

# 2018 Social Responsibility Report



Powering your ideas™

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# MESSAGE FROM THE PRESIDENT

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At National Bank, our commitment to social responsibility draws its strength from people. We aim to make a positive impact on people's lives by building lasting relationships with our clients, our employees and the community. In 2018, we took a number of measures to strengthen our commitment and make sure it responds to the changing needs of our society.

## Sustainable Practices

At National Bank, we're pursuing our efforts to enhance our environmental, social and governance practices. During the year, we had the groundbreaking ceremony for our new eco-friendly head office in Montreal. The building is being designed in accordance with the highest environmental and wellness standards, and priority will be given to locally sourced materials and workmanship. In terms of energy consumption, we're continuing to implement initiatives such as our remote control system to make our buildings more energy efficient and gradually installing charging stations for electric cars in the parking lots of our branches. These are just some of the many ways we keep improving our practices and policies, including those related to the environment, responsible investing and purchasing.

## Technology

The Bank made significant technology advances in 2018 with the launch of a new transaction website, remote mortgage preapproval solution, contactless debit card and other innovations to meet the needs of our personal banking clients. The Bank demonstrated its leadership in artificial intelligence and blockchain technology through two initiatives with investment bank J.P. Morgan. More than a dozen partnerships were also concluded with fintechs, helping the Bank maintain the pace of its digital transformation. Determined to play a key role in fighting cybercrime, the Bank has generated and participated in several university and industry initiatives.

## Entrepreneurship

As the partner of choice for entrepreneurs, National Bank is proud to support them in their everyday and milestone moments. This year, we had the privilege of celebrating 100 years of history with Courchesne Larose, a loyal Bank client since it was founded in 1918! We're also continuing to launch new digital services that will simplify day-to-day business management. Plus, we're actively working on developing an ecosystem that stimulates entrepreneurial drive through our support of almost all Quebec-based accelerators and incubators.

## Diversity and Inclusion

Our steadfast commitment to promoting diversity and inclusion has helped us make great strides over the past few years, and our leadership in this area has been rewarded on several occasions. For example, the Bank was one of only two Quebec-based companies to be ranked in the Bloomberg Gender-Equality Index, an international distinction that recognizes corporate commitment to diversity and inclusion. Furthermore, thanks to the collaboration of our employees, retirees and clients, we were able to contribute several tens of millions of dollars to the community in 2018. The Bank also paid \$782 million in income and other taxes, purchased \$1.1 billion in goods and services and invested \$161 million in its facilities.

These examples speak to our many contributions to the community. At National Bank, putting people first is how we contribute to our collective prosperity and preserve our shared values.

Louis Vachon  
President and Chief Executive Officer

# ABOUT US

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National Bank of Canada offers integrated financial services to consumers, small and medium-sized enterprises (SMEs) and large corporations. It operates four lines of business—Personal and Commercial Banking, Wealth Management, Financial Markets, and U.S. Specialty Finance and International. National Bank provides a complete range of services, including banking and investment solutions for individuals and corporate clients, securities brokerage, insurance and wealth management.

National Bank is the leading bank in Quebec and the partner of choice for SMEs. It is also one of the six systemically important banks in Canada and has branches in almost every province. Clients in the United States, Europe and other parts of the world are served through a network of representative offices, subsidiaries and partnerships. National Bank’s head office is located in Montreal and its securities are listed on the Toronto Stock Exchange.

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## National Bank at a glance

(as at October 31, 2018)

### Acting responsibly

National Bank is committed to effectively meeting the expectations of its stakeholders and building lasting relationships with them. Our corporate social responsibility approach rests on six pillars: our clients, our employees, the community, the environment, governance and our contribution to the economy. This Social Responsibility Report summarizes our achievements in relation to these six pillars.

**23,450**  
EMPLOYEES

**428**  
BRANCHES

**937**  
BANKING  
MACHINES

**262**

**BILLION \$**  
TOTAL ASSETS

**485**

**BILLION \$**  
ASSETS UNDER  
MANAGEMENT AND  
ADMINISTRATION

**20**

**BILLION \$**  
STOCK MARKET  
CAPITALIZATION

# SERVING OUR CLIENTS BETTER

At National Bank, our clients are at the heart of our activities. To better meet their needs, we're continuously improving our work methods, products and services, platforms and facilities.

Our employees across the country share a clear objective: to have a positive impact on our clients' lives.

## Digital offering

The Bank maintained the pace of its technological transformation again this year in order to enhance its digital solutions offering and reach out to personal and commercial clients, wherever they may be. This is why the Bank continues to invest in modernizing its platforms and simplifying its processes.

### Simple, unified digital experience

In 2018, the Bank continued to revamp its digital client experience by launching a brand new website and a new transaction site for its Personal Banking clients. The transaction site gives clients an overview of their bank accounts, including those held at other financial institutions, and provides them with several useful tools to manage their finances. The Bank also launched a new version of its online brokerage platform.

### Remote services

Personal Banking clients can now carry out three key transactions remotely:

- > credit card application with immediate decision
- > mortgage preapproval
- > account opening for new clients in Quebec and Ontario

## Payment solutions

This year, the Bank launched a new contactless debit card that lets clients use the Apple Pay® and Google Pay™ digital wallet services. Two new solutions for making payments faster, more easily and just as securely.

## Mobile features

The new features include giving all businesses access to the mobile app, whatever their size or sector of activity. Plus, business clients can now use Touch ID, carry out cross-currency transfers and approve transactions through their mobile app.



National Bank's new websites were designed to automatically adjust to the client's device.

™ Google Pay is a trademark of Google Inc.

® Apple Pay is a trademark of Apple Inc.

## Cybersecurity

Because National Bank recognizes the growing importance of preventing cyberattacks and better protecting the confidentiality of personal information, it has pledged its support to several organizations and research groups specializing in cybersecurity. These endeavours include:

- > Inauguration of the Research Chair in Cybercrime Prevention, Université de Montréal
- > Collaboration with The Citizen Lab, Munk School of Global Affairs and Public Policy, University of Toronto
- > Creation of CyberEco, a cybersecurity talent and expertise hub

## Specialized services

Over the past fiscal year, National Bank continued to deepen its expertise and offer financial solutions based on its clients' sectors of activity including agriculture, real estate, health and technology, as well as creative industries, to name a few.

National Bank also serves not-for-profit organizations, offering them preferred rates on financial solutions and a variety of support services, including assistance with planned giving development.

