

Report

on the United Nations Principles
for Responsible Banking

2023



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Scope

Unless otherwise indicated, this report refers to fiscal 2023 (November 1, 2022 to October 31, 2023). The financial health target was established as at February 29, 2024. 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 set out in the messages from executives and other statements with respect to the objectives, priorities and strategies of National Bank of Canada and its subsidiaries (the Bank), the Bank's environmental, social and governance targets and commitments (including with respect to reducing greenhouse gas emissions related to the Bank's own activities and its energy consumption, reaching net-zero greenhouse gas emissions for its operating and financing activities by 2050, its inclusion, diversity and equity commitments and the measures it will take to achieve them, its climate strategy and all objectives related to transitioning to a low-carbon economy and supporting clients in this transition), 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 environmental, social and governance vision, strategy, and objectives, 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. 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 cautions 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 a number of factors. The Bank therefore recommends that readers not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ significantly 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 set out below as well as the uncertainties they represent and the risks 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.

Our ability to achieve our environmental, social and governance objectives, priorities, and targets (including with respect to reducing greenhouse gas emissions related to the Bank's own activities and its energy consumption, reaching net-zero greenhouse gas emissions for its operating and financing activities by 2050, its inclusion, diversity and equity commitments and the measures it will take to achieve them, its climate strategy and all objectives related to transitioning to a low-carbon economy and supporting clients in this transition) 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, climate change, physical risks, risks related to 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 to assess and manage climate-related risks; the general economic environment and financial market conditions in Canada, the United States, and the other countries where the Bank operates; changes made to regulations that affect the Bank's business; 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 economy, market conditions or the Bank's outlook, including international conflicts, natural disasters, public health crises and the measures taken in response to such events.

The foregoing list of risk factors is not exhaustive, and the forward-looking statements contained in this document are also subject to credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputational risk, strategic risk, environmental and social risk and certain emerging risks or risks deemed significant. Additional information about these risk factors is provided in the Risk Management section starting on page 62 of the Bank's 2023 Annual Report and may be updated in the quarterly shareholders' reports subsequently published.

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 globally 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).

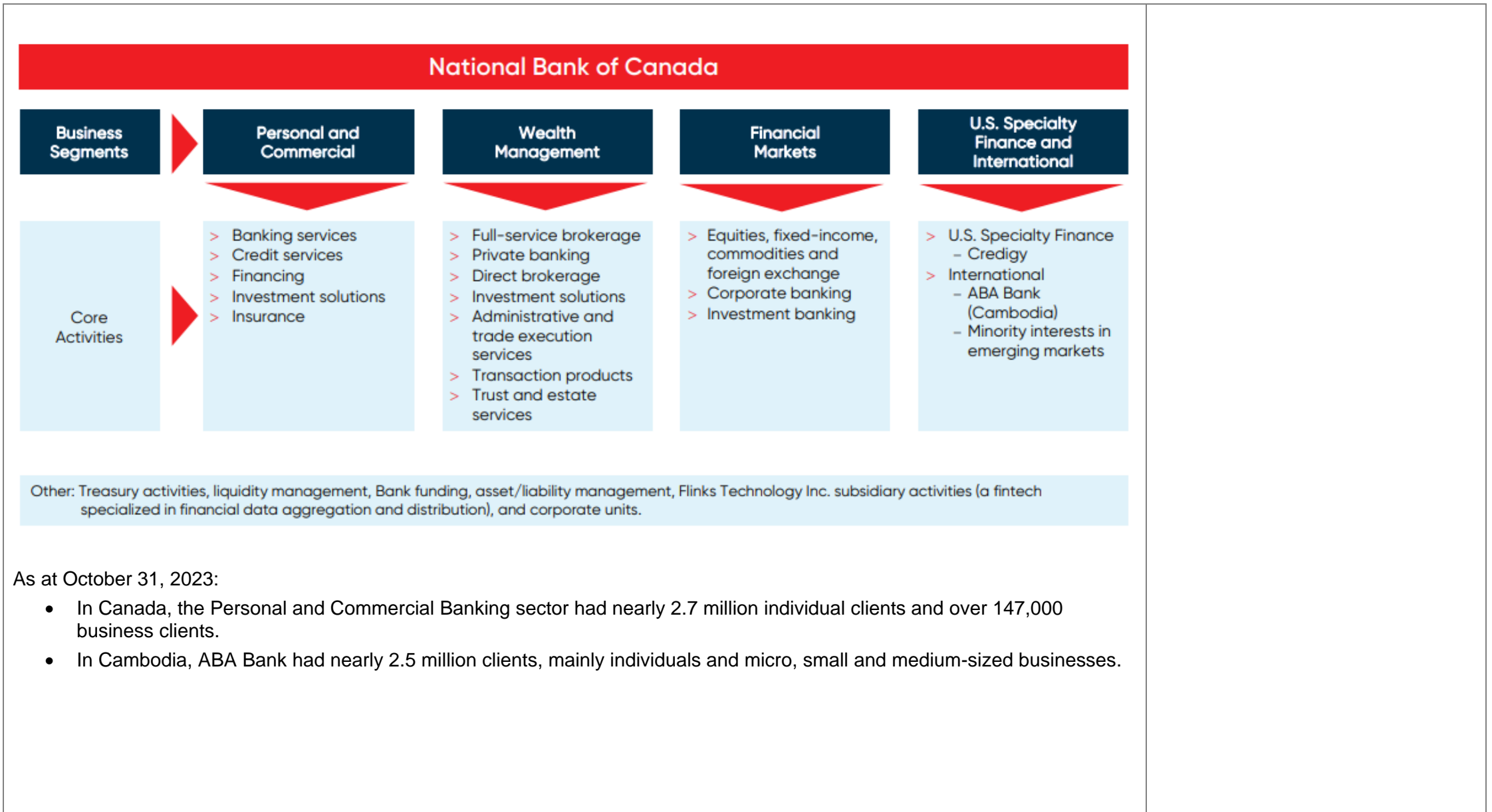
Links and references

[2023 Annual Report](#)

- Page 2 (PDF): At a Glance
- Pages 30-31 (PDF): Business Segment Analysis

[2023 ESG Report](#)

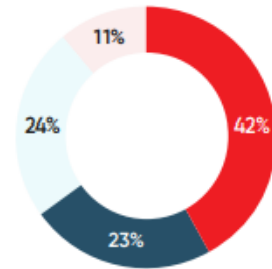
- Pages 69-71: ABA Bank



Breakdown of our activities by revenues and by geographical distribution:

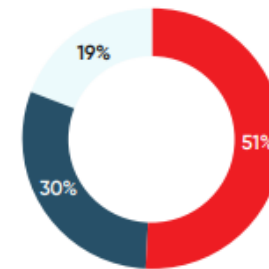
2023 Total Revenue – Adjusted by Business Segment⁽³⁾

- Personal and Commercial
- Wealth Management
- Financial Markets
- U.S. Specialty Finance and International



2023 Total Revenue – Adjusted by Geographic Distribution⁽³⁾

- Province of Quebec
- Other Canadian provinces
- Outside Canada



(3) Excluding the *Other* heading. See the Financial Reporting Method section on pages 14 to 19 of the [2023 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's *Modern Slavery Act 2015* and the new Bill S-211 *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (Modern Slavery Act)*, adopted by the federal government and that came into force on January 1, 2024.

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 well-being of the communities in which it operates. It implements practices that support sustainable development, inclusion, diversity and equity, and sound governance, as 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 of Directors, which are aligned with the [United Nations Sustainable Development Goals \(SDGs\)](#). In 2023, our initiatives and commitments contributed to 12 of the 17 SDGs. In the past fiscal year, the Bank also continued its strategy of providing proactive support and advice to clients most affected by market fluctuations caused by rapidly rising rates.

The Bank has adopted an ESG strategy to pursue the integration of ESG criteria into the strategies, decisions and activities 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 the carbon footprint of its activities and shared the data with the 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 fifth voluntary disclosure report was published in March 2024.

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 Net-Zero Banking Alliance (NZBA) as part of a global, industry-led initiative to accelerate and support efforts to address climate change.

