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Message from the President

For months, the world has been facing an unprecedented health crisis.

All National Bank’s stakeholders have been affected by the economic and social impacts of this situation. Once again, National Bank will take up the challenge with passion and determination. We’ll be there to support our stakeholders while keeping the Bank strong and delivering on our commitment to the community.

In 2019, I participated in the Principles for Responsible Banking signing ceremony at the United Nations Headquarters in New York. We were among the first North American signatories of these Principles. Through this action, we built on the Bank’s long-standing commitment to drive social and economic development. By fostering dialogue, we help identify and develop solutions that contribute to the United Nations Sustainable Development Goals.

Protecting the environment is also very important to the Bank. Our employees have carried out numerous initiatives to eliminate single-use plastic, plant gardens and promote biodiversity. On the business side, our work with the Task Force on Climate-related Financial Disclosures is going well. The growth of our renewable energy credits continues to outpace that of our fossil fuel portfolio. However, low oil prices will hold back renewable energy growth, unless they return to normal over the medium term.

Our extensive donation and sponsorship programs make a real difference for the community. By design, National Bank’s philanthropic efforts are wide-ranging. We believe it’s vital to support organizations in many different fields, including those with a narrower scope of action. We strive to improve financial and mental health and ensure all Canadians can access basic needs and education.

Furthermore, in recent years we’ve helped build a unique ecosystem of incubators and accelerators in Quebec to promote greater collaboration between the business and academic worlds. The results are promising. Let us also mention that we are always there to support our communities in these difficult times.

The strength of our governance practices has already been established. We’re committed to making further improvements such as in diversity, cybersecurity and responsible business practices. By reinforcing the positive impact of our ESG strategies, we can influence other players to contribute as well. I’d like to thank our Board of Directors for playing an active role in ESG matters. We’re stronger together.

The COVID-19 crisis is sure to have lasting consequences on society, business and individual citizens. Now more than ever, you can count on National Bank and its employees for support. At National Bank, we help communities prosper and promote our shared values by putting people first.

Louis Vachon
President and Chief Executive Officer
Message from the Vice-Presidency

Communications and Corporate Social Responsibility

We are very proud to present National Bank’s first report on environmental, social and governance advances.

We’d like to start off by thanking employees across various Bank sectors for their active contributions. You truly embody the Bank’s distinctive values: agility, empowered decision-making and a people-centric approach. Sustainable development is central to the Bank’s mission, and our employees play a vital role in making it possible.

At the time of writing, over 1,200 Bank employees participate in our Positive Impact Environment group. Every day, they manage recyclables, promote responsible consumer habits and participate in a wide range of initiatives—from promoting pollinators to encouraging urban agriculture. They lead by example and take concrete action to build a better world.

In 2019, our Board of Directors approved a series of sustainable development principles that inspire our approach and our actions. These principles are set out in the next few pages. They aim to ensure that National Bank is aligned with international best practices and contributes to their evolution, so we can still foster dialogue around sustainable development.

For 161 years now, National Bank has played a key role in Canada’s development. For hundreds of years, this land has been a meeting place between many different cultures, who have resolved their differences and built a society through collaboration. This unique heritage will make a real difference in advancing our ESG practices over the coming years.

This report will help us continue to share best practices, enhance our ongoing projects and create new initiatives to build a better, stronger future.

We’d like to thank all our contributors. Feel free to continue the conversation and help us to co-create the future!

Claude Breton
Vice-president
Communications and Corporate Social Responsibility

Sonia Hernández
Senior Manager
Communications and Corporate Social Responsibility
OUR ONE MISSION

We exist to have a **POSITIVE IMPACT** in people’s lives.

By building **long-term relationships** with our clients, employees and communities.

**People first.**
Summary

Supporting sustainable development is an intrinsic part of our One Mission. Environmental, social and governance considerations play a key role in our business and operational decisions.

At National Bank, we want to have a positive impact on people’s lives. The principles that our Board of Directors has approved demonstrate our commitment to building a sustainable future while representing the best interests of stakeholders.

1. We consider the fight against climate change in our economic and community actions
2. We guide and advise our clients in their energy transition
3. We manage and reduce our environmental footprint in all of our business segments
4. We maximize the potential of individuals and the community
5. We promote inclusion and diversity
6. We foster entrepreneurship, financial literacy, philanthropy, and support for health and education
7. We promote a strong ethics culture, sound governance practices, and rigorous risk management
8. We manage according to responsible business practices
9. We ensure the long-term viability of the institution

Key United Nations Sustainable Development Goals covered by our principles

Here are some of the organizations we support

Signatory of:

- The Green Bond Principles
- PRI Principles for Responsible Investment
- The Social Bond Principles
- The Task Force on Climate-Related Financial Disclosures
- UNEP Finance Initiative
- CDP Disclosure Insight Action
- équiterre
- RIA

We are working to develop a green economy
We enrich communities
We govern according to the highest standards
About This Report

The 2019 ESG Report is published by National Bank of Canada. Intended for all of our stakeholders, it presents our commitments and achievements in sustainable development and our key performance indicators.

The ESG Report was drawn up by a team reporting to the Vice-presidency, Communications and Corporate Social Responsibility, with input from dozens of experts, then revised and approved by executives from many different sectors of the organization and by the Conduct Review and Corporate Governance Committee.

Scope

This report presents relevant content associated with the activities of National Bank and its main subsidiaries. Unless otherwise indicated, it refers to fiscal 2019 (November 1, 2018, to October 31, 2019).

Stakeholders

This report is part of the Bank’s ongoing dialogue with various stakeholders, including clients, employees, communities, shareholders, service providers, interest groups, international organizations and regulatory authorities. This approach helps us evaluate and mitigate the risks associated with our activities, notably by enabling various impact analyses. It also allows us to continuously improve our practices and adopt the latest disclosure standards.

Reference framework

Our approach to communicating information follows well-known disclosure guidelines, including the Sustainability Accounting Standards Board (SASB) standards, the United Nations (UN) Sustainable Development Goals (SDGs), the Carbon Disclosure Project (CDP) standards and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

External certification

Groupe AGÉCO, an independent third party, calculated our greenhouse gas (GHG) emissions. Certain indicators are extracted from the management report and audited consolidated financial statements of the 2019 Annual Report.

Policies and codes of conduct

This report refers to the following National Bank publications, which are also available at nbc.ca under About Us.

- 2019 Annual Report
- Management Proxy Circular
- 2019 Corporate Social Responsibility Statement
- National Bank’s Environmental Policy
- Code of Conduct and Ethics
- National Bank’s Supplier Code of Conduct
- Commitment to the Fight Against Slavery
- Commitment to the Prevention of Workplace Harassment and Violence

Contact us

If you have any comments about this report, please contact National Bank’s Corporate Social Responsibility team at pa@nbc.ca.
About Us

National Bank is the leading financial institution in Quebec and a major partner to small and medium-sized enterprises. We are one of the six systemically important banks in Canada and have branches in most Canadian provinces. Our clients in the United States, Europe, Cambodia and elsewhere around the world are served by our network of representative offices, subsidiaries and partnerships. Our securities are listed on the Toronto Stock Exchange and our head office is in Montreal.

We aim to follow the most rigorous social responsibility standards while having a positive impact on all our stakeholders.

National Bank at a glance
(as at October 31, 2019)

- **2.7 million** Clients
- **25,487** Employees
- **587** Branches
- **1,480** Banking Machines
- **49.4%** of Clients Active on Digital Channels

Our Financial Performance

- **$281 B** Total Assets
- **$565 B** Assets Under Administration and Under Management
- **$892 M** Dividends Declared to Common Shareholders
- **18%** Return on Equity

Our Contribution to Economic Activity

- **$2.5 B** Compensation and Employee Benefits
- **$1.1 B** Spent on Goods and Services
- **$919 M** Income Tax and Taxes Paid
- **49,042** Employee Volunteer Hours

---

1. Clients in the Personal and Commercial Banking sector, in Canada and Florida
2. Worldwide
3. 423 Personal and Commercial Banking branches, 92 National Bank Financial branches in Canada, 70 branches in Cambodia and 3 branches in the United States (Florida)
4. 939 in Canada and 541 in Cambodia
5. Percentage of Personal and Commercial Banking clients who used digital channels (mobile or internet banking) at least once between August 1 and October 31, 2019
7. In Canada
8. Employees enter their volunteer hours in a centralized tool on a voluntary basis.
## Environment

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of assets under management (AUM) with ESG integration in the investment process</td>
<td>$40.5 billion</td>
</tr>
<tr>
<td>GHG emissions (in tonnes of CO₂ equivalent)</td>
<td></td>
</tr>
<tr>
<td>Total GHG emissions (in tonnes of CO₂ equivalent)</td>
<td>9,732</td>
</tr>
<tr>
<td>GHG reduction objective by 2025 (year of reference 2019)</td>
<td>25%</td>
</tr>
<tr>
<td>Percentage of paper used that is FSC certified</td>
<td>100%</td>
</tr>
<tr>
<td>Paper consumption per full-time employee</td>
<td>17.27 kg/FTE</td>
</tr>
<tr>
<td>LEED certified buildings</td>
<td>5</td>
</tr>
<tr>
<td>Carbon neutrality</td>
<td>Yes</td>
</tr>
<tr>
<td>Value of sustainable bonds issued (in CAD equivalent)</td>
<td>$1.2 billion</td>
</tr>
</tbody>
</table>

### GHG Emissions

<table>
<thead>
<tr>
<th>Scope</th>
<th>2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2,330</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>2,901</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>4,502</td>
<td></td>
</tr>
</tbody>
</table>

### Social

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of women at National Bank</td>
<td>58%</td>
</tr>
<tr>
<td>Percentage of women in intermediate management roles</td>
<td>81%</td>
</tr>
<tr>
<td>Percentage in senior management roles</td>
<td>45%</td>
</tr>
<tr>
<td>Percentage of women in executive officer and officer roles</td>
<td>33%</td>
</tr>
<tr>
<td>Percentage of visible minorities at the Bank</td>
<td>23.8%</td>
</tr>
<tr>
<td>Percentage of people with a disability at the Bank</td>
<td>2.8%</td>
</tr>
<tr>
<td>Percentage of full-time workers</td>
<td>88%</td>
</tr>
<tr>
<td>Turnover rate</td>
<td>15.7%</td>
</tr>
<tr>
<td>Voluntary turnover rate (excluding retirements)</td>
<td>11.3%</td>
</tr>
<tr>
<td>Internal recruitment rate (excluding entry-level jobs in our branches and call centres)</td>
<td>46%</td>
</tr>
<tr>
<td>Number of workplace injuries</td>
<td>62</td>
</tr>
<tr>
<td>Number of fatal workplace injuries</td>
<td>0</td>
</tr>
<tr>
<td>Amount invested in training</td>
<td>$32.5 million</td>
</tr>
<tr>
<td>Compensation and employee benefits</td>
<td>$2.5 billion</td>
</tr>
<tr>
<td>The Bank’s contribution to the Employee Share Ownership Plan</td>
<td>$12 million</td>
</tr>
</tbody>
</table>

### Clients

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of visitors to the Advice page on nbc.ca</td>
<td>1.6 million</td>
</tr>
<tr>
<td>Percentage of digitally active clients</td>
<td>49.4%</td>
</tr>
<tr>
<td>Percentage of personal banking accounts with eStatements</td>
<td>66%</td>
</tr>
<tr>
<td>Number of no-fee checking accounts (without minimum balance)</td>
<td>76,900</td>
</tr>
</tbody>
</table>

### Community

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employee volunteer hours</td>
<td>49,042</td>
</tr>
<tr>
<td>Number of goods and services suppliers</td>
<td>1,003</td>
</tr>
<tr>
<td>Worth of goods and services purchased</td>
<td>$11 billion</td>
</tr>
<tr>
<td>Income tax and taxes paid</td>
<td>$919 million</td>
</tr>
<tr>
<td>Income tax paid outside of Canada</td>
<td>$117.8 million</td>
</tr>
<tr>
<td>Total effective income tax rate</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

### Governance

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of members on the Board of Directors</td>
<td>15</td>
</tr>
<tr>
<td>Number of independent directors</td>
<td>14 (93%)</td>
</tr>
<tr>
<td>Percentage of women on the Board</td>
<td>43%</td>
</tr>
<tr>
<td>Number of training sessions for Board members</td>
<td>20</td>
</tr>
<tr>
<td>Percentage of Board committees that have ESG oversight in their charters</td>
<td>4/4 (100%)</td>
</tr>
</tbody>
</table>

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1. An independent service provider will verify our GHG emissions data for fiscal 2018-2019.
3. In Canada.
4. FSC: paper composed of 100% virgin tree fibres sourced from certified forests.
5. Data as at December 31, 2019.
7. Percentage of Personal and Commercial Banking clients who used digital channels (mobile or internet banking) at least once between August 1 and October 31, 2019.
8. No-fee chequing accounts are defined as bank accounts that provide basic services with no additional fees, no monthly or annual maintenance fees and no minimum balance requirements.
9. Employees enter their volunteer hours in a centralized tool on a voluntary basis.
## How We Support Sustainable Development

### Our Contribution to the UN Sustainable Development Goals

In 2019, our initiatives and commitments contributed to 12 of the 17 UN Sustainable Development Goals.

