Scotiabank

2023 CLIMATE REPORT



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IN THIS REPORT

"We", "us", "our", the "Bank" and "Scotiabank" mean The Bank of Nova Scotia and its subsidiaries.

REPORTING FRAMEWORK

This is Scotiabank's first standalone report on its progress implementing the recommendations of the Task Force on Climate-related Financial Disclosures.[1] Scotiabank has been reporting in line with the TCFD recommendations since fiscal 2018; such disclosures were included through its annual and sustainability reports.

REPORTING PERIOD

Unless otherwise stated, information and data in this report relates to the 2023 fiscal year ending October 31, 2023 ("fiscal 2023"). Climate-related disclosures were last made in our 2022 ESG Report. See our website for past reports.

CURRENCY

All currency is stated in Canadian dollars unless otherwise noted and may be subject to currency exchange rate fluctuations.

EXTERNAL ASSURANCE

KPMG has performed an independent, limited assurance engagement for selected performance indicators marked with this symbol ✪ in the report.

See: **2023 KPMG Limited Assurance Report**

REPORTING SUITE

For more information, please see documents in our reporting suite:

- **2023 ESG Report**
- **2023 ESG Data Pack and Indices**
- **2023 Annual Report**

CAUTIONARY STATEMENT

This document is not required to be prepared or filed by the Bank (as defined in this document) under Canadian or U.S. securities laws. The information contained herein should not be read as necessarily rising to the level of materiality of disclosure required in our securities law filings, and such information should not be considered to be incorporated by reference into any such filings.

This document should not be used as a basis for trading in securities of the Bank or for any other investment decision, and it is not intended to constitute financial, legal, tax, investment, professional or expert advice.

SCOTIABANK INDIGENOUS NETWORK EMPLOYEE RESOURCE GROUP LAND ACKNOWLEDGEMENT

We are privileged to stand on the ancestral and unceded territory of First Nations, Inuit and Métis people. We offer our gratitude to the First Peoples for their care for, and teachings about, our earth and our relations. We acknowledge the effect of residential schools and colonialism on Indigenous families and Communities. Considering this history, we dedicate ourselves to moving forward in the spirit of partnership, collaboration and reconciliation. Stewardship with Indigenous Peoples, Cultures and Communities is all of our responsibility. We reflect on the actions and the steps that must be made towards the advancement of Truth and Reconciliation.[2]

[1] The Task Force on Climate-related Financial Disclosures (**TCFD**) was established in 2017 to provide a voluntary reporting framework to help organizations disclose climate-related risks and opportunities, support market transparency and inform capital decisions. IFRS S1 and IFRS S2 include all TCFD recommendations, and when both International Financial Reporting Standards (IFRS) standards were released in June 2023, the Financial Stability Board **asked** the IFRS Foundation to assume the TCFD's mandate beginning in 2024. The TCFD was formally disbanded in November 2023. Scotiabank monitors changes in standards and expectations relating to climate reporting, including IFRS S2, CSRD and OSFI B-15, and will adapt our reporting to meet new requirements over time.

[2] This Land Acknowledgement applies to the land on which Scotiabank has its executive offices (Toronto, Canada) and its Canadian operations, and does not represent the historical and personal experiences of Indigenous Peoples across our international operations.



Message from Our Chief Sustainability Officer

Climate change is one of the most important issues of our time. According to the European Union's Copernicus Climate Change Service (C3S), 2023 was 1.48°C warmer than the pre-industrial average from 1850–1900.[1] Still, structural changes in policy, investment, and clean energy investments foundational to an orderly transition to net-zero are taking shape.

The transition to a low-carbon economy is a complex process that will take time, and will require collaboration among industry, the financial sector, and government. Further, progress is likely to vary from year to year and will require a flexible response to external factors, such as improvements in technologies that support the transition, and government policy.

The core focus of our approach is to work with our clients, including large, corporate clients in high-emitting, hard-to-abate sectors, as well as smaller companies in the clean energy and technology sectors to address their needs throughout the energy transition. Both play a vital role in transitioning to a lower carbon economy, and decarbonization over time.

It is within this context that we share our Climate Report with you, which outlines how Scotiabank is progressing on its ambitions to address climate change, considering the risks and challenges we expect to face along the way. Our report refreshes the Bank's articulation of its climate goals, focusing on three pillars: Financing Climate Solutions, Advancing to Net-Zero and Reducing Our Own Emissions.

We have set a goal of providing $350 billion in climate-related finance[2] by 2030. Since November 1, 2018, we have provided $132 billion towards that goal. In 2023, we also published a Climate-Related Finance Framework, an updated version of which is released along with this report,[3] defining those products and services that are eligible under the target.

[1] **The 2023 Annual Climate Summary, Global Climate Highlights 2023**.
[2] Please see **p. 6** of this Climate Report for a definition of climate-related finance.
[3] Please see our Climate-related Finance Framework on Scotiabank's Climate Centre of Excellence, **here**.

We are advancing our net-zero efforts by working to enhance our understanding of our clients' transition planning activities, especially in the industries where we have set 2030 interim targets, and by producing insightful research to inform our approach to emissions reduction in our lending portfolio. In 2023, we enhanced our financed emissions reporting and raised our ambition to reduce the Bank's own greenhouse gas emissions to 40% by 2030 relative to 2016 levels.

Through our Climate Change Centre of Excellence and $10 million Net-Zero Research Fund, we are contributing to insights about climate policy levers and innovative research aimed at moving the needle on climate change. We will continue to leverage the established and developing regulatory and global reporting recommendations and standards for climate reporting to provide a clear understanding about Scotiabank's approach to addressing climate change.

There is no question that there remains challenging, urgent, and complex work ahead of us in addressing climate change. Our bank is proud to contribute to this global imperative by supporting clients in their efforts and helping to bring forward a more resilient planet for our people, clients, and communities. In all this work, we are grateful for the support of the broad and multi-disciplinary teams across the Bank working together, as one winning team, on our shared journey to act for the climate and every future.



Meigan Terry
Chief Sustainability, Social Impact and Communications Officer

About Scotiabank

At the core of our business is our focus on our millions of clients who regularly rely on our service and advice. We serve these clients through our four business lines:

CANADIAN BANKING (CB)

Canadian Banking provides a full suite of financial advice and banking solutions, supported by an excellent client experience, to over 11 million clients. Retail, Small Business and Commercial Banking clients are served through its network of 947 branches and 3,703 automated banking machines (ABMs), as well as online, mobile and telephone banking, and specialized sales teams. CB also provides an alternative self-directed banking solution to Tangerine clients.

INTERNATIONAL BANKING (IB)

International Banking is a diverse franchise offering financial advice and solutions to over 12 million Retail, Corporate and Commercial clients. The geographic footprint encompasses 15+ countries, including Mexico, Chile, Peru, Colombia, Brazil, Uruguay, and certain markets across Central America and the Caribbean. The Bank is well positioned with a unique geographical footprint, providing digital leadership and connectivity with Canada and the U.S. markets. IB countries continue to demonstrate attractive demographics and opportunities to grow banking penetration.

GLOBAL WEALTH MANAGEMENT (GWM)

Global Wealth Management is focused on delivering comprehensive wealth management advice and solutions to clients across Scotiabank's footprint. GWM serves over 2 million investment fund and advisory clients across 13 countries — administering over $600 billion in assets.

GLOBAL BANKING AND MARKETS (GBM)

Global Banking and Markets provides corporate clients with lending and transaction services, investment banking advice and access to capital markets. GBM is a full-service wholesale bank in the Americas, with operations in 20+ countries, serving clients across Canada, the United States, Latin America, Europe and Asia-Pacific.

For more information, see Scotiabank's **corporate profile**.

WE ARE HERE FOR EVERY FUTURE

Be our clients' **most trusted** financial partner...

Grow and scale in priority markets

- Invest through disciplined capital allocation
- Deliver a common approach across markets
- Support our clients in the transition to net-zero
- Create connectivity across our markets for multinational clients

Earn primary client relationships

- Deliver the entire bank
- Lead with advice, follow with solutions
- Create consistently high-quality experiences across all channels

Make it easy to do business with us

- Simplify and digitize end-to-end
- Streamline and improve efficiency across our Bank
- Ensure our Bank is resilient, safe and secure
- Ensure data-driven decision-making

Win as one team

- Be the employer of choice
- Invest in developing skills for the future
- Create an environment where we all belong
- Create positive impact in our communities

...to drive **sustainable, profitable growth** and maximize total shareholder return

Our values are: Respect | Integrity | Accountability | Passion

Introduction to Our First Climate Report

As the impacts of climate change on the global economy become increasingly pronounced,[1] financial institutions must maintain sound climate-risk management practices.[2] In recognition of this growing imperative, the Office of the Superintendent of Financial Institutions in Canada (OSFI) finalized Guideline B-15 – Climate Risk Management in 2023, creating a framework for the integration and disclosure of climate-related risks in the Canadian financial system.[3]

At the same time, climate change, and the need for a global energy transition, presents financial institutions and their clients with unique business opportunities. Scotiabank recognizes that these mounting climate-related risks and economic opportunities call on us to take stock of the role we can play and to take action to support our clients and our communities in the climate transition.

As part of this inaugural 2023 Climate Report,[4] we are pleased to present our climate goals in a new way. Built on the Bank's voluntary Climate Commitments,[5] as well as our commitments as a member of the Net-Zero Banking Alliance[6] (NZBA), our refreshed vision of these goals focuses our attention on three pillars:

1. **Financing Climate Solutions**, by providing climate-related financing as defined below in this section, to clients in all sectors including certain carbon intensive sectors.[7]
2. **Advancing to Net-Zero**, by working with clients to achieve net-zero emissions associated with our lending portfolio and setting 2030 sectoral emissions intensity reduction targets[8] to keep us on course to meet our goal of achieving net-zero financed emissions by 2050 (see the **Metrics and Targets** section of this report for details regarding the metrics we have chosen, and our approach to target setting).
3. **Reducing Our Own Emissions**, by introducing solutions to minimize the Bank's operational emissions.



[1] Intergovernmental Panel on Climate Change, 2023: Summary for Policymakers. In: *Climate Change 2023: Synthesis Report*. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, pp. 1-34.

[2] Basel Committee on Banking Supervision, 2022: **Principles for the Effective Management and Supervision of Climate-Related Financial Risks**. Bank for International Settlements.

[3] Guideline B-15 ("B-15"), effective fiscal year-end 2024 for Domestic Systemically Important Banks, including Scotiabank, outlines OSFI's expectations related to the management and disclosure of climate-related risks by federally regulated financial institutions.

[4] Scotiabank has been reporting in line with TCFD recommendations since fiscal 2018. For more information, see our **archived ESG reports**.

[5] For more information on the Bank's Climate Commitments, see our **Net-Zero Pathways Report**. Our Climate Commitments are voluntarily undertaken by Scotiabank in accordance with relevant standards, methodologies and guidance published for the financial sector. For further information, please see the Cautionary Statement, **p. 2**.

[6] The **Net-Zero Banking Alliance** is a UN-convened and industry-led group of global banks that have agreed to net-zero financed emissions by 2050. Scotiabank became a member in October 2021.

[7] For the purpose of this report, carbon intensive sectors are understood as those listed by the NZBA as aluminum, agriculture, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation and transport.

[8] Emissions intensity reduction targets are distinct from targets to reduce absolute emissions. Scotiabank's emissions intensity reduction targets are based on a physical intensity metric (see our **Metrics and Targets** section for more information).

We are also pleased to describe the various ways we have advanced key climate initiatives. In support of our first pillar, Financing Climate Solutions, the Bank released a **Climate-related Finance Framework**, which defines those products and services that count towards our goal of providing $350 billion in climate-related finance by 2030 ("$350B Target").[1] As used in this report, climate-related finance consists of those products and services (such as lending and advisory services) as well as the types of transactions (such as sustainability-linked loans or dedicated purpose loans) which support, among other things, climate change mitigation, adaptation, pollution prevention, sustainable management of natural resources, biodiversity conservation and circular economy.[2] In the absence of a standardized sustainable or climate-related taxonomy applicable to our business, we have developed this framework to enhance clarity of our climate-related finance activities. We may revisit and may update the framework from time to time, including if and when an applicable taxonomy or other guidance applicable to climate-related finance becomes available.

To advance to net-zero, we took steps to enhance the data quality of our financed emissions in the Oil and Gas sector and announced an emissions intensity reduction target for automotive manufacturers.

Also in 2023, as part of our goal to reduce our own emissions, we increased our target to lower absolute operational greenhouse gas[3] emissions from 35% to 40% by 2030 against a 2016 baseline and increased our internal carbon price to $65/t$CO_2$e from $60/t$CO_2$e in 2022. We intend to increase our internal carbon price to $80/t$CO_2$e in 2024.

To further support our climate goals, we:

- Reviewed our environmental risk governance structure and plan to establish a specific Climate Transition Steering Committee,[4] creating clear accountability for our climate goals, and promoting transparency in the fulfilment of those goals across the organization.
- Advanced thought leadership relating to our sectoral strategies, publishing on subjects ranging from electric vehicles (EV) to decarbonizing the agricultural sector.
- Took important steps to develop our net-zero client preparedness models for those sectors in which we have emissions reduction targets.

All of this progress will be reflected in our first iteration of a Climate Transition Plan, which will be published by end of the 2024 fiscal year.



[1] The $350B Target, which involves the provision of $350 billion in climate-related finance by 2030, represents a small portion of the Bank's overall lending and advisory services.

[2] See Scotiabank's Climate-related Finance Framework **here** for further details on climate-related products, services, as well as eligible transactions. When referenced throughout this Climate Report, climate-related finance will be understood as above. The Climate-related Finance Framework came into effect as of November 1, 2023 and replaces the Bank's previous internal taxonomy.

[3] Greenhouse gas, or GHG, is defined in the **Greenhouse Gas Protocol** as including the six gases included in the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6). The Bank currently measures CO_2, CH_4 and N_2O for our operational emissions.

[4] The Climate Transition Steering Committee will be established in fiscal 2024.

2023 Performance Highlights

Increased our internal carbon price to
$65/tCO$_2$e

Spent
$16.4 million
on decarbonization and energy efficiency projects

Towards a cumulative
$76.3 million
spend since 2018

Measured financed emissions across **5** carbon intensive sectors

Increased our Scope 1 and 2 emissions intensity reduction target from **35% to 40%** by 2030 against a 2016 base year

Published at least **4** thought leadership papers on various topics relating to Agriculture, Automotive Manufacturing, Cement Manufacturing, Oil and Gas, and Residential Mortgages

Announced another **10** grant recipients of the Bank's Net-Zero Research Fund

Released the Climate-related Finance Framework

Set an emissions intensity reduction **target** for the Automotive Manufacturing sector

Reached
$132 billion
of our goal to provide $350 billion in climate-related finance by 2030

TCFD Recommendations

The table below provides an overview of our progress during fiscal 2023 against the specific categories of the TCFD framework, as well as references to our suite of sustainability-related reporting.

PILLAR	RECOMMENDED DISCLOSURES	DISCLOSURE LOCATION	SUMMARY OF 2023 PROGRESS
Governance	a) Describe the Board's oversight of climate-related risks and opportunities.	2023 Climate Report, **pp. 12–15** **2023 ESG Report**, p. 16 **2023 Annual Report**, pp. 74, 110	• The Board of Directors oversees the Bank's Environmental, Social and Governance (ESG) strategy, monitors management's execution against this strategy and, through the Board committees, reviews the related impacts, risks, initiatives and reporting. • Among other things, the Board of Directors reviewed the 2030 emissions intensity reduction target for automotive manufacturers.
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	2023 Climate Report, **pp. 16–19** **2023 ESG Report**, p. 16 **2023 Annual Report**, pp. 74–75, 110	• The Board engages with the President and CEO and the Group Head and Chief Risk Officer (CRO), receiving reports and updates on climate-related matters. • The Bank's four management committees drive the day-to-day implementation of our climate goals, including the Operational Risk Committee, Corporate ESG Committee,[1] Disclosure Committee, and Community Investment Committee.
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	2023 Climate Report, **p. 24** **2023 ESG Report**, p. 50 **2023 Annual Report**, p. 110	• The Bank's updated enterprise-wide climate goals aim to address climate risks and opportunities in the short, medium and long term. • The Bank measures, assesses and continues to integrate our climate-related risks in our lending portfolios and will, in the process of establishing a Climate Transition Plan, embed these risks into our corporate strategy, internal processes and enterprise-wide decision making.
	b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning.	2023 Climate Report, **pp. 24–42** **2023 ESG Report**, p. 50 **2023 Annual Report**, p. 110	• As part of our refreshed climate goals, specifically the pillar Financing Climate Solutions, the Bank's Sustainable Finance team and Clean Tech Energy Initiative are supporting our clients to address their own climate-related projects and objectives. • The Bank finalized its Climate-related Finance Framework, which defines the products and services included in our $350B Target[2] and became applicable on November 1, 2023. • In fiscal 2023, the Bank continued to develop and pilot a detailed internal score, as part of our underwriting process, with a view to generating a standardized means of assessing our clients' net-zero goals and transition plans (the "Net-Zero Preparedness Score"). As part of the piloting process, the Bank is considering a number of recommendations to improve the functionality and scope of the Net-Zero Preparedness Score (for more information, see **p. 28** of this report). • Scotiabank expects to publish the first iteration of our Climate Transition Plan by the end of the 2024 fiscal year, which will describe how net-zero and other climate-related objectives are integrated into relevant decision-making enterprise-wide.

[1] Upon establishment of the Climate Transition Steering Committee in fiscal 2024, the Corporate ESG Committee's mandate, as it relates to climate-related matters, transfers to the Climate Transition Steering Committee.

[2] The **Climate-related Finance Framework** applies as of November 1, 2023.

PILLAR	RECOMMENDED DISCLOSURES	DISCLOSURE LOCATION	SUMMARY OF 2023 PROGRESS
Strategy (continued)	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	2023 Climate Report, **pp. 51–53** **2023 Annual Report**, p. 110	• In fiscal 2023, our climate scenario analysis focused on evaluating credit risks in our non-retail and retail credit portfolios. • Our non-retail analysis considers exposure to transition risks, and both chronic and acute physical hazards; methodologies continue to evolve and have focused on predicting credit risk in short-term (2025), medium-term (2030) and long-term (2050) horizons, enterprise-wide, using four scenarios from the Network of Central Banks and Supervisors for Greening the Financial System:[1] Nationally Determined Contributions,[2] Current Policies,[3] Delayed Transition[4] and Net Zero 2050.[5] • Climate scenario analysis for our retail lending portfolio focused on physical risk. Initial analysis of our Canadian retail lending portfolio focused on examining changes in fluvial flooding risk; we are working to expand our focus to include a more extensive set of acute and chronic physical risks, such as wildfire risk, cyclone risk, risks from sea level rise, and transition risk. • The Bank has participated in the United Nations Environment Programme Finance Initiative's Climate Risk and TCFD Programme,[6] enhancing our ability to evaluate climate-related transition and physical risks in our lending portfolio.
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks.	2023 Climate Report, **pp. 47–50** **2023 ESG Report**, pp. 18, 50 **2023 Annual Report**, pp. 77–79, 81, 109–111	• The Bank has or is in the process of developing tools to assess climate considerations into other risk types: - For credit risk, there is a mandatory Climate Change Risk Assessment (CCRA), which is used to assess climate-related credit risk across our non-retail lending portfolio. We are working towards using climate scenario analysis to project credit impacts to our business lending portfolio at short-term, medium-term and long-term horizons under various climate scenarios. - For market and liquidity risk, we are developing a project plan to assess impacts due to physical and transition climate stress scenarios. - For legal and regulatory risk, a process was created to assess the sustainability features of credit transactions to mitigate greenwashing risk. - For operational risk, there are processes to assess the impacts of physical risks and we are embedding extreme weather events on our operational resilience program. • The Bank has updated its heatmap that supports our understanding of each industry's sensitivity to physical and transition risk across our non-retail lending portfolio.
	b) Describe the organization's processes for managing climate-related risks.	2023 Climate Report, **pp. 47–50** **2023 ESG Report**, pp. 18, 50 **2023 Annual Report**, pp. 77–79, 81, 109–111	
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	2023 Climate Report, **pp. 45–46** **2023 ESG Report**, pp. 18, 50 **2023 Annual Report**, pp. 74–79, 81, 109–111	• ESG risk is a principal risk in the Bank's enterprise-wide Risk Management Framework; climate risk is a subcategory of ESG risk. • ESG risks are managed in alignment with the five key elements of the Risk Management Framework: risk governance, risk appetite, risk management tools, risk identification and assessment, and risk culture. This includes a composite ESG risk appetite metric that embeds climate-related sub-metrics and is internally reported on a quarterly basis to the Risk Committee of the Board of Directors.

[1] The purpose of the **Network of Central Banks and Supervisors for Greening the Financial System** (NGFS) is to help strengthen the global response required to meet the goals of the Paris Agreement, enhance the role of the financial system to manage risks, and mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development.

[2] Countries that are signatories to the **Paris Agreement** are expected to establish **Nationally Determined Contributions** (NDCs) which reflect efforts made by each country to reduce national emissions and adapt to the impacts of climate change. In the context of NGFS scenarios, NDC's scenario assumes currently pledged conditional NDCs are implemented fully, and respective targets on energy and emissions in 2025 and 2030 are fulfilled in all countries. For more information, see the **NGFS Scenarios Portal**, as well as the Risk Management section of this report (**pp. 51-52**).

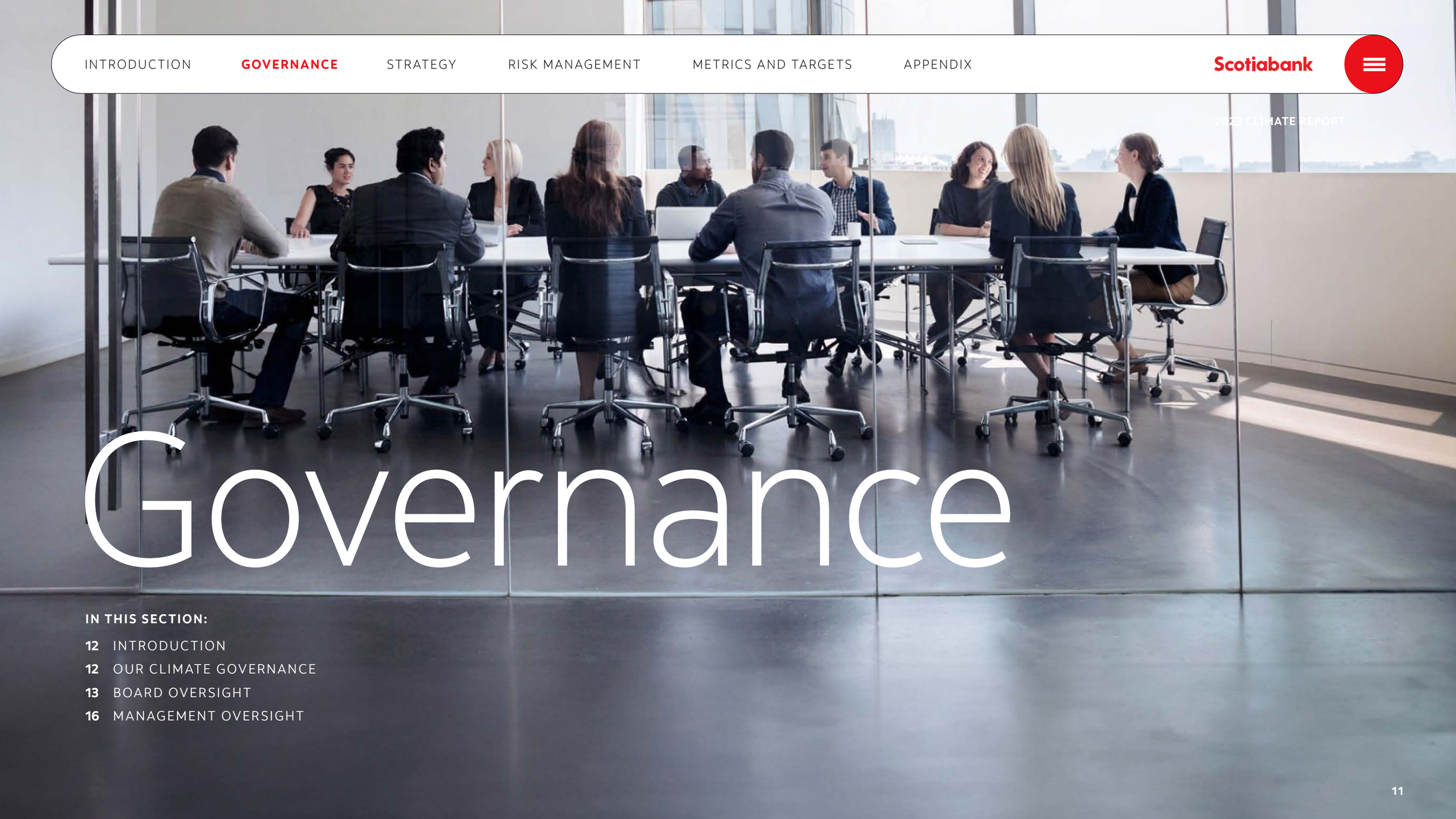
[3] Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks. For more information, see the **NGFS Scenarios Portal**, as well as the Risk Management section of this report (**pp. 51-52**).

