United Nations Principles for Responsible Banking (PRB)

National Bank of Canada | 2022 Report[1]

[1] Unless otherwise indicated, this report refers to fiscal 2022 (November 1, 2021 to October 31, 2022). The impact analysis was carried out as of March 31, 2023. The use of certain more recent data points does not have a significant impact on the information presented. All amounts are expressed in Canadian dollars.

Important Notice and Caution Regarding Forward-Looking Statements

Certain statements made in this report are forward-looking statements. All such statements are made in accordance with applicable securities legislation in Canada and the United States. Forward-looking statements in this document may include, but are not limited to, statements with respect to the objectives, priorities, strategies, sustainability commitments and targets or actions of National Bank of Canada (the Bank) that will be taken to achieve them (including with respect to reducing the Bank's greenhouse gas emissions related to its own activities and energy consumption, its climate strategy, reaching net-zero greenhouse gas emissions for its operating and financing activities by 2050 and transitioning to a low-carbon economy), the regulatory environment in which it operates, the causes and potential impacts of climate change globally, its approach to identifying and managing climate-related risks and opportunities, and certain risks it faces. 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. Such forward-looking statements are made for the purpose of assisting the holders of the Bank's securities in understanding the Bank's vision, strategy, and objectives related to sustainability and environmental, social and governance advances, and may not be appropriate for other purposes. These forward-looking statements are based on our current expectations, estimates, and intentions and are subject to inherent risks and uncertainties, many of which are beyond the Bank's control.

Our ability to achieve our sustainability and environmental, social and governance advancement objectives, priorities, and targets (including with respect to reducing the Bank's greenhouse gas emissions related to its own activities and energy consumption, reaching net-zero greenhouse gas emissions for its operating and financing activities by 2050 and transitioning to a low-carbon economy) is based on a number of assumptions and is subject to a number of factors, many of which are beyond the Bank's control and the effects of which can be difficult to predict—including, among others, the transition to a low-carbon economy and the Bank's ability to satisfy stakeholder expectations on environmental and social issues; the need for active and continued participation of stakeholders (including our employees, our clients, our suppliers, the communities in which we are present, and other main change agents); the availability of comprehensive and high-quality greenhouse gas emission and other third party data; 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 assess and manage climate-related risks; the general economic environment and financial market conditions in Canada, the United States, and other countries where the Bank operates; changes made to regulations that affect the Bank's business; the development of environmental, social and governance regulatory requirements; geopolitical and sociopolitical uncertainty; the Bank's ability to achieve its long-term strategies and key short-term priorities; the Bank's ability to recruit and retain key personnel in a competitive environment for talent; and possible impacts of major events affecting the local and global economies, including international conflicts, natural disasters, and public health crises such as the COVID-19 pandemic, whose progress is difficult to predict and which could have continued repercussions on the Bank.

In addition, the assumptions, 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 prove to be inaccurate. Many of these assumptions, data, metrics, measurements, methodologies, scenarios, and other standards continue to evolve and may differ significantly from those used by others, those that may be used by us in the future or those 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 objectives, priorities, strategies, sustainability commitments and targets.

There is a strong possibility that the Bank's express or implied predictions, targets, 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 recommends that readers not place undue reliance on forward-looking statements, as several factors could cause actual results to differ significantly from the expectations, estimates or intentions expressed in these forward-looking statements. These risk factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk, environmental and social risk, and certain emerging risks or risks deemed significant, all of which are described in greater detail in the Risk Management section beginning on page 65 of the Bank's 2022 Annual Report.

The foregoing list of risk factors is not exhaustive. Additional information about these risk factors is provided in the Risk Management section of the Bank's 2022 Annual Report and may be updated in the quarterly shareholders' reports subsequently published. Investors and others who rely on the Bank's forward-looking statements should carefully consider the aforementioned factors as well as the uncertainties they represent 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. We caution investors that such forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from these statements due to several factors.

This report is provided solely for informational purposes. It does not constitute 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 or acted upon for providing such advice.

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

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 among the most profitable banks on a global basis by return on equity.

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, which comprises the activities of our subsidiaries Credigy Ltd. (Credigy) in the United States and Advanced Bank of Asia Limited (ABA Bank) in Cambodia, complements the growth of our domestic operations. We are headquartered in Montreal and our securities are listed on the Toronto Stock Exchange (TSX: NA).

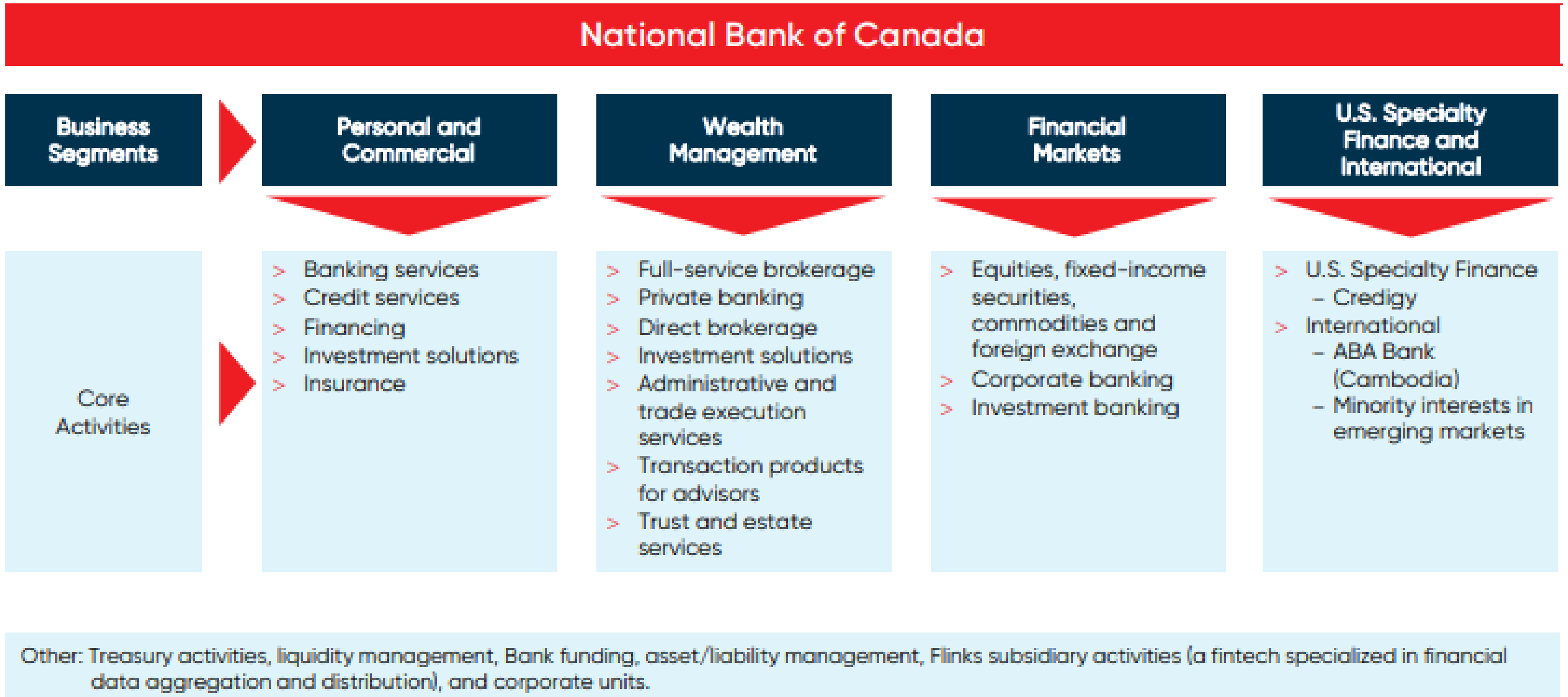
Links and references

2022 Annual Report

- Page 2 (PDF): *At a Glance*
- Page 30: *Business Segment Analysis*

2022 ESG Report

- Pages 68-70: *ABA Bank*



As at October 31, 2022:

