

Report on Responsible Investment Advances

20 23



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NBI's philosophy: People at the heart of finance and investing



Investing in the power of people™

National Bank Investments ("NBI") is an investment fund management firm committed to manufacturing and distributing diversified investment solutions and services designed to help Canadian investors achieve their financial goals.

As Canada's leading open-architecture provider, we are committed to providing diversified investment solutions with appropriate risk-return payoff that meet investors' changing needs.

We strive to be the best option for investors' portfolios. As a top-tier asset manager and a key partner dedicated to innovation and excellence, we believe that people are at the heart of finance and investing. Now more than ever, we are investing in the power of people.



Fostering a rigorous approach

Over the years, our company and position in an ever-changing market have been defined by our innovative and entrepreneurial spirit. This strong positioning is the basis for numerous initiatives that effect change.

Our multi-channel approach gives investors the opportunity to benefit from a diverse range of solutions and the expertise of the best portfolio managers around the world.



Balancing risk and return

We attach particular importance to risk management in our portfolios by using an optimally diverse mix of styles, factors and portfolio managers.

We believe in making the most of human abilities and interactions to deliver optimal risk-return investment solutions to our clients, their clients, and for the planet.

A word from our President and CEO



In a world in constant transition, each action taken and decision made today contributes to shaping the destiny of generations to come. It is therefore a privilege to present to you a summary of our progress toward a more sustainable future. The 2023 Report on Responsible Investment Advances reflects our firm commitment to have a positive impact on the world while creating value for our investors.

This year has been characterized by a process to adapt NBI's vision and positioning in terms of responsible investment. Our preferred path to maximize our impact involves serving as a catalyst for change in favour of more sustainable finance. Our approach to achieving this goal involves influencing, mobilizing and supporting our stakeholders.

Among our achievements are reviewing the environmental, social and governance (ESG) criteria in the OP4+ process for selecting and assessing portfolio managers. This was done as part of our determination to fully incorporate responsible investing into the governance guiding the selection of our open architecture partners.

With ESG integration becoming increasingly implicit in our partners' approaches, we wanted to reflect this broader consideration in our assessments. We are therefore now approaching all our pillars from an ESG standpoint, including organization, people, processes, portfolio and performance. We are positive that this approach will encourage our open architecture partners to improve their ESG practices, both in terms of their firm and how they manage portfolios.

Moreover, in 2023, NBI announced that it was among the asset managers who had indicated their interest in the Investi Fund, an initiative from Innocap and Finance Montréal,

aiming to encourage the finance industry to adopt best practices in ESG integration and impact investing. We see this collaboration as an opportunity to share our expertise and draw inspiration from industry best practices.

I truly believe that education and awareness about sustainable finance can help overcome the headwinds the industry is facing. That's why we continued with our training initiatives throughout 2023. More than 1,250 employees from all our advisory channels have now completed an introductory course in responsible investing. In a survey of our investor clients, 24% of respondents said that they wanted to have a discussion about responsible investing with their advisor. This illustrates the need to continue with initiatives to equip our employees to meet the growing demands of our clients.

Lastly, I want to underscore that this year, National Bank Trust, preferred partner of NBI acting as portfolio manager of several NBI solutions, adopted the Institutional Shareholder Services (ISS) sustainable policy for applying voting rights. This policy aims to promote the support of environmentally friendly business practices, fair labour, non-discrimination and the protection of human rights.

Although we are proud of our successes, we remain aware of the challenges that lie ahead. The urgency to act on issues such as climate change, social inequalities and ethical business practices requires innovation and constant collaboration.

In 2024, we will continue to build on solid foundations while exploring new avenues in responsible investment to contribute to a more sustainable and inclusive future.

A handwritten signature in black ink, appearing to read 'Eric-Olivier Savoie'.

Éric-Olivier Savoie
President and Chief Executive Officer

A word from our Head of Responsible Investment



At NBI, our commitment to responsible investing not only runs deep but is also driven by a clear mission: to be an influencing force with our stakeholders.

The past few years have been rife with geopolitical complexities, punctuated by tensions and controversies related to the anti-ESG movement, primarily in the United States. At the same time, we have seen a worldwide reinforcement of regulations aiming to clearly define the parameters of what constitutes a responsible investment. Given this media and regulatory pressure, certain firms have opted for greenwashing. This means that they prefer to minimize their communications surrounding ESG.

However, despite this challenging environment, Canadian investors' enthusiasm for responsible investment remains. Indeed, funds focused on responsible investing ended the year with positive net sales,¹ one of the few segments to see positive growth in the mutual fund industry.

Responsible investment has established itself as a central pillar of the industry. Many managers and asset owners recognize it as an intrinsic element of their fiduciary duty and a vector for more informed decisions. Moreover, attention paid to investments related to the climate transition intensified, supported by various policies, creating investment opportunities in the transition for a low-carbon economy. *The Inflation Reduction Act* in the United States is an excellent example.

For 2024, we anticipate four predominant trends that will influence asset management:

- › The evolving impact of climate change: the transition to a lower-carbon economy represents both a challenge and an opportunity for investors, with a focus on clean energy and climate initiatives.
- › Investors' recognition of natural capital as critical and material: policies supporting environmentally friendly investments, brought forward through global initiatives, will create a context well-suited to sustainable investments.
- › Enhanced due diligence in the supply chain: the lessons learned from the COVID-19 pandemic underscore the importance for investors of assessing the environmental and social risks related to supply chains.
- › The transformative impact of artificial intelligence (AI): both for companies in a portfolio and for investors, AI opens up new perspectives in terms of analysis and decision-making.

In 2024, given this evolving framework, NBI undertakes to uphold and promote its three priorities: sharing our expertise in responsible investment, influencing the market to encourage more responsible investment practices and acting to offer solutions that address our clients' needs.

