

Principles for Responsible Banking (PRB)

National Bank of Canada | 2021 Report



Important Notice and Caution Regarding Forward-Looking Statements

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

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

There is a strong possibility that the Bank's express or implied predictions, targets, projections, expectations, or conclusions will not prove to be accurate, that its assumptions may not be confirmed, and that its vision, strategic objectives, and performance targets will not be achieved. The Bank recommends that readers not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ significantly from the expectations, estimates, or intentions expressed in these forward-looking statements. These risk factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk, environmental and social risk, and certain emerging risks or risks deemed significant, all of which are described in greater detail in the Risk Management section beginning on page 69 of the Bank's 2021 Annual Report.

The foregoing list of risk factors is not exhaustive. Additional information about these risk factors is provided in the Risk Management section and in the COVID-19 Pandemic section of the Bank's 2021 Annual Report and may be updated in the quarterly shareholders' report subsequently published. Investors and others who rely on the Bank's forward-looking statements should carefully consider the aforementioned factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf. We caution investors that such forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from these statements due to a number of factors. This report is provided solely for informational purposes. It does not constitute an offer or a solicitation to buy or to sell any security, product, or service in any jurisdiction nor is it intended to provide investment, financial, legal, accounting, tax, or other advice and such information should not be relied or acted upon for providing such advice.



Principle 1: Alignment

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

Reporting and self-assessment requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>1.1 <i>Describe</i> (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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>Founded in 1859, National Bank of Canada (the Bank) offers financial services to individuals, businesses, institutional clients and governments across Canada. We are one of Canada's six systemically important banks and among the most profitable banks on a global basis by return on equity.</p> <p>We operate through three business segments in Canada: Personal and Commercial Banking, Wealth Management and Financial Markets. A fourth segment, U.S. Specialty Finance and International, complements the growth of our domestic operations.</p> <p>We are a leading banking institution in our core Quebec market and also hold leadership positions across the country in selected activities. We strive to meet the highest social responsibility standards while having a positive impact on all our stakeholders. We are proud to be recognized as an employer of choice and for</p>	<p>For more information on the Bank's activities, see our 2021 Annual Report.</p>

	<p>promoting inclusion and diversity. We are headquartered in Montreal and our securities are listed on the Toronto Stock Exchange (TSX: NA).</p>	
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>The Bank incorporates environmental, social, and governance matters into its business and operating decisions. In 2019, our Board of Directors approved a series of environmental, social and governance (ESG) principles, aligned with the United Nations Sustainable Development Goals (SDGs), that demonstrate our commitment to building a sustainable future while representing the best interests of stakeholders.</p> <p>In September 2020, the Bank announced an interim target to reduce greenhouse gas emissions from our own activities by 25% by the end of 2025, compared to 2019. This absolute, science-based target aims to help limit global warming to 1.5 degrees Celsius, the most ambitious goal of the Paris Agreement. In April 2021, we adopted a net zero target for our operating and financing activities by 2050 and in October 2021, we joined the Net-Zero Banking Alliance (NZBA), a global alliance that furthers banks' efforts to address climate change by aligning financing activities with net-zero emissions by 2050.</p> <p>The Bank supports the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board and we published a third report this year.</p>	<p>For more information on how the Bank's ESG principles are aligned with the SDGs, see pages 11 and 12 of our 2021 ESG Report.</p> <p>For more information on the Bank's ESG commitments aligned with relevant frameworks, see page 10 of our 2021 ESG Report.</p>



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.

Reporting and self-assessment requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>2.1 Impact Analysis <i>Show</i> that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>a) <u>Scope</u>: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) <u>Scale of Exposure</u>: In identifying its areas of most significant impact the bank has considered where its core business/its</p>	<p>Inclusion and Diversity Impact Analysis In 2020, the Bank launched a three-year Inclusion and Diversity plan that focused on providing an open and inclusive environment, building diverse teams and strengthening our position as a top employer. This plan is based on an annual impact analysis of our Canadian operations and covers the period from January 1 to December 31.</p> <p>The 2021 impact analysis led us to the following observations (as at December 31, 2021):</p> <ul style="list-style-type: none"> • Women represent 53.8% of the Bank's workforce and 44.2% of our senior management employees. • Visible minorities represent 23.1% of the Bank's workforce and 14.6 % of our senior management employees. • Persons with disabilities represent 2.6% of the Bank's workforce and 2% of our senior management employees. 	<p>For more information on the analysis of the Bank's Canadian workforce, see pages 11-13 of our 2021 Inclusion and Diversity Booklet.</p>

