NATIONAL BANK

Climate Report 2024

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Important Notice and Caution Regarding Forward-Looking Statements

Certain statements in this document are forward-looking statements. These statements are made in accordance with applicable securities legislation in Canada and the United States. The forward-looking statements in this document may include, but are not limited to, statements set out in the messages from our management, as well as other statements made about the Bank's objectives, outlook, and priorities for fiscal year 2025 and beyond, the regulatory environment in which it operates, its environmental, social, and governance strategy, targets and commitments and the strategies or actions that will be taken to achieve them, including its practices with respect to inclusion, diversity and equity, its climate strategy and all the objectives related to its efforts toward transitioning to a low-carbon economy and the way to support its clients in this transition, the causes and potential impacts of climate change globally, its approach to identifying and managing climate-related risks and opportunities, the impacts and benefits of the acquisition of Canadian Western Bank (CWB), and certain risks to which the Bank is exposed. The Bank may also make forward-looking statements in various other documents and regulatory filings, as well as orally. These forward-looking statements are typically identified by verbs or words such as "outlook," "believe," "foresee," "forecast," "anticipate," "estimate," "project," "expect," "intend" and "plan," in their future or conditional forms, notably verbs such as "will," "may," "should," "could" or "would" as well as similar terms and expressions.

These forward-looking statements are intended to assist the security holders of the Bank in understanding the Bank's vision, strategy and objectives related to environment, social and governance matters and may not be appropriate for other purposes. These forward-looking statements are based on current expectations, estimates, assumptions and intentions believed by the Bank to be reasonable as at the date thereof and are subject to inherent uncertainty and risks, many of which are beyond the Bank's control. There is a strong possibility that the Bank's express or implied predictions, forecasts, projections, expectations, or conclusions will not prove to be accurate, that its assumptions may not be confirmed, and that its vision, strategic objectives, and performance targets will not be achieved. The Bank cautions investors that these forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from these statements due to a number of factors. Therefore, the Bank recommends that readers not place undue reliance on these forward-looking statements, as a number of factors could cause actual results to differ materially from the expectations, estimates, or intentions expressed in these forward-looking statements. Investors and others who rely on the Bank's forward-looking statements should carefully consider the factors listed below as well as other uncertainties and potential events, and the risk they entail. 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 it or on its behalf.

The forward-looking statements made in this document are based on a number of assumptions and their future outcome is subject to a variety of risk factors, many of which are beyond the Bank's control and the impacts of which are difficult to predict. These risk factors include, among others; the general economic environment and business and financial market conditions in Canada, the United States, and the other countries where the Bank operates; measures affecting commercial relations between Canada and its partners, including the imposition of tariffs and the measures taken in response, as well as the possible impacts on our customers, our operations, and more generally, on the economy; exchange rate and interest rate fluctuations; inflation; global supply chain disruptions; higher funding costs and greater market volatility; changes made to fiscal, monetary, and other public policies; regulatory oversight and changes made to regulations that affect the Bank's business; geopolitical and sociopolitical uncertainty; the Bank's ability to successfully integrate CWB, and potential undisclosed costs or liability associated with the acquisition; climate change, including physical risks and those related to the transition to a low-carbon economy; the Bank's ability to satisfy stakeholder expectations on environmental and social issues, the need for active and continued participation of stakeholders; the availability of comprehensive and accurate data from customers and other third parties, including greenhouse gas emissions; the ability of the Bank to develop indicators to effectively monitor our advancements; the development and deployment of new technologies and sustainable products; the ability of the Bank to identify climate-related opportunities as well as to assess and manage climate-related risks; significant changes in consumer behaviour; the housing situation, real estate market, and household indebtedness in Canada; the Bank's ability to achieve its key short-term priorities and long-term strategies; the timely development and launch of new products and services; the Bank's ability to recruit and retain key personnel; technological innovation, including the open banking system and the utilization of artificial intelligence; heightened competition from established companies and from competitors offering non-traditional services; model risk; changes in the performance and creditworthiness of the Bank's clients and counterparties; the Bank's exposure to significant regulatory matters or litigation; changes made to the accounting policies used by the Bank to report financial information, including the uncertainty inherent to assumptions and critical accounting estimates; changes to tax legislation in the countries where the Bank operates; changes made to capital and liquidity guidelines as well as to the presentation and interpretation thereof; changes to the credit ratings assigned to the Bank by financial and extra-financial rating agencies; potential disruptions to key suppliers of goods and services to the Bank; third-party risk, including failure of third parties to comply with their obligations to the Bank; the potential impacts of disruptions to the Bank's information technology systems, including cyberattacks as well as identity theft and theft or disclosure of data, including personal information; the risk of fraudulent activity; and possible impacts of major events affecting the economy, market conditions, or the Bank's outlook, including international conflicts, natural disasters, public health crises, and the measures taken in response to these events; and the Bank's ability to anticipate and successfully manage risks arising from all of the foregoing factors.

In addition, the assumptions, the data, metrics, measurements, methodologies, scenarios, and other standards used to develop our assumptions and estimates and to monitor our advances believed to be reasonable at the time of preparation of this report, may subsequently turn out to be inaccurate. Many of these assumptions, data, metrics, measurements, methodologies, scenarios, and other standards, as well as the terminology used by the Bank to define certain concepts, continue to evolve and may differ significantly from those used by others, those that may be used by us in the future or that may be subsequently mandated by government authorities or other standard setters. Such evolution and changes could affect the assumptions and estimates used by us and could affect the comparability of the information and data across industries or companies and from one reporting period to a subsequent reporting period, as well as our ability to achieve our sustainability objectives, priorities, strategies and commitments.

The foregoing list of risk factors is not exhaustive, and the forward-looking statements made in this document are also subject to credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk, and social and environmental risk as well as certain emerging risks or risks deemed significant. Additional information about these factors is provided in the Risk Management section of the 2024 Annual Report, and may be updated in the quarterly reports to shareholders filed thereafter.

This report is provided solely for informational purposes. It is not an offer or a solicitation to buy or to sell any security, product or service in any jurisdiction nor is it intended to provide investment, financial, legal, accounting, tax, or other advice and such information should not be relied on or acted upon for providing such advice.

About Us

Founded in 1859, National Bank of Canada (the Bank) offers financial services to individuals, businesses, institutional clients and governments across Canada. We are one of Canada's six systemically important banks and we deliver superior return on equity.[1]

We operate through three business segments in Canada: Personal and Commercial Banking, Wealth Management and Financial Markets. A fourth segment, U.S. Specialty Finance and International, complements the growth of our domestic operations.

We are a leading bank in our core Quebec market, where most of our branches are located, and also hold leadership positions across the country in selected activities.

We strive to meet rigorous corporate responsibility standards while creating value for our shareholders. We define ourselves as an employer of choice and are recognized for promoting inclusion and diversity. We are headquartered in Montreal, and our securities are listed on the Toronto Stock Exchange (TSX: NA).

National Bank at a glance

(as at October 31, 2024)[2]

Our organization

2.9 million Clients[3]

31,303 Employees around the world

471 Branches[4]

2,539 Banking machines[5]

Our financial performance

$11.4B Total revenue

$3.8B Net income

$462B Total assets

$45.3B Market capitalization

Our contribution to economic activity

$3.7B Compensation and employee benefits

$1.7B Spent on goods and services in Canada[6]

$1.2B Income taxes and other taxes in Canada[7]

1 Based on Return on common shareholders' equity (ROE) as reported by major Canadian banks.
2 Unless otherwise indicated, this data is from the Bank's 2024 Annual Report.
3 Clients of the Personal and Commercial segment.
4 368 in Canada, 99 in Cambodia and 4 in the United States (Florida).
5 940 in Canada and 1,599 in Cambodia.
6 This amount includes occupancy costs, technology costs (excluding depreciation), communications, professional fees, advertising fees and other goods and services.
7 Includes income taxes, capital taxes and other taxes. For more information, see page 9 of the 2024 Corporate Social Responsibility Statement.

About This Report

The Climate Report is published by the Bank. Intended for all of our stakeholders, it presents our commitments and achievements in the fight against climate change and our key performance indicators.

The Climate Report is drawn up by the ESG and Sustainability team, with input from multiple experts and collaborators. It is approved by the ESG Committee, which is made up of executives from different sectors of the organization, and reviewed by the Board's Conduct Review and Corporate Governance Committee.

Scope

Unless otherwise indicated, this report presents relevant content associated with the activities of the Bank and its subsidiaries in Canada.[1] It refers to fiscal 2024 (November 1, 2023 to October 31, 2024) and all amounts are expressed in Canadian dollars.

Stakeholders

This report is aligned with the Bank's commitment to ongoing constructive, open and transparent dialogue with various stakeholders: clients, employees, communities, shareholders, suppliers, the communities we serve, interest groups, international organizations and regulatory authorities. Our discussions with stakeholders impact our strategic decisions and enhance our practices, allowing us to adopt the latest disclosure standards.

Reference framework

Since 2018, the Bank has relied on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. They are based on the four main pillars of any organization: governance, strategy, risk management and metrics and targets. These categories frame the disclosure of climate-related financial information to help institutions make informed decisions concerning their exposure to climate-related risks and opportunities. We use this framework to disclose annually the evolution of our climate risk management.

External certification and accounting

Certain indicators are extracted from the Management's Discussion and Analysis and the Audited Annual Consolidated Financial Statements of the 2024 Annual Report. Unless extracted from the Audited Annual Consolidated Financial Statements of the 2024 Annual Report, the information contained in this report is unaudited. Groupe AGÉCO, an independent third party, calculated our greenhouse gas (GHG) emissions related to our operational activities.

1 Some of the information provided in this report does not include Flinks Technology Inc. This has no significant impact on the information provided.

Governance

In order to ensure the organization, monitoring and continuity of our climate-related commitments, the Bank has put in place an effective governance framework, which notably covers oversight of climate opportunities and risks.

Board Oversight Role

The Board oversees environmental, social and governance (ESG) factors, including climate risks and opportunities, in order to meet the changing needs and expectations of stakeholders. The ESG organizational structure is designed for all levels of the organization to contribute to our objectives and commitments, including Board members who, through the various committees, exercise their role of oversight over ESG factors, including climate matters. Consequently, the Bank has adopted measures enabling it to extend its commitment in this regard, notably through structured governance and the deployment of a strategy based on the ESG principles adopted by the Board in 2019.

The Board makes certain that ESG governance practices are fair, transparent and supported by solid mechanisms, such as dialogue with stakeholders. The Board ensures that ESG factors are integrated into long-term strategic objectives while monitoring the progress of initiatives and commitments. The Board and certain of its committees—the Conduct Review and Corporate Governance Committee, the Risk Management Committee and the Audit Committee—have all been assigned responsibilities related to climate risks and opportunities (Table 1). They are established according to the committees' respective roles and their members' expertise. The goal is to ensure that the Bank's activities are conducted in accordance with high corporate responsibility standards. The Board and its committees are supported in their duties by the Senior Leadership Team and various internal committees, including the ESG Committee.

Table 1 – Key responsibilities of certain Board committees in relation to climate matters

Committee	Key responsibilities
Conduct Review and Corporate Governance Committee	› Oversee the Bank's ESG strategy › Keep abreast of ESG best practices › Ensure that the Bank operates in accordance with its one mission › Ensure that the Bank's ESG practices are sound and compliant with legislation › Examine certain Bank disclosures related to ESG, including the Sustainability Report, Climate Report, Corporate Social Responsibility Statement and Human Rights Statement › Monitor if Board members, officers and employees act ethically and responsibly › Oversee implementation of the Bank's consumer protection framework › Plan for the succession of Board members and committee and Board chairs
Risk Management Committee	› Ensure that the risk management framework and risk appetite take ESG risks into account, including climate risk › Monitor key and emerging risks, including ESG risks such as climate risk › Ensure that ESG risks, including climate risk, are properly identified, monitored and integrated into the risk management process › Review climate risk reports, including the Climate Report
Audit Committee	› Monitor trends related to control mechanisms and the integration of ESG factors into financial reporting

ESG Committee

The ESG Committee is led by the Chief Financial Officer and Executive Vice-President Finance. It is composed of experts representing the different sectors of the Bank, including several members of the Senior Leadership Team, who meet monthly. Its main function is to establish and support the Bank's ESG strategy, principles and commitments, while acting as an ambassador to promote them across the organization.