<table>
<thead>
<tr>
<th>Goal</th>
<th>Our Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Worked with the Canadian Foundation for Economic Education to create a financial literacy program.</td>
</tr>
<tr>
<td></td>
<td>$3.4 million donated to the United Way Centraide campaign by employees, retirees and National Bank.</td>
</tr>
<tr>
<td></td>
<td>Supported the Lise Watier Foundation’s Let’s Start Up program in support of women’s financial autonomy.</td>
</tr>
<tr>
<td></td>
<td>Supported the Supermarket Recovery Program of the Food Banks of Quebec.</td>
</tr>
<tr>
<td></td>
<td>Supported Regroupement Partage, a community organization dedicated to food security.</td>
</tr>
<tr>
<td></td>
<td>Donated $1 million to the Centre for Aging + Brain Health Innovation, led by Baycrest.</td>
</tr>
<tr>
<td></td>
<td>Supported over 50 organizations and establishments in the Canadian health care sector.</td>
</tr>
<tr>
<td></td>
<td>Donated $4 million to McGill University to support activities associated with the Dobson Cup.</td>
</tr>
<tr>
<td></td>
<td>Donated $2.4 million to the Université de Sherbrooke to support young entrepreneurs.</td>
</tr>
<tr>
<td></td>
<td>Created a $5 million investment fund entirely managed by HEC Montréal students.</td>
</tr>
<tr>
<td></td>
<td>Supported the Tremplin Enseignant program from Alloprof.</td>
</tr>
<tr>
<td></td>
<td>Mentorship program for young women offered by National Bank Financial.</td>
</tr>
<tr>
<td></td>
<td>Set up the employee-supported Women’s Leadership Network to promote women’s professional development.</td>
</tr>
<tr>
<td></td>
<td>Each year, the Financial Markets sector awards bursaries to female students seeking a career in finance.</td>
</tr>
<tr>
<td></td>
<td>Well-established partnerships with the Association of Québec Women in Finance, Women in Capital Markets, Catalyst and L’effet A.</td>
</tr>
<tr>
<td></td>
<td>Our renewable energy industry loan portfolio is growing more rapidly than our non-renewable energy loan portfolio.</td>
</tr>
<tr>
<td></td>
<td>Confirmed the opening of a call centre in Sherbrooke in 2020: 200 jobs will be created and $4.7 million invested.</td>
</tr>
<tr>
<td></td>
<td>$99 billion in financing granted to Canadian businesses.</td>
</tr>
<tr>
<td></td>
<td>Promoted entrepreneurial growth by supporting a dozen business accelerators and incubators.</td>
</tr>
<tr>
<td></td>
<td>New head office designed to obtain LEED v4 Gold and WELL certification.</td>
</tr>
<tr>
<td></td>
<td>$121 million invested in our facilities.</td>
</tr>
<tr>
<td></td>
<td>$1.1 billion spent on goods and services.</td>
</tr>
<tr>
<td></td>
<td>Supported the Promoting Life-skills in Aboriginal Youth (PLAY) program from Right to Play.</td>
</tr>
<tr>
<td></td>
<td>Signed on to the UN LGBTI Standards of Conduct for Business, aimed at tackling discrimination against LGBTI people.</td>
</tr>
<tr>
<td></td>
<td>Networks of employees working to create an inclusive work environment.</td>
</tr>
<tr>
<td></td>
<td>Supported more than 30 organizations that contribute to promoting inclusion and social, cultural and economic exchange.</td>
</tr>
<tr>
<td></td>
<td>Issued four sustainable bonds.</td>
</tr>
<tr>
<td></td>
<td>Numerous internal initiatives rolled out by our Positive Environmental Impact Committee of employee eco-ambassadors.</td>
</tr>
<tr>
<td></td>
<td>External disclosure of our Environmental Policy and Supplier Code of Conduct.</td>
</tr>
<tr>
<td></td>
<td>Participated in the Carbon Disclosure Project since 2008, helping us to more efficiently manage our GHG emissions.</td>
</tr>
<tr>
<td></td>
<td>Integrated ESG responsibilities into the mandate of the Board of Directors and its four committees.</td>
</tr>
<tr>
<td></td>
<td>Diversity and inclusion policy for members of the Board of Directors.</td>
</tr>
<tr>
<td></td>
<td>Supported the Raoul-Dandurand Chair in Strategic and Diplomatic Studies at UQAM to create an observatory on multidimensional conflicts.</td>
</tr>
<tr>
<td></td>
<td>Founding signatory of the UN Principles for Responsible Banking.</td>
</tr>
<tr>
<td></td>
<td>Signatory of the UN Principles for Responsible Investment (National Bank Investments).</td>
</tr>
<tr>
<td></td>
<td>Continued support for the Task Force on Climate-related Financial Disclosures.</td>
</tr>
<tr>
<td></td>
<td>Member of the UN Environment Programme Finance Initiative (UNEP FI).</td>
</tr>
<tr>
<td></td>
<td>Founding member of CyberEco, a cross-sector leader in Canadian cybersecurity.</td>
</tr>
<tr>
<td></td>
<td>Member of the Canadian Bankers Association.</td>
</tr>
</tbody>
</table>
International Commitments

Founded in 1859 by a group of business people, National Bank of Canada has always had a clear mission: to contribute to the economic and social development of the communities it serves. Supporting sustainable development is an intrinsic part of this.

Here are a few examples of our commitments and partnerships around the world in 2019:

- **United Nations Environment Programme Finance Initiative (UNEP FI)**
- **United Nations Principles for Responsible Banking:** one of the first North American signatories
- **United Nations Principles of Responsible Investment:** National Bank Investments is signatory
- **United Nations Global Business Standards of Conduct for Tackling Discrimination Against Lesbian, Gay, Bi, Trans and Intersex People (LGBTI)**

ESG Rating Agencies

For many years, National Bank has been responding to multiple surveys from a variety of non-financial agencies. This participation enables stakeholders to access a qualitative evaluation of the Bank based on environmental, social and governance criteria. As these surveys evolve over the years, they help us to become aware of our stakeholders’ concerns and to adapt our practices accordingly.
We Are Working to Develop a Green Economy

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

> REDUCING OUR CARBON FOOTPRINT
> OUR BUILDINGS AND WORKSPACES
> ENVIRONMENTALLY CONSCIOUS EMPLOYEES
> OUR TCFD DISCLOSURE
Reducing our carbon footprint is important to us. The Bank’s use of advanced inventory procedures and eco-friendly measures has helped reduce carbon emissions despite an increase in business activities.

We strive to reduce our carbon footprint every year. To do so, we’ve decided to set a GHG reduction target of 25% by 2025 with 2019 being the reference year. To achieve this goal, the Bank will notably optimize business travel, promote a hybrid model that allows remote work, continue to improve its energy efficiency and to apply criteria of the LEED rating system.

In 2011, the Bank proudly achieved carbon neutrality. Under an innovative agreement with the Sobeys supermarket chain, the Bank agreed to buy 15,000 tonnes of certified carbon credits annually until 2015, enabling it to completely offset its GHG emissions.

Since then, the Bank has renewed its commitment to achieving carbon neutrality by reducing its carbon footprint and compensating for its greenhouse gas emissions by buying carbon credits. In 2019, the Bank purchased 10,881 carbon credits to offset 2019 emissions on the basis of its 2018 footprint. The Bank purchased emission allowances through Coop Carbone on the Quebec cap and trade system (carbon exchange) and acquired carbon credits from the Nature Conservancy of Canada as part of the Darkwoods Forest Carbon project, one of the largest carbon projects in North America.

By implementing a solid system to manage its carbon footprint, National Bank has made significant progress to ensure that all actors in the supply chain and concerned stakeholders are environmentally conscious and are working toward a clean and sustainable environment.

---

1 Scope 1: Direct emissions from owned or controlled sources
2 Scope 2: Indirect emissions from the generation of purchased energy
3 Scope 3: Indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions
Inventory of Greenhouse Gases

The Bank took its first step toward managing its carbon footprint in 2007-2008, by quantifying its GHG emissions and sending the data to the Carbon Disclosure Project, a key global initiative to prevent climate change. Since then, the Bank has been repeating the exercise every year. We work in close collaboration with a number of recognized expert firms to do this. Our goal is to align our methods with current best practices.

GHG emissions by the Bank during the 2019 fiscal year were estimated at 9,732 tonnes of CO$_2$. That represents a 16% drop in overall GHG emissions since 2017. We are proud of this record and are working to do even better. The Bank also used carbon credits to reduce our footprint to zero net tonnes (carbon neutrality) in 2019 and will continue to do so.

Support for the TCFD

In addition, the Bank has announced its support for the Task Force on Climate-related Financial Disclosures of the Financial Stability Board. We’ll be publishing more information on our strategy to fight climate change over the coming year.
Our Buildings and Workspaces

Our New Eco-Friendly Head Office

National Bank’s new head office will be located in the heart of Montreal’s Quartier de l’innovation at 800 Saint-Jacques Street. This address is particularly meaningful since National Bank had its head office on that same street over a century ago. The 40-story building will be one of the highest office towers in Montreal. Construction will span four years before completion in 2022.

Our goal is to meet LEED v4 Gold and WELL standards. Building the tower will create 7,000 jobs and have an economic impact of more than $1.2 billion. We plan to have 400 bicycle parking spots and to start off with 80 electric vehicle charging stations, adding more as needed.

Our collaborative spaces will be modern, full of natural light and geared toward teamwork. We want to offer a stimulating and relaxed environment to foster dynamic discussions.

An integrated daycare and cafeteria will help employees maintain work-life balance and a fitness room will promote healthy living. A 40,000 ft² park will be accessible to the entire community.
Built on Best Practices

The Bank’s eco-friendly practices are reflected in the features of its buildings. Our standards are aligned with LEED criteria, which are automatically applied to Bank projects. The Bank has obtained a number of LEED certifications for its buildings in recent years.

National Bank also follows best practices in workspace design. For example, several features of the WELL building standards have been integrated into the floorplans for the National Bank Tower, which will be set up as dynamic workspaces. Administered by the International WELL Building Institute, the WELL standards recognize built environments that promote the health and wellness of their occupants.

Built on Energy Efficiency

Since most of our emissions come from electricity and fossil fuel consumption, energy efficiency is a top priority. The Bank is recognized as a leader in this field. A measure that shows great promise within the field is an innovative system that lets us manage energy use in more than 100 branches using a web interface.

The concept is simple. We use remote management to optimize energy consumption in our buildings. With this system, the Bank can save millions of kilowatt hours of electricity and thousands of cubic metres of natural gas annually.

Centralized remote management has allowed us to participate in Hydro Québec’s Demand Response program, which aims to reduce energy demand during peak winter periods.

To keep saving energy over time, we have simultaneously adopted a Continuous Energy Improvement approach. Taking into account changes made throughout the life cycle of our buildings, this innovative approach lets us monitor our facilities to ensure that we meet our energy efficiency targets every year.

Installation of Charging Stations

The Bank launched in 2018 a project to install charging stations for electric cars in the parking lot of several branches. Rollout will continue over the coming quarters and these stations will be automatically included in our new branches when possible. We installed 20 charging stations in 2019 and will install 10 more in 2020. We also plan to roll out 80 charging stations in the new head office parking lot.
Environmentally Conscious Employees

In 2019, in collaboration with employees, the Bank implemented several internal initiatives aimed at reiterating the importance of preserving the environment and promoting eco-friendly behaviour.

The Positive Environmental Impact Committee and Eco-Ambassadors

The Positive Environmental Impact Committee is a group of more than 1,000 employees whose mandate is to identify priority initiatives and make sure that awareness campaigns are carried out throughout the year.

In spring 2019, the committee invited all employees to join a network of eco-ambassadors across the Bank. The role of these eco-ambassadors is to encourage their colleagues to participate in Bank activities and initiatives for the environment. Eco-ambassadors integrate sustainable development into their work and encourage their colleagues to do the same. Since eco-ambassadors come from different National Bank teams in various buildings and branches across Canada, they can share best practices from their different realities.

Sharing Best Practices

An interactive forum for best practices and information concerning the environment was created on the internal communication platform for Bank employees. All employees are welcome to participate in discussions, ask questions, share articles, and more. This communications channel is also used to promote awareness campaigns within the Bank, together with eco-ambassadors.

Adopting Sustainable Behaviour

Several internal awareness campaigns were launched in 2019. The goal was to encourage employees to take concrete action in their work environment.

The first campaign was launched to mark Earth Day on April 22, 2019. The Bring Your Own Cup campaign encourages employees to replace disposable coffee cups with reusable options, which can divert thousands of disposable coffee cups from landfills every year. Several other initiatives have since been launched within the Bank’s various teams to reduce the use of disposable cups as much as possible. After the Bring Your Own Cup campaign in April, employees were asked to limit their environmental footprint by bringing an eco-friendly lunch, for example by using reusable containers and avoiding overpackaging.

End of Single-Use Water Bottles

As part of our efforts to reduce our environmental footprint, the Bank has implemented measures to reduce plastic consumption, which is a major source of pollution. On June 30, 2019, the Bank stopped purchasing single-use water bottles. Employees are encouraged to drink filtered tap water and use water pitchers and reusable bottles and glasses instead.

Verdissons Longueuil

The Bank’s volunteer program gives employees the opportunity to make a difference in their community.

For the environment, community involvement can take the form of a project aimed at improving residents’ quality of life. For example, two tree planting projects were launched in 2018 and 2019 by a National Bank employee. Almost 1,000 trees have been planted in Longueuil by a group of volunteers, including National Bank employees. This green initiative has been lauded for its citizen involvement.