<p>major activities lie in terms of industries, technologies and geographies.</p> <p>c) <u>Context & Relevance</u>: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) <u>Scale and intensity/salience of impact</u>: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p>	<ul style="list-style-type: none"> • Indigenous Peoples represent 0.6% of the Bank's workforce and 0.8% of senior management employees. <p>In 2021, we were also able to obtain the percentage of employees from the LGBTQ+ communities in the Bank's total workforce: 2.69%.</p> <p>Indigenous Peoples and persons with disabilities are defined under the Canadian Employment Equity Act.</p> <p>In 2020, the Canadian government pledged to address systemic racism in the Speech from the Throne and committed to do so in a way that is informed by the experiences of racialized communities, religious minorities, and Indigenous Peoples. The government introduced a new national strategy against systemic racism, Building a Foundation for Change: Canada's Anti-Racism Strategy, 2019-2022. The strategy is designed to take immediate steps to combat racism and all forms of discrimination, which makes reducing racial inequalities a Canadian national priority.</p> <p>The Bank engages with a number of stakeholders and participates in several initiatives to address systemic racism and support the Black community: BlackNorth Initiative, the Black Opportunity Fund and the Being Black in Canada incubator program. National Bank also engages with the United Nations on addressing inequalities: we are a signatory of the UN Women's Empowerment Principles and of the UN LGBTI Global Standards of Conduct for Business.</p>	
--	--	--

<ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>To enable the community to benefit from the full contribution of all its members, the Bank supports many organizations that foster inclusion. In 2021, we contributed to a number of initiatives to promote the development and success of women, visible minorities, persons with disabilities, Indigenous Peoples and members of the LGBTQ+ communities.</p> <p>Climate-related Impact Analysis In its last PRB report, the Bank included a loan portfolio impact analysis. Although this analysis was also conducted in 2021, we decided to focus our second report on the advances made in analyzing climate scenarios, and on the impact analysis of financed emissions, in line with our commitments to the NZBA.</p> <p>Climate Scenario Analysis Climate scenario analysis is a key tool used to assess the impact of potentially severe events on the Bank's activities. It helps the Bank define its risk appetite and exposure limits and plan its activities. More specifically, it provides a better understanding of the Bank's risk profile, informs decision-making and helps us draw up mitigation strategies.</p> <p>The Bank carries out stress testing to evaluate its sensitivity to crisis situations in certain activity sectors and key portfolios. However, the use of scenarios to evaluate climate risk associated with loan portfolios is a fairly recent application, and the usual use of these tools differs in a number of ways. In-depth analysis is therefore</p>	<p>For more information on the organizations supported by the Bank, see the <i>Promoting Inclusion in the Community</i> section of our 2021 ESG Report (page 60).</p> <p>For more information on the Bank's loan portfolio impact analysis, see pages 16-18 of our 2021 TCFD Report.</p> <p>For more information on the Bank's climate scenario analysis, see pages 18 and 19 of our 2021 TCFD Report.</p>
--	--	--

	<p>required to translate changes involving climate risk into the macro-economic and financial results generally used for stress testing and scenario analysis.</p> <p>To refine its strategy and improve its climate resilience, the Bank has begun carrying out analyses of the impact of physical and transition risks based on various climate scenarios. These analyses will also enable us to determine how the economy will be affected and identify financial risks that could impact our loan portfolios under each scenario. These financial impacts can then be used to estimate expected loss (EL) for portfolios, probability of default (PD) and loss given default (LGD) for each scenario.</p> <p>Over the past year, the Bank has worked to assess risk based on the climate scenarios recommended by the Network for Greening the Financial System (NGFS). For this assessment, we opted to test three of the six proposed transition scenarios, including two opposing scenarios which we believe are the most likely to occur. We had the macro-economic assumptions behind these scenarios reviewed by our economic research team. To guide our work, we also analyzed the results of the pilot project on climate risk scenarios carried out by the Office of the Superintendent of Financial Institutions (OSFI) and the Bank of Canada.</p>	
--	--	--