Supported by a management committee, three working groups and a team entirely dedicated to sustainability, the Committee oversees implementation of the recommendations of the TCFD, the United Nations Principles for Responsible Banking (PRB) and the Bank's climate commitments.

The ESG Committee reports as needed to the Senior Leadership Team on progress made toward ESG priorities and commitments, and twice a year to the Board's Conduct Review and Corporate Governance Committee. An organizational structure is in place to achieve these objectives (Figure 1). In addition, ongoing constructive dialogue among various internal and external stakeholders helps advance the Bank's ESG practices. An agile and client-focused approach, in addition to the engagement of the Bank's entire workforce, enables us to maximize our impact.

1 ESG Committee

Committee that establishes, supports and promotes the Bank's ESG strategy, principles and commitments across the organization.

2 Management Committee and three working groups

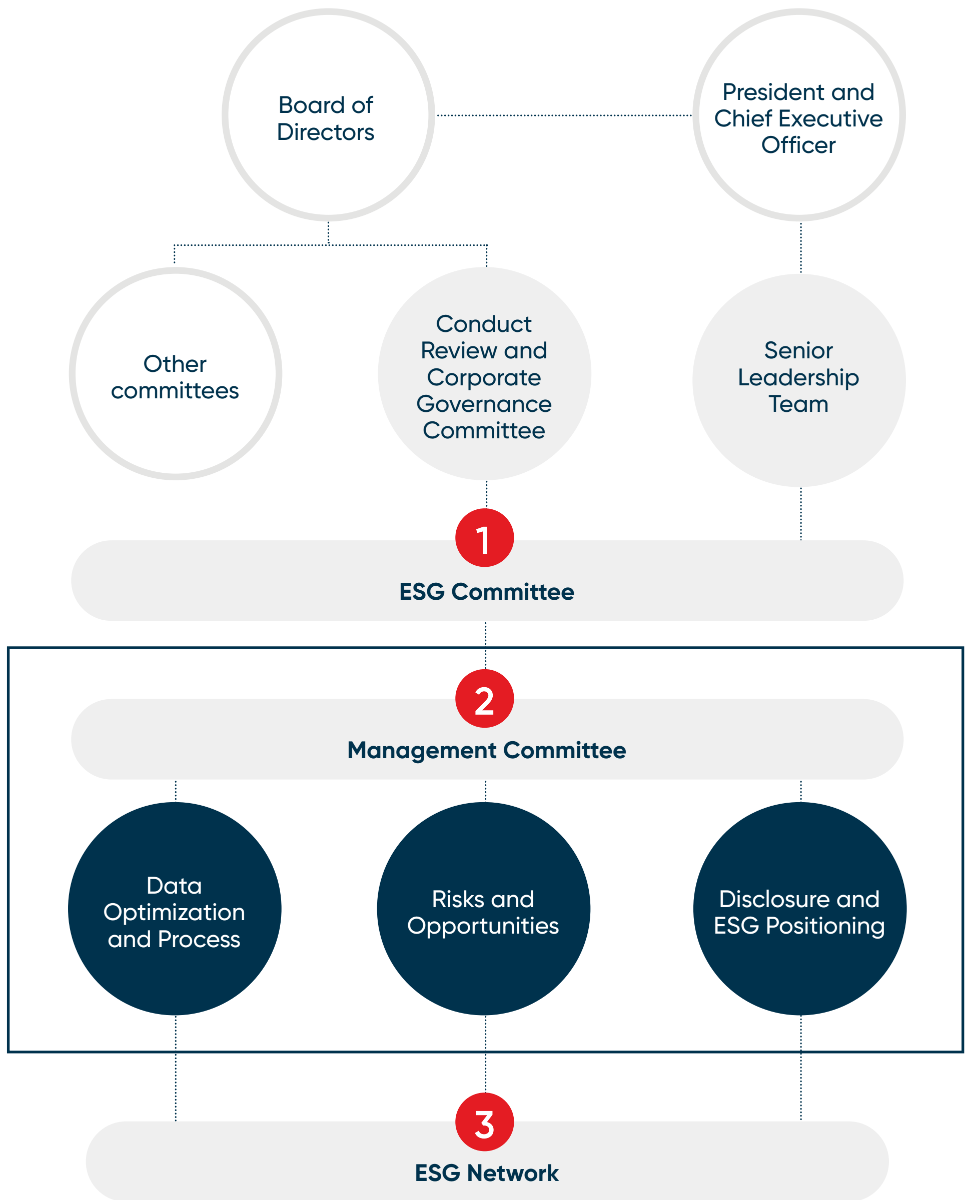
Groups with distinct roles and responsibilities to better advise the ESG Committee.
They support:

- Establishment of ESG principles and commitments and their alignment with business units
- Implementation of the ESG data management strategy
- Monitoring and disclosure of new regulatory and communication requirements

3 ESG network

Group of experts from each sector supporting working groups to continue our transformation in terms of sustainability.

Figure 1 – The Bank's ESG organizational structure



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Strategy

At the Bank, we recognize our responsibility and the role we have to play in supporting the transition toward a low-carbon economy and the fight against climate change.

Our ESG Principles

In 2019, the Bank adopted nine ESG principles to highlight the importance of sustainability, including three dedicated to the development of a low-carbon economy.

ENVIRONMENT

1. We consider the fight against climate change in our economic and community activities.
2. We support and advise our clients in their energy transition.
3. We manage and reduce our environmental footprint in all of our business segments.

Main United Nations Sustainable Development Goals covered by these principles

To learn more, consult the 2024 Sustainability Report in the Commitments and Impact section at nbc.ca.

Our Ambition and Priorities

The Bank's climate ambition is to be a key player in the fight against climate change and to support the transition to a low-carbon economy. We want to be a strategic partner for our clients in this transition, while taking into account their reality, initiatives in place and interdependencies throughout the economy. In 2021, in accordance with the Paris Agreement objectives, the Bank committed to achieving its net-zero objective by 2050 for its operational and financing activities. In addition, the Bank joined the Partnership for Carbon Accounting Financials (PCAF), a group of financial institutions that work together to develop a rigorous approach to assess and disclose the GHG emissions resulting from their financing and investment activities.

The Bank has also set itself three climate priorities linked to a concrete implementation plan that is framed by our financing and investment activities and by a rigorous decision-making process.

Table 2 – Our priorities, our implementation plan and our achievements

	1. Achieve net-zero by 2050	2. Support our clients	3. Exercise our thought leadership
Our climate priorities	2050 Reduce GHG emissions from our operational and financing activities.	Actively support and advise our clients in their transition to a low-carbon economy while promoting the development of the renewable energy sector.	Engage with our clients and collaborate with our peers, banking organizations and the public sector.
Our implementation plan	1.1 Set interim sector-specific targets for the reduction of financed emissions for carbon-intensive sectors and develop decarbonization strategies to achieve those targets. 1.2 Align our operations and business practices with our net-zero objective through the implementation of a robust decision-making process. 1.3 Increase the energy efficiency of our operations to achieve our 25% reduction target by the end of 2025.	2.1 Deploy sustainable finance products and services to support our clients in their transition. 2.1 Support the development of the renewable energy sector to contribute to decarbonization efforts.	3.1 Refine our engagement strategy with our clients to better advise them on their climate transition, and with the banking and public sectors to accelerate sustainable finance.
Our 2024 achievements	› Quantified our financed emissions from our loan portfolios for the most carbon-intensive sectors and monitored progress on reducing our financed emissions to reach our net-zero objective by 2050. › Opened our new head office, designed to meet energy efficiency standards.	› Offered sustainable funds for sustainable investment portfolios, representing $5.7 billion in assets. › Total lending commitment of $15 billion in renewable energy as at October 31, 2024. › New total lending commitment target of $20 billion in renewable energy by 2030.	› Organized three preparatory sessions for COP29 featuring international experts who spoke on navigating the realities of the transition and the impact of the political landscape on sustainability. › For the tenth consecutive year, organized an annual Canadian clean energy conference attended by a number of businesses.

For more details on the calculation methodologies used, see the Metrics and Targets section on page 29.

Future prospects

We recognize that the global transition requires sustained investment. We are determined to play an active role in the fight against climate change, while supporting the vitality and sustainability of the Canadian economy.

Our implementation plan continues to evolve to incorporate industry recommendations. As the availability and quality of climate data improves, so do our methodologies, making it easier to track our commitments across our diverse activities and allowing us to support our disclosure when evaluating our performance against these commitments. We continue to monitor the situation to ensure that we are implementing good practices and complying with current regulations.

1. Achieve Net-Zero by 2050

1.1 Set sector-specific decarbonization targets and strategies

Since 2021, the Bank has quantified its financed emissions for the most carbon-intensive sectors using the PCAF methodology. The Bank has set interim reduction targets toward its net-zero objective for its loan portfolios in the following sectors:

- Oil and gas producers
- Commercial real estate
- Power generation

To meet its interim targets, the Bank has developed financing strategies adapted to each business sector, with an emphasis on supporting our clients in their decarbonization process.

Table 3 – Sector-specific financing strategy to reach our interim targets compared to 2019

Sectors	Oil and gas producers	Commercial real estate	Power generation
Interim targets for reducing financed emissions	31% reduction in portfolio carbon intensity by 2030 (Scope 1 and 2 emissions) 31% reduction in portfolio carbon intensity by 2030 (Scope 3 emissions)	50% reduction in portfolio carbon intensity by 2030 (Scope 1 and 2 emissions)	33% reduction in portfolio carbon intensity by 2030 (Scope 1 emissions)
Strategies	› Implement a risk management process including a climate risk sensitivity test, an impact simulation and an assessment of the decarbonization plan. › Provide strategic support for existing clients in the execution of their transition plan, adapted to their geographic location and economic environment.	› Implement a financing strategy to optimize the portfolio mix, with an emphasis on commercial real estate projects in Quebec, and to prioritize buildings with a low-energy footprint, such as those using hydroelectric power.	› Add additional restrictions for existing clients, as well as an exclusion threshold for new clients operating in the thermal coal subsector.

To learn more about our progress in regard to our sector-specific emissions reduction targets, see the Metrics and Targets section on page 29.

1.2 Align our operations and business practices with our net-zero objective

Governance

Our ESG governance structure is designed to frame the implementation of our initiatives and support the achievement of our net-zero objective. The structure is divided into three working groups, each with defined roles and responsibilities. These groups work in particular to:

- Support the establishment of ESG principles and commitments and their alignment with business lines
- Implement the ESG data management strategy
- Monitor and disclose new regulatory and communication requirements

This allows us to address climate issues in a coordinated manner. Jointly, our three business sectors (Personal and Commercial Banking, Wealth Management and Financial Markets) ensure that the Bank's net-zero objective is considered when developing their respective strategy and decision-making process, which are specific to their clients' business realities.

To learn more about our governance structure, consult page 6 of this report.

Risk management

Our business model is constantly evolving to align our practices with our net-zero objective and our climate commitments. The Bank continues to integrate climate risk into its risk management framework. We are refining our analytical capabilities, including scenario analysis, to identify, quantify and disclose the vulnerability of various business sectors and industries to climate risk. We are gradually integrating climate indicators into the risk appetite framework, and ESG criteria into the credit granting and private investment process. We also continue to work with our peers, regulatory agencies and international organizations to improve our climate risk management and disclosure framework.

To learn more about our risk management framework, consult page 21 of this report.

Climate commitments

In addition to our reduction targets, we aim to meet rigorous standards in climate risk management. As a result, the Bank has made the following commitments:

- Not to offer or grant new financing for oil and gas exploration, exploitation or production in the Arctic.
- Not to provide financing as a lender to any new thermal coal mines or new clients who derive more than 25% of their revenues from operating thermal coal mines. We will continue to support existing clients who have net-zero commitments by 2050 or have publicly committed to phasing out their thermal coal activities.
- Not to fund, invest in or provide loans for the development or construction of new coal-fired power plants.
- Not to provide any financing as a lender or holding equity securities for any new clients generating more than 10% of their power from a coal-based production capacity unless the funds are used to finance the energy transition.
- To support new and existing clients who own and acquire existing coal power generation assets as long as they are committed to achieving net-zero by 2050 or publicly engaged to phase out their thermal coal activities.

By adopting a disciplined and measured approach, we aim to amplify our contribution to the energy transition from a responsible and sustainable economic development perspective.