“These projects have helped me showcase Bank values—empowerment, agility and a client-centric culture—because the whole community will benefit from this forest cover.”

– Marc-Antoine Azouz, National Bank employee and Verdissons Longueuil project initiator
Our TCFD Disclosure

Task Force on Climate-related Financial Disclosures

To address the TCFD’s recommendations and ensure transparency with our stakeholders, National Bank published an initial response to the TCFD’s four recommendations in its 2019 Annual Report. In addition, National Bank is continuously improving its TCFD disclosure and will publish a more comprehensive response in the coming months. We aim to implement the TCFD recommendations into the activities of various Bank sectors over the next few years.

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governance</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Board oversight | > 2019 Annual Report: ESG section, p. 9 to 11; Conduct Review and Corporate Governance Committee, p. 60; Risk management – Environmental Risk, p. 93  
> Management Proxy Circular 2020; Board of Directors, p. 34; Social and environmental responsibility, p. 51; Audit committee, p. 56; Risk Management Committee, p. 58; Conduct Review and Corporate Governance Committee, p. 60; Human Resources Committee, p. 61  
> 2019 ESG Report: Governance, p. 43 |
| Management role | > 2019 ESG Report: Governance, p. 44 – Creation of an Executive Committee, chaired by the Chief Financial Officer and Executive Vice-President, Finance, responsible for overseeing integration of ESG factors into the Bank’s activities.  
> Vice-President, Corporate Social Responsibility: In 2018, an Executive Leader was designated to develop and implement ESG strategies. |
| **Strategy**     |            |
> National Bank’s Environmental Policy  
(further information will be available in 2020-2021) |
(further information will be available in 2020-2021) |
(further information will be available in 2020-2021) |
| **Risk Management** |            |
> National Bank’s Environmental Policy |
(further information will be available in 2020-2021) |
(further information will be available in 2020-2021) |
| **Metrics and Targets** |            |
| Fixing our targets | > 2019 Annual Report: The Bank’s Commitments, p. 10; Risk Management – Environmental Risk, p. 94  
We Enrich Communities

> ENCOURAGING COMMUNITY DEVELOPMENT
> SERVING OUR CLIENTS BETTER
> DIGITAL OFFERING
> BUSINESS OFFERING
> RESPONSIBLE INVESTMENT
> FINANCIAL LITERACY
> BRINGING OUT THE BEST IN OUR EMPLOYEES

4. We maximize the potential of individuals and the community
5. We promote inclusion and diversity
6. We foster entrepreneurship, financial literacy, philanthropy, and support for health and education
Encouraging Community Development

As a leading economic player in Quebec and Canada since 1859, National Bank seeks to contribute to the development of the communities in which it operates.

Ongoing Support for Organizations that Change Lives

The Bank has reached this objective through a well-defined donation and sponsorship program and the commitment of its employees and retirees who volunteer in their communities, as well as successful fundraising efforts involving clients.

National Bank is proud to be a community leader and supports a large number of organizations and community events across the country in the areas of entrepreneurship, education, health, sports, arts and culture, and community outreach. We base our choice of organizations on strict guidelines to ensure maximum fairness and community impact. In 2019, the Bank gave several tens of millions of dollars back to the community, including nearly $13 million in institutional donations.

To learn more
Refer to the 2019 Corporate Social Responsibility Statement.

Here are a few highlights:

> $4 M McGill University (Montreal, Quebec; 2019–2028)
  Encouraging entrepreneurial growth by supporting Dobson Cup activities.

> $1 M Baycrest Foundation (Toronto, Ontario; 2019–2025)
  Promoting the creation of solutions for the well-being of the aging population via the Centre for Aging + Brain Health Innovation incubator, powered by Baycrest.

> Sponsor of tennis events across Canada and in Cambodia.

> $3.4 M United Way Centraide Campaign (Canada, 2019)
  Total raised by National Bank employees and retirees, including a corporate donation, as part of this Canada-wide campaign, held annually since 1977.
Employees, Retirees and Clients Dedicated to Their Community

Thousands of National Bank employees and retirees tirelessly devote their time to creating a positive impact on the community. The Bank wants to support their actions. In 2019, the volunteer program paid $10 for each hour of volunteering carried out by an employee, up to $400 per employee per year. Organizations could receive up to four employee donations, for a maximum of $1,600. A total of 49,042 volunteer hours were logged in our centralized tool.

Our branch network throughout Canada plays a central role in raising funds to support community activities or meet urgent humanitarian needs. Once again this year, our employees and clients generously donated to many different causes.

National Bank also supports businesses, which are central to the growth of the Canadian economy. We give business people the means to start up their own small and medium-sized enterprises (SMEs), to help them grow their business, or to acquire one. We also support larger businesses with their needs and, in 2019, we approved more than $99 billion in financing via loans for businesses of all sizes across Canada.

In 2020, National Bank and the Quebec Breast Cancer Foundation announced the renewal of their 15-year partnership. This will allow us to help even more people directly or indirectly affected by breast cancer. The partnership is centred on the Allure Mastercard credit card. For each $10 in purchases charged to the card, the Bank will donate $0.10 to the Foundation, up to a maximum of $750,000 per year.

This means that up to $3 million could be donated over the next few years.
A Responsible Corporate Citizen

As one of the largest banks in Canada, National Bank participates in the economic development of its community by being a good corporate citizen. That’s why it has implemented processes to fight against money laundering and terrorist financing. It also ensures that it complies with the legislative and regulatory requirements of the countries where it does business.

As a corporate citizen, National Bank paid $919 million in income taxes and other taxes in Canada for the fiscal year ended October 31, 2019. As Canada is the country where the Bank carried out most of its activities, this is where the majority of its income taxes and other taxes are paid. The Bank also ensures that it adheres to the tax laws in every country where it does business. This is why it also paid $118 million in income taxes outside Canada during the fiscal year ended October 31, 2019.

For more information, please consult the Annual Report.

### Choosing Responsible Service Providers

National Bank uses third-party risk management policy and procedures to ensure that the third-party service providers it selects adhere to the social component of its ESG criteria.

In accordance with sound and efficient third-party risk management practices, the Bank requires that its relations with service providers balance the interests of all stakeholders and allow for rigorous oversight. Service providers must have values aligned with the Bank’s Code of Conduct and Ethics and must meet financial and due diligence requirements, information security standards and key risk and performance indicators.

The Bank establishes its risk appetite concerning third parties by performing a full risk assessment, highlighting the impacts on personal and confidential information, business continuity, client relations, reputation, compliance and information technology, as well as by thoroughly examining the service provider’s financial situation (financial statements, discussions, etc.) and practices, policies and information security environments (audit reports, security tests, etc.).

Agreements with the Bank’s service providers include obligations requiring them to have socially responsible business practices, such as requirements and policies regarding conduct and ethics, information security, data confidentiality, business continuity, background checks, insurance, sub-contractors, compliance with laws, including employment laws, and compliance with regulatory authorities. These agreements also contain procedures and mechanisms for governance and oversight (reports, meetings, etc.) adapted to the risk level and business reality of each service provider.

### Income tax and other taxes paid or payable (thousands of Canadian dollars)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes and other taxes paid in Canada</td>
<td>$919,008</td>
<td>$781,918</td>
</tr>
<tr>
<td>Income taxes paid outside Canada</td>
<td>$117,800</td>
<td>$91,838</td>
</tr>
<tr>
<td>Effective income tax rate – declared</td>
<td>16.6%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Total effective tax rate 1</td>
<td>28.2%</td>
<td>24.3%</td>
</tr>
</tbody>
</table>

1 Percentage is equal to total taxes paid divided by pre-tax income. The tax rate provided for by law was 26.6% in 2019. For more details, see Note 24 of the 2019 Annual Report.
Serving Our Clients Better

At National Bank, our clients are central to all our activities. Our employees across the country share a clear goal: to have a positive impact on people’s lives. To build lasting relationships with our clients, we strive to always live up to their expectations by focusing on simplicity, client care and sound advice.

New Branch Experience

In 2019, we rolled out a new branch experience in nearly 40 branches in Quebec. By combining advisory services and technology, our new branch experience uses a people-first approach by welcoming clients as they come into the branch and ensuring all their needs are met. The innovative design and background music give the branch a completely different ambience from traditional banks. Employees interact with clients in front of the counter, side-by-side. The collaboration table promotes discussions between the employee and client, while ensuring their conversation is confidential. If needed, employees can help clients with digital solutions.

Personalized Advice

Our priority is to offer our clients sound advice tailored to their financial situation because we want them to reach their goals. Since 2018, our advisors have been following a learning program to strengthen their financial education skills and hone their advisory approach, an approach that puts people first. We have also launched content to help our advisors better support clients during key moments in their lives and offer them insightful advice.

Call Centre Opening in Sherbrooke in 2020

We have announced that we will be opening a new call centre in Sherbrooke. The project represents an investment of $4.7M. It will create 200 jobs in the region and serve clients across Canada.

$4.7M invested  |  200 jobs
Digital Offering

We continue to expand our digital offering. We want our individual and business clients to enjoy an easier, more intuitive and more secure experience in their everyday banking and at key moments in their lives. We are making investments to improve our platforms and simplify our processes.

Digital Experience

In 2019, we continued to improve our digital experience for clients by adding new features to our transaction platform. We also launched NATgo, a new investment experience that uses advisors’ expertise and powerful IT tools to help clients reach their life goals. Also, a new financing platform allows business clients to obtain an on-the-spot financing decision and borrow funds online.

The Bank was awarded three Boomerang awards for its digital advances last year, for the experience offered on its transaction sites, mobile apps and website.

New International Money Transfer Solution

National Bank announced that it would be the first financial institution to test the new Mastercard and Interac international money transfer solution for its individual clients. The Interac e-Transfer platform will allow clients to transfer money from Canada to bank accounts abroad, starting with Europe.

Remote Channels

Many key transactions can now be done remotely:

> Accounts can be opened for new individual and business clients across Canada.
> Cheques in U.S. dollars can be deposited, in the U.S. and Canada, for business clients.
> Clients can sign up for National Bank Insurance term life insurance, in partnership with Breathe Life.

Mobile Features

The Bank has rolled out an easier-to-use, more intuitive version of its mobile app, enabling individual clients to log in using their email address or facial recognition. New features were also added to the mobile app for business clients.

| Number of checking accounts with no fees in Canada (no minimum balance) | 76,900 |
| Number of loans granted by ABA Bank | 10,909 |
| Annual increase in the number of ABA Bank loans | 52% |
| Annual increase in the number of ABA Bank deposits | 85% |

Financial Services – Underbanked, Unbanked and Underserved Clients

National Bank’s goal is to have a positive impact on people’s lives, no matter where they are. The Bank, having recently become the sole shareholder of Advanced Bank of Asia Limited (ABA Bank) in Cambodia, has opened the door to many people who previously had no access to banking services at all. With 70 branches in Cambodia, the Bank is pushing for underbanked, unbanked and underserved people to have access to basic banking services. For more information on loans and deposits in Cambodia, see the presentation given to analysts and investors in Q4 2019 at nbc.ca.

There are people who are underbanked, unbanked and underserved in Canada as well, and we aim to remedy this situation. We have set up measures to give a portion of our clientele easier access to financial services and allow us to better meet their needs. For example:

> Bank account offered without fees to certain client segments identified by the federal government as being financially vulnerable (seniors, disabled persons, children, full-time students), if linked to a specific package.
> Monthly discount, applicable to most banking packages, offered to certain client segments, such as people under 18, full-time students aged 18–24 and people aged 60 or over.
> Series of measures to financially accommodate clients affected by the flooding that hit Eastern Canada, notably Quebec, New Brunswick and Ontario.
Strategic Partnerships

Venture Capital

In 2019, National Bank launched NAventures™, a corporate venture capital group that invests in, partners with, and scales early to mid-stage companies that will shape the future of financial institutions. This group is not just a source of capital. National Bank is with entrepreneurs every step of the way to ensure the success of their projects.

To date, the NAventures™ portfolio, which includes more than a dozen businesses, consists mainly of fintechs. It also features other companies that will play a role in the future of financial institutions. Every company in the portfolio contributes in their own way to their community, and National Bank is proud to be investing in their missions.

These are some of the businesses in the NAventures™ portfolio:

> **KOHOL**
  KOHO offers a smart spending account with no fees. The full-service account comes with a reloadable debit card that earns cashback on every purchase, and an integrated app that helps users spend smart and save more.

> **Breathe Life**
  By transforming the distribution of life insurance to digital, Breathe Life enables consumers to purchase products on their own from the comfort of home and lets financial advisors reach and engage new audiences more quickly and easily.

> **Mylo**
  Mylo is a saving and investing app that helps Canadians achieve their financial goals by rounding up their purchases and investing the spare change. Mylo uses AI to provide personalized recommendations that help Canadians make better financial choices.

> **Dialogue**
  Dialogue provides virtual access to a multidisciplinary team of healthcare professionals for Canadian companies. By empowering employees to be proactive about their physical and mental health, businesses can reap the significant benefits associated with happier and healthier employees.

Innovation is the calling card of the future.
International

The Bank complements its Canadian growth with a targeted and rigorous international strategy. It focuses on specialized financing in the U.S. through Credigy, and on banking services for individuals and businesses in Cambodia through ABA Bank. ABA Bank, which mainly supports very small, small and medium-sized enterprises in Cambodia, saw its activities grow significantly in 2019.