[4] Delayed Transition assumes annual emissions do not decrease until 2030, strong policies are needed to limit warming below 2°C, and negative emissions are limited. For more information, see the **NGFS Scenarios Portal**, as well as the Risk Management section of this report (**pp. 51-52**).

[5] Net Zero 2050 assumes global warming to 1.5°C through stringent climate policies and innovation, reaching global net-zero CO_2 emissions around 2050. For more information, see the **NGFS Scenarios Portal**, as well as the Risk Management section of this report (**pp. 51-52**).

[6] Since 2017, the **United Nations Environment Programme Finance Initiative** (UNEP FI) Climate Risk and TCFD Programme has worked to develop practices to identify, measure, disclose and manage climate risk in the financial sector.

PILLAR	RECOMMENDED DISCLOSURES	DISCLOSURE LOCATION	SUMMARY OF 2023 PROGRESS
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	2023 Climate Report, **pp. 56–57** **2023 ESG Report**, pp. 51, 103–105 **2023 Annual Report**, pp. 12, 111	• The Bank uses a series of metrics to monitor our performance against the three pillars of our refreshed climate goals, providing year-over-year performance as they relate to Financing Climate Solutions, Advancing to Net-Zero and Reducing Our Own Emissions. **Financing Climate Solutions** • $350 billion in climate-related finance by 2030 **Advancing to Net-Zero** • Financed emissions • Physical intensity emissions • Credit exposure to carbon-related assets • Heatmap (accounts for both physical and transition risks) **Reducing Our Own Emissions** • Absolute Scope 1 and 2, and some categories of Scope 3 (Category 3, 6 – fuel- and energy-related activities, business air travel) • Internal carbon price • GHG intensity per employee
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	2023 Climate Report, **pp. 59–63**, **66–68** **2023 ESG Report**, pp. 51, 105–106	• For operational emissions, we disclose our Scope 1 and 2 emissions, and select categories of Scope 3 emissions. • We continue to disclose our financed emissions for our initial priority sectors for 2021: Oil and Gas, Power and Utilities, Agriculture, and Residential Mortgages. • The Bank has introduced a number of updates to our financed emissions methodologies, in preparation for future limited assurance, and, as a means of ensuring year-over-year comparability, restated our financed emissions for the following sectors: Oil and Gas, Power and Utilities, and Agriculture.
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	2023 Climate Report, **pp. 64–68** **2023 ESG Report** pp. 47–52, 105–106 **2023 Annual Report**, p. 111	• In fiscal 2023, we established an interim emissions intensity reduction target in the Automotive Manufacturing sector (36% reduction by 2030 compared to our 2019 baseline). • In 2023, we increased our global target to reduce absolute Scope 1 and Scope 2 GHG emissions from 35% to 40% by 2030 against our 2016 base year. • We continue to report our existing interim emissions intensity reduction targets for our Oil and Gas and Power and Utilities sectors.



Governance

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Introduction

The Bank's approach to climate governance and management provides oversight and accountability of climate-related risks and opportunities across the enterprise. Our climate governance model provides the foundation for our climate goals, while also allowing us to be responsive to emerging climate-related issues, such as climate transition planning and upcoming regulatory requirements and policy developments, including OSFI Guideline B-15 – Climate Risk Management, the Corporate Sustainability Reporting Directive[1] and IFRS S2 Climate-related Disclosures.[2]

This year, we re-evaluated our existing approach to our climate governance to ensure accountability over execution of key deliverables on climate-related priorities. Notably, the Bank created a climate-focused committee — the Climate Transition Steering Committee, to take effect in fiscal 2024 — which will ensure senior management accountability over climate-related initiatives, both voluntary and regulatory.

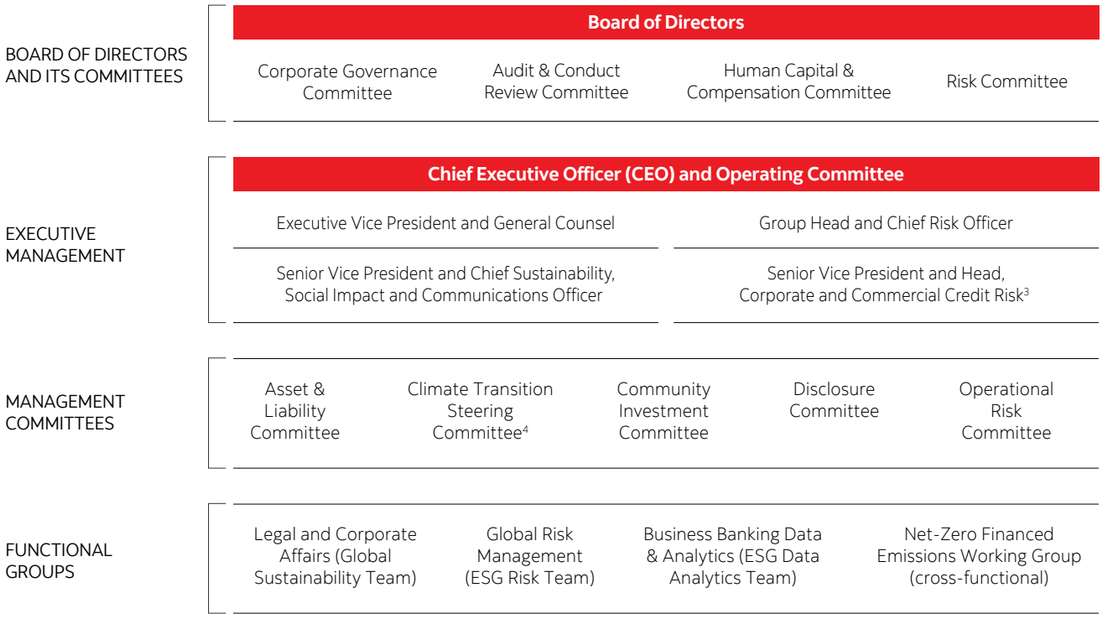
2023 HIGHLIGHTS

- The Board was briefed on a range of climate-related matters, such as OSFI B-15, IFRS S1 and S2.
- The Board reviewed the 2022 ESG Report and our emissions intensity reduction target for the Automotive Manufacturing sector.
- We bolstered governance of our Sustainable Bond Framework through the creation of an ESG Sub-Committee of the Bank's Asset & Liability Committee, which oversees the implementation of the Framework.
- We held 29 meetings with our stakeholders — including proxy advisors and coalitions of investors and activist groups — to discuss relevant ESG issues and trends.
- The Bank decided to create a senior-level Climate Transition Steering Committee in fiscal 2024.

Our Climate Governance

Robust, responsive governance over the Bank's climate-related goals and objectives is essential to our success. Climate risks and opportunities that are necessary to fulfil our climate goals have been embedded into processes across the Bank. The following figure details our current climate governance framework, which consists of existing and recently established committees.

Scotiabank's Climate Governance Framework



[1] The **Corporate Sustainability Reporting Directive** (CSRD) entered into force in January 2023, amending the Non-Financial Reporting Directive and strengthening the rules regarding the social and environmental information companies are required to report, and including a broader set of large companies and listed small and medium sized entities that fall into the scope of the regulation.

[2] **IFRS S2** requires disclosure of climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short-, medium- or long-term. IFRS S2 was issued in June 2023 and applies to annual reporting periods beginning on or after January 1, 2024.

[3] In Q2 2024, the position of Senior Vice President and Head, Corporate and Commercial Credit Risk is replaced with Senior Vice President, Enterprise Risk.

[4] In fiscal 2024, a Climate Transition Steering Committee assumes the Corporate ESG Committee's mandate on climate-related matters, with accountability for compliance with climate-related regulations, and design and execution of the Bank's Climate Transition Plan.

Board Oversight

Scotiabank's climate goals and the achievement of those goals continue to be overseen by the Board. Committees of the Board, including the Risk, Corporate Governance, Audit & Conduct Review, and Human Capital & Compensation Committees, are accountable for climate-related risks and opportunities relating to their specific mandates. Climate-related duties and responsibilities are set out in the **Board's mandate and committees' charters** as well as in this section.

The following summarizes responsibilities of, and activities undertaken by, the Board and each of its committees with respect to climate-related matters.

Board Oversight of Climate-related Risks and Opportunities

BOARD AND BOARD COMMITTEES	CLIMATE-RELATED AGENDA FREQUENCY	ELEMENTS OF MANDATE PERTAINING TO CLIMATE-RELATED MATTERS	2023 ACTIVITIES RELATING TO CLIMATE-RELATED MATTERS
Board of Directors	Quarterly, at minimum	• Overseeing the Bank's ESG strategy (including climate-related matters), monitoring management's execution against this strategy and, through the Board committees, reviewing the related impacts, risks, initiatives and reporting. • Approving and overseeing the implementation of the Bank's overall risk strategy, including the Bank's Enterprise Risk Appetite Framework, in which ESG risk is recognized as one of the Bank's principal risks. • Overseeing that processes are in place to identify significant financial and non-financial risks, including ESG and climate-related risks, and reviewing and approving significant risk management frameworks and policies. Ensuring the implementation of appropriate processes by management to manage climate-related risks.	• Received regular updates on the Bank's climate priorities, disclosures, highlights and landscape, including updates on the following: - global net-zero developments, the Bank's 2023 net-zero reporting requirements and timelines and the Bank's 2023 net-zero focus areas. - a comparative review of the Bank's 2022 climate disclosures compared to its Canadian peers. - the Bank's ESG strategy and progress for 2023, including updates on the ESG regulatory and reporting landscape and sustainability initiatives important to the Bank's net-zero strategy. - the Bank's progress in reaching net-zero in financed emissions by 2050 and a review of an interim emissions intensity reduction target for the Automotive Manufacturing sector. • Reviewed the Bank's 2022 ESG Report and Public Accountability Statement,[1] including climate-related disclosures as required as a signatory to the NZBA, a net-zero transition plan and an update to the Bank's 2022 Net-Zero Pathways Report, with assurance by KPMG for several ESG metrics. • Oversaw Bank-level strategic planning sessions, including the ESG strategy. • Received quarterly enterprise risk management reports, which highlight various risks, including ESG risks. • Approved the Bank's Enterprise Risk Appetite Framework (which requires consideration of ESG risks) and the ESG Risk Summary Framework. • Reviewed the Bank's stakeholder engagement program, including discussions about the Bank's net-zero plans and climate transition plans, along with the shareholder proposals related to climate change. • Briefed regularly as part of their ongoing training on topics related to climate reporting, net-zero and climate-related finance.

[1] 2023 Public Accountability Statement can be found within the **2023 ESG Report** (p. 88).

BOARD AND BOARD COMMITTEES	CLIMATE-RELATED AGENDA FREQUENCY	ELEMENTS OF MANDATE PERTAINING TO CLIMATE-RELATED MATTERS	2023 ACTIVITIES RELATING TO CLIMATE-RELATED MATTERS
Audit & Conduct Review Committee	Ad-hoc	• Overseeing climate-related disclosure, as part of the Bank's financial reporting of ESG matters, as required by regulators or that may be required by law.[1] • Assisting the Board in fulfilling its oversight responsibilities for the system of internal control, including internal control over financial reporting and disclosure controls and procedures.	• Provided support on ESG disclosure, including climate-related disclosure, to be included in financial reporting and under sustainability and climate risk-regulations and standards coming into effect in 2024 (for example, the OSFI B-15).
Corporate Governance Committee	Regularly	• Reviewing the Bank's ESG strategy, priorities and reporting, including reports on the Bank's ESG performance (specifically, the Bank's ESG Report and Public Accountability Statement) and benchmarking of the Bank's ESG performance and practices.[2] • Overseeing appropriate allocation of ESG-related responsibilities across the committees of the Board and updating the Board on ESG matters, as necessary. • Reviewing global trends and practices in corporate disclosure of non-financial performance, including current and emerging ESG matters. • Reviewing and recommending to the Board the Bank's approach to shareholder engagement and global emerging areas of focus for the Bank's stakeholders. • Maintaining the directors' skills matrix, which includes ESG matters as a key area of experience. • Acting in an advisory capacity through a continuing assessment of the Bank's approach to corporate governance and making policy recommendations, including on topics such as the Bank's ESG strategy.	• Reviewed the Bank's 2022 ESG Report and Public Accountability Statement, including updates on climate-related disclosures, net-zero goals, plans and targets. • Monitored the Bank's ESG priorities throughout the year and received updates on relevant ESG initiatives, including the Bank's enhanced ESG Risk Summary Framework, an emissions intensity reduction target and updates to the Bank's transition plans, and updated the Board on such ESG matters. • Oversaw the promotion and maintenance of the Bank's risk culture and risk-driven values, including the Bank's focus on identifying and management of risks, including ESG and climate-related, legal and compliance, macroeconomic uncertainty, technology, and geopolitical risks. • Recommended for approval the 2023 Management Proxy Circular, including disclosure on the Bank's responses to shareholder proposals on ESG matters with a focus on climate-related issues.
Human Capital & Compensation Committee	Ad-hoc	• Overseeing human capital and compensation strategies related to diversity, equity and inclusion; employee health, safety, and well-being; and other ESG policies and practices.[3] • Assisting the Board in its oversight of the Bank's human capital management practices and strategies, including considering other ESG practices related to the committee's mandate.	• Reviewed regulatory, governance, and executive compensation trends, including the selection of appropriate financial and non-financial performance metrics incorporating ESG measures, such as metrics relating to climate-related financing and decarbonizing of the Bank's operations. • Jointly reviewed, recommended or approved with the Risk Committee, changes to the annual incentive plan, linking ESG initiatives to compensation.

[1] See Audit & Conduct Review Committee **charter**.

[2] See Corporate Governance Committee **charter**.

[3] See Human Capital & Compensation Committee **charter**.

BOARD AND BOARD COMMITTEES	CLIMATE-RELATED AGENDA FREQUENCY	ELEMENTS OF MANDATE PERTAINING TO CLIMATE-RELATED MATTERS	2023 ACTIVITIES RELATING TO CLIMATE-RELATED MATTERS
Risk Committee	Quarterly	• Retaining oversight of ESG risks, including climate-related risks, and periodically reviewing and approving the Bank's key risk management policies, frameworks, and limits to ensure that management is operating within the Bank's Enterprise Risk Appetite Framework.[1]	• Reviewed the Bank's enterprise risk management reports which include non-financial risks, such as ESG risks and climate-related risks. • Reviewed and approved the Bank's key risk management policies, frameworks and limits to ensure that management is operating within the Bank's Enterprise Risk Appetite Framework (which requires consideration of ESG risks). • Focused on regulatory trends relating to non-financial risks, including ESG and climate-related risks. • Oversaw the promotion and maintenance of the Bank's risk culture and risk-driven values, including the Bank's focus on identifying and management of risks, including ESG and climate-related, legal and compliance, macroeconomic uncertainty, technology and geopolitical risks. • Jointly reviewed, recommended, or approved with the Human Capital & Compensation Committee changes to the annual incentive plan, linking ESG initiatives to compensation.

SKILLS AND COMPETENCIES

The Board maintains a matrix to monitor the skills and experience necessary for the oversight of the Bank today, and in the future.

Ten members of the Board consider "ESG Matters" as one of the key areas of experience they bring to the Board. We define experience in ESG matters as experience in sustainability matters, environmental issues (including climate-related issues), social issues and/or corporate governance principles and practices in an organization of significant size and complexity. Directors of the Board with climate-related skills have experience in sustainability matters and climate-related issues in complex organizations, along with a strong track record of involvement with advisory committees driving standards for climate change reporting.

The Board's skills matrix is reported in our **2024 Management Proxy Circular** (p. 23).

[1] See Risk Committee **charter**.

Management Oversight

EXECUTIVE MANAGEMENT

Our climate goals are embedded in activities across all divisions of the Bank, and our commitment to support our clients is enterprise-wide, driven by senior management and our President and CEO. The Bank's senior management provides regular ESG updates to the Board and its Board committees.

Summary Table of How Our Executive Management Supports Climate Governance

FUNCTION	EXECUTIVE MANAGEMENT	CLIMATE-RELATED ROLES AND RESPONSIBILITIES
Enterprise	CEO	The CEO reports to the Board directly on an annual basis and has responsibility for the Bank's current climate goals, including setting climate-related emissions intensity reduction targets.
Sustainability	Executive Vice President (EVP) and General Counsel	The EVP and General Counsel reports directly to the CEO and is responsible for managing and overseeing the Bank's legal affairs, the activities of the Corporate Governance Officer, the Corporate Secretary's Department, Corporate Security and the Office of the Ombudsman.
	Senior Vice President (SVP) and Chief Sustainability, Social Impact and Communications Officer	The SVP and Chief Sustainability, Social Impact and Communications Officer oversees the activities of the Global Sustainability team, including executing net-zero programs, setting emissions intensity reduction targets, measuring and tracking financed emissions, and publishing climate-related disclosures.
Risk	Group Head and CRO	The Group Head and CRO is responsible for assessing ESG risks and opportunities as it relates to our lending, investing and underwriting activities. They have delegated their authority over the oversight of ESG risk to the Operational Risk Committee.
	SVP and Head, Corporate and Commercial Credit Risk[1]	The SVP and Head, Corporate and Commercial Credit Risk leads the ESG oversight on behalf of Global Risk Management.

[1] In Q2, the position of SVP and Head, Corporate and Commercial Credit Risk is replaced with SVP and Head, Enterprise Risk.

MANAGEMENT COMMITTEES

The Bank has established four management committees to drive the day-to-day implementation of our climate goals. These committees take an enterprise-wide approach, convening senior leaders with accountability for the Bank's transition to net-zero, management of climate-related risks, climate risk reporting and community investments.

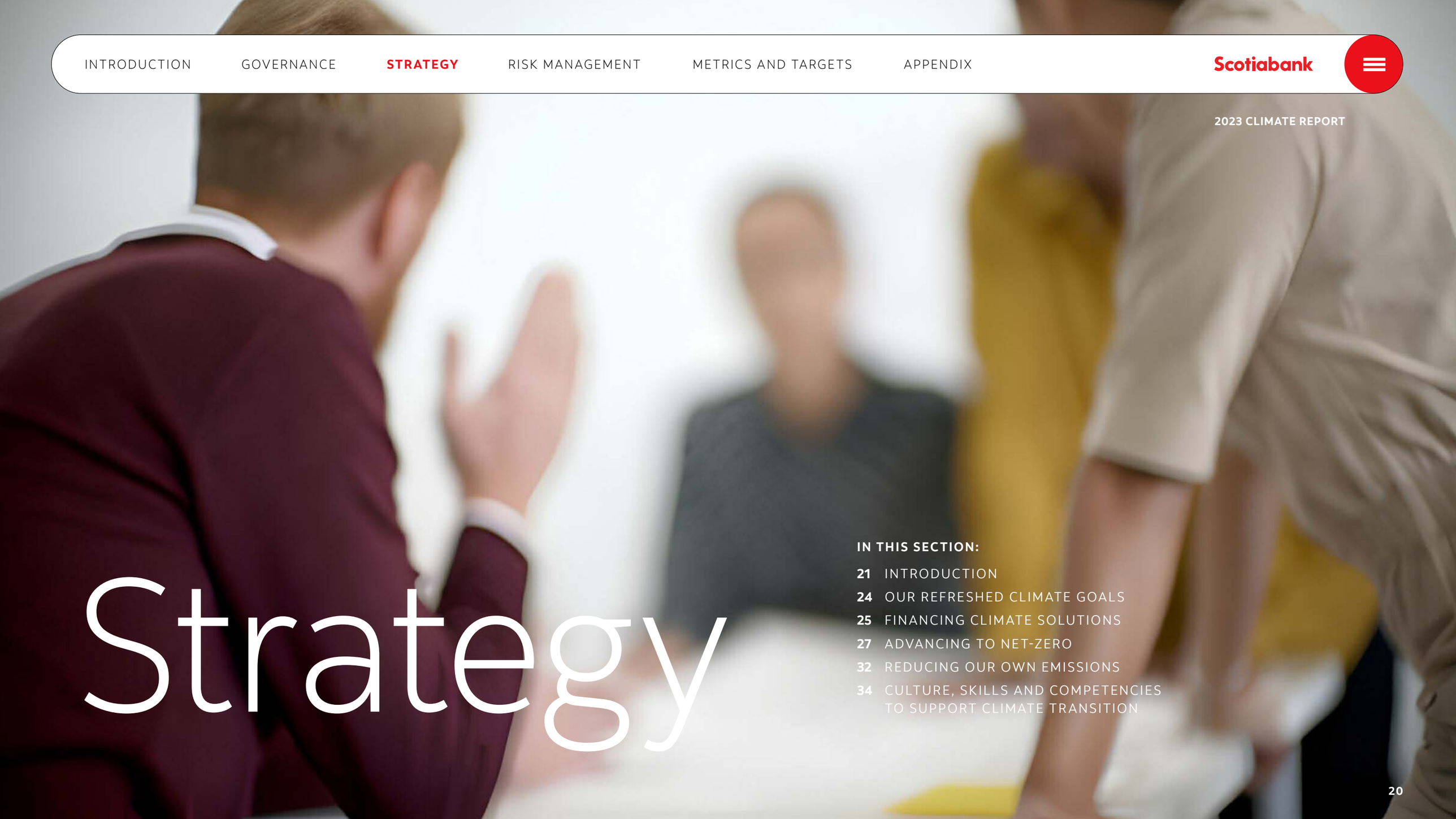
COMMITTEES	CLIMATE-RELATED AGENDA FREQUENCY	CHAIR	MEMBERSHIP	CLIMATE-RELATED ROLES AND RESPONSIBILITIES
Operational Risk Committee (ORC)	Quarterly	SVP and Head, Enterprise Risk	Senior leadership from across business lines and corporate functions	The ORC provides effective oversight and challenge of the Bank's management of environmental and social risks. Its responsibilities include monitoring of the ESG risk profile, and recommending approval of relevant risk frameworks, policies, risk appetite statements and limits to the ORC.
Corporate ESG Committee	Monthly	SVP and Chief Sustainability, Social Impact and Communications Officer	Senior leadership from across business lines and corporate functions	The Corporate ESG Committee assists the Bank in achieving its ESG objectives by providing strategic guidance and advice on the management and reporting of Scotiabank's ESG priorities and approving enterprise-wide policies and position statements that address the environment. In fiscal 2024, Scotiabank's Corporate ESG Committee was replaced with respect to climate-related matters.
Climate Transition Steering Committee	Quarterly	SVP and Chief Sustainability, Social Impact and Communications Officer CEO and Group Head, Global Banking and Markets	Senior leadership from across all business lines and corporate functions	Climate-related risks and opportunities are being overseen by a Climate Transition Steering Committee, which replaces the Corporate ESG Committee on climate-related matters in fiscal 2024. The Climate Transition Steering Committee's mandate includes accountability for compliance with OSFI B-15 and other regulatory initiatives relating to climate, as well as the execution of the Bank's Climate Transition Plan.
Disclosure Committee	Quarterly, at minimum	EVP and General Counsel	Senior leadership across the Bank's corporate functions	To act in an advisory capacity to the President and CEO and the Board to ensure that all public disclosure of information made by the Bank in whatever form is timely, accurate and balanced and that appropriate controls are in place and working effectively.