To learn more about our climate commitments, consult page 36 of this report.

1.3 Increase the energy efficiency of our operations

To reduce our operational emissions, we are focusing on several initiatives:

Energy efficiency

As a large portion of our emissions come from electricity and fuel consumption within our real estate portfolio, energy efficiency is a priority for us. Every year, we analyze the carbon intensity of our buildings and the availability of energy sources to promote the use of renewable or low-carbon energy where possible. In Quebec, Ontario and Manitoba, we are gradually retiring heating, ventilation and air conditioning (HVAC) equipment that uses natural gas, fuel oil or heating oil and replacing it with electric or dual-energy systems.

Eco-friendly development

The Bank attaches great importance to the eco-friendly features of its buildings. We have introduced development standards inspired by eco-friendly design criteria, and systematically apply them to major investment projects. For example, the Bank purchases low-flow plumbing fixtures, LED lighting, smart controls to reduce energy use, and finishing products, furniture and equipment from provincial and Canadian suppliers. This practice applies to all of its buildings in Canada.

We also monitor best practices in dynamic workspace design. For example, we pay particular attention to workstation ergonomics by specifying adjustable and modular equipment to enhance comfort for as many people as possible. The work environment is designed to encourage collaboration and meetings, as well as the health and well-being of employees.

Charging stations

In 2018, the Bank launched a project to install electric vehicule charging stations in the parking lots of several branches. Charging stations will now be installed near buildings targeted by major investment projects when possible, in accordance with our rollout strategy. Since the launch of this initiative, 47 charging stations have been installed at 25 sites, and we are continuing to add more in the communities we serve.

INAUGURATING OUR NEW SUSTAINABLE HEAD OFFICE

The Bank's new head office, National Bank Place, is located in the heart of Montreal's Quartier de l'innovation. Standing at nearly 200 metres, this 40-storey building was designed to meet energy efficiency and accessibility standards. Our goal is to comply with LEED v4 Gold and WELL standards. The tower includes 400 bicycle parking spots and close to a hundred charging stations for electric vehicles. In addition, the number of charging stations can be adjusted according to our needs.

We aim to offer our employees the most stimulating work environment in the country. Our new head office is filled with natural light and provides a welcoming, informal environment that fosters conversation and collaboration. Employees enjoy access to a health and wellness floor offering various services, including group and individual fitness sessions, a lounge and training on health-related topics to promote a healthy lifestyle. The building also houses a childcare centre, a nursing space and a zen space for meditation, contemplation and relaxation.

At the base of the tower is Michel-Bélanger Park, a new 40,000 sq. ft. space created to be accessible to the community.

TEAMS MOBILIZED FOR THE ENVIRONMENT

This year, a new awareness campaign was launched at National Bank Place. Ecoambassadors, who are committed to limiting our impact on the environment, carried out "EcoBlitzes," making themselves available at the end of mealtimes to guide and inform their colleagues on optimal waste management and the importance of reduction at source.

The new head office is equipped with sorting facilities, including recycling and composting, and explanatory signs to make it easier for all employees to understand the system.

2. Support our Clients

2.1 Develop sustainable finance products and services

The Bank offers innovative financing solutions to clients who want to raise capital for green, social, sustainability and transition initiatives. Each of our business sectors deploys a range of products and services to support and assist their clients in the transition to a low-carbon economy.

Table 4 – Products and services offered by our business sectors

Business sectors	Products and services
Personal and Commercial Banking	**Support for individual clients** Products and services that promote the eco-friendly habits of our individual clients, including interest rate discounts when financing a sustainable vehicle. **Sustainable finance products and services** Capital to support our clients in their transition through our sustainable finance product and service offering, including green, social, sustainable, transition and sustainability-linked loans. **Support for cleantech companies** Advisory, coaching and financial services tailored to fast-growing cleantech companies across Canada, through the Technology and Innovation Banking Group.
Wealth Management	**Responsible investing** Responsible investment products, including sustainability funds.
Financial Markets	**Sustainable finance products and services** Support for our clients in their transition through our sustainable finance product and service offering, including green, social, sustainable, transition and sustainability-linked bonds and loans. **Clean technology investment banking** Strategic consulting services to several hundred cleantech companies across Canada through a dedicated group.

Personal and Commercial Banking

Sustainable vehicle loans

To support our clients' transition to greener vehicules, the Bank offers interest rate discounts on financing for the purchase of a sustainable all-electric, plug-in hybrid or hydrogen vehicle. These products are available across Canada through the Bank's distribution network and our affiliated merchants, making them as accessible as possible.

Green loans for the commercial real estate sector

To support commercial real estate sector clients in their sustainability journey, the Bank has set green loan issuance targets. In 2024, it granted or certified 36 green loans for a total of $1.78 billion, exceeding the established annual target of $1.25 billion.

In collaboration with Canada Mortgage and Housing Corporation (CMHC), green loans can provide more advantageous terms and conditions to support clients with their sustainability strategies. The Bank made 28 loans under CMHC's MLI Select program for a total of $1.24 billion, in addition to eight conventional green loans totalling $552 million.

Commercial real estate teams also had training workshops to fine-tune what they learned in 2023 about sustainability and our green commercial real estate taxonomy. A number of processes were reviewed to facilitate discussions and the issuance of green loans. Since this is a rapidly evolving sector, the documentation is constantly being revised to keep it current so we can improve our service offering.

Cleantech companies

Over the past fiscal year, the Technology and Innovation Banking Group continued to offer advice, support and financial services tailored to the needs of rapidly growing technology companies across Canada. These companies include those in the clean technology sector that have developed major software or hardware innovations for carbon capture, energy optimization, sustainable fuels, electric vehicle charging and climate intelligence solutions.

MARINELABS

MarineLabs is a coastal intelligence company data provider, transforming marine safety and building climate-resilient coastlines. Founded in 2017, this British Colombia-based company offers the world's highest resolution real-time and predictive wind, wave, and weather data and AI-driven insights from its expanding North American-wide fleet of rugged, cloud-connected instruments.

Wealth Management

National Bank Investments

National Bank Investments Inc. (NBI) aims to be an accelerator promoting the growth and development of investment solutions and services to help Canadian investors achieve their financial goals.

With $5.7 billion in assets under management in responsible investment products as at October 31, 2024, NBI is committed to being an agent of change toward more sustainable finance. The team published a white paper on the integration of climate risks into portfolio management and launched sustainable managed solutions, i.e., a range of diversified portfolios adapted to different client risk profiles.

To maintain high standards of client support, a second training session on responsible investing was provided in 2024 to nearly 1,200 employees of the Bank's advisory forces.

To learn more, consult NBI's Report on Responsible Investment Advances in the Responsible investment section at nbinvestments.ca.

Financial Markets

Sustainability Bond Program

In 2018, the Bank developed one of the first Canadian reference frameworks for issuing sustainability bonds. This framework was externally reviewed to confirm alignment with ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

Under this reference framework, our proceeds can be used to finance or refinance, in whole or in part, eligible businesses or projects that fall into nine categories including Renewables, Sustainable Buildings, Affordable Housing, and Access to Basic and Essential Services. As at October 31, 2024, the proceeds of green and sustainability bonds has been used to finance over $3.0 billion in eligible projects.

To learn more, consult the Sustainability Bond Report in the Capital and debt section at nbc.ca.

Clean Technology Investment Banking

During the past fiscal year, the Bank continued to support several hundred cleantech companies across Canada through the Clean Technology Investment Banking Group. The Group provides strategic advice in five vertical sectors and has supported the deployment of over $4 billion over the past four years.

2.2 Support the development of the renewable energy sector

Since 2019, the Bank has demonstrated significant progress towards its initial commitment to grow the proportion of loans related to renewable energy at a faster pace than the proportion of loans related to non-renewable energy.[1] In 2023, for the first time, total renewable energy lending exposure surpassed exposure to non-renewable energy.

We have grown our renewable energy financing threefold since 2019 to reach $15 billion in total lending commitments, reflecting a deliberate and disciplined approach to scaling investments in renewable energy and positioning the Bank amongst the leaders in North America. Our progress to date reflects the Bank's ability to deploy capital effectively, supported by the deep expertise of its teams and strengthened by partnerships cultivated with renewable energy developers.

To advance to the next phase of our renewable energy financing strategy, we are setting a new target:

$20B **of total lending commitments in renewable energy by 2030.**

Factoring in expected amortization and repayments of the existing portfolio through 2030, this new target translates into close to $10 billion in additional renewable lending commitments over the next six years.

Through this commitment, the Bank is reaffirming its support to this sector with capital to build capacity for large-scale projects in the wind, solar, and hydro sectors. By financing these projects, we aim to contribute to diversifying energy supply, enhancing energy security and mitigating emissions associated with power generation. This approach also aligns with our 2030 target for the Power Generation sector, which aims to achieve a 33% reduction in Scope 1 emissions intensity – see page 41 for more details.

PATTERN ENERGY GROUP LP

The Bank acted as an initial coordinating lead arranger, joint bookrunner and co-green loan structuring agent by providing underwriting of US$775 million on the US$8.8 billion financing of a 3.5 GW wind project and a transmission line of over 550 miles, known as SunZia.

This project is being developed by leading power developer Pattern Energy Group LP, a portfolio company of the Canada Pension Plan Investment Board (CPPIB) and is the largest clean energy infrastructure project in US history.[2]

SOLAR LANDSCAPE LLC

Solar Landscape LLC is a fully integrated community solar developer based in New Jersey with experience across 200+ community solar projects representing over 175 MW of capacity.

In October 2024, National Bank acted as a green structuring agent and coordinating lead arranger on Solar Landscape LLC's US$283 million green loan with social co-benefits for the construction of a 107 MWdc community solar portfolio of 101 rooftop solar photovoltaic energy projects in New Jersey. Solar Landscape's inaugural green loan with social co-benefits was inspired by the Green Loan Principles developed by the Loan Syndicated Trading Association and is specifically designed to support investment in renewable energy.

The portfolio will deliver affordable clean energy at discounted tariffs to subscribers across New Jersey, as per the state of New Jersey's Community Solar Energy program requirements and equity goals. At least 51% of the portfolio's output will be sold to low- and medium-income subscribers. Solar Landscape will also report on the percentage of generation allocated to these customers.

1 Based on the segmentation of the Bank's industry sectors, loans associated with non-renewable energy include borrowers in the utilities sector (including pipelines and loans linked to the production, transport and distribution of electricity and natural gas), the oil and gas sector and the thermal coal mines sector. Loans associated with renewable energy include activities related to hydropower, wind and solar energy production and related transmission and distribution infrastructure.

2 Source: SunZia Wind and Transmission, https://patternenergy.com/projects/sunzia.

3. Exercise our Thought Leadership

3.1 Refine our engagement strategy

The Bank's stakeholder engagement strategy is designed to reinforce our shared goal of transitioning to a low-carbon economy. The Bank works closely with its clients, peers in the banking sector, regulatory agencies, international organizations, government bodies and its shareholders and investors to discuss common issues related to climate change. During these discussions, the Bank applies a guideline that establishes certain priorities for dialogue and engagement with stakeholders.

Client engagement

Our goal is to support our clients in their transition to a low-carbon economy by guiding and advising them.

For sectors with the highest emissions, we have a process in place that uses an ESG questionnaire to help us understand our clients' level of maturity with regard to their transition. Sectors facing the highest climate and transition risks are prioritized on the basis of the authorized amount made available to them. We support these clients by engaging with them and providing strategic advice and financing, based on their geographic location and economic environment.

Banking sector engagement

The Bank collaborates with banking peers on several national and international joint climate-change initiatives. Activities within these initiatives include:

- Standardization of methodologies for calculating financed emissions
- Monitoring of best practices and new regulations
- Governance and overall alignment of climate change disclosures.

Public sector engagement

The Bank participates in a range of initiatives, including public consultations, round tables, surveys, conferences and forums to improve practices in the fight against climate change and the transition to a low-carbon economy. Here are a few examples:

- Supported and participated in the Sustainable Finance Summit, a major event hosted by Finance Montréal.
- Sent a delegation to Climate Week NYC, which aims to find solutions to the climate crisis. In 2024, National Bank Financial Markets hosted an exclusive event for our clients on the influence of the current U.S. political context on climate policy.
- Participated in a working group under the leadership of Circular Economy Leadership Canada (CELC) and the United Nations Environment Programme Finance Initiative (UNEP FI), which led to the development of a new taxonomy guide for the circular economy, enabling Canada to contribute to the global dialogue on circular finance.
- Signed an open letter written by the organization Clean50, calling on the federal government to implement a sustainable investment taxonomy as soon as possible.
- Participated in public consultations held by regulatory bodies in various industries: International Sustainability Standards Board (ISSB), Canadian Sustainability Standards Board (CSSB), Office of the Superintendent of Financial Institutions (OSFI).

