



# SCOTIABANK CLIMATE-RELATED FINANCE FRAMEWORK

March 2024

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# 1 Introduction

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Scotiabank (the “**Bank**” or “**we**”) <sup>1</sup> is committed to taking actions that support our business, our communities, the economy, and the health of our planet. To help address climate change, we believe financial institutions have an important role to play in providing financial products and services outlined in this Climate-related Finance Framework (the “**Framework**”) that incentivize innovation in a world increasingly affected by climate change. The concept of “climate-related” was chosen in order to include, in addition to climate change, broader environmental categories such as biodiversity, sustainable agriculture and circular economy, which are connected to ecosystem health and climate.

Setting clear, ambitious targets is an important part of Scotiabank’s climate strategy. In November 2019, the Bank announced a target to mobilize CAD\$100 billion in climate-related finance by 2025. In March 2022, we increased this target to CAD\$350 billion by 2030 (the “**Target**”). While we do business with clients across all sectors of the economy, and engage with clients in carbon intensive sectors on their own climate transition plans we believe the Target is an important part of our efforts to provide products and services to help incentivize necessary innovation. This Framework sets out the eligibility criteria applicable, as of November 1, 2023, to the types of activities and transactions we offer that contribute to the Target.

The Target covers key business activities of the Bank, such as lending, underwriting and advisory services. Section 3 outlines those activities that are considered in-scope (the “**In-scope Activity**” or “**In-scope Activities**”).

The types of transactions within the In-scope Activities that are eligible for inclusion in the Target can be generally classified as:

- 1) Dedicated purpose finance, which includes (i) financing dedicated to unlabelled transactions that fall into the climate-related categories set out in Section 4 (the “**Climate-related Categories**”), and (ii) transactions labelled as green, transition and/or sustainable; or
- 2) General corporate purpose finance, which includes (i) pure play finance, defined as finance to a client with 90% or more of its revenue derived from activities that fall into the Climate-related Categories, as set out in Section 4, and (ii) sustainability-linked finance, defined as financing structured to incentivize a client to meet at least one environmental-related target.

In developing this Framework, Scotiabank considered, and drew principles from a number of sources, including:

- International Capital Market Association (“**ICMA**”) Green Bond Principles, Sustainability Bond Guidelines, and Sustainability-Linked Bond Principles
- APLMA/LMA/LSTA Green Loan Principles and Sustainability-Linked Loan Principles
- Climate Bonds Standard

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<sup>1</sup> “Scotiabank” is a reference to, and is used interchangeably with, The Bank of Nova Scotia and its subsidiaries. “We”, “our” and “the Bank” refers to The Bank of Nova Scotia and its subsidiaries, operating as Scotiabank.



We note, however, that there is not yet a standardized definition of, or taxonomy for, climate-related finance that is applicable to our business. Rather, the market guidelines, frameworks and other internal and external standards in this area are evolving and, in some cases, may not yet exist. The Framework may therefore change to reflect such evolution or the introduction of new guidelines, frameworks and other standards.

This Framework updates the Bank's internal taxonomy and related procedures that have governed the Target (including prior iterations of the Target) from its inception. The Framework will be applicable from November 1, 2023 onwards.<sup>2</sup> Scotiabank may review this Framework from time to time and at a minimum once every two years and may publish changes made to the Framework based on evolving or the introduction of new guidelines, frameworks, or other standards, as noted above.

We note that the Climate-Related Categories set out in this Framework are mapped to applicable *United Nations Sustainable Development Goals* (“SDGs”).

## 2 Classification of Transactions

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Transactions are considered eligible for inclusion in the Target based on a classification process outlined in Figure 1, below (the “**Eligible Transactions**”).