COMMITTEES	CLIMATE-RELATED AGENDA FREQUENCY	CHAIR	MEMBERSHIP	CLIMATE-RELATED ROLES AND RESPONSIBILITIES
Asset & Liability Committee (ALCO)	As needed	EVP and Group Treasurer Group Head and Chief Financial Officer (Alternate Chair)	President and CEO, CRO and senior leaders from the Bank's business lines	Oversight of the Bank's Sustainable Bond Framework. In 2023, an ALCO ESG Sub-Committee was established to support ALCO members in their review and oversight of the Framework.
Community Investment Committee	As needed[1]	SVP and Chief Sustainability, Social Impact and Communications Officer	Senior leadership from across some business lines and corporate functions	Responsible for the oversight and approval of gifts exceeding $500,000 for Scotiabank's 10-year, $25 million climate community investment initiative, as well as Scotiabank's Net-Zero Research Fund. For more information, see the Strategy section of this report (**p. 39**).

[1] The Community Investment Committee (CIC) convenes every two months on climate-related matters; the CIC meets on an as-needed basis to consider grant proposals.

LINKING ESG AND CLIMATE PERFORMANCE TO EXECUTIVE PAY

We recognize the importance of ESG factors in evaluating the Bank's performance and determining executive variable incentive awards. Several key ESG-related metrics formed a discrete section of the Bank's strategic and operational scorecard, to allow for more explicit evaluation of the Bank's progress against critical ESG objectives. Beginning in 2023, Scotiabank added further core ESG metrics, with a focus on climate-related financing, decarbonization of the Bank's operations and representation of equity-deserving groups, combined with customer experience in determining the all-Bank business performance factor, with an overall weighting of 20%. Results are discussed in our **2024 Management Proxy Circular**, pp. 67, 69, 93–94.



Strategy

IN THIS SECTION:

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Introduction

The issues created by climate change, and the ways of addressing those issues, are both challenging and quickly evolving. Moreover, climate-related challenges cannot be addressed by Scotiabank, or by our clients, alone — an effective response to climate change requires real, tangible action from both the public and private sectors, including financial institutions, across economies worldwide.

With these considerations in mind, we are pleased to introduce a new, refreshed articulation of our climate goals: Building on the existing pillars of our approach to climate risks and opportunities, including our voluntary Climate Commitments, and our membership to the NZBA, we have anchored our climate goals in action. This section outlines this refreshed view of our climate goals, and the work we've done throughout fiscal 2023 in support of those goals.

2023 HIGHLIGHTS

- Revised our enterprise-wide climate goals based on leading practices, emerging regulatory requirements and evolving science-based approaches.
- Published a **Climate-related Finance Framework** that defines those products and services that are eligible for inclusion in the $350B Target.
- We continued to develop and pilot a detailed internal score as part of our underwriting process, with a view to generating a standardized means of assessing of our clients' net-zero goals and transition plans ("Net-Zero Preparedness Score").
- Published thought leadership as it relates to adoption of electric vehicles and decarbonizing the agricultural sector.



Roadmap to Our Climate Goals

	2018	2019	2020	2021	2022
Financing Climate Solutions		Announced our Climate Commitments, including aim to provide $100 billion of climate- related finance by 2025 Published Green Bond Framework and issued a USD$500 million Green Bond	Established Sustainable Finance group in Global Banking and Markets Partnered with Institute for Sustainable Finance at Queen's University	Increased aim to provide climate-related finance to $350 billion by 2030 Issued USD$1 billion Sustainable Bond and updated Sustainable Bond Framework Joined Sustainable Finance Action Council (SFAC)	Grew Sustainable Finance team and added expertise in sustainable finance to Canadian Banking division Established Clean Tech Energy Initiative
Advancing to Net-Zero			Published Statement on Financing in the Arctic	Became member of the Net-Zero Banking Alliance (NZBA) Published Statement on Financing Coal	Published Net-Zero Pathways Report, setting financed emissions targets for Oil and Gas, Power and Utilities sectors Conducted pilot project to assess preparedness between targets and client net-zero plans and objectives
Reducing Our Own Emissions	Set internal carbon price and established schedule for annual increases		Set 100% non-emitting electricity targets for our own operations	Reduced our own GHG emissions by 25% four years ahead of our target (2025)	Set new global target for 35% GHG emissions reduction in our own operations by 2030 relative to 2016 levels
Enterprise-wide tools and initiatives (e.g., culture, competencies, managing climate risks and promoting resilience)	Integrated TCFD recommendations in annual and sustainability reports in fiscal 2018 Included climate-related risks and opportunities in all industry reviews relating to lending activities Incorporated climate change risk module in mandatory environmental risk training for banking officers and credit adjudicators	Developed and implemented Climate Change Risk Assessment to inform credit decisions		Established Corporate ESG Committee Announced Net-Zero Research Fund ($10 million to 2030) Launched Climate Change Centre of Excellence Introduced an environmental performance metric as a risk appetite metric	Published Bank's credit risk exposure to carbon-related assets Enhanced climate scenario analysis capabilities Linked ESG metrics, including progress on our Climate Commitments, to all-Bank performance pay Incentivized climate performance in executive variable compensation implemented for 2023 Expanded environmental performance metric to ESG performance metric; reported quarterly to the Risk Committee of the Board

	2023 Immediate	**2024–2025** Short-term	**2030** Medium-term	**2050** Long-term
Financing Climate Solutions	Released a Climate-related Finance Framework Established Asset & Liability Committee (ALCO) ESG Sub-Committee to enhance the Bank's sustainable products' issuance, governance and oversight	Support renewable energy and transition financing, and grow advisory services Release one to two additional climate-related products Continue to digitize tracking our $350B Target Explore opportunities to partner with government and intergovernmental organizations to provide blended finance	Target year for meeting our goal to provide $350 billion in climate-related finance by 2030	
Advancing to Net-Zero	Published first standalone Climate Report Set net-zero interim emissions intensity reduction target for the Automotive Manufacturing sector Published thought leadership on electric vehicles, critical minerals, and sustainability in the Agriculture sector	Embed Net-Zero Preparedness pilot into business-as-usual and tie to client engagement strategy Implement quarterly financial exposure Management Information Systems tool for sectors in which net-zero interim targets have been set Expand financed emissions reporting to additional sectors, where data is available Incorporate facilitated emissions into financed emissions reporting Enhance climate-related financial disclosures in line with OSFI Guideline B-15 and IFRS S2 Work towards obtaining limited assurance on financed emissions reporting Work with RMI and peers on whitepaper to assess target-setting methodology for the Agriculture sector in Canada Finalize climate data architecture Define role of offsets in net-zero strategy Continue to contribute to thought leadership on net-zero	Target year for meeting our goals to: • Reduce physical emissions intensity within our Oil and Gas portfolio by 30% (Scope 1 and 2) and 15%–25% (Scope 3) • Reduce Scope 1 and 2 physical emissions intensity within our Power and Utilities portfolio by 55%–60% • Reduce Scope 1, 2 and 3 downstream[1] physical emissions intensity in our Automotive Manufacturing portfolio by 36% • Set additional interim net-zero targets for 2035 and beyond • Provide $25 million in funding to charitable organizations and think tanks focused on climate and net-zero, including $10 million via Scotiabank's Net-Zero Research Fund	Target year for meeting our goal to achieve net-zero financed emissions
Reducing Our Own Emissions	Increased our global target to reduce operational Scope 1 and 2 GHG emissions from 35% to 40% by 2030 relative to 2016 base year	Measure GHG emissions in supply chain, and set a baseline and a GHG reduction target Launch Live Net-Zero Employee Campaign to encourage emissions reductions at work and in the home Meeting our goal to achieve carbon neutrality[2] in the Bank's Canadian operations by 2025 Increase internal price of carbon	Target year for meeting our goals to: • Reduce own Scope 1 and 2 emissions by 40% by 2030 relative to 2016 base year • Achieve carbon neutrality in the Bank's international operations by 2030	
Enterprise-wide tools and initiatives (e.g., culture, competencies, managing climate risks and promoting resilience)	Refreshed enterprise-wide climate strategy Stood up enterprise-wide project to embed OSFI B-15 Climate Risk Management Guideline Conducted initial projections of climate risk to 2050 for Scotiabank's corporate lending portfolio Estimated physical risk impacts of climate change on Canadian mortgage portfolio	Established a Climate Transition Steering Committee, which assumed the Corporate ESG Committee's mandate on climate-related matters, with accountability for compliance climate-related regulations, and design and execution of the Bank's Climate Transition Plan Establish Climate and Social Impact Committee for International Banking division Release inaugural Climate Transition Plan Participate in OSFI's 2024 climate scenario analysis exercises Develop roles and responsibilities interaction model across three lines of defence as it relates to climate Establish a learning platform to enhance banking and credit officers' approach to clients' climate transition activities and to net-zero pathways by sector		

[1] In connection with the physical emissions intensity target related to our Automotive Manufacturing portfolio, Scope 3 downstream emissions covers tank-to-wheel emissions, often referred to as tail pipe emissions.
[2] For a definition of carbon neutrality, see **p. 67**.

Our Refreshed Climate Goals

The Bank has set a number of enterprise-wide goals that address climate-related risks and opportunities in the short, medium and long term. This year, we have refreshed how we articulate these goals and, accordingly, how we will take action to fulfil them.

Our climate goals comprise three pillars:

- **Financing Climate Solutions**, by providing climate-related financing[1] to clients in certain carbon intensive sectors.
- **Advancing to Net-Zero**, by working with clients to reduce emissions and setting 2030 sectoral emissions intensity reduction targets to keep us on course to meet our goal of achieving net-zero financed emissions by 2050.
- **Reducing Our Own Emissions**, by introducing solutions to minimize the Bank's direct impact on climate change.

In the following section, we outline the steps taken in fiscal 2023 to advance our work under each pillar. Key to our work has been engagement: with our clients on their climate-related goals and objectives, with our stakeholders to understand their concerns, and with our people to enhance their climate-related knowledge and to give them the opportunity to actively participate in implementing solutions. With each step, we improve our understanding of the tasks at hand, we further implement and embed climate risks and opportunities into the Bank's activities, and we enhance our ability to serve our clients.

	FINANCING CLIMATE SOLUTIONS	ADVANCING TO NET-ZERO	REDUCING OUR OWN EMISSIONS
OBJECTIVES & AMBITIONS	Provide climate-related financing both to emerging low-carbon industries and to accelerate the transition of the rest of the economy, with a focus on carbon intensive sectors.	Decarbonize our portfolio in line with the Paris Agreement, our 2030 sectoral targets and pathways, and our goal of achieving net-zero financed emissions by 2050. Measure and assess our financed emissions in our lending portfolios, which, in turn, influences our corporate strategy, internal processes and enterprise-wide decision making.	Decarbonizing our own operations and introducing solutions to reduce the Bank's direct impact on climate change.
KEY TOOLS & LEVERS	• Expanding climate-related financial products and services • Climate-related finance taxonomy and framework	• Net-zero interim emissions intensity reduction targets in certain carbon intensive sectors (e.g., oil and gas, power and utilities, transport) • Reviewing policies related to thresholds in certain sectors (e.g., Statement on Financing the Arctic and Statement on Financing Coal) • Conducting environmental due diligence • Net-zero preparedness scoring for clients that form part of emissions intensity reduction targets	• Working towards interim targets for Scope 1 and 2 emissions • Increasing the Bank's internal carbon price • Developing a carbon offset strategy • Undertaking initiatives to reduce energy consumption and improve energy efficiency • Securing emissions-free electricity globally and in Canada

CULTURE, SKILLS & COMPETENCIES TO SUPPORT THE TRANSITION — Climate Transition Plan, climate-related training for employees, Net-Zero Research Fund, Climate Change Centre of Excellence

MANAGING CLIMATE RISKS AND PROMOTING RESILIENCE — Climate change risk assessments, climate scenario analysis

[1] Climate-related finance is defined in the Introduction of this report as consisting of those products and services (such as lending and advisory services) as well as the types of transactions (such as sustainability-linked loans or dedicated purpose loans) which support, among other things, climate change mitigation, adaptation, pollution prevention, sustainable management of natural resources, biodiversity conservation and circular economy. For further details, see Scotiabank's **Climate-related Finance Framework**.

Financing Climate Solutions

Achieving net-zero globally by 2050 is estimated to require trillions in investments annually to reshape entire sectors. Current high-emitting sectors — such as transportation, power, real estate, and oil and gas — will, in the coming decades, require both significant shifts and substantial increases in capital to decarbonize operations and products.

As a leading Canadian financial institution, we play a key role, both domestically and across our footprint, to help our clients in all sectors, including carbon intensive sectors, meet their own climate-focused objectives. While some of our clients are part of lending portfolios for which Scotiabank has set emissions intensity reduction targets, the path to net-zero for these clients will not be linear. Clients in certain carbon intensive sectors play a critical role in the global energy transition, and it is vital that Scotiabank continues to work with these clients to provide them with the financing they may need to make necessary investments or acquisitions to support that objective. Through continual engagement with clients in these sectors, we understand that many have or are producing climate transition plans, and it is through continued engagement with clients in carbon intensive sectors that we can better understand the support they need to meet emissions reduction goals.

Financing Climate Solutions is partly supported through two business platforms: our Sustainable Finance team and a Clean Tech Energy Initiative, both of which aim to help clients meet their climate-related goals and deliver positive environmental outcomes. The Sustainable Finance group works with corporate, financial, public sector and institutional clients, assisting them to incorporate sustainability and climate-related factors into their financing activities, and to align their capital market activities with corporate sustainability strategy and goals. This includes helping clients identify eligible environmental projects and providing financing solutions that help companies contribute to sustainability objectives. For more information on Sustainable Finance highlights for fiscal 2023, see our **2023 ESG Report** (pp. 36–46).

In 2022, Scotiabank established a Clean Tech Energy Initiative within Corporate and Investment Banking. Integrated with product specialists across the Bank, this team of investment bankers is dedicated to advising and supporting our clients' clean technology, energy transition and decarbonization goals. The team coordinates across various geographies and business sectors (such as energy, metals and mining, as well as consumer, industrial and retail sectors) and focuses on battery, electric vehicle (EV) charging and infrastructure/electrification, carbon capture, solar tech, hydrogen and renewable fuels, and renewable natural gas.

In October 2023, the Bank finalized its **Climate-related Finance Framework** — effective as of November 1, 2023 — which defines the products and services that are included in the $350B Target. As outlined in the framework, products and services included in the $350B Target are intended to address a range of climate-related projects that fall into the categories outlined in the table on the following page, and which may — or may not — lead to reductions in overall emissions. Currently, there is no standardized methodology or means of calculating the impact of climate-related financing on all businesses that receive financing eligible for inclusion in the $350B Target.

In fiscal 2023, Scotiabank established annual targets for each business line that offers products and services under the Framework and has included progress in the $350B Target in the bank-wide business performance factor, as defined on **p. 19** of this report, as well as in variable compensation relating to individual performance.

$350B TARGET — ELIGIBLE CATEGORIES
Low-carbon energy
Energy efficiency
Pollution prevention and control
Environmentally sustainable management of living natural resources and land use
Sustainable food systems
Low-carbon transportation
Terrestrial and aquatic biodiversity conservation
Sustainable water and wastewater management
Green buildings
Circular economy adapted products, production technologies and processes
Climate adaptation and resilience
Fuel-switching
Low-carbon intensity fuels
Industrials and electrification
Carbon capture

Scotiabank and Nutrien Ag Solutions are collaborating to support Canadian growers in adopting more sustainable and productive agricultural products and practices. Launched in the beginning of December 2023, this program aims to bolster the financial resilience of farmers and advance Canada's agriculture sustainability goals for the broader value chain. Growers who meet certain eligibility requirements and are enrolled in Nutrien Ag Solutions' Sustainable Nitrogen Outcomes program, an initiative targeting improved nitrogen management to reduce nitrous oxide emissions, can take advantage of a special financing offer on products and services required to advance through the program.



Advancing to Net-Zero

As a signatory to the NZBA, Scotiabank voluntarily committed to reducing financed emissions from our lending and investment portfolios over time to align with pathways to net-zero by 2050. We measure and assess our financed emissions in our lending portfolio, which, in turn, influences our corporate strategy, internal processes and enterprise-wide decision-making.

Our ability to calculate financed emissions across our lending portfolio is the foundation of determining where emissions reduction targets should be set. Guided by the NZBA principle that banks should set emissions reduction targets in those carbon intensive sectors that comprise the significant majority of their financed emissions where data and methodologies are available, we undertook an enterprise-wide analysis in 2022, which revealed that our Oil and Gas, Power and Utilities, Agriculture and Residential Mortgages portfolios accounted for a significant portion of the Bank's financed emissions. On the basis of that analysis, we set emissions intensity reduction targets in the Oil and Gas and Power and Utilities sectors. While data limitations have not allowed for the setting of emissions reduction targets in the Agriculture and Residential Mortgages sectors, we continue working on ways to support improvements in data availability in Agriculture and Residential Mortgages.

In fiscal 2023, we started the process of resetting our analysis of financed emissions across the Bank's entire portfolio, the results of which will be reported in our 2024 Climate Report. The Transport sector, comprised of several component sub-sectors, and which forms a significant part of the Bank's financed emissions footprint, is the basis of our latest emissions intensity reduction target for the Automotive Manufacturing sector. We understand that each sector's progress toward net-zero will not be linear, but will depend on a variety of economic, technological, regulatory and other trends that are beyond the control of any one party. We therefore acknowledge that there may be circumstances where sectoral emissions (and therefore our financed emissions in the sector) increase for a period of time. Nonetheless, we believe that our emissions intensity reduction targets can help facilitate the longer-term transition toward net-zero emissions in the covered sectors by 2050.

We intend to continue reporting financed emissions, separate and apart from emissions intensity relating to our sectoral emissions reduction targets, for those sectors identified as comprising the significant majority of our overall financed emissions.

Our approach in advancing to net-zero is informed by the NZBA, supported by the Partnership for Carbon Accounting Financials[1] (PCAF). In December 2023, PCAF published a methodology for facilitated emissions for certain sectors,[2] creating a foundation for calculating and reporting metrics for business activities covered by the new methodology. We will continue to revisit, and may be required to update, our financed emissions estimates to reflect any future changes or additions to the existing PCAF guidance.

For more detailed information about our financed emissions footprint, and our emissions intensity reduction targets, please see the Metrics and Targets section of this report.

In 2023, in an effort to improve data quality and availability, we continued our partnership with the software company Lightspark by sponsoring the pilot of Lightspark Engage in Calgary and Edmonton. Engage is an innovative technology platform that provides homeowners with information about home energy and carbon savings and a digital home energy audit. Over 40,000 homeowners learned about their home energy usage and retrofit options through the pilot.

[1] The **Partnership for Carbon Accounting Financials** is a global initiative aimed at developing a global GHG accounting standard to increase the number of financial institutions applying this standard and to make GHG accounting common practice within the financial industry.

[2] Facilitated emissions are those emissions associated with the primary issuance of capital markets instruments and loan syndication. A primary issuance refers to new securities to provide debt-based or equity-based financing, including new issuance of various types of bonds issued for general purposes, common stock, equity and debt investments in private companies, preferred shares and syndicated loans.

ENGAGEMENT WITH CLIENTS

We believe our net-zero and interim emissions intensity reduction targets help facilitate the orderly transition to a low-carbon economy over time, and, at present, do not preclude us from doing business across all sectors. Therefore, we plan to continue to increasingly engage with clients in relatively carbon intensive sectors to help them identify and, where possible, implement efforts towards their own climate-related goals. In this regard, an important part of reducing our financed emissions and meeting emissions reduction targets is enhancing our understanding of the transition planning activities of our clients. Through engagement, we have the opportunity to communicate to clients the Bank's own emissions reduction targets, provide benchmarking on decarbonization practices in the relevant market, and introduce clients to financial products and services that may support their decarbonization goals.

In fiscal 2023, we continued to develop and pilot a detailed internal score as part of our underwriting process, with a view to generating a standardized means of assessing of our clients' net-zero goals and transition plans ("Net-Zero Preparedness Score").

The Net-Zero Preparedness Score is based on a review of six criteria:

- Long-term emissions reduction commitment
- Interim emissions reduction targets and whether they materially align to our targets (Scope 1, 2 and 3)
- Performance against targets
- Emissions disclosures
- Capital allocation against emissions reduction targets
- Decarbonization strategy

On the basis of information collected during the pilot project, several recommendations were made to improve the functionality and scope of the Net-Zero Preparedness Score, including:

1. Moving from a descriptive scale to a more detailed, numeric scale, allowing for a more nuanced assessment of progress.
2. For sectors in which the Bank has published emissions reduction targets, embedding the functionality into the Climate Change Risk Assessment process (see the Risk Management section, **p. 49**, for a description of these assessments).
3. Expanding the scope of clients covered by the Net-Zero Preparedness Score.
4. Leveraging results to further inform our client engagement approach.
5. Building a training program to facilitate adoption of the Net-Zero Preparedness Score.

In 2024, we will work to implement these recommendations and commit to disclosing further details on enhancements to our client engagement framework once they are formalized.



SECTORAL APPROACH IN ADVANCING TO NET-ZERO

Clients in the sectors in which we have set emissions reduction targets are all at different stages of their transition to net-zero. Moreover, decarbonization in any one industry or sector cannot be achieved by our clients alone; decarbonization requires coordinated efforts of governmental and non-governmental actors, and financial institutions also have an important role to play in supporting our clients through the transition to a low-carbon economy. Indeed, an effective response to climate change requires real and tangible actions from the public and private sector actors — including financial institutions — across economies worldwide.

Changes in consumer preferences and regulatory requirements are influencing the strategic and investment decisions of our clients in sectors where we have set emissions reduction targets, and impact the way in which, and the speed at which, we meet our own net-zero objectives.

Below, we outline how some of our clients are positioned for change, the industry and policy context that is needed to support that change, and the ways we can help our clients achieve their net-zero goals and objectives.

OIL AND GAS

The Oil and Gas sector is large and multi-faceted, consisting of upstream activities (exploration and production), midstream activities (storage, transportation and processing) and downstream activities (refining and distribution). For calculating financed emissions and setting an emissions intensity reduction target for the Oil and Gas sector, we focus on exploration and production (E&P). Scotiabank has set an emissions intensity reduction target of 30% in Scope 1 and Scope 2 emissions by 2030, and a 15% to 25% reduction in Scope 3 emissions by 2030, relative to a 2019 baseline. As further outlined in the **Metrics and Targets** section of this report, our Oil and Gas emissions intensity reduction target is measured in terms of physical intensity.

Scotiabank's support of our Oil and Gas clients across E&P, midstream and downstream, will continue into the future. The Bank has been engaging with customers regarding emissions, and other related topics, for several years and will continue to do so as we collectively work on seeking ways to lower emissions. Potential pathways to achieve reduced emissions:

1. Reduce total energy use by the sector.
2. Seek opportunities to electrify industrial activities; success will be driven primarily by power generators more broadly.
3. Utilize electricity generated from non-coal related generation as is practical.
4. Deploy carbon capture, utilization and storage (CCUS) technology.
5. Reduce fugitive methane emissions utilizing appropriate technology.
6. Supply low-carbon fuels and gases (biofuels and hydrogen gas); potentially reducing emissions as an alternative fuel source for the transportation sector.
7. Pursue opportunities to the extent possible to utilize cleaner sources of energy (natural gas and liquefied natural gas) to displace less emissions friendly sources.