Table 5 – Involvement of the Bank in national and international climate change initiatives

National and international initiatives	Bank's participation
Canadian Bankers Association (CBA)	The CBA enables the sector to maintain a dialogue with stakeholders, including regulators and governments, on various issues and policies that affect financial institutions. We participate in several CBA working committees, some of which deal with climate-related issues.
Carbon Disclosure Project (CDP)	The Bank has been participating in CDP reporting since 2010. Every year, it publishes answers to this questionnaire aimed at measuring our climate opportunities and risks.
Climate Engagement Canada (CEC)	NBI has been a signatory since 2021 to the CEC initiative, which promotes dialogue between the financial community and issuing companies to promote a just transition to a net-zero economy.
International Capital Markets Association (ICMA)	The Bank has developed a framework for issuing sustainable bonds in accordance with the ICMA Green Bond Principles and Social Bond Principles. The ICMA represents financial institutions that operate in global capital markets.
Partnership for Carbon Accounting Financials (PCAF)	In 2021, the Bank joined the PCAF, a global partnership of financial institutions that work together to develop a rigorous approach to assess and disclose the GHG emissions resulting from their financing and investment activities. The Bank is an active member of the PCAF working group, contributing to the improvement of methodologies and climate data quality.
Risk Management Association (RMA) – Climate consortium	As a member since 2021, the Bank is committed to developing frameworks and recommendations for governance, disclosure and risk management principles, sharing experiences with peers and helping to advance the sector on climate risk.
Statement by the Québec Financial Centre for Sustainable Finance (Finance Montréal)	The Statement by the Québec Financial Centre for Sustainable Finance is a charter of commitments by stakeholders in the Quebec financial sector in favour of finance that is based on responsible principles. The Bank became a signatory to the Statement in October 2021.
Task Force on Climate-related Financial Disclosures (TCFD)	The Bank uses the TCFD's recommendations to publish its annual climate report outlining climate opportunities and risks and how we manage them. The TCFD is now part of the International Sustainability Standards Board (ISSB), and we are actively following the development of new disclosure standards.
UN Environment Program Finance Initiative (UNEP FI)	The Bank has been providing ongoing support to UNEP FI for years. As part of this support, the Bank works with the UNEP FI community on a wide range of issues, including climate and biodiversity.
UN Principles for Responsible Banking (PRB)	The Bank became a founding signatory to the PRB in 2019. This unique reference framework aims to align the signatory banks' strategies and practices with SDGs and the Paris Agreement. The Bank publishes an annual progress report.
UN Principles for Responsible Investment (PRI)	Since 2019, NBI has been a signatory to the PRI, the world's leading promoter of responsible investing, which has an international network of signatories that incorporate ESG factors into investment analysis, decision-making and shareholder practices.
UN Sustainable Development Goals (SDG)	We use SDGs as a guide in developing our initiatives and commitments. We contribute to 12 of the 17 SDGs. These actions are described in the 2024 Sustainability Report.

Risk Management

In line with regulatory expectations and mindful of its role in supporting the transition to a low-carbon economy, the Bank continues to integrate climate issues into its risk management framework.

Climate risk involves the possibility that the consequences of climate change could lead to a loss of financial value for the Bank or affect its activities over the short (less than three years), medium (three to ten years) or long (more than ten years) term.

We can define climate risks into two categories.

- **Physical risks:** Potential impacts of more frequent and more intense acute climate episodes (extreme weather events) or chronic ones (increase in the frequency and severity of forest fires, flooding or rising sea levels).
- **Transition risks:** Potential impacts of the transition to a low-carbon economy through technological changes, political or public policy shifts to reduce emissions, or regulatory changes. These impacts can have an effect not just on the economy as a whole, but also on specific sectors and portfolios.

Climate risks can also impact the risks inherent in our activities such as credit risk, market risk, liquidity and financing risk, and operational risk. In addition, the rapidly changing global regulatory environment, the commitments and frameworks we adhere to, and stakeholder expectations may create reputational and compliance risks, in addition to increasing the risk of legal action. The Bank is directly exposed to these risks through its own activities and indirectly through the activities of its clients.

Governance

Our risk appetite

The risk appetite represents the overall level of risk the Bank is prepared to assume in order to achieve its business strategy. Risk appetite targets are set by taking into account the expectations of our stakeholders, including our clients, our employees, the communities in which we operate, our shareholders and regulatory bodies. The Bank's management and business sectors are involved in the risk appetite determination process and are responsible for monitoring the identified risk indicators. The Bank communicates its appetite for climate risk through guiding principles and statements aimed at achieving our ESG priorities and commitments. Monitoring is carried out using climate indicators that are aligned with the Bank's priorities of reducing emissions from our operational and financing activities and supporting the development of the renewable energy sector. Results are presented quarterly to the Board's Risk Management Committee.

Risk management framework

In 2024, a climate risk management standard was developed to establish a consistent framework across the organization. The framework is based on four dimensions: identification, assessment, management and monitoring, and disclosure (Figure 2). For climate risk management, the Bank uses the same governance as that in place for all its risks. Based on three lines of defence, this model clearly defines the roles and responsibilities of each line and enables the use of an effective management framework (Figure 3). As the second line of defence, risk management teams promote sound and effective management of the risks facing the Bank. The concept of climate risk is also introduced in several of our policies and in the internal risk management activities that feed into the risk inventory and the internal capital adequacy assessment process (ICAAP). We monitor risk assessment and mitigation as well as required capitalization, where necessary.

Figure 2 – Climate risk management framework

Identification
Climate risks and their cross-sector impacts on all other risks facing the Bank are identified and documented in detail.

Assessment
The potential impact of climate risks on assets and operations, and on our risk appetite, is assessed using both a quantitative and qualitative approach.

Management and monitoring
Management and control processes ensure material climate risks are measured, monitored and reported in a timely manner.

Disclosure
The main considerations related to climate risks are included in internal and external reports.

Figure 3 – Roles and responsibilities of the Bank's three lines of defense

First line
Business sectors are responsible for identifying, assessing and documenting the climate risks inherent in day-to-day operations by deploying management and monitoring tools aligned with risk appetite, policies and risk management standards.

Second line
Risk management ensures oversight of management practices and an independent critical review of the first line of defence. It promotes and reports on sound and effective risk management.

Third line
The internal audit provides independent assurance on the effectiveness of key governance, risk management and internal control processes and systems, and provides recommendations and advice to promote the Bank's long-term stability.

Identification

The Bank has set up internal tools that identify and document climate risks. These tools enable users to better understand their cross-sector impacts on all other risks facing the Bank. Table 6 illustrates how the different climate risk categories could potentially impact our clients' activities and our operations through different channels, and how we mitigate these risks.

Table 6 – Potential impacts of climate risk towards the main risks in the short (ST), medium (MT) or long (LT) term

Principal risks	Impacts	Horizons	Mitigation actions
Credit risk	**Physical risks** – Damage to collateral held on bank loans and potential disruption to clients' supply chains, which may lead to reduced repayment capacity or higher losses in the event of default.	ST, MT, LT	› Vulnerability assessment of the loan portfolio, segmented into five levels based on climate risk sensitivity (from very low to very high) › Analysis of climate scenarios to assess the financial impact on credit loss provisions. › Process for determining concentration limits for certain industry sectors to account for the potential impact of climate risk.
	Transition risks – Increased probability of default due to increased costs or decreased revenues associated with the transition to a low-carbon economy. Increased loss in the event of default following a decrease in the value of collateral assets due to their obsolescence in relation to the energy transition.	MT, LT	
Market risk	**Physical risks** – Production instability in the corporate primary sector, which could lead to increased volatility in commodity prices.	MT, LT	› Integration of the consequences of climate events into broader economic and financial scenarios used in the stress tests performed periodically by market risk teams.
	Transition risks – Impacts on market variables, such as stock and commodity prices, as a result of tightening regulations and fluctuations in demand for products and services in emitting sectors.	MT, LT	
Operational risk	**Physical risks** – Disruptions to day-to-day operations, damage to critical infrastructure and increased likelihood of downtime.	ST, MT, LT	› Expanded scope of the operational risk taxonomy to better identify the sensitivity of our own operations to climate events. › Disaster risk management program that considers various scenarios to assess the impact of extreme weather events on our operations.
	Transition risks – Impacts of new legislation and/or regulations whose requirements could lead to significant changes in processes, resulting in increased costs.	MT, LT	

Principal risks	Impacts	Horizons	Mitigation actions
Reputation risk	**Transition risks** – Negative perceptions related to funding and investment decisions for emitting sectors that could be considered non-aligned with our stakeholders' expectations.	ST, MT, LT	› Open and transparent communication with stakeholders on their concerns in relation to climate issues and managing emerging climate issues. › Quarterly review and disclosure to the Board's Risk Management Committee.
Legal risk	**Transition risks** – Misalignment of climate risk management and disclosure considered to be greenwashing and resulting in legal action by stakeholders and substantial financial penalties.	MT, LT	› Disclosure subject to a rigorous governance process including Board validation. › Ongoing monitoring of regulatory requirements.
Third-party risk	**Physical risks** – Operational disruptions among suppliers and service providers, potentially affecting the supply chain and the level of service expected from the Bank.	ST, MT, LT	› Assessment of the impact of extreme weather events on the supply chain and third parties integrated into the disaster risk management program.
Business continuity risk	**Physical risks** – Operational disruptions threatening the Bank's business continuity.	ST, MT, LT	› Disaster risk management program that considers various scenarios to assess the impact of extreme weather events on our operations.
	Transition risks – Increased costs and risk of non-compliance and legal liabilities, threatening the continuity of the Bank's business due to new legislation and/or regulations.	ST, MT, LT	
Strategy risk	**Transition risks** – Inability of the Bank to implement strategies and decision-making processes to deal with the transition and associated changes in the business environment.	LT	› Three climate priorities and an implementation plan guided by structured financing and investment activities, incorporating commitments, targets and a rigorous governance process.

Assessment

The Bank proactively monitors the climate risk exposure of its sectors of activity in relation to its risk appetite and established limits. Top and emerging risks include those that could have a material adverse impact on the Bank's financial results, reputation, business model and long-term strategy, particularly credit, market and operational risks. We therefore analyze various climate scenarios to help assess the impact of climate risk on material risks.

The Bank's exposure to climate-change credit risk is assessed through various control and oversight mechanisms. For example, a qualitative assessment of the vulnerability of the loan portfolio to physical and transition risks is carried out for all financing activities. More specifically, this analysis is segmented into five levels based on climate risk sensitivity (from very low to very high) and is refined over time in line with our assessment and scenario analysis activities.

Concentration risk for the loan portfolio is also assessed periodically to ensure that there is no significant impact related to climate change. A matrix that cross-references physical and transition risk by sector and by industry has been in use since 2020, providing a clearer picture of which sectors are the most vulnerable to climate risks (Table 7).

These initiatives enable us to align our priorities and implement concrete metrics as part of the periodic review process for sector limits, where each sector has a section detailing inherent climate risks, including an assessment of physical and transition risks. The Bank monitors changing trends and calculation methodologies and actively participates in various industry discussion groups.

Climate scenario analysis

For the past four years, the Bank has been conducting analyses of the impact of physical and transition risks on its loan portfolio using various climate scenarios. These analyses allow us to quantify potential climate impacts on asset activities and financial performance based on several plausible scenarios. This facilitates decision-making and mitigation strategies over various time horizons. These financial impacts may then be used to estimate portfolio expected loss (EL), probability of default (PD) and loss given default (LGD) for each scenario.

In 2024, we participated in a climate scenario analysis exercise inspired by the pilot project of an international central bank. This initiative enabled us to assess our ability to participate in an exercise of this scale and to advance our analysis methods. The exercise was applied to a sample of companies in vulnerable sectors such as power generation, oil and gas production and residential and commercial buildings. For physical risk, we used data such as geolocation or a type of weather event. For transition risk, we used certain financial statement elements, GHG emissions and the transition plan.