A handwritten signature in black ink, appearing to read 'S. Hanquier'.

Solène Hanquier
Senior Manager
and Head of Responsible Investment

¹ The Investment Funds Institute of Canada (IFIC), 2023 Investment Funds Report.

Responsible investing through our open architecture

Some highlights from 2023 for NBI fund manager firms:¹



55%

have **ESG objectives** incorporated into their compensation plan.



90%

have **diversity, equity and inclusion (DEI)** objectives.



70%

are members of **Climate Action 100+**.



45%

are members of **Net Zero Asset Managers**.

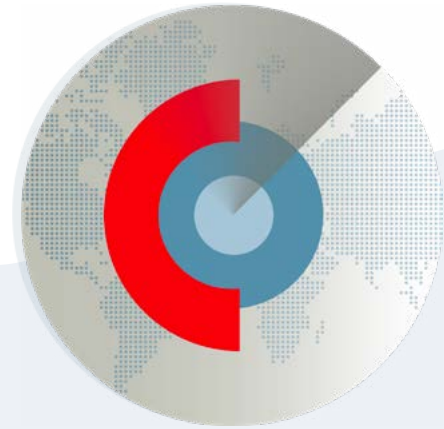


70%

are planning to publish a report on **nature-related financial disclosures (TNFD)** in the coming year.

600

engagement initiatives have been made with portfolio companies, including **37%** related to the **environment**, **26%** related to **social aspects** and **37%** related to **governance**.

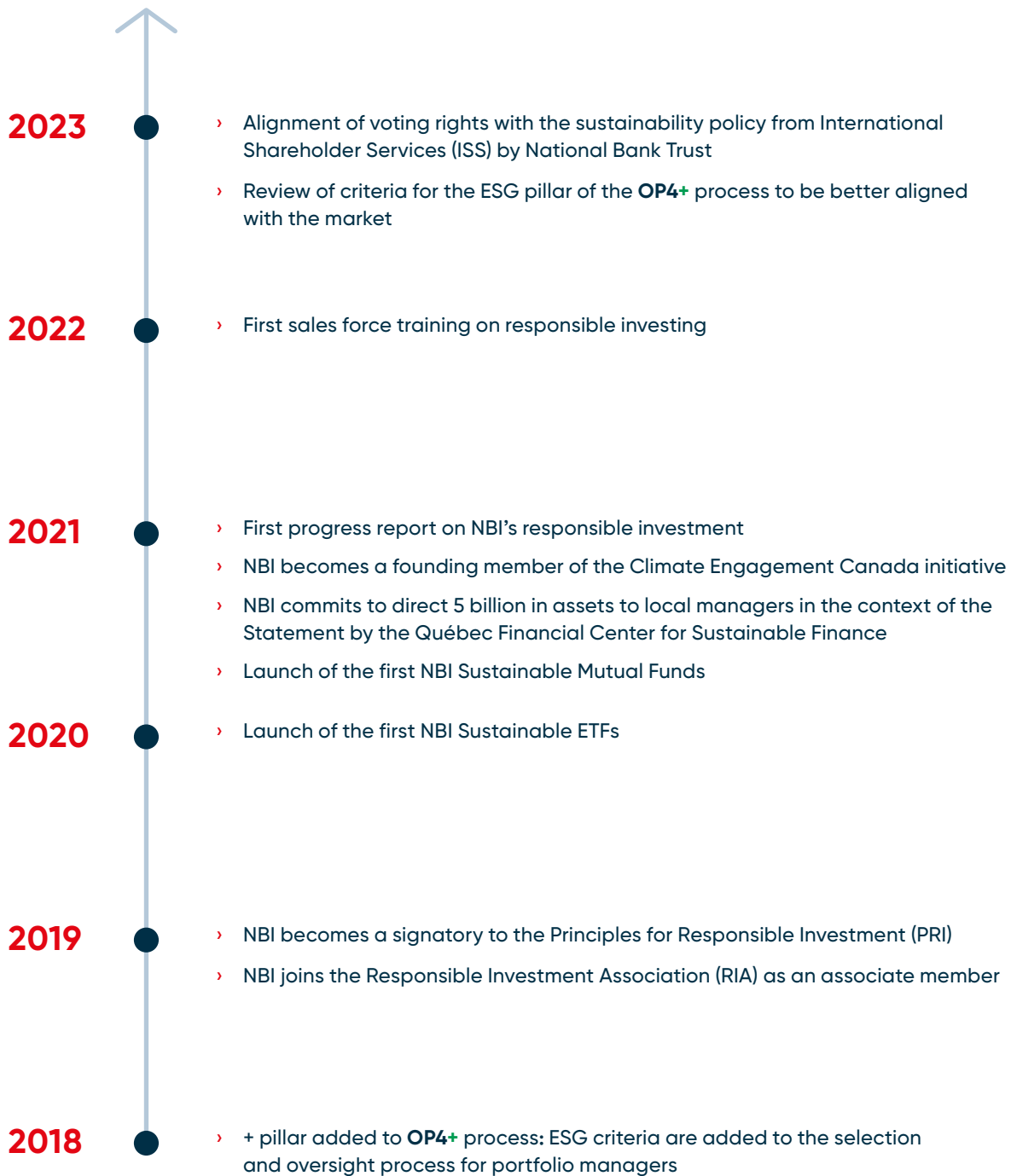


NBI responsible investing initiatives have allowed us to:

- › Accumulate **\$4.1 billion in assets** under management in our sustainable investment solutions.
- › Train more than **1,250 advisory employees** in responsible investing.
- › Collaborate with National Bank Trust for their adoption of the International Shareholder Services (ISS) **sustainability voting rights policy**.
- › Begin monitoring our funds using **ESG data** taken from the Sustainalytics platform.
- › Educate the public with the help of **more than 10** communication initiatives about responsible investment.