The Canadian government has imposed carbon pricing on oil and gas firms through the national benchmark carbon price established under the *Greenhouse Gas Pollution Pricing Act*.[1] Additionally, the Canadian government recently proposed an emissions cap on the upstream oil and gas sector of 35% to 38% below 2019 levels, at least 20% to 23% of which must be achieved through emissions reductions at covered facilities, and the remainder through flexibility instruments, potentially including verified carbon offsets and/or payments into a decarbonization fund. If implemented as proposed, this cap would then be incrementally lowered toward net-zero between 2030 and 2050.

Governments in Canada and the U.S. are providing incentives aimed at encouraging CCUS projects. Although government incentives are less prevalent in South and Central America, some companies in these regions are beginning to pilot CCUS projects. The Colombian government now provides financial incentives to produce green and blue hydrogen, the latter produced mainly from natural gas, utilizing CCUS.

As our clients orient themselves within the context of a changing consumer and regulatory environment, Scotiabank's client engagement strategy will adapt to address the changes and potential impact investment decisions will have on their business and the Bank's lending portfolio in an attempt to align our emissions reduction targets.

[1] Established in 2018, the federal *Greenhouse Gas Pollution Pricing Act* sets a federally managed backstop system, or minimum national standards, applicable to Canada's provincial and territorial governments; the pricing standards are organized in two parts: a regulatory charge on fossil fuels ("federal fuel charge") that applies to the distribution of fossil fuels and an **Output-Based Pricing System** for certain large emitters that are not subject to the federal fuel charge. At the time of writing, Alberta's carbon pricing and emissions trading system through its Technology Innovation and Emissions Reduction (TIER) Regulation may exempt regulated facilities from the federal fuel charge, provided that the TIER Regulation maintains minimum national standards under the *Greenhouse Gas Pollution Pricing Act*.

POWER AND UTILITIES

The Power and Utilities sector is made up of companies involved in electricity generation, transmission and distribution to residential, commercial and industrial customers. Scotiabank lends to clients across all parts of the value chain in Canada, the U.S., Mexico, and other countries in which we operate. For the purpose of calculating financed emissions for the Power and Utilities portfolio, we include all elements of the value chain: electricity generation, transmission and distribution. To calculate our emissions reduction target, however, we focus on power generation activities given that generation (relative to transmission and distribution) is the primary source of the sector's carbon emissions. The NZBA suggests power generation as one of the most carbon intensive sectors. The Bank's emissions intensity reduction target is therefore a goal to reduce Scope 1 and 2 emissions intensity of our power generation portfolio by 55% to 60% by 2030[1] against a 2019 baseline.

While fossil fuels continue to play a role in power generation in North America and globally, the power and utilities sector is in a state of transition. Clients in this sector range from start-ups to Fortune 500 companies working to develop clean technology energy businesses and looking for tools and solutions to support their climate-related objectives.

Reducing Scope 1 and 2 emissions in the power and utilities sector will require:

- An increase in renewable power generation installed capacity, spurred by decreasing costs in solar and wind power compared to gas power;[2]
- An increase in nuclear power generation installed capacity;[3]
- Improvements in battery storage efficacy, coupled with declining costs for increased deployment, to enable on-demand electricity sources from renewable power;[2] and
- Enhanced smart-grid transmission and distribution infrastructure to support an increase in installed power generation capacity.[4,5,6]

Governments in many of the countries where Scotiabank operates are encouraging the development and use of renewable energy supply through incentives and regulations. In Canada, 84% of electricity comes from sources such as hydroelectricity, solar, wind and nuclear, which are far less polluting than electricity generated from unabated (that is, no carbon capture and storage) fossil fuels.[7] In 2018, the Government of Canada announced regulations to phase out coal-fired electricity by 2030,[8] with various provinces having already completely phased out coal fired electricity generation. The Government of Canada has also proposed clean electricity regulations which are designed to help achieve net-zero emissions from the electricity grid by 2035 and is allocating resources to support the transition totalling over $40 billion over the next 10 years.

In 2023, the U.S. government took a decisive step to support the decarbonization of the power and utilities sector, passing the *Inflation Reduction Act* (IRA),[9] which directs nearly USD$400 billion in funding to clean energy, with the largest share allocated to clean electricity and transmission.

[1] Scope 3 emissions from this sector are deemed to be insignificant relative to its Scope 1 and Scope 2 emissions and were therefore not included in our calculations of baseline financed emissions or decarbonization targets.
[2] Clean Energy Canada. (2023). A Renewables Powerhouse [report]. Retrieved from: **https://cleanenergycanada.org/report/a-renewables-powerhouse**.
[3] International Energy Agency (IEA). 2021. **Net Zero by 2050 – A Roadmap for the Global Energy Sector**.
[4] Smart grids use digital technologies, sensors and software to improve grid stability, reliability, and cost reductions in periods of fluctuating electricity supply and demand. Source: IEA, Smart Grids [webpage]. Retrieved from: **https://www.iea.org/energy-system/electricity/smart-grids**.
[5] IESO. (2022). Pathways to Decarbonization [report]. Retrieved from: **https://www.ieso.ca/en/Learn/The-Evolving-Grid/Pathways-to-Decarbonization**.
[6] IEA. Smart Grids [webpage]. Retrieved from: **https://www.iea.org/energy-system/electricity/smart-grids**.
[7] Government of Canada. (2023). **Proposed Clean Electricity Regulations (CER)**. August 25 2023.
[8] Government of Canada. Canada's coal power phase-out reaches another milestone [webpage]. Retrieved from: **https://www.canada.ca/en/environment-climate-change/news/2018/12/canadas-coal-power-phase-out-reaches-another-milestone.html**.
[9] Senate of the United States 117th congress (2021-2022) **H.R.5376 - Inflation Reduction Act of 2022**. Public law No: 117-169; August 16, 2022.

The renewable energy sector is growing in many regions in which Scotiabank has a significant presence. For example, Chile is targeting 70% renewable energy generation by 2030 and has rapidly grown to 37% of capacity and 4.2 GW under construction, as of May 2023.[1]

Scotiabank has developed expertise that can assist clients in this sector through the energy transition. With expertise in renewable energy mergers and acquisitions in Canada, the U.S., and in other countries in which we operate, the Bank focuses on select opportunities, including project finance relating to renewable energy. Through our Clean Tech Energy Initiative, we continue to serve this sector with a focus on technologies and businesses with emissions reduction objectives, including solar technology, carbon capture, renewable fuels, clean hydrogen, solar power and wind power.

According to our Statement on Financing Coal, Scotiabank does not finance standalone thermal coal mining or coal power generation. In fiscal 2023, we began reviewing our approach to coal financing, and intend to update Scotiabank's Statement on Financing Coal in fiscal 2024.

AUTOMOTIVE MANUFACTURING

The transportation sector is responsible for more than 20% of global emissions, with 50% of those emissions are attributable to light-duty vehicles.[2] According to the IEA NZE Pathway, electric light-duty vehicles will make up 75% of all new vehicles sold in developed markets, and approximately 50% of new vehicles sold in emerging markets, by 2030.[2] The IEA NZE has stated that 80% of all light-duty vehicles on the road in 2030 will be based on internal combustion.[2] For new light-duty vehicles sold globally, 50% will be low-emission vehicles including battery electric, plug-in and hybrid electric, and fuel cell electric.[2]

While our financed emissions account for a number of sub-sectors within the broader transportation industry, our emissions intensity reduction target is focused on automotive manufacturers of light-duty vehicles and/or the wholly owned subsidiary of the automotive manufacturer that provides financing to wholesale and retail customers. In choosing this sub-sector to set an emissions intensity reduction target, we considered a number of factors, including but not limited to the significance of emissions relating to light-duty vehicles relative to emissions associated with the entire sectors (as noted above), the availability of client-level emissions and production data and, as further outlined below, national policy environments that could support emissions reduction in this sub-sector.

In fiscal 2023, the Bank set a target for our Automotive Manufacturing clients to reduce emissions by a measure of grams of CO_2e per vehicle kilometer driven to 93 gCO_2e/km, a 36% emissions intensity reduction by 2030 as compared to a baseline of 147 gCO_2e/km in 2019.

Emissions reductions in the Automotive Manufacturing sector, through the adoption of low-emission light-duty vehicles, may be bolstered by the following:[3,4]

- Expansion and decarbonization of electricity grids to reduce Scope 1, 2 and 3 emissions;
- Increased public electric charging infrastructure to support commercial and consumer decisions to purchase low-emission light-duty vehicles;
- Fuel efficiency standards and regulations to reduce emissions of non-battery electric vehicles;
- Increased consumer demand for EVs;[5]
- Establishment of a stable policy environment that serves to anchor strategic decisions of OEMs relating to EV production; and
- Investments in research and development to improve battery capacity and charging infrastructure.

[1] BNamericas. (2023). Chile's Energy Growing Pains [report].
[2] International Energy Agency (IEA). 2021. **Net Zero by 2050 – A Roadmap for the Global Energy Sector**.
[3] IEA (2022), World Energy Outlook 2022, IEA, Paris, License: CC BY 4.0 (report); CC BY NC SA 4.0 (Annex A).
[4] IEA (2023), Global EV Outlook 2023, IEA, Paris, License: CC BY 4.0.
[5] Although global demand for EVs is recently reported to have slowed, this trend is not expected to influence automotive manufacturers' long-term goals. See ***Industry pain abounds as electric car demand hits slowdown***.

While our Automotive Manufacturing clients sell vehicles globally, and while most will continue to sell internal combustion engine vehicles in all markets for at least the near future, the majority of vehicles sold by our clients are sold in Canada, the U.S. and Mexico. These three countries each have policy frameworks or regulations that broadly align to the objectives of our emissions intensity reduction target and support the global transition to EVs. For example, the Government of Canada has committed to a mandatory 100% zero-emission vehicle sales target by 2035 for all new light-duty vehicles,[1] the United States Environmental Protection Agency released a finalized rule for fuel economy standards to reduce GHG emissions between 8% and 10% for light-duty vehicles in model years 2024–2026[2] and Mexico has a goal of producing 50% zero-emission light-duty vehicles by 2030.[3]

In setting our emissions intensity reduction target for automotive manufacturers, the Bank is undertaking the following:

- Portfolio management to increase financing to companies well-aligned with our net-zero goals; and
- Providing financing that will support our clients' net-zero objectives. This may involve connecting financing solutions and expertise across the Bank to new areas of expansion clients in this sector, such as financing EV battery operations and building charging infrastructure.

Scotiabank is proud to be an "Electrifying Sponsor" for **Plug 'n Drive**, a non-profit organization that is committed to accelerate EV adoption. Scotiabank's investment supports Plug 'n Drive's Electric Vehicle Discovery Centre (EVDC) and the Mobile EV Education Trailer (MEET), educational and experiential learning facilities designed to engage consumers about the benefits of driving electric vehicles.

For more information on how the Bank supports adoption of hybrid-electric and electric vehicles, please see the 2023 ESG Report, p. 55.

Reducing Our Own Emissions

One of the primary ways for banks to reduce emissions is through changes to their real estate operations. We own and lease over 1.9 million square metres of real estate for our offices and branches globally. Responsible use of the resources required to construct, maintain and operate these facilities not only helps protect local communities and our planet, but can also reduce operating costs and risks to our business.

Our approach to reducing emissions across our real estate footprint is to:

1. Decarbonize our real estate operations through energy efficiency improvements and increased use of emission-free electricity;
2. Set — and increase — an internal carbon price, a mechanism used to support the decarbonization of our operations and improve our operating efficiency; and
3. Explore opportunities to lower emissions in the design and construction of buildings, including selecting materials with lower embodied carbon.

[1] **Canada's Zero-Emission Vehicle (ZEV) sales targets.**
[2] **Corporate Average Fuel Economy Standards for Model Years 2024-2026 Passenger Cars and Light Trucks.**
[3] **Government of Mexico on Energy and Climate Action.**

ENERGY EFFICIENCY INITIATIVES

Scotiabank has set a goal of securing 100% of our electricity (either physically or virtually) from emissions-free[1] sources in Canada by 2025 and globally by 2030. In 2023, Scotiabank invested $16.4 million into initiatives that support decarbonization and improve energy efficiency across the Bank's real estate footprint.

Below is a snapshot of progress made in 2023 on specific emissions reduction initiatives.

INITIATIVE	WORK COMPLETED IN 2023
Green Globes Certification	Completed renovations at two branches to reach a total of 62 branches in Canada renovated to **meet Green Globes Certification**, a comprehensive, science-based, three-in-one certification system that evaluates the environmental sustainability, health and wellness, and resilience of all types of commercial real estate.
Lighting retrofit	In Canada, completed LED signage retrofit projects at selected branches, resulting in annual savings of 655 MWh, and a reduction in GHG emissions of 107 tCO_2e. In Mexico, implemented LED lighting retrofit project in one location, resulting in annual savings of 360 MWh and a GHG reduction of 281 tCO_2e.
Heating, ventilation and air conditioning (HVAC) retrofits	In Chile, Columbia, Mexico and Peru, replaced HVAC systems in 314 locations with higher efficiency equipment, resulting in annual energy savings of over 660 MWh, equalling over 410 tCO_2e in GHG emissions reductions.
Solar panel installations	In the Dominican Republic, installed solar panels at Zona Franca Las Americas, generating an estimated 528 MWh of energy and reducing CO_2e by an estimated 302 tonnes.
Building envelope windows replacement	In Trinidad and Tobago, invested in waterproofing a 20,000 square foot roof, resulting in increasing roof reflectivity and heat transfer resistance to reduce energy consumption.
Electric vehicle charging stations in Canada	In Ontario, added three more vehicle charging stations in Ontario, reaching a total of 46 stations across 42 branches. These stations are available to the public 24 hours a day, seven days a week.

[1] Emissions-free sources include renewable (hydro, solar, wind, geothermal, tidal) and nuclear sources. Virtual power purchase involves the purchase of renewable energy certificates (RECs) or other environmental attributes reflecting the environmental benefit of emissions-free power production which, according to current carbon accounting methodologies such as the Greenhouse Gas Protocol, are a generally acceptable means of reducing Scope 2 emissions from electricity use.

INCREASING OUR INTERNAL CARBON PRICE

In 2018, Scotiabank set an internal carbon price of CAD$15/$tCO_2e$ per tonne of emissions associated with the Bank's global Scope 1 and 2 emissions. Setting an internal carbon price serves a critical function in reducing emissions from our own operations by embedding a process that allows for earmarking of funds for decarbonization projects and energy efficiency initiatives.

In 2023, we increased our internal carbon price to $65/$tCO_2e$, leading to a $16.4 million spend on decarbonization and energy efficiency projects, and a cumulative $76.3 million spend since 2018. We intend to raise our internal carbon price to $80/$tCO_2e$ in 2024.

We also continue to assess current and future physical climate vulnerabilities to Scotiabank's property assets, integrate climate resilience and consider opportunities to further reduce our overall carbon footprint through various sustainability and energy efficiency measures. For more information, see our **2023 ESG Report** (pp. 51–53).

CLIMATE TRANSITION PLAN

Scotiabank is currently in the process of developing a Climate Transition Plan that will advance our three climate pillars through embedding our net-zero and other climate objectives into relevant decision-making enterprise-wide, in line with guidance from the Task Force on Climate-related Financial Disclosures, the Glasgow Financial Alliance for Net Zero and the United Kingdom's Transition Plan Taskforce. We expect to publish our inaugural Climate Transition Plan before the end of the 2024 fiscal year. Please see our Roadmap on **p. 23** for a high-level summary of transition planning activities.

Culture, Skills and Competencies to Support Climate Transition

Ensuring we meet our climate goals requires internal education, thought leadership, research, outreach and engagement with our clients, investors, industry and regulators. An area of strategic importance in its own right, culture, skills and competencies relating to climate create the foundation for our climate goals. The Bank's transition to net-zero is a multi-year effort, requiring commitment to enterprise-wide innovation, a clear understanding of the task at hand, and training for employees that is relevant and practical. Armed with awareness and knowledge of the Bank's climate goals, our employees can become the agents of innovation and change required to successfully reach those goals.

In fiscal 2023, the Bank focused on driving culture, skills and competencies through education and training, thought leadership and research, partnerships and programs with tangible climate-related outcomes. These efforts are summarized on the following pages.

CLIMATE-RELATED INFORMATION AND TRAINING

Information and training on climate-related matters has become increasingly important in certain parts of our business, as a means of supporting programs impacting roles and responsibilities across the Bank. Examples of training and information provided in 2023 include:

- In-person and virtual ESG-training for relevant employees to develop and improve knowledge and tools to enhance climate risk management through due diligence and data capture. This includes training on the Bank's new sustainability-linked credit facility procedure, as well as training to support tracking and monitoring of our climate-related goals, including our $350B Target.
- A module on climate change risk, which forms part of annual mandatory environmental risk training for all banking officers and credit adjudicators, provides a review of environmental and climate change risk due diligence policies and processes for business banking credits, as well as an overview of the Equator Principles Framework and processes for verifying compliance.
- Delivery of "Climate 101" training to over 1,500 employees relating to climate change, including senior management across business lines, branch personnel, and the Board, focusing on the scientific bases of climate change, types of physical and transition risks associated with climate change, and how various areas of the Bank can take action to support our climate goals.
- Attendance by the Canadian Banking leadership team of a full day climate workshop, including a review of how financial institutions can create climate opportunities in the retail, small business and commercial banking sectors, and a series of workshops leading to the creation of focus groups devoted to defining how the Canadian Banking division can address climate opportunities going forward.

More specialized training on Partnership for Carbon Accounting Fundamentals (PCAF) standards and practices was delivered to the Bank's Global Sustainability, Data & Analytics, ESG Risk and Corporate Credit Risk teams by the President of PCAF Canada.

Information relating to climate change and the Bank's response to the issue is also in high demand. As part of a 2023 Earth Day education webcast, Scotiabank invited Dr. Thomas Wagner, a leading planetary and climate scientist who has worked with NASA and the U.S. National Science Foundation, to provide his unique insights, to discuss the road to a global net-zero, and to offer ideas for collective solutions. More than 1,550 Scotiabank employees attended this webcast.

To further encourage interest in the Bank's climate programs, we maintain a Climate Change Centre of Excellence, available internally and to the public,[1] housing information and resources relating to our climate-based initiatives and allowing for transparency into our activities.

[1] **Scotiabank's Climate Change Centre of Excellence**.

MANAGING CLIMATE RISKS AND PROMOTING RESILIENCE

The Bank identifies, assesses and monitors potential climate-related risks to our business so that we can mitigate its impact to our operations, customers and communities, as well as promote resiliency.

Scotiabank has put in place a global program to comply with current and upcoming ESG regulations, including OSFI B-15.

Please see the **Risk Management** section of this report for a discussion of how we integrate climate risk into our Risk Management Framework; how we identify, assess and manage climate risks; our exposure to carbon-related assets; and our work on climate-related scenario analysis.

Climate Adaptation and Resilience

The impacts of climate change on our planet, the health of ecosystems and our way of life are systemic and transformative foundational risks facing the world today. No country, sector or community is immune to the social, environmental and economic challenges it poses.

Scotiabank is implementing an operational preparedness and resilience program, which takes into consideration extreme climate-related weather events. As we develop our Climate Transition Plan, we will review what further role the Bank can play in promoting societal climate adaptation and resilience.



ENGAGEMENT

Thought Leadership

Thought leadership — in the form of research, engagement with industry and clients, and hosting of conferences in areas of strategic importance in the climate-change arena — is a critical tool in the fulfilment of the Bank's climate goals, creating conditions for meaningful and insightful exchange of ideas and information within our networks. In 2023, we published a series of papers and articles, organized thematically by sector, on topics of interest to our clients in Agriculture, Automotive Manufacturing, Cement Manufacturing, Oil and Gas, and Residential Mortgages:

1. **Cultivating Resilience: Supporting Canada's Agriculture Industry to Achieve Sustainable Growth**
2. **30 Thoughts: EV Adoption Speed Bumps with Commodity and OEM Implications**
3. **A Luxury We Cannot Afford to Squander: North America Needs to Back Radically Cheaper Electric Vehicles**
4. **Cement Intensity in Infrastructure Rules in the U.S.; We Remain Bullish on Cement**
5. **GHG Emissions Cap in Canada's Oil & Gas Sector — Overview and Implications**
6. **Fall Economic Statement 2023: Affordability, Apartment REITs, Clean Economy, and Other Measures**
7. **Helping Homeowners Find Their Own Path to Lower Emissions**

SUSTAINABLE GROWTH

The agriculture industry is central to Canada's economic success and plays a critical role in the world's food supply. To support our clients in their sustainability journeys, Scotiabank hosted a series of roundtable discussions in spring 2023 with a number of agriculture clients across Canada. The purpose of these discussions was to gain insights into the state of the agriculture industry today, including the challenges these clients face and the role the banking sector may play in confronting these challenges.

Out of these discussions, we published a report called *Cultivating Resilience: Supporting Canada's Agriculture Industry to Achieve Sustainable Growth*. The report focuses on the sustainability challenges faced by agricultural producers and the role banks can play to support clients as they confront these challenges, while supporting the profitable growth of Canada's agriculture industry.

Based on these challenges and additional whitepaper findings, Scotiabank has committed to several activities to support decarbonization:

- Sharing best practices relating to sustainability with our clients to support emissions reductions on farm operations;
- Promoting awareness and access to government incentives that enable improved energy efficiency and fuel switching;
- Showcasing activities of some of our producers to drive awareness and support for environmentally responsible farming; and
- Providing support where needed to producers focused on making investments that improve the sustainability of their operations.

Read the full report here: **Cultivating Resilience: Supporting Canada's Agriculture Industry to Achieve Sustainable Growth**

ELECTRIC VEHICLE DEMAND

As part of Scotiabank's commitment to research and thought leadership, Scotiabank Economics and Global Equity Research investigated the key challenges facing automotive manufacturers and EV adoption. Their findings underscore how fundamental shifts in the policy landscape, along with pent-up demand and high energy prices, underpinned a surge in global EV sales. Spending on EVs was up 50% last year alone. Near-exponential growth of EV sales — up 240% since the onset of the pandemic — looks set to continue.

Electric vehicles need to be a fraction of today's prices, however, to reach mass market by 2035. Policymakers should consider supports that incentivize radically more affordable EVs.