The Bank also participated in OSFI's Standardized Climate Scenario Exercise (SCSE), which will be used to measure the exposure of financial institutions to climate risks and provide a better understanding of the effects of these risks on institutions, their counterparties and the sector as a whole. Through this exercise, the Bank continued to enhance its capabilities and increase its understanding of climate scenario analysis.

Table 7 – Vulnerability of the loan portfolio to climate risks as at October 31, 2024[1]

Loan portfolio	Physical Risk	Transition Risk	Share of loan portfolio (%)	Credit risk exposure ($M)
Residential Mortgages	Moderate	Low	26%	89,766
Qualifying Revolving Retail	Low	Low	4%	15,202
Other Retail	Low	Low	6%	19,800
Agriculture	High	Moderate	3%	8,733
Oil and Gas	High	Very High	1%	3,806
Mining	Moderate	High	1%	3,765
Utilities	High	Moderate	5%	18,319
Pipelines	Moderate	Very High	1%	5,042
Construction Non-Real Estate	Low	Moderate	1%	3,220
Manufacturing	High	High	3%	11,659
Wholesale Trade	Moderate	Low	1%	4,029
Retail Trade	Moderate	Low	2%	5,435
Transportation	High	Moderate	2%	5,675
Communications	Low	Low	1%	4,010
Finance and Insurance	Moderate	Moderate	15%	50,702
Real Estate and Construction	High	Moderate	8%	27,867
Professional Services	Very Low	Very Low	1%	3,820
Education and Health Care	Low	Very Low	1%	3,966
Other Services	Low	Low	3%	10,423
Government	Moderate	Moderate	9%	30,178
Other	Moderate	Moderate	6%	19,723
Total			**100%**	**345,140**

Risk assessment

Very Low
Low
Moderate
High
Very High

To learn more about portfolio management by sector, consult the Managing the loan portfolio section on page 27.

1 Exposure is calculated as the total exposure to credit risk and includes amounts drawn, undrawn commitments and other off-balance-sheet items as presented on page 87 of the 2024 Annual Report. The distribution by industry is identical to the one presented on page 25 of our Supplementary Regulatory Capital and Pillar 3 Disclosure – Fourth Quarter 2024.

Management and Monitoring

Rapidly changing economic, regulatory, technological and market environments could also affect some or all of the Bank's activities. We cannot predict the effectiveness of public policies or regulatory developments. That said, we must remain vigilant in order to reduce our exposure to these risks and seize new growth opportunities. We will continue to closely monitor related developments and implement our climate risk management framework. In addition, we are training teams across the organization in climate risk management, especially first line of defence teams in direct contact with clients.

In addition, with a view to advancing the integration of climate risks, the Bank will continue to optimize its existing frameworks:

- Business continuity plans
- Operational risk management program
- Disaster risk management program

Managing the loan portfolio

Climate risk integration is done through due diligence, in particular when granting credit. The sectors that generate the most greenhouse gas emissions have been prioritized, based on the amounts made available to them. These sectors include oil and gas, real estate, mines, transportation and industrial activities as identified by PCAF.

Our credit risk analysis framework includes a questionnaire on the ESG and climate challenges facing our clients. It includes the collection of information on their carbon footprint, strategic positioning and the existence of a transition plan (commitments, reduction targets, diversification of activities) as well as a climate risk classification by sector and industry.

Since 2023, we have been collecting information from clients across our entire large company and commercial real estate portfolios. Using this data, we assess, among others, the acute and chronic physical risks specific to each client, the percentage of assets held in climate-sensitive regions and the risks related to their supply chain. For transition risk, we analyze their energy transition measures, their use of climate scenario analyses and the impact of current or future regulations on their activities. These topics are discussed with our clients at least once a year, during the credit granting, review and renewal process. This information gathering enables us to guide and support our clients in their transition.

Moreover, to ensure sound credit risk management, separate parties in the Risk Management and Management teams (independent from the business lines) are responsible for each credit origination decision, depending on the size and level of risk associated with the credit transaction in question. Decision-making authority in this regard is delegated as described in the credit risk management policy. Large credits and credits that involve higher risk for the Bank are subject to an approval process involving several hierarchical levels. The Global Risk Committee, which is made up of members of senior management, approves and monitors all large credits (including in terms of climate risk). Credit applications that exceed management authority are submitted to the Risk Management Committee of the Board for approval.

Disclosure

The identification, assessment and management of climate risks are part of our internal and external disclosures. Internal reports are periodically presented to senior management, executive committees and the Risk Management Committee of the Board, in accordance with established governance practices. We also produce external reports, including this report and the annual report, to inform our stakeholders of the progress of our work.

Metrics and Targets

To fight climate change, the Bank has implemented various metrics and targets to reduce its GHG emissions.

Operational Emissions

Target and perimeter

25% reduction in operational emissions by 2025 compared to 2019.

This target covers Scope 1, 2 and 3 emissions. Scope 3 emissions only include employee business travel and paper consumption as part of the supply chain. This target includes our activities in Canada and the United States, as well as those of our subsidiary in Dublin, our branch in London and our representative offices abroad. It excludes our activities in Cambodia and Thailand.

To learn more about the Bank's total operational carbon footprint, consult Appendix 2 on page 46.

Methodology

This absolute target is set on the basis of science using the Science Based Targets initiative's (SBTi) Absolute Contraction Approach, which aims to limit global warming to 1.5°C. To track this target, the Bank accounts for its emissions according to the Greenhouse Gas Protocol (GHG Protocol) methodology. GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO_2e). Emissions are divided into the following categories:

- **Scope 1 emissions**: Fuel consumption, refrigerants for air conditioning systems and vehicle fleet.
- **Scope 2 emissions**: Electricity and steam purchases.
- **Scope 3 emissions**: Employee business travel and paper consumption only.

Figure 4 – Our operational emissions between 2019 and 2024 (tCO_2e)

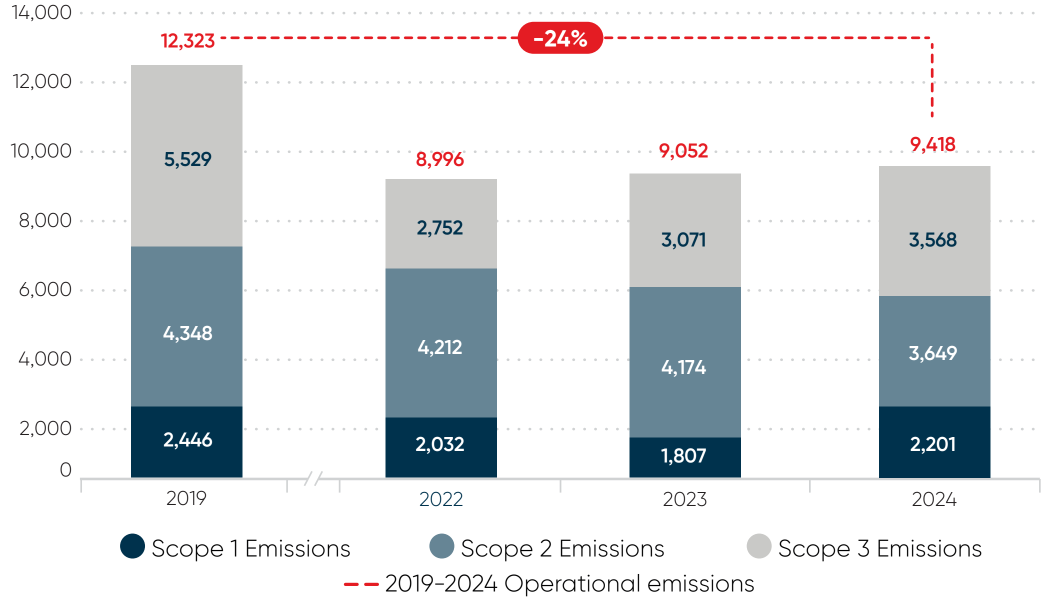
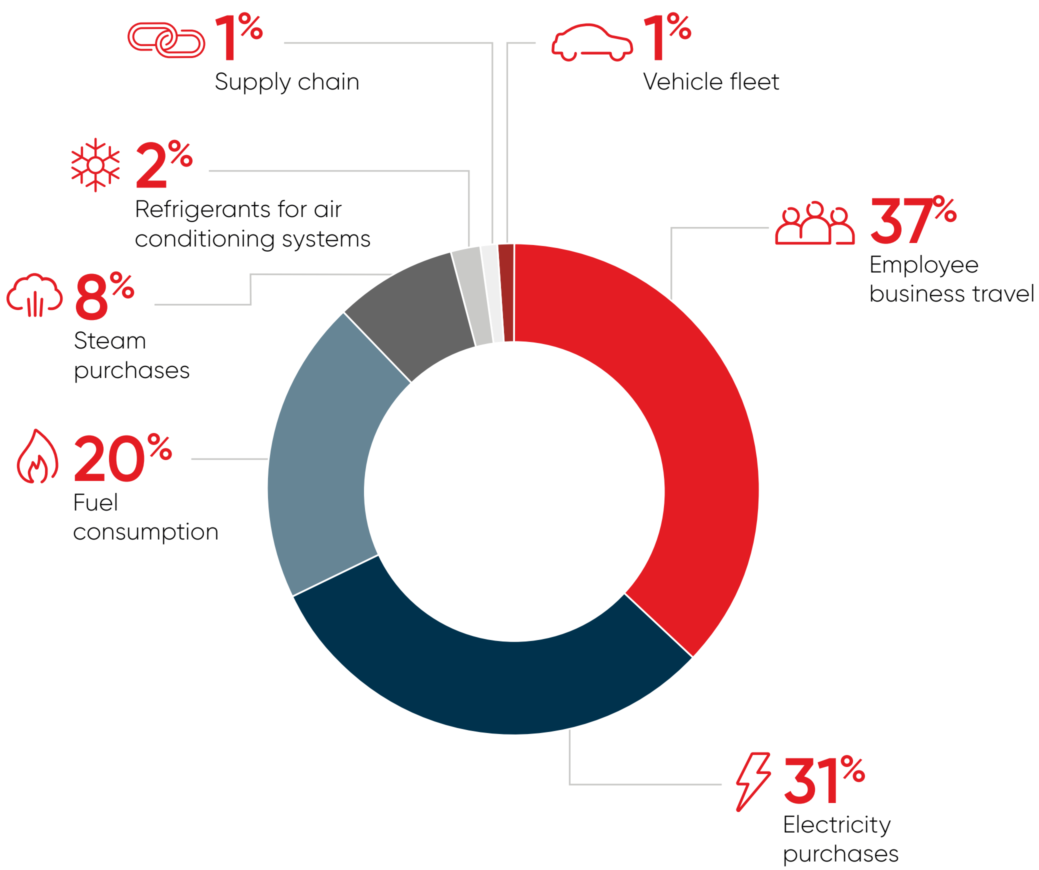


Figure 5 – Distribution of operational emissions based on categories of the GHG Protocol for 2024



2024 result

↓24% reduction in operational emissions compared to 2019

Progress achieved

We are on track to meet our 2025 target. To do so, we have implemented several initiatives to improve our energy efficiency, such as:

- Rolling out an innovative energy use management system in over 260 branches across Canada, including 25 new sites in 2024
- Integrating LEED rating system criteria when opening, relocating or redeveloping branches in Canada, including 24 branches in 2024
- Building our new head office to meet LEED v4 Gold criteria and moving teams into optimized office spaces
- Sourcing 77% of the electricity we consume from renewable sources (hydroelectricity, solar, wind, and renewable natural gas), due to the large share of hydroelectricity in the provincial power grid

Carbon-Related Assets

Carbon-related assets as defined by the TCFD recommendations represent 20% of our total exposure to credit risk (Table 8).[1] Since 2021, this indicator has been monitored in our concentration risk monitoring metrics and taken it into account as part of our sectoral limit management process.