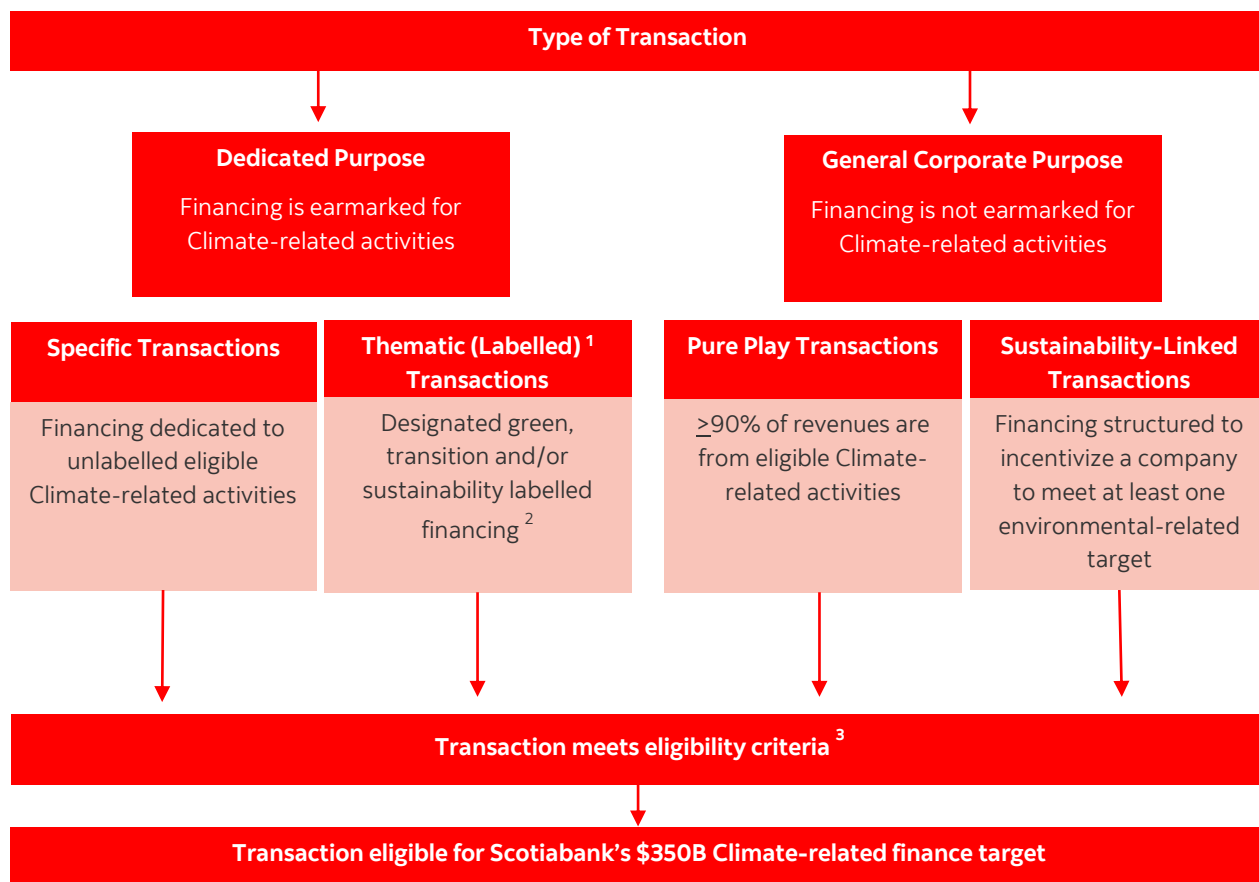
In connection with Eligible Transactions, Scotiabank may complete entity and/or transaction-level assessments, including environmental, climate credit risk, and reputational risk assessments as applicable.

Scotiabank may refer to relevant guidelines, principles and methodologies for its Eligible Transactions, outlined in Section 3.

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<sup>2</sup> The Climate-related Finance Framework replaces Scotiabank's previous internal Green, Transition and Social Taxonomy with respect to eligible green and transition activities eligible for the Target, as well as documentation outlining eligible financial products and services eligible for the Target.





**Figure 1. Classification process for determining Eligible Transactions**

<sup>1</sup> Labelled transactions are those that meet relevant industry principles outlined in this Framework under Applicable Guidelines, Principles and/or Methodologies in Section 3.

<sup>2</sup> Social labelled transactions are not eligible for Scotiabank's \$350 billion by 2030 Climate-related finance target.

<sup>3</sup> To be eligible, the transaction must align to Scotiabank's Climate-related Finance Framework.



### 3 In-scope Activities and Calculation Methods

In-scope Activities are outlined in the table below. New financing, restructuring, and refinancing<sup>3</sup> for climate-related activities, as well as sustainability-linked transactions, are eligible. Currently, there is no single, widely accepted accounting standard for climate-related or sustainable finance calculation methodologies. We have therefore drawn from relevant market practices where available. Otherwise, we have developed internal methodologies. In either case, we may need to revisit the Framework to reflect new and evolving market practices, frameworks, taxonomies and other standards.