Read the full reports here:

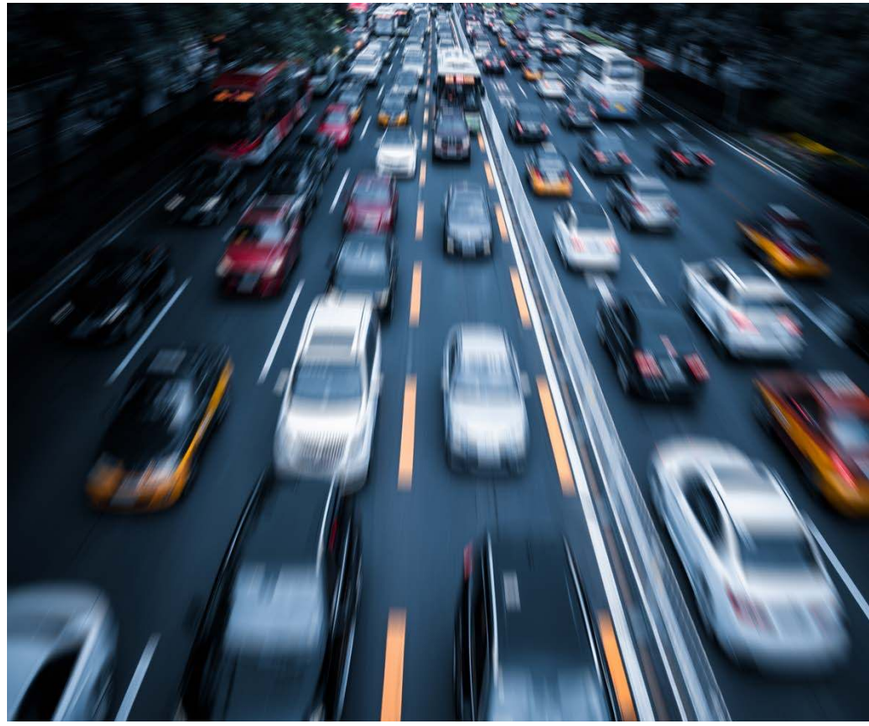
1. **A Luxury We Cannot Afford to Squander: North America Needs to Back Radically Cheaper Electric Vehicles**
2. **EV Adoption Speed Bumps with Commodity and OEM Implications: The Numbers and Narrative of Sustainability, Societal, and Stewardship Considerations in Capital Markets**

ESG EQUITY RESEARCH

Through our ESG Equity Research team, we help clients incorporate sustainability into their analyses of companies and investment decisions and understand how ESG dynamics can influence both corporate behaviour and capital markets. In 2023, our ESG Equity Research team also advanced the following thought leadership initiatives:

- **Scotiabank's fifth annual ESG Conference and Sustainability Summit:** "Cutting Through the Noise of ESG: How Numbers (Not Rhetoric) Inform Narrative — Digging Deeper into Sector-Specific Data and Rate of Change Analysis" was held virtually for approximately 1,000 buy-side investment management, corporate and other stakeholder registrants.
- **Scotiabank's fifth annual ESG investment research report:** Using our ESG Analytical Framework, we comprehensively evaluated and competitively scored more than 1,000 companies on material ESG performance factors to identify key trends about how the ESG landscape continues to evolve. These companies represent approximately half the global market capitalization for public equity through the S&P/TSX Composite Index, the S&P 500 and the MSCI EM Latin America Index as represented by iShares.
- **Launched *30 Thoughts* monthly publication:** The latest insights into the numbers and narrative of ESG, including detailed tracking of energy transition, climate, socioeconomic, natural capital and materials, and shareholder activism trends.

Scotiabank was awarded Best Specialist ESG Research at the 2023 ESG Investing Awards.



ENGAGEMENT WITH INVESTMENT PORTFOLIO COMPANIES

With over $600 billion in assets under administration,[1] Scotiabank's Global Wealth Management (GWM) division serves over 2 million investment fund and advisory clients across 13 countries. GWM's asset management arm is Scotia Global Asset Management (Scotia GAM). Within Scotia GAM Canada, our investment businesses include: 1832 Asset Management L.P. (1832), the investment fund manager of Scotia Funds and Dynamic brands; Jarislowsky, Fraser Limited (JFL); and MD Financial Management (MD). For more information, see our **2023 ESG Report** (pp. 41–44).

1832 Asset Management

For actively managed funds, 1832 considers ESG factors in its approach, where such factors affect the risk/return profile of a security, and employs a systematic approach to ESG-related risks and opportunities with dedicated support from its ESG Investment Committee.[2] In addition to direct engagement with companies, 1832's investment approach involves proprietary ESG research and proxy voting. 1832 generally does not impose a top-down firm-level view on proxy votes, but votes on a case-by-case basis on the merits of the proposal. The significant size of 1832's asset base helps to ensure direct dialogue with management teams on significant ESG issues, such as climate-related finance spending, net-zero goals and steps taken to transition to a lower-carbon future. For more information, see 1832's **Stewardship and Responsible Investing Report**.

Jarislowsky Fraser

Direct and ongoing dialogue with management and boards of investee companies is an integral part of JFL's long-term investment approach and process. Engagement priorities are determined by research analysts, who identify a company's most important areas for improvement. Direct dialogue may be used to gain a better understanding of a company's approach to managing a specific ESG-related topic, strengthen governance, enhance management alignment, improve ESG practices, or improve ESG disclosure. Dialogue may act as an important source of information, a means of influencing the company or a way of reducing risk.

During fiscal 2023, JFL engaged seven companies on their emissions. JFL reports engagement and proxy voting activity to its clients annually on a calendar-year basis. A copy of JFL's 2022 stewardship report can be found **here**.

MD Financial Management

Responsibility for consideration of ESG factors in the investment process resides with 1832's Multi-Asset Management team. 1832 actively manages the MD Funds, encouraging direct and indirect engagement with the retained sub-advisors and the companies the MD Funds invest in. Of note, 1832's Multi-Asset Management team is responsible for consideration of relevant ESG factors in MD's funds, where appropriate, whereby the portfolio manager utilizes ESG assessment tools to deepen the understanding of ESG exposures for each investment. The ESG exposures are part of financial risk management of actively managed funds and, if a fund has climate or sustainability-related objectives, such analysis goes to the meeting of its portfolio objectives.[2]

[1] See Q4 2023 Investor Fact Sheet **here**.

[2] ESG factors are not determinative of portfolio holdings unless a fund incorporates ESG considerations into its investment objectives or primary investment strategies (is an ESG Fund). Passively managed funds (such as index trackers) that are not ESG Funds do not consider ESG factors except with respect to proxy voting when it is in the best interests of the fund.

PARTNERSHIP AND COLLABORATION, COMMUNITY INVESTMENT AND ENGAGEMENT WITH INDUSTRY

Engagement with financial sector peers, the public sector, regulators, civil society, standard setters, and academic and research institutions is integral to creating feedback loops we need to identify emerging trends and practices in this rapidly changing field, and to adapt our strategies and actions where appropriate. The table on the next page summarizes our engagements maintained or initiated in 2023.

NET-ZERO RESEARCH FUND

We have allocated $25 million until 2030 for community investments in non-profit and charitable organizations that support climate-related systems change and sector decarbonization, $10 million of which is earmarked for Scotiabank's Net-Zero Research Fund (NZRF).

In 2023, Scotiabank announced 10 NZRF grant recipients, a few of which are summarized below, and the full list of which may be found **here**.

- **Memorial University's Environmental Microbial Bioenergetics Laboratory** in Newfoundland is conducting research into whether using seaweed as a fertilizer offers co-benefits for increasing soil carbon storage and reducing GHG emissions. The outcome of this research will help to advance approaches to agricultural decarbonization in Canada and elsewhere.
- **LiteFarm** was co-created at the University of British Columbia by farmers and researchers as a free, easy-to-use and open-source farm management web platform for participatory assessment of the social, environmental and economic sustainability of farming. New modules with new functionality are being developed to enable farmers around the world to easily calculate and report on ecological footprints. The aim is to help farmers reduce carbon emissions through improved management practices.
- **Reef** received NZRF support to **implement the first phase of its Blue Ocean Credits Program (BOCP)**, which is focused on the protection and rehabilitation of coral reefs and blue carbon ecosystems. With this year's funding, it plans to accelerate coastal decarbonization efforts in the Mesoamerican Reef System.



ENGAGEMENT WITH INDUSTRY	
Canadian Coalition for Good Governance (CCGG)	Scotia GAM promotes ESG best practices for corporate boards as an active member of the CCGG and its Environment and Social Committee.
Canadian Responsible Investment Association (RIA)	All three of GWM's asset managers are members of the RIA. A Scotia GAM employee is on the RIA's Leadership Council. Scotia GAM representatives also contributed to the RIA's Product Knowledge Series, presenting in front of over 700 advisors on ESG educational topics. Scotia GAM continues to take an active role in ESG and sustainable education for the industry as a member of the RIA Leadership Council.
Climate Action 100+	JFL is a signatory to Climate Action 100+, an initiative made up of 700 global investors who are responsible for more than $68 trillion in assets under management across 33 markets. The initiative focuses on engaging with 170 companies who have a major role to play in the transition to a net-zero emissions economy. As a signatory, JFL is responsible for direct engagements with focus companies, individually and/or collaboratively.
Climate Engagement Canada	Scotia GAM and JFL are members of Climate Engagement Canada, a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net-zero economy.
FAIRR Initiative (FAIRR)	JFL is a member of FAIRR, a collaborative investor network that raises awareness of the ESG risks and opportunities in the global food sector.
Institute for Sustainable Finance	Scotiabank is a founding contributor to the Smith School of Business' Institute for Sustainable Finance, a multi-disciplinary network of research and professional development that brings together academia, the private sector and government to shape Canada's innovations in sustainable finance.
Institute of International Finance's (IIF) Sustainable Finance Working Group	Scotiabank is a member of IIF's Sustainable Finance Working Group. The IIF identifies and promotes capital markets solutions that support the development and growth of sustainable finance, with transition finance and blended finance as key components.
International Capital Markets Association	Scotiabank participates in several working groups established by the International Capital Markets Association, including the Climate Transition Finance Group, Sustainability-Linked Bonds Group, Social Bonds Group and Impact Reporting Group.
Partnership for Carbon Accounting Financials (PCAF)	Scotiabank is a member of PCAF, whose Global GHG Accounting and Reporting Standard for the Financial Industry has been used as the basis for many banks' financed emissions estimates. PCAF provides detailed methodological guidance for various asset classes, which enables disclosures that are consistent and comparable across banks following PCAF's guidance.
Principles for Responsible Investing (PRI)	All three of GWM's asset managers have adopted responsible investment policies and publish annual investment transparency reports as signatories to the UN-supported PRI.
United Nations Environment Programme Finance Initiative (UNEP FI)	Scotiabank has been actively involved in the UNEP FI program through engagement with the following working groups: Capacity Building, Climate Tools, Physical Risks and Climate Data, Climate Scenario Analysis and Stress Testing, and Climate Legal and Regulatory Risks.

ENGAGEMENT WITH INDUSTRY (continued)	
United Nations Global Compact (UNGC)	Scotiabank became a participant in the UNGC in 2010. More recently, the Bank has renewed its board membership to the Canadian Local Network of the UNGC. We continue to support the UNGC and its principles, fulfilling our goals to advance progress in human rights, labour, environment and anti-corruption.
UNEP FI Net-Zero Banking Alliance (NZBA)	Scotiabank became a member of the UN's NZBA, a global, industry-led initiative to accelerate and support efforts of the banking sector to address climate change, in October 2021. Scotiabank will continue to report on net-zero targets, activities and progress in accordance with our responsibilities as an NZBA member.

ENGAGEMENT WITH PUBLIC SECTOR	
Canadian Bankers Association (CBA)	The CBA provides its members with information, research and operational support, and contributes to the development of public policy on issues (including climate risk) that affect financial institutions. Scotiabank has representatives on various climate-related CBA working groups, including the Environmental Specialists Group, the D-SIBs Net-Zero Banking Alliance Working Group, the Climate Scenarios Analysis Working Group, the OSFI B-15 Implementation Working Group, and the Environmental Credit Risk Due Diligence Working Group. In 2023, Scotiabank contributed to the Canadian Bankers Association's responses to the International Sustainability Standards Board's (ISSB) consultation on Agenda Priorities and the Office of the Superintendent of Financial Institution's (OSFI) Draft Climate Data Return.
Sustainable Finance Action Council (SFAC)	Scotiabank was a participating organization in Canada's SFAC, an initiative of Canada's federal government, that served as a centre of expertise, partnership and dialogue on sustainable finance issues in Canada and internationally.

ENGAGEMENT WITH NON-GOVERNMENTAL ORGANIZATIONS	
Bike Share Toronto	Tangerine Bank **became the Exclusive Presenting Partner** of the Bike Share Toronto program in May 2023. Through this five-year partnership, Tangerine Bank will work alongside Bike Share Toronto to expand the program and support the City in achieving its TransformTO Net Zero Strategy objectives. In addition, Tangerine Bank will also donate one-year Bike Share Toronto memberships to unhoused youth through its community partners, Youth Without Shelter and The 519, to further improve system accessibility.
Green Economy Canada	Scotiabank supports Green Economy Canada, a national non-profit accelerating Canada's transition to a vibrant and inclusive net-zero future. Through their network of Green Economy Hubs, they bring together, support, and celebrate businesses of all sectors and sizes to take action on climate change and build sustainability into their operations.
RMI (formerly Rocky Mountain Institute)	RMI's mission is to transform global energy system to secure a clean, prosperous, zero-carbon future for all. In 2023, Scotiabank invested $400,000 over two years to RMI and became a Strategic Partner of RMI's Center for Climate-Aligned Finance. The Center for Climate-Aligned Finance supports global financial institutions' acceleration of climate-aligned transactions through sectoral agreements and methodologies, insights and tools, transition plan best practices, and capital mobilization for hard-to-abate sectors.

ENGAGEMENT WITH STANDARD SETTERS	
Canadian Champions for Global Sustainability Standards	Scotiabank is a financial contributor to the Canadian Champions for Global Sustainability Standards, which supports the establishment and presence of the International Sustainability Standards Board of the IFRS in Montreal.
CDP	Scotiabank responds to CDP on an annual basis and publishes those responses; see the **2023 CDP submission** covering fiscal year 2022.
The International Financial Reporting Standards (IFRS) Sustainability Alliance	The IFRS Sustainability Alliance is a global membership program for sustainability standards, integrated reporting and integrated thinking. The Alliance offers curated insights and educational programming, as well as peer-to-peer networking. JFL is a member of the Alliance.

ENGAGEMENT WITH ACADEMIC AND RESEARCH INSTITUTES	
Canadian Climate Institute	Scotiabank is allocating $125,000 in fiscal 2024 to the Canadian Climate Institute for their 440 Megatonnes project, which the Bank has also financially supported in previous years. 440 Megatonnes is tracking how Canada's and Canadian publicly traded companies' targets, plans and policies are driving Canada's climate policy progress towards the country's commitment to cut its greenhouse gas emissions to a maximum of 440 Megatonnes in 2030.
Carbon Management Canada	Scotiabank funds Carbon Management Canada's carbon technology accelerator program, **carbonNEXT**, jointly delivered with Foresight Canada. This provides support for carbon capture, utilization and storage (CCUS) ventures looking to commercialize and helps industries adopt business-friendly technologies that reduce emissions. The program enables fast-track adoption of carbontech solutions, positioning Canada as a global leader in CCUS. Scotiabank is providing $262,500 over three years to Carbon Management Canada.
Energy Futures Lab (EFL)	In collaboration with EFL, a program of The Natural Step Canada, EFL created the Energy Futures Policy Collaborative, as part of its "Financing the Transition to Future-Fit Hydrocarbons" innovation challenge. It was designed and conceived to help policy leaders build better visions for an energy transition, establish bridges between divided camps essential to the transition, and enable the development of policy signals that can reignite investor engagement and confidence in Alberta's hydrocarbon resources, sector assets and expertise for unlocking critical opportunities for a net-zero economy. Enabling policy and investment to support a sustainable energy future aligns to Scotiabank's emissions intensity reduction goal in the oil and gas sector. Scotiabank has invested $250,000 over two years to support this initiative.
Net-Zero Research Fund (NZRF)	We have allocated $25 million through 2030 for community investments in non-profit and charitable organizations that support climate-related systems change and sector decarbonization, $10 million of which is earmarked for the NZRF. Established in 2021, NZRF distributes $1 million a year to support the efforts of academic institutions and think tanks in countries across Scotiabank's geographic footprint that are leading decarbonization efforts in key sectors. Between 2021 and 2023, Scotiabank awarded CAD$3 million to 31 projects across Canada, the U.S. and Latin America.
Oxford Institute for Energy Studies (OIES) Energy Transition Research Initiative Hydrogen Program	The Energy Transition Research Initiative identifies and analyzes key themes shaping the energy system and combines and coordinates transition research themes from across all other OIES research programs. The Hydrogen Program convenes sponsor members to present and discuss applied research produced by OIES as it relates to industry and policy in hydrogen energy. Scotiabank's sponsorship, an investment of $151,200 over three years, supports cutting-edge applied hydrogen research geared towards supporting industry needs for hydrogen transition.
World Wildlife Fund Canada	Scotiabank provided World Wildlife Fund Canada with a $300,000 investment over three years to support a milestone collaborative report on coastal blue carbon ecosystems in Canada launched in 2023 that covers topics including the carbon dynamics of coastal ecosystems, conservation finance, Indigenous Law, and policy and legislation, among others. These funds also supported the initiation and growth of the national blue carbon community of practice, which aims to connect stakeholders, facilitate knowledge sharing and encourage collaboration to advance blue carbon work across Canada.



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Risk Management

Introduction

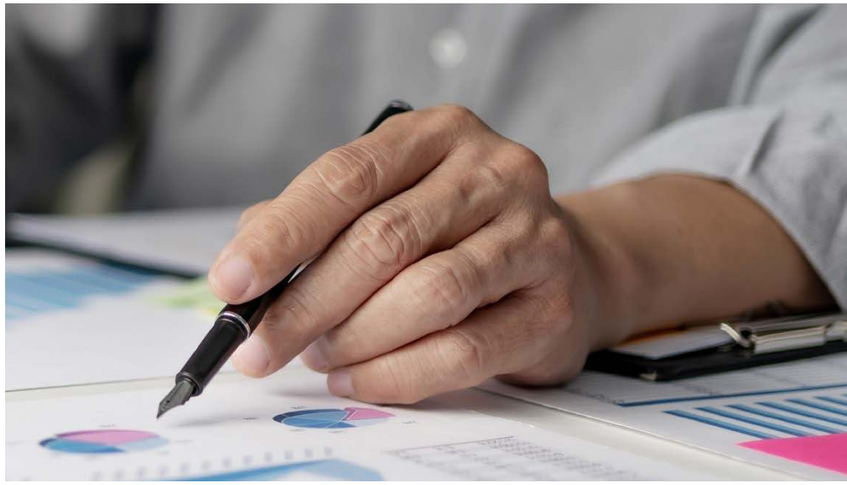
The Bank has established practices and processes to identify, assess and monitor climate-related risks to the business, with a view to mitigating those risks and their potential impact on our operations, customers and communities, and to promote organizational resiliency. With the release of OSFI's Guideline B-15 – Climate Risk Management,[1] regulators are further signalling the increasing importance of sound risk management as it relates to climate change.

Climate risk refers to the possibility that effects of climate change may negatively affect the Bank's performance by giving rise to, or heightening, credit, operational, market, liquidity, reputational or legal risk. Climate change risks may be categorized as physical risk, transition risk or both at the same time.[2] Examples of physical risk include severe weather (such as floods, hurricanes, or extreme heat or cold). Examples of transition risk include changes in policy or regulation (such as subsidies, taxes, increased fuel costs, or changing market conditions). Limited availability or affordability of property insurance policies due to the frequency and severity of flooding, wildfires and other possible outcomes of climate change is an example of an outcome relating to the interplay between physical and transition risks. As the severity of physical risk associated with climate change is expected to increase,[3] so are new climate change-related regulations expected to develop and evolve, intensifying the importance of climate risk management for financial institutions.

The Bank's climate risk related programs are further advanced in the areas of credit risk, and in earlier stages of development for the other risk types. We are developing our programs in a manner consistent with regulatory expectations and evolving market best practices, and intend to report new capabilities in these areas in the short and medium term.

2023 HIGHLIGHTS

- We undertook a pilot project within our underwriting process to assess the preparedness of certain clients in the E&P and Power Generation portfolios to achieve net-zero. The initial lessons from the pilot project are being used to inform the Bank's interim emissions intensity reduction targets, our approach to understanding the transition planning activities of our clients and to further enhance client engagement on net-zero.
- A process was created to assess the key performance indicators of sustainability-linked credit transactions to reduce greenwashing risk.
- To advance our understanding of climate risk exposure, our climate scenario analysis exercises used four scenarios from the Network for Greening the Financial System (NGFS) to evaluate credit impacts due to estimated transition and physical (acute and chronic) risks within our corporate lending portfolio (non-retail credit portfolio). To evaluate climate risk within our Canadian residential mortgages portfolio (retail credit portfolio), we used several Intergovernmental Panel on Climate Change (IPCC) scenarios to examine fluvial flooding risk.
- The Bank participated in the United Nations Environment Programme Finance Initiative (UNEP FI) TCFD and Climate Risk program, enhancing our ability to evaluate climate-related transition and physical risks in our lending portfolio.



[1] Guideline B-15 ("B-15"), effective fiscal year-end 2024 for Domestic Systemically Important Banks, including Scotiabank, and outlines OSFI's expectations related to the management and disclosure of climate-related risks by federally regulated financial institutions.

[2] For more information, see **p. 46** of this report.

[3] IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, pp. 1-34.

Integrating Climate Risk into Scotiabank's Risk Management Framework

ESG risk is a principal risk in Scotiabank's Enterprise-wide Risk Management Framework (EWRMF). Climate change risk is a subcomponent of ESG risk under the EWRMF and is managed under the Framework's five key elements: Risk Governance, Risk Appetite, Risk Management Tools, Risk Identification and Assessment, and Risk Culture (see figure on the right).

Scotiabank understands that ESG risks are complex and affect other risk types (see Risk Identification and Assessment in the **2023 Annual Report**, p. 77). ESG risks are managed across the Bank using a three-lines-of-defence model. The business lines are the first line of defence and own the ESG risks that are inherent to their areas of responsibility. Global Risk Management forms part of the second line of defence and oversees the management of ESG risks. As the third line of defence, Audit provides independent reasonable assurance that the Bank is effectively managing ESG risk.

RISK APPETITE AND RISK GOVERNANCE

ESG risk is integrated into the Bank's various risk management frameworks to help us manage these risks in a manner consistent with applicable laws and regulations, industry standards and practices, and the Bank's risk appetite.

Within our Enterprise-wide Risk Appetite Framework, we established a composite ESG risk appetite metric ("ESG Risk Appetite Metric"). The ESG Risk Appetite Metric is composed of sub-metrics, which include climate-related sub-metrics monitoring reputational, credit and operational risk. It is a tool used to ensure alignment with the Bank's overall business and financial strategies and that the Bank's risk appetite operates within acceptable ESG risk tolerance levels. Climate-related sub-metrics include: (i) the proportion of high transition risk exposure and (ii) operational impacts due to natural disasters.

We internally report on the ESG Risk Appetite Metric quarterly to the Risk Committee of the Board similarly to other risk appetite metrics. For more information on how we oversee and manage risk, see our **2024 Management Proxy Circular** (pp. 31–32, 43–47) and our **2023 Annual Report** (p. 73).

Scotiabank's Enterprise Risk Management Framework, Risk Management Overview



Risk Capacity; Risk Appetite Statement; Risk Appetite Metrics

Frameworks, Policies & Limits, Risk Measurement, Monitoring & Reporting, Forward-Looking Exercises

Principal Risk Types:

- **Financial:** Credit, Liquidity, Market
- **Non-Financial:** Compliance, Data, Environment, Social and Governance (ESG), Cybersecurity and IT, Model, ML/TF and Sanctions, Operational, Reputational, Strategic

ESG RISK MANAGEMENT FRAMEWORK

The ESG Risk Management Framework and Policy serve as key sources of information to the Board of Directors, executive management and all other employees of the Bank about the ESG risks faced by the Bank, and the risk management elements and structures in place to effectively manage those risks.[1] All ESG risk management-related policies and procedures, including Scotiabank's ESG Risk Management Framework, are aligned to our EWRMF.

The table below provides an overview of the climate risk drivers considered within Scotiabank's ESG Risk Management Framework. In general, the Bank identifies acute physical risks that may affect our borrowers on a shorter time horizon and chronic physical risks that may occur in the long run. The transition risk time horizons vary depending on the relevant industry.

CLIMATE RISK		DETAILS
Physical Risk	Acute	Impacts arising from extreme weather events
	Chronic	Impacts caused by longer-term shifts in climate patterns
Transition Risk	Reputational	Risks to a business where its products or services have a negative climate impact or there is a perception that the business is not prepared for the climate change risks
	Market	Risks to a business due to changing consumer preferences or increased cost of raw materials
	Technology	Risk of a business making an unsuccessful investment in a new technology or substitution of existing products and services with lower emissions options
	Legal	Impact of new regulations on a business' ability to comply or pay the increased costs

Source: TCFD's **Final Recommendations Report** (pp. 5–6).



[1] An overview of Scotiabank's ESG Risk Framework and Policy can be found **here**.