## Responsible investing policy

This year, National Bank Investments included new criteria for the selection and governance of external portfolio managers. Environmental, social and governance practices now complement the analysis criteria used to select these firms.

*[nbinvestments.ca](http://nbinvestments.ca) > About Us > Our Open Architecture*

## Strategic partners

### Financial technologies

In a context of intensive technological transformation, National Bank seeks to play a leading role, and concluded more than a dozen strategic partnerships with fintechs in 2018 to offer its clients innovative solutions. For example:

- > National Bank Easy Pay, a mobile point-of-sale solution for SMEs powered by Montreal fintech Mobeewave
- > An online financing solution in partnership with Canadian fintech Thinking Capital, which SMEs can use to apply for a loan online and obtain a decision within a few minutes
- > Investments in Montreal fintechs Flinks and Dialogue. Flinks is working on marketing an AI-powered risk assessment solution, while Dialogue has developed a platform that lets businesses offer their employees online access to health services

### International

National Bank has extended its partnership with French-based financial group Crédit Agricole to include personal banking. This partnership reflects the Bank's desire to support its clients internationally and help newcomers settle in Canada.



## Business offering

As the bank for entrepreneurs and partner of choice for SMEs, National Bank is well-known for the strong ties it has forged over the years with its business clients.

### Day-to-day management

The Bank gives entrepreneurs access to products and services that simplify their day-to-day business management so that they can focus on growth and development. For example:

- > Operiö, an integrated accounting and advisory service from Raymond Chabot Grant Thornton that facilitates administrative management and automates certain accounting tasks for SMEs
- > Global Trade Solutions, a digital platform for businesses to manage their supply chain financing operations, such as factoring, online and in real time

### Key moments

Once again this year, the Bank was there for many companies during key moments. Whether for major mergers and acquisitions, IPOs or expansion financing, business owners can count on our highly qualified advisors to guide them throughout the process.

### Courchesne Larose: a loyal client for 100 years!

Courchesne Larose, a family business that has spanned four generations, has been a loyal National Bank client since it was founded in 1918. Today, it is one of the country's biggest importers and distributors of fresh produce and has more than 500 employees.



To mark a century of doing business with National Bank, Courchesne Larose's transport vehicles now sport a special centennial logo.

## Entrepreneurial ecosystem

Through its actions, National Bank demonstrates its firm commitment to supporting entrepreneurial spirit and furthering the acquisition of business knowledge—two essential factors in social and economic development—and has forged a number of partnerships for this purpose. These endeavours include:

### Accelerators and incubators

National Bank supports close to a dozen accelerators and incubators, including:

- > The Accélérateur de création d'entreprises technologiques (ACET), Université de Sherbrooke
- > The McGill Dobson Cup, McGill University
- > La Centrale and the Carré des affaires FSA ULaval-Banque Nationale, Université Laval
- > The Institute for Entrepreneurship National Bank | HEC Montréal and HEC Montréal's Creative Destruction Lab (CDL)

The Bank has also partnered with Ulule Canada, a crowdfunding platform that makes it possible for entrepreneurs to obtain financial support online from the public.

### Training programs

The Bank also supports training programs designed specifically for entrepreneurs.

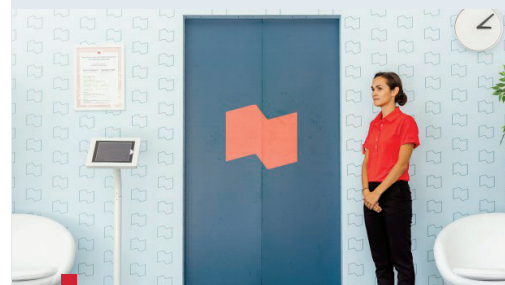
- > École d'Entrepreneurship de Beauce
- > Alias entrepreneur-e, a business-coaching web platform
- > La Factory, a school of creativity sciences

### OSMO Foundation

National Bank supports the OSMO Foundation, which focuses on building an ecosystem for business startups in the Greater Montreal area by providing them with the benefit of its expertise.

## Startupfest

Startupfest is an event for emerging businesses to network and find financing. In 2018, National Bank was there with an original concept: an elevator ride during which entrepreneurs had one minute to pitch their ideas. The Bank also took the opportunity to open its investors network to a group of entrepreneurs who had the chance to present their concepts.



National Bank came up with an interesting initiative to meet with entrepreneurs and hear their ideas at Startupfest, held in July 2018 in Montreal.





The Exchange building is home to the Bank's new offices in Vancouver.

## Physical network

National Bank continues to invest extensively in its branches and points of service to offer clients an environment that meets their expectations. For example:

- > Redesign of a dozen branches to provide more modern and technologically advanced spaces for improved advisory services, with additional branches to be progressively redesigned in the coming year
- > Renovation of the offices located at 130 King Street West in Toronto
- > Inauguration of the offices located at 475 Howe Street in Vancouver, where personal banking, commercial banking and wealth management services have been consolidated under one roof
- > Gradual changes in Ontario and Manitoba branches to meet the new universal accessibility standards for people with reduced mobility in compliance with regulatory requirements in those provinces

## Hearing from clients

For a number of years now, National Bank has measured the effectiveness and competitiveness of its products and services, as well as the quality of the client experience. Over the past year, nearly 150,000 Personal and Commercial Banking clients were surveyed by an outside firm to better understand and meet their needs and expectations.

## Handling complaints

National Bank has a simple and accessible complaint settlement process that focuses on finding solutions. It encourages employees to handle and address complaints and supports them in this regard.

The Office of the Ombudsman for Clients offers clients an independent and impartial recourse for complaints not settled to their satisfaction. The Office of the Ombudsman partners with specialists from all areas to promote a collaborative approach among the parties involved and uses methods adapted to each specific situation.

Each year, the Office of the Ombudsman publishes data on the complaints handled over the past year. This information, as well as the Charter of the Office of the Ombudsman for Clients, is available on the Bank's website.

[nbc.ca/complaint-settlement](http://nbc.ca/complaint-settlement)

## Social networks

The Bank's daily presence on social networking sites has meant increased opportunities for interaction with clients and interest groups alike.



[nbc.ca/socialnetworks](http://nbc.ca/socialnetworks)

# WORKING TOGETHER TO REACH OUR FULL POTENTIAL

At National Bank, we know that people are at the heart of our success. That's why the Bank maintains an ongoing dialogue with its employees, whether by engaging them in corporate discussions and decisions or by asking them for feedback on various subjects.