¹ As of October 31, 2023.

The evolution of responsible investment at NBI








OP4+: ESG and our open architecture governance

Our open architecture structure offers an ongoing process of diligence and full accountability. Our oversight is based on a review cycle, called OP4+, in which the organization, people, processes, portfolio, performance and integration of ESG criteria by portfolio managers and sub-advisors are continuously assessed. In 2023, we reviewed the excellence criteria related to the ESG (+) pillar in order to align our position with changes in responsible investing in the industry.

At NBI, we are positive that responsible practices involve more than simply incorporating ESG criteria. It is crucial that portfolio managers in our open architecture tangibly express the efforts they're making to improve their approaches. That's why the new excellence criteria are applied across all pillars: the organization, people, process, portfolio and performance. More specific questions can be incorporated into these broader categories during our due diligence review process. These questions can change over time and vary depending on the manager's strategy.

The OP4+ criteria of excellence in portfolio management

 Organization	 People	 Process	 Portfolio	 Performance
Strong organization with top-tier investment culture	Stable team of investment professionals	Emphasis on proven management processes to select securities, build portfolios and manage risk	Optimized portfolio construction that follows the investment process and ensures sound diversification	Strong and predictable risk-adjusted returns

ESG+ Integration of Environmental, Social and Governance criteria

Corporate culture fostering responsible investment, including governance, strategies, and policies guiding RI	ESG expertise within investment teams, supported by dedicated ESG resources	Investment process that systematically incorporates ESG factors and shareholder engagement	Consistency between the portfolio construction and the ESG integration process	Measurement and management of the portfolio's main ESG risks
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Use OP4+ to influence portfolio managers' practices

In 2023, a portfolio manager partner in our open architecture took a course on shareholder engagement after discussing NBI's requirements in this area for managers of its active strategies.

This initiative allowed the manager to acquire additional tools to engage in dialogues focusing on environmental, social and governance (ESG) criteria with companies represented in the portfolio.







Our vision of responsible investment approaches

NBI selects a large number of portfolio managers, each of whom has their own approach to responsible investing. They prioritize various objectives, whether it's avoiding exposure to economically undesirable companies or sectors or aligning a portfolio with major themes related to sustainable development. This array of responsible investment methods is the driving force behind the richness of NBI's platform, as it allows the specific traits of each asset class to be taken into consideration.

We therefore respect the management philosophy and investment decisions of portfolio managers, while encouraging them to adopt industry best practices.

Our responsible investment approaches framework

How approaches are presented can change based on industry developments. For example, NBI uses the recommendations of the Canadian Investment Funds Standards Committee (CIFSC) to define its approaches.¹

ESG integration	Exclusions / Negative screening	Engagement	Best-in-class / Positive screening	Thematic	Impact
 <p>Integrate ESG criteria into the investment process.</p>	 <p>Exclude companies, sectors or even countries, based on ethical or moral criteria.</p>	 <p>Influence issuers' ESG practices through voting rights, shareholder proposals and dialogue.</p>	 <p>Invest in issuers that demonstrate better ESG performance compared to their peers or a benchmark.</p>	 <p>Target investments meeting themes related to ESG criteria.</p>	 <p>Investing with the intention of achieving measurable positive social and environmental impact, in addition to a financial return.</p>

¹ Note that these approaches are not mutually exclusive: a portfolio manager can use several approaches for the same product.

Sustainability is central to our investment solutions offering

Our sustainable investment solutions









Eager to innovate in terms of responsible investment, NBI has launched in recent years funds focused on sustainable development. They are the first Canadian investment products aligned with the United Nations Sustainable Development Goals (SDGs) in their investment process.

In addition to being aligned with the SDGs, some products integrate other ESG criteria, such as excluding companies deriving a significant portion of their revenues from tobacco, adult entertainment, weapons, and coal.

Whether by investing in government bonds that will be used to finance public transit infrastructure development projects or through buying shares in a company that generates a significant portion of its revenues by developing renewable energy infrastructure, the portfolio sub-advisors must ensure that the underlying holdings create value while contributing to the greater good.

ESG performance of our sustainable solutions

Equity strategies^{1, 2, 3}

Product	Morningstar sustainability score ⁴	Carbon intensity vs. index ⁵	% of women on the board of directors vs. index	Water withdrawal intensity vs. index ⁶	Alignment with the top 3 SDGs ⁷
NBI Sustainable Canadian Equity ETF (NSCE) NBI Sustainable Canadian Equity Fund	 Coverage 92%	81 238 Coverage 83%	40% 38.9% Coverage 99%	3,857 12,571 Coverage 39.5%	 15.3%  30.3%  31.2%
NBI Sustainable Global Equity ETF (NSGE) NBI Sustainable Global Equity Fund	 Coverage 97%	100 146 Coverage 95%	34.4% 33.3% Coverage 100%	10,502 20,488 Coverage 47.8%	 23.7%  15.2%  16.5%

1 Data from Sustainalytics as of October 31, 2023.

2 The benchmark index for the NBI Sustainable Canadian Equity Fund and ETF is the S&P/TSX Composite Index. The benchmark index for the NBI Sustainable Global Equity Fund and ETF is the MSCI ACWI Index.

3 Percentage coverage corresponds to the proportion of securities for which data is available.










4 The Morningstar[®] Sustainability Rating[™] is intended to measure how well the issuing companies of the securities within a fund's portfolio holdings are managing their environmental, social, and governance (ESG) risks and opportunities relative to the fund's Morningstar Global Category peers.