Here are a few highlights:

> The Bank became the sole shareholder of ABA Bank by acquiring the remaining 10% participation.
> 7 new branches were opened for a total of 70 across the country.
> 21 million USD corporate bond issued: ABA is the first bank to issue a bond on the Cambodian market. The net proceeds from the bond will be used to finance micro, small and medium-sized rural businesses—in particular women-owned businesses—in Cambodia.
> For the sixth consecutive year, ABA Bank has been recognized as the Best Bank in Cambodia by Euromoney and Global Finance Magazine. It was also named Bank of the Year by The Banker in 2019.

Promoting Financial Literacy in Cambodia

The Financial Literacy Internship Program allows Cambodian students to receive training on managing finances and entrepreneurship. It was set up by ABA Bank, National Bank, the United Nations Association in Canada and the United Nations Development Program in Cambodia.
Voice of the Client

For many years, National Bank and its subsidiaries have been assessing the effectiveness and competitiveness of their products and services as well as the quality of the client experience.

Over the past year, nearly 140,000 individual and business clients were surveyed by an external firm, giving the Bank an overview of their needs and expectations.

We also use other approaches such as focus groups, online panels and an active social media presence to obtain feedback and understand clients’ expectations, which helps us make client-centric decisions.

We collect client feedback as part of our commitment to continuously improving client satisfaction.

Handling Complaints

National Bank offers a complaint settlement process that is accessible via its many service channels. It’s easy to use and focused on finding solutions. The Bank encourages its employees to handle and resolve complaints promptly. As the Bank is committed to continuously improving client satisfaction, complaints and negative comments are handled with care. The Office of the Ombudsman for Clients handles complaints that are not settled to the client’s satisfaction.

Office of the Ombudsman for Clients

National Bank offers a complaint settlement process that is accessible, easy to use and focused on finding solutions. It encourages its employees to take action, rectify negative feedback and support clients at every step. The Office of the Ombudsman for Clients offers clients an independent and impartial recourse for complaints not settled to their satisfaction. The Office of the Ombudsman partners with specialists from all areas to promote a collaborative approach among the parties involved and uses methods adapted to each specific situation. Each year, the Office of the Ombudsman publishes data on the complaints handled over the past year. This information, as well as the Charter of the Office of the Ombudsman for Clients, is available on the Bank’s website at nbc.ca/complaint-settlement.

Social Media

In order to promote discussion, the Bank communicates online on a daily basis with its clients and various communities of interest.

nbc.ca/socialnetworks
Business Offering

As the Bank for entrepreneurs and the partner of choice for SMEs, National Bank stands out for the close ties it has developed with its business clients over the years.

Day-to-Day Management

The Bank offers business owners products and services to simplify their day-to-day business management so that they can focus on their business’s growth and development. For example:

- **Operiô**, a subsidiary of Raymond Chabot Grant Thornton, offers integrated accounting consulting services for SMEs that facilitate business administration management and automate many accounting tasks.
- **Dialogue**, a telemedicine service that offers employees and their families on-demand virtual access to healthcare professionals. Dialogue is a unique employee benefit that allows businesses to reduce absenteeism by considerably decreasing the usual wait times to access health care.
- **Booxi**, is a quick and simple online appointment scheduling and reservation tool. It allows businesses to simplify appointment management so they can focus on their customers.

Entrepreneurial Ecosystem

National Bank is fully committed to supporting entrepreneurship and advancing business knowledge, two essential drivers of economic and social development. Several partnerships have been created, including:

### Accelerators and Incubators

National Bank supports nearly a dozen accelerators and incubators, such as:

- **Centech**, École de technologie supérieure
- **Accélérateur de création d’entreprises technologiques**, Université de Sherbrooke
- **Dobson Cup – McGill Dobson Centre for Entrepreneurship**, McGill University
- **La Centrale and Carré des affaires FSA ULaval-Banque Nationale**, Université Laval
- **The Institut d’entrepreneuriat Banque Nationale and the Creative Destruction Lab**, HEC Montréal
- **La Piscine**, a non-profit organization dedicated to developing entrepreneurship in Montreal’s and Quebec City’s cultural and creative industries.

The Bank is also a partner of **Réseau M**, which offers mentoring for entrepreneurs all over Quebec, elsewhere in Canada and in France.

### Training Programs

The Bank also supports various training programs specifically for entrepreneurs.

- **École d’Entrepreneurship de Beauce**
- **Alias entrepreneur-e**, a business coaching web platform
- **Factory**, school of creativity sciences

### Foundations

- National Bank supports the **OSMO Foundation**, which works toward developing the start-up ecosystem in the greater Montreal area. OSMO is able to benefit from the Bank’s expertise.
- National Bank supports the **Mtl Inc. Foundation**, whose mission is to propel Montreal’s most promising young entrepreneurs toward success through grants, access to a high-level business network and the expertise of seasoned volunteer business people.
Supporting Small Business Financing

National Bank stands out for the strong ties it has developed with entrepreneurs over the years. As a partner of choice for SMEs, it supports them through all phases of their development, from start-up to major expansion. During the past fiscal year, the Bank launched new initiatives to enhance its financing offer for small businesses. For example:

> Support offered to start-ups registered for targeted accelerator or incubator programs. These companies can also obtain financing with favourable conditions up to a fixed amount.

> Express export guarantee for SMEs, offered in partnership with Export Development Canada (EDC). The solution provides exporters with better access to financing, giving them the chance to obtain a guaranteed loan more quickly and easily.

> Financing offer for community, humanitarian and charitable organizations, giving them access to many banking transactions without fees.

> The Lise Watier Foundation’s Let’s Start Up program is dedicated to women in vulnerable social or economic situations. Powered by National Bank, this program helps participants attain financial independence by giving them access to microloans to support their business projects.

Specialized Services

During the last fiscal year, National Bank continued to strengthen its expertise and expand the financial solutions it offers in key industry sectors such as agribusiness, real estate, healthcare and life sciences, technology, energy services and the arts.

National Bank’s clients also include many not-for-profit organizations. These clients benefit from financial solutions at favourable rates, as well as various support services, including services to boost planned donations.

Startupfest

Startupfest is an event where start-ups can network and find financing partners. In 2019, National Bank went back to its original concept: an elevator pitch giving entrepreneurs one minute to sell their idea. A randomly-chosen participant was awarded a cash bursary and a package of services from our network of business partners. The Bank took advantage of the opportunity to give accelerators a platform to present their services. A representative from a start-up also had the chance to talk about their experience.

The Bank also presented examples of its collaboration with start-ups and invited several partners in the Quebec entrepreneurial ecosystem to a networking evening.
Responsible Investment

Sustainable Bonds for Eco-Friendly Projects and Organizations

National Bank has developed one of the first Canadian reference frameworks for issuing sustainable bonds. With four issues in 2019, totalling nearly $1.2 billion, the Bank was able to raise enough capital to finance a number of projects. Under this framework, the funds can be used to finance renewable energy projects, sustainable buildings, low-carbon transportation, affordable housing and access to basic and essential services. Eligible projects are selected and evaluated by the Bank, and the Sustainable Bond Committee makes the final decision. For more information on the framework and selection process, go to nbc.ca.

Use of funds and impacts (as at December 31, 2019)

<table>
<thead>
<tr>
<th>Eligible categories</th>
<th>UN SDGs</th>
<th>Eligible asset type</th>
<th>% of eligible assets</th>
<th>Impact indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy</td>
<td>Wind</td>
<td>Wind Solar Small-scale</td>
<td>63%</td>
<td>Wind, solar and hydro energy generation: &gt; Number of wind farms (11) &gt; Number of solar farms (34) &gt; Number of small-scale hydro projects (4) &gt; Total installed capacity of 1,156 MW &gt; Total annual greenhouse gas (GHG) emissions reduced or avoided: 1,794,625 tons of carbon dioxide equivalent</td>
</tr>
<tr>
<td></td>
<td>Solar</td>
<td>hydro</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable housing</td>
<td></td>
<td>Access to affordable and adequate housing</td>
<td>26%</td>
<td>The affordable and adequate housing projects help offer quality, affordable housing for low- and moderate-income households and for people with special housing needs. &gt; Number of buildings (127) &gt; Number of units (3,198)</td>
</tr>
<tr>
<td>Access to basic and essential services</td>
<td></td>
<td>Childcare centres</td>
<td>11%</td>
<td>Childcare services provided by the childcare centres provide reduced-contribution spaces to: &gt; Number of places–Babies: 1,621 &gt; Number of places–Total: 11,742 &gt; Number of childcare centres: 179 Childcare centres must meet certain obligations in terms of children's health, safety, well-being and development.</td>
</tr>
</tbody>
</table>

30

2019 ESG Report | National Bank
Sample Projects

**Renewable Energy – Solar:**
In June 2016, NBC participated in a $45 million, dual-tranche financing for a portfolio of rooftop projects located throughout Ontario owned by Potentia Renewables Inc. The portfolio has a total capacity of 7.8 MW-AC comprised of installations on 24 retail building rooftops, each of which achieved commercial operation in 2012. The energy generated by the projects is sold to the Independent Electric System Operator under the Ontario Feed-In Tariff Contracts.

**Renewable Energy – Wind:**
In December 2017, NBC participated in a $340 million, dual-tranche financing for the Parc éolien Nicolas-Riou wind project with a 224 MW capacity. The energy generated by the projects is sold to Hydro-Québec under a 25-year power purchase agreement. Date of operation: January 2018.

Sustainable bonds have also made it possible to finance many other projects. For more information and examples, please consult the 2019 report on sustainable bonds at nbc.ca.
National Bank Investments and OP4+

National Bank Investments (NBI), a subsidiary of National Bank, is an investment fund management firm. NBI exclusively assigns to other firms the portfolio management of the funds that make up its product shelf, based on a business model called open architecture. This structure is unique for a major Canadian bank-affiliated asset manager and allows us to select the best portfolio managers from around the world to provide the best possible expertise to our clients. NBI has signed the United Nations Principles for Responsible Investment (PRI) and is a member of the Responsible Investment Association. NBI has incorporated ESG considerations into its investment decisions since January 2018, notably through its external manager selection process called OP4+. This process assesses the organization, people, process, portfolio, performance and integration of ESG factors of external managers. Each pillar is assessed on a scale from 1 to 5, and none of the pillars takes precedence over the others.

<table>
<thead>
<tr>
<th>OP4+</th>
<th>More than 20 well-defined criteria</th>
</tr>
</thead>
</table>
| **O**rganization | > Organizational culture  
> Access to equity for employees  
> Alignment of portfolio manager’s financial interest  
> Recognition of analysts’ work |
| **P**eople | > Experience of senior portfolio manager and analysts  
> Key staff stability/Clear succession plan  
> Enough analysts to thoroughly cover the investment universe |
| **P**rocess | > Competitive advantage  
> Clear, flexible and repeatable process  
> Accountability in the decision making process  
> Investment ideas debated in a committee  
> Well-defined portfolio securities sales or monitoring process  
> Risk management  
> Team learning from past mistakes |
| **P**ortfolio | > Coherence between the process and the actual portfolio  
> Sound diversification  
> Current size of the portfolio  
> Diligent use of cash |
| **P**erformance | > Portfolio behaves as anticipates in stress tests  
> Competitive pricing |
| **ESG** | > Signatory of the United Nations Principles for Responsible Investment (or those of a similar organization)  
> SRI criteria integrated into the decision making process  
> Well-defined voting rights practices |
Since all external managers incorporate ESG considerations into their investment process according to their own expertise, the methods for doing so are not standardized for the entire NBI shelf. This constitutes one of NBI’s strengths, as we can therefore select from the best managers, including in terms of ESG considerations, for each of the asset classes that make up our funds and solutions.

NBI believes that portfolio managers are responsible for exercising their proxy voting rights. NBI also acknowledges external managers’ expertise in handling proxy vote requests from the companies that they hold in the best way possible. NBI expects managers to exercise their rights in accordance with their own guidelines and to report on their activities on an annual basis. Proxy voting policies and reports for external managers are publicly available at nbinvestments.ca.

NBI believes that engagement is part of a robust investment process. NBI encourages its external portfolio managers to discuss important issues with the companies held in their portfolios, including questions related to ESG factors that could affect their activities and outlooks. Shareholder engagement is the subject of regular discussions between NBI and its external managers.

NBI discusses various specific questions related to ESG factors with our external portfolio managers in order to understand how they are incorporated into their investment analyses and their decision-making process. NBI encourages portfolio managers to enhance their investment process by improving their integration of ESG concerns. Accordingly, NBI invited two of its external portfolio managers to become PRI signatories in 2019 and 97% of NBI assets are managed by PRI signatories, a considerable increase from the start of 2019 (87%).

Breakdown of NBI assets and proportion managed with ESG considerations:

Moreover, National Bank’s commitments in terms of transparency and responsibility are favourably reflected on the NBI product shelf, where 42.6% of assets were managed by Carbon Disclosure Project members as at October 31, 2019, and 34.4% of assets as at October 31, 2019 were managed by firms that support the TCFD as at February 28, 2020. NBI encourages this enhanced disclosure that allows it to make the best possible choices in terms of external portfolio managers.

**Exchange-Traded Funds**

Committed to being an innovator in the field of responsible investment, NBI recently launched three new exchange-traded funds (ETFs) focusing on sustainable development. These products are the first actively managed Canadian ETFs in the lineup of products incorporating ESG considerations. These products compare favourably to our competitors’, as they are the first Canadian investment products that incorporate the United Nations SDGs into their investment process.

