

2024

FINANCED EMISSIONS METHODOLOGY

2024 Financed Emissions Methodology

Scotiabank has estimated financed emissions for all Carbon Intensive Sectors, as well as for those sectors that account for the remainder of our business loans portfolio. Scotiabank uses the Global GHG Accounting and Reporting Standard for the Financial Industry (“PCAF Standard”) to determine financed emissions. Building on the Greenhouse Gas Protocol (“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.

Measuring Financed Emissions and Physical Emissions Intensity

To calculate financed emissions, we used outstanding (drawn) lending amounts covering only our direct (on balance sheet) financing, as of October 31 of the reporting fiscal year. As described further in this section, authorized and committed authorized amounts are used as opposed to outstanding amounts for select sector physical emissions intensity calculations. Scotiabank uses S&P Global Trucost to source reported emissions, PCAF’s emission factor database to source emissions factors for estimates, and the United States Department of Energy Alternative Fuels Data Center to source automotive emissions data. The client-reported emissions data used to calculate metrics, including financed emissions and physical emissions intensity, are gross of client-purchased offsets.

Financed Emissions

PCAF provides guidance on how to measure financed emissions for different asset classes. Here we provide Scotiabank’s calculation methodology:

PCAF ASSET CLASS	CALCULATION METHOD	METHODOLOGICAL APPROACH, INPUTS AND ASSUMPTIONS
<p>Business Loans and Unlisted Equity</p>	<p>The following methodology was used for financed emissions calculations for our Oil and Gas, Power Generation, Transport, Agriculture, Cement, Aluminum, Iron and Steel, and Coal sectors.</p> <p><i>Financed Emissions</i> $= \sum Attribution\ Factor_c \times Client\ Emissions_c$ Where c = individual clients</p> <p>For publicly listed clients: $Attribution\ Factor_c = \frac{Outstanding\ amount_c}{Enterprise\ Value\ Including\ Cash_c}$</p> <p>For private clients: $Attribution\ Factor_c = \frac{Outstanding\ amount_c}{Total\ equity+debt_c}$</p>	<p>To increase the accuracy of financed emissions in our Oil and Gas portfolio, an internally developed emission factor based on real, currently available client data (“Internal Emission Factor”) is used. 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. Using an average emissions intensity calculated across all upstream oil and gas portfolio companies that fully reported data, this average was then used to estimate financed emissions for those clients where only production data was available.</p> <p>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 that we are able to replace data with a quality score of 4 or 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.</p> <p>For all sectors, in instances where a client’s emissions and/or production information is not available, the company’s parent company information, if available, is used as proxy.</p> <p>The average lifetime of a vehicle is assumed to be 200,000 km.</p> <p>Reported Scope 3 emissions for automotive manufacturing and captive finance includes tank-to-wheel emissions, often referred to as tail pipe emissions, in order to align with the scope of our Automotive Manufacturing physical emissions intensity target. For more details on our emissions intensity reduction target in the Automotive Manufacturing sector, see Scotiabank’s Emissions Reduction Target in the Automotive Sector.</p> <p>Financed emissions for the Business Loans and Unlisted Equity asset class include loans from our Global Banking and Markets, Canadian Banking, and International Banking business lines that fit the PCAF definition.</p>
<p>Commercial Real Estate and Mortgages</p>	<p>The following methodology was used to determine financed emissions for residential mortgages and commercial real estate sectors:</p> <p><i>Financed Emissions</i> $= \sum Attribution\ Factor_b \times Building\ Emissions_b$ Where b = building</p> <p>$Attribution\ Factor_b = \frac{Outstanding\ amount_b}{Property\ value\ at\ origination_b}$ (with b = building)</p>	<p>Our financed emissions for the Mortgages asset class is calculated based on the use of property values at the time of origination. In cases where this information is not available at the time of reporting, property value at reporting time is used. Financed emissions for the Mortgages asset class include loans from our Global Banking and Markets, Canadian Banking and Tangerine divisions that fit the PCAF definition.</p> <p>The Bank’s industry classification of Income Property Lending has been used for the Commercial Real Estate sector to align with the PCAF definition. This excludes general corporate purpose facilities.</p> <p>Financed emissions for Commercial Real Estate includes properties within Canada and the United States. Loan to value ratio is used to calculate property value.</p>
<p>Motor Vehicle Loans</p>	<p>The following methodology applies to financed emissions calculations in our retail motor vehicle sector:</p> <p><i>Financed Emissions</i> $= \sum_v Attribution\ Factor_v \times Vehicle\ Emissions_v$ (with v = vehicle or vehicle fleet)</p> <p>$Attribution\ Factor_v = \frac{Outstanding\ amount_v}{Total\ value\ at\ origination_v}$ (with v = vehicle or vehicle fleet)</p>	<p>Scotiabank’s calculated scope includes passenger vehicles from Canadian Banking.</p>

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Physical Emissions Intensity

Here we provide Scotiabank’s calculation methodology where physical emissions intensity is calculated by sector for target setting and tracking purposes. Physical emissions intensity is only calculated for clients where all the necessary input information (e.g., assets, emissions, and production) is available.

SECTOR	CALCULATION METHOD
Oil and Gas – Exploration and Production	$\frac{\sum \left(\frac{\text{Committed Authorized Amount}_c}{\text{Total Assets}_c} \times \text{Emissions}_c \right)}{\sum \left(\frac{\text{Committed Authorized Amount}_c}{\text{Total Assets}_c} \times \text{Production}_c \right)}$ <p>Where c = individual clients</p>
Power Generation	$\frac{\sum \left(\frac{\text{Outstanding Amount}_c}{\text{Company Value}_c} \times \text{Emissions}_c \right)}{\sum \left(\frac{\text{Outstanding Amount}_c}{\text{Company Value}_c} \times \text{Production}_c \right)}$ <p>Where c = individual clients Where for public companies: Company Value = Enterprise Value Including Cash And for private companies: Company Value = Equity + Debt</p>
Transport – Automotive Manufacturing	$\sum \frac{\text{Authorized Amount}_c}{\text{Total Automotive Sector Financing}} \times \left(\frac{\text{Scope 1} + \text{Scope 2} + \text{Scope 3 OEM Emissions}}{\text{Vehicle Production} \times \text{Average Vehicle Lifetime}} \right)_c$ <p>Where c = individual clients Where Average Vehicle Lifetime = 200,000 km</p>

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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. The information contained herein is provided for informational purposes only and not to promote, directly or indirectly, any business interest.

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,” “outlook,” “seek,” “schedule,” “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 2024 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 2024 Annual Report under the headings “Outlook”, as updated by quarterly reports. The “Outlook” and “2025 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.
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