Identifying, Assessing and Managing Climate Risks

IDENTIFYING CLIMATE RISK BY PRINCIPAL RISK CATEGORY

Climate-related issues associated with the Bank and/or its customers can impact the Bank's other principal risk types, as outlined in the table below.

PRINCIPAL RISK CATEGORY	SCOTIABANK'S DEFINITION	CLIMATE-RELATED RISK EXAMPLES	ACTIONS TO IDENTIFY, ASSESS AND MITIGATE RISKS
Credit Risk	Loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Bank	**Physical Risk:** Higher loan to value and loss given default due to reduced value of damaged collateral. **Transition Risk:** Repayment challenges from clients due to higher cost of doing business and asset devaluation from failure to adapt to a net-zero future.	• Performing mandatory climate risk rating assessment[1] for all business banking borrowers.[2] • Maintaining exclusionary policies relating to coal[3] and arctic national wildlife refuge.[4] • Working towards use of climate scenario analysis to project credit impacts to business lending book at short-term, medium-term, and long-term horizons under various climate scenarios.
Compliance Risk	Business activity that may not be conducted in conformance with all applicable regulatory requirements wherever the Bank does business	**Transition Risk:** Failure to comply with climate-related regulations and associated remedial actions.	• Established a governance structure including an enterprise-wide internal working group to meet emerging regulatory requirements (for example, OSFI B-15). • Advocating for harmonization of climate disclosures through industry forums.
Market Risk	Loss from changes in market prices and rates	**Physical Risk:** Investment and/or trading loss due to physical damage affecting the market value of the investment and/or trading portfolio. **Transition Risk:** Investment and/or trading losses from unexpected valuation change in securities issued by, or derivatives linked to, carbon-sensitive firms.	• Developing a project plan to assess trading portfolio impacts from changes in market value of assets due to physical and transition climate stress scenarios.

[1] Climate risk rating assessments classify borrowers as low, medium or high in terms of their exposure to physical and transition risk and the Bank's ability to mitigate these factors. These assessments are performed as part of the Bank's overall credit adjudication process and inform the industry risk profile provided to the business, which are, in turn, used in making strategic business decisions.

[2] Business banking borrowers include all lending clients of the Bank outside the retail sector.

[3] **Scotiabank's Statement on Financing Coal**.

[4] **Scotiabank's Statement on Financing in the Arctic**.

PRINCIPAL RISK CATEGORY	SCOTIABANK'S DEFINITION	CLIMATE-RELATED RISK EXAMPLES	ACTIONS TO IDENTIFY, ASSESS AND MITIGATE RISKS
Reputational Risk	Negative publicity, stakeholder sentiments, business practices or associations that adversely affect the Bank's revenues, operations or customer base	**Transition Risk:** The Bank and/or its clients are viewed negatively due to perceived misalignment with stated climate goals.	• Disclosing climate risks in our reporting. • Promoting products and services that help clients transition to a low-carbon future. • Accounting for greenwashing risks within the New Initiative Assessment Program. • Enhanced the thresholds and criteria for product types eligible for the $350B Target. See Scotiabank's Climate-related Finance Framework **here** for further details on climate-related products, services, as well as eligible transactions.
Operational Risk	Loss resulting from people, inadequate or failed processes and systems, or from external events	**Physical Risk:** Disruption to the Bank's properties (for example, branches and offices) and critical supply chain services.	• Implementing operational preparedness and resilience program to take into consideration extreme weather events. • Conducting scenario analysis on the impact of extreme weather events to operations. • Third-party on-boarding, new initiatives, and risk control self-assessments including environmental considerations, when applicable.
Liquidity Risk	The Bank is unable to meet its financial obligations in a timely manner at reasonable prices	**Physical Risk:** Increased loan-to-deposit ratios due to abrupt climate events causing large demand for deposit withdrawals. **Transition Risk:** Challenges rolling over debt or raising capital as GHG-intensive portfolio assets become more illiquid leading to diminished demand for funding instruments.	• Developing a project plan to assess the Bank's liquidity profile with respect to short-term, climate-related stress events.

ASSESSING CLIMATE RISK IN CREDIT

Scotiabank is aware of climate-related risks that may impact our clients' businesses and their ability to repay their financing with the Bank. As part of our processes for assessing and managing our clients' exposure to climate risks, we introduced a mandatory annual Climate Change Risk Assessment (CCRA) in 2019. We conduct the CCRA at the transaction level as part of the standard credit due diligence and adjudication process.

Our bankers and credit officers use a series of climate-related questions to facilitate the assessment of the actual and potential impacts on a client. The CCRA evaluates the physical and transition risks a client may face. It also assesses a client's awareness of, and response to, climate risks as a measure of the quality of management. The client is assigned a climate change risk rating of low, moderate or high. Through the CCRA, the Bank is better positioned to understand, mitigate and manage climate risks across sectors and geographies.

We also evaluate the inherent climate vulnerabilities at an industry level. The Bank has a "heatmap" to support our understanding of each industry's sensitivity to physical and transition risk across our non-retail lending portfolio. It provides an assessment of high, medium and low inherent sector risk based on physical and transition risk drivers. For example, the Utilities sector physical risk drivers were weather-related infrastructure threats and the Automotive sector transition risk drivers were related to increasing uncertainty around demand, technology and regulation. The ratings were developed based on industry reports, review of regulatory exercises and internal stress test results.

We include results from the heatmap and the CCRA in our credit risk industry reviews to assess climate risk drivers and their potential materiality based on different time horizons. The CCRA naturally complements our industry vulnerability analysis by capturing client-level mitigation factors such as geography, location of assets and climate-specific management strategies.

Climate Risks Heatmap and Scotiabank Lending Exposure (as at October 31, 2023)

SECTORS	% OF LOANS AND ACCEPTANCES[1]	TRANSITION RISK SENSITIVITY	PHYSICAL RISK SENSITIVITY
Agriculture	2.3%	High	High
Automotive	2.4%	High	Low
Chemicals	0.3%	High	Medium
Energy	1.2%	High	Medium
Financial Services Bank[2]	0.1%	Low	Low
Financial Services Non-Bank	3.8%	Low	Low
Food and Beverage	1.5%	Low	Medium
Forest Products	0.4%	Medium	High
Health Care	1.1%	Low	Low
Hospitality and Leisure	0.5%	Low	Medium
Metals	0.3%	High	Medium
Mining	0.9%	Medium	Medium
Other[3]	3.0%	Low	Low
Real Estate and Construction	8.7%	Medium	Medium
Sovereign[4]	0.8%	Low	Low
Technology and Media	3.2%	Low	Low
Transportation	1.3%	Medium	Medium
Utilities	3.8%	Medium	High
Wholesale and Retail	4.4%	Low	Low

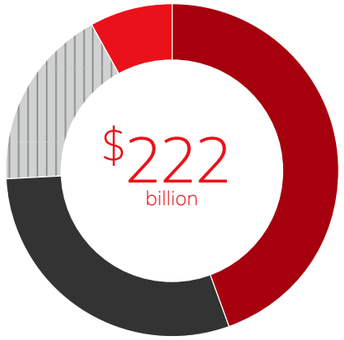
[1] Ratio of outstanding exposure divided by total loans and acceptances, net of allowance for credit loans. Figures are derived from the **2023 Annual Report**, p. 123.
[2] Deposit-taking institutions and securities firms.
[3] Other includes $7.2 billion in wealth management, $3.4 billion in services and $1.8 billion in financing products (2022 — $6.4 billion, $2.5 billion and $1.0 billion, respectively).
[4] Includes central banks, regional and local governments, and supra-national agencies.

Exposure to Carbon-related Assets

Our credit exposure to carbon-related assets totalled $222 billion in fiscal year 2023,[1] or approximately 18% of our total gross credit risk exposure.[2] The industries in scope for this metric, aligned with TCFD's October 2021 guidance, include Energy, Transportation, Materials & Buildings, and Agriculture, Food & Forest Products.[3] We recognize that TCFD's guidance may capture sub-industries that are less carbon intensive; however, no exclusions were applied to this metric.[4]

This metric helps us monitor our concentrations of credit exposure to carbon-related assets relative to our total gross credit risk exposure[5] in accordance with TCFD's recommendations. The carbon-related asset exposure is not meant to indicate realized impacts to our borrowers, as their ability to manage climate risk depends on many factors. We will also continue to do business in all sectors, and therefore anticipate certain continued exposure to carbon-related assets, though as discussed in the **Strategy** section earlier, we increasingly engage with clients in carbon intensive sectors to discuss the products and services that we offer that might support their own climate transition efforts. We anticipate continuing to refine our approach for the carbon-related assets calculation over time to improve its specificity and reflect emerging standardization.

Credit Risk Exposure to Carbon-related Assets[6]



Materials and Buildings	**45%**
Energy	**30%**
Agriculture, Food & Forest Products	**18%**
Transportation	**8%**

Energy	Transportation	Materials & Buildings	Agriculture, Food & Forest Products
• Oil and Gas • Coal • Electric Utilities	• Air Freight • Passenger Air Transportation • Maritime Transportation • Rail Transportation • Trucking Services • Automobiles and Components	• Metals and Mining • Chemicals • Construction Materials • Capital Goods • Real Estate Management and Development	• Beverages • Agriculture • Packaged Food and Meats • Paper and Forest Products

[1] Credit exposure to carbon-related assets for fiscal year 2022 was $234 billion.

[2] Per TCFD's guidance, carbon-related assets are considered to refer to assets or organizations more likely to be financially impacted by climate-related risks due to their exposure to certain transition and physical risks around greenhouse gas emissions, energy, or water dependencies associated with their operations and products.

[3] Sectors are based on Global Industry Classification Standard as per TCFD guidance and are different from the industry classification system in the Climate Risk Heatmap.

[4] TCFD's 2021 update to the guidance document Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures.

[5] Exposure is calculated as the total exposure to credit risk and includes amounts drawn, undrawn commitments and other off-balance-sheet items (excluding OTC, Repos and Securitizations) as presented on p. 7 of our Supplementary Regulatory Capital Disclosures.

[6] Percentages may not add to 100% due to rounding.

Scenario Analysis

OUR OVERALL APPROACH AND METHODOLOGY

Climate scenario analysis is used to project potential impacts on our portfolios under a range of global climate scenarios. These scenarios cover both physical and transition risks projected in the short term (2025), medium term (2030) and long term (2050–2100). Depending on the scenario used and the portfolio analyzed, a range of results can be obtained. These results can help the Bank assess the potential impacts of the scenarios to its portfolios and accordingly inform its risk management processes and strategy.

Regulatory expectations in Canada regarding scenario analysis have evolved since our last reporting period. Under Guideline B-15 – Climate Risk Management, OSFI outlines its expectations regarding the use of climate scenario analysis by federally regulated financial institutions. In addition to conducting an internal climate scenario analysis, OSFI expects banks to conduct standardized climate scenario analysis exercises and report results to OSFI periodically.

In October 2023, OSFI published its **Standardized Climate Scenario Exercise** (SCSE) for public consultation, a draft climate scenario analysis methodology:[1]

1. Raising awareness and encouraging a strategic orientation with federally regulated financial institutions to better understand the potential exposures via climate scenario analysis;
2. Encouraging federally regulated financial institutions to build capacity and infrastructure to quantify and assess the impact of climate-related catastrophic events and policies; and
3. Establishing a standardized quantitative assessment of both physical and transition risks.

As climate scenario analysis is an evolving practice, Scotiabank has been participating in the United Nations Environment Programme Finance Initiative (UNEP FI) TCFD and Climate Risk program to build internal capacity and maintain awareness of the most up-to-date tools and practices. Through involvement in various content and capacity building sessions, including the climate scenario analysis and stress testing working group, we have improved our ability to evaluate climate-related transition and physical risks in our lending portfolio. The climate tools and climate data working groups have enhanced our knowledge of proprietary and open-source data sets useful for climate risk analytics and been instructive in identifying the types of data available and their global coverage and resolution. Through this working group, we are focusing on comparing commercial tools for assessing climate risks.

In 2023, our climate scenario analysis focused on evaluating credit risks in our non-retail and retail credit portfolios. While methodologies continue to evolve, our non-retail analyses focused on predicting credit risk in short- and medium-term (2025 and 2030) and long-term horizons (2050) enterprise-wide, using four scenarios from the **Network for Greening the Financial System (NGFS)**.

The NGFS scenarios use Integrated Assessment Models to determine the changes in energy, land use and policy required to meet a carbon budget given hypothetical baseline socioeconomic assumptions and policy ambitions. The projected transition pathways and associated chronic physical risk shocks are expanded into a set of macro-financial impacts using the National Institute Global Econometric Model (NiGEM). Starting assumptions vary from assuming business as usual in the 'current policies' pathway, to swift climate action assumed in the Net Zero 2050 pathway, with various levels of orderly and disorderly transition in between; these scenarios thus allow the exploration of various potential futures. Since the NGFS scenarios were developed specifically for the financial sector, they contain a suite of variables useful for predicting transition risks and are thus widely used to assess financial climate risk globally.

Our analyses have focused on four NGFS climate scenarios:

- Current Policies;[2]
- Nationally Determined Contributions (NDCs);
- Delayed Transition;
- Net Zero 2050.

These scenarios cover different quadrants of the NGFS scenarios framework, varying in levels of transition and physical risk. Further details on these scenarios are provided in the table on the next page.

[1] **Standardized Climate Scenario Exercise**, by OSFI.

[2] Scotiabank has included Current Policies since the last reporting year.

Key Variables of NGFS Scenarios Used by Scotiabank

VARIABLES	NDCs (HOT HOUSE WORLD)	CURRENT POLICIES (HOT HOUSE WORLD)	DELAYED TRANSITION (DISORDERLY TRANSITION)	NET ZERO 2050 (ORDERLY TRANSITION)
Scenario Objective	Assumes governments fully implement pledged NDCs and reach their respective targets in 2025 and 2030, but no further action is taken.	Assumes that only currently implemented policies are preserved, leading to high physical risks.	Assumes that annual emissions do not decrease until 2030, when decisive policy actions are needed to limit warming.	Assumes rapid implementation of stringent climate policies and innovation that achieve net-zero CO_2 emissions by 2050 and limit warming to 1.5°C.
Physical Risk[1]	● **HIGH**	● **HIGH**	● **LOW**	● **LOW**
Policy Ambition	**2.6°C**	**3°C**	**1.6°C**	**1.4°C**
Transition Risk[2]	● **LOW**	● **LOW**	● **HIGH**	● **LOW**
Carbon Price in 2050 (USD$ (2010)/tCO_2)[3]	**50.67** USD$(2010)/$tCO_2$e	**6.09** USD$(2010)/$tCO_2$e	**386.01** USD$(2010)/$tCO_2$e	**451.24** USD$(2010)/$tCO_2$e
MACRO-FINANCIAL IMPACTS[4]				
% Increase in Crude Oil Prices	**63%**	**62%**	**53%**	**39%**
% Change in Consumption of Crude Oil	**-26%**	**-25%**	**-42%**	**-55%**
% Increase in Natural Gas Prices	**77%**	**80%**	**54%**	**52%**
% Change in Consumption of Gas	**+25%**	**+64%**	**-48%**	**-69%**

[1] NGFS provides physical risks scenarios on their Scenarios Portal: **https://www.ngfs.net/ngfs-scenarios-portal/explore**.

[2] NGFS provides transition risks scenarios on their Scenarios Portal: **https://www.ngfs.net/ngfs-scenarios-portal/explore**.

[3] Carbon prices in 2050 were retrieved from **NGFS-IIASA Scenario Explorer**.

[4] Retrieved from **NGFS-IIASA Scenario Explorer**. Percentage changes in oil and gas prices were calculated using Price | Primary Energy | Oil and Price | Primary Energy | Gas, respectively, with a 2020 start point and 2050 end point, using REMIND-MAgPIE 3.0-4.4. Both macro-financial variables are expressed in terms of USD$ (2010)/GJ.

Our non-retail analysis integrates various data and models to predict loan-level credit impacts that consider each of the following:

- Exposure and response to transition risks, as well as industry dynamics;
- Chronic physical hazards, including temperature, precipitation, sea level rise, humidity and wind speed; and
- Acute physical hazards, including coastal flood risk, inland flood risk and tropical cyclones.

Where available, company-level climate goals and objectives are also considered to provide a range of potential futures varying not only with climate scenarios, but also with company transition plans.

Climate scenario analysis for our retail lending portfolio has largely focused on physical risk leveraging IPCC scenarios varying from low to high emissions scenarios (for example, Representative Concentration Pathways (RCPs) 2.6–8.5) with risk projected to 2100. The RCPs represent greenhouse gas concentration trajectories with associated values representing the radiative forcing, or heating effect, in 2100. The RCP scenarios can be mapped to the NGFS scenarios, with RCP 2.6 closely aligned to the Delayed Transition and Net Zero 2050 scenarios, whereas RCP 6.0 is closely aligned with Current Policies. More severe impacts of climate change are expected with increasing temperature.

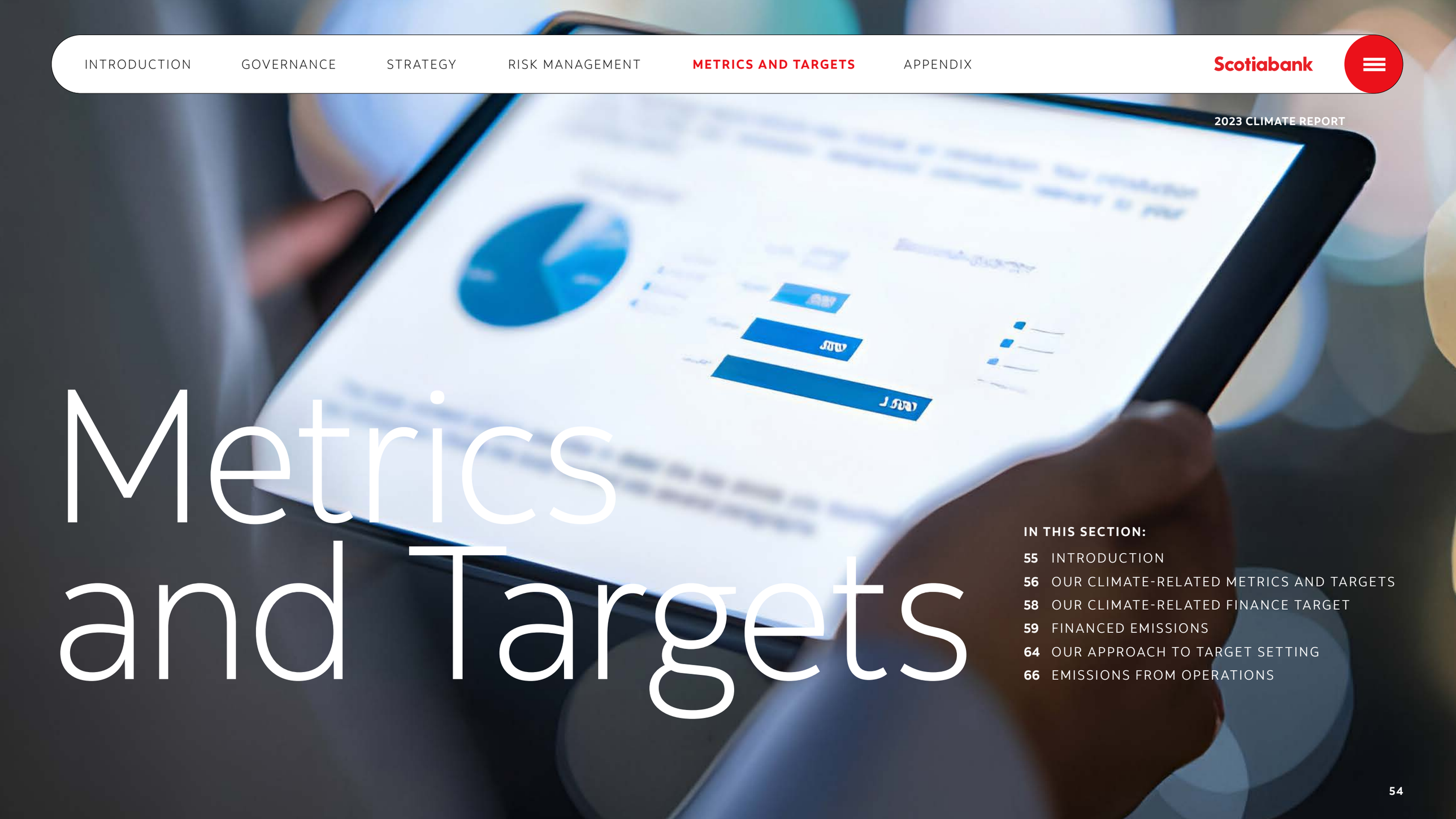
Initial analysis of our Canadian retail lending portfolio focused on examining changes in fluvial flooding risk, but we are working to expand our focus to include a more extensive set of acute and chronic physical risks, such as wildfire risk, cyclone risk and sea level rise, and transition risk.

A Sample of Key Activities Undertaken in 2023

2023 PROGRAMS		METHODOLOGY	
Name:	Non-Retail Lending Portfolio	**Scenario Objective:**	Assess credit risk to enterprise lending portfolio
Principal Risks Assessed:	Credit risk	**Scenarios:**	NGFS scenarios
Climate Risk Types:	Transition and physical risk	**Time Horizons:**	Near-term (2025), medium-term (2030) and long-term horizons (2050)
		Scope:	Enterprise • Model inputs and outputs: Business lending data and forecasted credit impacts based on NGFS scenarios
Name:	Retail Lending Portfolio	**Scenario Models:**	IPCC scenarios varying from low- to high-emissions scenarios (for example, Representative Concentration Pathways (RCPs) 2.6–8.5) with risk projected to 2100
Principal Risks Assessed:	Credit risk	**Time Horizons:**	Near-term (2025), medium-term (2030) and long-term horizons (2050–2100)
Climate Risk Types:	Acute and chronic physical risks; Transition risk	**Scope:**	Canadian portfolio

FUTURE PLANS

In the coming year, we will continue to refine our methodologies, integrate new data as it becomes available, participate in regulatory climate risk exercises as appropriate, and expand scenario and portfolio coverage where possible. We will continue to participate in the UNEP FI climate risk program to enhance our capabilities and contribute to the progression of financial climate risk modelling, and we will work to further embed results of scenario exercises into management information systems and business planning.



Metrics and Targets

IN THIS SECTION:

55 INTRODUCTION
56 OUR CLIMATE-RELATED METRICS AND TARGETS
58 OUR CLIMATE-RELATED FINANCE TARGET
59 FINANCED EMISSIONS
64 OUR APPROACH TO TARGET SETTING
66 EMISSIONS FROM OPERATIONS

Introduction

Scotiabank has identified key metrics and targets to track progress on our climate goals. As outlined in this section, these metrics tie back to the goals' main pillars: Financing Climate Solutions, Advancing to Net-Zero and Reducing Our Own Emissions.

As we pursue our climate-related goals, we are committed to providing transparency in our approach to measuring progress. This involves making clear our methodologies and how changes in methodology impact performance. The quality of our metrics is dependent on data and information that may not be readily available and may only allow us to report on the basis of estimates rather than verified emissions data. We expect the availability and quality of data to continue to improve as regulatory reporting requirements come into force, and as methodologies and the market mature.

Regardless of these limitations, we have made significant efforts to improve the metrics we report, and how we report them in terms of transparency and coverage. Among the many meaningful changes implemented in the calculation of financed emissions, as further explained on **p. 62**, we have developed and applied an internal emissions factor for the Oil and Gas sector, which allows us to report financed emissions in this sector with greater accuracy when actual client emissions data is not available. Coupled with a restatement of our baseline based on this revised methodology, we have created conditions for greater comparability for this metric over time.

We continue to evaluate our data sources, methodologies and approaches, and are working on enhancing our internal data reporting capabilities — including people, processes and technology — to improve the accuracy and efficiency of our financed emissions calculations. Our goal is to remain in step with ESG-related disclosure standards or rules that are expected within our operating jurisdictions. We recognize and value the benefits of working towards assurance-ready disclosure and will continue to evolve our reporting practice for greater transparency and accuracy. With that comes a desire to better understand the relationship between financial and non-financial information reported, and a continuation of the Bank's efforts towards reasonable assurance in the future.