Table 8 – Carbon-related assets

Performance parameter		Exposure to credit risk (in billion $) 2024	2023	2022
Total exposure to credit risk		345.1	323.8	308.0
Total carbon-related assets		68.0	62.3	59.9
Carbon-related assets by sector	Materials and buildings	38.2	35.3	33.4
	Energy and utilities	13.7	12.4	12.0
	Agriculture, food and forest products	12.5	11.4	11.3
	Transportation	3.6	3.2	3.2

Figure 6 – Business sectors included in carbon-related assets

Materials and buildings
- Metals and mining
- Chemicals
- Construction materials
- Capital goods
- Real estate management and development

Energy and utilities
- Oil and gas
- Coal
- Electric utilities (excluding water utilities and independent power and renewable electricity producers)
- Pipelines

Agriculture, food and forest products
- Beverages
- Agriculture
- Food and meat packaging
- Paper and forest products

Transportation
- Air freight
- Passenger air transportation
- Marine Transportation
- Rail transportation
- Trucking services
- Automobiles and components

1 Exposures are calculated as the total exposure to credit risk total amounts. They include amounts drawn, undrawn commitments and other off-balance sheet items in our Retail and Non-retail loan portfolios, as presented on page 87 of the 2024 Annual Report. The distribution by industry is identical to that presented in our financial reports: Supplementary Regulatory Capital and Pillar 3 Disclosure - Fourth Quarter 2024 on page 25.

Financed Emissions

The Bank is committed to aligning its financing activities with its net-zero objective by 2050 and, therefore, evaluates and reports on its financed emissions annually.

To do so, the Bank joined PCAF in 2021, a standard built on the GHG Protocol that provides guidelines to calculate financed emissions for different asset classes.

In 2024, we made progress in assessing and estimating the Bank's financed emissions. In particular, we improved data quality in the utilities sector by using external data providers and in the dairy producers subsector by developing emission factors using production data from key clients. This year the Bank also disclosed its Scope 3 financed emissions for the mining sector.

Table 9 presents the Bank's financed emissions according to PCAF's Retail asset classes. Non-retail financed emissions are presented according to the most carbon-intensive sectors and are based on PCAF methodologies (business loans, project finance and commercial real estate). Scope 1 and 2 emissions from these sectors represent close to 80% of the Bank's total non-retail financed emissions. The methodology used for calculating these emissions is described in the following section.

Table 9 – Financed emissions as at October 31, 2023

Loans and acceptances[1]	Gross loans[2] ($M)	Financed emissions ($MtCO_2e$)	Portfolio-wide intensity[3] (tCO_2e/$M)	PCAF data quality
Retail	**67,882**	**0.9**	**13**	**4.3**
Residential Mortgages	62,273	0.4	6	4.4
Motor Vehicle Loans	5,609	0.5	89	3.2
Non-Retail	**52,768**	**12.2**	**231**	**3.8**
Commercial Real Estate	25,967	0.3	12	4.5
Agriculture	8,545	1.5	176	3.7
Utilities[4]	12,427	2.3	185	3.0
Transportation	2,631	1.2	456	3.9
Oil and Gas (Scopes 1 and 2)	1,826	0.7	383	2.2
Oil and Gas (Scope 3)		5.3	2,903	3.2
Mining (Scopes 1 and 2)	1,245	0.6	482	3.1
Mining (Scope 3)		0.3	241	3.8
Iron and Steel Manufacturing	56	0.0	0	4.0
Aluminum Manufacturing	70	0.0	0	4.0
Cement Manufacturing	1	0.0	0	5.0
Total	**120,650**	**13.1**	**109**	**4.1**

1 Loans and acceptances represent the sum of loans and of the client's liability under acceptances.
2 This amount includes assets eligible for financed emissions calculations. The distribution of gross loans and acceptances by borrower category under Basel asset classes is presented in Table 9 on page 127 of the 2024 Annual Report.
3 Portfolio-wide intensity represents the total absolute financed emissions in tons of carbon dioxide equivalent divided by the amount of gross loans in millions of dollars.
4 For the Utilities sector, financed emissions for projects under construction are not quantified due to limitations in adequately assessing upstream third-party emissions for projects.

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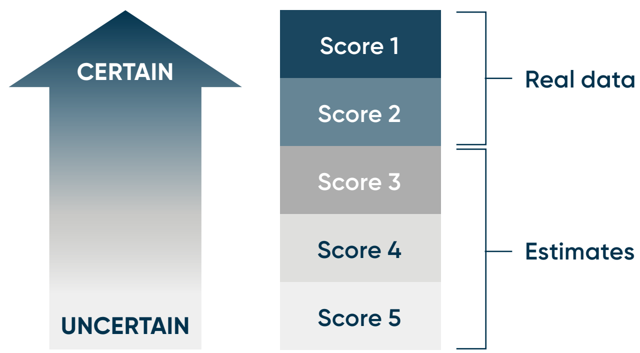
Data quality

The Bank prioritizes the data used to calculate its financed emissions according to three levels of quality (Figure 7):

1. Data disclosed by our clients (Quality 1 and 2)
2. Data calculated with physical activity-based proxies specific to our clients' operations (Quality 3)
3. Data quantified using economic factors based on sector averages according to the hierarchy of PCAF data quality (Quality 4 and 5)

Figure 7 – PCAF data quality scoring



We recognize the importance of improving data quality and remain committed to working with our peers to advance methodologies and improve the accuracy of emissions information as data and industry best practices develop. To achieve this objective, we have begun deploying ESG questionnaires to clients in our carbon-intensive sectors, with the goal of simplifying and improving data collection and quality.

Methodology

Financed emissions are always calculated by multiplying an attribution factor (specific to that asset class) by the emissions of the borrower or investee. The attribution factor is defined as the share of total annual GHG emissions of the borrower or investee that is allocated to the loan(s) or investment(s).[1]

$$\sum(\text{attribution factor} \times \text{client's absolute emissions})$$

Attribution factors by PCAF asset class

Commercial real estate and residential mortgages : $\frac{\text{Outstanding amount}}{\text{Property value at origination}}$

Business loans to private companies : $\frac{\text{Outstanding amount}}{\text{Company total debt and equity}}$

Business loans to public companies : $\frac{\text{Outstanding amount}}{\text{Company value, including cash}}$

Motor vehicle loans : $\frac{\text{Outstanding amount}}{\text{Vehicle value at origination}}$

Project finance : $\frac{\text{Project outstanding amount}}{\text{Project total equity and debt}}$

1 PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition, p.40.

Table 10 – Methodologies used to calculate our clients' financed emissions

Data	Methodologies
Periods and sources	› The financed emissions calculation refers to the borrower's risk profile and combines the outstanding amount and market capitalization of publicly traded companies as at October 31, 2023, with financial statements and emissions reported by our clients, with a maximum two-year lag.
PCAF data quality	› PCAF data quality is used to assess the accuracy of the financed emissions calculation. Depending on the data sources and the estimate methodologies used to calculate emissions, a score from 1 to 5 (from the highest reliability to the lowest) is associated with the emissions estimate for Scopes 1, 2 and 3. › In the event of different qualities for Scope 1 and 2 emissions from the same client, the lowest quality was selected in accordance with PCAF. › We based our calculation of financed emissions on the second edition of the PCAF Standard, released in December 2022, which provides guidelines for the following assets: business loans, listed and unlisted equity, project finance, mortgages, commercial real estate and motor vehicle loans. › When better data sources were not available, we used the March 2024 updated version of PCAF data to quantify quality 4 and 5 financed emissions. › Economic activity-based emission factors from the PCAF Exiobase dataset are converted from euros to Canadian dollars, and corrected for inflation as recommended by PCAF.
Limitations and exclusions	› Comparative analyses of the data provided by PCAF and the emissions disclosed by our clients revealed a high level of uncertainty in quantifying quality 4 or 5 financed emissions of clients in the oil and gas and power generation sectors. In accordance with PCAF in this type of situation, we used sector-specific average emission factors that were better aligned with observed results. › The financed emissions associated with the U.S. Specialty Finance and International business segment and those associated with certain securitized mortgage loans could not be quantified due to data limitations. › For private companies, if total debt or total equity could not be obtained from a client's balance sheet, we used the total balance sheet value (i.e., the sum of total equity and liabilities, which is equal to the client's total assets) as described by PCAF. › We recognize that adjustments to the figures or reports produced by our clients could have an impact on the quantification of financed emissions if they occur after the period established to collect their information. For the time being, the Bank does not review the figures presented in previous disclosures unless the impacts are considered material.
Clarifications regarding sector classification	› The iron and steel manufacturing category includes smelting and foundry activities, as well as the manufacturing of products. › The aluminum manufacturing category includes the primary production of alumina and aluminum, as well as rolling, drawing, extrusion and alloying. › Cement manufacturing also includes the manufacturing of concrete products. › The power generation and pipeline subsectors are included in the Basel Utilities asset class.

Interim Reduction Targets

The Bank is committed to setting interim emission reduction targets for our material carbon-intensive sectors. We established targets for the oil and gas sector in 2021 and the commercial real estate and power generation sectors in 2022.

This year, we undertook a comprehensive review of our lending portfolio to assess the Bank's financial and environmental materiality. This analysis was instrumental in refining our target-setting process and aligning our methodology with industry practices.

We adopted a target prioritization framework to identify pathways, select subsectors of action and set climate targets according to five key criteria:

1. Sectoral boundaries and strategic plans
2. Financial materiality
3. Environmental materiality
4. Data and methodology availability
5. Strategic and policy insights

In 2024 the Bank assessed the emissions of the dairy producers subsector, which represent more than 47% of the agriculture lending portfolio. Notably, the Bank started to engage with its dairy producer clients through interviews and a quantitative and qualitative questionnaire. This fuelled discussion with clients on specific farm level data collection and helped us better understand the challenges they face, their environmental considerations and how they are adapting to climate change. Furthermore, the Bank designed a data inventory for key data sources related to dairy and crops and developed physical emissions intensity proxies estimated from milk production quantities obtained from key clients, which led to data quality improvement.

We reviewed our existing targets and engagement to ensure they are in line with the latest global sustainability standards and scientific knowledge, and we decided not to make any changes. The only update was our power generation baseline profile (refer to the Power generation section for more details). We also reviewed the progress made throughout the year for all sectors and added initiatives to reach our financed emission reduction targets when needed.

The Bank's approach focuses on sectors that represent the majority of our carbon footprint and the sectors where we can have the greatest impact. We are committed to achieving our net-zero objective by 2050 and are ensuring our initiatives are strategically aligned with this goal. Through continuous monitoring and adaptability, we remain responsive to industry advancements and innovations.

As at October 31, 2024, the Bank established interim reduction targets for the oil and gas producers, commercial real estate and power generation sectors, representing nearly 50% of its disclosed financed emissions.

Table 11 – Summary of the Bank's reduction targets

Sectors	Emissions scope and metric	2019 baseline intensity	2030 target	Evolution since 2019	Scenarios used
Oil and Gas Producers	Scopes 1 and 2 Use of energy by O&G producers (tCO_2e/TJ)	0.90	-31%	-32%	2021 IEA NZE by 2050 scenario adjusted by the Government of Canada's 2030 Emissions Reduction Plan
	Scope 3 End-use combustion of fossil fuel in the economy (tCO_2e/TJ)	7.69	-31%	-18%	
Commercial Real Estate	Scopes 1 and 2 Building energy consumption (tCO_2e/1,000 sq. ft.)	2.79	-50%	-25%	2021 IEA NZE by 2050 scenario
Power Generation	Scope 1 Fuel combustion for power generation (tCO_2e/MWh)	0.14	-33%	-29%	Convergence approach to the 2021 IEA NZE by 2050 scenario

Since 2023, the Bank extended its financing restrictions to thermal coal activities in the mining and power generation sectors.

Table 12 – Summary of the Bank's engagements

Sectors	Engagements
Thermal Coal Mining	› We will not provide financing as a lender to any new thermal coal mines or new clients who derive more than 25% of their revenues from operating thermal coal mines. We will continue to support existing clients who have net-zero commitments by 2050 or have publicly committed to phasing out their thermal coal activities.
Coal-Fired Power Generation	› We will not fund, invest in or provide loans for the development or construction of new coal-fired power plants. › We will not provide any financing as a lender or hold equity securities for any new clients generating more than 10% of their power from a coal-based production capacity unless the funds are used to finance the energy transition. › The Bank will support new and existing clients who own and acquire existing coal power generation assets as long as they are committed to achieving net-zero by 2050 or publicly engaged to phase out their thermal coal activities.
Oil and Gas	› We will not offer or grant new financing for oil and gas exploration, exploitation or production in the Arctic.

