workforce; (2) examine procurement and supply chain practices for systemic discrimination risks; and (3) assess whether the Bank's workforce has the human capital expertise needed to develop products and services tailored to meet the financial inclusion needs of Indigenous, Black, and other underbanked demographics.

Each of the other big six Canadian banks is also obligated to conduct an ESR, and each of them have still committed to conducting a broader racial equity audit.

The Act has required employers to conduct an ESR since 1996, but progress in achieving employment equity aims at Scotiabank has been slow despite successive ESRs. For example, general Indigenous workforce representation at Scotiabank stood at 1.1% in 2009,[21] and 1.2% in 2024,[22] a 0.1% change after 15 years in efforts towards improving Indigenous inclusion in the bank's workforce.

Scotiabank has now set targets to "double the representation of Indigenous employees" and--with its recent focus on disaggregated data for its Black workforce--to "increase the representation of Black employees in senior leadership".[23]

---

[20] https://www.canada.ca/en/employment-social-development/programs/laws-regulations/labour/interpretations-policies/workplace-equity-systems-review.html

[21] https://www.scotiabank.com/content/dam/scotiabank/corporate/Documents/CSR_Report_2011_English_final.pdf

[22] https://www.scotiabank.com/content/dam/scotiabank/corporate/Documents/2025/Scotiabank_2024_Sustainability_Report_Final.pdf

[23] https://www.scotiabank.com/content/dam/scotiabank/corporate/Documents/2025/Scotiabank_2024_Sustainability_Report_Final.pdf

VANCOUVER OFFICE Suite 440, 789 West Pender Street, Vancouver, BC V6C 1H2
TORONTO OFFICE Unit 401, 401 Richmond Street West, Toronto, ON M5V 3A8

T 604 695 2037

It's not clear that an ESR is sufficient to translate these commitments into meaningful, measurable outcomes without the more robust and comprehensive data and systematic analysis provided by an independent racial equity audit.

B. A racial equity audit is complementary to a Truth and Reconciliation Action Plan.

Scotiabank published a Truth and Reconciliation Action Plan (T-RAP) in October, 2024, which we view favorably as a management tool outlining a comprehensive set of actions to address Indigenous inclusion and reconciliation. Management shares the development of its T-RAP as a reason why shareholders should vote against this proposal.

A plan, as shareholders know well, is not the same as an audit, although an independent audit should be complementary to a T-RAP, informing future iterations of the plan as it identifies and quantifies areas for improvement. An independent racial equity audit should, as management notes, "be additive to [its] current commitments and initiatives, including [its] T-RAP commitments". We agree. A racial equity audit should assist with the execution of the bank's current T-RAP, provide insight and data to inform its oversight and governance, and assist with future revisions and updates.

C. Scotiabank's pay equity gap analysis for 'People of Colour' falls short in meaningful racial equity accountability. It should not exempt the Bank from conducting a racial equity audit.

Scotiabank's disclosure approach to pay equity analysis relies in the flawed assumption that all 'People of Colour' face the same barriers, as if a single pay gap figure between racialized employees and white employees is evidence of meaningful progress towards racial equity.

Scotiabank's blanket treatment of all non-white employees under the singular demographic category of "People of Colour" contradicts best practices, as outlined by the Employment Equity Act Review Task Force in its final report, *A Transformative Framework to Achieve and Sustain Employment Equity*, where it stated that to achieve the substantive aims of Canada's Employment Equity Act and related equity legislation, "disaggregated, distinction-based record-keeping and reporting, coupled with a focus on barrier removal, is the remaining piece of the puzzle. It is crucial."[24]

Scotiabank's pay equity disclosure commitments are limited both due to their lack of disaggregation by race, ethnicity, and Indigeneity; and due their geographical restriction to Canada, excluding from review the Bank's U.S. workforce, to whom equal pay-related civil rights obligations similarly attach.