As one of the largest employers in Quebec and Canada, the company seeks to provide a stimulating work environment and a modern employee experience. We believe it's the best way to build engaged, knowledgeable teams who are empowered to make a positive impact on people's lives.

## Promoting our employees' well-being

National Bank has been promoting employee wellness since 2006 through its My Health: My Wealth! Program, which encourages employees to look after their physical and mental well-being by providing them with information, tools and resources to adopt healthy lifestyles.

In addition, National Bank offers confidential professional support to employees and their loved ones who are coping with difficulties in their personal lives through its Employee and Family Assistance Program (EFAP). The EFAP also provides confidential counselling services for managers to help them deal with sensitive and emotionally difficult situations they may face in their management role.

Moreover, in 1980, National Bank became the first company in Quebec to make a workplace daycare available to its employees. Our Voûte enchantée daycare offers fun and educational programs to its young charges.



Launched in 2014, the National Tour promotes dialogue, networking and development. Employees have the opportunity to speak with members of management about the Bank's priorities in an informal setting where they can also learn more about the day-to-day work of management and their colleagues in other sectors.

## A changing culture

National Bank's organizational culture is changing. Many initiatives have been launched to support collaboration and connectivity, and increase our capacity to adapt in all sectors, business units and the branch network. Our strategy focuses on four intertwined areas:

- > Transition to a way of executing and organizing work in networks, with a focus on autonomous, agile, multidisciplinary teams
- > Teams guided by leaders acting as coaches who trust and empower employees
- > Creation of an ecosystem that maximizes social learning and lets employees advance in many ways
- > Work environment and tools that have been rethought, are more modern and dynamic and promote teamwork and mobility

In 2018, five additional floors of the National Bank Tower were redesigned with others to follow in the coming years. New technology tools were deployed as well to create a culture of collaboration and information sharing.

National Bank's new offices at 600 De La Gauchetière West give employees an open environment that fosters mobility and teamwork.



## Always in tune with our employees

Being attentive to employees' needs and responding to their concerns has been a long-standing practice at the Bank. In addition to regular meetings, the annual engagement survey and the National Tour, several new initiatives will increase the frequency and quality of ongoing feedback.

- > More than 8,000 employees had the chance to express their degree of satisfaction at work daily via our discussion platforms
- > In addition to the annual survey to gauge engagement at work, there are now two shorter surveys during the year
- > The use of Yammer, a corporate social network, fosters a culture of transparency and engages employees directly in corporate discussion and decision-making

It's an approach that helps us stay in touch with our teams in order to quickly find solutions to problems and create a stimulating work environment.

## Settling disputes with respect

National Bank has established an Employee Ombudsman's Office to help settle any disputes employees may have at work, and deal with situations reported by employees while protecting their anonymity when necessary. The Employee Ombudsman's Office (EOO) is made up of professionals who abide by a strict code of ethics and adhere to standards governing impartiality and confidentiality. Their role is to encourage dialogue between the parties involved and serve as advisors and facilitators. The EOO reports directly to the President and Chief Executive Officer.

## Embracing diversity and inclusion

National Bank sees diversity as a tremendous source of wealth and is committed to promoting it within all business units. It has ranked among Canada's Best Diversity Employers for several years.

Since the Bank values diversity in all forms, its objective is to offer an open work environment, respectful of differences, where all employees can achieve their full potential. Concrete commitment from management, through the activities of the diversity committee, helps spread this value across all sectors in the organization.

The key objectives of the Bank's three-year plan are adopting inclusive human resources practices, creating internal networks, establishing partnerships with various organizations and forming a diversity committee representing all of the Bank's sectors.

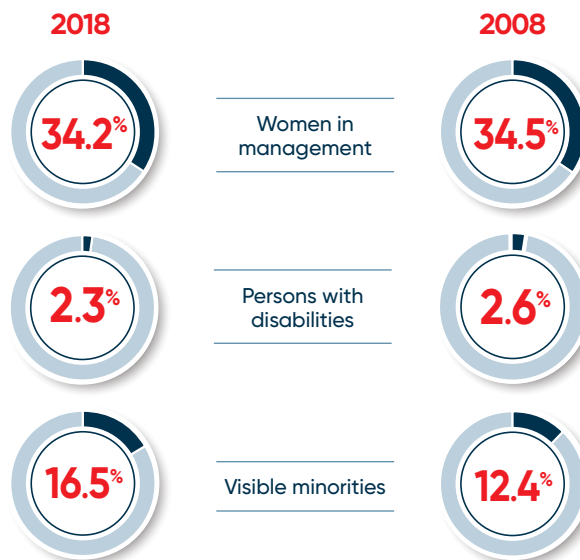


Guest speaker Marie-Émilie Lacroix (left) with Swaneige Bertrand of the Acho Dene Koe First Nation, Northwest Territories.

On June 21, 2018, National Bank highlighted National Indigenous Peoples Day with guest speaker Marie-Émilie Lacroix on hand to address employees.



## Representation (as at October 31, 2018)



**60** Number of languages spoken by employees — **French, English, Spanish, Arabic, Italian and Portuguese** most frequently spoken

**90** Number of countries represented among employees

**95%** of employees believe that National Bank offers an open work environment that is respectful of differences





Financial Markets team members and the recipients of the Women in Financial Markets scholarship program.

## Special programs for the next generation

### *Financial Markets programs for students and new graduates*

The summer internship program helps university students gain experience working in one of the Financial Markets business units and interact with some of the Bank's finance specialists and professionals. The rotation program offers new recruits several months of work experience in our trading rooms and different business sectors in Montreal, Toronto and Calgary. It gives participating employees an opportunity to deepen their knowledge of financial markets and the banking industry. They are then offered a permanent assignment in line with their interests and strengths.

### *Women in Financial Markets scholarship program*

This unique initiative in the Canadian banking industry is intended to encourage women seeking to carve out a career in finance to pursue graduate studies and also learn more about our organization. In addition to receiving financial assistance, the winners benefit from the support of a mentor and are offered an internship at the Bank.

## Dynamic internal networks

Each year, National Bank's various internal networks organize events so that participants can share best practices, develop their leadership skills, expand their personal contacts both internally and externally and benefit from the experience of members of senior management.

**Women's Leadership Network** –  
Women leaders

**Young Employees Network** –  
Young professionals

**IDEO Network** – LGBTQ+ community  
and supporters

**Diversity Ambassadors** – Newcomers  
and cultural communities



The *Making a Difference: A Women-Centric Approach* program received the Initiative for the Advancement of Women in Finance award from the Association of Québec Women in Finance (AFFQ).