- In Canada, the Personal and Commercial Banking sector had 2.6 million individual clients and over 145,000 business clients.
- In Cambodia, ABA Bank had nearly 2 million clients, mainly individuals and micro, small and medium-sized businesses.

Breakdown of our activities by revenues and by geographical distribution:

(3) Excluding the *Other* heading. See the Financial Reporting Method section on pages 16 to 21 of the 2022 Annual Report for additional information on non-GAAP financial measures.

1.2 Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ **Yes**

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☒ **UN Guiding Principles on Business and Human Rights**

☒ **International Labour Organization fundamental conventions**

☐ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: **Task Force on Climate-related Financial Disclosures (TCFD) - voluntary disclosure**

☒ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: **Declaration under the United Kingdom Modern Slavery Act 2015**

☐ None of the above	
As a key player in the Canadian financial industry, the Bank is committed to understanding and continuously reducing the impact of its operations on the environment and to contributing to the wellbeing of the communities in which it operates. It implements practices that support sustainable development, inclusion and diversity, and sound governance desired by the Bank and its various stakeholders. The Bank has therefore adopted an ESG strategy based on the ESG principles adopted by the Board, which are aligned with the United Nations Sustainable Development Goals (SDGs). In 2022, our initiatives and commitments contributed to 12 of the 17 SDGs. The Bank has adopted an ESG strategy to pursue the integration of ESG criteria into the decisions, activities and operations of its business segments. Since November 1, 2021, the Bank's executive compensation program has been linked to the ESG priorities included in this strategy. In terms of its climate commitments, each year since 2008, the Bank has calculated its carbon footprint and shared the data with CDP, an internationally recognized organization that promotes environmental disclosure. We support the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board and our fourth voluntary disclosure report was published in March 2023. Consistent with the goals of the Paris Agreement, the Bank is committed to aligning its financing activities with the target of net-zero emissions by 2050. In 2021, the Bank joined the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions that work together to develop an approach to assess and disclose the greenhouse gas (GHG) emissions resulting from their financing and investment activities. In 2021, the Bank also joined the NZBA as part of a global, industry-led initiative to accelerate and support efforts to address climate change. As part of its business strategy, the Bank has set the objective of advising and supporting the clients most affected by market fluctuations in a volatile economic situation, in particular by helping them manage their cash assets. In 2023, one of our objectives to enhance client engagement is to keep improving the quality and relevance of our advice for clients by further expanding our distribution network and personalizing our contacts. To enable the community to benefit from the full contribution of all its members, the Bank has long supported a number of local and national initiatives that promote inclusion and financial literacy. In 2022, we committed to the process of obtaining Progressive Aboriginal Relations certification from the Canadian Council for Aboriginal Business. The Bank also supports the following global initiatives: • UN Women's Empowerment Principles	*Links and references* 2022 ESG Report • Page 12: *ESG principles aligned with the SDGs* • Pages 14-15: *Our contribution to the SDGs* • Page 64: *Promoting inclusion in the community* • Page 65: *Financial literacy* 2022 Annual Report • Page 30: *Business Segment Analysis* 2022 Circular • Page 74: *Importance of ESG criteria in the Officer compensation* Press Release - PCAF Press Release - NZBA 2022 TCFD Report Human Rights Statement Leadership's Commitment on Indigenous Relations Commitment to the Fight Against Modern Slavery

• UN Global Business Standards of Conduct for Tackling Discrimination Against Lesbian, Gay, Bi, Trans and Intersex (LGBTI) People	

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly[2] and fulfil the following requirements/elements (a-d)[3]:

a) ***Scope:*** What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

For this third report, the Bank carried out an analysis of the impact of its product and service portfolio in order to establish the areas where it could have the most significant positive or negative impact. We used the methodology and the latest versions of the tools developed by the United Nations Environment Programme – Finance Initiative (UNEP FI) for individual clients (Consumer Banking) and business clients (Institutional Banking).[4] Data analyzed are as at October 31, 2022 for business clients and as at February 28, 2023 for individual clients (most recent data available). Taking into account the breakdown of Bank revenues by business segment and geographical distribution, as presented in Section 1.1, our impact analysis covered products held in Canada by Personal Banking clients and financed industries by the Commercial Banking sector: Small and Medium-sized Enterprises (SMEs), Corporate Banking and Credit Capital Markets. U.S. Specialty Finance and International was not included in this initial analysis. We decided to focus on activities in Canada,	*Links and references* 2022 Annual Report • Page 2 (PDF): *At a Glance*

[2] That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.
[3] Further guidance can be found in the Interactive Guidance on impact analysis and target setting.
[4] Portfolio Impact Analysis Tool for Banks (v.3): Consumer Banking/Identification Module (July 2022) and Institutional Banking/Identification Module (July 2022).

which account for approximately 84% of the Bank's revenues. The Personal Banking sector serves the majority of Bank clients. This sector includes clients from different segments of the population, including persons considered to be more vulnerable.[5] Large corporations in the Financial Markets portfolio were included in the impact analysis. Individual Wealth Management clients were not included in this analysis, as we decided to prioritize sectors with more vulnerable clients. As at February 28, 2023, a small percentage of Personal Banking clients were also Wealth Management clients. To carry out the analysis, we correlated the products and services identified in the tools with those offered by the Bank. The Bank will pursue its analysis to account for the different sectors and geographical areas in which it exercises its activities.	
b) ***Portfolio composition*:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope i) by sectors & industries[6] for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or ii) by products & services and by types of customers for consumer and retail banking portfolios. If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.	
The analysis of portfolio composition took into account products and services in the Personal Banking portfolio and industry segments in Commercial Banking. • The products that represent the most significant market share in the Canadian **Personal Banking portfolio** are mortgage loans and home equity lines of credit (HELOCs), investment products, guaranteed investment certificates (GICs) and consumer loans. In terms of client profiles, we observed a strong presence in urban areas, near-equal distribution of financing between men and women and a significant percentage of clients in the middle class. The last point will need to be monitored, since the current economic situation is adding stress for financially vulnerable clients, which could place them in a precarious position. • For the **Commercial Banking portfolio**, the industry segments that account for the largest proportion of financing are: Real estate; Finance and insurance; Agriculture, forestry, fishing and hunting; Construction; and Utilities.	*Links and references*