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Oil and gas producers

Oil and gas production accounts for 26% of GHG emissions in Canada.[1] It is therefore important for the Bank to support this sector in its transition. In 2021 the Bank established its first interim reduction targets for the oil and gas sector, focusing on producers.

Targets

31% reduction in carbon intensity by 2030 compared to 2019 for Scope 1 and 2 emissions.

31% reduction in carbon intensity by 2030 compared to 2019 for Scope 3 emissions.

2024 results

↓32% reduction in the weighted average emission intensity for Scopes 1 and 2 compared to 2019

↓18% reduction in the weighted average emission intensity for Scope 3 compared to 2019

Figure 8 – Weighted average emission intensity for Scope 1 and 2 emissions (tCO_2e/TJ)[2]

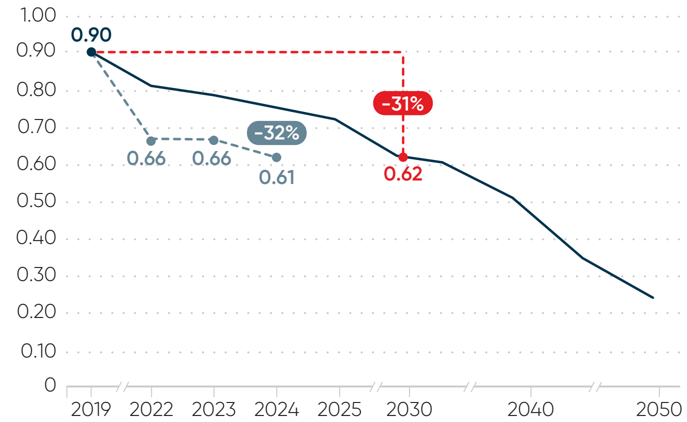
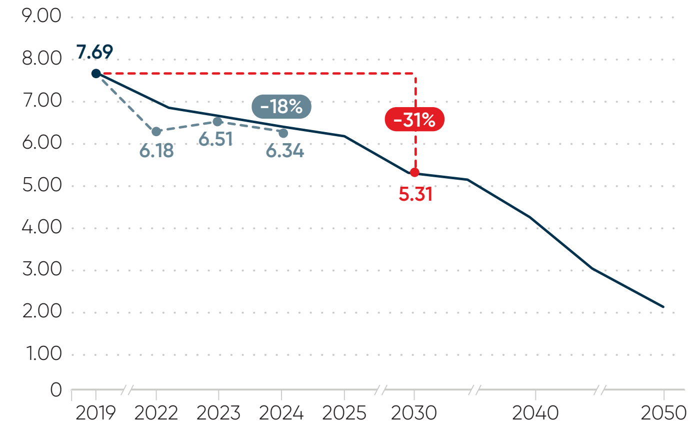


Figure 9 – Weighted average emission intensity for Scope 3 emissions (tCO_2e/TJ)[2]



Pathway 2050 — 2030 target — Observed intensity 2019-2024

Progress achieved

As at October 31, 2024, the oil and gas producers' share of total non-retail gross loans represented 1.6%. Since 2019, the decrease in financed emissions intensity across all three scopes has been driven by ongoing de-leveraging by oil and gas producers coupled with operational efficiencies and emissions reduction initiatives as well as favourable market valuations for public companies.

In support of our oil and gas sector emissions reduction targets, our business strategy continues to integrate both emissions reduction efforts and climate-related risk management:

- Emissions intensity impact simulations and climate risk sensitivity analysis are embedded in our risk management process and are incorporated into our credit decision-making.
- We apply an Environmental and Social (E&S) risk screening tool to consistently identify potentially higher-risk borrowers that warrant additional due diligence. This process provides insights on client transition plans, including alignment with the TCFD recommendations, while enhancing E&S risk reporting and oversight across the enterprise.
- We manage our exposure to high-emitting clients, supporting clients with credible decarbonization strategies or clients that we can meaningfully assist in the development of their transition plans.

Our strategic initiatives and strong governance of our credit process demonstrate our commitment to sustainability. These activities, coupled with noted industry trends, have brought our oil and gas portfolio in line with our 2030 targets and Pathway 2050 for Scope 1, 2 and 3 emissions.

1 Canada Gazette, Part I, Volume 158, Number 45: Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations. Available online at https://canadagazette.gc.ca/rp-pr/p1/2024/2024-11-09/html/reg1-eng.html.
2 To define Pathway 2050, both 2021 scenarios were taken into consideration: the IEA NZE by 2050 pathway and the Economically Efficient Pathway from the Government of Canada 2030 Emissions Reduction Plan (March 2022).

Table 13 – Additional information

Metrics	Emissions scopes	2019 baseline	2023	2024
Financed emissions[1] ($MtCO_2e$)	1 and 2	1.1	0.5	0.5
	3	10.2	5.2	5.9
Portfolio-wide intensity (tCO_2e/$M)	1 and 2	466	362	273
	3	4,274	3,443	3,314
PCAF data quality	1 and 2	2.5	2.1	2.1
	3	2.9	2.9	3.0

Methodology

The Bank calculates its intensity based on the client's financed emissions, in carbon dioxide equivalent per terajoules of their energy produced, weighted by their share of the total oil and gas producers' outstanding amount covered by the target.[2] This metric provides an indication of the financial exposure of the Bank's loan book to higher or lower carbon emitting clients. For more information on the financed emissions methodology see page 33.

$$\text{Loan-weighted average emission intensity} = \sum \frac{\text{Client's outstanding amount}}{\text{Total oil and gas producers outstanding amount}} \times \frac{\text{Client's financed emissions}}{\text{Client's oil and gas production}}$$

Scope 1, 2 and 3 emissions are obtained from client reported emissions (e.g., CDP, Sustainalytics or public sources) when available[1] (PCAF quality score 1 and 2) or by using physical emissions intensity estimates directly from oil and gas production (PCAF quality score 3):

Scopes 1 and 2: Emissions intensity estimates were developed based on a representative sample of customers who disclose their emissions and their oil and gas production in barrel equivalent.

Scope 3: Specific physical-intensity emission factors for oil and gas were developed using the distribution of the different product end uses (e.g., downstream refinement into specific fuels or petroleum-based products), the country of end consumption based on statistical data and fuel-specific emission factors.[3]

Ongoing efforts

To ensure consistency with current climate science, interim reduction targets will be reviewed on a regular basis as methodologies, data and scenarios are constantly evolving. In December 2023, PCAF launched a new standard to measure facilitated emissions associated with capital market activities.[4] The Bank will continue to refine its approaches in alignment with the industry's best practices to provide information of interest to its stakeholders. We welcome these reassessments as they demonstrate our ongoing efforts to improve the precision of our calculations.

1 The 2024 financed emissions are based on the gross loan amount and market capitalization of publicly traded companies as at October 31, 2024, using financial statements, production and emission information disclosed by our clients for 2023.
2 The coverage ratio of the oil and gas producers reduction target is based on the total outstanding amount and represent 96% in 2024.
3 Sources of the data used includes the National Inventory Report (NIR), the Canadian Association of Petroleum Producers (CAPP), Statistics Canada (StatCan), the US Energy Information Administration (EIA) and Environment and Climate Change Canada (ECCC).
4 PCAF (2023). The Global GHG Accounting and Reporting Standard Part B: Facilitated Emissions, First Edition.

Commercial real estate

The commercial real estate sector has a significant impact on climate change, primarily due to its energy consumption for heating, cooling and lighting. However, this sector has strong potential to mitigate its impact through different initiatives like the adoption of sustainable building practices, energy-efficient technologies and innovative urban planning.

In 2022, the Bank established an interim reduction target focused on term loans specifically designed for the purchase or refinancing of income-generating commercial buildings,[1] including retail stores, offices and multi-family housing.

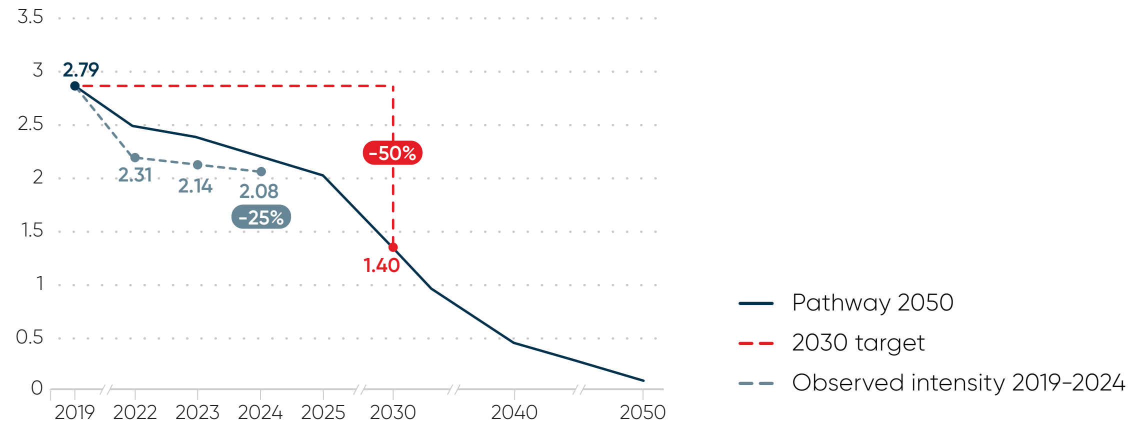
Target

50% reduction in carbon intensity by 2030 compared to 2019 for Scope 1 and 2 emissions.

2024 result

↓25% reduction in carbon intensity for Scope 1 and 2 emissions compared to 2019

Figure 10 – Weighted average emission intensity for Scope 1 and 2 emissions (tCO_2e/1,000 sq. ft.)[2]



Progress achieved

We continued to support our commercial real estate clients in their sustainability journey by granting or certifying 36 green loans for a total of $1.78 billion, exceeding the annual objective of $1.25 billion.

To achieve its reduction targets, the Bank adopted a business strategy based on:

- A guideline for the Residential Development Unit specifying that 75% of the loans financed with the CMHC MLI Select program must be green
- Improved data collection and portfolio emissions calculations by making our ESG questionnaire mandatory for account managers for commercial real estate transactions over $10 million
- Increased engagement with our clients to advise and support them in improving their climate and energy efficiency performance
- Deployment of a group of ESG ambassadors, including account managers from each Canadian region, to ensure rapid and effective communication of new financing products and respond to any questions regarding ESG
- Development and updating of training and support content for account managers so that they are equipped to advise their clients

1 Buildings under construction, operating credits, public companies, real estate investment trusts and land corporations are excluded from the interim reduction target, since the financing used to proceed is not fully related to a property that generates rental income.
2 Pathway 2050 was set following the 2021 version of the IEA NZE by 2050 scenario.

Table 14 – Additional information

Metrics	Emissions scopes	2019 baseline	2023	2024
Financed emissions[1] ($MtCO_2e$)	1 and 2	0.08	0.10	0.14
Portfolio-wide intensity (tCO_2e/$M)	1 and 2	12	8	8
PCAF data quality	1 and 2	4.9	4.8	4.7

Methodology

The Bank calculates its intensity based on emissions for each building, in carbon dioxide equivalent per square foot, weighted by its share of the total commercial real estate outstanding covered by the target.[2]

$$\text{Loan-weighted average emission intensity} = \sum \frac{\text{Client's outstanding amount}}{\text{Total commercial real estate outstanding amount}} \times \frac{\text{Total building emissions}}{\text{Building floor area}}$$

Scope 1 and 2 emissions are obtained by multiplying the building energy consumption by the emission factor attributed to the respective energy sources, according to the best data available.

Actual building emissions (PCAF quality 1 or 2)

Emissions are estimated using primary data on actual building energy consumption and supplier-specific emission factors or average emission factors specific to the respective energy source.

Estimated building emissions based on floor area (PCAF quality 3 or 4)

Estimated building energy consumption per floor area is based on either official building energy code or certification and location-specific statistical data and floor area.

Emissions calculated using estimated building energy consumption and average emission factors specific to the respective energy source.

Estimated building emissions based on a number of buildings (PCAF quality 5)

Estimated energy consumption per building is based on the type of building, location-specific statistical data and the number of buildings.

Emissions calculated using estimated building energy consumption and average emission factors specific to the respective energy source.