In addition to being aligned with the SDGs, these products incorporate other ESG considerations, such as by excluding companies that derive a significant portion of their income from tobacco, prisons, alcohol, the military sector, weapons, fossil fuels or nuclear energy. Moreover, the carbon footprint of these products is significantly below that of their benchmark index.

Lastly, by adopting responsible investment principles and applying them in the OP4+ manager search process, in sustainable development-focused ETFs or when taking part in various industry expert groups, NBI helps its clients achieve their financial objectives while making a positive contribution to society.
Financial Literacy

Helping Our Clients
National 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 plans and various stages in life, particularly numerous experts who can answer their questions and provide advice.

Our Partners
In 2019, National Bank announced a new partnership with the Canadian Foundation for Economic Education. This partnership is making it possible to set up an educational program focused on managing personal finances. It aims to help individuals reduce their financial stress and build a future that meets their needs. The Bank also participates in the Your Money Students and Your Money Seniors programs from the Canadian Bankers Association, which offer free financial education seminars to groups of students and seniors across Canada.

Furthermore, the Bank is a partner of Quatre95, an online publication from Urbania magazine intended for millennials in Quebec. Through a series of videos and articles, the site demystifies personal finance and gives young adults the tools they need to manage their projects.

The Bank is also one of the main partners of JA Québec, which offers young people educational programs that teach financial literacy, work readiness and entrepreneurship.

Physical Network
National Bank continues to make significant investments in its branches and points of service to offer clients an environment that lives up to their expectations. For example:

> We have opened, renovated or relocated nearly 20 branches to offer modern, technologically enhanced spaces that improve our advisory services and comply with sustainable development and universal accessibility standards. We will continue to update our branches over the coming fiscal year.

> We will be renovating branches in Ontario, Saskatchewan and Manitoba to meet new provincial regulations on universal accessibility for individuals with reduced mobility.

nbc.ca/advice
The Advice section at nbc.ca includes some 3,000 articles, videos and other information on a wide range of topics related to managing personal finances. Close to 1.6 million visitors consult this section every year. For Financial Literacy Month in 2019, the Bank posted a series of articles and videos about family life in this section.

Our Advice section also includes a category dedicated to immigration, which presents a wealth of practical information for newcomers to Canada.
Bringing out the Best in our Employees

Putting People First
At National Bank, we believe people are the key to our success. That’s why the Bank keeps up an ongoing dialogue with its employees, getting them involved in business decisions and discussions and requesting their feedback on various topics.

As one of the biggest employers in Quebec and Canada, we want to offer the most stimulating work environment in the country and a modern employee experience. We believe this is the best way to develop motivated, skillful, empowered teams that have a positive impact on people’s lives.

We have been formally recognized for many years as a top employer:

- Top-rated workplaces in Canada (2019) – Indeed
- Canada’s Best Diversity Employers (2019) – Mediacorp Canada
- Montreal’s Top Employers (2019) – Mediacorp Canada
- Canada’s Top Employers for Young People (2019) – Mediacorp Canada

Promoting Employee Well-Being
Health is a priority for us at National Bank, which is why we’ve been offering the My Health: My Wealth! program since 2006. It encourages employees to take charge of their physical and psychological health by giving them information, tools and resources for a healthy lifestyle.

Furthermore, National Bank’s Employee and Family Assistance Program (EFAP) offers professional support for employees and their families who are going through difficult times. This allows them to obtain assistance with full confidentiality. In addition to this service, the EFAP provides specialized services to assist managers with emotionally difficult and delicate situations related to their management role.

The Bank offers its employees the option of working remotely, as well as access to Quality of Work Life (QWL) programs.

In 1980, National Bank became the first company in Quebec to offer employees a daycare facility at work. Our daycare centre La Voûte Enchantée provides a positive, fun and educational environment for children.
Encouraging Ongoing Feedback

The Bank has been committed to listening to its employees’ needs and addressing their concerns for a long time now. Listening and feedback contribute to employees’ personal development and have a direct impact on their feeling of belonging, which is essential to our cultural shift. On top of regular meetings, our annual engagement survey and the National Tour, we’ve rolled out a number of new initiatives to improve the frequency and quality of ongoing feedback.

Over 8,000 employees have the chance to express their degree of satisfaction at work every day through various forums.

In addition to the annual survey to gauge engagement at work, there are now also two shorter surveys held during the year.

We survey employees at key times such as upon hiring, at departure and when onboarding is complete.

Each week, employees can respond anonymously to 5 questions on different aspects of their work, including their comfort, satisfaction and perception of their employer.

Through our use of Yammer, a corporate social network, we promote a culture of transparency and engage employees directly in business decisions and discussions.

Recognition and feedback tools have been rolled out so employees can provide peer feedback in accordance with best practices.

Employees are encouraged to share their ideas to improve how the organization operates. National Bank promotes new ideas and innovation.

This approach enables us to be in close contact with our teams, to quickly find solutions and to create a stimulating work environment.

Safe Work Environment

National Bank is proud of its safety record. Though the banking sector is not the most dangerous, accidents do occur and we take them very seriously. The table below indicates the number of injuries that occurred in 2019.

| Number of workplace accidents in Canada | 62 (~0.25%) |
| Number of fatal workplace accidents in Canada | 0 |

Cultural Shift

Our corporate culture is constantly evolving to help us maintain a high-performing, change-capable workforce. That’s why we’ve rolled out a number of initiatives to support collaboration and connectivity while enhancing our ability to adapt to the changing needs of our clients and employees, both in business units and branches. With the support of a network of ambassadors made up of Bank employees and leaders, we can more quickly implement the four key components of our strategy.

Our strategy is based on four closely related priorities:

1. Transition to a network-based work organization and execution model that relies on multidisciplinary, empowered and agile teams.
2. Build teams guided by leader-coaches who trust and empower their employees.
3. Create an ecosystem that promotes continuous learning and encourages the sharing of knowledge, while helping employees develop their skills in a multitude of ways.
4. Redesign modern, flexible and ergonomic work environments that foster teamwork, mobility and well-being.

In 2019, nine more floors in the National Bank Tower were redesigned. Additional floors will be redesigned over the next few years. We’ve also rolled out new IT tools to help create a culture of collaboration.

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Settling Differences with Respect

National Bank has set up an Employee Ombudsman’s Office to help settle any disputes employees may have at work and to deal with situations reported by employees while protecting their anonymity when necessary. The Employee Ombudsman’s Office is made up of professionals who abide by a strict code of ethics and adhere to standards governing impartiality and confidentiality. Their role is to encourage dialogue between the parties involved and serve as advisors and facilitators. The Employee Ombudsman’s Office reports directly to the President and Chief Executive Officer.

In accordance with the Bank’s Code of Conduct and Ethics, employees must immediately report any behaviour that contravenes the Code, any of the Bank’s other policies, permanent instructions, procedures and standards or any law applicable to the Bank, and must watch out for any potential infractions. They are expected to report any potential violation to their manager, their manager’s manager or a person responsible for application of the Code, depending which resource they deem most suited to take action based on the circumstances. Employees who wish to remain anonymous can do so by contacting the Employee Ombudsman’s Office with their report or inquiry. An employee who makes an inquiry or, in good faith, reports an actual or potential violation of the Code or any of the Bank’s other policies, permanent instructions, procedures and standards, or any law applicable to the Bank will not be penalized.

Promoting Diversity and Inclusion

National Bank sees diversity as a tremendous source of wealth and is committed to promoting it within all its business units. The Bank has ranked among the top employers for diversity in Canada for several years.

Because the Bank values diversity in all its forms, it aims to offer an open, respectful work environment where all employees can achieve their full potential, regardless of their differences. A concrete commitment from management, expressed through the activities of the diversity committee, helps spread this value across all sectors of the organization.

Key elements of the Bank’s three-year plan include adopting human resources practices that foster diversity, building internal networks, developing partnerships with various organizations, and creating a diversity committee to represent each Bank sector.

At the Bank, we’re confident that a diverse, inclusive organization is also a stronger, more creative organization that can more closely relate to its clients and society. The diverse points of view, life experiences and talents of our employees help us design innovative, efficient solutions for complex issues faced by our clients, employees and various stakeholders.

For more information on our diversity recognition and data, please consult the diversity highlights at nbc.ca.
LGBTQ Community

At the Bank, we strive to provide a respectful work environment where everyone can express their individuality. We’re proud to play a key role in representing an inclusive community. For example:

> For many years, the Bank has been the main sponsor of the Gala Arc-en-ciel of the Conseil québécois LGBT, which recognizes the social contributions of members of this community.

> Since 2006, National Bank and Fondation Émergence have presented the Laurent-McCutcheon Award together. In 2019, the award went to Christiane Taubira, former Minister of Justice of France, for her support of legislation allowing same-sex couples to marry and adopt.

> The Bank is also the official partner of the International Day Against Homophobia, Transphobia and Biphobia, an initiative launched by Fondation Émergence in 2014.

> In 2019, we unveiled a 300-foot fence surrounding the site of our future head office and launched the #CelebratingOurDiversity campaign, which invited people to take photos in front of the fence and share them on social media. The Bank donated $1 to Fondation Émergence for each selfie shared, up to a maximum of $25,000.

> A delegation of several hundred National Bank employees participated in the 2019 Montreal Pride parade to celebrate our support for the LGBTQ community.

> The IDEO Network: an internal committee founded in 2012 that brings together over 300 members and allies of the LGBTQ community.

Indigenous Communities

National Bank is proud of its long tradition of supporting and collaborating with Indigenous communities in Canada, from setting up bond programs to financing local initiatives. For example:

> Since 2014, National Bank’s innovative bond program has allowed the First Nations Finance Authority (FNFA) to make over $800 million available to Indigenous communities for the development of community and economic infrastructure.

> Partnership with Right To Play to support the rollout of the Youth Leadership program, aimed at teaching essential skills to young Indigenous people, and the Power 10 program, which helps children in Indigenous communities thrive through play and physical activity.

People with Disabilities

National Bank recognizes the challenges faced by people living with disabilities and seeks to meet their needs and help them fulfill their ambitions. For example:

> Our accommodation program for employees with disabilities makes it possible to adjust their workspace, schedule and tasks to their specific needs.

> All our branch remodelling, relocation and construction projects comply with sustainable development principles and universal accessibility standards for people with reduced mobility. We are also gradually updating our branches in Ontario, Saskatchewan and Manitoba to meet the new standards in effect in those provinces.
Employment Equity

At National Bank, discrimination in any form is not tolerated. This position is set out in our Code of Conduct and Ethics and applies to all employees. This anti-discrimination standard also applies to our hiring process.

Dynamic Internal Networks

National Bank employees can count on various dynamic networks to further their development and share their ideas, best practices and initiatives. These networks allow employees to get to know each other, build new relationships, develop skills and learn about the activities of other Bank sectors. Because we value collaboration among employees, we use these internal networks to organize events that bring together employees with shared interests and aspirations and to promote conversations between employees and the members of senior management. Our internal networks include:

- Women’s Leadership Network
- Young Employees Network
- IDEO Network (LGBTQ community and allies)
- Diversity and Inclusion Ambassadors (cultural communities and newcomers to Canada)

Promoting Women in Finance

To promote women’s role in the Canadian banking industry, National Bank is proud to be pursuing its Women in Financial Markets Internship Program for the 10th year. This program awards each winner a $5,000 bursary, support from a mentor and a job offer in our rotation program or a summer internship at the Bank.

For many years, National Bank Financial (NBF) has been employing strategies to foster engagement from talented women and to nurture communication with them. NBF’s mentorship program gives women enrolled in a university program the opportunity to discover the profession of investment advisor through internships at our organization. This program gained considerable momentum in 2019, with a four-fold increase in the number of applications over previous years. NBF also organizes the annual Women Investment Advisors’ Symposium.

“Our objective is to nurture their passion and support them during this pivotal period in their career. In fact, several of the winners from previous years are still with us.”

– Laurent Ferreira, Executive Vice-President and Co-Head, Financial Markets at National Bank
Special Programs to Promote New Talent

Financial Markets

Our summer internship program gives university students the opportunity to spend a few months working in a Financial Markets business units and interacting with financial specialists and professionals at the Bank. Our rotation program offers university graduates training followed by several months’ work experience in our trading rooms and various other business sectors in Montreal, Toronto and Calgary. Participants improve their knowledge of the banking sector and financial markets and may be offered a permanent position aligned with their strengths and interests.

Information Technology (IT)

In 2019, National Bank signed a partnership agreement with the École de technologie supérieure (ÉTS):

- Two bursaries of $2,000 each with internships
- Financial support for student science clubs:
  - $5,000 for Cedille, whose mission is to explore the possibilities of open source software by carrying out diverse engineering projects.
  - $5,000 for AppiETS, which aims to create a specialized mobile app engineering team within ÉTS and promote the development of apps by the student community.

National Bank is also maintaining its partnership agreement with Polytechnique Montréal to encourage career development in the IT sector:

- Three $5,000 bursaries with internships, including one to recognize women leaders
- Financial support for student committees:
  - $5,000 for the Poly-Fi committee, whose mission is to promote engineering careers among girls and women.
  - $2,500 for the Poly Games committee, dedicated to developing and designing video games.
  - $2,500 for the PolyHx committee, whose members organize and participate in events such as hackathons.