[5] According to the *Financial Inclusion and Financial Health Target Setting (second edition)* guide issued by UNEP FI and the Financial Consumer Agency of Canada's report Consumer Vulnerability: Evidence from the Monthly COVID-19 Financial Well-being Survey.
[6] 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?[7] Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis. *This step aims to put your bank's portfolio impacts into the context of society's needs.*	
In August 2022, we analyzed the national context to better understand priorities and challenges in Canada, the country where the Bank carries out most of its activities. We used the Context Module tool developed by the UNEP FI, which highlighted the following three impact areas: • **Climate stability**, more specifically pollution and greenhouse gas emissions. • **Circularity**, more specifically energy consumption and water withdrawals, waste, and the material footprint (RMC) of commodities resulting from intensive resource use. • **Availability, accessibility, affordability, quality of resources and services**, more specifically affordable housing and obesity. We also examined a number of resources, including the Canadian Indicator Framework for the Sustainable Development Goals (SDGs), which supports Moving forward together: Canada's 2030 Agenda National Strategy. These resources have enabled us to understand the priorities and challenges we face at the national scale and draw links between Canadian strategies and recognized reference frameworks such as the SDGs and the Paris Agreement. In line with the Climate Stability and Circularity impact areas as well as SDG 13: Climate action, the federal government has drawn up a plan to reduce total greenhouse gas (GHG) emissions by 40-45% below 2005 levels by 2030 and achieve carbon neutrality by 2050. Under the Paris Agreement, countries are required to submit national greenhouse gas emission reduction targets, called Nationally Determined Contributions (NDCs), every five years. The third impact area set out above is linked to a number of SDGs, including SDG 1: No poverty. Canada has set a target to reduce poverty by 50% from 2015 levels by 2030. In terms of affordable housing, the federal government has adopted a National Housing Strategy to give more Canadians a place to call home. This strategy is aligned with SDG 11: Sustainable cities and communities.	*Links and references* 2022 ESG Report • Pages 10-11: *Our relative importance matrix*

[7] Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

In November 2022, the Bank sent a survey to its main stakeholders to determine which sustainable development issues it should prioritize. This survey was sent to employees, clients and suppliers in Canada. The survey results confirmed that financial inclusion is a significant issue for our stakeholders. We recognize that certain segments of the population, including Indigenous persons, are still underbanked. The Bank is pursuing its client data segmentation efforts to draw up a more accurate portrait of these clients.[8] The most recent World Bank data show that Canada has the most inclusive financial system in the G7. According to the Global Financial Inclusion Index 2022, the country is ranked 11th out of 42 in terms of financial inclusion. Although Canada is a leader in financial inclusion, financial health remains relevant given the uncertain economic situation (rising inflation, interest rates and housing prices), which has a greater impact on financially vulnerable groups:[9] • Low-income households • Indigenous people • New immigrants • Women The Seymour Financial Resilience Index for Canada fell from 55.67 in 2021 to 50.52 in 2022. To help the population deal with financial challenges, the federal government released its National Financial Literacy Strategy 2021-2026, whose main goal is to reinforce financial resilience.	
Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.	
After analyzing the national situation and assessing our portfolio of products and services for the Personal and Commercial Banking sectors using the tools developed by the UNEP FI (Identification Modules - Consumer Banking and Institutional Banking), we identified potential positive and negative impact areas for our activities: • **For the Personal Banking sector**, the key positive impact areas identified were housing, education, mobility and finance. Finance was also identified as a key negative impact area. • **For the Commercial Banking sector**, the key positive impact areas identified were health and safety, energy, housing, healthcare and sanitation, mobility, food, employment, wages and social protection. The key negative impact areas were health and safety, water, wages, social protection, climate stability, resource intensity and waste.	*Links and references*

[8] According to the Financial Consumer Agency of Canada: Improving Financial Literacy in Indigenous Communities
[9] According to the Financial Consumer Agency of Canada: Consumer Vulnerability: Evidence from the Monthly COVID-19 Financial Well-being Survey

The impact analysis carried out in 2023 confirmed the **first significant impact area** communicated in our previous two reports: **Climate stability**. This impact area is aligned with SDG 13: Climate action. For the social component, in our previous reports we shared data about 8 internal targets for overall representation in the Bank's workforce for the following priority segments: women, visible minorities, persons with disabilities and Indigenous persons. Given the double materiality of the Principles for Responsible Banking, we are also required to evaluate the Bank's external impact on people and the planet. After considering Canada's financial literacy strategy, the findings of the impact analysis and our goal of increasing client engagement by providing quality advice, we selected **financial resilience** as our **second significant impact area**, aligned with SDG 8: Decent work and economic growth.We're also assessing the option of adding affordable housing as a third significant impact area, since the Bank is one of Canada's largest lenders for real estate projects that involve affordable housing, energy efficiency and accessible buildings. Furthermore, housing makes up a considerable portion of the Personal and Commercial Banking portfolio. This impact area would be aligned with SDG 1: No poverty and SDG 11: Sustainable cities and communities.	
d) *For these (min. two prioritized impact areas)*: ***Performance measurement***: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context. In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health&inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex. If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this. *The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.*	
Climate stability Consistent with the goals of the Paris Agreement, the Bank is committed to aligning its financing activities with the target of net-zero emissions by 2050. In line with its NZBA and PCAF commitments, the Bank has started to quantify its financed emissions and set interim net-zero targets for carbon-intensive sectors: Oil & Gas, Commercial Real Estate and Power Generation. The methodologies used are based on recognized international and regional frameworks, including the GHG Protocol, the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry, the International Energy Agency pathway to net-zero emissions by 2050, the International Energy Agency World Energy Outlook 2021 report, the Government of Canada's 2030 Emissions Reduction Plan and the Canada's Energy Future 2020 report. The Bank used the International Energy Agency (IEA) Net Zero Emissions (NZE) scenario pathway to set its interim targets for 2030.	*Links and references* 2022 TCFD Report • Pages 30-44: *Financed Emissions – Sector Approach*

Financial resilience To enable us to evaluate our performance, we undertook the following in 2023: • UNEP FI training workshops on guidelines for setting health and financial inclusion targets • Using UNEP FI tools such as the Pathway to Impact • Sharing best practices with other financial institutions that are PRB signatories The first step involved understanding the Canadian situation based on various studies, publications and feedback from our main stakeholders, as set out in point 2.1c. Next, we analyzed our actions to identify those already in place, those needing to be adjusted and those to be rolled out based on the impact target that will be established before our next report in 2024. We then analyzed the indicators proposed in the UNEP FI guide[10] by comparing them to those already in use at the Bank. We determined that the impact indicator used to measure our baseline would be the percentage of Personal Banking clients who have active long-term savings accounts. The expected outputs based on the actions taken are: • Number of assisted and unassisted proactive contacts to target registered investment products • Number of contacts with the Bank's investment and retirement experts • Number of MyIdea and/or retirement investment plans • Number of new active clients with registered investment products • Percentage of clients supported by an investment advisor • Number of employees who have completed training on supporting vulnerable clients • Number of people (clients and non-clients) who have participated in conferences to improve how they manage their personal finances, including systematic savings The next step will involve assessing our performance based on these indicators. When possible, we will break down data by client segment to better understand savings behaviour and determine which client groups to prioritize. The criteria identified for such a breakdown are: gender, age group, the Bank's priority segments and client segmentation based on the Financial Resilience Index (FRI), an internal model that classifies clients from very vulnerable to fortunate.	