5 WACI total carbon intensity (tCO₂eq/\$m).

6 Unit of measure: m³/US \$m.

7 Data as of October 31, 2023, as provided by the portfolio sub-advisors. Aligned companies generate greater than 25% of their revenue from the direct production of products or provision of services that support the achievement of one or more UN SDGs.

Fixed income strategies^{1, 2, 3}

Product	% of green bonds vs. index	% of social bonds vs. index	% of sustainable bonds vs. index	Carbon intensity vs. index ⁴	Alignment with the top 3 SDGs ⁵
NBI Sustainable Canadian Bond ETF (NSCB) NBI Sustainable Canadian Bond Fund	79.3% 4.9%	3.5% 1.1%	11.1% 0.4%	7.3 40.2 Coverage 98.5%	 82.0%  90.6%  90.4%
NBI Sustainable Canadian Corporate Bond ETF (NSCC)	26.7% 6.5%	2.8% 0.5%	9.5% 1.5%	6.0 40.2 Coverage 99.7%	 24.6%  36.2%  36.2%
NBI Sustainable Canadian Short-Term Bond ETF (NSSB)	24.3% 2.6%	3.8% 1.3%	13.2% 0.4%	5.0 26.8 Coverage 100.0%	 26.0%  37.5%  37.5%

1 Data provided by the portfolio sub-advisor, based on its methodology for measuring issuers.







2 The benchmark index for the NBI Sustainable Canadian Bond Fund and ETF is the FTSE Canada Universe Bond Index. The benchmark index for the Sustainable Canadian Corporate Bond ETF is the FTSE Canada All Corporate Bond Index. The benchmark index for the NBI Sustainable Canadian Short Term Bond ETF is the FTSE Canada Short Term Overall Bond Index.

3 The coverage percentage corresponds to the proportion of securities for which data is available.

4 WACI total carbon intensity (tCO₂eq/M\$VE).

5 Data as of October 31, 2023, as provided by the portfolio sub-advisor. Percentage of bonds in the strategy that contribute to each SDG. A bond can contribute to reaching several SDGs.

Case studies¹

Security	Activities	SDG integration strategy	Targeted SDGs
NBI Sustainable Canadian Equity ETF (NSCE) NBI Sustainable Canadian Equity Fund Portfolio sub-advisor: Fiera Capital Corporation			
CCL Industries	CCL Industries Inc. provides formulation and manufacturing services, labels, containers and other packaging products to marketers of personal care, pharmaceutical, and household products in the consumer goods market.	By 2025, customers of CCL Industries will be able to choose label products and solutions that will not hinder consumer-packaged goods to be recyclable, reusable or compostable. CCL's new innovative products provide large consumer goods companies with the possibility of achieving their plastic recycling objectives without compromising their design standards. The company has also recently committed to the Science-Based Targets Initiative (SBTi) and has set goals to reduce its short-term emissions for 2024.	 
NBI Sustainable Global Equity ETF (NSGE) NBI Sustainable Global Equity Fund Portfolio sub-advisor: AllianceBernstein Canada Inc.			
Labcorp	Labcorp is a global leader in innovative laboratory services to help physicians, hospitals, pharmaceutical companies, researchers and patients make safe and informed decisions.	Labcorp strives to ensure access to quality healthcare by providing less expensive laboratory testing than hospitals and small reference laboratories. The company has established the number of patients met with each week as a performance indicator to gauge its efforts to provide access to its diagnosis testing services. In 2022, Labcorp allowed 3 million patients to have access to quality healthcare services.	
NBI Sustainable Canadian Bond ETF (NSCB) NBI Sustainable Canadian Bond Fund NBI Bond Fund Portfolio sub-advisor: AlphaFixe Capital			
TransLink	TransLink is a crown corporation that plans and oversees public transit activities in the Greater Vancouver Area. More than 90% of the company's revenues are from activities that are compliant with the Climate Bonds Taxonomy, which means it enjoys pure-play status. However, the company also finances its operations on the Canadian green-labelled bond market.	Late in 2023, TransLink reopened one of its green-labelled bonds that it had issued in 2022. The funds raised from it should allow various public transit projects to be financed, such as renovating train stations, purchasing electric buses or installing support infrastructure for cyclists and pedestrians. It should be noted that this crown corporation has committed to achieve net-zero emissions by 2050, with an interim reduction target of 45% by 2030, compared to 2010 emissions levels.	  

¹ The information presented in this section has been provided by each of the portfolio sub-advisors.

Responsible investment is part of our decision-making structure

Responsible investment is an integral part of NBI's decision-making structure. At all levels of this structure, from the chairperson to the various committee members, ESG considerations are at the forefront of our approach, and we address them in innovative ways with the aim of generating tangible results.

NBI's priorities, including those related to responsible investing, are adopted by NBI's executive management.