Business Activities	Description	Measurement Basis	Applicable Guidelines, Principles and/or Methodologies <sup>4</sup>
Lending	Corporate and commercial loans, project finance, commercial mortgages, and trade finance <sup>5</sup>	Total authorized amount	APLMA/LMA/LSTA Green Loan Principles
	Retail/Small Business Banking loans		APLMA/LMA/LSTA Sustainability Linked Loan Principles
Advisory Services	Mergers & Acquisitions (M&A)	League table value allocated in full to both buy and sell side-advisors upon successful closing	

<sup>3</sup>Up to a maximum of once per year.

<sup>4</sup>Non-exhaustive list informing the bank's business activities. One or more of the listed guidelines, frameworks or methodologies may be used in practice. Where there is no guidelines or principles listed for a business activities, Scotiabank's Climate-related Finance Framework may be consulted.

<sup>5</sup>Letters of credit, standby letters of credit, bills of exchange for pure plays as defined in Figure 1, above, or project finance aligned to the Climate-related Categories outlined in Section 4.



Business Activities	Description	Measurement Basis	Applicable Guidelines, Principles and/or Methodologies <sup>6</sup>
<b>Capital Markets</b>	Debt Capital Markets	League table deal size divided by number of bookrunners. In the case of private placement debt issuances, league table credits are apportioned amongst placement agents	ICMA Green Bond Principles ICMA Sustainability Bond Guidelines ICMA Sustainability Linked Bond Principles
	Commercial Paper	Average amount distributed	
	Equity Capital Markets	League table deal size divided by number of bookrunners In the case of private placements, the value is apportioned between bookrunners	
	Derivatives	Potential future exposure (PFE) on the day of the trade	
	Environmental Commodities <sup>7</sup>	Average annual balance sheet utilization = average physical inventory hold x average credit price	
	Equity Structured Notes	Total notional amount outstanding of active Notes	

<sup>6</sup> Non-exhaustive list informing the bank's business activities. One or more of the listed guidelines, frameworks or methodologies may be used in practice.

<sup>7</sup> Spot and derivative environmental commodities for compliance markets only, including, but not limited to, Renewable Energy Credits (RECs), Renewable Identification Numbers (RINs), Renewable Fuels, and Clean Fuel Standard Credits. Environmental commodities balance sheet utilization is reported as an aggregated total of the inventory held within the compliance markets. Due to the way environmental commodities is calculated it does not necessarily follow the same climate-related categorization process.



Business Activities	Description	Measurement Basis	Applicable Guidelines, Principles and/or Methodologies <sup>8</sup>
<b>Securitization</b>	Privately funded securitization transactions	Total Commitment Amount	
	Public Term Asset Backed Security (ABS)/ Residential Mortgage-Backed Security (RMBS)/ Commercial Mortgage Backed Security (CMBS) transactions	Issue size divided by number of bookrunners	
<b>Treasury Investments<sup>9</sup></b>	Bonds held on balance sheet	Total investment amount	ICMA Green Bond Principles  ICMA Sustainability Bond Guidelines  ICMA Sustainability Linked Bond Principles
<b>Deposits<sup>10</sup></b>	Funds placed in non-interest bearing and interest-bearing products, including accounts	The initial deposit balance, and any additional amounts deposited over the term	
<b>Scotiabank Corporate<sup>11</sup></b>	Real Estate Department relevant expenditures	Total amount spent	

<sup>8</sup> Non-exhaustive list informing the bank's business activities. One or more of the listed guidelines, frameworks or methodologies may be used in practice.

<sup>9</sup> Net Proceeds received from issuances under Scotiabank's Sustainable Bonds Framework, as amended or replaced from time to time, are excluded.

<sup>10</sup> Excludes use of proceeds or for dedicated purpose, as defined herein.

<sup>11</sup> Refers to amount spent on internal corporate programs that align with Scotiabank's Climate-related Finance Framework, e.g. renewable energy investments, renewable power purchase agreements, virtual power purchase agreements, renewable energy credits, equipment upgrades, reduction in square footage, investments to improve resilience of the Bank's real estate holdings to the physical impacts of climate change, building envelop upgrades, investments in infrastructure, hardware and software that support a reduction in GHG emissions associated with business travel or employee commuting, and verified carbon credit purchases.






## 4 Eligible Categories and Criteria

### 4.1 Climate-related Categories and Criteria


The fifteen categories of activities eligible as Climate-related under the Framework are set out below, and include climate change mitigation, adaptation, pollution prevention, sustainable management of natural resources, biodiversity conservation, and circular economy.