[10] Core Indicators to Measure Financial Health and Inclusion

We will then establish a financial resilience target for the impact indicator prioritized, along with an action plan to achieve it. The target will aim to increase the percentage of active clients with long-term savings. This information will be communicated in our next report.	

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?[11]

Scope:	☒ **Yes**	☐ In progress	☐ No
Portfolio composition:	☒ **Yes**	☐ In progress	☐ No
Context:	☒ **Yes**	☐ In progress	☐ No
Performance measurement:	☐ **Yes**	☒ **In progress**	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation (climate stability) and Financial health & inclusion (financial resilience).

How recent is the data used for and disclosed in the impact analysis?

☒ **Up to 6 months prior to publication => data for the Personal Banking sector (Consumer Banking)**

☒ **Up to 12 months prior to publication Institutional Banking => data for the Commercial Banking sector (Institutional Banking)**

☐ Up to 18 months prior to publication

☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

[11] You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets[12] have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) ***Alignment:*** which international, regional or national policy frameworks to align your bank's portfolio with[13] have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Climate stability Consistent with the goals of the Paris Agreement, the Bank is committed to aligning its financing activities with the target of net-zero emissions by 2050. By joining the NZBA in 2021, the Bank confirmed its commitment to playing a significant role in financing the climate transition and supporting collaboration between the public and private sectors to achieve this target. To set its net-zero interim targets for 2030, the Bank used the International Energy Agency (IEA) Net Zero Emissions (NZE) by 2050 Scenario pathway, which is consistent with limiting global warming to 1.5°C above pre-industrial levels by the year 2100, in line with the most ambitious goal of the Paris Agreement. The other methodologies used are based on recognized international and regional frameworks, including the GHG Protocol, the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry, the International Energy Agency pathway to net-zero emissions by 2050, the International Energy Agency World Energy Outlook 2021 report, the Government of Canada's 2030 Emissions Reduction Plan and the Canada's Energy Future 2020 report. The Bank's targets are aligned with SDG 7: Affordable and clean energy, SDG 9: Industry, innovation and infrastructure and SDG 13: Climate action. **Financial resilience** Work is underway to evaluate the performance of our portfolio and determine a target percentage of Personal Banking clients with active long-term savings accounts. This information will be communicated in our next report.	*Links and references* Press Release - NZBA 2022 TCFD Report • Page 30: *Financed Emissions – Sector Approach*

b) ***Baseline:*** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	*Indicator code*	*Response*
Climate change mitigation	*…*	
	…	
	…	

Impact area	*Indicator code*	*Response*
Financial health & inclusion	*…*	
	…	
	…	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Impact area: Climate stability

Code and indicator	**Answer**
A.1.1 Climate strategy	Yes, we have a climate strategy.
A.1.2 Paris alignment target	Yes, we have a target of net-zero emissions by 2050 for our financing activities, aligned with the objectives of the Paris Agreement. The Bank used the International Energy Agency (IEA) Net Zero Emissions (NZE) scenario pathway to set its interim targets for 2030.
A.1.4 Portfolio analysis	Yes, we have analyzed a portion of our loan portfolio, starting with the most carbon-intensive sectors: Oil and Gas, Commercial Real Estate and Power Generation.

Links and references

2022 TCFD Report

- Page 10: *Strategy*
- Pages 30-44: *Financed Emissions – Sector Approach*

2022 ESG Report

- Pages 41-48: *Supporting clients in their energy and social transition*

[12] Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.
[13] Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

A.1.5 Business opportunities and financial products	Yes, we have developed various financial products to support Personal and Commercial Banking sector clients in their energy and social transition: green loans, transition loans, sustainability-linked loans, sustainability bonds, etc.		
A.2.1 Client engagement process	Yes, we have begun supporting our business clients by offering products and services to help them roll out more sustainable business practices. To support real estate sector clients in their transition, the Bank has adopted targets for issuing green loans and bonds. In 2022, the Bank granted a Net-Zero Transition Loan to Quo Vadis Capital for a comprehensive revitalization of Complexe du Canal Lachine in Montreal. The loan proceeds are earmarked for investments in technology to retrofit Complexe du Canal Lachine in order to obtain a net-zero greenhouse gas emissions profile.		
A.3.1 Financial volume of green assets/low-carbon technologies	As at October 31, 2022, the Bank had disbursed $10 billion in capital for renewable energy projects in North America since 2019. Also as at October 31, 2022, we had provided nearly $7.2 billion[14] in financing for projects in the wind, solar, battery and hydro electricity sectors, accounting for 78.6% of our total authorized financing portfolio for projects related to the energy sector (Project Finance). As at October 31, 2022, the volume of authorized sustainability-linked financing was $5.8 billion.		
A.4.1 Reduction of GHG emissions	Absolute financed emissions for the Oil & Gas Producers portfolio in Scope 1, 2 and 3 reached 4.2 million tCO_2e as at October 31, 2022, a 63% decrease compared to the baseline (2019).		

[14] Including the amount of authorized derivative financial instruments. Derivative financial instruments are financial contracts whose value is derived from an underlying interest rate, exchange rate or equity, commodity or credit instrument or index. Examples of derivatives include swaps, options, forward rate agreements, and futures. The notional amount of the derivative is the contract amount used as a reference point to calculate the payments to be exchanged between the two parties, and the notional amount itself is generally not exchanged by the parties.