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 in the areas of education, entrepreneurship, health, community outreach, arts and culture, inclusion, diversity and equity and the environment. In 2023, we pursued our commitment 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
- UN Standards of Conduct for Business: Tackling Discrimination Against Lesbian, Gay, Bi, Trans and Intersex (LGBTI) People

Links and references

[2023 ESG Report](#)

- Page 12: Our ESG principles
- Pages 16-17: Our Contribution to the SDGs
- Pages 60-63: Community
- Pages 64-65: Inclusion, Diversity and Equity
- Pages 66-68: Financial Literacy

[2023 Annual Report](#)

- Page 30 (PDF) : Business Segment Analysis

[2024 Circular](#)

- Pages 93-145: Executive Officer Compensation

- [2023 Climate Report](#)
- [Human Rights Statement](#)
- [Leadership's Commitment on Indigenous Relations](#)
- [Report and Commitment on the Fight Against Modern Slavery](#)

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 regularly¹ and fulfil the following requirements/elements (a-d)²:

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.

In 2023, the Bank carried out an impact analysis of its product portfolio to establish the areas where it could have the most significant positive or negative impact. We used the methodology and tools developed by the United Nations Environment Programme – Finance Initiative (UNEP FI) for individual clients (Consumer Banking) and business clients (Institutional Banking).³ Data analyzed are as at October 31, 2022 for business clients and as at February 28, 2023 for individual clients.

Taking into account the breakdown of Bank revenues by business segment and geographical distribution, as presented in Section 1.1 (Business model), our impact analysis covered products held in Canada by Personal Banking clients and industries financed 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, which accounted for 84% of the Bank's revenues in 2022. In 2023, they accounted for 81% of 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 financially vulnerable.⁴

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 doing business with the Wealth Management sector. To carry out the analysis, we correlated the products and services identified in the UNEP FI tool with those offered by the Bank.

Links and references

[2023 Annual Report](#)

- Page 2 (PDF): At a Glance

¹ 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.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

³ Portfolio Impact Analysis Tool for Banks (v.3): Consumer Banking/Identification Module (July 2022) and Institutional Banking/Identification Module (July 2022).

⁴ 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](#)

<p>b) <u>Portfolio composition:</u> 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</p> <p>i) by sectors & industries⁵ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</p> <p>ii) by products & services and by types of customers for consumer and retail banking portfolios.</p> <p>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.</p>	
<p>The analysis of portfolio composition carried out in 2023 took into account products and services in the Personal Banking portfolio and industry segments in Commercial Banking.</p> <ul style="list-style-type: none"> • 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 near-equal distribution between men and women, a strong presence in urban areas 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 a portion of the middle class in a precarious position. • For the Commercial Banking portfolio, the industries that account for the largest proportion of financing are: Real estate; Finance and insurance; Agriculture, forestry, fishing and hunting; Construction; and Utilities. 	<p><i>Links and references</i></p>

<p>c) <u>Context:</u> 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?⁶ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.</p> <p><i>This step aims to put your bank's portfolio impacts into the context of society's needs.</i></p>	
<p>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 UNEP FI Context Module tool, which highlighted the following three impact areas:</p> <ul style="list-style-type: none"> • Climate stability, more specifically pollution and greenhouse gas emissions. • Circularity, more specifically energy and water use, the carbon footprint of commodities resulting from intensive resource use and waste. • Availability, accessibility, affordability, quality of resources and services, more specifically affordable housing and obesity. 	<p><i>Links and references</i></p> <p>2023 ESG Report</p> <p>Pages 10-11: Our relative importance matrix</p>

⁵ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

⁶ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

In line with the Climate Stability and Circularity impact areas as well as with “SDG 13: Climate Action,” the federal government has drawn up a plan to reduce its 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 GHG 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.”

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 results of this survey were presented in the form of a relative importance matrix. **Financial inclusion** was among the issues our stakeholders considered to be most important. To draw links between this issue and national priorities, we examined a number of public resources.

According to the World Bank, financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—delivered in a responsible and sustainable way. The most recent World Bank data shows that Canada has the most inclusive financial system in the G7.⁷ According to the 2023 Global Financial Inclusion Index, the country is ranked 14th out of 42 in terms of financial inclusion— a decrease from 2022, when Canada was ranked 11th.

Although Canada is a leader in financial inclusion, financial health remains relevant given the uncertain economic environment, which can have a greater impact on financially vulnerable groups. To help the population deal with financial challenges, the federal government released its [National Financial Literacy Strategy 2021-2026](#), whose main goal is to strengthen financial resilience. Furthermore, in line with its target to reduce poverty by 50% from 2015 levels by 2030, the government will track changes in **asset resilience**. This indicator is defined as having enough savings to maintain well-being for a specified period of time.⁸

Another source of information used to measure the financial resilience of Canadian households is the index developed by the Financial Resilience Institute. The following table presents the Seymour Financial Resilience Index over the past three years:

⁷ An informal grouping of seven of the world's advanced economies: Germany, Canada, the United States, France, Italy, Japan and the United Kingdom, as well as the European Union (source: [Government of Canada](#))

⁸ [Federal Sustainable Development Strategy](#)

June 2021	June 2022	June 2023
55.67	50.52	52.44

The most recent available score, from October 2023, was 50.78, a significant drop over four months. The Institute’s report highlighted the following findings:

- There are financially vulnerable households across all income segments.
- Quebec, previously considered the most financially resilient province, recorded a significant decrease: from 55.27 in June 2023 to 50.81 in October 2023.
- 80% of Canadians—nearly 20 million adults—are not “financially resilient,” and just below a quarter of the population has a liquid savings buffer of less than three weeks.
- 58% of Canadians are experiencing high levels of financial stress over their current and future financial obligations.
- 77% of Canadians want to better understand their financial resilience and how they can improve it.
- Financial stress negatively impacts the mental health of 69% of Canadians.
- 71% of Canadians say they do not have enough savings for retirement.

The resources we consulted have enabled us to better understand the priorities and challenges we face at the national scale and draw links between the Bank’s strategies, Canadian strategies and recognized reference frameworks such as the SDGs and the Paris Agreement.

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)?⁹ Please disclose.

After analyzing the national situation and assessing our portfolio of products for the Personal and Commercial Banking sectors using the tools developed by 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

⁹ To prioritize the areas with the most significant impact, it’s important to add a qualitative level to the quantitative analysis described under a), b) and c), for example through dialogue with stakeholders and a more in-depth analysis of the geographical situation.

The impact analysis carried out in 2023 confirmed the **first significant impact area** communicated in our previous reports: **Climate change mitigation**. This impact area is aligned with “SDG 13: Climate Action.”

After considering the findings of the impact analysis, the national situation and the role the Bank can play, we selected improving the **financial health** of individuals as our **second significant impact area**. This impact area is aligned with a number of SDGs, including “SDG 1: No Poverty,” “SDG 5: Gender Equality,” “SDG 8: Decent Work and Economic Growth” and “SDG 10: Reduced Inequalities”.

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 potential impact area is aligned with a number of SDGs, including “SDG 1: No Poverty,” “SDG 10: Reduced Inequalities” 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 and 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 CHANGE MITIGATION

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 and 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’s [Net-Zero by 2050: A Roadmap for the Global Energy Sector](#), the International Energy Agency’s [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’s (IEA) Net Zero Emissions (NZE) scenario roadmap to set its interim targets for 2030.

Links and references

[2023 Climate Report](#)

- Pages 36-46: Metrics and Targets > Financed Emissions

FINANCIAL HEALTH

To enable us to evaluate our performance, we undertook the following in 2023:

- UNEP FI training workshops on guidelines for setting financial health and inclusion targets
- Using UNEP FI tools such as the Pathway to Impact
- Sharing best practices with other financial institutions that are PRB signatories

Since our last report was published, we have focused on obtaining data that provides an overview of our clients' financial health and allows us to identify potential variances among different client segments.

The data used to establish our baseline is as at October 31, 2023. We compared the indicators proposed in the UNEP FI guide¹⁰ to those already in use at the Bank, using the Pathway to Impact methodology.