Eligible Categories	Eligible Activities
<p><b>Low-Carbon Energy</b></p> 	<p>Activities related to the acquisition, development, refurbishment, manufacturing, construction, operation, and maintenance of the following low carbon energy sources:</p> <p><b>ELECTRICITY GENERATION</b></p> <ul style="list-style-type: none"> <li>• Wind</li> <li>• Solar <ul style="list-style-type: none"> <li>○ Photovoltaic generation facilities</li> <li>○ Concentrated solar power facilities</li> </ul> </li> <li>• Hydropower <sup>12</sup></li> <li>• Ocean power</li> <li>• Geothermal, electric geo-exchange / ground heat exchange with direct emissions less than 100g CO<sub>2</sub>e/kWh</li> <li>• Biomass or biogas power <ul style="list-style-type: none"> <li>○ Feedstock from waste materials, or</li> <li>○ Feedstock from certified sustainable crops. <sup>13</sup> For non-waste feedstock, lifecycle GHG emissions will be below 100 gCO<sub>2</sub>e/kWh</li> </ul> </li> <li>• Waste heat exchange including sewer heat recovery</li> <li>• Hydrogen produced through electrolysis powered by low carbon energy sources with direct emissions less than 100gCO<sub>2</sub>e/kWh</li> <li>• Development and operation of new and existing nuclear projects <sup>14</sup> which may include expenditures related to: <ul style="list-style-type: none"> <li>○ New installations to produce electricity</li> <li>○ New installations for process heat for district heating, industrial processes</li> </ul> </li> </ul>

<sup>12</sup> Run of river without artificial reservoir or hydropower projects in operation before 2020 must have a power density of over 5 W/m<sup>2</sup> or operate with lifecycle emissions below a threshold of 100g CO<sub>2</sub>e/kWh; hydropower projects in operation in 2020 or after must have a power density of over 10 W/m<sup>2</sup> or operate with lifecycle emissions below a threshold of 50g CO<sub>2</sub>e/kWh. Includes refurbishment of existing eligible hydro facilities, provided the size of the dam or reservoir is not increased.




<sup>13</sup> Waste feedstock limited to non-recyclable municipal solid waste, forestry, or sustainable agriculture residues. Non-waste feedstock from sustainable agriculture with credible certifications (e.g. Roundtable for Sustainable Biomaterials, International Sustainability and Carbon Certification, Bonsucro, Roundtable for Responsible Soy) that do not compete with food sources and are not sourced from areas with high biodiversity and carbon stock.

<sup>14</sup> Within jurisdictions that have adequate regulations governing nuclear safety and that adhere to standards defined by the International Atomic Energy Agency addressing site selection, operational safety, and waste management.

Eligible Categories	Eligible Activities
<p><b>Low-Carbon Energy</b></p>	<ul style="list-style-type: none"> <li>○ Increasing operational lifespan or output of existing facilities, component replacement of existing facilities, while maintaining or improving operational safety</li> <li>○ Research and development of advanced technologies that produce energy with minimal waste from the fuel cycle</li> <li>○ All nuclear related projects will go through environmental &amp; social risk management review and will be financed only in jurisdictions in which processes are in place to pursue viable options for the secure, long-term storage of high-level radioactive waste</li> </ul> <p>TRANSMISSION &amp; DISTRIBUTION</p> <ul style="list-style-type: none"> <li>● Electricity transmission and distribution infrastructure and equipment that complies with at least one of the following criteria: <ul style="list-style-type: none"> <li>○ Average system grid emissions factor is below the threshold value of 100 gCO<sub>2e</sub>/kWh over a rolling five-year period, or</li> <li>○ Over 67% of newly enabled generation capacity is below the generation threshold value of 100 gCO<sub>2e</sub>/kWh over a rolling five-year period</li> </ul> </li> <li>● Development or improvement of existing or new transmission &amp; distribution systems dedicated to connecting generation capacity with lifecycle emissions below 100 gCO<sub>2e</sub>/kWh to the grid</li> <li>● Activities related to the direct connection of new fossil fuel power plants to the grid will be excluded, except for facilities that meet the Fuel Switching criteria, as outlined in Fuel Switching, SDG 7, below</li> </ul>
<p><b>Energy Efficiency</b></p> 	<p>Activities related to projects, products or systems that contribute to reduced energy consumption, and the management and storage of energy, including:</p> <ul style="list-style-type: none"> <li>● Energy distribution, storage, and management, including: <ul style="list-style-type: none"> <li>○ Efficiency improvements for transmission and distribution of energy</li> <li>○ Energy storage systems connected to low carbon energy or grids with an average system grid emissions factor less than 100gCO<sub>2e</sub>/kWh over a five-year period</li> <li>○ District heating and cooling distribution networks</li> <li>○ Centralized energy control systems, purchase of efficient industrial appliances, smart metres, and energy efficient lighting (LED)</li> </ul> </li> <li>● Mobile network updates to reduce energy consumption<sup>15</sup></li> <li>● Software aimed at reducing power consumption, server virtualization, and remote data management of mobile networks</li> </ul>