	<p>Financed Emissions Impact Analysis</p> <p>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.</p> <p>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 GHG emissions resulting from their financing and investment activities.</p> <p>In 2021, the Bank also joined the NZBA as part of a global, industry-led initiative to accelerate and support efforts to address climate change. Further to this commitment, the Bank quantified its financed emissions and set interim net-zero targets starting with more carbon-intensive sectors.</p> <p>In alignment with NZBA guidelines and in order to support the Canadian energy transition, the Bank is prioritizing the Oil & Gas (O&G) Producers sub-sector in calculating financed emissions, since these companies will play a key role in reducing the O&G sub-sector's Scope 1, 2 and 3 GHG emissions. Over time, the Bank plans to expand its coverage of other sectors and sub-sectors.</p> <p>The methodologies used are based on international and regional frameworks, including the GHG Protocol, the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry, the International Energy Agency</p>	<p>For more information on the Bank's financed emissions impact analysis, see pages 24-28 of our 2021 TCFD Report.</p>
--	--	--

	<p>pathway to net-zero emissions, the International Energy Agency World Energy Outlook 2021 report, the Government of Canada’s 2030 Emissions Reduction Plan and the Canada’s Energy Future 2020 report.</p> <p>To establish its 2030 targets for financed emissions, the Bank measured its 2019 baseline in terms of the loan weighted average GHG emissions in tonnes of carbon dioxide equivalent (tCO₂e) and energy production in terajoules (TJ) for each company in its portfolio as at October 31, 2019. The 2019 baseline for financed emissions measured as the weighted average emission intensity is:</p> <ul style="list-style-type: none"> • Scopes 1 and 2 (use of energy by O&G producers): 0.915 tCO₂e/TJ • Scope 3 (end-use combustion of fossil fuel in the economy): 5.716 tCO₂e/TJ <p>Climate change and clean energy are relevant challenges and priorities in Canada, the country where we mainly operate. In 2020, the Canadian government announced a commitment to net-zero emissions by 2050 (Canadian Net-Zero Emissions Accountability Act).</p> <p>In line with its commitment to the environment, the Bank participates in a number of collaborative climate-related initiatives. In 2021, as well as joining the PCAF and the NZBA, we announced our commitment to the following initiatives and groups:</p> <ul style="list-style-type: none"> • Statement by the Quebec Financial Centre for a Sustainable Finance 	<p>For more information on how the 2019 baseline was measured for the 2030 financed emissions targets, see pages 25 and 26 of our 2021 TCFD Report.</p> <p>For more information on the Bank’s partnerships, see page 13 of our 2021 TCFD Report.</p>
--	---	--

	<ul style="list-style-type: none"> • Risk Management Association — Climate Risk Consortium <p>In addition to participating in international working groups associated with the PRB and the groups mentioned above, the Bank supports the Canadian Bankers Association.</p>	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.</p>		
<p>Inclusion and Diversity: We have conducted an overview of our workforce. This has enabled us to identify where we can achieve greater diversity to reflect the communities we serve and support our values of openness and inclusion.</p> <p>Climate Scenario Analysis: We have begun carrying out analyses of the impact of physical and transition risks based on various climate scenarios recommended by the NGFS. These analyses will also enable us to determine how the economy will be affected and identify financial risks that could impact our loan portfolios under each scenario.</p> <p>Financed Emissions Impact Analysis: In line with our commitments to the NZBA which we joined in 2021, the Bank quantified its financed emissions and identified the sector in its loan portfolio where it can have the most significant impact to set intermediate net-zero targets.</p>		
<p>2.2. Target Setting</p> <p><i>Show</i> that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from</p>	<p>Inclusion and Diversity Targets</p> <p>In the Bank's 2020-2023 plan, we've set specific targets in collaboration with the Bank's Inclusion and Diversity Council. These targets cover the representation (overall and by sector) in terms of percentage of each employee segment in the Bank's workforce. The 2023 targets for the overall representation in the Bank's workforce are as follows:</p> <ul style="list-style-type: none"> • Women: 56% • Visible minorities: 26% • Persons with disabilities: 4% 	<p>For more information on the representation targets set by the Bank for each segment of the workforce, see page 24 of our 2021 Inclusion and Diversity Booklet.</p>