c) ***SMART targets*** (incl. key performance indicators (KPIs)[15]): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.	
Climate stability To contribute to the achievement of climate goals, the Bank has made a commitment to align its financing activities with the target of net-zero emissions by 2050. Further to joining the NZBA in 2021 and in order to support the Canadian energy transition, the Bank is prioritizing the Oil & Gas Producers sub-sector in calculating financed emissions, since these companies will play a key role in reducing the O&G sub-sector's Scope 1, 2 and 3 GHG emissions. In 2022, the Bank therefore set an initial interim target to reduce the intensity of financed emissions for the Canadian Oil & Gas Producers sub-sector by 31% by 2030.[16] In 2023, the Bank made progress toward its net-zero emission target by setting two new interim targets in carbon-intensive sectors. These targets involve reducing the intensity of financed emissions in the Commercial Real Estate and Power Generation sectors by 50% and 33%, respectively, by 2030.[17] The Bank plans to expand its coverage of other sectors and sub-sectors and define reduction targets while focusing on carbon-intensive sectors.[18] **Financial resilience** Work is underway to evaluate the performance of our portfolio and determine a financial resilience target. This information will be communicated in our next report.	*Links and references* 2022 TCFD Report • Pages 30-44: *Financed Emissions – Sector Approach*
d) ***Action plan:*** which actions including milestones have you defined to meet the set targets? Please describe. Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.	
Climate stability The Bank is reaffirming its commitment to supporting clients in their transition to more sustainable business models and practices. In achieving our net-zero emission target for our financing activities by 2050, we will work in partnership with clients to maximize positive impacts and minimize negative impacts. This work will involve close collaboration between teams in a number of Bank sectors, including Risk Management.	*Links and references* 2022 ESG Report • Page 27: *Transforming the advisor role*

[15] Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.
[16] This target includes Scope 1, 2 and 3 emissions and uses 2019 as the reference year.
[17] The target for the Commercial Real Estate sector includes Scope 1 and 2 emissions and uses 2019 as the reference year. The target for the Power Generation sector includes Scope 1 emissions and uses 2019 as the reference year.
[18] According to the NZBA, the carbon-intensive sectors are: agriculture; aluminum; cement; coal; commercial and residential real estate; iron and steel; oil and gas; power generation; and transport.

Financial resilience Although work is still underway to evaluate the performance of our portfolio and set a financial resilience target, the Bank has already rolled out a number of initiatives to help individuals better manage their personal finances and increase their financial ability to deal with unexpected situations. Here are a few examples: • Products and services for more vulnerable client segments (e.g., Banking Offer for Newcomers to Canada) • Transforming roles in branches by adopting the Banking Advisor model • Personalized advice and regular follow-up by phone or videoconference offered in more than 15 languages by the Exclusive Remote Advisory Service team • Internal directory of more than 600 bilingual documents to help advisors increase their knowledge and provide informed advice to clients • Financial literacy initiatives, such as a partnership with the Canadian Foundation for Economic Education • Training on the realities faced by clients aged 60 and over and dedicated telephone line • Proactive contacts carried out by our advisors via email or digital/mobile banking solutions in order to provide clients with personalized advice Work is underway to measure the impact of these initiatives on the client segments that will be prioritized when setting our financial resilience target.	• Page 29: *Personalized advice to help clients achieve their financial goals* • Page 34: *Developing our advisors' expertise to better serve our clients + Directory for advisors* • Page 38: *Underbanked, unbanked and underserved clients* • Page 39: *Protecting seniors and supporting them every day* • Page 65-67: *Financial literacy*

Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your…

	… first area of most significant impact: … **Climate stability**	… second area of most significant impact: **Financial resilience**
Alignment	☒ **Yes** ☐ In progress ☐ No	☒ **Yes** ☐ In progress ☐ No
Baseline	☒ **Yes**	☐ Yes

	☐ In progress ☐ No	☒ **In progress** ☐ No
SMART targets	☒ **Yes** ☐ In progress ☐ No	☐ Yes ☒ **In progress** ☐ No
Action plan	☐ Yes ☒ **In progress** ☐ No	☐ Yes ☒ **In progress** ☐ No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Climate stability In our last report, in line with our commitment to achieve net zero emissions for our financing activities by 2050, the Bank presented its initial interim target to reduce the intensity of financed emissions for the Canadian Oil & Gas Producers sub-sector by 31% by 2030.[19] As part of its continuous improvement efforts, the Bank revised its methodology in 2023 to align it with industry best practices and more precisely quantify its financed emissions. The following improvements resulted from this revision:	*Links and references* 2022 TCFD Report • Pages 31-33: *Oil and Gas Producers* • Pages 34-36: *Commercial Real Estate*

[19] This target includes Scope 1, 2 and 3 emissions and uses 2019 as the reference year.

• Scope 1 and 2 financed emissions: Minor adjustments to the quantification methodology and improvements in data quality[20] have been made since the Bank's previous disclosure, resulting in a negligible change in the Scope 1 and 2 2019 baseline intensity from 0.915 to 0.90 tCO_2e/TJ.[21] • Scope 3 financed emissions: The Bank also improved its financed emissions quantification methodology for Scope 3 emissions by defining a physical-intensity proxy by fuel type produced.[22] The new 2019 baseline Scope 3 financed emissions intensity moved from 5.716 to 7.69 tCO_2e /TJ and the PCAF data quality score now stands at 2.90 against 3.06 previously. The Bank carried out an initial evaluation of its progress compared to the initial interim target established. Absolute financed emissions for the Oil & Gas Producers portfolio in Scope 1, 2 and 3 reached 4.2 million tCO_2e as at October 31, 2022, a 63% decrease compared to the baseline (2019). The Bank recognizes that, although efforts have been made to achieve the target set one year ago, uncertainty persists due to the macroeconomic context. In fact, companies' sensitivity to market fluctuations could influence intensity direction and progress may be volatile over time. Since 2015, the Bank has reduced financing granted to oil and gas producers and services by 64%. As at October 31, 2022, loans to oil and gas producers and services represented 0.7% of the total gross loan book. This decrease confirms the Bank's long-term commitment to reducing its exposure in this sector. The Bank remains committed to pursuing its decarbonization strategy and continues to support its clients in their transition. We remain an active member of the NZBA and PCAF working groups, contributing with our peers to the advancement of the methodology and the improvement of climate data quality. Since the previous report, the Bank has made progress towards net-zero emissions by setting two additional interim targets for the Power Generation and Commercial Real Estate sectors, in line with PCAF recommendations for these asset classes. An initial status report on these two new targets will be carried out in 2024 and communicated in the Bank's next TCFD report. **Financial resilience** For the social component, in our previous reports we shared data about 8 internal targets for overall representation in the Bank's workforce for the following priority segments: women, visible minorities, persons with disabilities and Indigenous persons. Given the double materiality of the Principles for Responsible Banking, we are also required to evaluate the Bank's external impact on people and the planet. We have therefore undertaken an analysis of our portfolio based on the three pillars of the Impact Radar:	• Pages 37-39: *Power Generation*

[20] Reported emissions reviewed and debt calculation updated further to the release of the second PCAF standard.
[21] Tonnes of carbon dioxide equivalent (tCO_2e) and energy production in terajoules (TJ).
[22] The types of fuel produced are natural gas and crude oil.

Social, Socio-economic and Natural environment. The first steps of the impact analysis have been carried out and are presented in this report. In the coming months, we will continue our work to determine a target percentage of Personal Banking clients who have active long-term savings accounts and disclose that target.	

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers[23] in place to encourage sustainable practices?