The performance indicators used in our analysis include:

- Number and percentage of clients with short-, medium- and long-term savings
- Number and percentage of clients with investment products
- Number and percentage of clients who have set up pre-authorized contributions (PAC) for at least one short-, medium- or long-term savings account
- Number and percentage of clients who have participated in a meeting about their investments
- Financial resilience index, an internal model that evaluates the financial vulnerability of clients
- Number and percentage of new clients

For each performance indicator, we identified the most vulnerable client segments based on the segmentation used in the UNEP FI tools (Identification modules): Gender, age, geographic distribution and income level. This exercise allowed us to spot trends in terms of savings products held over different timeframes and draw links with Canada-wide findings such as those presented in section 2.1c (Context) of this report. The impact indicator selected further to our analysis is the percentage of newcomers to Canada in the Personal Banking segment who hold long-term investment accounts.

¹⁰ PRB Core Indicators to Measure Financial Health and Inclusion

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: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Portfolio composition: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Context: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |
| Performance measurement: | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress | <input type="checkbox"/> No |

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

Climate change mitigation (climate stability) + Financial health

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

- Up to 6 months prior to publication
- Up to 12 months prior to publication => data for the Personal Banking sector (Consumer Banking) – As at February 28, 2023 (14 months)**
- Up to 18 months prior to publication => data for the Commercial Banking sector (Institutional Banking) – As at October 31, 2022**
- 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 targets¹² 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 with¹³ 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 CHANGE MITIGATION

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's (IEA) Net Zero Emissions (NZE) by 2050 Scenario, 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. For the other methodologies used, which are based on recognized international and regional frameworks, consult section 2.1d (Performance measurement) of this 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 HEALTH

As set out in section 2.1c (Context), the Government of Canada aims to improve the financial health and resilience of the public. A number of strategies have been rolled out to achieve this goal, including the [National Financial Literacy Strategy 2021-2026](#), which is aligned with "SDG 1: No Poverty."

The report entitled "Financial Planning: A Pathway to Improved Financial Resilience" confirms that planning ahead for upcoming or unexpected expenses or to save for long-term goals contributes to financial resilience. According to the Financial Resilience Institute, financial vulnerability is a growing problem that affects **4 out of 5 Canadians**.

As a financial institution, we play a key role in financial education and in helping the different segments of the population reduce their financial stress and improve their financial well-being. Since becoming a founding signatory of the PRB, the Bank has

Links and references

[2023 Climate Report](#)

- Pages 36-46: Metrics and Targets > Financed Emissions

participated in many workshops and sessions with UNEP FI experts to increase its impact in the area of financial health and inclusion. The work undertaken since the publication of our last report has allowed us to further our reflections on the second target we wish to establish and ensure it is aligned with the national situation and the SDGs. Our financial health target aims to increase long-term investments by newcomers to Canada.

According to the 2021 Census from Statistics Canada:¹⁴

- Immigrants represent 23% of the total population, or almost 1 in 4 people.
- Canada has the highest percentage of immigrants among the G7 countries.
- Over half of recent immigrants living in Canada were admitted under the economic category.

Data collected by the Financial Consumer Agency of Canada (FCAC)¹⁵ indicate that the financial challenges faced by immigrants to Canada include obtaining financial information from reliable sources and adequately planning for long-term savings goals.

Since federal immigration targets will remain high over the coming years, it's important for us to ensure newcomers to Canada have a good understanding of how to manage their personal finances.

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:

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
	...	
	...	

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.

¹⁴ [Immigration, place of birth, and citizenship](#) – Statistics Canada (October 26, 2022).

¹⁵ [23% and Counting, but Not 'One Size Fits All': Helping Canada's Immigrants Strengthen Their Financial Knowledge](#) - Avneet Bhabra (2023)

<i>Climate change mitigation</i>	...	
----------------------------------	-----	--

<i>Impact area</i>	<i>Indicator code</i>	<i>Response</i>
<i>Financial health and inclusion</i>	...	
	...	
	...	

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.

CLIMATE CHANGE MITIGATION

Code and indicator	Response
A.1.1 Climate strategy	Yes, we have a climate strategy.
A.1.2 Paris Agreement alignment target	Yes, we have a target of net-zero emissions by 2050 for our financing activities (reference year 2019), aligned with the objectives of the Paris Agreement. The Bank used the International Energy Agency’s (IEA) Net Zero Emissions (NZE) scenario roadmap to set its interim targets for 2030.
A.1.4 Portfolio analysis	Yes, we have started to analyze a portion of our loan portfolio, beginning with the most carbon-intensive sectors: Oil and Gas, Commercial Real Estate and Power Generation. In 2023, the Bank made progress in quantifying its financed emissions by completing the measurement of the carbon footprint of its on-balance-sheet assets by applying the methodologies associated with each asset class covered by the PCAF.
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:

Links and references

[2023 Climate Report](#)

- Pages 10-22: Strategy
- Pages 36-46: Metrics and Targets > Financed Emissions

[2023 ESG Report](#)

- Pages 40-48: Supporting clients in their energy and social transition

	<table border="1"> <thead> <tr> <th data-bbox="782 180 1005 207">Business sectors</th> <th data-bbox="1005 180 1892 207">Products and services</th> </tr> </thead> <tbody> <tr> <td data-bbox="782 207 1005 354">Commercial Banking</td> <td data-bbox="1005 207 1892 354"> <ul style="list-style-type: none"> › Sustainable finance products: Deploying capital to support our clients in their transition through our sustainable finance product offering, including green, social, sustainable, transitional and sustainability-related loans. › Support for cleantech companies: Offering advisory, coaching and financial services tailored to fast-growing cleantech companies across Canada, through the Bank's Technology and Innovation Banking. </td> </tr> <tr> <td data-bbox="782 354 1005 483">Financial Markets</td> <td data-bbox="1005 354 1892 483"> <ul style="list-style-type: none"> › Sustainable finance products: Deploying capital to support our clients in their transition through our sustainable finance product offering, including green, social, sustainable, transitional and sustainability-related criteria bonds and loans. › Clean technology investment banking: Offering strategic consulting services to over 450 cleantech companies across Canada through a dedicated group. </td> </tr> <tr> <td data-bbox="782 483 1005 540">Wealth Management</td> <td data-bbox="1005 483 1892 540"> <ul style="list-style-type: none"> › Responsible investing: Offering responsible investment products, including sustainability funds and unified managed accounts for sustainability investment portfolios. </td> </tr> <tr> <td data-bbox="782 540 1005 597">Personal Banking</td> <td data-bbox="1005 540 1892 597"> <ul style="list-style-type: none"> › Support for individual clients: Offering products and services that promote the eco-friendly habits of our individual clients. </td> </tr> </tbody> </table>	Business sectors	Products and services	Commercial Banking	<ul style="list-style-type: none"> › Sustainable finance products: Deploying capital to support our clients in their transition through our sustainable finance product offering, including green, social, sustainable, transitional and sustainability-related loans. › Support for cleantech companies: Offering advisory, coaching and financial services tailored to fast-growing cleantech companies across Canada, through the Bank's Technology and Innovation Banking. 	Financial Markets	<ul style="list-style-type: none"> › Sustainable finance products: Deploying capital to support our clients in their transition through our sustainable finance product offering, including green, social, sustainable, transitional and sustainability-related criteria bonds and loans. › Clean technology investment banking: Offering strategic consulting services to over 450 cleantech companies across Canada through a dedicated group. 	Wealth Management	<ul style="list-style-type: none"> › Responsible investing: Offering responsible investment products, including sustainability funds and unified managed accounts for sustainability investment portfolios. 	Personal Banking	<ul style="list-style-type: none"> › Support for individual clients: Offering products and services that promote the eco-friendly habits of our individual clients. 	
Business sectors	Products and services											
Commercial Banking	<ul style="list-style-type: none"> › Sustainable finance products: Deploying capital to support our clients in their transition through our sustainable finance product offering, including green, social, sustainable, transitional and sustainability-related loans. › Support for cleantech companies: Offering advisory, coaching and financial services tailored to fast-growing cleantech companies across Canada, through the Bank's Technology and Innovation Banking. 											
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Wealth Management	<ul style="list-style-type: none"> › Responsible investing: Offering responsible investment products, including sustainability funds and unified managed accounts for sustainability investment portfolios. 											
Personal Banking	<ul style="list-style-type: none"> › Support for individual clients: Offering products and services that promote the eco-friendly habits of our individual clients. 											
A.2.1 Client engagement process	<p>The Bank aims to become a strategic partner by supporting its clients in their transition, taking into account the complex and interdependent efforts of many stakeholders across the economy. The plan to implement this priority involves:</p> <ul style="list-style-type: none"> • Deploying sustainable finance products and services to support our clients in their transition. • Promoting the development of the renewable energy sector to support decarbonization efforts in our clients' various business sectors. <p>The Bank also aims to exercise its leadership influence by making a commitment to its clients. The execution of this priority will require us to develop a client engagement strategy so we can provide better advice to clients during their climate transition.</p>											
A.3.1 Financial volume of green assets/low-carbon technologies	<ul style="list-style-type: none"> • In 2023, the Bank granted 10 green loans in the Real Estate sector for a total of \$778 million, exceeding the established objective of \$750 million. • Since 2019 and as at October 31, 2023, the Bank has disbursed over \$11 billion in capital for renewable energy projects in North America. We have provided over \$8.7 billion in financing for projects in the wind, solar, battery and hydro electricity sectors, accounting for 72% of our total authorized financing portfolio for projects related to the energy sector (Project Finance). • As at October 31, 2023, proceeds from sustainability bonds had been used by the Bank to finance over \$3.3 billion in green and social projects. 											