<p>the bank’s activities and provision of products and services.</p> <p><i>Show that these 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. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</i></p> <p><i>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets</i></p>	<ul style="list-style-type: none"> • Indigenous Peoples: 1% <p>These targets are directly linked to the United Nations Sustainable Development Goal 5 – Gender Equality and Goal 10 – Reduced Inequalities.</p> <p>Financed Emissions Targets</p> <p>To set its net-zero interim targets for 2030, the Bank used the International Energy Agency (IEA) Net Zero Emissions by 2050 Scenario (NZE) pathway, which is consistent with limiting global warming to 1.5°C above pre-industrial levels by the year 2100. While recognized internationally and used by many financial institutions, the IEA NZE scenario provides a global pathway that does not reflect regional differences.</p> <p>Given that the Bank's O&G portfolio is almost exclusively in Canada, it was important to also consider the Government of Canada's 2030 Emission Reduction Plan and the projections in the "Evolving Case of Crude Oil and Natural Gas" from Canada’s Energy Future 2020. In this context, Canada will focus on diversifying its energy mix and decarbonizing the O&G sector by implementing a cap on emissions and working to reduce methane by at least 75% by 2030.</p> <p>Taking both the IEA NZE scenario and the Government of Canada's net-zero strategy into consideration, the Bank has set an intensity target to reduce its financed emissions in the O&G Producers sub-sector (covering</p>	<p>For more information on the Bank’s financed emissions target, see pages 24-28 of our 2021 TCFD Report.</p>
---	--	---

	Scopes 1, 2 and 3) by 31% by 2030, compared to the reference year (2019).	
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting		
<p>Inclusion and Diversity: We have set eight quantitative/measurable targets related to our workforce's diversity. We are transparent in sharing our progress by updating our Inclusion and Diversity Booklet annually. A first update was made in 2021.</p>		
<p>Financed Emissions: In line with our commitments to the NZBA, we have publicly disclosed intermediate targets for the Oil & Gas Producers sub-sector, one of the most GHG-intensive sectors in our loan portfolio.</p>		
<p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>Inclusion and Diversity Target Implementation and Monitoring</p> <p>We measure our progress and the impact of our actions by using various performance indicators and targets to be achieved by December 31, 2023. We pay particular attention to the following elements:</p> <ul style="list-style-type: none"> • The overall level of inclusion and diversity at the Bank, measured by the inclusion and diversity index. • Knowledge of the resources and tools available internally to facilitate conversations and foster positive interactions within the Bank. • Representation (overall and by sector) in terms of the percentage of each employee segment in the Bank's workforce. <p>In our three-year action plan, we've established three areas of action to oversee various initiatives across the Bank:</p>	<p>For more information on the specific actions included in the three areas of action the Bank has established to achieve its Inclusion and Diversity targets, see pages 15 and 16 our 2021 Inclusion and Diversity Booklet.</p>

	<ul style="list-style-type: none"> • Discuss: Communication with employees is the cornerstone of a truly inclusive work environment. Promoting the importance of inclusion and diversity depends on open communication and regular conversations that help us change mindsets and raise awareness of associated issues. • Engage: Leading the Bank toward greater inclusion will require more executive accountability and heightened governance of our practices and initiatives. The Inclusion and Diversity Council will pay specific attention to these aspects as part of its mandate. By including representatives of the various employee segments on the Council, we can better understand all levels of the organization. • Act daily: We want all our employees to feel recognized and be able to achieve their full potential at the Bank. That’s why we want to ensure our talent management practices support the professional development of our employees. We optimize our recruitment processes on a regular basis to make sure a strong talent pool is available to the organization. <p>Financed Emissions Target Implementation and Monitoring</p> <p>To achieve its target to reduce its financed emissions in the O&G Producers sub-sector (covering Scopes 1, 2 and 3) by 31% by 2030, the Bank will focus on partnering with</p>	
--	--	--