☐ Yes ☒ **In progress** ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☐ Yes ☒ **In progress** ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities[24]). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

[23] A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.
[24] Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

Climate stability Among the actions taken to achieve its objective to reduce the intensity of financed emissions in the Commercial Real Estate sector by 50% by 2030,[25] the Bank will focus on supporting existing clients in their energy transition and attracting new clients with ambitious decarbonization strategies. In 2022, Real Estate sector teams pursued our ESG strategy by implementing processes and tools to integrate ESG criteria into the Bank's real estate activities. We plan to accelerate this process over the coming years, gradually reducing the carbon footprint of our financed emissions. We've also developed training for account managers on risks, opportunities and trends related to the energy and social transition. As part of its client support strategy, the Bank has adopted targets for issuing green loans and bonds. For example, it has granted a Net-Zero Transition Loan to Quo Vadis Capital for a comprehensive revitalization of Complexe du Canal Lachine in Montreal. The loan proceeds are earmarked for investments in technology to retrofit Complexe du Canal Lachine in order to obtain a net-zero greenhouse gas emissions profile. Over the past few years, the Bank has made an official commitment not to offer or grant new financing related to oil and gas exploration, exploitation or production in the Arctic, given the fragility of this environment and the fact that it is likely to become more attractive to investors over the coming decades. The Bank has also confirmed its commitment not to finance new thermal coal mining and processing activities. **Financial resilience** To adequately support our **more vulnerable clients** during this period of economic uncertainty and rising interest rates, our teams have developed tools to enable effective, proactive communication with them so we can offer personalized financial advice and solutions. Furthermore, videos and articles prepared by our experts have been made available to help clients understand how the economic situation affects their personal finances and offer them advice based on their changing needs. To help improve the situation of **underbanked, unbanked and underserved people** in Canada, the Bank has implemented measures to improve access to financial services and meet the specific needs of a portion of our clients. These measures include a banking offer for newcomers to Canada and bank accounts with no fixed monthly fees offered to certain client segments identified by the Government of Canada as financially vulnerable (seniors,[26] persons who have been determined to be disabled,[27] persons aged 24 or younger), if linked to a specific package. As at October 31, 2022, the Bank had 226,866 chequing accounts with no fixed monthly fees in Canada (no minimum balance).	*Links and references* 2022 ESG Report • Page 38: U*nderbanked, unbanked and underserved clients + Communicating proactively with vulnerable clients* • Page 45: *Real Estate sector* Press release – *Commitment to protect the Arctic and position on coal*

[25] The target for the Commercial Real Estate sector includes Scope 1 and 2 emissions and uses 2019 as the reference year.
[26] Persons aged 65 years or older, upon presentation of proof of eligibility for the Guaranteed Income Supplement.
[27] Beneficiaries of a Registered Disability Savings Plan (RDSP) aged 18 and over, upon presentation of proof of RDSP eligibility.

In 2022, the Bank created the new role of Vice-President – Transformation and Client Inclusion to expand the scope of its actions outside the Bank and offer a more inclusive client experience. Work related to the PRB is aligned with the client inclusion strategy. A number of other initiatives are underway, such as an **inclusion by design framework** to minimize the impact of unconscious biases and potential prejudices when developing products, services, processes and concepts.	
3.2 Business opportunities Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services , information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).	
The Bank's environmental, social and governance (ESG) strategy aims to minimize negative impacts on the environment and increase positive impacts on society. In executing this strategy, we have identified a number of opportunities where we can contribute to a just transition to a lower-carbon economy. The products identified in this section contribute to the two significant impact areas identified for the Bank: climate stability and financial resilience. They also contribute to several of the United Nations SDGs. The Bank offers a full range of **sustainable financing products** through its loan and underwriting activities, with support from a dedicated team of professionals whose mission is to design solutions tailored to the needs of various clients and sectors. This makes it possible for clients to finance strategies and projects linked to sustainable development, ranging from renewable energy and carbon neutral buildings to clean transportation, while complying with the latest standards for the sector established by the International Capital Markets Association (ICMA), the Loan Syndications and Trading Association (LSTA) and globally recognized classification systems. As at October 31, 2022, the volume of authorized sustainability-linked financing was $5.8 billion. The Bank developed one of the first Canadian reference frameworks for issuing **sustainability bonds**[28] and published it in 2018. As at December 31, 2022, the proceeds of sustainability bonds were used by the Bank to finance over $3.2 billion in sustainable development projects. Under the reference framework, these proceeds can be used to finance or refinance, in whole or in part, eligible businesses and eligible projects that fall within the following categories: Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Sustainable Buildings, Low-Carbon Transportation, Affordable Housing, Access to Basic and Essential Services and Loans to Small and Medium-sized Enterprises (SMEs) located in	*Links and references* 2022 ESG Report • Pages 41-48: *Supporting clients in their energy and social transition* • Page 65-67: *Financial literacy* 2022 Sustainability Bond Report • Page 3: *Contribution to SDGs* • Pages 8-10: *Use of Proceeds and Impacts + Project Examples* 2022 Report on Responsible Investment Advances

[28] In line with the International Capital Markets Association (ICMA) Green Bond Principles and Social Bond Principles, the Bank's Sustainability Bonds will be allocated to the financing of projects and organizations that credibly contribute to environmental objectives (climate change mitigation and adaptation, natural resource conservation, biodiversity conservation and pollution prevention and control) or seek to achieve positive socio-economic outcomes for target populations.

deprived economic zones. Since 2019, the sustainability bonds issued by the Bank have contributed to the following SDGs: SDG 1: No poverty, SDG 3: Good health and wellbeing, SDG 4: Quality education, SDG 7: Affordable and clean energy, SDG 10: Reduced inequalities, SDG 11: Sustainable cities and communities and SDG 13: Climate action. Committed to being an innovator in the field of **responsible investment**, National Bank Investments Inc. ("NBI") has launched sustainable development-focused funds over the past few years. These are the first Canadian investment products to integrate the United Nations SDGs into their investment process. In addition to being aligned with the SDGs, some of these products incorporate other ESG strategies, in particular by excluding companies that derive a significant portion of their income from tobacco, prisons, alcohol, the military sector, weapons and coal. Furthermore, the carbon footprint of these products has been calculated by the portfolio managers and found to be well below their benchmark. As at October 31, 2022, 98% of NBI's assets under management were managed by PRI signatories. This corresponds to $52.8 billion of a total of $53.8 billion in assets under management. In accordance with its commitment to grow the portfolio of **loans related to renewable energy** at a faster pace than the portfolio of loans related to non-renewable energy, National Bank Financial Markets (NBFM) is continuing to evolve to better serve the needs of its clients and ensure the depth and quality of coverage of the global energy transition. In 2022, the Energy & Infrastructure Sustainability Impact Group (EiSiG) continued its work to help NBFM maintain its position as a proven leader in offering financing, merger and acquisition and risk management solutions for the clean technology, transport electrification, renewable energy and carbon capture sectors across North America. EiSiG aims to leverage our expertise to prioritize the energy transition. As at October 31, 2022, the Bank had disbursed $10 billion in capital for renewable energy projects in North America since 2019. Also as at October 31, 2022, we had provided nearly $7.2 billion[29] in financing for projects in the wind, solar, battery and hydro electricity sectors, accounting for 78.6% of our total authorized financing portfolio for projects related to the energy sector (Project Finance). In 2022, the Bank's Technology and Innovation Group continued to offer advice, support and financial services tailored to the needs of rapidly growing tech companies across Canada. Furthermore, the Group actively encourages networking between various players in the entrepreneurial ecosystem to promote more sustainable business models. Over the past fiscal year, the Group supported a number of **cleantech companies**, including: • **dcbel**: a company that aims to provide clean, efficient, sustainable energy that is accessible to all. Among the solutions offered, a Home Energy Station that gives everyone ownership over their energy supply by using solar power to charge	• Page 7: Sustainability is central to our products • Page 12: Our commitments • Pages 14-16: Our sustainable development solutions and their impact + Case studies