A.4.1 Reduction of GHG emissions

Summary of reduction targets in place as at October 31, 2023

Sector	Emissions scopes	Baseline year	Metric	Baseline intensity	2030 Target	Evolution since 2019	Scenarios
Oil and Gas Producers	Scopes 1 and 2 Use of energy by O&G producers	2019	tCO ₂ e/TJ	0.90	-31%	-27%	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			7.69	-31%	-15%	
Commercial Real Estate	Scopes 1 and 2 Building energy consumption	2019	tCO ₂ e/ 1,000 sq.ft.	2.79	-50%	-23%	IEA NZE by 2050 scenario
Power Generation	Scope 1 Fuel combustion for power generation	2019	tCO ₂ e/ MWh	0.11	-33%	-27%	Convergence approach to the IEA NZE by 2050 scenario

FINANCIAL HEALTH

The impact analysis we carried out during our previous reporting period revealed that investment products make up a significant portion of our portfolio of products for individuals.

To establish a baseline for our financial health target, we started with the key indicators set out in the UNEP FI guide.¹⁶ However, our workshops revealed some limitations in terms of the data that could be obtained. We have therefore drawn up a list of reliable, comparable key indicators that are available at the Bank. The data used to establish our baseline was extracted on October 31, 2023.

The following key indicators were used to establish our baseline:

- Number and percentage of clients with short-, medium- and long-term savings
- Number and percentage of clients with investment products
- Number and percentage of clients who have set up pre-authorized contributions (PAC) for at least one short-, medium- or long-term savings account
- Number and percentage of clients who have participated in a meeting about their investments
- Financial resilience index, an internal model that evaluates the financial vulnerability of clients
- Number and percentage of new clients

¹⁶ PRB Core Indicators to Measure Financial Health and Inclusion

For each performance indicator, we identified the most vulnerable client segments based on the segmentation used in the UNEP FI tools (Identification modules). Our segmentation is therefore based on gender, age, geographic distribution and income level. This exercise allowed us to spot trends in terms of savings products held over different timeframes and draw links with Canada-wide findings such as those presented in section 2.1c (Context) of this report.

We analyzed financial resilience based on the percentage of clients who have a short- or medium-term savings account that can be used as a financial cushion in the event of the unexpected. According to the most recent World Bank data,¹⁷ a significant percentage of Canadians over 15 years old said they would be able to obtain emergency funds within 30 days. However, as we saw in section 2.1c (Context), the financial resilience of the Canadian public had decreased significantly by October 2023.

We then analyzed long-term savings account data to assess financial resilience over a longer timeframe, such as for retirement. According to World Bank data,¹⁹ nearly 60% of Canadians over 15 years old have put money aside for old age, although the percentage is higher for men than for women.

By comparing data for various client segments, we noted a wider variance in terms of long-term savings than short-term savings between the newcomers to Canada segment and Personal Banking clients as a whole. This variance was also higher than the variances between the other segments analyzed.

We also assessed client behaviours in terms of pre-authorized contributions (PACs) for short-, medium- and long-term accounts. Across all investment horizons, data for the various client segments included in our analysis show that of our clients who have investments, newcomers to Canada are among those who contribute the most via PACs.

The data extracted for the **client portrait** confirms that the newcomers to Canada segment in Personal Banking is growing. This segment is mostly made up of men in urban areas, between the ages of 25 and 60, with average income. In 2023, the Bank surveyed some 1,500 clients in the newcomers to Canada segment to get a better portrait of this segment and their financial needs. Buying a property in the next year is a financial priority for one out of two newcomers to Canada. Investing to grow their money and buying a car are priorities named by one-third of newcomers. Nearly a third of respondents consider saving for retirement a priority in terms of their financial needs. This survey supports the financial health target we chose and the client segment we prioritized in order to have a significant positive impact.

¹⁷ The World Bank [Global Financial Inclusion DataBank](#): 2021 data for Canada

c) **SMART targets** (including key performance indicators (KPIs)¹⁸): 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 CHANGE MITIGATION

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 and Gas Producers sub-sector in calculating financed emissions, since these companies will play a key role in reducing the Oil and Gas 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 and Gas Producers sub-sector by 31% by 2030.¹⁹ 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 2030.²⁰

We are committed to continuing to measure the footprint of our portfolio of loans and investments, while expanding the Bank's net-zero emissions targets to cover other carbon-intensive sectors, in accordance with the requirements of the NZBA and the PCAF.

FINANCIAL HEALTH

As a founding signatory of the PRB, the Bank has participated in multiple workshops and sessions with UNEP FI experts to take a deeper dive into its commitments and establish a target for financial health.

Based on an analysis of the impact of our portfolio of products, the data extracted to establish our baseline and the alignment of our strategies (national and Bank-wide situation), we have set a target to **increase our penetration rate with respect to long-term investments by newcomers to Canada by 50% by 2030**, with 2023 as the reference year. Our baseline calculations indicate a rate of 7% as at October 31, 2023, so we're aiming for a rate of 10.5% by 2030. This target is aligned with "SDG 1: No Poverty," "SDG 5: Gender Equality," "SDG 8: Decent Work and Economic Growth" and "SDG 10: Reduced Inequalities."

To assess our progress, we will monitor the performance indicators set out in section 2.2 b (Baseline).

Links and references

[2023 Climate Report](#)

- Pages 36-46: Metrics and Targets > Financed Emissions

d) **Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.

¹⁸ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

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

²⁰ The target for the Commercial Real Estate sector includes Scope 1 and 2 emissions with 2019 as the reference year. The target for the Power Generation sector includes Scope 1 emissions with 2019 as the reference year.

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 CHANGE MITIGATION

To meet its interim GHG reduction targets, the Bank has developed financing strategies adapted to each business sector, with an emphasis on strategic support for existing clients in the execution of their climate transition plan and attracting new clients with ambitious decarbonization strategies. In 2023, we adopted the following financing strategies for each business sector to advance towards our interim reduction targets.

Oil and Gas Producers	Power Generation	Commercial Real Estate
Interim targets for reducing financed emissions		
31% reduction in portfolio intensity by 2030, for all three scopes (tCO ₂ e/TJ)	33% reduction in portfolio intensity by 2030, for Scope 1 (tCO ₂ e/kWh)	50% reduction in portfolio intensity by 2030, for Scopes 1 and 2 (tCO ₂ e/ft ²)
Strategies		
<ul style="list-style-type: none"> Implementing a risk management process, including a climate risk sensitivity test, an impact simulation and an assessment of the decarbonization plan Strategic support for existing clients in the execution of their climate transition plan, adapted to their geographic location and economic environment 	<ul style="list-style-type: none"> Adapting the business model to further support renewable energy. Adding additional restrictions for existing clients, as well as an exclusion threshold for new clients operating in the thermal coal sub-sector. 	<ul style="list-style-type: none"> Implementing a financing strategy to optimize portfolio mix with an emphasis on real estate projects in Quebec to favour buildings with a low energy footprint, such as those using hydroelectric power.