	<p>its existing clients and attracting new clients to support their energy transition and decarbonization strategies.</p> <p>Going forward, we plan to expand the Bank's net-zero targets to cover other carbon intensive sectors in accordance with NZBA guidelines. Through this process, the Bank will continue to engage with its clients, providing strategic advice and financing to support their transition plans in the context of their region, their market, and the competitive landscape, thus supporting the Canadian economy.</p> <p>Transparency related to our commitment to the NZBA will be provided through our annual TCFD disclosure, as well as through updates on the progress being made in terms of metrics and targets for the Bank's financed emissions.</p>	
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.</p>		
<p>Inclusion and Diversity: We are committed to being transparent in sharing our progress and have included a first update of advances in our 2021 Inclusion and Diversity Booklet. We will continue to disclose our progress annually.</p>		
<p>Financed Emissions: In accordance with NZBA guidelines, the Bank has put in place governance processes to review the targets regularly and, where relevant, revise targets at least every five years. We will provide transparent information on our targets in our annual TCFD disclosure.</p>		

<p>2.4 Progress on Implementing Targets</p> <p><u>For each target separately:</u></p> <p>Show that your bank has implemented the actions it had previously defined to meet the set target.</p> <p><i>Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</i></p> <p>Report on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>Inclusion and Diversity Target</p> <p>In line with its disclosure commitment, the Bank updated its Inclusion and Diversity Booklet in 2021 to include an initial assessment of its advances with respect to its three-year action plan.</p> <p>2021 key advances include:</p> <ul style="list-style-type: none"> • The Bank obtained more precise data about employee diversity via an updated self-identification form, which has been voluntarily completed by 93% of our employees. • The perception that the Bank offers an environment conducive to inclusion and diversity, as measured by the overall inclusion and diversity index, stood at 79% in 2020. This result was largely exceeded in 2021, reaching 86%—a 7% improvement. • Knowledge of the resources and tools available internally to facilitate conversations and foster positive interactions within the Bank stood at 58% in 2020. In 2021, it jumped by 20% to 78%. <p>Financed Emissions Target</p> <p>The intermediate targets for the Oil & Gas Producers sub-sector were established in 2021 and the first update on the Bank’s progress will be included in our 2022 TCFD Report.</p>	<p>For more information on the Bank’s 2021 achievements related to its three areas of action, see pages 17, 18 and 24 of our 2021 Inclusion and Diversity Booklet.</p>
<p>Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets</p>		
<p>Inclusion and Diversity: We have set eight targets and will report annually on progress made towards achieving our targets. A first update on the Bank’s progress was made in our 2021 Inclusion and Diversity Booklet.</p>		

Financed Emissions: In accordance with NZBA guidelines, we have set intermediate net-zero targets for the Oil & Gas Producers sub-sector, one of the most GHG-intensive sectors in our loan portfolio. We will provide transparent information on our targets in our annual TCFD disclosure.



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.

Reporting and self-assessment requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>3.1 <i>Provide an overview</i> of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>The Bank is committed to promoting responsible relationships with its clients through its policies and practices. These include:</p> <ul style="list-style-type: none"> • No-pressure sales: The Bank ensures all of its employees comply with the requirements of section 459.1 of the Bank Act, which prohibits coercive tied selling, through its Code of Conduct and Ethics and the communications, tools and training it provides. • Promoting our products and services honestly: This means that the Bank aims to create marketing communications that are clear and accurate, do not lead to confusion and comply with the standards governing advertising design and production. • Developing our advisors' expertise to better serve our clients: The Bank's employees receive training and sign an annual Code of Conduct and Ethics attestation that contains provisions intended to 	<p>For more information on how the Bank promotes responsible relationships with its clients, consult the <i>Offering a Responsible Client Experience</i> section of our 2021 ESG Report (pages 30-37).</p>

	<p>maintain respectful relationships with our clients based on transparency, integrity, professionalism, trust and authenticity.</p> <ul style="list-style-type: none"> • Maintaining an ongoing dialogue with clients and acting based on their feedback: For many years, the Bank has been assessing the effectiveness and competitiveness of its products and services as well as the quality of the client experience. • Ensuring client satisfaction: The Bank offers a complaint settlement process accessible via its many channels. Moreover, the Client Complaint Appeal Office offers clients a neutral and impartial recourse for complaints not settled to their satisfaction by the Bank. • Offering accessible services: The Bank constantly strives to make its products and services more accessible. All our employees must respect, at all times, the principles of dignity, autonomy, integrity and equal opportunity. We have set up measures to give underbanked, unbanked and underserved clients easier access to financial services and allow us to better meet their needs. • Protecting our clients' interests: the Bank ensures appropriate measures are in place so it can deliver services tailored to the needs and interests of each client in a safe and respectful environment. • Financial literacy: The Bank makes a vast range of resources and tools available to clients to allow them to carefully plan for their financial needs based on their projects and stages in life. We have also partnered with different organizations such as the 	<p>For more information on the Bank's financial literacy partnerships and initiatives, consult the <i>Financial Literacy</i></p>
--	--	--