[29] Including the amount of authorized derivatives. Derivatives are financial contracts whose value depends on the value of an underlying instrument, which may be related to interest rates, exchange rates, the price of equity securities and commodities, credit or indexes. Derivatives include over-the-counter forwards, futures, swaps and options. The nominal value of the derivative is the reference value based on which payments between parties are calculated. The nominal value itself is not usually subject to payment.

their electric vehicle and home, unlocking their electric vehicle's battery for backup power, and optimizing the energy flow between their solar panels, electric vehicle, backup battery and the grid. • **Sollum Technologies**: a company inspired by nature, that offers greenhouse producers a smart LED lighting solution that dynamically recreates, perfects and modulates the full spectrum of natural sunlight. By providing value in terms of energy savings, productivity, and superior produce quality, it helps meet the growing demand for a more local, ethical and sustainable approach to agriculture. Under the Bank's credit card rewards program, holders of certain cards can now get even more rewards for adopting eco-friendly habits. Since September 2022, they can earn twice the points when they **recharge an electric vehicle**. Cardholders can use their points on the Eco-Friendly section of the rewards site. Among other things, they can offset their GHG emissions by **purchasing CO_2 offset units** via Coop Carbone. By choosing this option, our individual and business clients contribute to Quebec's Electrification and Climate Change Fund, which provides the resources needed to implement Quebec's provincial climate change plan. The Bank offers an additional discount on **financing for electric and hybrid vehicles** to help clients reduce their carbon footprint and promote the transition to electric vehicles. For many years, the Bank has supported numerous **financial literacy** initiatives. For example, its partnership with the Canadian Foundation for Economic Education (CFEE) has made it possible to develop a number of educational programs focused on managing personal finances. These programs are intended to provide information and advice to students and newcomers to Canada so they can make informed choices, reduce their financial stress and achieve their objectives. Improved financial health can have a positive impact on wellbeing and help people build a better financial future. As at October 31, 2022, more than 250 workshops had been presented to nearly 6,000 students and 1,500 newcomers to Canada. Financial literacy initiatives targeting the student community reduce the negative impact associated with the financial health of this population segment (SDG 8: Decent work and economic growth) and increase the positive impact on education (SDG 4: Quality education). The Bank has also developed a series of content aimed at encouraging women to take an active role in managing their finances. In 2022, some of this content was highlighted to mark International Women's Day. Our media campaign, which was viewed 39 million times in Canada, aimed to promote the tools available to women and increase their financial confidence. The *Invest in you* virtual conference series aims to make investing more accessible and raise awareness of how important it is for women to actively participate in managing their finances. Over 13,000 people have signed up for these conferences since the series was launched in November 2020.	

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups[30]) you have identified as relevant in relation to the impact analysis and target setting process?

☒ **Yes** ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

The Bank believes dialogue is an effective way to contribute to positive change within the organization and in the communities we serve. Constructive, open and transparent dialogue with our stakeholders allows the Bank to better identify and understand their views and concerns and respond appropriately to the changing needs of our society. To demonstrate its commitment to these principles, in 2021 the Board of Directors adopted guidelines that identify the Bank's main stakeholders and describe how the Bank maintains an ongoing dialogue with them. As an integral component of our governance approach, dialogue helps us include stakeholders in our strategic decisions, in particular when it comes to ESG issues, and improve our practices. Our main stakeholder groups are as follows:

- Clients
- Employees
- Communities, peers, interest and industry groups, regulatory and government authorities, etc.
- Shareholders, investors, analysts, brokers, etc.

In the 2022 ESG report, the Bank disclosed the main ESG topics addressed by stakeholder group. These topics include financial literacy, financial stress, the energy transition, Indigenous relations and affordable housing.

Links and references

2022 ESG Report

- Pages 10-11: *Our relative importance matrix*
- Page 40: *Collaborating with organizations to improve banking services*
- Pages 72-74: *Maintaining an ongoing dialogue with our stakeholders*

[30] Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of Indigenous population and non-profit organizations

In 2022, the Bank rolled out a **relative importance matrix** for the various ESG priorities to fuel our discussions and better understand the changing expectations of our stakeholders. Our approach is based on the standards for sustainability reporting set out by the Global Reporting Initiative (GRI). By means of internal and external consultations, comparative analyses and recommendations from recognized organizations, such as the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD), and in line with the Bank's regulatory framework, we identified and drew up a list of 17 key sustainable development issues. We then consulted our clients, employees and suppliers via a survey, which was completed by more than 1,000 respondents. All the ESG issues identified in the matrix are important to us and our stakeholders. The responses received allowed us to prioritize them according to their level of importance and impact. These results are a valuable resource for the Bank. They contribute to our dialogue with stakeholders and help us take action where we can have the greatest impact. This was the first edition of this exercise, and it may be subject to change. It allowed us to identify certain trends and prioritize our actions. We will conduct a similar exercise in two years in order to track changes in our stakeholders' expectations. The Bank works with a number of **organizations** to improve banking services, including the Canadian Bankers Association (CBA), the Financial Consumer Agency of Canada (FCAC) and Quebec's Office de la protection du consommateur (OPC). For many years, the Bank has answered multiple questionnaires received from **extra-financial or ESG rating agencies** and directly from certain clients. Our participation gives stakeholders access to an evaluation of the Bank based on environmental, social and governance criteria. As these surveys evolve over the years, they help us stay informed on our stakeholders' concerns so we can adapt our practices accordingly.	

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☒ **Yes** ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

The Bank's governance is achieved through the collaborative work of the Board of Directors (the "Board"), senior management and stakeholders. We believe that, by taking concerted action together with our stakeholders, we can continue to sustainably meet the changing needs of our society. At the Bank, ESG criteria and risks are considered key drivers of all our activities. The Board ensures ESG criteria are integrated into long-term strategic objectives while overseeing the progress and integration of ESG initiatives and principles. ESG responsibilities have been integrated into the mandate of the Board and all of its committees. Led by the Chief Financial Officer and Executive Vice-President – Finance, the ESG working group is a multidisciplinary team that includes a number of officers from various sectors at the Bank. Its main duty is to develop and support the Bank's environmental, social and governance strategy and initiatives. This working group is responsible for implementing the TCFD recommendations, the United Nations Principles for Responsible Banking and the Bank's commitments in terms of climate change. Members meet monthly and, at least twice a year, the ESG working group reports to the Conduct Review and Corporate Governance Committee of the Board on advances made, as well as on ongoing and upcoming ESG projects. Since November 1, 2021, the Bank's executive compensation program has been linked to the ESG priorities.	Links and references 2022 ESG Report • Page 77: *Board oversight of ESG criteria* • Page 78: *ESG working group* • Page 81: *Assessment and compensation of executives*

Discussions are underway to determine if we need to adjust the PRB governance framework to promote the integration of these principles into the Bank's strategies and activities.	