<sup>15</sup> Spectrum acquisition and license renewal expenditures are excluded.







Eligible Categories	Eligible Activities
<p><b>Pollution Prevention and Control</b></p>  	<p>Activities related to the acquisition, development, construction, operation and maintenance of land, facilities, systems, or equipment used for prevention, collection, remediation, treatment of contaminated soil, or reduction and recycling of waste:</p> <ul style="list-style-type: none"> <li>• Soil remediation projects where the remediation is not related to the contamination or negative environmental externality from the borrower's own activities</li> <li>• Processes, infrastructure, and technology that facilitate recycling and waste reduction</li> <li>• Facilities, systems, and equipment that are used to collect and divert waste from landfills and support the segregation of waste</li> <li>• Treatment of bio-waste through anaerobic digestion</li> <li>• Treatment of bio-waste through composting (aerobic digestion)</li> <li>• Biogas capture and/or production of biogas (biosynthetic, renewable natural gas) through landfill gas capture from closed or decommissioned landfill with gas capture efficiency greater than 75% for power and heat</li> </ul>
<p><b>Environmentally sustainable management of living natural resources and land use</b></p> 	<p>Activities that contribute to the sustainable management of living natural resources and land use, as well as the protection or restoration of natural ecosystems, through:</p> <p>SUSTAINABLE FOOD AND AGRICULTURE:</p> <ul style="list-style-type: none"> <li>• Certified agricultural crop production (e.g. <a href="#">Canada Organic</a>, <a href="#">USDA Organic</a>, and <a href="#">Round Table on Responsible Soy Association Standard (RTRS)</a>)</li> <li>• Programs to promote regenerative farming practices</li> <li>• Techniques and equipment that improve conventional agricultural crop production</li> <li>• Integrated cropland-livestock-forestry systems that utilize sustainable forestry management plans for smallholders<sup>16</sup></li> <li>• Climate smart farm inputs, such as Rainforest Alliance certified biological crop protection</li> <li>• Certified environmentally sustainable fishery and aquaculture operations (e.g. <a href="#">Marine Stewardship Council (MSC)</a> and <a href="#">Global G.A.P for Aquaculture Integrated Farm Assurance for Aquaculture</a>)</li> </ul> <p>SUSTAINABLE FOREST MANAGEMENT:</p> <ul style="list-style-type: none"> <li>• Commercial forests and sustainable forest management certified with Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC)</li> </ul>

<sup>16</sup> Excludes industrial meat production and industrial livestock management. Based on local definition or in absence of a local definition, using FAO definition where smallholders are small-scale farmers, pastoralists, forest keepers, fishers who manage areas varying from less than one hectare to 10 hectares.