2023 HIGHLIGHTS

- Provided $36 billion in climate-related finance[1] in 2023, for a total of $132 billion since 2018.
- Restated baseline emissions, and recalculated our 2020 financed emissions and physical emissions intensity in certain sectors to ensure year-over-year comparability.
- Established a 2030 emissions intensity reduction target for the Automotive Manufacturing sector, which captures business loans to automotive manufacturers of light-duty vehicles and/or the wholly owned subsidiary of the manufacturer that provides financing to wholesale and retail customers.
- Increased our global target to reduce our own Scope 1 and 2 emissions by 40% by 2030 relative to 2016 base year.

[1] See the **Introduction** to this report for a definition of climate-related finance.

Our Climate-related Metrics and Targets

Scotiabank uses a series of metrics to monitor our performance against our climate goals: Financing Climate Solutions, Advancing to Net-Zero and Reducing Our Own Emissions. Our year-over-year performance against these metrics is outlined below. Financed emissions and physical emissions intensity were restated for Oil and Gas and Power and Utilities sectors for 2019 and 2020. Financed emissions were restated for the Agriculture sector for 2019 and 2020. See **p. 62** for more information on our restated financed emissions.

CLIMATE GOAL	ACTIVITY	TARGET	METRIC	CATEGORIES/ACTIVITY SCOPE	2023	2022	2021	2020	2019
Financing Climate Solutions	Climate-related Finance	$350B by 2030	CAD$B	All (cumulative)	132	96	58	28	16
Advancing to Net-Zero	Financed Emissions (Scope 3, Category 15)[1]		$MtCO_2e$[2]	Agriculture (Scope 1 and 2)	—	—	9.4	6.7	7.5
				Oil and Gas - E&P (Scope 1 and 2)	—	—	3.1	3.6	3.8
				Power and Utilities (Scope 1 and 2)	—	—	4.3	3.4	3.3
				Residential Mortgages (Scope 1 and 2)	—	2.8	2.6	2.2	2.3
				Transport - Automotive Manufacturing (Scope 1, 2 and 3 downstream)	—	—	1.5	2.1	1.8
	Physical Emissions Intensity (Scope 3, Category 15)[1]	Reduce by 30% by 2030 from 2019 baseline	tCO_2e/TJ[3]	Oil and Gas - E&P (Scope 1 and 2)[4]	—	—	6.0	5.7	6.1
		Reduce by 15%–25% by 2030 from 2019 baseline	tCO_2e/TJ	Oil and Gas - E&P (Scope 3)	—	—	63.4	65.2	58.5

[1] These categories are in reference to the **Greenhouse Gas Protocol's Technical Guidance for Calculating Scope 3 Emissions**.

[2] Scotiabank reports financed emissions using megatonnes of carbon dioxide equivalents, or $MtCO_2e$, which is consistent with guidance in the **PCAF Global Standard**.

[3] Physical emissions intensity for the Oil and Gas sector for Scope 1, 2 and 3 is measured in metric tonnes of carbon dioxide equivalent per terajoule, or tCO_2e/TJ.

[4] As discussed in the **Strategy** section of this report, we calculate financed emissions and emissions intensity reduction targets for the Oil and Gas sector based on the E&P portion of the portfolio only.

CLIMATE GOAL	ACTIVITY	TARGET	METRIC	CATEGORIES/ACTIVITY SCOPE	2023	2022	2021	2020	2019
Advancing to Net-Zero (continued)	Physical Emissions Intensity (Scope 3, Category 15)[1] (continued)	Reduce by 55%–60% by 2030 from 2019 baseline	tCO_2e/MWh[2]	Power Generation (Scope 1 and 2)[3]	—	—	0.29	0.25	0.36
		Reduce by 36% by 2030 from 2019 baseline	gCO_2e/km[4]	Transport — Automotive Manufacturing (Scope 1, 2 and 3 downstream)	—	—	204.1	188.9	146.7
	Carbon-related Assets	Credit exposure to carbon-related assets	CAD$B	Transition Risk	222	234			
	Credit Exposures	See heatmap on **p. 49** for industry-level physical and transition risk across our non-retail lending portfolio.	CAD$B	Physical Risk, Transition Risk	N/A	N/A	N/A	N/A	N/A
Reducing Our Own Emissions	Direct Emissions (Scope 1) and Indirect Emissions (Scope 2, location-based)[5]	40% absolute GHG[6] reduction by 2030 from 2016 base year	tCO_2e[7]	—	**92,179** ✪	**98,779**	**104,586**	**112,116**	**116,166**
	Direct Emissions (Scope 1)	40% absolute GHG[6] reduction by 2030 from 2016 base year	tCO_2e	—	27,402 ✪	28,797	22,493	22,278	24,303
	Indirect Emissions (Scope 2, location-based)		tCO_2e	—	64,777 ✪	69,982	82,093	89,838	91,863
	Transmission and Distribution Losses (Scope 3, Category 3)	—	tCO_2e	—	4,396	4,969	—	—	—
	Business Travel (Scope 3, Category 6)	—	tCO_2e	—	13,487 ✪	5,538	495	7,193	20,168
	Internal Carbon Price	$80/$tCO_2e$ for 2024	CAD$ per tonne	—	65	60	45	30	15

[1] These categories are in reference to the **Greenhouse Gas Protocol's Technical Guidance for Calculating Scope 3 Emissions**.

[2] Physical emissions intensity for the Power Generation sector is measured in metric tonnes of carbon dioxide equivalents per megawatt hour, or tCO_2e/MWh.

[3] As discussed in the **Strategy** section of this report, we calculate financed emissions to include clients from the whole sector whereas the emissions intensity reduction target includes clients from the Power Generation portion of the portfolio only.

[4] Physical emissions intensity for the Automotive Manufacturing sector is measured in grams of carbon dioxide equivalents per kilometre driven, or gCO_2e/km.

[5] For more information on our operational emissions, see our **2023 ESG Data Pack and Indices**.

[6] Greenhouse gas, or GHG, is defined in the **Greenhouse Gas Protocol** as including the six gases included in the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6). The Bank currently measures CO_2, CH_4 and N_2O for our operational emissions.

[7] Scotiabank reports its operational emissions using tonnes of carbon dioxide equivalents, or tCO_2e, which is consistent with guidance in the **Greenhouse Gas Protocol**. For details relating to Scotiabank's interpretation and application of the GHG Protocol of the WRI and the WBCSD, please refer to Scotiabank's GHG methodology, updated as of December 2023.

✪ KPMG was engaged to provide a limited assurance conclusion over indicators identified with this symbol. Refer to KPMG's **Independent Limited Assurance Report**.

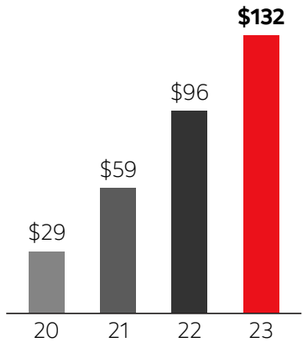
Our Climate-related Finance Target

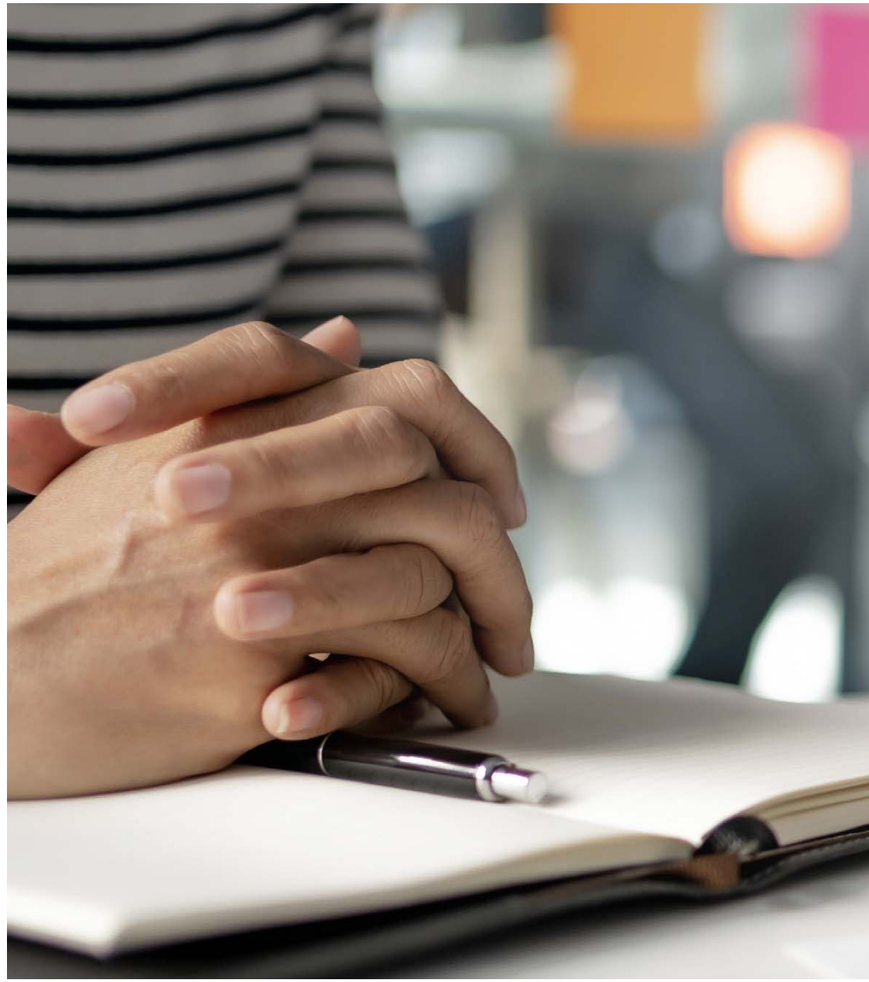
One of the Bank's key climate goals is to provide products and services to our clients to help support their climate-related objectives. In 2019, Scotiabank announced its goal to provide $100 billion in climate-related finance by 2025; in 2022, we increased this goal to $350 billion by 2030 ("$350B Target"). As of November 2023, we have provided $132 billion in climate-related finance, an increase of $36 billion from last year.[1]

To create greater transparency in the way we make our climate-related finance available, Scotiabank published a Climate-related Finance Framework in October 2023. As noted in the Introduction of this Climate Report, climate-related finance[2] consists of those products and services (such as lending and advisory services) as well as the types of transactions (such as sustainability-linked loans or dedicated purpose loans) which support, among other things, climate change mitigation, adaptation, pollution prevention, sustainable management of natural resources, biodiversity conservation and circular economy. The term "climate-related" was chosen to make clear that, in addition to providing financing that addresses climate change, financing under the $350B Target is also made available to support activities in other categories, including biodiversity and sustainable agriculture, which may also address climate change.

At this time, the calculation of emissions impact associated with climate-related finance activities that count towards the $350B Target is highly complex, and there are currently no harmonized standards applicable to Canada for this purpose. As outlined in the **Metrics and Targets** section of this Climate Report, we do measure and report Scope 3 financed emissions in accordance with guidance by the Partnership for Carbon Accounting Financials (PCAF),[3] which should, over time, reflect the impact of our climate-related finance activities on an aggregated basis.

Progress on $350B Target





[1] As noted in the Introduction, $36B represents a small portion of the Bank's overall lending and advisory services.

[2] See Scotiabank's Climate-related Finance Framework **here** for further details on climate-related products, services, as well as eligible transactions. When referenced throughout this Climate Report, climate-related finance will be understood as above.

[3] For more information, see the Partnership for Carbon Accounting Financials **website**.

Financed Emissions

In our **2022 Net-Zero Pathways Report**, we stated our goal of reducing our financed emissions — those emissions attributable to our lending and investment activities.[1] This is a multi-year process, involving an accounting of our financed emissions in nine carbon intensive sectors, and mapping of how those financed emissions are distributed across sectors and asset classes.[2] It also requires setting of emissions intensity reduction targets in sectors that account for part of the significant majority of the Bank's financed emissions, where data and methodologies allow.[2]

Scotiabank is a member of PCAF and uses the Global GHG Accounting and Reporting Standard for the Financial Industry[3] ("PCAF Standard") as the basis for calculating financed emissions. Building on the Greenhouse Gas Protocol[4] ("GHG Protocol"), the PCAF Standard provides guidance to financial institutions on measuring financed emissions across seven asset classes, namely business loans and unlisted equity, listed equity and corporate bonds, project finance, commercial real estate, mortgages, motor vehicle loans and sovereign bonds.

In the Net-Zero Pathways Report, we prioritized four key sectors based on the Bank's financial exposure and their relative share of our financed emissions: Agriculture, Oil and Gas, Power and Utilities, and Residential Mortgages. We reported financed emissions in these sectors using the PCAF Standard for the baseline year 2019, and again for 2020.

Measuring our financed emissions on an annual basis remains critical to understanding the Scope 3 emissions attributable to our lending activities. This information provides a view into the relative significance of each of these sectors in the Bank's overall financed emissions portfolio and will act as an important basis for decision-making relating to setting of emissions intensity reduction targets over time, towards a goal of net-zero financed emissions by 2050. By the end of 2024, we expect to have calculated sectoral financed emissions that represent the significant majority of financed emissions in carbon intensive sectors.

While data challenges remain in all sectors, and especially in the Agriculture and Residential Mortgages sectors, limiting our ability to set emissions reduction targets, understanding our financed emissions has served to underpin decisions to set emissions intensity reduction targets in the Oil and Gas and Power and Utilities sectors and, in October 2023, the Transport sector.

This section covers two categories of reporting:

1. Financed emissions by sector and by asset class (see the table on **p. 61**); and
2. Physical emissions intensity for Oil and Gas, Power and Utilities and Automotive Manufacturing (see the table on **p. 65**).

[1] Financed emissions are defined by PCAF as "emissions attributed to a financial institution's lending and investing activity" and are expressed in tonnes of CO_2e.

[2] The **NZBA** lists carbon intensive sectors as Agriculture, Aluminium, Cement, Coal, Commercial and Residential Real Estate, Iron and Steel, Oil and Gas, Power Generation and Transport.

[3] See **The Global GHG Accounting and Reporting Standard for the Financial Industry**, by PCAF.

[4] The PCAF Standard has been reviewed by the GHG Protocol and is aligned with the requirements of the **Corporate Value Chain (Scope 3) Accounting and Reporting Standard** (category 15).

CHOOSING OUR METRICS

Financed emissions may be measured using a number of metrics, including:

1. Absolute financed emissions, which measure a bank's share of a borrower's emissions. Absolute emissions are calculated using a formula that multiplies the borrower's emissions by an attribution factor equal to the amount of financing provided to the borrower divided by the borrower's enterprise value including cash (EVIC).[1] To determine financed emissions across the entire portfolio, absolute financed emissions of all borrowers are added together to produce the whole. Measuring financed emissions, in absolute terms, provides a basis for determining those sectors in which to set emissions reduction targets.
2. Emissions intensity, which translates absolute financed emissions to emissions per unit. Physical emissions intensity is an example of emissions intensity metrics, which is the absolute emissions of a loan or investment divided by a value of physical activity or output, expressed as tCO_2e/MWh generated or consumed, or tCO_2e/tonne product produced. Physical emissions intensity is useful in setting science-based targets and for comparing the emissions intensity of companies operating in the same sector.[2]

A Note on Data Quality and Scope of Data

Scotiabank relies on external data from sources such as S&P Global Trucost for emissions and client information; where data is not available, we use PCAF guidance to generate estimates.

A PCAF data quality score is calculated for each sector and each asset class.[3] To determine that score, each client is assigned a data quality score, which is then aggregated and weighted. The PCAF data quality scoring system assesses the availability and accuracy of data elements, such as outstanding amount, total company equity plus debt, and verified emissions. When verified emissions are not available, PCAF suggests estimation methods based on an entity's economic activity.

Direct requests for such information by financial institutions, including Scotiabank and asset managers, as well as increasing regulatory emissions disclosure requirements for public companies, are expected to lead to improvements in the PCAF data quality score of our financed emissions in the short and medium term.

Data availability continues to challenge the timeliness and accuracy of financed emissions reporting for financial institutions including Scotiabank. Primary among those challenges, as noted in previous reports, is the significant lag in availability of client emissions data by third-party data sources. As a result of this delay, we report financed emissions for our business loans with a two-year lag. We have chosen not to calculate financed emissions using financial information from a more recent fiscal year with client emissions data from earlier years. The use of this adapted methodology may call for frequent restatement and compromise comparability over time. For the Mortgages asset class where client emissions data is unavailable, we are able to report financed emissions based on 2022 financial information and PCAF emissions factors.

We continue to work with our third-party data suppliers to find ways of making emissions data available sooner in the reporting cycle to help us produce more timely disclosures.

Other issues — such as unavailability of client-level data, variability in the scope of reported data and margins of error in aggregated data — may have impacts on accuracy and comparability of our calculations over time and may require the restatement of our financed emissions baselines or emissions reduction targets.

[1] In the case of private companies, the attribution factor equal to amount of financing provided to the borrower divided by the borrower's equity plus debt.

[2] **Financed Emissions, the Global GHG Accounting and Reporting Standard, Part A**, by PCAF.

[3] For a general description of the data quality score employed by PCAF where score 1 represents the highest data quality and score 5 represents the lowest quality score, see **Financed Emissions, the Global GHG Accounting and Reporting Standard, Part A**, by PCAF.

Financed Emissions by Sector and Asset Class

PCAF ASSET CLASS	CARBON INTENSIVE SECTOR[1]	REPORTING YEAR	SECTOR DESCRIPTION[2]	SCOPE 1[3] AND 2 FINANCED EMISSIONS[4] ($MTCO_2E$)	SCOPE 1 AND 2 DATA QUALITY SCORE	SCOPE 3[5] FINANCED EMISSIONS ($MTCO_2E$)[6]	SCOPE 3 DATA QUALITY SCORE
Business Loans and Unlisted Equities	Agriculture	2021	Agriculture	9.4	4.6	—	—
	Oil and Gas	2021	Exploration and Production	3.1	2.2	—	—
	Power Generation	2021	Power and Utilities[7]	4.3	2.7	—	—
	Transport	2021	Automotive Manufacturing	0.03	2.0	1.5	2.0
Mortgages	Residential Real Estate	2021	Residential Mortgages[8]	2.6	4.2	—	—
		2022	Residential Mortgages[8]	2.8	4.2	—	—

[1] Sectors in this column are those listed as carbon intensive sectors by the NZBA and in which Scotiabank is reporting financed emissions.

[2] Sectors and subsectors listed in this column reflect the Bank's industry classifications as they relate to those sectors listed as carbon intensive by the NZBA.

[3] Scope 1 emissions are defined as direct GHG emissions that occur from sources owned or controlled by the reporting company (for example, emissions from combustion in owned or controlled boilers, furnaces and vehicles). Scope 2 emissions are defined as indirect GHG emissions from generation of purchased or acquired electricity, steam, heating or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating or cooling is generated.

[4] In this column, we are providing financed emissions covering Scope 1 and Scope 2 of those companies that fall within the relevant sector and asset class.

[5] As per the **PCAF Standard**, Scope 3 emissions are defined as all other indirect GHG emissions (not included in Scope 1 or 2) that occur in the value chain of the reporting company.

[6] In this column, we are providing financed emissions covering Scope 3 of those companies that fall within the relevant sector and asset class.

[7] As discussed on **p. 30** of the Strategy section of this report, the scope of our financed emissions for the Power and Utilities sector includes business loans to the entire sector, while our emissions intensity reduction target includes only clients in power generation.

[8] In 2021 and 2022, our financed emissions for the Mortgages asset class is calculated based on the use of property values available at the time of reporting in the absence of property values at the time of origination. Financed emissions for the Mortgages asset class for 2021 and 2022 include loans from our Global Banking and Markets division that fit the PCAF definition.

CHANGES TO METHODOLOGY, IMPROVEMENTS TO DATA QUALITY AND RESTATEMENT

The PCAF Standard acts as the basis for calculating financed emissions. Where client-specific data is unavailable, PCAF allows for the calculation of financed emissions based on emissions factors or estimates; the more we are required to rely on emissions factors or estimates, the poorer the data quality, which is associated with a higher PCAF data quality score associated with the calculation.

The calculation of financed emissions is a nascent and evolving field and data challenges remain. In this third year of reporting our financed emissions, we continue to need more client-specific data to accurately measure and report absolute emissions. Following best practices laid out by PCAF, we strive for continuous improvement of both data quality and data availability over time. As more real data is being measured and disclosed by our clients over time, we seek to improve our PCAF data quality scores, thereby increasing the accuracy of our financed emission estimates. When complete client data is not available, we use PCAF emission factors to calculate financed emissions.

This year, we took a concrete step to increase the accuracy of financed emissions for our Oil and Gas portfolio through the use of an internally developed emission factor based on real, currently available client data (“Internal Emission Factor”). Given the relative value of real data in the calculation of absolute emissions, the creation of the Internal Emission Factor allows for improved accuracy in the calculation of emissions factors.

For the reporting year 2021, the coverage and quality of actual emissions data in our E&P portfolio provided an adequate basis to create an Internal Emission Factor. Using an average physical intensity calculated across all upstream oil and gas portfolio companies that made full available data, this average was then used to estimate financed emissions for those clients who only provided production data.

According to PCAF, use of an internally developed emission factor for production data is associated with a data quality score of 3. The use of an internally developed emissions factor means, therefore, that we are able to replace data with a quality score of 4 of 5 — those companies that did not report full data and for which we needed to use a PCAF emission factor or estimate — with data with a quality score of 3.

With the development of the Internal Emission Factor, and to allow for comparability of our financed emissions over time, we have chosen to restate our 2019 baseline for the Oil and Gas sector and have recalculated financed emissions in this sector for the reporting year 2020. Our restated financed emissions are outlined on the next page.



Business Loans — Attribution Factor for All Sectors

In this reporting year, we changed our attribution factor for private companies within all sectors where equity and debt information is available. The attribution factors — the share of the borrower's total annual GHG emissions allocated to the loan — were calculated using the company's total equity plus debt rather than EVIC values. As a result of this adjustment, as well as the application of the Internal Emission Factor for the Oil and Gas portfolio, we have restated our baseline emissions for Oil and Gas, Power and Utilities, and Agriculture.[1] We have recalculated our 2020 financed emissions in all three sectors and physical emissions intensity in Oil and Gas and Power and Utilities.[2] Financed emissions were not restated for the Automotive Manufacturing sector as the methodology was not subject to the same change as other business loan portfolios.

SECTOR	2019	2019 RESTATED	2020	2020 RESTATED	2021
	Baseline Financed Emissions (Scope 1 and 2)	Baseline Financed Emissions (Scope 1 and 2)	Financed Emissions (Scope 1 and 2)	Financed Emissions (Scope 1 and 2)	Financed Emissions (Scope 1 and 2)
Oil and Gas ($MtCO_2e$)	3.3	3.8	3.1	3.6	3.1
Power and Utilities ($MtCO_2e$)	3.4	3.3	2.9	3.4	4.3
Agriculture ($MtCO_2e$)	3.9	7.5	3.9	6.7	9.4

SECTOR	2019	2019 RESTATED	2020	2020 RESTATED	2021
	Scope 1 and 2 Data Quality Score	Scope 1 and 2 Data Quality Score	Scope 1 and 2 Data Quality Score	Scope 1 and 2 Data Quality Score	Scope 1 and 2 Data Quality Score
Oil and Gas	2.2	2.3	2.6	2.2	2.2
Power and Utilities	2.6	2.9	2.5	2.8	2.7
Agriculture	4.8	4.5	4.9	4.6	4.6

[1] Our restated financed emissions for the Agriculture sector are based on a revised scope, which includes all borrowers associated with agriculture production, including farms and fishing, as well as all borrowers in industries that directly support those activities. The reporting of financed emissions in connection with the Agriculture sector does not account for the ways in which the Agriculture sector may slow climate change, through storing carbon, or carbon sequestration.