## Offering competitive total compensation

National Bank offers a total compensation package designed to attract, engage and retain the high-calibre employees needed to meet its business objectives. The following principles form the cornerstone of our total compensation policy:

- > Offer competitive compensation in order to attract, engage and retain talent.
- > Encourage employees to focus on creating value and enhancing the client and employee experience.
- > Recognize employee contributions.
- > Support employees' needs and ensure their well-being.

The Bank has a broad range of compensation components to meet different needs and ensure competitive total compensation. Our total compensation package consists of:

- > Base salary
- > Variable compensation programs
- > Employee benefits, including:
  - Flexible group insurance plan
  - Defined benefit pension plan
  - Employee share ownership plan
  - Credit and banking privileges
  - Employee and Family Assistance Program (EFAP)
- > Development and training

## Contributing to professional development

We continue to invest in maintaining an environment that promotes learning and helps employees grow and thrive in their work.

The Bank holds a certificate from Emploi Québec in recognition of its quality training initiatives and stands out for the calibre of its development program. Our training is geared to our different groups of employees. In addition, senior managers and employees with strong potential for development within the company benefit from a mentor program to help them strengthen their management and leadership skills.

Each business sector has its own development strategy that reflects the specific market- and transformation-related challenges it faces. In this way, the Bank ensures that its employees continue to build relevant expertise and keep up to date with industry trends.

In 2018, the Bank modernized its approach to give employees a more dynamic way of continually updating the knowledge and skills needed in a digital environment.

Formal training activities have been enhanced with social learning opportunities by implementing practices that facilitate hands-on skills development.

- > By supporting the professionalization of employees who deliver training, we can help more people acquire the knowledge and skills they need to become trainers and play a role in their colleagues' development.
- > New approach in training plans that emphasizes the latest social and hands-on learning methods, which involve alternating between acquiring knowledge and putting it into practice in a real work context.
- > The "Advice for Life" training program guides the sales force towards a personalized advisory approach based on clients' overall needs.
- > A coaching training program initially offered to all managers will be continued for professionals.
- > By simplifying our development offering and modernizing our learning channels and methods, we offered 386,082 activities which helped employees acquire skills.
- > In all, \$24 million was invested in developing employee skills.

# ENCOURAGING COMMUNITY DEVELOPMENT

A leading player in the country's economy since 1859, National Bank is committed to promoting the well-being of the communities it serves.

It succeeds in doing this through a well-defined donations and sponsorships program, the commitment of its employees and retirees who are volunteers in their communities, as well as successful fundraising efforts with our clients' participation.

## SOME OF OUR DONATIONS

In 2018, the Bank gave tens of millions of dollars back to the community. This amount included more than \$10 million in corporate donations.

### > ARTS AND CULTURE

#### **National Music Centre**

(Calgary, Alberta; 2016–2020)

Supporting educational programs, performances, arts incubators and exhibitions celebrating Canadian music.

**\$1,000,000**

### > COMMUNITY

#### **Right To Play<sup>1</sup>**

(Toronto, Ontario; 2018)

Participating in Power 10, a program that helps children from indigenous communities around the world thrive through play and physical activity.

**\$150,000**

### > EDUCATION

#### **Alloprof**

(Quebec; 2018–2020)

Supporting professional assistance services for Quebec students and their parents.

**\$150,000**

### > HEALTH

#### **Fondation de l'Institut universitaire en santé mentale de Montréal**

(Montreal, Quebec; 2018–2024)

Supporting universal access to specialized mental health care and the advancement of leading-edge research in this area.

**\$1,000,000**

<sup>1</sup> National Bank was also directly involved in the annual campaign that raised a record sum of \$2.825 million.



## SOME OF OUR SPONSORSHIPS

As the main Canadian financial institution associated with tennis, National Bank is renewing its commitment through several initiatives, specifically targeting the next generation of tennis players while hosting the best players in the world on Canadian soil.

### Our main initiatives:

- > The **Rogers Cup** presented in Montreal and Toronto by National Bank showcases the world's top players.
- > The **National Bank Cup** in Quebec City is one of the country's biggest indoor tennis tournaments for women.
- > The Bank is also the official partner of **Tennis New Brunswick** and **Tennis Prince Edward Island**.
- > The **National Bank International Junior Tennis Open in Repentigny** supports players ages 14 to 18 in their first international matches.
- > The **National Bank Challengers** events in **Calgary, Drummondville, Gatineau, Granby, Saguenay and Winnipeg** represent the first experience on the international circuit for many Canadian athletes, helping them earn points for their world ranking.
- > **National Bank's Young Aces** program is aimed at identifying exceptional talent in children across Canada.
- > Since its creation in 2006, the **On The Ball** program has been collecting used tennis balls and redistributing them to elementary schools, where they are used as chair slippers to reduce classroom noise and create an environment conducive to learning.



National Bank is the main financial institution associated with tennis in Canada.

## Employees, retirees and clients dedicated to their community

Thousands of National Bank employees and retirees are committed to making a difference in the community. In 2018, the Volunteer Program donated \$10 for each hour of volunteer work logged by employees, for a maximum of \$400 annually per organization.

When it comes to raising funds to support community activities or address urgent humanitarian needs, the Bank can always count on its branch network across Canada to rally for the cause. Again this year, our employees and clients have demonstrated their generosity for numerous causes.

## A FEW EXAMPLES OF OUR COMMUNITY ENGAGEMENT

### > United Way/Centraide campaign

(Canada; 2018)

Total raised by National Bank employees and retirees, including a corporate donation, as part of this Canada-wide campaign, held annually since 1977.

**\$3,635,000**

### > Canadian Red Cross

(Canada; 2018)

Corporate donations, employee donations and fundraisers organized in National Bank branches to support the Canadian Red Cross's efforts in many communities: flooding in British Columbia and New Brunswick; tornadoes in the Ottawa and Gatineau areas.

**\$128,160**

### > JDRF

(Canada; 2018)

Since 2004, hundreds of National Bank employees across Canada have been participating in the Ride for Diabetes Research.

**\$226,000**

### > The Princess Margaret Cancer Foundation

(Toronto, Ontario; 2018)

A valiant cycling team from the Toronto area rode more than 220 km between Toronto and Niagara Falls to benefit cancer research.

**\$31,626**

### > The NB Grand Tour

(Western Montréal, Quebec; 2018)

More than 300 National Bank employees participated as cyclists or runners in this event, held in Quebec's Western Montréal region. Since 2011, this event has been raising funds for youth organizations in the regions visited.