FINANCIAL HEALTH

For many years, the Bank has been taking action to increase financial well-being and reduce financial stress for various client segments considered to be more financially vulnerable. Our focus on women and finance has been a success, as confirmed by the above-average results obtained for the financial health indicators set out in section 2.2b (Baseline).

We have rolled out numerous initiatives for clients who are newcomers to Canada, including the creation of a [banking offer for newcomers to Canada](#) which includes a chequing account with no fixed monthly fees for the first 12 months, with no obligation to take out any other products; this fee waiver can be extended to the second and third years under certain conditions. Eligible

Links and references

[2023 Climate Report](#)

- Pages 10-22: Strategy

[2023 ESG Report](#)

- Pages 34-36: Promoting financial health and inclusion
- Pages 40-48: Supporting clients in their energy and social transition
- Pages 66-68: Financial Literacy

clients who sign up for this offer also have access to a credit card even if they have no credit history in Canada²¹ and a free legal support service²² during their first year to help them get settled in Canada. To increase accessibility to our self-service solutions, ABMs throughout the Bank's network allow clients to choose from six display languages: French, English, traditional Chinese, Spanish, Arabic and Punjabi. By providing access in these languages and making its products and services accessible to a greater number of communities, the Bank continues to position itself as an active player in the promotion of inclusion and diversity.

What's new in 2023

- Financing origination policies reviewed to optimize access to property for newcomers to Canada
- The Bank has created the [Immigrating to Canada: resources and advice](#) page for newcomers to Canada
- As a priority segment for the organization, newcomers can enjoy reduced interest rates on vehicle financing anywhere in Canada through the Bank's distribution network and our affiliated merchants.

The Bank has also continued its partnership with the Canadian Foundation for Economic Education, which involves developing programs intended to provide information and advice to specific groups so they can make informed choices, reduce their financial stress and achieve their objectives. As part of the "Managing Your Money in Canada" program, more than 20 virtual and face-to-face workshops in 6 different languages were presented, reaching over 500 newcomers to Canada.

The Bank has been awarded a number of distinctions for its products and services for newcomers to Canada:

- Named best credit card for newcomers by Milesopedia
- Named best bank for newcomers by MoneySense²³

Action plan to achieve our financial health target

Supporting our clients by providing quality advice remains central to our approach. The actions we are implementing will focus on the four main types of enablers set out in the Pathway to Impact:

1. Portfolio composition

- Launch of a pilot project focused on inclusion by design.

2. Client engagement

- Release of a new guide on understanding and managing finances in Canada. Topics covered by the guide include opening a bank account in Canada, cybersecurity and fraud, credit reports, saving and investing and buying a home in Canada.
- Content on nbc.ca improved to highlight advice and useful information about savings and investment, among other topics.

²¹ Financing subject to credit approval by National Bank. Certain conditions apply. Security may be required under certain circumstances.

²² Telephone assistance service offered by National Bank Assistance Network, valid for 12 months from the account opening date. The content of the packages and terms described are subject to change.

²³ National Bank of Canada was named the Best Bank for Newcomers to Canada for 2023 by MoneySense. To establish this annual ranking, MoneySense selects some of the main financial institutions and compares their fees, their access to credit policy and the services they offer to newcomers.

<ul style="list-style-type: none"> • Client communications about investment adapted to include a specific component for newcomers to Canada. <p>3. Internal policies and processes</p> <ul style="list-style-type: none"> • New content created and existing internal information sources improved to help the advisory sales force support newcomers to Canada and address the topic of investment with them. <p>4. Advocacy</p> <ul style="list-style-type: none"> • Pursuit of our collaborations and partnerships with different stakeholders in society, such as the Financial Consumer Agency of Canada (FCAC) and the Canadian Bankers Association (CBA), with the goal of improving the financial health of the public. <p>In addition to the performance indicators identified in section 2.2b (Baseline), we will monitor the impact of our action plan by tracking the number of proactive contacts with clients who are newcomers to Canada and the number of views for the content available on the Bank's website.</p>	
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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 change mitigation	... second area of most significant impact: Financial health
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> 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 CHANGE MITIGATION

Consistent with our commitment to the NZBA and after joining the PCAF in 2021, the Bank began quantifying its financed emissions and setting interim targets for reducing financed emissions of carbon-intensive sectors.

As of today, the Bank has set three interim targets for its loan portfolios, namely, the Oil and Gas Producers sub-sector, the Power Generation sector and the Commercial Real Estate sector. In 2023, in accordance with NZBA guidelines, the Bank completed the quantification of its financed emissions for all carbon-intensive sectors and continues to disclose its financed emissions for the three sectors with interim targets to measure progress towards net-zero.

Also in 2023, according to the NZBA's guidelines, the Bank continued its efforts to fight climate change by extending its financing restrictions to thermal coal activities in the mining and power generation sectors.

Oil and Gas Producers

Since 2015, the Bank has reduced financing granted to oil and gas producers and services by 54%. As at October 31, 2023, loans to oil and gas producers and services represented 0.8% of the total gross loan portfolio. Absolute financed emissions for Scopes 1, 2 and 3 totalled nearly 5.7 million tCO₂e as at October 31, 2023, a 50% decrease compared to the baseline year (2019).

Links and references

[2023 Climate Report](#)

- Pages 40-41: Oil and Gas producers
- Pages 42-43: Commercial Real Estate
- Pages 44-45: Power Generation

Results		2019 baseline year	2022	2023	Evolution since 2019
Financed emissions ¹ (in thousand tCO ₂ e)	Scopes 1 and 2	1,117	391	542	-51%
	Scope 3	10,249	3,824	5,151	-50%
Weighted average emission intensity (tCO ₂ e/TJ)	Scopes 1 and 2	0.90	0.66	0.66	-27%
	Scope 3	7.69	6.18	6.51	-15%
Portfolio-wide intensity (tCO ₂ e/\$M)	Scopes 1 and 2	466	314	362	-22%
	Scope 3	4,274	3,071	3,443	-19%

Data sources:
 Internal Risk Rating Tool
 CDP and PCAF database or other public disclosures
 NIR National Inventory Report, Statistics Canada, CAPP (Canada's Oil and Natural Gas Producers,
 US EIA (Energy Information Administration) and US EPA (Environmental Protection Agency)

Commercial Real Estate

To ensure continuous improvement, the quantification of the baseline year's financed emissions was revised to consider data refinements related to the identification of operating credits, public companies, real estate investment trusts and corporations as well as owner-occupied buildings.²⁴ As the impact of this revision on emissions and sector coverage is immaterial, the Bank is maintaining its interim reduction target of 50% by 2030 for its Scope 1 and 2 emissions.

Absolute financed emissions for Scopes 1 and 2 totalled 108 thousand tCO₂e as at October 31, 2023, an increase of 32% over the baseline year due to organic portfolio growth. However, portfolio-wide intensity decreased by 33% over the same period.

²⁴ When 51% or more of the rental income confirmed by a lease comes from the principal shareholder's operating company.

Scope 1 and 2 emissions	Revised Baseline 2019	2022	2023	Evolution since 2019
Financed emissions (in thousand tCO ₂ e)	82	99	108	32%
Weighted average emission intensity (tCO ₂ e/1,000 sq.ft.)	2.79	2.31	2.14	-23%
Portfolio-wide intensity (tCO ₂ e/\$M)	12	8	8	-33%

Data Sources:

Internal risk rating tool

Statistics Canada, National building and energy surveys (both Canada and US), Canada's National Inventory Report, and the US EPA's Emissions factors hub.

Power Generation

Absolute financed emissions for Scope 1²⁵ totalled 0.96 million tCO₂e as at October 31, 2022,²⁶ an 8% decrease compared to the baseline, even though the portfolio experienced strong growth over the same period.

The concentration of financing associated with renewable energy projects, combined with our support for clients in their energy transition, has led to a 27% decrease in the weighted average emission intensity since 2019, which remains aligned with the trajectory established by the convergence scenario.

Thermal coal's share of total electricity generation stands at 6%, declining since 2019. By overseeing the financing of coal-fired power plants and companies using thermal coal to generate electricity, the Bank is able to better monitor the impacts of using this carbon-intensive energy source over the long term and support its clients in their energy transition.