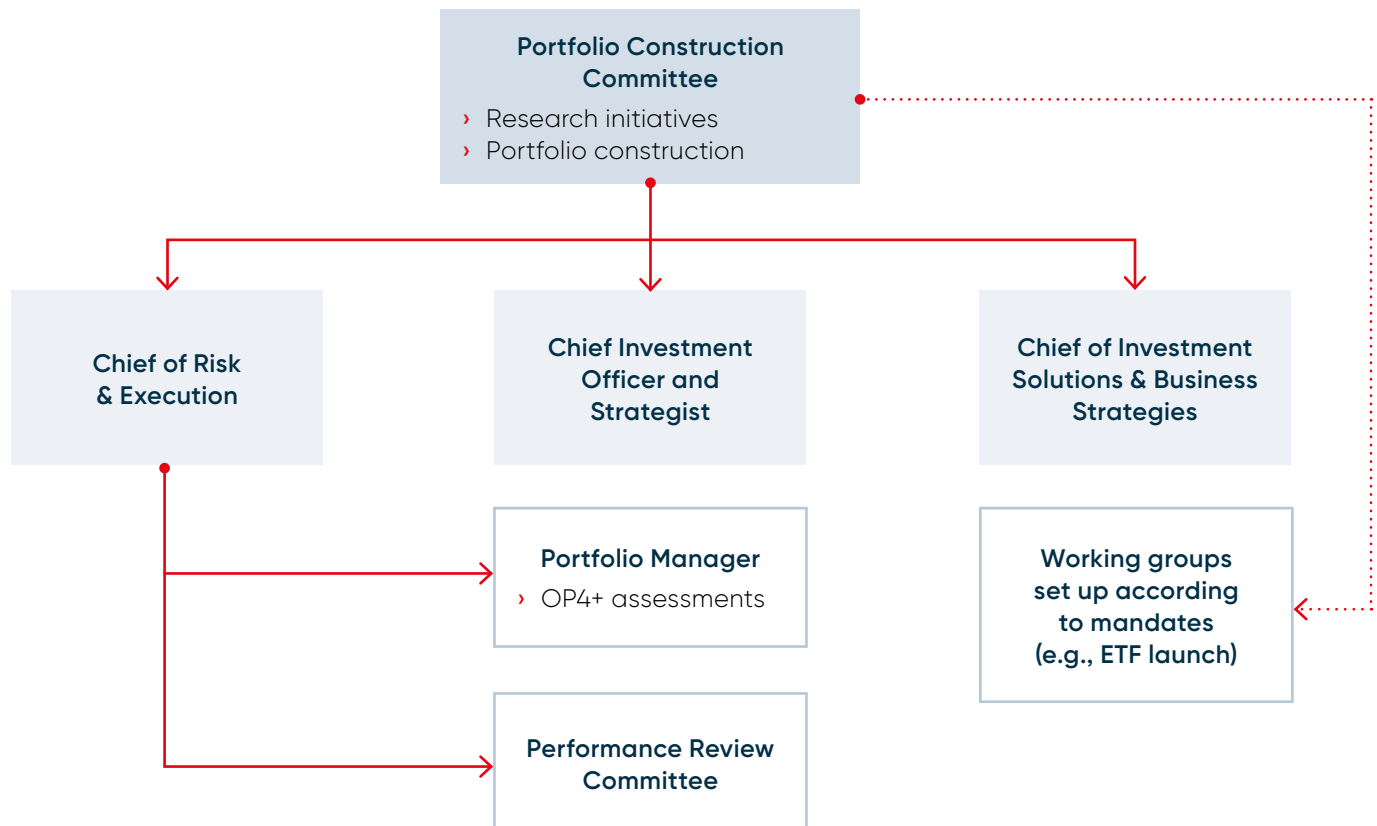
Our dedicated Risk and Execution team takes responsibility for daily responsible investment actions. It leads our efforts and helps advance our responsible investment strategy.

The team works with several members of the various investment teams, in addition to the over 50 portfolio management teams that are part of the NBI open architecture platform.

The OP4+ evaluations, which include the integration of ESG criteria by portfolio managers, are presented to the Manager Review Committee. Responsible investment research is presented to the Portfolio Construction Committee, and working groups are occasionally formed to carry out various mandates.

Lastly, the current structure is leveraged as part of our responsible investment commitments. For instance, the Performance Review Committee also monitors NBI's sustainable investing products.

In addition to addressing responsible investment consistently within our structure, members of the NBI team are actively involved on various committees of the National Bank of Canada, including the ESG investment committee and working groups on ESG business opportunities and risks. This allows us to contribute more broadly to the organization's responsible investment initiatives.



Our achievements and priorities in terms of responsible investment

This year marked the end of our 2020–2023 NBI strategic plan for responsible investment. Our achievements related to these priorities will serve as a base to continue with our efforts regarding our strategy and priorities for the coming years.

① Become industry leaders through our responsible investment practices

Encourage climate commitments from portfolio managers

In the context of our analyses of ESG integration by portfolio managers, we ask them to share their climate plans with us. Many of them are now taking part in various initiatives related to the transition toward a low-carbon economy and achieving the objectives of the Paris Agreement.

In total, 70% of NBI funds portfolio managers and sub-advisors are taking part in the Climate Action 100+ initiative and 50% are taking part in the Climate Engagement Canada, initiative.¹

Build on our responsible investment research initiatives

In 2023, we continued to make progress on the two initiatives launched in 2022. The first concerns our exclusion strategy. We've defined the standardized exclusions, making sure that they are aligned with those of our parent company, National Bank of Canada. The objective is to ensure that our decisions in terms of exclusions do not contribute to introducing portfolio management biases, as well as upholding market best practices. In 2023, we finalized the definitions of these exclusions and began communicating them to portfolio managers.

Our second initiative concerns climate risk in portfolio management. In cooperation with the Chief Investment Officer's office, we have begun developing a framework to incorporate climate risk into long-term return forecasting. Using scenario analyses, our objective is to maintain the quality of our forecasts while making sure to include any risk that could have an impact on our decisions in terms of strategic asset allocation.

In 2023, we also launched a new initiative to measure the ESG risks and benefits of our funds. Thanks to our ESG data provider Sustainalytics, we've begun using these data internally to assess our exposure to various ESG risks.

Exercise our voting rights with the new alignment to the ISS sustainability policy

As shareholders, investors have the power to influence companies by exercising their proxy voting rights at meetings. Whether it's to reject a proposal that is unfavourable to their long-term interests or, conversely, support one by encouraging the adoption of responsible, sustainable practices by a company, they have the ability to make a difference and contribute to a better long-term environment and society.