**\$170,000**



Hats off to National Bank employees who pedalled, ran or volunteered at the 8th edition of the NB Grand Tour!

### > Crossroads for Women

(Moncton, New Brunswick; 2018)

Employees in Atlantic Canada took part in National Bank's annual golf tournament to raise funds for a transition house that provides shelter to women living with violence.

**\$5,000**

## National Bank Collection

The National Bank Collection currently ranks as one of the largest corporate collections in Canada. With over 7,500 original works of art, it reflects the history of Quebec and Canadian art from 1895 to the present. It includes paintings, prints, drawings, sculptures and photographs. By acquiring artwork, the Bank directly supports artists and creators across Canada and fosters a feeling of pride in our shared heritage. Various initiatives have been introduced in recent years to showcase the National Bank Collection and bring it to the general public.

## Supporting diversity and inclusion

National Bank partners with numerous organizations to contribute to the development of an inclusive society that celebrates diversity. The Bank stayed true to this commitment over the past fiscal year through a number of actions.

- > The Bank is a partner of the **Congrès Maghrébin au Québec** which helps newcomers from the Maghreb region settle into Quebec.
- > Since 2006, the Bank has been the contributing partner of the **Laurent-McCutcheon Award** ceremony, organized by Fondation Émergence. In 2018, this award went to Stéphanie Vallée, then Minister of Justice, Attorney General of Quebec and Minister responsible for the fight against homophobia for her role in protecting and promoting the rights and freedoms of LGBTQ+ people.



Quebecers of Maghrebian descent who have been recognized by the scientific community were honoured at the 2018 Congrès Maghrébin au Québec gala.

# HELPING PROTECT THE ENVIRONMENT

National Bank is concerned about society's impact on the environment, particularly the effects of climate change. That's why we're actively involved in implementing various initiatives to reduce our environmental footprint.

The Bank stands out for the major partnerships it has developed over the years with various organizations and businesses that share its goal of contributing to sustainable social development.

National Bank published its environmental policy, which is available at [nbc.ca](http://nbc.ca).

## Managing our carbon footprint effectively

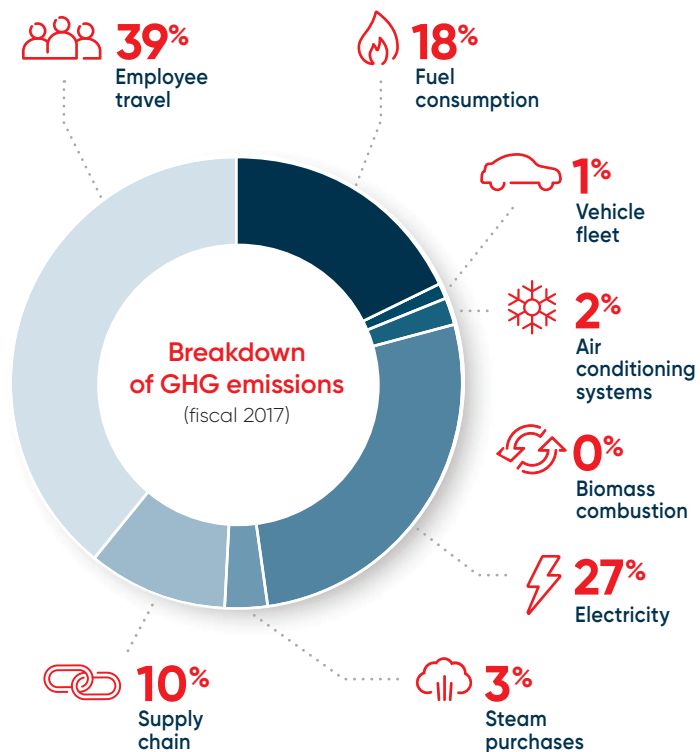
National Bank strives to understand and reduce the impact of its activities on the environment as much as possible and therefore has a variety of voluntary measures for calculating and reducing our greenhouse gas emissions.

## Measuring greenhouse gases

The Bank took the first step in managing its carbon footprint in 2007–2008 by measuring its GHG emissions and submitting the data to the Carbon Disclosure Project, an international organization committed to preventing climate change. We have since made it an annual exercise, working in close collaboration with numerous recognized consulting firms to ensure our methods are in line with current best practices.

The Bank's GHG emissions in fiscal 2017 were estimated at 11,549 tons of CO<sub>2</sub>.

Furthermore, in 2018, National Bank announced its support for the Financial Stability Board's Task Force on Climate-related Financial Disclosure. The Bank has therefore committed to ensuring that its disclosures include relevant information on various topics addressed by the task force.



Through the use of advanced inventory taking, the Bank is aware of the volume and source of its emissions and is committed to reducing them. To do so, it has taken a series of environmentally responsible actions.

### Screening supplier practices

National Bank continued implementing a process to screen its suppliers' practices in order to ensure a more sustainable and responsible approach to its sourcing policy that is based first and foremost on a deeper understanding of its partners and their practices. The goal is to be able to assess suppliers' impact on the environment and society and then use the findings to inform its decision-making.

### Design standards in line with best practices

The Bank has garnered recognition for the eco-responsible features of its buildings. It has in fact aligned its design standards with LEED certification criteria and systematically applies them to all new projects. Over the past few years, the Bank has earned several LEED certifications for its buildings, including the prestigious LEED Canada for Existing Buildings: Operations and Maintenance (EB: O&M) Gold Certification for its head office.

National Bank is also keeping pace with best practices in workspace design. For example, many of the features evaluated as part of the WELL certification process are now integrated into the design plans to convert floors of the National Bank Tower into dynamic work environments. The WELL Building Standard, administered by the International WELL Building Institute (IWBI), recognizes environments that promote the health and wellness of its occupants.



### A new eco-responsible head office for National Bank

National Bank is currently building its new head office at 800 Saint-Jacques West in Montreal in accordance with the highest quality and environmental standards. The use of materials and services sourced from Quebec and other parts of Canada will be given priority during the project.



## Focusing on energy efficiency

As a large portion of our emissions is produced through our consumption of electricity and combustible fuels, energy efficiency is a priority for us. The Bank is in fact recognized for its leadership in this area. One of the most promising energy-saving measures is an innovative web-controlled remote interface for managing energy use in more than 100 branches.