Scope 1 emissions	Revised Baseline 2019	2022	Evolution since 2019
Financed emissions based on committed amount ² (in thousand tCO ₂ e)	1,049	961	-8%
Weighted average emission intensity (tCO ₂ e/MWh)	0.11	0.08	-27%
Portfolio-wide intensity based on committed amount ³ (tCO ₂ e/\$M)	260	165	-37%

²⁵ Absolute financed emissions based on the gross loans amount totalled 516 thousand tCO₂e as at October 31, 2022.

²⁶ The most recent power generation data available at the time of calculation were from 2022.

Data Sources:
Internal risk rating tool
Statistics Canada, National building and energy surveys (both Canada and US), Canada's National Inventory Report, and the US EPA's Emissions factors hub.

FINANCIAL HEALTH

An initial progress report on our action plan and the tracking indicators linked to our financial health target will be communicated in our next report.

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 customers²⁷ 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 activities²⁸. 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).

²⁷ 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.

²⁸ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

CLIMATE CHANGE MITIGATION

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.

In its 2023 ESG report, the Bank disclosed the main ESG topics addressed by stakeholder group. Energy transition was among the topics discussed with clients.

For more information on the actions taken by the Bank to support clients in their transition, consult section 3.2 (Business opportunities) of this report.

FINANCIAL HEALTH

To adequately support our **more vulnerable clients** during this period of economic fluctuation and rising interest rates, our teams have developed tools to enable effective and proactive communication with them so we can offer personalized financial advice and solutions. Furthermore, videos and articles prepared by our specialists 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 a bank account with no fixed monthly fees offered to certain client segments identified by the Government of Canada as financially vulnerable (seniors,²⁹ persons who have been determined to be disabled,³⁰ persons aged 24 or younger), if linked to a specific package. As at October 31, 2023, the Bank had 226,264 chequing accounts with no fixed monthly fees³¹ in Canada (no minimum balance).

As the elderly population increases, the Canadian banking industry is taking measures to meet the specific needs of clients aged 60 and over, including protecting them from financial abuse. The Bank has signed on to the Code of Conduct for the Delivery of Banking Services to Seniors, a set of guiding principles for our protective measures. The measures implemented by the Bank include a section on nbc.ca about [protecting seniors](#), an annual report and a dedicated phone line for clients aged 70 and over. In 2023, this line received 17,262 calls.

Links and references

[2023 Climate Report](#)

- Pages 16-18: Strategy > Develop sustainable finance products and services to support our clients in their transition

[2023 ESG Report](#)

- Pages 34-36: Promoting financial health and inclusion
- Pages 40-48: Supporting clients in their energy and social transition
- Pages 73-75: Maintaining an ongoing dialogue with our stakeholders

[2023 Annual Report on the Protection of Seniors](#)

²⁹ Persons aged 65 years or older on presentation of proof of eligibility for the Guaranteed Income Supplement.

³⁰ Beneficiaries of a Registered Disability Savings Plan (RDSP) aged 18 and over, upon presentation of proof of RDSP eligibility.

³¹ No-fee chequing accounts are defined as bank accounts that provide basic services with no additional fees, no monthly or annual maintenance fees and no minimum balance requirements.

A number of initiatives were introduced in 2023 under the responsibility of the Vice-President – Transformation and Client Inclusion, who is mandated to increase the external scope of the Bank’s actions:

- May 2023: The Bank brought together around 30 suppliers and 100 entrepreneurs in the Black community to build collaborative relationships and promote a movement with a positive impact on the community.
- September 2023: Meeting with senators to discuss ways to help Black entrepreneurs achieve greater success.
- November 2023: Rollout of a networking, speed mentoring and job market literacy pilot project for the newcomer employees of one of our suppliers.
- December 2023: Launch of an **inclusion by design framework** to minimize the impact of unconscious biases and potential prejudices when developing products, services, processes and concepts. Various initiatives have been integrated into a pilot project in order to validate the application of the framework and make adjustments as needed. The framework assesses such aspects as the makeup of work teams in terms of diversity and the representation of the various vulnerable groups targeted by the initiatives.

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 offers innovative financing solutions to clients who want to raise capital for green, social, sustainable and transition initiatives. We recognize the ability of sustainable finance to be a catalyst for real change and we believe in the power of our clients to achieve this. 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.

Business sectors	Products and services
Commercial Banking	<p>Sustainable finance products: Deploying capital to support our clients in their transition through our sustainable finance product offering, including green, social, sustainable, transition and sustainability-linked loans.</p> <p>Support for cleantech companies: Offering advisory, coaching and financial services tailored to fast-growing cleantech companies across Canada, through the Bank’s Technology and Innovation Banking Group.</p>

Links and references

[2023 Climate Report](#)

- Pages 16-18: Strategy > Develop sustainable finance products and services to support our clients in their transition

[2023 ESG Report](#)

- Pages 34-36: Promoting financial health and inclusion
- Pages 40-48: Supporting clients in their energy and social transition

Financial Markets	<p>Sustainable finance products: Deploying capital to support our clients in their transition through our sustainable finance product offering, including green, social, sustainable, transition and sustainability-linked loans and bonds.</p> <p>Cleantech investment banking: Offering strategic consulting services to over 450 cleantech companies across Canada through a dedicated group.</p>	<ul style="list-style-type: none"> • Pages 66-68: Financial Literacy • Pages 73-75: Maintaining an ongoing dialogue with our stakeholders
Wealth Management	<p>Responsible investing: Offering responsible investment products, including sustainability funds and unified managed accounts for sustainability portfolios.</p>	<p>2022 Sustainability Bond Report</p> <ul style="list-style-type: none"> • Page 3: Contribution to SDGs • Pages 8-10: Use of Proceeds and Impacts + Project Examples
Personal Banking	<p>Support for individual clients: Offering products and services that promote eco-friendly habits among our individual clients.</p>	<p>2023 Report on Responsible Investment Advances</p> <ul style="list-style-type: none"> • Pages 10-12: Sustainability is central to our investment solutions offering • Pages 14-16: Our achievements and priorities in terms of responsible investment • Pages 17-18: Our commitments

The Bank remains committed to reducing the carbon footprint of its loan portfolio through its support for North American businesses in the renewable energy sector, sound management of its energy portfolio and increasing investments in green energy.

To support the sector’s growth, National Bank Financial Markets has a team dedicated to providing loans linked to the growth of renewable energy in North America and offers differentiated, world-class advisory services that support client efforts to provide cleaner energy alternatives and promote more sustainable economic models.

Since 2019 and as at October 31, 2023, the Bank has disbursed over \$11 billion in capital for renewable energy projects in North America. We have provided over \$8.7 billion in financing for projects in the wind, solar, battery and hydro electricity sectors, accounting for 72% of our total authorized financing portfolio for projects related to the energy sector (Project Finance).

The Bank has developed one of the first Canadian reference frameworks for issuing sustainability bonds,³² published in 2018. As at October 31, 2023, the proceeds of sustainability bonds were used by the Bank to finance over \$3.3 billion in sustainable development projects. Since 2019, the sustainability bonds issued by the Bank have contributed to the following SDGs: “SDG 1: No Poverty,” “SDG 3: Good Health and Well-being,” “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.”

³² In line with the International Capital Markets Association’s (ICMA) Green Bond Principles and Social Bond Principles, the Bank’s sustainability bonds will be allocated to financing 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 socioeconomic outcomes for target populations.

In 2023, National Bank Investments Inc. (NBI), a subsidiary of the Bank, once again renewed its commitment to being an agent of change by taking on a number of responsible investment initiatives that support the transition to sustainable finance. NBI has adopted a new sustainable voting rights policy for internally managed funds. This initiative aims to maximize the positive impact that results from leveraging voting rights and enables NBI to encourage the companies it invests in to adopt sustainable practices. The volume in assets under management in NBI sustainable investments stood at \$4.1 billion as at October 31, 2023.

Over the past fiscal year, the Bank's Technology and Innovation Banking has 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.

The Bank's credit card rewards program encourages cardholders to adopt eco-friendly habits. Cardholders can use their points on the Eco-friendly section of the rewards site. Among other things, they can offset their greenhouse gas emissions by purchasing CO₂ 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.