In 2023, National Bank Trust, NBI's preferred partner acting as portfolio manager for several NBI solutions, took another step in terms of responsible investment by adopting voting rights recommendations for a policy aligned with "sustainable" principles for all funds managed internally. The sustainable development policy of Institutional Shareholder Services (ISS) aims to promote the support of business practices calling for environmental stewardship, equitable work, non-discrimination and human rights protection.

As a reference framework, this policy uses various initiatives related to sustainable development that are recognized internationally, notably the United Nations Environment Programme Finance Initiative (UNEP-FI), the United Nations Global Compact, the Principles for Responsible Investment (PRI) and the agreements of the International Labour Organization (ILO). In summary, this change allowed the leverage represented by the exercise of voting rights at NBI to be even more aligned with our responsible and sustainable goals.

¹ As of October 31, 2023.

Integrate responsible investment strategies into renewing prospectuses

In order to be able to properly communicate the approaches specific to each of our investment solutions, NBI added details on the strategies of the funds held in the NBI Portfolios when renewing prospectuses.

Investors thus can understand how portfolio managers and sub-advisors incorporate responsible investment in their decisions while better reflecting the ESG assessment of our OP4+ governance process.

② Play a key role in advancing responsible investment

Cooperate with the industry

NBI places particular importance on industry cooperation to drive responsible investing in Canada. That's why in 2023 NBI representatives joined the boards of the RIA, the ESG committee of CFA Montréal and Investi Fund committees.

Get involved in shared initiatives

The Investi Fund, an initiative of several stakeholders in the Quebec sustainable finance ecosystem, is intended to grant mandates to Quebec-based asset managers who exhibit best practices for ESG integration and impact investing. In its determination to contribute to innovation in responsible investment, NBI is one of the financial institutions to have shown interest in investing in the fund.

Investi Fund objectives:

- › Identify and develop highly innovative sustainable investment strategies;
- › Promote Quebec-based asset management firms; and
- › Attract well-known foreign asset managers wanting to establish teams dedicated to sustainable investment strategies to Quebec.

Educate and inform

At NBI, we believe that passing on knowledge is essential to understanding, and by extension, greater adoption of sustainable finance. In 2023, NBI's team rolled out many communication and education initiatives on the theme of responsible investing.

For example, in collaboration with our internal partners, we adapted the basic responsible investing training to offer it to all of our advisory channels, as well as to employees whose role is related to investing. To date, more than 1,250 advisors have been trained on this topic.

Moreover, in 2023, NBI partnered with Finance Montréal to provide around 40 employees with advanced training on responsible investing. The training was designed in cooperation with Université de Sherbrooke and brings together eminent finance specialists. The goal was to teach employees to understand more complex notions in responsible investing and thereby ensure a high level of skill internally. The first cohort completed their training in June and the second in the fall of 2023.

Share our knowledge and expertise

Enhancing the level of knowledge in the industry is a priority for NBI and our responsible investing experts are committed to sharing their expertise in this area when the opportunity arises. For example, we took part as a panelist in a webinar organized by Advisor Edge designed to equip advisors to respond to negative reactions to ESG. A number of articles written and signed by our experts have been published in print and digital media.

In order to facilitate discussions on responsible investing for our sales forces, numerous tools were produced on both responsible investing in general and NBI sustainable solutions specifically. For example, flyers presenting data related to the ESG dimensions of the sustainable development strategies were developed, a discussion aid questionnaire for advisors was created and several informative publications were shared on NBI's internal channels.

③ Be a leading corporate citizen

We're involved in the community and we give back to society

NBI employees play an active role in, and help organize fundraising and awareness activities. Many organizations have benefited from the fundraising activities in which NBI employees have taken part.

- › Centraide/United Way: \$11,000
- › 24h Tremblant: \$44,324
- › NB Grand Tour: \$2,800
- › Ride to Defeat Diabetes: \$1,820
- › Sainte-Justine Challenge: \$20,300
- › Moisson Montréal golf tournament: \$91,220
- › Moisson Montréal gourmet dinner: \$98,000
- › SUMMA Quebec Special Olympics: \$180,000

This therefore means that a total of close to \$450,000 was given back to the community by NBI teams, as well as volunteer sessions in which numerous employees participated. To learn more about the initiatives to which National Bank has contributed, consult the [Report on ESG Advances](#).

Support the next generation in finance

Created in 2019 by NBI, the HEC Montréal-NBI Fund allows students to take on a unique challenge: managing a multi-asset portfolio based on current market conditions, which are more complex than ever. The NBI team provides ongoing support to more than 15 student-analysts who manage more than \$5 million in assets in the context of this initiative.

In addition to traditional investment practices, student-analysts also need to base their decisions on a responsible investment policy, which they revise every year. By implementing and applying responsible investment principles in fund management, student analysts raise their level by developing essential knowledge in sustainable finance. The support offered by NBI responsible investment experts shows our commitment to helping reduce the knowledge and expertise gap on this subject in the industry.

Ensure data confidentiality on an ongoing basis

NBI has implemented and maintains on a continuous basis access profile governance on the applications it uses as well as its databases. Data access rights are governed based on the functions of each user in order to limit accessibility and the potential use of confidential data.

Authorizations are solely granted to employees and third parties whose access is essential. Users are monitored on a permanent basis to make sure information is used appropriately and safely.

We govern according to the highest standards

NBI employs a rigorous governance structure, with oversight committees that bring together our main experts and partners. They strive to critically and efficiently examine essential questions, whether it's managing conflicts of interest, portfolio construction and asset allocation, risk management, selection of portfolio managers, examining investment performances or introducing new products and activities.



Our commitments

Through our commitments, we want to solidify our efforts to remain an active member of the Canadian community to accelerate the shift towards a more sustainable financial system, through the initiatives and actions presented in this section.