The concept is quite simple and consists in remotely controlling heating, cooling and ventilation to optimize energy consumption in our buildings. This system saves the Bank millions of kilowatt hours of electricity and thousands of cubic metres of natural gas annually. This centralized remote control infrastructure has enabled us to take part in Hydro-Québec's Demand Response program for reducing power demand during winter peak times.

## Installing EV charging stations

In recent months, the Bank launched a project to install EV charging stations in the parking lots at some of its branches, and will continue to install more over the next few quarters. Going forward, charging stations will be automatically included at new branches whenever possible.

In order to ensure sustained energy savings, a continuous commissioning process was also implemented concurrently. Through this novel approach, which takes a number of factors into account, including changes made over the life cycle of our buildings, we can continually monitor our facilities to ensure we meet our energy efficiency targets year after year.

## Partnerships for the environment

The Bank is proud to financially support the Appalachian Corridor, the conservation organization whose mission is to protect the biodiversity and natural areas in the Appalachian region of Southern Quebec.

In 2018, the Bank also lent its support to the environmental organization Équiterre through their major annual financing events, and was also a partner of *Sustainable Montréal 2016–2020*, the third sustainable development plan for the Montreal community.



## Sustainable development bonds for eco-responsible projects and organizations

In 2018, the Bank implemented a framework for issuing sustainable development bonds. These bonds can be used to finance or refinance projects and organizations that help protect the environment or aim to generate positive socioeconomic benefits.

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# ENSURING EFFECTIVE GOVERNANCE

Financial institutions play a vital role in maintaining global economic stability. Accordingly, National Bank recognizes the importance of adopting governance practices that meet the highest standards and expectations. Honesty, integrity and ethics are central to our values.

## Ensuring compliance with the Code of Conduct and Ethics

We have integrated strict ethical standards and guidelines into our operations. These are set out in National Bank's Code of Conduct and Ethics.

Introduced in 1985, our Code defines the behaviours expected from our employees, officers and, insofar as the provisions of the Code apply to them, the members of the Board of Directors. It is regularly reviewed to take into account tighter ethical standards and heightened regulatory expectations regarding business conduct, industry best practices and the Bank's organizational transformation. Interns, consultants, contract workers, agents and service providers must also read it and pledge to follow the provisions applicable to their activities. It allows us to make sure that our standards concerning information confidentiality, conflicts of interest, information security and other aspects related to our activities are followed.

Various ongoing measures ensure that the Code is applied in a diligent and uniform manner. For instance, when they are hired, all employees are required to take a course on the ethical and behavioural standards in effect at National Bank and agree to comply with the Code. Once a year thereafter, they are required to take annual training and renew their pledge. In addition, during the past fiscal year, ad hoc communications were developed to raise employee awareness of certain themes covered in the Code.

## Adopting leading-edge governance standards

Our governance architecture consists of clearly defined structures, policies and processes. A statement of our corporate governance practices and the mandates of the Board of Directors and its committees are available on our website. The Board of Directors keeps abreast of governance developments, drawing on the best practices advocated by various experts and specialized agencies throughout the world and taking regulators' expectations into account, to ensure the Bank has an optimal governance framework that reflects the business environment in which it operates.

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## Meeting applicable requirements

In addition to carrying out its mandate, the Board pays close attention to changes to oversight in the financial industry and carefully monitors developments affecting the Bank's standing policies, practices and systems. Accordingly, National Bank further improved its risk disclosure in its Annual Report to satisfy the 32 recommendations made in October 2012 by the Enhanced Disclosure Task Force (EDTF) created by the Financial Stability Board (FSB). The Bank spares no effort to ensure overall compliance with these recommendations and will continue improving its risk disclosure in accordance with best practices. Changes were made to comply with Basel III, which was phased



in gradually in Canada until the fourth quarter of 2018. This international agreement is intended to make the global banking system more resilient and maintain confidence in the markets. Further information is provided on pages 44–47 of the Bank's 2018 Annual Report.

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## Fostering dialogue

National Bank gives its shareholders, clients and others the means to raise matters they deem noteworthy with Board members. Accordingly, the Board adopted a shareholder engagement policy in 2018.

For example, in order to facilitate this dialogue, the letter to shareholders in the Bank's Management Proxy Circular clearly sets out the Bank's approach to executive compensation. Moreover, the Board once again submitted its executive compensation approach to an advisory vote by shareholders. At the Bank's Annual Meeting of Shareholders on April 20, 2018, 93% of shareholders voted in favour of the approach proposed by the Bank's Board of Directors.

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Comments and questions can also be submitted to us by mail, by email, through our Investor Relations Department or in person at the annual meeting of shareholders.

## Striving for diversity on the Board

The Board revised its Policy Regarding the Diversity of the Board in 2018 to ensure the Board is representative of people from different backgrounds so that it can benefit from different points of view and experiences. Under the policy, the evaluation of director nominees must take into consideration the importance of diversified representation (e.g., gender, age, designated groups<sup>1</sup>, sexual orientation, ethnic and cultural groups and geography) that reflects the fabric of the communities in which the Bank is present and operates. It also requires the Bank's Board of Directors to strive for parity between men and women among its members and ensure that at least one-third is represented by women. The Conduct Review and Corporate Governance Committee therefore makes sure that half of the nominees selected to fill vacant seats on the Board are women. It also actively seeks people from the above groups to be included in the pool of director nominees. The Bank's Board of Directors is one of the most inclusive among Canadian public corporations.

National Bank also continues to support Catalyst's call to action for Canadian corporations to increase the overall proportion of board seats held by women. In 2018, Women in Governance recognized the Bank's efforts by awarding it Parity Certified Gold honours. This certification is intended to help Canadian and Quebec-based companies increase the representation of women in senior management positions.

The independence of Board members is another prime consideration for the Bank. Of the 14 directors serving on the Board as at October 31, 2018, 13 are independent, including the Chairman of the Board and the members of each of the Board's committees.

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<sup>1</sup> As defined by the Employment Equity Act, S.C. 1995, c. 44.

# CONTRIBUTING TO THE WEALTH OF OUR SOCIETY

National Bank is one of the largest employers in Quebec and Canada as well as a taxpayer, lender and major purchaser of goods and services. As such, it is a significant contributor to the economy.

The Bank strives to maximize the economic benefits for the communities it serves by making responsible investments in its facilities, providing quality jobs and honouring its commitments to shareholders.

## Driving our economy forward

National Bank ranks among the largest companies in the country in terms of employees, total revenues and assets. Through many different initiatives related to running the organization, operating its extensive branch network and offering a multitude of products and services, National Bank serves as a powerful economic driver.