	<p>Canadian Foundation for Economic Education (FCEE) with whom we developed educational programs focused on managing personal finances for students and newcomers to Canada.</p>	<p>section of our 2021 ESG Report (pages 61-63).</p>
<p>3.2 <i>Describe</i> how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>In order to encourage more sustainable practices and help clients in their transition, the Bank has diversified its offering. Concrete examples of products and services include:</p> <ul style="list-style-type: none"> • Responsible investment: National Bank Investments Inc. (NBI), a subsidiary of the Bank, has integrated ESG criteria into its investment decisions since January 2018 and has launched four sustainable development-focused exchange-traded funds (ETFs). As at October 31, 2021, 43.8% of assets were managed by CDP members and 45.7% of assets were managed by firms that support the TCFD. Furthermore, as at October 31, 2021, 34.7% of NBI's assets managed by other banks were managed by signatories of the PRB and 84.4% of NBI assets managed by Canadian firms were managed by members of the Responsible Investment Association. • Sustainable bonds: The Bank has developed one of the first Canadian reference frameworks for issuing sustainable bonds. As at December 31, 2021, the issues carried out since 2019 have generated more than \$3.1 billion, which was used by the Bank to finance numerous projects in the field of sustainable development. • Sustainability-linked loans: To support our business clients in achieving their own ESG targets, the Bank 	<p>For more information on how the Bank's encourages sustainable practices, see the <i>Supporting clients in their energy and social transition</i> section of our 2021 ESG Report (pages 38-44).</p>

	<p>offers a range of financing solutions that include green loans, sustainable loans, transition loans and loans linked to environmental, social and governance criteria. As at October 31, 2021, the volume of authorized sustainability-linked loans was \$2.7 billion.</p> <ul style="list-style-type: none"> • Renewable energy: In 2021, National Bank Financial Markets (NBFM) created the Energy & Infrastructure Sustainability Impact Group (EiSiG), which coordinates the energy transition expertise of our Energy, Power, Utilities, Infrastructure and Clean Technology verticals. In 2021 NBFM ranked as the third largest lender in the renewable energy sector across North America, with nearly \$1.6 billion (USD) disbursed (Source: Inframation 2021 League Tables). • Offsetting GHG emissions and promoting local businesses: Holders of National Bank credit cards can offset their GHG 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. • Cleantech companies: In 2021, the Bank's Technology and Innovation Group has continued to offer advice, support and financial services tailored to the needs of rapidly growing tech companies across Canada. • Loans for electric and hybrid vehicles: The Bank offers an additional discount on financing for electric and hybrid vehicles to help clients reduce their 	
--	---	--

	carbon footprint and promote the transition to electric vehicles.	
--	---	--



Principle 4: Stakeholders

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

Reporting and self-assessment requirements	High-level summary of bank’s response	Reference(s)/ Link(s) to bank’s full response/ relevant information
<p>4.1 <i>Describe</i> which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>The Bank has an ongoing dialogue with its employees and other stakeholders, including clients, the community, shareholders, investors, suppliers, interest groups, international organizations and regulatory authorities. These interactions allow us to perform various impact analyses, improve our practices and aim for the highest disclosure standards.</p> <p>In 2021, the Board of Directors adopted stakeholder engagement guidelines that identify the Bank's main stakeholders and describe how the Bank maintains an ongoing dialogue with them.</p> <p>The Bank also collaborates with organizations to improve banking services:</p> <ul style="list-style-type: none"> Canadian Bankers Association (CBA), which allows the industry to maintain a dialogue with government on various issues and policies that affect financial 	<p>For more information on the Bank’s stakeholders and how we interact with them, see our Stakeholder Engagement Guidelines.</p>