To promote the energy transition, the Bank also offers interest rate discounts on the financing used to purchase green vehicles (electric, plug-in hybrid or hydrogen). This offer is available from all our affiliated merchants and from the entire Personal Banking distribution network (in person or remote), making the program accessible across Canada.

For many years, the Bank has supported numerous **financial literacy** initiatives. In 2023, the Bank continued its partnership with the Canadian Foundation for Economic Education, which involves developing programs intended to provide information and advice to specific groups so they can make informed choices, reduce their financial stress and achieve their objectives.

Partnership programs

Program	Objective	2023 highlights
Managing Your Money in Canada	Free financial literacy workshops at various levels to help newcomers and immigrants to Canada stay in control of their finances and draw up plans to meet their objectives.	More than 20 virtual and face-to-face workshops were held, translated into 6 different languages and attended by over 500 newcomers to Canada.
Financial Literacy 101	Comprehensive financial literacy program, offered via a free and interactive online learning platform. Students can access the program independently or in class.	The online program generated more than 26,000 visits throughout 2023.

The Bank has also developed a series of content aimed at encouraging women to take an active role in managing their finances. In 2023, some of this content was highlighted to mark International Women’s Day. Our media campaign, which was viewed more than 37 million times in Canada, aimed to promote the tools available to women and increase their financial confidence. The *Invest in you* virtual conference series was launched in conjunction with the campaign. It aims to make investing more accessible and raise awareness of how important it is for women to actively participate in managing their finances. Over 17,300 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 groups³³) 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 2023 ESG report, the Bank disclosed the main ESG topics addressed by stakeholder group. These topics include climate change, planning for the energy transition, Canadian household debt, socioeconomic inclusion, physical well-being, mental health and affordable housing.

Links and references

[2023 ESG Report](#)

- Pages 10-11: Our relative importance matrix
- Page 36: Collaborating with organizations to improve banking services
- Pages 73-75: Maintaining an ongoing dialogue with our stakeholders

[2023 Climate Report](#)

- Pages 20-22: Exercise our leadership influence

³³ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of Indigenous populations and non-profit organizations

The Bank holds ongoing discussions with regulatory bodies and other entities on how to improve banking services and on other topics affecting clients. As such, the Bank:

- is a member of the Canadian Bankers Association (CBA), which allows the industry to maintain a dialogue with government on various issues and policies that affect financial institutions. We participate in a number of this organization's working committees, including several that discuss issues related to clients.
- regularly meets with the Financial Consumer Agency of Canada (FCAC) and the Office of the Superintendent of Financial Institutions (OSFI) to discuss specific cases and industry issues.

The Bank participates in a range of initiatives, including public consultations, round tables, surveys, conferences and forums to improve the framework for climate risk management and disclosure, and to focus on Canada's climate capital needs.

Engagements include but are not limited to:

- Supporting the Sustainable Finance Action Council (SFAC), which serves as a centre of expertise, partnership and dialogue for the growth of an efficient financial market and sustainable finance issues in Canada and abroad. The Council's mandate is to make recommendations to attract and advance sustainable finance in Canada.
- Participating in meetings of the *Économie verte* committee of the *Fédération des chambres de commerce du Québec* (FCCQ), during which subjects such as the decarbonization of companies and the calculation of GHGs are discussed.
- Participating in public consultations with regulatory bodies in various industries (ISSB, OSFI).

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 to stay informed of 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 target 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.

Board oversight of ESG criteria

The Board pays close attention to social and environmental criteria in order to meet the changing needs of our society. The Bank's ESG governance framework relies on the fact that all levels of the organization contribute to our objectives and commitments, including directors, who provide oversight of ESG criteria through the various Board committees. Consequently, in recent years, the Bank has adopted measures enabling it to extend its commitment in this regard, notably through structured ESG governance and by deploying a renewed environmental, social and governance strategy, which continues to be based on the ESG principles adopted by the Board in 2019.

In addition to exercising a strategic oversight role, the Board ensures ESG governance practices are fair, transparent and based on solid foundations, such as dialogue with stakeholders.

Links and references

[2023 ESG Report](#)

- Page 78: Board oversight of ESG criteria
- Page 79: ESG Committee
- Page 80: Our ESG organizational structure
- Page 83: Assessment and compensation of executives

The Board ensures that ESG criteria are integrated into long-term strategic objectives while monitoring the progress of ESG initiatives and commitments. The Board and its committees—the Conduct Review and Corporate Governance Committee, the Risk Management Committee, the Audit Committee, the Human Resources Committee and the Technology Committee—have all been assigned ESG responsibilities according to their respective roles and the expertise of their members. The goal is to ensure that the Bank’s activities are conducted in line with high standards of corporate responsibility. The Board and its committees are supported by the Senior Leadership Team in exercising their functions, as well as by various internal committees such as the ESG Committee.

ESG Committee

In 2023, the Bank improved its ESG governance framework in order to further integrate ESG criteria into its strategies, decisions and activities.

Led by the Chief Financial Officer and Executive Vice-President – Finance and by the Senior Vice-President – Communications, Public Affairs and ESG, the ESG Committee is made up of experts representing the Bank’s different sectors and a number of executives, including several members of the Senior Leadership Team. This multidisciplinary team’s main role is to establish and support the Bank’s ESG strategy. The Committee also serves as an ambassador in promoting a culture that supports the Bank’s ESG ambitions. Members meet monthly.

Supported by a management committee, three working groups and a team entirely dedicated to ESG, the Committee oversees the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the United Nations Principles for Responsible Banking and the Bank’s climate change commitments.

The ESG Committee communicates with the Senior Leadership Team as needed and the Conduct Review and Corporate Governance Committee twice a year to report on the progress made on our various commitments and to follow up on the priorities set out in the strategic ESG plan. It also gives occasional presentations to other Board committees on topics of interest, such as climate commitments, inclusion, diversity and equity and the protection of personal information.

Ongoing constructive dialogue among various internal stakeholders in all the business lines and external stakeholders helps advance the Bank’s ESG practices.

Since November 1, 2021, the Bank’s executive compensation program has been linked to the ESG priorities.

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

Directors regularly attend presentations and in-depth training sessions given by in-house experts or external consultants, to further enhance their knowledge in areas related to their duties. Over the past fiscal year, several training sessions related to climate risk and ESG issues were provided. Here are a few examples:

- ESG Strategy: Financial Markets – Sustainable Finance and Sustainable Bond Program
- Biodiversity: A Conservation Issue
- Update on Guideline B-15: Climate Risk Management
- Update on IFRS S1 and S2 Standards for Reporting on Climate and Sustainability Related Disclosures
- Environment and Climate Change

The Bank takes action on an ongoing basis (through podcasts, articles, videos and presentations) to raise awareness of the ESG commitments and principles adopted by the Board among all our employees. ESG is also covered during the quarterly conference calls given by the Senior Leadership Team. Official ESG training is offered to all employees. Over 18,000 people have completed the training since it was rolled out in 2021. The members of the ESG team have completed two courses in the PRB Academy: *Getting started in Responsible Banking* and *Clients and Customers*.

Employees in direct contact with clients receive regular training so they can properly inform and advise clients about our products and services. In 2023, we developed a range of tools for Real Estate sector teams. These teams use them daily to help clients transition to affordable, energy-efficient and accessible buildings. A green real estate classification system has also been established and provides guidelines for defining a green building. To facilitate the integration of these new tools, the Bank implemented training to inform and educate teams on the importance of ESG. In 2023, National Bank Investments Inc. took advantage of advanced responsible investment training offered by Finance Montréal in partnership with Université de Sherbrooke. This training enabled around 50 employees in head office functions at the Bank to enhance their knowledge in this area.

In the past year, we have continued to give presentations to various teams to explain expectations resulting from the Principles for Responsible Banking and discuss actions that could be taken to respond to those expectations. The work carried out to identify our financial health target has enabled us to better understand the links between the Bank's activities, Canadian strategies and recognized reference frameworks such as the SDGs.

Links and references

[2023 ESG Report](#)

- Pages 27-36: Offering a responsible client experience
- Page 46: Wealth Management > National Bank Investments
- Page 47: Commercial Banking > Real Estate sector
- Page 83: Assessment and compensation of executives + Raising awareness to promote ESG at the Bank

[2024 Circular](#)

- Pages 82-85: Orientation and continuing education for directors

Sharing UNEP FI information sources (guides, webinars, working groups) on an ongoing basis enables us to enhance employee knowledge and draw on best practices. We're also learning through the relationships we have developed with fellow PRB signatories and UNEP FI experts.