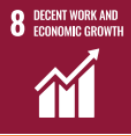





Eligible Categories	Eligible Activities
<b>Environmentally sustainable management of living natural resources and land use</b>	<ul style="list-style-type: none"> <li>Afforestation or reforestation of native forests and/or high conservation value forests</li> <li>Preservation, restoration, or expansion of natural landscapes</li> </ul>
<b>Sustainable Food Systems</b> 	<p>Activities related to financing or training programs to smallholder and small-scale farmers such as:</p> <ul style="list-style-type: none"> <li>Equipment and facilities that help prevent food loss and waste, improve productivity, and increase market access for farmers; and</li> <li>Infrastructure and facilities such as warehouses to provide adequate storage, improve food conservation, or improve connectivity in the food chain to avoid food losses</li> </ul>
<b>Low-Carbon Transportation</b> 	<p>Activities related to transport assets and the acquisition, development, manufacturing (including dedicated facilities), construction, operation, and maintenance of infrastructure dedicated to low-carbon transport:</p> <ul style="list-style-type: none"> <li>Electric and hydrogen fuel cell vehicles</li> <li>Electric vehicle charging stations for private and public transport</li> <li>Public clean transportation: <ul style="list-style-type: none"> <li>Electrified rail, trams, and trolleybuses</li> <li>Passenger rail that meets a universal direct emission threshold of &lt;math&gt;&lt;50\text{gCO}_2\text{e/pkm}&lt;/math&gt;</li> <li>Freight rail (&lt;math&gt;&lt;25\text{gCO}_2\text{/tkm}&lt;/math&gt;)</li> <li>Hybrid buses (&lt;math&gt;&lt;50\text{g CO}_2\text{e/pkm}&lt;/math&gt;)</li> <li>Activity mobility infrastructure such as public walking, cycling</li> </ul> </li> <li>Cargo and passenger ships with emissions intensity thresholds below those set in the International Maritime Organization’s (IMO) GHG Strategy</li> </ul>
<b>Terrestrial and Aquatic Biodiversity Conservation</b> 	<p>Activities that contribute to the enhancement or conservation of terrestrial or aquatic biodiversity including:</p> <ul style="list-style-type: none"> <li>Protection of coastal, marine, and watershed environments</li> <li>Wildlife habitat management, rehabilitation, restoration, and conservation of ecosystems from a degraded state and rewilding projects</li> <li>Restoration of upland and lowland peatlands to enhance the sequestration and long-term storage of carbon from the atmosphere</li> </ul>





Eligible Categories	Eligible Activities
<p><b>Sustainable Water and Wastewater Management</b></p>  	<p>Activities that improve water quality, efficiency, and conservation:</p> <ul style="list-style-type: none"> <li>• Collection, treatment, recycling, or reuse of water, rainwater, or wastewater including wastewater treatment systems and desalination plants</li> <li>• Water distribution systems with improved efficiency</li> <li>• Water capture, storage and distribution including storm water management systems</li> <li>• Water metering activities to support water conservation and water-use efficiency</li> </ul>
<p><b>Green Buildings</b></p>  	<p>Activities related to the acquisition, development, construction, renovation, operation, and maintenance of residential and commercial buildings that have achieved one of the following criteria:</p> <ul style="list-style-type: none"> <li>• Received, or expect to receive based on their design, construction and operation plans, certification according to third party-verified building standards or other international equivalent including: <ul style="list-style-type: none"> <li>○ <u>LEED</u> <ul style="list-style-type: none"> <li>▪ Gold or Platinum for all properties other than industrial or data centers</li> <li>▪ Silver for industrial buildings designed to achieve a minimum 20% energy efficiency improvement</li> </ul> </li> <li>○ <u>Energy STAR</u> (minimum of 85)</li> <li>○ <u>BOMA BEST</u> (Gold or Platinum)</li> <li>○ <u>BREEAM</u> (Excellent or Outstanding)</li> </ul> </li> <li>• Data centres with a power usage effectiveness (PUE) of below 1.5</li> <li>• Achieved based on a third-party assessment, or intends to achieve energy savings or emission reduction of at least 30%</li> <li>• A top 15% energy-performing building in the relevant national or regional building stock</li> </ul>



Eligible Categories	Eligible Activities
<p><b>Circular Economy Adapted Products, Production Technologies, and Processes</b></p>   	<p>Activities that promote a circular economy including the design, development, manufacturing and/or distribution of circular economy adapted products, production technologies and processes, including:</p> <ul style="list-style-type: none"> <li>• R&amp;D for products, processes and technologies using bio-based materials (such as biopolymers/bioplastics)</li> <li>• R&amp;D for mechanical and molecular recycling capabilities, such as polyester renewable technology and carbon renewable technology</li> <li>• Procurement of recycled / waste / resource-efficient materials as an input <sup>17</sup></li> <li>• Production of new resource-efficient/low-carbon bio-based products that are Roundtable on Sustainable Biomaterials-certified</li> <li>• Production of end-use plastic products with i) at least 90% of recycled, renewable and/or bio-based input, and ii) at least 90% is not intended for single use consumer products, and iii) all products are recyclable</li> <li>• Refurbishment, reconditioning and repairing of products for reuse given their original purpose is retained with minimal requirement of pre-processing</li> <li>• Procurement of recycled and reusable packaging made from certified sustainable paper products such as FSC</li> </ul>
<p><b>Climate Adaptation and Resilience</b></p> 	<p>Activities related to measures that contribute to reducing vulnerability to climate change impacts based on vulnerability assessments and adaptation plans:</p> <ul style="list-style-type: none"> <li>• Climate change adaptation infrastructure for natural disasters, such as flood defense, early warning systems and wildfire mitigation and management</li> <li>• Development and/or use of information and communications technology solutions for the purpose of collecting, transmitting, storing, and using data to facilitate climate adaption and resilience</li> </ul>

<sup>17</sup> Eligible projects will have sustainable sourcing of materials across environmental and social considerations, where information is available to review.