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### Fostering the development of First Nations

Since 2014, through its innovative bond program, National Bank has been helping the First Nations Finance Authority (FNFA) make over \$500 million available to indigenous communities to help them develop community and economic infrastructures.

## Our economic contribution in numbers:

**161**

**MILLION \$**  
INVESTED  
IN OUR  
FACILITIES

**782**

**MILLION \$**  
PAID IN INCOME  
AND OTHER TAXES

**1.1**

**BILLION \$**

SPENT ON GOODS  
AND SERVICES

**2.5**

**BILLION \$**

PAID IN SALARIES  
AND EMPLOYEE  
BENEFITS

**88**

**BILLION \$**

GRANTED  
TO FINANCE  
CANADIAN  
BUSINESSES

## Geographic breakdown of employees (as at October 31, 2018)

Province	Full-time	Part-time	Total
Alberta	293	27	320
British Columbia	277	34	311
Manitoba	76	12	88
New Brunswick	188	82	270
Newfoundland and Labrador	—	—	—
Nova Scotia	35	1	36
Ontario	1,750	282	2,032
Prince Edward Island	15	6	21
Quebec	13,231	2,750	15,981
Saskatchewan	39	5	44
Yukon, Northwest Territories and Nunavut	—	—	—
<b>Total Canada</b>	<b>15,904</b>	<b>3,199</b>	<b>19,103</b>
Outside Canada	4,337	10	4,347
<b>Total</b>	<b>20,241</b>	<b>3,209</b>	<b>23,450</b>

## Income taxes and other taxes paid or payable in Canada (in thousands of dollars; as at October 31, 2018)

	Income taxes <sup>1</sup>	Capital taxes <sup>1</sup>	Other taxes <sup>2</sup>
<b>Federal</b>	<b>201,573</b>	<b>5,426</b>	<b>77,522</b>
<b>Provincial</b>			
Alberta	3,980	—	1,723
British Columbia	3,765	—	2,429
Manitoba	1,008	799	714
New Brunswick	1,071	3,333	3,777
Newfoundland and Labrador	4	—	134
Nova Scotia	461	—	328
Ontario	22,875	—	33,464
Prince Edward Island	68	178	309
Quebec	106,444	3,909	303,628
Saskatchewan	536	1 939	521
Yukon, Northwest Territories and Nunavut	—	—	—
<b>Total – Provincial</b>	<b>140,212</b>	<b>10,158</b>	<b>347,027</b>
<b>Total – Federal and Provincial</b>	<b>341,785</b>	<b>15,584</b>	<b>424,549</b>

<sup>1</sup> Income taxes and capital taxes: Estimated amounts

<sup>2</sup> Other taxes: Amount including employee benefits (employer's contribution including amounts paid to the Canada Pension Plan, Employment Insurance and provincial health insurance plans), business taxes, property taxes, sales taxes (including GST/HST and estimated provincial sales tax) and deposit insurance premiums.

## Debt financing made available to companies in Canada (in thousands of dollars)

In 2018, National Bank approved more than \$88 billion in debt financing to businesses across Canada.

	\$0 to 24.9	\$25.0 to 99.9	\$100.0 to 249.9	\$250.0 to 499.9	\$500.0 to 999.9	\$1,000.0 to 4,999.9	\$5,000.0 or more	Total
<b>Alberta</b>								
Total authorized (\$)	2,240.4	6,185.3	12,115.4	18,917.3	28,444.1	219,275.6	11,750,567.9	12,037,746.0
Number of clients	315	125	79	56	41	89	196	901
<b>British Columbia</b>								
Total authorized (\$)	1,098.6	3,744.2	7,168.2	9,978.0	29,038.9	246,137.6	3,337,269.8	3,634,435.3
Number of clients	174	77	50	29	43	101	72	546
<b>Manitoba</b>								
Total authorized (\$)	545.3	1,965.5	3,906.6	8,394.1	31,807.2	163,603.1	968,014.7	1,178,236.5
Number of clients	66	45	21	22	46	64	32	296
<b>New Brunswick</b>								
Total authorized (\$)	8,853.8	25,553.4	41,049.4	57,183.4	95,557.3	296,060.7	818,837.7	1,343,095.7
Number of clients	1,109	518	266	162	137	145	46	2,383
<b>Newfoundland and Labrador</b>								
Total authorized (\$)	10.0	b	c	d	—	f	g	10.0
Number of clients	84	b	c	d	—	f	g	84
<b>Nova Scotia</b>								
Total authorized (\$)	297.0	b	2,774.6	d	e	f	803,979.2	807,050.8
Number of clients	128	b	15	d	e	f	16	159
<b>Ontario</b>								
Total authorized (\$)	26,424.4	51,962.4	83,786.6	138,892.3	275,342.5	1,348,970.9	22,197,441.3	24,122,820.4
Number of clients	3,604	1,083	539	383	386	572	468	7,035
<b>Prince Edward Island</b>								
Total authorized (\$)	439.9	842.9	c	d	e	f	g	1,282.8
Number of clients	80	13	c	d	e	f	g	93
<b>Quebec</b>								
Total authorized (\$)	320,192.1	706,733.5	1,025,613.0	1,607,874.2	2,597,819.3	9,662,182.1	28,622,446.5	44,542,860.7
Number of clients	42,787	14,550	6,623	4,476	3,700	4,670	1,178	77,984
<b>Saskatchewan</b>								
Total authorized (\$)	519.5	1,753.8	3,219.0	6,153.8	10,679.5	102,128.8	641,783.3	766,237.7
Number of clients	61	37	20	18	16	46	21	219
<b>Yukon, Northwest Territories and Nunavut</b>								
Total authorized (\$)	a	—	c	—	—	f	—	—
Number of clients	a	—	c	—	—	f	—	—
<b>Grand total</b>								
Total authorized (\$)	360,621.0	798,741.0	1,179,632.8	1,847,393.1	3,068,688.8	12,038,358.8	69,140,340.4	88,433,775.9
Number of clients	48,408	16,448	7,613	5,146	4,369	5,687	2,029	89,700

Note: To preserve client confidentiality, certain figures have been combined as follows:

a - The figures for Yukon, the Northwest Territories and Nunavut have been added to the figures for British Columbia and to that province's total.

b - The figures for Nova Scotia and Newfoundland and Labrador have been added to the figures for New Brunswick and to that province's total.

c - The figures for Prince Edward Island, Newfoundland and Labrador, Yukon, the Northwest Territories and Nunavut have been added to the figures for British Columbia and to that province's total.

d - The figures for Prince Edward Island, Nova Scotia and Newfoundland and Labrador have been added to the figures for New Brunswick and to that province's total.

e - The figures for Prince Edward Island and Nova Scotia have been added to the figures for New Brunswick and to that province's total.

f - The figures for Prince Edward Island, Nova Scotia, Newfoundland and Labrador, Yukon, the Northwest Territories and Nunavut have been added to the figures for British Columbia and to that province's total.

g - The figures for Prince Edward Island and Newfoundland and Labrador have been added to the figures for New Brunswick and to that province's total.