Scotiabank's Canada-specific annual pay equity disclosures are not disaggregated by Indigeneity, race, or ethnicity, limiting the data's utility in tracking disparities within and among underrepresented groups. The Bank does disclose unadjusted pay gap data, which is critical for identifying overall wage disparities. Higher unadjusted wage gaps often signal inequitable

[24] https://www.canada.ca/content/dam/esdc-edsc/documents/corporate/portfolio/labour/programs/employment-equity/reports/act-review-task-force/EEA-Review-Task-Force-Report-2023-v2.pdf

practices, such as the bottlenecking of Indigenous and racially minoritized employees in lower-wage roles or their underrepresentation in senior, executive, and higher-compensating positions. Failure to disclose or track unadjusted pay gap data makes meaningful intervention and analysis difficult.

As previously noted, racial equity auditing is distinct in its comprehensive, enterprise-wide approach to examining how racial equity can be integrated throughout a company's employment and commercial practices to promote compliance with bi-jurisdictional U.S. civil rights, Canadian federal human rights, and Indigenous economic reconciliation related frameworks and legislation.

D. A human rights assessment is not a substitute for a racial equity audit. It does not serve the same purpose.

Scotiabank references a plan to conduct a third-party corporate human rights assessment ("HRA"), which will include an investigation into the fair and equitable treatment of its clients and employees. This assessment, as performed every four years, "analyze[s] and prioritize[s] potential and actual human rights impacts related to the Bank's operations and business relationships based on criteria in the UN Guiding Principles".[25]

A human rights assessment covers a broad range of issues based on internationally recognized norms, including criteria outlined in the UN Guiding Principles. Its purpose is to identify the most significant human rights risks arising from the specific context of a company's operations. In contrast, a racial equity audit is a focused and data-driven review of a company's employment and commercial practices, guided by a review of domestic positive law.

As applied to Scotiabank's North American operations, a racial equity audit is based on Canadian federal human rights laws, Indigenous self-determination frameworks grounded in UNDRIP and Section 35 Constitutional Rights, and U.S. civil rights statutes, including equal employment, equal contract, and fair lending laws.

Racial equity audits require a comprehensive, organization-wide investigation into systemic racial inequities and must be conducted by assessors with expertise in the financial sector and proven legal experience in both Indigenous reconciliation and racial equity issues, as specific to the particular demographics to which a company's racial equity analysis attaches.

Even if Scotiabank were to request that BSR, its selected assessor,[26] expand the scope of its human rights assessment to include aspects of a racial equity review — something not explicitly confirmed by the Bank — it's not clear that BSR has the necessary expertise, depth, methodology, and rigor to effectively identify, mitigate, and address the systemic barriers faced by bi-national equity-deserving groups and Indigenous Peoples impacted by the Bank's employment and commercial practices.

Moreover, the scope of Scotiabank's proposed HRA remains limited. It assesses the fair treatment of customers but ignores the substantive issue of the inclusive nature of access to

---

[25] https://www.scotiabank.com/content/dam/scotiabank/corporate/Documents/Scotiabank_2023_ESG_Report_Final.pdf
[26] https://www.bsr.org/en/case-studies/updating-scotiabanks-human-rights-strategy#:~:text=BSR's%20Approach,policies%20and%20due%20diligence%20processes

and suitability of existing financial products and services. An HRA that overlooks the broader analysis of financial inclusion in access to Scotiabank's wealth-generating products and services would miss the mark —either for customers seeking equitable access or for shareholders pursuing sustainable returns through innovation and expanded market share.

E. Active peers dialogue within the Canadian Banker Association is not a valid justification for delaying a commitment to conduct a fulsome racial equity audit.