Eligible Categories	Eligible Activities
<p><b>Fuel-Switching</b></p> 	<p>Activities related to refurbishment, construction, or operation of electricity generation, combined heat/cool and power generation, and heat generation connected to district heating and cooling that use gaseous fossil fuels and meet one of the following:</p> <ul style="list-style-type: none"> <li>• Lifecycle GHG emissions are lower than 100gCO<sub>2e</sub>/kWh, OR</li> <li>• Direct GHG emissions are lower than 270gCO<sub>2e</sub>/kWh, replaces existing high emitting electricity generation and results in substantially lower greenhouse gas emissions<sup>18</sup></li> </ul> <p>Activities related to transmission and distribution networks for renewable and low-carbon gases, such as hydrogen, methanol, ammonia, ethanol, renewable diesel, biocrude, synthetic fuel and renewable natural gas, including with the intent of methane leakage reduction:</p> <ul style="list-style-type: none"> <li>• Construction or operation of new gas network infrastructure dedicated to the transport of renewable and low-carbon gases</li> <li>• Conversion, repurposing or retrofit of existing natural gas networks for renewable and low-carbon gases</li> </ul>
<p><b>Low-Carbon Intensity Fuels</b></p> 	<p>Activities related to development, manufacturing, equipment, facilities, and/or distribution of low-carbon intensity fuels, including:</p> <ul style="list-style-type: none"> <li>• Liquid clean fuels ≤ 50gCO<sub>2e</sub>/MJ and gaseous clean fuels ≤ 36gCO<sub>2e</sub>/MJ<sup>19</sup> <ul style="list-style-type: none"> <li>○ Eligible fuel types<sup>20</sup> include hydrogen, ammonia, ethanol, renewable diesel, co-processing of biocrude, sustainable aviation fuel, synthetic fuel and renewable natural gas</li> <li>○ Marine fuels such as hydrogen, ammonia, biodiesel and biomethane or liquified natural gas in alignment with the International Maritime Organization’s emission reduction goals</li> </ul> </li> </ul>

<sup>18</sup> Facility expected to comply with the following: The replacement must lead to a >55% reduction of GHG emissions as compared to the fossil fuel baseline; Facility needs to receive a permit before 2030; and Facility must prove to be designed to be able to use renewable or low carbon gases.

<sup>19</sup> Thresholds are in line with the Department of Natural Resources Canada’s Clean Fuels Program.

<sup>20</sup> Bio-based fuels are preferably sourced from biomass aligned with criteria in the Low-Carbon Energy category.



Eligible Categories	Eligible Activities
<p><b>Industrials &amp; Electrification</b></p>  	<p>Activities related to acquisition, development, construction, installation, operation, and/or maintenance of facilities, services, systems, or equipment used for electrification of conventional technologies and resource efficiency in production and manufacturing sectors, including the decarbonization of:</p> <ul style="list-style-type: none"> <li>• Steel: <ul style="list-style-type: none"> <li>○ New or retrofit of existing blast furnace facilities through measures such as increasing thermal efficiency and use of biochar, carbon capture and storage</li> <li>○ Scrap-based electric arc furnaces <sup>21</sup>, direct reduction iron with feedstocks from renewable energy, natural gas, biogas, hydrogen, or biochar</li> <li>○ R&amp;D on low-carbon solutions such as direct electrolysis powered by renewable energy or smelting reduction that uses carbon capture and storage</li> </ul> </li> <li>• Cement <sup>22</sup>: <ul style="list-style-type: none"> <li>○ Retrofitting cement facilities for reducing clinker ratio</li> <li>○ Electric kilns, precalciners, heat recovery, control and testing equipment</li> </ul> </li> <li>• Aluminum: <ul style="list-style-type: none"> <li>○ Retrofits including deploying novel anode technologies, use of renewable energy, retrofit of smelters, improving thermal efficiency</li> <li>○ Production facilities in line with decarbonization pathway</li> </ul> </li> <li>• Industrial heating, steam and/or cooling</li> <li>• All end uses, including space heating, water heating or cooling for hard to abate and fossil fuel industries</li> </ul> <p>All industrial projects must demonstrate longer term alignment with a credible decarbonization journey such as the Transition Pathway Initiative</p>
<p><b>Carbon Capture</b></p> 	<p>Activities related to acquisition, construction, research, development, infrastructure, operation and maintenance of carbon capture, utilization and storage (CCUS) facilities, systems, or equipment, including:</p> <ul style="list-style-type: none"> <li>• CCUS projects with dedicated geological storage or storage of CO<sub>2</sub> in concrete</li> <li>• Direct air capture</li> <li>• CCUS in industrial facilities</li> <li>• CCUS for upstream enhanced oil recovery is excluded</li> </ul>