NBI is a signatory to the Principles for Responsible Investment

Signatory of:



The [Principles for Responsible Investment \(PRI\)](#) are a voluntary and aspirational set of investment principles that offer a menu of

possible actions for incorporating ESG issues into investment practice. More than 3,400 members collaborate on the global initiatives established by the United Nations, and nearly 170 of them are in Canada.

Signing the PRI, which is internationally recognized, publicly demonstrates our commitment to responsible investment and allows us to join a global community that seeks to build a more sustainable financial system.



As of October 31, 2023, 98% of assets under NBI's management were managed by PRI signatories. This corresponds to \$74.8 billion out of \$76.3 billion total assets under management.

NBI is a member of the Responsible Investment Association



The [Responsible Investment Association \(RIA\)](#) is Canada's industry association for responsible investment.

By joining the RIA, NBI demonstrates its commitment to responsible investment and is actively involved in advancing five strategic priorities to foster the adoption of responsible investing in Canada:

- › **Educate:** Promoting industry and market education about all RI strategies.
- › **Catalyze:** Playing a leadership role in catalyzing market development and integrity.
- › **Advocate:** Advancing a policy/regulatory environment conducive to RI.
- › **Build:** Building brand and reputation as the hub and leading voice of RI in Canada.
- › **Grow:** Growing financial and human capital resources to strengthen capacity.

NBI is a signatory to the Canadian Investor Statement on Diversity and Inclusion

This [statement](#) recognizes the existence of systemic racism and its impact on Black and Indigenous communities and Peoples of Colour in Canada and globally. It recognizes the existence of inequalities and discrimination with respect to factors including—but not limited to—gender, sexual orientation, age, disability, religion, culture and socio-economic status.

NBI recognizes these persistent inequities in business and society and is committed to addressing them. We apply several diversity criteria in terms of gender, origin and experience to our manager selection and monitoring processes. NBI's commitment is an extension of National Bank's ongoing efforts to create an increasingly inclusive and diverse workplace and society.

Diversity and inclusion at NBI

Diversity and inclusion are priorities for our parent company, National Bank of Canada. At NBI, we align our actions to support achieving the Bank's targets. Although we are working toward having appropriate representation of visible minorities, persons with disabilities, Indigenous People, LGBTQ2+ and cultural communities, we cannot currently publicly disclose this information, given the limited size these groups represent within our division.

However, here are the data concerning the representation of women at NBI, as of October 31, 2023.

	Number of women	Total
Proportion women/men	40	127
31.5%		
Board of directors	3	7
42.9%		
Management team	2	7
28.6%		

NBI is a signatory of the Canadian Investor Statement on Climate Change

The [statement](#) recognizes that climate change presents a major threat to long-term growth and prosperity and there is an urgent need to accelerate the transition to a net zero economy.

NBI is committed to undertaking the following actions to support the goal of achieving global net zero emissions by 2050 or sooner:

- › Integrate climate-related opportunities and risks into our investment processes.
- › Develop a climate action plan that details the actions we are taking to support the global goal of achieving net zero emissions by 2050 or sooner.
- › Implement a stewardship and engagement strategy to advance our expectations of the companies and securities that make up our investment solutions.
- › Ensure that any climate-related policy advocacy we undertake supports a just transition and the ambition of achieving global net zero emissions by 2050 or sooner and engage with our industry associations to encourage climate advocacy efforts that are consistent with these goals.
- › Finally, provide annual disclosures that align with the recommendations of the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) to report on our progress. This includes best efforts reporting on our financed emissions.

NBI is a founding member of Climate Engagement Canada



[Climate Engagement Canada \(CEC\)](#)

drives dialogue between the financial community and corporate issuers to promote a just transition to a net zero economy. As a signatory, NBI is actively

involved in the transition to a net zero greenhouse gas emission economy by 2050, in line with the Paris Agreement. NBI participates in various other committees involved in advancing sustainable financing and Canadian and global climate goals. This is part of NBI's mission to foster the growth and development of responsible investment and to continuously implement concrete measures to combat climate change.

National Bank is a founding signatory of the Statement by the Quebec Financial Centre for Sustainable Finance



This [statement](#), a first in North America, aims to affirm Quebec's historic leadership in sustainable finance: supporting, developing and promoting local expertise, and positioning

financial institutions to deal with major environmental, social and governance (ESG) issues.

Together with the Bank, NBI is committed to:

- › Developing local expertise in sustainable finance and investment.
- › Promoting the establishment or growth of local teams and business units in sustainable finance in Quebec.
- › Supporting the local development of sustainable finance products and services.
- › Promoting the growth of funds managed by locally established managers with leading-edge expertise in responsible investment.
- › Promoting greater disclosure and transparency in sustainable finance.
- › Strengthening the integration of ESG factors into signatories' operations, internal processes and practices, and encouraging our partners to do the same.

By 2025, NBI is committed to directing \$5 billion in assets to portfolio managers who manage sustainable investment funds and are signatories to the declaration.

New commitment for 2023

NBI is a signatory of the Statement from the Private Financial Sector

NBI signed the [COP15 Statement from the Private Financial Sector](#), a global initiative in which close to 150 financial institutions, representing more than \$24 trillion in assets under management called on global officials to adopt an ambitious worldwide framework for biodiversity at COP15 of the United Nations Biodiversity Conference in 2022.

Shareholder engagement at NBI

We believe that engagement creates value in an investment strategy and fosters sustainable development results. Since portfolio managers have in-depth knowledge of the companies held in their portfolios, we ask them to continually engage in discussions with the management team of these companies about issues that could affect their business and outlook. We rely on portfolio managers to prioritize issues, determine the best way to interact with target companies and implement an escalation strategy when necessary.

