



Shareholder Proposal

Scotiabank Demonstration of Pay for Performance

Be it resolved that:

The Human Resources Committee of the Board at Scotiabank disclose the individual targets used when determining executive compensation for 'other measures' (such as shareholder value, customer loyalty, risk management, engaged employees, corporate social responsibility and relative performance) in order to better demonstrate a pay for performance philosophy.

Supporting Statement

The basic tenant of Scotiabank's compensation philosophy is pay for performance. Scotiabank discloses both targets and results for key financial and operating metrics when determining executive compensation. However, Scotiabank does not disclose the targets and results against such targets for other strategic measures listed in the circular, nor the weights assigned to each.

In the absence of specific targets and their respective weights used in awarding compensation, investors are unable to determine how important each metric is and whether the company is applying its stated pay for performance compensation philosophy.

For example in 2009, the Management Incentive Plan award for Scotia's COO and CFO exceeded the corporate performance factor of 150% with awards representing 251% and 196% respectively. There is limited explanation of why they exceeded this target. In addition, the COO's achievements included support for various non-profit and community organizations with no clear link to corporate targets or strategy.

With one of the highest Cost of Management Ratios in 2009 among the five Canadian banks as stated in the proxy circular on page 51, investors need more transparency around compensation targets to confirm a pay for performance model.

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