Ongoing efforts

In 2022, the Bank implemented a methodology to quantify financed emissions based on average emission factors by type of building and geographic location using Canadian statistics[3] and estimated floor areas by building type. To improve data quality, in 2023 the Bank launched an ESG questionnaire to collect more specific data, including actual square footage, energy consumption and different energy certifications of the buildings financed in its portfolio. While collecting accurate data remains a challenge, we are actively working to streamline the process for our clients and facilitate the collection of building energy consumption data. This will allow us to present a more precise carbon profile of our commercial real estate portfolio and strengthen data controls while identifying emissions reduction opportunities for our clients.

1 2024 financed emissions are based on outstanding and Bank's risk profile as at October 31, 2024. Building emissions estimates are evaluated using 2023 public sources.
2 The coverage ratio of the commercial real estate reduction target is based on the total outstanding amount and represents 95% in 2024.
3 Statistics Canada, national building and energy surveys (both Canada and the US), Canada's National Inventory Report and the US EPA's Emission Factors Hub.

Power generation

The Bank's power generation portfolio includes activities related to renewable energy production such as hydroelectricity, solar, wind, nuclear and biogas, as well as thermal coal and natural gas power plants. The Bank facilitates business loans to power generation clients and specific projects for the operation or construction of power generation facilities.

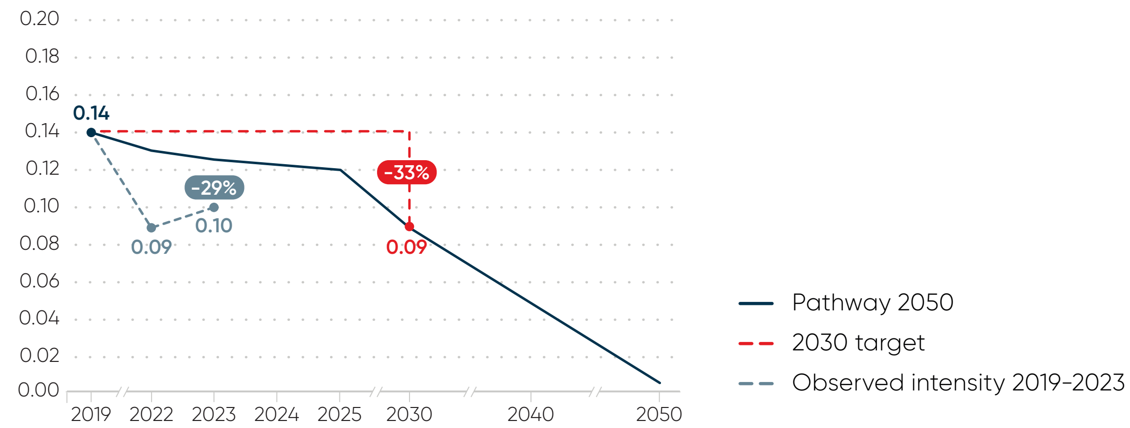
Target

33% reduction in carbon intensity by 2030 compared to 2019 for Scope 1 emissions.

2023 result[1]

↓29% reduction in carbon intensity for Scope 1 emissions compared to 2019

Figure 11 – Weighted average emission intensity for Scope 1 emissions (tCO_2e/MWh)[2,3]



Progress achieved

Our weighted average emission intensity for Scope 1 totaled 0.10 tCO_2e/MWh as at October 31, 2023, a 29% decrease compared to the baseline. We remain aligned with our pathway to reach our 2030 target (Figure 11).

To achieve its target, the Bank continues its efforts:

- Financing renewable energy projects remain central to reducing the weighted average emission intensity of our power generation portfolio.
- Maintaining restrictions on coal-related financing.

Building on strong track record and to advance the next phase of our renewable energy financing strategy, the Bank introduced a new target to grow the total renewable energy lending commitment to $20 billion by 2030. For more details, consult page 18 of this report.

1 The Bank began collecting data manually from energy producers in 2022, but due to challenges in integrating and validating this data, it is currently not feasible to use a more up-to-date risk profile than that of 2023.
2 Data collection improvements associated to energy production have led to adjustments in Bank's previous disclosure, resulting in changes to 2019 and 2022 emissions figures and operational metrics.
3 The low intensity level observed for the baseline year led us to use a convergence approach to the 2021 version of the IEA NZE 2050 scenario to set our 2030 target.

Table 15 – Additional information[1]

Metrics	Emissions scopes	2019 baseline	2022	2023
Financed emissions[2] ($MtCO_2e$)	1	1.30	0.83	1.06
Portfolio-wide intensity (tCO_2e/$M)	1	317	142	146
PCAF data quality	1	2.4	2.6	2.5
Coal share of total production (%)	n/a	9	8	7
Renewable share of total production (%)	n/a	65	73	70

Methodology

The Bank calculates its intensity based on client's or project's emissions (in carbon dioxide equivalent) per megawatt hours of electricity generated from the different energy sources, weighted by their share of the total committed amount and equity investment covered by the target.[3]

$$\text{Loan-weighted average emission intensity} = \sum \frac{\text{Commitment and equity investment of client or project}}{\text{Total commitment and equity investment of power producers}} \times \frac{\text{Client or project emissions}}{\text{Electricity produced by client or project}}$$

Reported emissions (PCAF quality 1 or 2)	Data obtained directly from clients or the project (e.g., CDP, Sustainalytics and public reporting).
Estimated emissions based on electricity production (PCAF quality 3)	Data obtained by multiplying electricity generated in megawatt hours acording to the energy source (e.g., gas, solar, wind, coal, nuclear, biomass) by its respective emissions factor.[4]
Estimated emissions based on economic factors (PCAF quality 4 or 5)	Data estimated from economic activities-based factors from annual revenues or assets associated to the company or the project financed.

Ongoing efforts

The Bank aims to improve data quality to harmonize the financial information, emissions data and risk profiles of its power generation companies over a given period. To this end, we continue gradual implementation of ESG questionnaires to strengthen data collection and quality control. We also continue to support the renewable energy ecosystem, including the development of large-scale projects to facilitate the transition to a low-carbon economy.

1 Data collection improvements associated to energy production have led to adjustments in Bank's previous disclosure, resulting in changes to 2019 and 2022 emissions figures and operational metrics.
2 Financed emissions include all lending commitments (drawn and undrawn loan balances) and equity investments. The 2023 financed emissions are based on market capitalization of publicly traded companies as at October 31, 2023, using financial statements, production and emission information disclosed by our clients for 2022.
3 The coverage ratio of the power generation reduction target is based on the committed amount and equity investment and represent 66% in 2023 due to the exclusion of projects under construction.
4 The Bank developped its internal emission factor using public sources such Statistics Canada, National building and energy surveys (both Canada and US), Canada's National Inventory Report, and the US EPA's Emissions factors hub.

Next Steps

The Bank recognizes the role it must play in advancing the transition to a low-carbon economy by partnering with its clients on innovative financing solutions while reducing its own footprint. Therefore, we remain committed to our interim reduction targets for our operational emissions and for the most carbon-intensive sectors of our portfolio. We also maintain our objective of achieving net-zero by 2050.

The upcoming year will be marked by a major milestone: the acquisition and integration of the Canadian Western Bank (CWB). We are fortunate to share similar core values across both institutions, including an unwavering commitment to our clients and the communities we serve. We will work diligently to unify our two organizations, our two workforces and our two portfolios, which will consequently impact our carbon footprint.

Therefore, the coming year will include a focus on improving the methodologies we use to measure our operational and financed emissions. This could lead the Bank to revise its baseline or its targets following the acquisition of CWB and in accordance with the requirements of PCAF and the GHG Protocol. We will refine and enhance the accuracy of emissions information as data and industry practices evolve.

Canada's energy transition is well underway and presents great potential for new opportunities for our clients as well as for the Bank. As a key player in the Canadian financial sector, we are determined to play our part.

Appendices

Appendix 1 – Disclosure Based on the OSFI B15 Guidelines

Table 16 – OSFI B15 Guidelines – Minimum mandatory climate-related financial disclosure expectations

Report section	Communication expectation for 2024	Reference
Governance	Governance body responsible for oversight of climate-related risks and opportunities	Pages 6 and 7
	Management's role in monitoring, managing, and overseeing climate-related risks and opportunities	Pages 6 and 7
Strategy	Climate-related risks and opportunities identified that could reasonably be expected to affect cash flows, access to finance or cost of capital	Pages 23 and 24
	Business model and value chain: › Current and anticipated effects of climate-related risks and opportunities on the business model and value chain › Where, in the business model and value chain, the climate-related risks and opportunities are concentrated Strategy and decision-making: › Changes to the business model, including its resource allocation, to address climate-related risks and opportunities › Direct and indirect mitigation and adaptation efforts Financial position, financial performance, and cash flows: › How climate-related risks and opportunities have affected the financial position, financial performance and cash flows › How the financial position, financial performance, and cash flows change over the short, medium, and long term, given the strategy to manage climate-related risks and opportunities	Pages 8 to 20
Risk management	Information about the processes and related policies for identifying, assessing, prioritizing and monitoring climate-related risks	Pages 21 and 22
	Information about the processes for identifying, assessing, prioritizing and monitoring climate-related opportunities	Pages 21 to 28
	Information about the extent to which, and how the processes for identifying, assessing, prioritizing and monitoring climate-related risks and opportunities are integrated into and inform the overall risk management process	Pages 21 to 28

Report section	Communication expectation for 2024	Reference
Metrics and targets	Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process	Page 22
	› Scope 1 and location-based Scope 2 absolute gross GHG emissions for the period › Measurement approach, inputs and assumptions used to measure Scope 1 and Scope 2 GHG emissions, and the underlying reasons for these decisions › Reporting standard used to calculate and disclose GHG emissions	Pages 32 to 34
	› Any quantitative and qualitative climate-related targets set to monitor progress towards achieving its strategic goals › Information about the approach to setting and reviewing each target and how it monitors progress against each target › Information about performance against each climate-related target and an analysis of trends or changes in performance › Information about both gross and net carbon offsets, if applicable, and explain the type of offset for the target disclosed	Pages 35 to 42

Appendix 2 – Calculation of our Emissions Under the CDP

As part of its CDP reporting, the Bank discloses an expanded emissions picture of its operational activities using the GHG Protocol methodology and covers absolute Scope 1, 2, and 3 emissions for the following categories only:

- **Category 1:** Production of purchased goods and services (computer equipment, furniture, external administrative services and telecommunications services in Canada and paper in the supply chain)
- **Category 3:** Activities related to the production of energy sources
- **Category 4:** Paid transportation and distribution of goods (courier and mail services paid for by the Bank in Canada only)
- **Category 5:** Waste generated by operations (recycling transport in Canada only)
- **Category 6:** Employee business travel

The other GHG Protocol categories are not covered because they are not applicable or material, or the associated data are of insufficient quality or too difficult for the Bank to collect.

This calculation covers all of the Bank's activities in Canada and the United States, our subsidiary in Dublin, our branch in London, our representative offices abroad, and our subsidiaries in Cambodia and Thailand.

For fiscal year 2024, we increased emissions from operational activities disclosed in CDP reports by 1% over 2019. This increase comes mainly from our Scope 2 and 3 emissions due to the Bank's growth.

To offset a portion of these emissions for fiscal year 2024, the Bank purchased 22,179 carbon credits certified according to the VCS (Verified Carbon Standard).

Our financed emissions (Category 15 of the GHG Protocol) are calculated and disclosed separately in the CDP questionnaire. Full calculations can be found in the Financed emissions section on page 32.

Table 17 – Operational emissions calculated as part of our disclosure to CDP

Calculated emissions	2019 baseline	2023	2024	Evolution since 2019
Scope 1	**2,832**	**2,237**	**2,640**	**-7%**
Scope 2	**11,860**	**13,491**	**13,422**	**13%**
Scope 3[1]	**51,655**	**44,594**	**50,843**	**-2%**
Category 1	36,591	27,499	33,619	-8%
Category 3	8,397	8,401	9,049	8%
Category 4	759	4,785	4,053	434%[2]
Category 5	38	13	13	-65%
Category 6	5,870	3,896	4,109	-30%
Total	**66,347**	**60,322**	**66,905**	**1%**

1 We removed Category 7 (commuting) from our 2024 calculated emissions due to inadequate data quality. In Table 17, we adjusted the total emissions for previous years so that we can compare one year to the next.
2 This increase is mainly associated with greater use of transportation and distribution services across our business sectors during and after the pandemic (2020). We have reduced emissions by 15% compared to last year.

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