In line with these partnerships, the Bank’s IT sector organizes and participates in activities throughout the year to build closer ties with students and share IT experience and expertise. These include conferences, networking events on Bank premises, mentorship activities and more.

2019 was the third year of a $500,000, 5-year financing agreement between the Bank and the Institute for Data Valorization (IVADO). Several initiatives have resulted from this agreement:

- Creation of 10 applied research projects in the data sector.
- Development of a Montreal-based community of practice dedicated to industrializing artificial intelligence.
- Launch of a Research Chair in Cybersecurity.
- Organization of a philanthropic hackathon in data science together with Quotient Social, a group dedicated to helping organizations make the most of their data.

Another Bank initiative launched in 2019 was our rotation program for emerging professions, including data specialists. This program, intended primarily for graduates, offers participants the possibility of changing sectors or mandates every 6 months for 2 years. This allows them to become familiar with various facets and fields of expertise in the data sector.

Creation of the NBI-HEC Montréal Fund

In 2019, National Bank Investments paid $5 million into a fund entirely managed by students at HEC Montréal. The NBI-HEC Montréal Fund gives students the opportunity to manage a multi-asset portfolio based on current market conditions.
Contributing to Professional Development

Learning and development are central to the employee experience at National Bank. Our culture fosters ongoing development and we invest heavily to make sure our employees have the best development tools possible.

The Bank was among the companies awarded a Certificat de qualité des initiatives de formation by Emploi Québec in recognition of the distinctive quality of their development programs. Our training is geared toward our different employee groups. Senior management employees and other employees with strong potential to grow within the organization benefit from a mentorship program that lets them develop their management and leadership skills.

Each business sector has its own development strategy that reflects the specific market issues and transformation challenges it faces. In this way, the Bank ensures that its employees continue to build relevant expertise and keep up-to-date with industry trends.

In 2019, we introduced a 360-degree learning approach that provides an overview of each employee’s development. Each learner is in charge of their own development, supported by an ecosystem of trainers, tutors, managers and experienced colleagues. Learners are given the resources they need to drive their own development.

Learning organization: The Bank has implemented the necessary conditions to create a distinctive learning approach with a positive impact on the client and employee experience. More specifically, we’re focusing on a culture of “learning to learn,” where ongoing development is a key part of employees’ day-to-day routine. We’re highlighting collaboration, the sharing of expertise, ongoing multi-source feedback and knowledge management.

> Cybersecurity: All Bank employees have undergone mandatory training on numerous topics related to protecting personal information.

> Saving Bank: A program for personal banking advisors intended to enhance the investment experience for our clients.

> Executive Development Program: Develops high-performing management teams who work together to handle current and future challenges in a changing environment.

> Developing training plans for the sales force: Fostering skills development in action, supported by a learning ecosystem, and introducing a gamified microlearning platform for ongoing training.

> IT University: A program that supports IT teams in building knowledge via training programs tailored to market trends.

In addition to formal learning activities, we also offer social learning opportunities to help employees acquire new skills and learn by doing, such as communities of practice and peer coaching. In total we’ve invested $32.5 million in developing our employees’ skills and every employee has taken an average of 18 hours of formal training.
Performance Management is a Team Sport

We’re continually refining our approach to managing performance in order to enhance synergy between business sectors, improve the team’s performance and facilitate learning and skills development. All executives, including the members of the Office of the President, share a single scorecard with common objectives. These objectives are established in order to support the financial and non-financial indicators used to balance the interests of the Bank’s various stakeholders, i.e., shareholders, employees, clients and the community. They are then communicated to all Bank employees.

When it comes to evaluating our employees, we believe that how things are done is just as important as what is achieved.

That’s why targeted Bank behaviours and annual objectives each contribute 50% toward employees’ annual performance appraisal.

Offering Competitive Total Compensation

National Bank’s total compensation policy is designed to support strategies for attracting, engaging and retaining motivated and competent employees, making it possible for us to meet our business objectives. The Bank carries out market research to ensure total compensation remains competitive in all sectors of the organization. Our total compensation policy rests on the following principles:

> Offer competitive compensation to attract, motivate and retain talent.
> Motivate employees to support our commitment to creating value and enhancing the client and employee experience.
> Recognize employee contribution.
> Support employees’ needs and ensure their well-being.

National Bank offers a wide range of employee benefits and working conditions.

> Our competitive compensation package includes base salaries and a variable compensation program.
> Our employee benefits include:
  > A flexible group insurance plan that includes medical and dental insurance, short- and long-term disability insurance, and more.
  > A defined benefit pension plan
  > An Employee Share Ownership Plan: Employees can invest up to 8% of their gross base salary or commissions and the Bank will make a contribution equal to 25% of the employee’s contributions, up to $1,500 per year.
  > Banking and credit advantages, including certain banking services and preferred rates on some financial products
  > Employee and Family Assistance Program (EFAP): Offers professional support for employees and their families who are going through difficult times
  > Telemedicine
  > Development and training
We Govern According to the Highest Standards

7. We promote a strong ethics culture, sound governance practices and rigorous risk management
8. We manage according to responsible business practices
9. We ensure the long-term viability of the institution

> GOVERNANCE
> CYBERSECURITY
> ETHICAL MARKETING
> USING ARTIFICIAL INTELLIGENCE RESPONSIBLY
At the Bank, ESG factors are embedded into all our operational decisions. Over the past few years, we have clarified and strengthened our ESG practices. As part of our commitment to rolling out a strong, efficient governance structure for all our initiatives, we created an Executive Committee chaired by the Chief Financial Officer and Executive Vice-President, Finance. The committee’s duties include overseeing the integration of ESG factors into the Bank’s activities. We’ve set up a strong team to coordinate ESG initiatives and implement Bank wide strategies. The Bank can also count on its employees to advance its practices. Organization-wide working groups have been set up to allow dedicated employees to contribute to the Bank’s ESG initiatives.

What Matters
As a financial institution, we believe that it is both essential and in the interest of our shareholders, clients and employees to create a corporate governance culture aimed not only at compliance with applicable best practices and rules, but also at having a positive impact on our community. Our commitment to excellence and transparency is built on lasting relationships with our stakeholders and our determination to respond adequately to the changing needs of our society.

Integrity is at the core of our culture. We promote the highest standards of ethical conduct in the way we conduct our business. We engage in a way where trust and honesty are the pillars of our business.

What We Do
Selecting the best
The Board is composed of directors who possess extensive complementary knowledge and skills, as well as the expertise to make active, informed and positive contributions. The mix of knowledge and expertise we require from our Board ensures that it can effectively fulfill its role in all areas.

Our directors demonstrate:
> dedication and integrity
> commitment, rigour and participation
> contribution to Bank values

Succession planning is fundamental to building strong governance. We seek out directors who will champion NBC values. Each year, the Conduct Review and Corporate Governance Committee is tasked with reviewing the Board and its committee’s composition to make sure that we have the expertise we need, and with compiling a list of potential nominees.

Director independence is assessed regularly. This is a key factor of our governance as we strive to foster independent decision-making. To this end, the Board has adopted a set of standards and disclosed them in our Director Independence Policy, which you can view at nbc.ca.

Our performance: All of our 2020 director nominees are independent except for our CEO (i.e., 13/14).

We are committed to diversity at all levels of our organization. We know that it is an essential part of our success, as an institution and as a community leader. NBC supports the Catalyst Accord, an agreement intended to unite companies around a goal of increasing the number of women serving on boards of directors in Canada (at least 30% by 2022).

Seeking directors with characteristics representative of the communities in which we are present and conduct business, such as gender, age, designated groups, sexual orientation, ethno-cultural groups and geography. See our policy.

Our Board Diversity Policy exposes our commitment to achieving gender parity among directors and having women account for at least one-third of Board directors.

NBC is about inclusivity. We believe in the importance of having diversified representation among our directors, reflecting the diversity of our clients, employees and shareholders. Gender and non-gender diversity are part of our recruiting process.
Working Efficiently

A well-focused board is integral to sound governance. We have a set of clear expectations of our directors, both from an individual standpoint and regarding their contribution to the Board. These expectations are behaviours that we consider to be essential qualities that allow directors to adequately perform their supervisory duties and support management. We believe that as an institution, we succeed when constructive discussions are held between directors and management. Effective challenge is one way the Board can engage with the organization. Questioning the status quo, encouraging change and demonstrating courage are some of the ways the Board cultivates and preserves the Bank’s best interests.

Our approach to a dynamic Board is to be proactive rather than reactive. Here are some of our practices:

> **Continuing education:** We encourage professional development through regular in-depth sessions (deep dives represent at least 10% of the time designated annually for regular meetings of the Board), presentations given by the heads of each business line about their strategic issues and business plans and by providing directors with an immersion in a branch, subsidiary or business centre.

> **The guidance program for new directors** provides them with an overview of the Bank and help them better understand its inner workings, key challenges and reasons for success.

> **Most directors sit on at least 2 committees,** thus creating tangible value.

To preserve a functional board culture and our stakeholders’ interests, we promote accountability and strong ethics. Full and complete disclosure of conflicts of interests is part of our culture. We have implemented policies and protocols to ensure effective and responsible management of such conflicts.

**Women make up 43% of our Board as at February 27, 2020.**

**NBC’s Code of Conduct and Ethics:**
The Code does not discriminate. It applies to everyone: employees, directors and officers. As a bank, our goal is to ensure that together we achieve and fulfill our commitment to our clients and community. Our Code sets out principles that articulate what we are all about: building strong relationships based on trust and integrity.
Providing Oversight

As a bank, we conduct business within the framework of forward-looking risk assessment. The Board champions a strong risk management culture and participates in annual strategic reviews with the senior management team. In doing so, the Board remains at the forefront of emerging risks, be they technological or environmental. The mandates of the Board and the committees detailing their responsibilities in matters of ESG, governance and risk management were all updated in 2019.

For more information on our governance structure, Board and committees, please refer to nbc.ca.

Maintaining Dialogue

Regular and constructive communication is an important part of creating candid and productive dialogue. We support an open and transparent process for all stakeholders to contact the Board and provide valuable feedback.

See our Shareholder Engagement Policy at nbc.ca.
Our Key Practices

### Board

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<table>
<thead>
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<tbody>
<tr>
<td>Number of directors</td>
<td>14</td>
</tr>
<tr>
<td>Average age of directors</td>
<td>60.4</td>
</tr>
<tr>
<td>Diversity statement adopted by the Board</td>
<td>✓</td>
</tr>
<tr>
<td>Representation of women on the Board (43%) and in management (38%)</td>
<td>✓</td>
</tr>
<tr>
<td>Independent directors</td>
<td>13 / 14</td>
</tr>
<tr>
<td>All committee members independent</td>
<td>✓</td>
</tr>
<tr>
<td>Directors elected annually and individually</td>
<td>✓</td>
</tr>
<tr>
<td>Limited number of years as director</td>
<td>✓</td>
</tr>
<tr>
<td>All directors are financially literate</td>
<td>✓</td>
</tr>
<tr>
<td>Number of Board meetings in fiscal 2019</td>
<td>15</td>
</tr>
<tr>
<td>Number of Board committee meetings in fiscal 2019</td>
<td>35</td>
</tr>
<tr>
<td>Meeting attendance requirements met</td>
<td>✓</td>
</tr>
<tr>
<td>Chair and President and Chief Executive Officer are separate roles</td>
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</tr>
</tbody>
</table>

### Board policies

<table>
<thead>
<tr>
<th>Policy</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority voting policy for election of directors</td>
<td>✓</td>
</tr>
<tr>
<td>Code of Conduct and Ethics signed and upheld by directors</td>
<td>✓</td>
</tr>
<tr>
<td>Annual advisory vote on executive compensation</td>
<td>✓</td>
</tr>
<tr>
<td>A formal Board assessment process has been established</td>
<td>✓</td>
</tr>
<tr>
<td>A guidance program for new directors has been implemented</td>
<td>✓</td>
</tr>
<tr>
<td>A continuing education program for directors has been implemented</td>
<td>✓</td>
</tr>
</tbody>
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**Risk Management**

Risk-taking is an integral part of a financial institution’s activities. National Bank’s development and diversification imply a certain level of intrinsic risk. The Bank advocates a risk management approach that is consistent with its business strategy.

Risk is rigorously managed. Risks are identified, measured and controlled to achieve an appropriate balance between risk and returns. Consequently, decision-making is supported by risk assessments and management processes that are consistent with the Bank’s risk appetite and by prudent levels of capital and liquidity.

Risk appetite represents the risk level a business is prepared to assume to achieve its business strategy.
The Bank’s risk appetite is determined by the following principles:

> Its brand, reputation and continuity are at the core of its decisions.
> It understands the risks it assumes and they are aligned with its business strategy.
> Its transformation and simplification plan is implemented without compromising rigorous risk management.

We want to underline the Bank’s commitment to effectively governing its oversight mechanisms for risks and opportunities. Our Risk Management Committee ensures that environmental, social and governance risks are included in the risk management framework. This will help ensure these risks are adequately identified, monitored and integrated into our existing risk management processes.

Assessing and mitigating environmental and social (E&S) risks is an integral part of risk management, together with credit, market, liquidity, operational and reputational risk management. E&S issues are increasingly important in our strategies and decisions. Managing E&S risks can promote new business and investment opportunities. It also helps encourage best practices among our stakeholders. The Bank is directly exposed to E&S risks through its own activities and indirectly through its clients’ activities.