According to Scotiabank "[i]n order to ensure that the results of business practices audits in Canada provide useful, fulsome, and consistent information for our stakeholders, we are actively participating in dialogue with our peer banks through the Canadian Bankers Association (CBA) to better understand evolving practices around REAs of business practices".[27] It also says that it "will continue to engage with [its] peers and the CBA to undertake exploratory work to strengthen the industry's collective knowledge of how REAs of business practices are performed in the U.S. to better inform any future next steps, which is more likely to produce meaningful results".[28]

While we do encourage industry dialogue on these issues, shareholders should note that Scotiabank does not explicitly mention what it expects to achieve from a CBA peers dialogue that would prompt the bank to move forward with a racial equity audit. To our knowledge, the CBA while facilitating peer dialogue, has not confirmed its intention to provide an industry-wide approach that would effectively support consistency among banks.

In short, an industry-wide standard does not exist and there are no current plans to develop one.

Peer banks are also actively engaged with the CBA and are all actively committed to conducting racial equity audits. Both engagements can occur concurrently, and one is not a barrier or condition precedent to the other.

Conclusion

When done in line with best practices and incorporating rightsholders and stakeholders' feedback, an independent third-party racial equity audit can be a powerful risk mitigation tool for the board, management, and shareholders.

Specifically, a racial equity audit can help Scotiabank:

1. Mitigate systemic discrimination risks;
2. Strengthen compliance with U.S. civil rights and fair lending laws;

---

[27] https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2024/q4/Scotiabank-193rd-Management-Proxy-Circular-EN-AODA.pdf

[28] https://www.scotiabank.com/content/dam/scotiabank/corporate/quarterly-reports/2024/q4/Scotiabank-193rd-Management-Proxy-Circular-EN-AODA.pdf

VANCOUVER OFFICE Suite 440, 789 West Pender Street, Vancouver, BC V6C 1H2
TORONTO OFFICE Unit 401, 401 Richmond Street West, Toronto, ON M5V 3A8

T 604 695 2037

share.ca

3. uphold Canadian federal human rights legislation, the Truth and Reconciliation Commission's Calls to Action, and the UNDRIP;
4. Drive product and service innovation; and
5. Expand market share by addressing barriers to financial access for underbanked Indigenous and racially marginalized populations.

Presently, Scotiabank is an outlier amongst Canadian big banks. Other major Canadian banks, namely BMO, RBC, NBC, and CIBC have committed to conduct a racial equity audit as part of their broader efforts to improve financial inclusion and risk management practices. We are concerned that Scotiabank may fall behind its peers in adapting to emerging regulatory trends and shifting customer demographics.

By conducting a racial equity audit like its peers, Scotiabank may be better positioned to identify opportunities to improve engagement with underserved markets, potentially enhancing competitiveness within an increasingly diverse customer base. Aligning with industry best practices will help Scotiabank mitigate reputational, legal, and operational risks while supporting long-term shareholder value creation.

Conducting a racial equity audit is in the best interest of shareholders. For the company, it aligns with Scotiabank's own commitment to "remove barriers to advancement, increase access to opportunities, and create a more inclusive world".[29]

For all the reasons mentioned above, we urge shareholders to vote FOR Proposal No. 1 (page 115) in Bank of Nova Scotia 2025 Management Information Circular.

For questions regarding the proposal, please contact: Sarah Couturier-Tanoh, Director of Shareholder Advocacy at SHARE, at scouturier-tanoh@share.ca.

Sincerely,

Sarah Couturier-Tanoh
Director, Shareholder Advocacy, SHARE

IMPORTANT NOTICE

This is not a solicitation of authority to vote your proxy. Please DO NOT send us your proxy card; SHARE is not able to vote your proxies, nor does this communication contemplate such an event.

The views expressed are those of the authors as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. These views may not be relied upon as investment advice. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the authors on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein

[29] https://www.scotiabank.com/ca/en/about/responsibility-impact.html

has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is for informational purposes and should not be construed as a research report.

THIS IS NOT A PROXY SOLICITATION AND NO PROXY CARDS WILL BE ACCEPTED.

Please execute and return your proxy card according to Bank of Nova Scotia's instructions.