[2] Recalculated physical emissions intensity can be found on **pp. 56**, **57** and **65** of this report. For previously calculated physical emissions intensity, see our **2022 ESG Report** (p. 51).

Our Approach to Target Setting

Achieving net-zero in our financed emissions by 2050 is one of the Bank's three climate goals. While our goal of achieving net-zero in financed emissions will involve reduction in our absolute financed emissions, our interim emissions intensity reduction targets are measured using a physical intensity metric. As noted above, physical emissions intensity can be a useful metric in understanding the efficiency of a portfolio in terms of total emissions per unit, provides for comparability between clients on the basis of emissions reduction irrespective of the client's size, and accounts for the fact that certain carbon intensive sectors continue to provide necessary goods and services, and that banks can better support clients through the transition by financing lower carbon technologies and approaches rather than requiring absolute emissions reductions by reducing our financial support to those clients.

Informed by our work quantifying financed emissions in carbon intensive sectors across our lending portfolio, we have approached target setting on the basis of two factors: the significance of the sector in terms of financed emissions amongst all carbon intensive sectors, and the availability of client-level emissions data in those sectors.

Based on these criteria, we have set interim emissions intensity reduction targets in our Oil and Gas - E&P and Power Generation sectors in 2022 and, in 2023, set an additional emissions intensity reduction target for the Transport sector — more specifically, we committed to an emissions reduction target associated with business loans to automotive manufacturers of light-duty vehicles and/or the wholly owned subsidiary of the manufacturer that provides financing to wholesale and retail customers.[1]

Emissions intensity reduction targets for the Power Generation sector, as well as for the Automotive Manufacturing target, are based on the International Energy Agency's Net Zero Emissions by 2050 Scenario ("IEA NZE Scenario"), which creates sector-specific pathways for energy reduction aligned with a 1.5°C temperature ambition by 2050.

Sector-specific assumptions underpinning the IEA NZA Scenario relevant to the Power Generation target and the Automotive Manufacturing target include:

- Achieving net-zero in the power sector by 2040 globally, and by 2035 in advanced economies;
- 90% of global electricity generation in 2050 coming from renewable sources;
- Sales of new internal combustion engine passenger cars stopping by 2035;
- Sales of battery electric vehicles increasing to 75% in developed economies by 2030;
- 80% of vehicles on the road being combustion engines in 2030; and
- Fuel efficiency for vehicles using combustion engines increasing by 30% by 2035.[2]

As recommended by the United Nations Environment Program for Financial Institutions (UNEP FI) in their **Guidelines for Climate Change Target Setting for Banks**, Scotiabank will continue to review targets regularly and consider updates as data quality and availability improves. Future updates to decarbonization scenarios and/or other inputs — such as changes in emissions data, underlying assumptions, macroeconomic conditions and available technologies — may result in changes to the projected emissions trajectories, and therefore targets.

[1] **Scotiabank's Emissions Reduction Target in the Automotive Sector.**

[2] International Energy Agency (IEA). 2021. **Net Zero by 2050 – A Roadmap for the Global Energy Sector**.

The table below outlines the parameters of our current interim targets for 2030, as well as our year-over-year progress against those targets. For more details about our target-setting approach, see the **Net-Zero Pathways Report** and **Scotiabank's Emissions Reduction Target in the Automotive Sector**.

PARAMETERS		OIL AND GAS - E&P		POWER GENERATION	AUTOMOTIVE MANUFACTURING
Defining Scope	Emissions Scope	Scope 1 and 2	Scope 3	Scope 1 and 2	Scope 1, 2 and 3 downstream
	GHG Included	CO_2e	CO_2e	CO_2e	CO_2e
Setting Targets	Target Metric	Physical Emissions Intensity	Physical Emissions Intensity	Physical Emissions Intensity	Physical Emissions Intensity
	Financial Exposure	Committed Authorized	Committed Authorized	On balance, Outstanding	Authorized
	Baseline Year	2019	2019	2019	2019
	Unit	tCO_2e/TJ	tCO_2e/TJ	tCO_2e/MWh	gCO_2e/km
	Baseline[1]	6.1 tCO_2e/TJ	58.5 tCO_2e/TJ	0.36 tCO_2e/MWh	146.7 gCO_2e/km
	Target Reduction by 2030	30% reduction	15%–25% reduction	55%–60% reduction	36% reduction
	Reference Scenario	Canadian Government Evolving Oil and Gas Pathway[2]		IEA Net Zero 2050 (2021)[3]	IEA Net Zero 2050 (2021)
2021 Emissions	Physical Emissions Intensity	6.0 tCO_2e/TJ	63.4 tCO_2e/TJ	0.29 tCO_2e/MWh	204 gCO_2e/km

[1] Physical emissions intensity baseline for Oil and Gas - E&P and Power Generation represented in this table are restated, as outlined on **p. 56**. For more information on previously calculated physical emissions intensity baseline, see our **2022 ESG Report** (p. 51).

[2] For more information on the Canadian Government Evolving Oil and Gas Pathway, please refer to the **Net-Zero Pathways Report**.

[3] International Energy Agency (IEA). 2021. **Net Zero by 2050 – A Roadmap for the Global Energy Sector**.

Emissions from Operations

As part of our bank-wide effort to reduce operational emissions by 2030, we are focused on decarbonization through energy efficiency initiatives and increased use of emission-free electricity. We continue to assess current and future physical climate vulnerability to Scotiabank's property assets and integrate climate resiliency by embedding climate-related practices into real estate policies and procedures.

Our operational emissions are calculated in accordance with the Greenhouse Gas Protocol ("GHG Protocol"),[1] which was created to provide a comprehensive, global standardized framework for measuring and managing emissions from private and public sector operations, value chains, cities and policies to enable greenhouse gas reductions. The GHG Protocol provides accounting and reporting standards, sector guidance, calculation tools and training for businesses in addition to local and national governments.

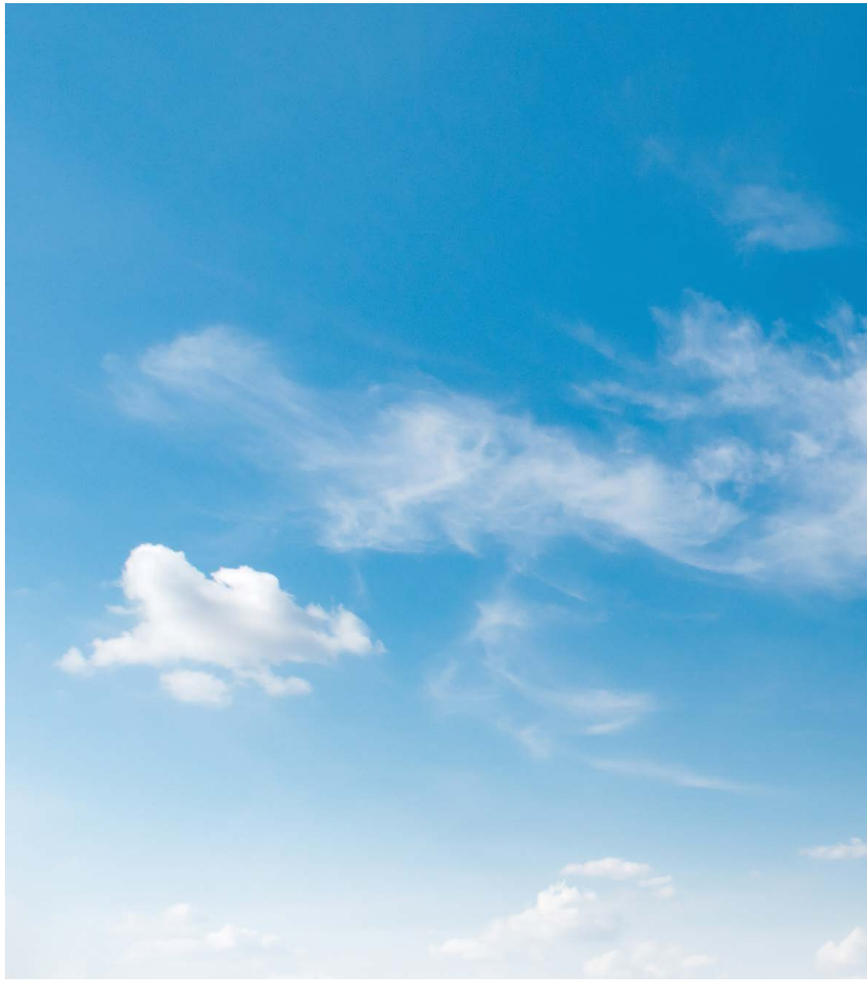
ENHANCING OUR GLOBAL TARGET AND REPORTING ON PROGRESS

The Bank has set an operational emissions reduction target covering Scope 1 and 2 emissions, as defined by the GHG Protocol:

- **Scope 1 — Direct GHG Emissions:** Emissions associated with on-site fuel combustion (excluding steam and electricity purchases) at properties where Scotiabank is billed directly or indirectly, Canadian field fleet vehicles and non-commercial planes.
- **Scope 2 — Electricity indirect GHG Emissions:** Emissions associated with purchased electricity and steam consumption at properties where Scotiabank pays for utilities directly, or where utility use is sub-metered by the landlord and billed to Scotiabank.

Further, the Bank continues to measure and report on Scope 3 emissions, as defined by the GHG Protocol:

- **Scope 3 — Other indirect (non-financed) GHG Emissions:** Emissions associated with business air travel using distance-based method for air travel, and electricity grid transmission and distribution losses for all of Scotiabank's locations globally.[2]



[1] GHG Protocol may be found **here**. For details relating to Scotiabank's interpretation and application of the GHG Protocol of the WRI and the WBCSD, please refer to **Scotiabank's GHG methodology** (updated as of December 2023).

[2] As set out in our Roadmap to our Climate Goals (**p. 23**), we plan to measure GHG emissions in our supply chain, set a baseline and a GHG reduction target in 2024-2025.

In 2023, we increased our global target to reduce operational Scope 1 and 2 GHG emissions from 35% to 40% by 2030 against a 2016 base year. With respect to its Canadian operations, the Bank has set a target to become carbon neutral by 2025.[1] This target involves taking steps to reduce operational emissions and purchasing renewal energy certificates (RECs) and carbon offsets to become carbon neutral in our operations globally by 2030.

Our ability to meet this target assumes reasonable growth and liquidity of REC and carbon markets, as well as the availability of high-quality offsets and RECs in relevant markets. We are in the process of developing our approach to the use of carbon offsets and RECs, which we intend to report in more detail in future reports, in a manner consistent with new reporting standards and frameworks.

We have benefited from decreased carbon intensity of power grids globally, increased adoption and provision of online banking and a real estate strategy aimed at optimizing our footprint and remote-work models. In 2023, our Scope 1 emissions decreased by 1,359 tCO_2e and our Scope 2 emissions decreased by 5,205 tCO_2e compared to 2022. Although our business air travel emissions increased from 2022 to 2023 due to the resumption of business activities after the COVID-19 pandemic, emissions from business air travel have decreased compared to our 2016 base year, as has GHG intensity per employee.

INCREASING OUR INTERNAL CARBON PRICE

In 2018, Scotiabank adopted an internal carbon price of CAD$15/$tCO_2e$ per tonne of emissions associated with the Bank's global Scope 1 and 2 emissions. The setting of an internal carbon price serves a critical function in reducing emissions from our own operations by creating an internal financial incentive to prioritize projects that support decarbonization. By applying the internal carbon price to CO_2e emissions, we determine the amount that will be spent to finance energy efficiency and GHG emissions reduction initiatives for the Bank.

In 2023, we increased our internal carbon price from $65/$tCO_2e$ and intend to increase our internal carbon price to $80/$tCO_2e$ in 2024. As our internal price on carbon increases incrementally, we increase the capital we invest in the decarbonization of our operations and improve our operating efficiency. Since its inception in 2018, we have spent $76.3 million on decarbonization and energy efficiency projects, $16.4 million of which was spent in 2023.

We continue to assess current and future physical climate vulnerabilities to Scotiabank's property assets, integrate climate resilience and consider opportunities to further reduce our overall carbon footprint through various sustainability and energy efficiency measures. For more information, see our **2023 ESG Report** (pp. 51–53).

[1] Scotiabank defines carbon neutrality as compensating for emissions from our operations over a given time period with the retirement of verified carbon offset or renewable energy credits. This differs from our definition of net-zero, which first involves reducing the relevant emissions to the extent practicable, and then compensating for any residual emissions over a given time period by retiring verified carbon removal credits.

IMPROVEMENTS IN DATA ACCURACY

In the process of obtaining limited assurance relating to our Scope 1 and 2 emissions in 2022, we have introduced measures to improve data accuracy. These measures include the development of a variance analysis tool that checks the utility consumption records of Scotiabank branch properties in Canada, pinpoints incorrect data and fixes these inaccuracies throughout the year. We have also begun using actual fuel consumption of non-commercial airline travel to calculate Scope 1 emissions, rather than estimates.

PERFORMANCE METRICS	TARGET	YEAR-OVER-YEAR	2023	2022	2021	2020	2019	2016 BASELINE
Scope 1 GHG emissions (tCO_2e) and Scope 2 (tCO_2e) (location-based)[1]	Reduce by 40% globally by 2030 against 2016 base year	**-6,600** tCO_2e	**92,179**✪	**98,779**	**104,586**	**112,116**	**116,166**	**138,753**
Scope 1 GHG emissions (tCO_2e)	Reduce by 40% globally by 2030 against 2016 base year	**-1,359** tCO_2e	27,402✪	28,797	22,493	22,278	24,303	13,700
Scope 2 GHG emissions (tCO_2e) (location-based)[1]		**-5,205** tCO_2e	64,777✪	69,982	82,093	89,838	91,863	125,053
GHG emissions from business air travel (tCO_2e) (Scope 3, Category 6)	—	**+7,949** tCO_2e	13,487✪	5,538	495	7,193	20,168	—
GHG emissions from transmission and distribution losses (tCO_2e) (Scope 3, Category 3)	—	**-573** tCO_2e	4,396	4,969	N/A	N/A	N/A	—
Internal carbon price (price/tonne)	$80/$tCO_2e$ for 2024	**+$15**	$65	$60	$45	$30	$15	—
GHG intensity per employee, tCO_2e/FTE	—	**-0.06** tCO_2e/FTE	1.03	1.09	1.16	1.21	1.13	—

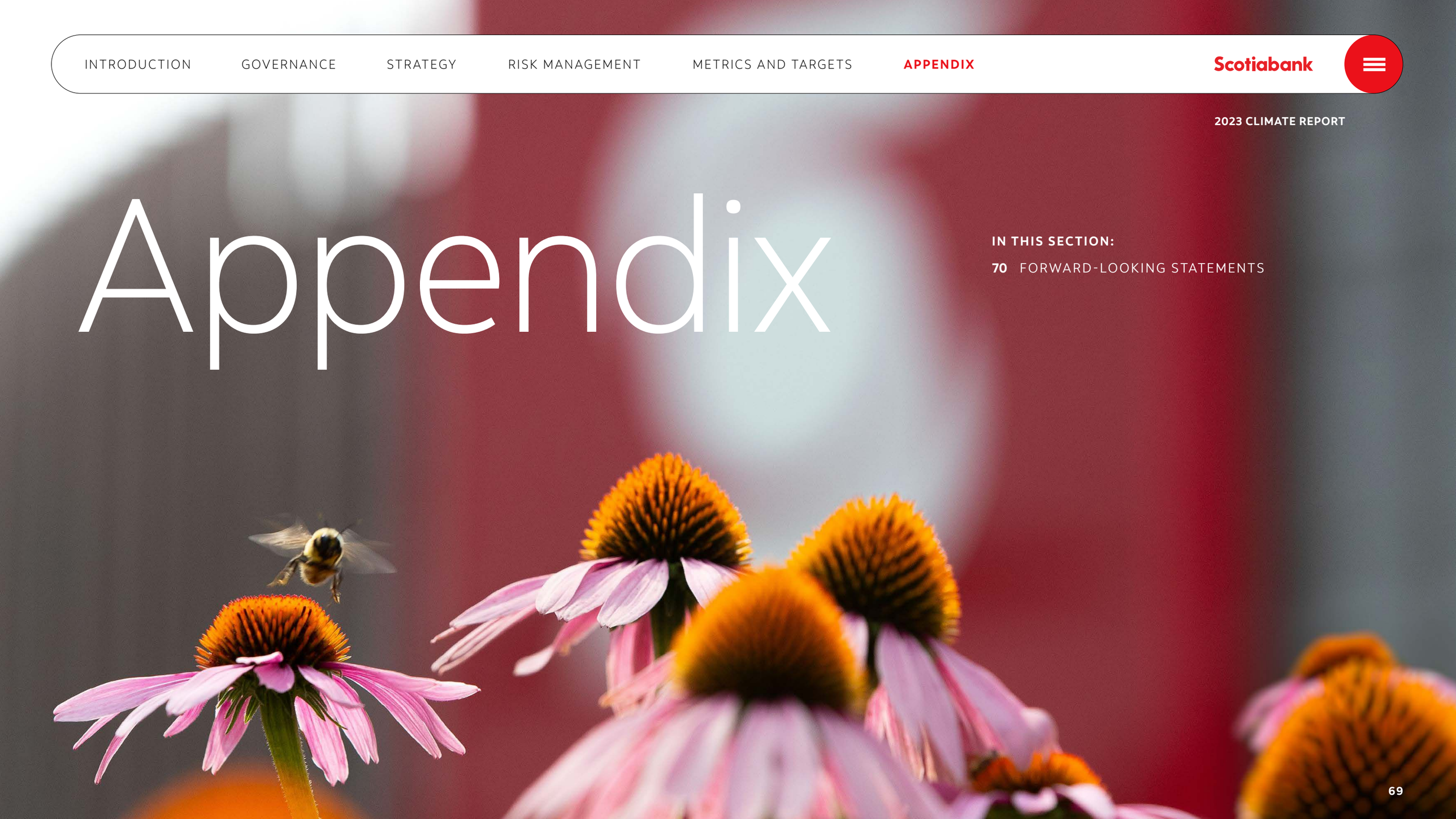
[1] For more information on our operational emissions, see our **2023 ESG Data Pack and Indices**.

✪ KPMG was engaged to provide a limited assurance conclusion over indicators identified with this symbol. Refer to KPMG's **Independent Limited Assurance Report**.

Appendix

IN THIS SECTION:

70 FORWARD-LOOKING STATEMENTS



Forward-looking Statements

From time to time, our public communications include oral or written forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. In addition, representatives of the Bank may include forward-looking statements orally to analysts, investors, the media and others. All such statements are made pursuant to the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may include, but are not limited to, statements made in this document regarding the Bank's financial projections, objectives, visions and goals, regarding the outlook for the Bank's businesses and for the Canadian, U.S. and global economies, and regarding environmental, social and governance ("**ESG**"), including climate-related, projections, objectives, vision and goals (collectively, our "**ESG Objectives**"), such as our net-zero and interim emissions targets, our statement on thermal coal, and our climate-related finance target. Such statements are typically identified by words or phrases such as "believe," "expect," "aim," "achieve," "foresee," "forecast," "anticipate," "intend," "estimate," "plan," "goal," "strive," "target," "project," "commit," "objective," and similar expressions of future or conditional verbs, such as "will," "may," "should," "would," "might," "can" and "could" and positive and negative variations thereof.

By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct and that our ESG Objectives will not be achieved. We caution readers not to place undue reliance on these statements as a number of risk factors, many of which are beyond our control and effects of which can be difficult to predict, could cause our actual results to differ materially from the expectations, targets, estimates or intentions expressed in such forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, which may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. Certain statements in this document are based on hypothetical or severely adverse scenarios and assumptions, and these statements should not necessarily be viewed as being representative of current or actual risk or forecasts of expected risk. For more information on potentially applicable risk factors, please see the "Risk Management" section of the Bank's 2023 Annual Report, as may be updated by quarterly reports.

Material economic assumptions underlying the forward-looking statements contained in this document are set out in the 2023 Annual Report under the headings "Outlook", as updated by quarterly reports. The "Outlook" and "2024 Priorities" sections are based on the Bank's views and the actual outcome is uncertain. Readers should carefully consider the above-noted factors and other uncertainties and potential events.

Any forward-looking statements contained in this document represent the views of management only as of the date hereof and are presented for the purpose of assisting the reader in understanding the Bank's ESG Objectives as at and for the periods ended on the dates presented, and may not be appropriate for other purposes. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained in this document. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

Additional information relating to the Bank, including the Bank's Annual Information Form, can be located on the SEDAR+ website at **www.sedarplus.ca** and on the EDGAR section of the SEC's website at **www.sec.gov**.

ADDITIONAL CAUTION REGARDING ESG-RELATED DISCLOSURES

In setting and implementing our ESG Objectives, and in preparing this document, the Bank has made various assumptions, including about technological, economic, scientific and legal trends and developments, in light of an evolving policy and regulatory environment. As such, the data, analysis, strategy and other information set out in this document remain under development and subject to evolution, amendment, update and restatement over time. The Bank specifically cautions readers of the following:

- The terms "ESG", "net-zero", "carbon neutral", "sustainable finance", "carbon-related finance" and similar terms, taxonomies and criteria are evolving, and the Bank's use of such terms may change to reflect such evolution. Any references to such terms in this document are references to the internally defined criteria of the Bank and not to any particular regulatory definition or voluntary standard.
- The Bank has assumed continued growth in its clients' investments in and expenditures on ESG activities. The Bank has also assumed ordinary rates of growth and development of the Bank's business, including in the products and services it provides to clients in all sectors, in its own investments, in its subsidiaries and in its geographic footprint. If any of these assumptions prove incorrect, the Bank may not be able to meet its ESG Objectives and may need to update or revise them.
- The evolution of the policy and regulatory environment relating to ESG issues, and climate-related issues in particular, may result in updates or revisions to forward-looking statements and other information contained in this document. There could also be changes to the market practices, taxonomies, methodologies, scenarios, frameworks, criteria and standards (collectively, "**ESG Standards**") that governmental and non-governmental entities, the financial sector, the Bank and its clients use to classify, assess, measure, report on and verify ESG activities, including for inclusion toward the Bank's ESG Objectives. In some cases, applicable ESG Standards may not yet exist. The Bank may update its ESG Objectives, its plans to achieve them, its progress toward them, and its estimates of the impact of this progress, as appropriate, in light of new and evolving ESG Standards.
- In setting and implementing its ESG Objectives, the Bank relies on data obtained from clients and other third-party sources. The Bank's use of third-party data cannot be taken as an endorsement of the third-party or its data or be construed as granting any form of intellectual property. Although the Bank believes these sources are reliable, the Bank has not independently verified all third-party data, or assessed the assumptions underlying such data, and cannot guarantee their accuracy. The data used by the Bank in connection with its ESG Objectives may be limited in quality, unavailable, or inconsistent across sectors, and we have no guarantee that third parties will comply with our policies and procedures in respect of the collection of this data. Certain third-party data may also change over time as ESG Standards evolve. These factors could have a material effect on the Bank's ESG Objectives and ability to meet them.
- The Bank and its clients may need to purchase carbon and clean energy instruments ("**Environmental Attributes**") to meet its ESG Objectives. The market for Environmental Attributes is still developing and their availability may be limited. Some Environmental Attributes are also subject to the risk of invalidation or reversal, and the Bank provides no assurance of the treatment of any such Environmental Attributes in the future. There may also be changes to applicable regulations and standards that impact the market for Environmental Attributes. The maturity, liquidity and economics of this market may make it more difficult for the Bank to achieve its ESG Objectives.
- The information contained in this document is unaudited. KPMG has performed a limited assurance engagement for a select number of the Bank's ESG performance indicators, which have been identified with a ✪ symbol throughout this document. Other than those select number of identified Bank performance indicators, the remainder of the information contained in this document was not subject to the limited assurance engagement. You can read more about the scope of KPMG's work **here**.
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