5.2.Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Training and capacity building During meetings of the Board of Directors or of the committees they are members of, directors also regularly attend presentations and deep dive sessions given by Bank representatives (or occasionally by external consultants) to further enhance their knowledge of areas related to their duties. Over the past fiscal year, the following training sessions related to climate risk and ESG issues were provided: • Update on financed portfolio emissions and targets • ESG strategy for greenhouse gas-intensive industries All the Bank's current and future employees have access to an ESG training to help them understand the fundamentals of sustainable development and how each employee can contribute to the Bank's goals. Training has been rolled out for all employees to help them understand the realities faced by certain client segments considered to be more vulnerable, such as persons aged 60 and over. Members of management have participated in workshops to develop their intercultural skills. In the past year, a number of presentations have been given to the various sectors to explain expectations resulting from the Principles for Responsible Banking and discuss actions that could be taken to respond to them. Members of the ESG team completed two courses in the recently launched PRB Academy. Bank employees working to implement the PRB share their experiences in external forums such as UNEP FI working groups and the UNEP FI Regional Roundtable North America 2023 and during meetings with fellow PRB signatories. Employees in direct contact with clients receive regular training so that they can provide our clients with appropriate advice and information on our products and services. In the Real Estate sector, we have also developed training for account managers on risks, opportunities and trends related to the energy and social transition. NBI has created and rolled out training on responsible investment for advisors in the banking network to give them the tools they need to discuss this topic with clients.	*Links and references* 2022 ESG Report • Pages 33-40: *Offering a responsible client experience* • Page 81: *Assessment and compensation of executives + Raising awareness to promote ESG at the Bank* 2022 TCFD Report • Page 8: *Competencies of the members of the Board* 2022 Circular • Pages 54-55: *Orientation and continuing education for Directors*

Performance management and compensation In 2022, the Bank continued to update its performance management program for employees in the branch network. Our collective regional objectives align the total compensation of our employees with our business strategy to boost client engagement. We aim to recognize behaviours that foster proactivity and relevant advice while promoting sound management of client complaints, and reward the efforts of employees who work in synergy to help us deliver on our One Mission: having a positive impact on the lives of our clients. Since November 1, 2021, the executive compensation program has been linked to the Bank's ESG priorities.	

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?[31] Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Assessing and mitigating environmental and social risk is integral to the Bank's risk management framework. Environmental and social issues are now central to the Bank's decision-making process and are becoming increasingly strategic matters for the Bank. Accounting for these risks helps promote best practices among Bank stakeholders. ESG indicators have been added to various dashboards and are gradually being integrated into our risk appetite framework. Reports on these indicators and the Bank's commitments are periodically presented to various internal committees and to the committees of the Board of Directors. Furthermore, the Bank Code of Conduct clarifies what is expected of all employees in their professional, business and community relations. ESG criteria continue to be integrated into the Bank's processes as part of the implementation of its strategy and of the guiding principles approved by the Board of Directors. This integration is being conducted with due diligence, specifically in the credit-granting process, starting with the corporate credit portfolio. For this clientele, the ESG risk analysis framework calls for the collection of information on carbon emissions and includes a climate risk classification (transition and physical risks) based on the industry and the scores assigned by ESG rating agencies. Several other criteria are also taken into consideration, in particular the management of waste, labour standards, corporate governance, product liability as well as human rights policies. The Bank plans to gradually expand the collection of such information to clients in other portfolios by adapting the existing process and prioritizing high-emission sectors.	*Links and references* 2022 TCFD Report • Pages 17-24: *Risk Management* 2022 ESG Report • Pages 79-80: *Environmental and social risk management*

[31] Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ **Yes** ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ **Yes** ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ **Yes** ☐ In progress ☐ No

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☒ **Partially** ☐ No

If applicable, please include the link or description of the assurance statement.

At publication time, Deloitte was conducting a limited assurance exercise. The letter of assurance will be published in the Codes and commitments section of nbc.ca by August 31, 2023.	*Links and references*

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☐ GRI

☒ **SASB**

☒ **CDP**

☐ IFRS Sustainability Disclosure Standards (to be published)

☒ **TCFD**

☐ Other: ….

The Bank's voluntary disclosure is aligned with recognized reference frameworks such as the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). Each year, the Bank takes inventory of its GHG emissions and communicates them to CDP.	*Links and references* 2022 ESG Report • Pages 95-100: *Our SASB Disclosure* CDP 2022 2022 TCFD Report

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis[32], target setting[33] and governance structure for implementing the PRB)? Please describe briefly.

Climate stability In accordance with the requirements of the NZBA and the PCAF, the Bank will continue to measure the footprint of its loans and investments portfolios , while expanding its net-zero interim emissions targets to cover other carbon-intensive sectors. We will continue to refine and enhance the accuracy of emissions information as data and industry best practices evolve.	*Links and references* 2022 TCFD Report • Page 40: *Next steps*

[32] For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement
[33] For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

Financial resilience One of the Bank's priorities over the next few months in terms of the Responsible Banking Principles will be to pursue work to evaluate the performance of the Personal Banking product portfolio based on the indicators set out in Section 2.1d. We will then establish a financial resilience target for the impact indicator prioritized, along with an action plan to achieve it. The target will aim to increase the percentage of active clients with long-term savings. As part of its efforts to contribute to the energy and social transition, the Bank will continue to identify opportunities to support its individual and business clients in implementing sustainable practices by providing informed advice and offering products tailored to their needs. Discussions on governance are underway to evaluate whether or not adjustments will be necessary to increase the integration of the PRB into the Bank's activities.	

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

☐ Embedding PRB oversight into governance

☐ Gaining or maintaining momentum in the bank

☐ Customer engagement

☐ Stakeholder engagement

☐ Data availability

☒ **Getting started: where to start and what to focus on in the beginning** ☐ Conducting an impact analysis ☐ Assessing negative environmental and social impacts ☐ Choosing the right performance measurement methodology/ies ☒ **Setting targets** ☐ Other: …	☐ Data quality ☐ Access to resources ☐ Reporting ☒ **Assurance** ☐ Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these:

Stakeholders' ESG requirements continue to grow, and multiple methodologies can be used to measure the extra-financial impact of a financial institution. It can therefore be challenging to balance disclosure, rolling out various actions and following up on such actions. It took considerable effort to understand and apply the PRB tools and methodology. We would like to thank the experts from UNEP FI for their support throughout the process.