The figures shown have been rounded to one decimal point.

## Subsidiaries\* of National Bank (as at October 31, 2018)

List of subsidiaries covered under the Public Accountability Statements Regulations and the Finance Entity Regulations.

### National Bank Life Insurance Company

- National Bank Insurance Firm Inc.
- National Bank Planning and Benefits Inc.

### National Bank Investments Inc.

CABN Investments Inc.

### National Bank Financial Inc.

- NBF Financial Services Inc.
- NBF Financial Services Ltd.

### Natcan Trust Company

National Bank Trust Inc.

## Branches\*\* closed and opened (during the fiscal year ended October 31, 2018)

### Branches closed

#### Quebec

1635 boul. Gouin Est, Montreal

938 boul. de la Grande-Allée, Boisbriand

#### British Columbia

555 Burrard Street, Vancouver

666 Burrard Street, Vancouver

#### New Brunswick

3503 Principale Street, Tracadie-Sheila

### Branches opened

#### Quebec

2575 rue d'Annemasse, Boisbriand

#### British Columbia

805 West Pender Street, Vancouver

475 Howe Street, Vancouver

#### New Brunswick

3466 Principale Street, Tracadie-Sheila

#### Ontario

380 Wellington Street, London



Several National Bank branches have been redesigned to offer modern and technologically advanced spaces that enhance our advisory services.

\* The term subsidiary denotes an entity of the National Bank group.

\*\* The term branch is used as defined in the Public Accountability Statements Regulations.

**ABMs removed or added** (during the fiscal year ended October 31, 2018)

**ABMs removed**

**Quebec**

8000 boul. Leduc, Brossard
600 rue De La Gauchetière Ouest, Montreal (2 ABMs)
138 rue Saint-Vallier Ouest, Quebec City
450 rue de la Gare-du-Palais, Quebec City
488 av. Jules-Choquet, Sainte-Julie
938 boul. de la Grande-Allée, Boisbriand

**British Columbia**

555 Burrard Street, Vancouver
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**New Brunswick**

3503 Principale Street, Tracadie-Sheila
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**Ontario**

163 First Street, Orangeville
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**ABMs added**

**Quebec**

500 av. Jules-Choquet, Sainte-Julie
2575 rue d'Annemasse, Boisbriand (2 ABMs)
7500 rue Tellier, Montreal
534 boul. Cadieux, Beauharnois
1246 av. Greene, Westmount
2369 ch. de Chambly, Carignan
2134 boul. Saint-Placide, Saint-Placide
938 boul. de la Grande-Allée, Boisbriand
525 3 <sup>e</sup> Rue, Chibougamau

**British Columbia**

805 West Pender Street, Vancouver
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**New Brunswick**

3466 Principale Street, Tracadie-Sheila
3466 Principale Street, Tracadie-Sheila

**Ontario**

50 O'Connor Street, Ottawa
115 First Street, Orangeville

**ABMs installed temporarily**

**Quebec**

IGA Stadium – 285 rue Gary-Carter, Montreal (2 ABMs)	Rogers Cup Montreal	August 1 to 13, 2018
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**Ontario**

Aviva Centre – York University, 1 Shoreham Drive, Toronto (3 ABMs)	Rogers Cup Toronto	August 1 to 13, 2018
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This 2018 Social Responsibility Report is published by National Bank of Canada in accordance with the Public Accountability Statements Regulations adopted in 2002 by the federal government (Bank Act). It complements National Bank's Annual Report and Management Proxy Circular, and provides an overview of our activities during the year in support of all our stakeholders.

Unless otherwise indicated, the information presented encompasses relevant activities related to National Bank and its main subsidiaries (set out in this report) without specific limitations. The Social Responsibility Report is prepared by a team reporting to the Vice-President – Public Affairs and Corporate Social Responsibility, with the contribution of dozens of experts, then reviewed and approved by members of Management in the organization's many different sectors.

Our reporting is based on the main social, environmental and governance performance indicators of the most widely recognized accountability frameworks.

The Social Responsibility Report is part of the Bank's ongoing dialogue with its various stakeholders, including clients, employees, community partners, shareholders, suppliers, interest groups and regulatory authorities. We engage our stakeholders primarily on the basis of communities of interest and communities of purpose both in a business context and to contribute to socioeconomic development. These interactions are an important tool for assessing and mitigating the risks related to our activities, particularly as they enable us to conduct various impact analyses.

Unless otherwise indicated, the information presented refers to fiscal 2018 (November 1, 2017, to October 31, 2018) and is subsequent to the public accountability statement for fiscal 2017, published in March 2018. None of the information contained in the report was materially changed or restated during 2018.

This report is available at any National Bank branch or by calling **514-394-5555** or **1-888-483-5628**. It may also be consulted in its entirety at [nbc.ca/socialresponsibility](http://nbc.ca/socialresponsibility).

Également disponible en français.

Comments regarding this document may be submitted to our Public Affairs Department by email at [pa@nbc.ca](mailto:pa@nbc.ca) or on our social media platforms.

## Fighting money laundering and terrorist financing

The methods and techniques used by criminal organizations to launder money and finance terrorist activities have become increasingly sophisticated over the years.

Wanting not only to comply with legal and regulatory requirements but also to play an active role in the fight against these crimes, the Bank continues to implement measures to prevent money laundering and terrorist financing.

It has an anti-money laundering/anti-terrorist financing program that includes policies, procedures, a continuous training program and a control framework for identifying clients, record-keeping, assessing inherent risks, ongoing monitoring of business relations and reporting obligations.

The Risk Management Committee oversees the application of this program on behalf of the Bank's Board of Directors.



1st quarter 2019

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### **Photos**

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**Page 20:** Menkès Shooner Dagenais LeTourneux Architectes

**Page 21:** Courtesy of Appalachian Corridor

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