

## Energy Supply Ratio

**Resolved:** Shareholders request that Bank of Nova Scotia disclose annually its Energy Supply Ratio defined as its total financing through equity and debt underwriting, and project finance, in low-carbon energy supply relative to that in fossil-fuel energy supply. The disclosure, prepared at reasonable expense and excluding confidential information, shall describe Bank of Nova Scotia's methodology, including what is classified as "low carbon" or "fossil fuel". Bank of Nova Scotia should include lending in its Energy Supply Ratio, if methodologically sound.

### Supporting Statement:

As a major global bank, Bank of Nova Scotia (Scotiabank) is broadly exposed to financial stability risks posed by climate change and has made certain climate-related commitments. Banks aligning their activities with their climate goals are better prepared to manage risks, including the legal, reputational and financial risks associated with climate change, and capitalize on opportunities associated with the global energy transition.

According to the International Energy Agency, reaching net zero greenhouse gas emissions by 2050 requires rapid transition away from fossil fuels and a tripling in global annual clean energy investment by 2030.<sup>1</sup> The pace at which low-carbon energy supply is scaled up will dictate the rate at which fossil fuels are phased down.<sup>2</sup>

Scotiabank is reportedly among the largest global financiers of fossil fuels; however, it has committed to achieve net zero emissions in its operational and financed emissions financing by 2050 and \$350 billion CAD in climate-related finance by 2030.<sup>3</sup> Although Scotiabank has robust disclosures on sustainable finance, investors need additional disclosure to assess Scotiabank's clean energy financing activity and relative financing of fossil fuels.

The Energy Supply Ratio (ESR), a dollar-based metric, will complement and supplement Scotiabank's existing emission-based climate financial disclosures, including any disclosures under European Union reporting requirements, and provide decision-useful disclosure on Scotiabank's activities and progress in meeting its publicly commitments. In recent years, banks reportedly earned more in lending and underwriting fees from clean energy projects than from oil and gas, and coal companies.<sup>4</sup> Investors seek to assess whether Scotiabank is positioning itself as a leader in the energy transition.

The ESR has become a key climate disclosure metric. Bloomberg provides clients with ESRs for global banks, including Scotiabank, using a standardized methodology with clear definitions for "low carbon" and "fossil fuel", however it cannot include non-disclosed lending.<sup>5</sup>

Three of the largest North American banks, Royal Bank of Canada, JPMorgan and Citibank committed to disclose ESR and their methodology, demonstrating that disclosure is feasible and leading market practice.

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<sup>1</sup> <https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach>

<sup>2</sup> <https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach/executive-summary>

<sup>3</sup> [https://www.scotiabank.com/content/dam/scotiabank/corporate/Documents/Scotiabank\\_2023\\_Climate\\_Report\\_Final.pdf](https://www.scotiabank.com/content/dam/scotiabank/corporate/Documents/Scotiabank_2023_Climate_Report_Final.pdf)

<sup>4</sup> <https://www.bloomberg.com/news/articles/2023-10-18/green-fees-overtake-fossil-fuels-for-second-straight-year>

<sup>5</sup> [https://assets.bbhub.io/professional/sites/24/Financing-the-Transition\\_Energy-Supply-Investment-and-Bank-Facilitated-Financing-Ratios.pdf](https://assets.bbhub.io/professional/sites/24/Financing-the-Transition_Energy-Supply-Investment-and-Bank-Facilitated-Financing-Ratios.pdf)

Investors believe that Scotiabank should similarly disclose its annual ESR for which it is accountable, set targets in relation to, and work to reinforce an industry-standard approach for calculating and reporting ESR. Bloomberg published an Implementation Guide<sup>6</sup> and the Institute of International Finance, an industry association with 400 members globally, published a 2024 whitepaper providing a format for standardized disclosure of methodology.<sup>7</sup>

We urge you to vote FOR the proposal.

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<sup>6</sup> <https://assets.bbhub.io/professional/sites/24/Energy-Supply-Banking-Ratios-Implementation-Guide.pdf>

<sup>7</sup> [32370132\\_iif\\_white\\_paper\\_energy\\_supply\\_ratio\\_september\\_2024\\_final.pdf](#)