Performance Management and Compensation

The Bank relies on a consistent shared approach to managing the performance of employees in branches. This approach focuses on building lasting client engagement. As such, it recognizes behaviours that foster proactivity and relevant advice while improving client satisfaction. Our program, focused on quality execution, rewards the efforts of employees who work collaboratively on a daily basis to deliver a distinctive National Bank client experience. Our collective regional objectives align the total compensation of our employees with our business strategy and performance.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?³⁴ 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 risk 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 our risk management and risk appetite framework. We have rolled out an environmental policy that expresses our commitment to protecting the environment from human activities, including our own activities and their impact on the community. Effective management of environmental and social risks can also generate business opportunities for us and our clients.

ESG criteria are integrated into the credit origination process as part of a due diligence review, starting with the corporate credit portfolio and prioritizing sectors with high GHG emissions. For these clients, the ESG risk analysis framework calls for collecting information on carbon emissions (including reduction targets if they have been set) and the borrower's position as concerns climate risks (transition and physical risks), as well as a classification based on the industry sector. Several other criteria are also taken into consideration, including waste management practices, labour standards, corporate governance, product liability and human rights policies. We plan to gradually expand the collection of such information to clients in other portfolios by adapting the existing process. We have also continued to analyze climate scenarios in order to quantify the expected credit losses in the loan portfolio.

The information included in internal reports is 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 to inform our

Links and references

[2023 Climate Report](#)

- Pages 23-30: Risk Management

[2023 ESG Report](#)

- Pages 81-82: Environmental and social risk management

³⁴ 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.

stakeholders of the progress of our climate risk management efforts. The Bank publishes an annual report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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 Insurance

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.

The limited assurance statement is available at the end of this report.

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 the CDP.

Links and references

[2023 ESG Report](#)

- Pages 96-101: Our SASB Disclosure

[CDP 2023](#)

[2023 Climate Report](#)

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis³⁵, target setting³⁶ and governance structure for implementing the PRB)? Please describe briefly.

CLIMATE CHANGE MITIGATION

Our climate strategy implementation plan will continue to change in the coming years to incorporate the recommendations of the constantly evolving industry. We have reviewed available frameworks and developed our plan, incorporating elements of the structure proposed by the Glasgow Financial Alliance for Net Zero (GFANZ) for the transition plans of financial institutions.

The Bank acknowledges that creating a credible climate transition plan, adapted to our context and business strategy, is an important step towards achieving net-zero by 2050. That is why we are committed to developing and formalizing our climate transition plan, which details a climate strategy aligned with our net-zero commitment. We are aware that industry recommendations will continue to evolve, and we will continue to monitor industry best practices as we develop our transition plan.

Links and references

[2023 Climate Report](#)

- Page 12: Strategy > Future prospects
- Page 46: Metrics and Targets > Next steps

³⁵ 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

³⁶ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

In accordance with the requirements of the NZBA and the PCAF, the Bank will continue to measure the footprint of its portfolio of loans and investments, while expanding its net-zero 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.

FINANCIAL HEALTH

For our financial health target, our priority over the coming months will be to refine our plan based on three main areas of action:

- Improve our financial literacy offering for newcomers to Canada
- Better equip the advisory sales force to support this client segment
- Adapt client communications about investment to include a specific component for newcomers to Canada.

The governance committee for the inclusion of Personal Banking clients, launched in December 2023, will monitor the progress of our action plan. This committee will work with the various Bank teams to identify ways to enhance our positive impact and expand the scope of our actions.

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:

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input type="checkbox"/> Data quality |
| | <input type="checkbox"/> Access to resources |

Assessing negative environmental and social impacts

Choosing the right performance measurement methodology/ies

Setting targets

Other: ...

Reporting

Assurance

Prioritizing actions internally

If desired, you can elaborate on challenges and how you are tackling these: The availability of data was one of our greatest challenges when measuring our performance and establishing a financial health target. It takes time to understand the UNEP FI methodology and tools and their requirements and to find solutions when limitations exist. The availability of UNEP FI experts and their interest in supporting us in this process have enabled us to advance our practices and have an impact on society across Canada and even internationally.

Independent Practitioner’s Limited Assurance Report

To the Board of Directors of National Bank of Canada

We have undertaken a limited assurance engagement of the responses to the following Principles for Responsible Banking (“PRB”): 2.1 Impact Analysis, 2.2 Target Setting, 2.3 Target Implementation and Monitoring and 5.1 Governance Structure for Implementation of the Principles included in the PRB Reporting responsible and Self-Assessment Template of National Bank of Canada (the “Bank”) for the year ended October 31, 2023 (collectively referred to as the “Subject Matter Information”).

Management’s Responsibility

Management is for the preparation of the Subject Matter Information in accordance with the PRB Reporting and Self-assessment Template published by the United Nations Environment Program Finance Initiative (UNEP FI) in September 2022 (“the applicable criteria”) and the Principles for Responsible Banking Guidance Document, published by UNEP FI in November 2021. Management is also responsible for such internal control as management determines necessary to enable the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000, *Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (“ISAE 3000 (Revised)”). This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical and other procedures) and evaluating the evidence obtained. The procedures are selected based on our professional judgment which includes identifying areas where the risks of material misstatement of the Subject Matter Information are likely to arise, whether due to fraud or error.

Our procedures were informed by the [Guidance for assurance providers – Providing limited assurance for report - Version 2 \(October 2022\)](#) (“Guidance for Assurance Providers”) published by UNEP FI in November 2022. While our procedures were informed by the Guidance for Assurance Providers, the actual procedures performed are outlined below and are consistent with those procedures normally performed in a limited assurance engagement in accordance with ISAE 3000 (Revised).

Our engagement included, but are not limited to:

- Making inquiries of relevant management and staff responsible for the preparation and reporting of the Subject Matter Information.
- Obtaining an understanding of the underlying data that is used as an input into the preparation of the Subject Matter Information including reconciling to supporting management information.
- Obtaining an understanding of the process used for measuring, reporting, and presenting the Subject Matter Information.
- In respect of Principle 2.1 (Impact Analysis):
 - Verifying that the Bank's business areas and scope are clearly described.
 - Verifying that the Bank has disclosed the method for determining its impact areas and has selected what was determined as the two most significant areas of impact.
 - Reconciling to published information referenced in the response and to supporting management information for the impact areas where performance has been measured.
 - Verifying supporting evidence, including meeting minutes to ensure that the stated governance process was followed.
- In respect of Principle 2.2 (Target Setting):
 - Verifying that the Bank set targets for two significant impact areas and that the targets are linked to those impact areas.
 - Verifying that the Bank has identified frameworks to align with and explained how targets contribute to relevant goals.
 - Verifying the adequacy of the base year and that the targets are specific, measurable, achievable, relevant and time-bound for each established target.
- In respect of Principle 2.3 (Target Implementation and Monitoring):
 - Obtaining and reviewing supporting evidence to assess whether disclosures within the selected responses in the Bank's PRB Reporting and Self -Assessment Template reflect the Bank's assessment of the stage of implementation of the Principle.
- In respect of Principle 5.1 (Governance Structure for Implementation of the Principles):
 - Verifying the consistency to supporting evidence, including organisation charts and meeting minutes with that of the disclosures of the Bank's governance structure for implementation of the PRB.
 - Verifying that there is oversight over the implementation and monitoring and that the structure is in line with existing governance structures as defined by the Bank.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with the International Standards on Assurance Engagements. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Subject Matter Information has been prepared, in all material respects, in accordance with the applicable criteria.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information of the Bank for the year ended October 31st, 2023, is not prepared, in all material respects, in accordance with the applicable criteria.

Specific Purpose of Applicable Criteria

This Subject Matter Information has been prepared in accordance with the applicable criteria to assist the Bank in preparing and publishing a Reporting and Self-Assessment Template under the UNEP FI Principles for Responsible Banking Framework. As a result, the Subject Matter Information may not be suitable for another purpose.

Deloitte LLP

April 24, 2024

¹ CPA auditor, public accountancy permit No. A121501