The main themes on which portfolio managers conducted engagement activities in 2023



Some engagement examples

Case study – Governance

Portfolio manager:

Jarislowsky Fraser

Company:

SNC-Lavalin (now called AtkinsRéalis)

Using their influence to reduce risks and optimize activities

For a number of years, Jarislowsky Fraser (JFL) has been actively involved with the board of directors of AtkinsRéalis, stressing the need for a greater number of members with direct industry experience and for a new chair. JFL believed that the company would benefit from a board with enhanced knowledge and understanding with regard to project management and execution.

In 2020, new appointments were made to the board of directors, including a new chair. These new members

represented a major first step for continuing to reduce risks related to the profile of this company and reinforce its long-term execution capacity. The JFL team has seen continuous progress following these appointments.

Since these changes were made within the governance of AtkinsRéalis, the company's activities display very good performance, and the absence of new governance problems or scandals are reflected in the share price.



Case study – Environment

Portfolio manager: Mackenzie Investments (Bluewater team)

Company: Waste Connections Inc.

Actively encourage achieving climate objectives

Waste Connections (WC) is one of the largest integrated solid waste management firms in North America. In 2022, Mackenzie Investments met with Waste Connections' senior management to understand the company's strategy for abating carbon and methane emissions.

The team was encouraged to hear that the company has been piloting new remote technologies to measure landfill methane emissions more accurately. They commended management on their innovative efforts to move the entire waste industry forward with new measurement methods in this field. With respect to greenhouse gas (GHG) emissions more broadly, they also encouraged the company to set a target to reduce absolute GHG emissions across their operations.

In 2023, after their engagement, they were encouraged to see that WC announced an inaugural GHG target to reduce the company's absolute GHG emissions (Scopes 1 and 2) by 15%. To continue the dialogue on this topic, Mackenzie Investments re-engaged with senior management in 2023 to discuss the company's perspective on pursuing third-party validation of this new target to demonstrate the target's alignment with climate science. In their meeting, they learned that WC is considering methodologies for aligning emission reduction targets with climate science. Mackenzie underlined that they support public disclosure of their chosen methodology for aligning targets to climate science.

Mackenzie Investments will continue their dialogue with Waste Connections in 2024 to review the progress on the new climate target and decarbonization plan.

Case study – Diversity and inclusion and governance

Portfolio manager: Manulife Investment Management

Company: Canadian information technology company

Improving governance and DEI practices

In 2020, Manulife began working with a multibillion-dollar Canadian information technology firm. The Manulife team was concerned about the company's capacity to attract talent, given that only two out of 11 directors were women, as they are generally underrepresented in the IT sector. The company also combined the roles of CEO and chair of the board of directors, which, according to the investment team, could hinder the board's ability to effectively oversee management.

The team worked with the company to encourage the board of directors to recruit more women, in the context

of an approach to improve gender diversity in the software industry. They also expressed a hope to see the roles of CEO and chair of the board of directors separated, which would indicate to the market that the board of directors was closely monitoring management.

Since engaging with the company, it has appointed four new women to the board and has also begun to publish statistics on employee gender in each region. The company has separated the roles of CEO and board chair to ensure greater independence for the board.

Our vision and ambitions for 2024 to 2026

In 2023, NBI established a work group specifically to define its vision and ambitions for responsible investment from 2024 to 2026. This work group was made up of representatives from each of the NBI teams.

After several workshops and brainstorming sessions, NBI defined its vision: **Be a change agent for more sustainable finance.** To get there, we have defined three pillars on which our actions will be based:

- ① **Reinforce the relationship of trust between advisors and clients by sharing our expertise and improving our conversations about responsible investment**
 - › Through training and awareness of sales teams, advisors and clients
 - › Through the educational material offering
 - › Through initiating conversations on responsible investment with clients
- ② **Exercise our influential leadership and mobilize our partners, clients, the financial community and regulators to accelerate the transition to sustainable finance**
 - › By adopting strong, unified governance
 - › By implementing promising approaches in terms of environmental, social and governance considerations
 - › By cooperating between teams as well as with the industry and regulators
 - › By mobilizing portfolio managers and companies in portfolios
- ③ **Respond to Canadian investors' needs and appetite for sustainable investing while contributing to resolving global issues**
 - › By expanding and diversifying the sustainable investment solutions offering
 - › By promoting our sustainable investment solutions
 - › By harnessing ESG data to inform decision-making and communicate the impacts of decisions



Asset managers as change agents

As guardians of vast financial resources, asset managers have the potential to be powerful agents for change. By influencing and mobilizing their stakeholders, they have the power to shape where companies are headed and promote responsible business practices.

For example, offering sustainable investment solutions to their clients positions them to help stakeholders in their transition to a more sustainable economy and more inclusive society. By cooperating with the industry and regulators, asset managers can also choose to create a collective voice to amplify the impact of sustainable initiatives.

Conclusion

This report illustrates NBI's commitment to incorporate responsible investment into all of its activities and continue to work toward positioning our firm as a reference in this area in Canada. In 2024, NBI's objective will be to take concrete steps in achieving this goal through its investment practice initiatives arising from research and innovation, and to play a pivotal role in the level of knowledge on responsible investment. NBI will continue to be a leading corporate citizen by doing business with partners that embrace inclusive practices while supporting the fight against climate change.

NBI will align its actions in terms of sustainable practices and diversity and inclusion with the targets of the National Bank of Canada (NBC), our parent company. Among other initiatives, the National Bank has established net zero targets for its operating and financing activities by 2050, as well as an equity, diversity and inclusion plan.

Other resources

Other NBI documents:

- › [NBI Responsible Investment Policy](#)
- › [Policies and statements on proxy voting](#)

To learn more about National Bank of Canada:

- › [National Bank corporate responsibility reports](#)



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