<sup>21</sup> Uses 70% of iron content from scrap and associated scrap, and powered by renewable energy sources.

<sup>22</sup> Aligned with Climate Bonds Initiative’s Cement Criteria (April 2023).





## 4.2 Exclusionary Criteria

Any Eligible Transaction with an entity that has an internally applied industry tag<sup>23</sup> relating to the following sectors are considered ineligible for inclusion in the Target:

- Weapons and related products
- Gambling
- Predatory lending
- Tobacco
- Adult Entertainment

Scotiabank also maintains separate lending policies relating to specific sectors, including Scotiabank's Statement on Financing Coal and Scotiabank's Statement on Financing in the Arctic. See Scotiabank's [ESG Publications and Policies](#) page for more information.

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<sup>23</sup> Industry tags are codes applied to clients for tracking purposes. Examples of industry tags include (but are not limited to): (i) North American Industry Classification System (NAICS), Business Risk (BR), and Standard Industry Classification (SIC).



## 5 Roles and Responsibilities relating to Eligibility under this Framework

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The following is a description of roles and responsibilities associated with determining eligibility of an activity or transaction under this Framework:

- Business leads or originators of products are responsible for first assessing eligibility of an activity or transaction against this Framework.
- Verification that those transactions, products or companies identified as eligible by the business are in fact eligible according to the Framework; in performing this verification, subject matter experts within or outside the Bank may be consulted.
- Any issues related to eligibility will be escalated to an internal cross-functional forum (the “**Eligibility Forum**”) that will consider the matter and determine eligibility.

## 6 Reporting on Progress against the Target

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Scotiabank is committed to transparent reporting and will publish our progress against the Target on an annual basis. We will disclose any changes to eligible products, categories or calculation methodologies, including any such changes made to reflect new or evolving standards (as discussed above), by publishing amendments to this Framework. Given the absence of standardized guidance in the area, we also note that the greenhouse gas emissions impact of all of the activities and transactions that are eligible under the Framework cannot be reasonably or reliably measured at this time. We continue to monitor new and evolving guidance in this area, and continue to digitize and improve reporting capabilities under the Framework.



## 7 Important notice regarding this Framework and Caution regarding forward-looking statements

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This Framework is provided for informational purposes only and is subject to change without notice. The Bank of Nova Scotia (the “Bank”) may update or amend this Framework periodically.

The Bank does not assume any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by the Bank for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document.

Nothing in this document shall constitute, or form part of, an offer to sell or solicitation of an offer to buy or subscribe for any security or other instrument of the Bank or any of its affiliates, or as an invitation, recommendation or inducement to enter into any investment activity, and no part of this document shall form the basis of or be relied upon in connection with any contract, commitment, or investment decision whatsoever. Offers to sell, sales, solicitation of offers to buy or purchases of securities issued by the Bank or any affiliate thereof may only be made or entered into pursuant to appropriate offering materials prepared and distributed in accordance with the laws, regulations, rules and market practices of the jurisdictions in which such offers, solicitations or sales may be made. Professional advice should be sought prior to any decision to invest in securities.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to law or regulation.

### **Cautionary Statement**

This document is not required to be prepared or filed by the Bank 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.

### ***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](http://www.sedarplus.ca) and on the EDGAR section of the SEC’s website at [www.sec.gov](http://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.



- This document may provide addresses of or contain hyperlinks to websites that are not owned or controlled by the Bank. Each such address or hyperlink is provided solely for the recipient's convenience, and the content of linked third-party websites is not in any way included or incorporated by reference into this document. The Bank takes no responsibility for such websites or their content, or for any loss or damage that may arise from their use. If you decide to access any of the third-party websites linked to this document, you do so at your own risk and subject to the terms and conditions of such websites.

