

Overview of Environmental, Social and Governance (ESG) Risk Management Framework

March 2026

Introduction

Scotiabank¹ (the “Bank”) has established governance and risk management structures that are designed to identify, assess, measure, monitor, manage, mitigate, and report ESG risks which are described in the Bank’s ESG Risk Management Framework (the “Framework”). The Framework, supported by policies, processes, and guidelines, assists the Bank in managing ESG risks in a manner that is consistent with regulatory requirements, industry standards, best practices, and its risk appetite.

Risk Types and Definitions

ESG risk is the risk than an environmental (including climate), social, or governance event, or condition, which, if it occurs, could cause an actual or potential negative impact to the Bank.

Each component of ESG risk is individually defined, as follows:

Environmental risk is the risk of potential adverse impacts to the Bank as a result of climate change and/or loss or degradation of the natural environment and biodiversity, which includes, without limitation, land, water, natural resources, ecosystems, and the atmosphere. The physical and transition risks associated with climate change are included in environmental risk.

Social risk is the risk of potential adverse impacts to the Bank that can arise due to the mismanagement of social considerations that can cause actual or perceived negative impacts on people and communities. Social considerations include, but are not limited to, human rights, modern slavery (forced labour, child labour, human trafficking); Indigenous rights; labour rights, standards and working conditions; inclusion; financial access and community impact.

Governance risk is the risk of potential adverse impacts to the Bank stemming from ineffective corporate governance mechanisms and controls of governance considerations. Governance considerations include, but are not limited to, board oversight, ethical standards, or data privacy.

ESG Risk Management Program

The Framework describes the guiding principles and roles and responsibilities relating to the Bank’s management of ESG risk and establishes the minimum requirements for the integration of ESG risk considerations into the decision-making processes across other risk types and business strategies, activities, and internal operations.

The principles that guide the Bank’s approach in managing ESG risk include:

¹ The Framework applies to the Bank on an enterprise-wide basis, including its domestic and international branches and agencies and directly or indirectly wholly owned and controlled subsidiaries of the Bank. Notably, however, where a Bank subsidiary acts in a fiduciary capacity to provide investment advice or investment solutions to clients or unit holders, it may manage ESG risk in accordance with relevant business policy (and associated rules, laws and guidance).

- Compliance with applicable environmental, social and governance laws and regulations, and mandatory/voluntary standards and initiatives adopted by the Bank.
- Incorporation of environmental, social and governance risk considerations in decision-making processes across other risk types and business strategies.
- Addressing ESG considerations with a view to addressing impacts on the Bank's value chain including employees, client relationships, suppliers and communities and rightsholders.
- Recognizing the intersections between environmental, social and governance issues, and that addressing them requires a multi-dimensional approach.
- Reducing and limiting reputational, financial, and regulatory risks in line with separate risk management frameworks applicable to such risk types and lessening negative consequences or costs caused by the impacts of ESG risk considerations.
- Where appropriate, avoiding or mitigating negative impacts of the Bank's facilities and operations on the environment and local communities.
- Avoiding false or misleading environmental or social representations or "greenwashing", including (wherever appropriate) ensuring that any such representations can be substantiated.
- Respecting human rights in our operations and business activities.
- Implementing robust and transparent governance practices and assessment of governance practices of clients and third parties, as applicable.
- Promoting and embedding ESG risk culture within the Bank.

Business activities (non-retail clients)

For non-retail business banking loans, assessment of environmental (including climate-related) and social risks is embedded within the credit due diligence, and adjudication processes. The process may include:

- Due diligence on the applicable borrower or transaction through the mandatory Environmental Risk Assessment (ERA) and Climate Change Risk Assessment (CCRA) processes and internal credit due diligence guidance documents and tools (e.g. checklists) which incorporate environmental and social considerations.
- If the Equator Principles (EP) apply to a transaction, the principles from the EP framework are used to ensure that the projects are developed in an environmentally and socially responsible manner. In partnership with our clients, the EP framework provides safeguards for protecting the natural environment, biodiversity, workers, and communities, including respecting the rights of vulnerable and/or disadvantage populations such as children and indigenous peoples.
- Transactions deemed to have elevated or significant ESG risks can be escalated to, and reviewed by, the appropriate senior/executive management risk committee(s).

Small Business Banking and Retail client activities

These credit risk portfolios are primarily impacted by Environmental Risk.

- For Small Business Banking the environmental risk is primarily addressed by the ERA as applicable in accordance with the Credit Risk policy requirements.
- For Retail lending, physical climate risk is assessed via scenario analysis for the residential mortgage portfolio.

Day-to-day operations

The Bank integrates ESG risk considerations into other risk types and functional areas including:

- Operational risk - incorporated in the New Initiative Risk Assessment (NIRA) and the Risk and Control Self Assessments (RCSA) processes.
- Third-party risk – embedded as part of the due-diligence processes for third-party (supplier) arrangements.
- Human Resources – commitment to principles of inclusion and accessibility and workplace health and safety programs.

Oversight

The Framework is reviewed and updated every two years and is approved by the Risk Management Committee.

Off-cycle updates are implemented whenever there is a material change such as a change in circumstance, regulatory and legal requirements, or strategy.

ESG-related Statements

The Bank's various ESG-related statements include, but are not limited to, Scotiabank's Statement on Financing in the Arctic, Scotiabank's Statement on Financing Coal, the Statement on Scotiabank's Anti-Money Laundering Program, Nature-related Sustainability Policies for Non-Retail Lending and the Global Human Rights Statement.

Refer to the Bank's [ESG Publications and Policies](#) page for more information.