Through its risk management policies, the Bank is committed to improving its risk assessment processes for sustainable finance that promotes healthy growth while adhering to the TCFD recommendations and the UN Principles for Responsible Banking.

Anti-Money Laundering

The money laundering and terrorist financing methods and techniques used by criminal organizations are becoming increasingly sophisticated.

National Bank is concerned not only with complying with legislative and regulatory requirements, but also with actively deterring money laundering and terrorist financing, and it continues to implement measures to combat this problem.

The Bank’s anti-money laundering and anti-terrorist financing program includes policies and procedures, a continuing education program and a control framework for client identification, record keeping and retention, assessment of inherent risks, continuous monitoring of business relationships and mandatory reporting.

Under the auspices of the Bank’s Board, the Risk Management Committee oversees implementation of this program.
Anti-Bribery and Anti-Corruption

As a financial institution with worldwide operations and activities, National Bank must be vigilant in its anti-corruption measures. The Bank fights corruption on two fronts.

First, a robust anti-corruption program designed by the Bank is applied throughout the organization. This program, which has senior management’s unwavering support, comprises a policy and standards, regular Bank-wide training and targeted periodic training, sector risk assessment, a confidential whistleblowing system, a dedicated advisory resource, targeted enhanced due diligence and independent periodic testing.

Moreover, the Bank strives to prevent its clients from using its services to launder the proceeds of crime. Its robust anti-money laundering and anti-terrorist financing program is used to prevent and detect the movement of funds derived from bribery or embezzlement. This includes the regulatory requirement of detecting and reporting suspicious transactions where appropriate.

The program’s effectiveness is overseen by the Risk Management Committee of the Bank’s Board of Directors.

The Bank is also a member of Transparency International.

Data Management

Data is central to innovation at the Bank. By leveraging data, we can personalize and enhance our customer service offering. We are keenly aware of our responsibilities, and we strive to balance value creation with sound risk management. To do so, the Chief Data Officer focuses on two pillars:

- Defining a strategy and operational data management model that is aligned with the organization’s mission.
- Implementing a data governance framework that includes a decision-making structure headed by a committee of senior executives. This committee sets strategic data orientations, approves any initiative that significantly impacts compliance with the data strategy, and issues corporate positions.
Cybersecurity

In this digital age, increasingly complex transactions are carried out online and cyber threats continue to grow. This is why the Bank considers cybersecurity risks to be among the most significant. Each day, we make sure that all necessary precautions are taken to protect our clients’ personal information and assets in order to ensure the continuity of our activities.

Strategic Planning

Our cybersecurity program is aligned with our business strategy and supports our One Mission to be a bank that puts people first and that stands out for its innovativeness and entrepreneurial culture. The program relies on recognized frameworks and controls established by the National Institute of Standards and Technology, which enables us to continually assess cyber risks and enhance our cyber preparedness to protect our clients and our Bank by identifying and responding to cyber threats and then resuming our activities.

Governance Model

Our cybersecurity governance model is a formal component of our risk management framework, giving the executive committees a holistic view of the situation. It is supported by a clear definition of roles and responsibilities to strengthen partnership and promote close collaboration between stakeholders. Our understanding of the current situation is based on thorough knowledge of existing organizational components (resources, assets, data, capacity, regulatory requirements, etc.) and of external information sources (threats, vulnerabilities, monitoring, trends, etc.). This overview allows for optimal coverage of the security requirements identified through cybersecurity risk assessment and prioritization of action plans. These requirements are rolled out via our ongoing cybersecurity enhancement program. It should be noted that our investment in cybersecurity is comparable to that of other Canadian financial institutions.

Approach and Practices

The Bank’s approaches and practices are designed to ensure that security is an integral part of all our activities and practices and is everyone’s responsibility. Our practices are therefore supported by the following measures:

> A cybersecurity awareness program for employees is one of the cornerstones protecting the organization. This comprehensive program evolves as markets evolve and cyber threats become more complex, and includes a variety of tools, such as training modules, communications, workshops, phishing tests, etc. Its goal is to continuously sharpen employees’ reflexes in order to protect our organization and our clients.

> The security measures outlined in our cybersecurity framework are applied to all business processes and operational procedures. These measures ensure adequate controls for access to information, configuration and IT change management, and vulnerability management. They are regularly re-assessed to make sure they remain relevant and aligned with current risks.

Oversight

In compliance with sector best practices, we continue to invest to make sure events are monitored so that we can detect and identify any data security or privacy threats and understand the potential impact of any attack, breach, disruption or compromise on the Bank and its operations. The actions we take include ad hoc testing of people, processes and technology to check the effectiveness of the detection measures in place.
Threat readiness is an integral part of our cybersecurity risk mitigation strategy. In accordance with market practices, we actively manage and enhance our response plan for incidents involving information security. Our plan complies with regulatory requirements and is regularly updated. The Bank carries out testing in collaboration with stakeholders across the organization to evaluate its sensitivity to different crisis situations, which are updated to keep pace with market change.

Programs

We make use of company-wide programs to make sure we hire and retain skilled employees, identify promising opportunities to innovate, exceed client expectations and stand out in the community. These programs include:

> Creating and publishing material to educate clients about cyber risk.
> Planning and executing promising, innovative projects to lay the necessary foundations for secure financial activities in the future.
> Developing diversified, innovative approaches to attract, develop and retain skilled cybersecurity specialists.
> Creating and maintaining strategic partnerships with the various members of the cybersecurity ecosystem, including governments, education and research institutions, and other financial institutions.

Highlights

> Co-founder and member of the Board of Directors of Cybereco, a non-profit organization that brings together cybersecurity experts from Canada’s leading organizations to build a world-class workforce that develops effective solutions.
> More than 30 new employees hired over the past year to increase the capabilities of the cybersecurity teams and address growing threats.
> Cybersecurity tips section redesigned on the nbc.ca site. Personalized client awareness service.
> Security readiness stepped up through automation of processes for responding to phishing attempts.
> Industry cloud computing initiative launched to promote sound collaboration between stakeholders and ensure robust security features for banks.
> Awareness program for all employees at the Bank and its subsidiaries designed to instill a security culture in the organization. We are currently exceeding industry standards in this area:
  > Five cybersecurity awareness programs for the entire organization and seven training programs for specific groups offered in 2019.
  > We regularly test the effectiveness of our cybersecurity awareness program through phishing campaigns that vary in terms of difficulty, including 10 Bank-wide campaigns and eight targeted campaigns in 2019.
Ethical Marketing

The Bank is concerned about its impact on the environment and society and has integrated many sustainable development practices into its marketing activities, whether in its choice of service providers, its methods of communicating with clients, or its re-use of materials. When it comes to its communications, digital platforms are favoured over paper printing, and regulatory letters are printed on recycled paper. Promotional material is stored and re-used. National Bank also strives to support local partners, entrepreneurs and the next generation, and it takes into consideration the different parties involved in event planning. Through its donation and sponsorship program, the Bank seeks to maximize its impact in the communities it serves.

Responsible Events

Many of National Bank’s major events were recognized as responsible events in 2019, in accordance with Responsible Event Management standard BNQ 9700-253. Responsible events incorporate sustainable development principles to reduce the impact on the environment and increase positive social and economic spinoffs. Greenhouse gas emissions resulting from events organized in 2019 were offset as part of the Bank’s overall carbon-neutral efforts.

The 2019 Leadership Meeting—the annual kick-off event for all National Bank employees—garnered level 3 classification. More than 90% of service providers for this event were local, i.e., based within a radius of less than 100 km. Employees could also attend virtually via a web platform, thereby reducing travel-related greenhouse gas emissions. Carpooling was recommended for those attending.

The Annual Meeting of Shareholders also garnered level 3 classification. Food products were locally sourced with little waste produced. This event was broadcast online, making it possible for shareholders to attend virtually. Greenhouse gas emissions for travelling to and from the event were offset with the purchase of carbon credits for the preservation of virgin Amazonian rainforest in southeastern Peru.

The 9th edition of the National Bank Bicycle Tour was classified level 1 in Responsible Event Management. Organized by cycling and racing enthusiasts, the Tour is a 3-day sporting challenge to raise funds in support of social initiatives in the host region. For the 2019 edition, a green brigade was formed to reduce waste and properly sort through recyclable and compostable materials.
Using Artificial Intelligence Responsibly

For National Bank, using artificial intelligence technology and advanced analytics is both an opportunity and a responsibility. It is an opportunity in that this technology can be a powerful driver in creating a positive client and employee experience, and can enhance the Bank’s risk management capabilities. It is a responsibility in that it is our duty to use this technology responsibly and in line with our values and the Code of Conduct and Ethics. This is why we added the concept of “innovating respectfully” to the Code, to anchor our use of artificial intelligence and advanced analytics in responsibility and respect.

To do this, the Bank is committed to proactively evaluating its practices, implementing governance measures and addressing issues of interpretability and fairness. We have also hired internal experts from different disciplines to ensure that this technology is used according to the highest scientific standards.

We also consider it our duty to be an active player in the Quebec, Canadian and international ecosystem surrounding responsible artificial intelligence in order to keep abreast of best practices and the latest developments.
### Our SASB Disclosure

<table>
<thead>
<tr>
<th>Code</th>
<th>Accounting Metric</th>
<th>2019 Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>CB-230a.2</td>
<td>Description of approach to identifying and addressing data security risk</td>
<td>The Bank discloses how it manages information security risks on page 50 of this report. Please also consult the <a href="nbc.ca">2019 Annual Report</a>.</td>
</tr>
<tr>
<td>CB-240a.1</td>
<td>(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development</td>
<td>National Bank is a key lender for small businesses. 54% of its Canadian business clients received loans under $25,000 in 2019. The Bank also supports community development by financing over 800 clients that offer social programs in housing and early childhood development—an amount close to $1 billion.</td>
</tr>
<tr>
<td>CB-240a.2</td>
<td>(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development</td>
<td>In total, we have less than 200 delinquent loans, representing an amount of nearly $1.8 million.</td>
</tr>
<tr>
<td>CB-240a.3</td>
<td>Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers</td>
<td>National Bank has 76,900 no-fee personal chequing accounts.</td>
</tr>
<tr>
<td>CB-240a.4</td>
<td>Number of participants in financial literacy initiatives for unbanked, underbanked or underserved customers</td>
<td>National Bank participates in a number of financial literacy initiatives as part of its activities, from discussing financial health and best practices with clients in branches to holding events to promote financial literacy. Although we don’t track the number of participants who are unbanked, underbanked or underserved, we discuss the impact of our initiatives on page 24.</td>
</tr>
<tr>
<td>CB-410a.1</td>
<td>Commercial and industrial credit exposure, by industry</td>
<td>National Bank discloses its exposure to credit risk by industry on page 19 of the Supplementary Financial Information document from Q4, which is available at <a href="nbc.ca">nbc.ca</a>.</td>
</tr>
<tr>
<td>CB-410a.2</td>
<td>Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis</td>
<td>To comply with our commitments to the TCFD, we’re improving our processes. We will be integrating ESG factors into our credit analyses in accordance with our roadmap. These factors are currently integrated as part of our due diligence process.</td>
</tr>
<tr>
<td>CB-510a.1</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations</td>
<td>National Bank does not disclose this information. However, National Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial situation.</td>
</tr>
<tr>
<td>CB-510a.2</td>
<td>Description of whistleblower policies and procedures</td>
<td>Refer to page 37 of this report.</td>
</tr>
<tr>
<td>CB-550a.1</td>
<td>Global Systemically Important Bank (G-SIB) score, by category</td>
<td>Although National Bank is a domestic systemically important bank (D-SIB), it is not a G-SIB. We therefore have no G-SIB scores.</td>
</tr>
</tbody>
</table>
### Code | Accounting Metric | 2019 Disclosure
---|---|---
CB-550a.2 | Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities | The crisis simulation program supports management’s decision-making process by identifying potential vulnerabilities for the Bank as a whole, which are reflected in the limits established and in longer-term business planning. Scenarios and results are ultimately approved by the Board. The Bank also performs stress tests and liquidity risk crisis simulations. For more information, refer to pages 59 and 83 of the 2019 Annual Report.

CB-000.A | (1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business | National Bank had an average deposit volume of $64,488 million for its Personal and Commercial Banking sector in Q4 2019. For more information, see the presentation given to analysts and investors in Q4 2019 at [nbc.ca](http://nbc.ca).

CB-000.B | (1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate | In Q4 2019, National Bank had an average volume of $77,015 million in personal loans and bankers’ acceptances and $37,466 million in business loans and bankers’ acceptances. For more information, see the presentation given to analysts and investors in Q4 2019 at [nbc.ca](http://nbc.ca).