	<p>institutions. The Bank participates in a number of this organization's working committees, including several that discuss issues related to clients.</p> <ul style="list-style-type: none"> • The Bank regularly meets with the Financial Consumer Agency of Canada (FCAC) and Quebec's <i>Office de protection du consommateur</i> (OPC) to discuss specific cases and industry issues. We make a point of suggesting ways to improve financial services for consumers. For example, during the COVID-19 pandemic, we worked with the FCAC to simplify access to support measures for affected clients. <p>For many years, the Bank has also responded to multiple surveys from a variety of non-financial agencies. 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.</p>	
--	---	--



Principle 5: Governance & Culture

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

Reporting and self-assessment requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>5.1 <i>Describe</i> 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 effective implementation of the Principles.</p>	<p>The Bank's governance is achieved through the collaborative work of the Board of Directors (the Board), senior management and stakeholders. We believe that, by taking concerted action together with our stakeholders, we can continue to sustainably meet the changing needs of our society. At the Bank, ESG criteria and risks are considered key drivers of all our activities, and we have clarified and strengthened our ESG practices.</p> <p>In recent years, the Board has paid close attention to social and environmental criteria in order to meet the changing needs of our society. The Bank has therefore adopted measures to boost its commitment in this area, notably by updating the mandates of the Board and its committees to include ESG criteria and by rolling out an environmental, social and governance strategy based on the ESG principles adopted by the Board.</p>	<p>For more information on the Bank's governance structure, see the <i>Corporate Governance</i> section of our 2021 ESG Report (pages 65-73).</p>

	<p>The Board ensures ESG criteria are integrated into long-term strategic objectives while overseeing the progress and integration of ESG initiatives and principles.</p> <p>The four Board committees—the Conduct Review and Corporate Governance Committee, the Risk Management Committee, the Audit Committee and the Human Resources Committee—and the Technology Subcommittee have all been assigned ESG responsibilities according to their respective roles and responsibilities and the expertise of their members. The goal is to ensure the Bank's activities comply with stringent corporate responsibility standards.</p>	<p>For more information on the main ESG responsibilities and achievements of the Board and its committees, see pages 69 and 70 of our 2021 ESG Report.</p>
<p>5.2 <i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>Compensation</p> <p>In 2021, we aligned compensation more closely with performance, shared responsibilities and behaviours by creating a single compensation envelope for all the Bank's executives, including members of senior management. This envelope is based on the Bank's available net income and other key indicators in our dashboard (including ESG priorities), with shared objectives applicable to all members of these groups. Since November 1, 2021, six ESG priorities have been integrated into the Bank's executive compensation program.</p> <p>ESG Training</p> <p>All the Bank's current and future employees have access to an ESG training to help them understand the</p>	

	<p>fundamentals of sustainable development and how each employee can contribute to the Bank's goals. The members of the Board of Directors undergo training on climate risks and opportunities and ESG issues.</p> <p>Internal Employee Resource Groups In 2021, the Bank's eco-ambassadors formed an ever more established community that is deeply committed to having a positive impact on the environment. Their drive to learn, understand and make a difference has led them to roll out a number of awareness campaigns.</p> <p>The Bank also has employee resource groups that lead activities throughout the year to help promote inclusion and diversity such as the MOI network (LGBTQ+ communities), the Inclusion Network, the Women's Leadership Network and the Black Professional Network. In 2021, the Bank supported the creation of the Around Disability employee resource group. This group aims to showcase and share stories, experiences and events related to people with visible or invisible disabilities.</p>	<p>For more information on the internal awareness campaigns launched by the Bank's eco-ambassadors, see page 21 of our 2021 ESG Report.</p> <p>For more information on the Bank's employee resource groups, see pages 18-23 of our 2021 Inclusion and Diversity Booklet.</p>
<p>5.3 Governance Structure for Implementation of the Principles</p> <p><i>Show that your bank has a governance structure in place for the implementation of the PRB, including:</i></p>	<p>ESG Working Group Led by the Executive Vice-President — International, the ESG working group includes a number of officers from various Bank sectors. Its main duty is to develop and support the Bank's ESG initiatives and strategies. Members meet monthly. This working group is responsible for implementing the TCFD recommendations, the UN PRB and the Bank's</p>	

<p>a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>commitments in terms of climate change. At least twice a year, the ESG working group reports to the Conduct Review and Corporate Governance Committee of the Board of Directors on advances made, as well as on ongoing and upcoming ESG projects. It also gives occasional presentations to the Audit Committee and the Risk Management Committee on specific topics of interest, such as the TCFD report.</p> <p>Specialized ESG Team Under the responsibility of the Vice-President, Sustainable Development — ESG, this team helps the ESG working group develop the Bank's environmental, social and governance strategy and ensures it is implemented in collaboration with all business sectors. The ESG team interacts with the Board and its committees, as well as with officers and executives, when reporting on progress. It also reports monthly to the ESG working group.</p> <p>Inclusion and Diversity Council The Bank has created a framework to ensure ongoing sound governance of inclusion and diversity practices. Chaired by the Executive Vice-President — Personal Banking and Client Experience, the Inclusion and Diversity Council is made up of employees and executives from all Bank sectors. The Council is responsible for regularly communicating and following up with each sector, the Office of the President and the Human Resources Committee of the Board of Directors. The Human Resources Committee is responsible for approving orientations and the three-year plan, in addition to</p>	<p>For more information on the members of the Bank's Inclusion and Diversity Council, see page 6 of our 2021 Inclusion and Diversity Booklet.</p>
---	---	---

	overseeing the rollout of acquisition, development and engagement strategies in terms of inclusion and diversity. Quarterly reports on the Bank's progress are presented to the Office of the President and the Human Resources Committee.	
Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.		
In 2019, our Board of Directors approved a series of principles in line with the Principles for Responsible Banking that demonstrate our commitment to building a sustainable future. The Bank has established a governance structure for ensuring that the PRB are implemented effectively and overseeing our diversity and climate targets. A culture of responsible banking is also promoted across the Bank through various internal initiatives.		



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.

Reporting and self-assessment requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>6. 1 Progress on Implementing the Principles</p> <p><i>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting</i></p>	<p>In September 2020, we shared our interim absolute target to reduce greenhouse gas emissions from our own operations by 25% by the end of 2025, compared to 2019. In April 2021, we adopted a net-zero target for our own operations and financing activities and we joined the PCAF. In October 2021, we joined the NZBA and in our 2021 TCFD Report we are sharing our interim targets to achieve net-zero GHG emissions for one of the most carbon-intensive sectors in our loan portfolio.</p>	<p>For more information on the Bank's climate-related commitments see our net-zero target and pledge to join NZBA press releases.</p>

<p>and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p><i>Show</i> that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p><i>Show</i> that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>By joining NZBA, the Bank reinforced its commitment to play a significant role in financing the climate transition and support collaboration between the public and private sectors to reach the goal of net-zero emissions by 2050. This alliance also represents progress toward the Bank's shared goal of combatting climate change in an inclusive way. Considerable attention will be dedicated to helping clients develop and implement their own transitions to a low-carbon economy, recognizing the complex and interdependent efforts of many stakeholders across the economy.</p> <p>As a leading economic player in Quebec and Canada since 1859, the Bank seeks to contribute to the development of the communities in which it operates. In 2021, the Bank gave several tens of millions of dollars back to the community. It made over \$15 million in donations to organizations across the country to support communities and help them deal with the impact of the COVID-19 pandemic.</p> <p>In order to inform its stakeholders on more specific topics, the Bank has increased its ESG disclosure with new reports and commitments such as an annual Privacy Booklet and an annual Report on NBI's Responsible Investment Approach. The Bank has also publicly disclosed its policy on the prevention of discrimination in the workplace.</p>	<p>For more information on the organizations supported by the Bank, see the <i>Community</i> section of our 2021 ESG Report (pages 55-57) as well as the <i>Promoting Inclusion in the Community</i> section of the same report (page 60).</p> <p>For more information on the Bank's annual ESG reports and policies see the Social responsibility and Codes and commitments sections on nbc.ca.</p>
---	--	--

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

The Bank published its first report on implementing the six Principles in 2020. Since then, we have continued to work on integrating ESG criteria into the Bank's activities, defining our climate strategy, establishing more precise targets, and engaging our stakeholders in the just transition. Data availability and industry-specific methodologies remain a challenge but the Bank's partnerships and alignments with international frameworks such as the PRB, CDP, TCFD, NZBA and PCAF confirm our commitment to improving our processes and practices, as well as our disclosures. One of our next key steps will be to create a materiality matrix to identify and prioritize key issues.