### Financial Sector – Consumer Finance

<table>
<thead>
<tr>
<th>Code</th>
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</thead>
<tbody>
<tr>
<td>CF-220a.2</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with customer privacy</td>
<td>National Bank does not disclose this information. However, National Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial situation.</td>
</tr>
<tr>
<td>CF-230a.3</td>
<td>Description of approach to identifying and addressing data security risks</td>
<td>Refer to the answer for standard CB 230a.2.</td>
</tr>
<tr>
<td>CF-270a.2</td>
<td>Approval rate for (1) credit and (2) pre-paid products for applicants with FICO scores above and below 660</td>
<td>Although National Bank does not disclose this data, the average value, Loan-to-Value (LTV) ratio and FICO score for its portfolio of Canadian mortgage loans and home equity lines of credit can be found in the presentation given to analysts and investors in Q4 2019, available at <a href="http://nbc.ca">nbc.ca</a>. Additional information on the credit quality of our loan portfolio can be found on pages 69 and 153 of the 2019 Annual Report.</td>
</tr>
<tr>
<td>CF-270a.5</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products</td>
<td>National Bank does not disclose this information. However, National Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial situation.</td>
</tr>
<tr>
<td>Code</td>
<td>Accounting Metric</td>
<td>2019 Disclosure</td>
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<tr>
<td><strong>Financial Sector – Mortgage Finance</strong></td>
<td><strong>Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators</strong></td>
<td>National Bank does not disclose this information. However, National Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial situation.</td>
</tr>
<tr>
<td>MF-270a.3</td>
<td>(1) Number, (2) value, and (3) weighted average Loan-to-Value (LTV) ratio of mortgages issued to (a) minority and (b) all other borrowers, by FICO scores above and below 660</td>
<td>Although National Bank does not disclose this data, the average value, LTV ratio and FICO score for its portfolio of Canadian mortgage loans and home equity lines of credit can be found in the presentation given to analysts and investors in Q4 2019, available at <a href="http://nbc.ca">nbc.ca</a>. Also see page 21 of the Supplementary Financial Information document from Q4 2019 for more information on our portfolio of residential mortgage loans.</td>
</tr>
<tr>
<td>MF-270b.1</td>
<td>Description of policies and procedures for ensuring non-discriminatory mortgage origination</td>
<td>National Bank complies with all anti-discrimination laws and regulations. In addition, the Bank’s Code of Conduct and Ethics applies to everyone at the Bank (employees, directors and officers). The Code of Conduct and Ethics establishes a zero-tolerance policy for any type of discrimination.</td>
</tr>
<tr>
<td>MF-270b.3</td>
<td>(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial</td>
<td>National Bank discloses the value of its residential mortgages and the value of loans by category in the presentation given to analysts and investors in Q4 2019, available at <a href="http://nbc.ca">nbc.ca</a>.</td>
</tr>
<tr>
<td>MF-000.A</td>
<td></td>
<td>National Bank does not disclose this information. However, National Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial situation.</td>
</tr>
<tr>
<td><strong>Financial Sector – Investment Banking &amp; Brokerage</strong></td>
<td><strong>Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees</strong></td>
<td>National Bank discloses a number of diversity indicators on page 9 of this report.</td>
</tr>
<tr>
<td>IB-330a.1</td>
<td></td>
<td>National Bank discloses a number of diversity indicators on page 9 of this report.</td>
</tr>
<tr>
<td>IB-510a.1</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations</td>
<td>Refer to the answer for standard CB 510a.1.</td>
</tr>
<tr>
<td>IB-510a.2</td>
<td>Description of whistleblower policies and procedures</td>
<td>Refer to the answer for standard CB 510a.2.</td>
</tr>
<tr>
<td>IB-510a.3</td>
<td></td>
<td>National Bank does not disclose this information. However, National Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial situation.</td>
</tr>
<tr>
<td>IB-510b.3</td>
<td>Description of approach to ensuring professional integrity, including duty of care</td>
<td>Every year, all employees, directors and officers of the Bank sign the Code of Conduct and Ethics, which requires them to demonstrate honesty, trust, integrity and loyalty in all of their actions.</td>
</tr>
<tr>
<td>IB-550a.1</td>
<td>Global Systemically Important Bank (G-SIB) score, by category</td>
<td>Refer to the answer for standard CB 550a.1.</td>
</tr>
<tr>
<td>Code</td>
<td>Accounting Metric</td>
<td>2019 Disclosure</td>
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</tr>
<tr>
<td>IB-550a.2</td>
<td>Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities</td>
<td>Refer to the answer for standard CB 550a.2</td>
</tr>
<tr>
<td>IB-000.A</td>
<td>(1) Number and (2) value of (a) underwriting, (b) advisory, and (c) securitization transactions</td>
<td>National Bank acted as agent for 126 transactions with a total value of $58.45 billion and as underwriter for 66 transactions with a total value of $56.83 billion and one unclassified transaction, for a total of 193 transactions with a value of $115.28 billion.</td>
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<tr>
<td></td>
<td>Financial Sector – Asset Management &amp; Custody Activities</td>
<td></td>
</tr>
<tr>
<td>AC-270a.2</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers</td>
<td>National Bank does not disclose this information. However, National Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial situation.</td>
</tr>
</tbody>
</table>
| AC-270a.3  | Description of approach to informing customers about products and services         | Employees of National Bank are bound by the Code of Conduct and Ethics, which sets out a number of basic principles to protect clients, including, “We must inform them in a transparent manner about the rates, fees, and conditions of every transaction for every product they acquire.”  
National Bank also complies with the regulations set out by the Financial Consumer Agency of Canada, provincial consumer protection agencies, IIROC, the Mutual Fund Dealers Association of Canada, the TSX and provincial regulatory authorities, including securities regulatory authorities.  
The Human Resources Committee reviewed the Bank’s compensation practices in 2017, and continues to do so periodically. |
| AC-330a.1  | Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees | Refer to the answer for standard IB 330a.1                                                                                                                                                                        |
| AC-410a.1  | Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening | Thanks to our OP4+ process, 97.25% of National Bank Investments’ assets under management as at October 31, 2019 are handled by signatories of the United Nations Principles for Responsible Investment, up from 86.6% in February 2019.  
Because of the open architecture model used by National Bank Investments, fund managers each have their own approach to integrating ESG factors, which they discuss with NBI.  
Furthermore, 96.2% of NBI’s assets under management are managed by Canadian fund managers who belong to the Responsible Investment Association.  
For more information, see the NBI section of this report on pages 32 and 33. |

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<tr>
<td>AC-410a.2</td>
<td>Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies</td>
<td>National Bank discloses how it integrates ESG factors in its OP4+ process. For more information, see the NBI section of this report on pages 32 and 33.</td>
</tr>
<tr>
<td>AC-410a.3</td>
<td>Description of proxy voting and investee engagement policies and procedures</td>
<td>Our proxy voting and investee engagement policies and procedures are available at nbinvestments.ca</td>
</tr>
<tr>
<td>AC-510a.1</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations</td>
<td>Refer to the answer for standard CB 510a.1.</td>
</tr>
<tr>
<td>AC-510a.2</td>
<td>Description of whistleblower policies and procedures</td>
<td>Refer to the answer for standard CB 510a.2.</td>
</tr>
</tbody>
</table>
| AC-550a.2  | Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management | The investment funds and services offered by National Bank Investments (NBI) are governed by a liquidity risk management policy (internal publication). This policy is intended to establish liquidity requirements for investment funds and services offered by NBI, as well as a framework for their application. To manage risk, NBI monitors the following three components:  
> Liquidity risk associated with product design (redemption conditions tailored to investment strategy)  
> Liquidity risk associated with the market for the products (liquidity dashboard, liquidity groups, third-party supplier data, various metrics, etc.)  
> Liquidity risk associated with holding the products (historic rates for redemption requests, asset concentration, etc.)  
The policy complements Regulation 81-102 respecting Investment Funds for the products governed by it and establishes the requirements for other products. As authorized by the Canadian Securities Administrators, NBI can suspend the right to redeem securities for products governed by the prospectus under certain conditions (see prospectus under Right to Refuse the Redemption of Fund Securities).  
As authorized by the Canadian Securities Administrators, NBI can suspend the right to redeem securities for products governed by the prospectus under certain conditions (see prospectus under Right to Refuse the Redemption of Fund Securities). |
| AC-550a.3  | Total exposure to securities financing transactions                               | National Bank disclosed its total exposure to securities financing transactions in the Supplementary Financial Information document from Q4 2019, which is available at nbc.ca. Total exposure as at Q4 2019 was $20,887 million. |
| AC-000.A   | 1) Total registered and (2) total unregistered assets under management (AUM)        | In Q4 2019, National Bank had $565.4 billion in assets under management and administration. For a breakdown of this data, please refer to the Supplementary Financial Information document from Q4 2019, which is available at nbc.ca.  
In Q4 2019, National Bank had $565.4 billion in assets under management and administration. For a breakdown of this data, please refer to the Supplementary Financial Information document from Q4 2019, which is available at nbc.ca. |
Definitions

2019 Annual Report: The Bank’s Annual Report uploaded on December 4, 2019, to nbc.ca and sedar.com, including the consolidated financial statements for the fiscal year ending October 31, 2019, as well as the associated management report and independent auditor’s report.


AC: Alternating current
AUC: Audit Committee of the Board
Bank: National Bank of Canada
Board: The Board of Directors of the Bank
CDP: Carbon Disclosure Project
CRCGC: Conduct Review and Corporate Governance Committee of the Board
CSA: Canadian Securities Administrators
Directors: Members of the Board of Directors of National Bank of Canada
ESG: Environment, social and governance
ETF: Exchange-traded fund
GHG: Greenhouse gases
HRC: Human Resources Committee of the Board
IIROC: The Investment Industry Regulatory Organization of Canada
NBF: National Bank Financial Inc.
NBI: National Bank Investments Inc.
Officers: The term “officers” includes the Bank’s Executive Vice-Presidents and Vice-Presidents, all employees of Bank subsidiaries reporting directly to members of senior management, as well as any employee of the Bank or one of its subsidiaries deemed by the Human Resources Committee of the Board to occupy a comparable function.
OSFI: Office of the Superintendent of Financial Institutions (Canada)
PRB: The UN Principles for Responsible Banking
RMC: Risk Management Committee of the Board
SASB: Sustainable Accounting Standards Board
Scope 1: Direct GHG emissions from owned or controlled sources
Scope 2: Indirect GHG emissions from the generation of purchased energy
Scope 3: Indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions
SDG: The United Nations Sustainable Development Goals
TCFD: Task Force on Climate-related Financial Disclosures
TSX: Toronto Stock Exchange
UN: United Nations
Caution Regarding Forward-Looking Statements

From time to time, the Bank makes written and oral forward-looking statements such as those contained in this 2019 ESG Report, in other filings with Canadian securities regulators, and in other communications. All such statements are made in accordance with applicable securities legislation in Canada and the United States. Forward-looking statements in this document may include, but are not limited to, statements with respect to the economy—particularly the Canadian and U.S. economies—market changes, the Bank’s objectives, outlook and priorities for fiscal year 2020 and beyond including environmental, social and governance related objectives, its strategies or future actions for achieving them, expectations for the Bank’s financial condition, the regulatory environment in which it operates, the potential impacts of, and the Bank’s response to, the COVID-19 pandemic, and certain risks it faces. These forward-looking statements are typically identified by words such as “outlook”, “believe”, “foresee”, “forecast”, “anticipate”, “estimate”, “project”, “expect”, “intend”, “plan”, and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could” or “would”.

Such forward-looking statements are made for the purpose of assisting the holders of the Bank’s securities in understanding the Bank’s financial position and results of operations as at and for the periods ended on the dates presented, as well as the Bank’s financial performance, environmental, social and governance related objectives, vision and strategic goals, and may not be appropriate for other purposes.

By their very nature, these forward-looking statements require assumptions to be made and involve inherent risks and uncertainties, both general and specific. Assumptions about the performance of the Canadian and U.S. economies in 2020, including in the context of the COVID-19 pandemic, and how that will affect the Bank’s business are among the main factors considered in setting the Bank’s strategic priorities and objectives. In determining its expectations for economic conditions, both broadly and in the financial services sector in particular, the Bank primarily considers historical economic data provided by the governments of Canada, the United States and certain other countries in which the Bank conducts business, as well as their agencies.

There is a strong possibility that the Bank’s express or implied predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that its assumptions may not be correct and that its financial performance, environmental, social and governance related objectives, vision and strategic goals will not be achieved. The Bank recommends that readers not place undue reliance on forward-looking statements, as a number of factors, many of which are beyond the Bank’s control, could cause actual results to differ significantly from the expectations, estimates or intentions expressed in these statements. These factors include credit risk, market risk, liquidity and funding risk, operational risk, regulatory compliance risk, reputation risk, strategic risk and environmental risk, all of which are described in more detail in the Risk Management section beginning on page 58 of the Bank’s 2019 Annual Report, and more specifically, general economic environment and financial market conditions in Canada, the United States and certain other countries in which the Bank conducts business; regulatory changes affecting the Bank’s business; geopolitical uncertainty; important changes in consumer behavior; Canadian housing and household indebtedness; changes in the Bank’s customers’ and counterparties’ performance and creditworthiness; changes in the accounting policies the Bank uses to report its financial condition, including uncertainties associated with assumptions and critical accounting estimates; tax laws in the countries in which the Bank operates, primarily Canada and the United States (including the U.S. Foreign Account Tax Compliance Act (FATCA)); changes to capital and liquidity guidelines and to the manner in which they are to be presented and interpreted; changes to the credit ratings assigned to the Bank; potential disruption to key suppliers of goods and services to the Bank; potential disruptions to the Bank’s information technology systems, including evolving cyberattack risk; and possible impacts of catastrophic events affecting local and global economies, including natural disasters and public health emergencies such as the COVID-19 pandemic.

The foregoing list of risk factors is not exhaustive. Additional information about these factors can be found in the Risk Management section of the Bank’s 2019 Annual Report, as may be updated in subsequently filed quarterly reports to shareholders. Investors and others who rely on the Bank’s forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risks they entail.

Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf.