National Bank of Canada - Climate Change 2022

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

National Bank of Canada offers integrated financial services to consumers, small and medium-sized enterprises (SMEs) and large corporations. It operates four lines of business— Personal and Commercial Banking, Wealth Management, Financial Markets, and U.S. Specialty Finance and International. National Bank provides a complete range of services, including banking and investment solutions for individuals and corporate clients, securities brokerage, insurance and wealth management. National Bank is the leading bank in Quebec and the partner of choice for SMEs. It is also one of the six systemically important banks in Canada and has branches in almost every province. Clients in the United States, Europe and other parts of the world are served through a network of representative offices, subsidiaries and partnerships. National Bank employs more than 26 920 people with its head office located in Montreal and its securities listed on the Toronto Stock Exchange. As at October 31, 2021, the Bank had total assets in excess of CDN $356 billion.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	November 1 2020	October 31 2021	Yes	2 years

C0.3

(C0.3) Select the countries/areas in which you operate.

Cambodia
Canada
France
Ireland
Malta
United Kingdom of Great Britain and Northern Ireland
United States of America

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

CAD

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

(C-FS0.7) Which activities does your organization undertake, and which industry sectors does your organization lend to, invest in, and/or insure?

	Does your organization undertake this activity?	Insurance types underwritten	Industry sectors your organization lends to, invests in, and/or insures
Banking (Bank)	Yes	<Not Applicable>	Exposed to all broad market sectors
Investing (Asset manager)	Yes	<Not Applicable>	Exposed to all broad market sectors
Investing (Asset owner)	Yes	<Not Applicable>	Exposed to all broad market sectors
Insurance underwriting (Insurance company)	No	<Not Applicable>	<Not Applicable>

C0.8

(C0.8) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	6330671034

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	The Board ensures environmental factors, such as climate-related risks and opportunities, are incorporated into its long-term strategic objectives, monitors the progress of environmental initiatives and the integration of ESG principles and exercises its own activities in accordance with the Bank's ESG practices and strategies. Its four committees are responsible for periodically reviewing the Bank's activities to ensure they comply with stringent corporate responsibility standards. In 2021, the Board approved the target of achieving net-zero emissions by 2050. The Conduct Review and Corporate Governance Committee must keep abreast of exemplary ESG practices and oversee the Bank's ESG strategy. This committee is responsible for periodically reviewing the ESG practices in effect at the Bank and making recommendations to improve them, while ensuring the Bank conducts its activities in accordance with these practices and the Bank's One Mission. It also ensures that the directors are qualified by evaluating the performance and effectiveness of the Board and its members and by planning director succession and the composition of the Board. This committee ensures that management has measures in place to enable dialogue with the Bank's stakeholders, including the application of the Stakeholder Engagement Guidelines. All strategic ESG publications must be reviewed and approved by this committee. A report on ESG advances is periodically presented to this committee. In 2021, the committee reviewed and discussed the Net-Zero Banking Alliance, its content, its execution and the next steps, and reviewed and recommended to the Board the 2050 net-zero emission target. The Risk Management Committee ensures that the risk management framework accounts for ESG risks and that they are identified, appropriately monitored, and integrated into the existing risk management processes. Climate risk is an integral component of the Bank's risk management approach and is reviewed periodically. This committee also monitors main and emerging risks that could have an adverse material impact on the Bank's financial results, reputation and long-term strategy. The Audit Committee is responsible for monitoring trends related to control mechanisms and the integration of environmental criteria into financial reporting. An update on TCFD disclosure is presented periodically. (ESG, pp. 69-70)

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Setting performance objectives Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our banking activities Climate-related risks and opportunities to our investment activities The impact of our own operations on the climate	In recent years, the Board has paid close attention to social and environmental criteria in order to meet the changing needs of our society. The Bank has therefore adopted measures to boost its commitment in this area, notably by updating the mandates of the Board and its committees to include ESG criteria and by rolling out an environmental, social and governance strategy based on the ESG principles adopted by the Board. The Board ensures ESG criteria are integrated into long-term strategic objectives while overseeing the progress and integration of ESG initiatives and principles. The four Board committees—the Conduct Review and Corporate Governance Committee, the Risk Management Committee, the Audit Committee and the Human Resources Committee—and the Technology Subcommittee have all been assigned ESG responsibilities according to their respective roles and responsibilities and the expertise of their members. The goal is to ensure the Bank's activities comply with stringent corporate responsibility standards. The main ESG responsibilities and achievements of the Board and its committees are described in our ESG Report, pp. 69-70.

C1.1d

(C1.1d) Does your organization have at least one board member with competence on climate-related issues?

	Board member(s) have competence on climate-related issues	Criteria used to assess competence of board member(s) on climate-related issues	Primary reason for no board-level competence on climate-related issues	Explain why your organization does not have at least one board member with competence on climate-related issues and any plans to address board-level competence in the future
Row 1	Yes	As mentioned in the skills matrix of the 2022 circular (p.3), we determine the skill "Social Responsibility, Environment and Sustainable Development", which is defines as follow : Experience in or knowledge of social and environmental measures, corporate responsibility practices, or sustainable development strategies, based on the past experience, education and directorship of the directors. The directors disclose this information in their annual questionnaire. It enables directors to approve, oversee, advise on and challenge management decisions concerning ESG issues, including climate risks. This competency is therefore taken into account to ensure the Board members have a balance of complementary competencies and to plan succession. As indicated on page 3 of the 2022 Circular, as at the publication date, seven directors had identified this competency among their four key competencies through an annual self-assessment questionnaire. During meetings of the Board or of the committees they are members of, directors also regularly attend presentations and in-depth sessions given by Bank representatives (or occasionally by external consultants) to further enhance their knowledge of areas related to their duties. Training provided by the Bank in 2021 Measuring greenhouse gases in the Bank's portfolio Meeting with Mark Carney, UN Special Envoy on Climate Action and Finance and former Governor of the Bank of Canada Strategic positioning on the advisory vote on the climate action plans Accounting, financial, regulatory, and ESG developments in Canada and internationally The Bank also encourages directors to participate in training programs offered by various organizations. Directors therefore participated in training, congresses and conferences related to ESG issues and climate change offered by a number of recognized organizations.	<Not Applicable>	<Not Applicable>

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Other, please specify (Chief International) *Mr Parent, NBC's CFO until March 31, 2022, moved to the new role of Executive Vice-President – International. He still reports directly to the CEO and still has the same responsibilities regarding ESG.*	CEO reporting line	Managing climate-related risks and opportunities	Risks and opportunities related to our banking Risks and opportunities related to our investing activities Risks and opportunities related to our own operations	Half-yearly
Chief Risks Officer (CRO)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our banking Risks and opportunities related to our investing activities Risks and opportunities related to our own operations	Quarterly

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	YES – All employees, including Officers, are subject to an evaluation whereby Bank-preferred behaviors and annual objectives each represent 50% of annual performance. Integral to the One Mission is support for sustainable development. We incorporate environmental, social and governance matters into our business and operating decisions. The new compensation program, SYNERGY – Executives, implemented in 2021, includes a One Mission performance multiplier that increases or decreases the envelope based on the achievement of key operational indicators, including ESG priorities. Since November 2021, ESG priorities have been integrated into the creation of the Officer Compensation Program To encourage attainment of net-zero emissions by 2050, annual trends for certain interim targets will be evaluated, such as reducing the carbon footprint of the Bank's operations by 25% by the end of 2025 / Progress made towards the inclusion and diversity targets in the 2020-2023 plan. (Proxy, p.87, 101)

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Chief Executive Officer (CEO)	Monetary reward	Emissions reduction target Behavior change related indicator Portfolio/fund alignment to climate-related objectives	To assess CEO's 2021 performance, the HRC examined the results obtained against the objectives set out in the scorecard applicable to all Executive Officers and Officers and considered the Bank's short-, mid- and long-term results, risk management as well as the Bank's strategic, organizational, ESG, and operational priorities. The fourth pillar of social responsibility is Community, Environment and Governance, which includes the performance indicators set out in the Bank's three-year (2020-2023) inclusion and diversity plan. It also includes the commitment to net-zero GHG emissions from its own operations and financing activities by 2050, doing so by setting interim targets and taking concrete actions listed. ESG priorities include: Reduce the carbon footprint of our activities by 25% by the end of 2025 (reference year 2019), Roll out business opportunities to assist our clients in their energy and social transition, and Achieve our inclusion and diversity targets. Ref. : (Proxy, PDF p.100-102) (ESG, p.16, 37)
Corporate executive team	Monetary reward	Emissions reduction project Behavior change related indicator Portfolio/fund alignment to climate-related objectives	In 2021, we strengthened the alignment of compensation, performance, responsibility, and behaviours by creating a single compensation envelope for all Executive Officers and about 100 Officers based on the Bank's available net income and other key scorecard indicators with common objectives applicable to members of these groups. The new compensation program, SYNERGY – Executives, implemented in 2021, includes a One Mission performance multiplier that increases or decreases the envelope based on the achievement of key operational indicators, including ESG priorities starting November 1, 2021. ESG priorities include: Reduce the carbon footprint of our activities by 25% by the end of 2025 (reference year 2019), Roll out business opportunities to assist our clients in their energy and social transition, and Achieve our inclusion and diversity targets. Ref. : (Proxy, PDF p.100-102) (ESG, p.16, 37)
Executive officer	Monetary reward	Emissions reduction target Behavior change related indicator Portfolio/fund alignment to climate-related objectives	In 2021, we strengthened the alignment of compensation, performance, responsibility, and behaviours by creating a single compensation envelope for all Executive Officers and about 100 Officers based on the Bank's available net income and other key scorecard indicators with common objectives applicable to members of these groups. The new compensation program, SYNERGY – Executives, implemented in 2021, includes a One Mission performance multiplier that increases or decreases the envelope based on the achievement of key operational indicators, including ESG priorities starting November 1, 2021. ESG priorities include: Reduce the carbon footprint of our activities by 25% by the end of 2025 (reference year 2019), Roll out business opportunities to assist our clients in their energy and social transition, and Achieve our inclusion and diversity targets. Ref. : (Proxy, PDF p.100-102) (ESG, p.16, 37)

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG criteria, including climate change?

	Employment-based retirement scheme that incorporates ESG criteria, including climate change	Describe how funds within the retirement scheme are selected and how your organization ensures that ESG criteria are incorporated	Provide reasons for not incorporating ESG criteria into your organization's employment-based retirement scheme and your plans for the future
Row 1	Yes, as the default investment option for all plans offered	By integrating ESG factors into its investment decisions, the Master Trust Fund for the participating pension plans of National Bank of Canada ("Master Trust") aspires to better manage the risks of economic and environmental transition as well as the promotion and consistency of the values and orientations of Quebec and Canadian society. While we are in the process of implementing new tools and analytical grids, and more robust documentation, each mandate or investment is subject to due diligence, discussion, and appropriate analysis of significant ESG elements that may influence, positively or negatively, the investment decision. In addition, we implement an Effective Challenge process to cover blind spots and create and track key indicators that allow us to assess progress towards our objectives. Our investment choices are made according to the following precepts: To have a concerted action and alignment with the Bank in terms of responsible investment, including the environmental aspect, by aligning our values and our methodologies of analysis. To foster the growth of the Fund by assigning mandates to internal and external managers who demonstrate expertise in responsible investing in line with our values and ESG identity. Have a vision of the total positioning of our portfolio. Promote and increase disclosure and transparency. We are currently working to: Establish measurable targets in the evaluation of our portfolio, both by asset class and by industry. Establish a basic analytical framework, including the use of databases, to standardize and compare the data available for a given investment. Develop in-house expertise and learn from best practices in sustainable investing. Develop a framework for assessing the carbon footprint of the investment portfolio.	<Not Applicable>

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	1	
Medium-term	1	5	
Long-term	5		

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

In accordance with the TCFD's recommendations, the Bank has identified two types of relevant climate change-related risks that could add substantial financial risk or impact its business strategy. Climate risks are defined as physical risks and transition risks. Physical risks refer to the potential impacts of more frequent and more intense extreme weather events or of chronic changes in weather conditions on physical assets, infrastructures, the value chain, and other physical aspects. Transition risks refer to the potential impacts of moving toward a low-carbon economy (such as technological changes or political or public policy shifts designed to reduce GHG emissions through taxes or incentives) as well as to regulatory changes made to manage and support such an economy.

The actual impact of climate risk will depend on future events that are beyond the Bank's control. The Bank must therefore devote special attention to reducing its exposure to these negative outside factors and, at the same time, to seizing new growth opportunities. While the Bank is committed to doing everything in its power to mitigate climate risk and to support the move to a low carbon economy, it cannot predict the effectiveness of government-led climate strategies or of regulatory changes enacted, nor can it assume responsibility for achieving the objectives set out in these strategies and changes.

If a significant risk is identified (ESG or not), it will be addressed through the risk management mechanisms in place. An important and useful tool for assessing the impacts of potentially severe events is scenario analysis, which is part of a bank-wide stress testing program. It is used to define risk appetite, set risk exposure limits and participate in business planning. Specifically, scenario analysis provides management with a better understanding of the risks the Bank faces and helps management make appropriate management decisions to mitigate potential operational risks that do not match the appetite for bank risk. For example, substantial financial thresholds could be defined as levels or variance of Common Equity Tier 1 (CET1), Risk Weighted Assets (RWA), revenue, or a maximum net loss resulting from a material event.

Moreover, a strategic impact could occur from a financial loss or of reputational harm arising from inappropriate strategic orientations, improper execution or ineffective response to economic, financial, or regulatory changes. Management exercises judgment when determining whether there is material strategic impact.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered
Direct operations

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
More than once a year

Time horizon(s) covered
Short-term
Medium-term
Long-term

Description of process
Identifying and assessing climate-related risk involves the possibility that climate-related issues could lead to a loss of financial value for the Bank or affect its activities over the short (less than one year), medium (one to five years) or long (more than five years) term. The impact of climate risk could also increase exposure to strategic, reputation and regulatory compliance risks if the Bank's response is deemed inadequate or non-compliant with commitments. The Bank is directly exposed to these risks through its own activities and indirectly through the activities of its clients. Assessing and mitigating climate risk is integral to the Bank's risk management framework. Climate issues play an increasingly important role in the Bank's strategies and decisions. Taking climate risk into consideration could even be viewed as a considerable asset in certain financing or investment transactions, and doing so contributes to promoting exemplary practices to the Bank's stakeholders.

There are two categories of climate risk. Physical risks include the potential impact of increased frequency and severity of extreme weather events or sustained changes in weather conditions on physical assets, infrastructure, value chains, etc. Physical risks can be acute (an extreme weather event) or chronic (a change in the environment). They lead to an increase in the frequency and severity of forest fires, flooding, high winds, rising sea levels, etc. Transition risks arise from the potential impact of the transition to a low-carbon economy. These risks include technological changes and political or public policy shifts aimed at reducing greenhouse gas emissions through taxes or incentives, as well as regulatory changes intended to define and promote a low-carbon economy. These measures affect the economy as a whole, as well as specific sectors and portfolios. Some of these risks are expected to have a more significant impact over a longer timeframe (e.g., changes in market preferences, rising global temperatures). Other risks (e.g., carbon taxes, extreme weather events) could have a strong short-term impact and unknown effects over the long term. Although most of our financing and investment activities are short or mid term, some also take place over the longer term. We therefore believe that it's important to identify, assess and manage physical and transition risks over different timeframes. We are taking action to roll out strategies and policies that account for climate risk. We strive to keep up with best practices, while supporting and advising clients as they transition to a low-carbon economy. We are therefore continuing to offer climate risk management training throughout the organization, in particular for client-facing employees.

The Bank recognizes the importance of identifying, assessing and managing climate risks. It proactively monitors all risks and the exposure of sectors to climate-related risks and compares them to its risk appetite and the limits established. Material and emerging risks could have a significant negative impact on the Bank's financial results, reputation, business model and long-term strategy. These risks include credit, market, liquidity, operational and ESG risks, including climate-related risks. The rapidly changing economic, regulatory, technological and market environments could also affect certain activities or the Bank as a whole. While the Bank is committed to doing everything it can to mitigate climate-related risks and support the transition to a low-carbon economy, it cannot predict the effectiveness of government-led climate strategies and proposed regulatory changes or assume responsibility for achieving objectives set as part of such strategies and changes. The Bank will continue to closely monitor related developments and implement its climate-related risk management framework.

Value chain stage(s) covered
Upstream

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
More than once a year

Time horizon(s) covered
Short-term
Medium-term
Long-term

Description of process
Responsible sourcing:
In line with our commitment to reduce our environmental and social impact and seize opportunities related to sustainable development, the Bank is working to implement a responsible sourcing strategy. In 2020, we joined the Espace québécois de concertation sur les pratiques d'approvisionnement responsable (ECPAR) and completed the Sustainable Procurement Barometer to assess our practices and draw up an action plan to implement our responsible sourcing strategy. In 2021, responsible sourcing criteria were integrated into our purchasing and supplier selection practices for the construction of the Bank's new head office. Most of the suppliers selected had to meet requirements related to the new building's LEED certification. These requirements will also apply to future suppliers involved in the project. Moreover, as part of its efforts to implement a responsible sourcing strategy, the Bank sent questionnaires to suppliers to learn more about their environmental, social and governance practices. These suppliers were selected based on their degree of importance. They represent 20% of the total number of suppliers and 45% of our expenses. Environmental and social criteria have also been incorporated into the registration questionnaire for new suppliers. In light of the Bank's ESG principles, our responsible sourcing strategy aims to: › Maintain an ongoing dialogue with our suppliers › Work with them to transition towards a more sustainable approach.

Third-party risk management:
In accordance with sound, effective third-party risk management practices, the Bank requires:
›Its suppliers to adhere to values similar to those outlined in the Code of Conduct and Ethics
› A due diligence review of suppliers' finances and information security standards › The use of risk and performance indicators
› Oversight during contractual relationships with suppliers

The Bank defines its risk appetite by assessing tolerance thresholds and alignment with the business strategy and by integrating risk management into its corporate culture. Before beginning a relationship with a third party, the business line must carry out a due diligence review of the third party to assess risk. The Sourcing sector, as well as any other sector whose expertise could contribute to this assessment, must be involved from the start.
The due diligence review addresses:
› The third party's competencies and financial soundness
› Information security
› Cybersecurity
› The agreement's compliance with the Bank's regulatory requirements concerning anticorruption and anti-money laundering/anti-terrorist financing
› Protection of personal information
› Consumer protection

Responsible marketing:
The Bank is concerned about its impact on the environment and society and has therefore integrated many sustainable development practices into its marketing activities. When choosing suppliers, we aim to support local businesses and the next generation of entrepreneurs. We also take various stakeholders into consideration when planning events. Promotional material is stored and reused. The Bank prioritizes partnerships with organizations that care about their impact on people and the planet, such as Tennis Canada, which has included the National Bank Open (formerly the Rogers Cup) in its sustainable development plan. In its client communications, the Bank prefers to use digital platforms rather than printed documents; regulatory letters are printed on recycled paper. We are committed to reflecting the diversity of the communities we serve in our advertising material and in the talent we choose to work with. Each promotional item in the Bank's official collection must meet at least one of the following criteria: produced locally in Canada; composed of recycled, biodegradable, reusable, organic or FSC-certified material; energy-efficient; recyclable; or produced by an outreach organization or a cooperative that promotes diversity.

Increasing the Efficiency of Our Operations:
Our strategy at National Bank is to work on multiple fronts to decrease our Carbon Footprint; from finding more energy efficient sites for our branches to developing new methods to lower our daily energy consumption, our focus lies in the constant improvement of our facilities. The bank's collaboration with Hydro-Québec allows us to decrease, by the mean of remote monitoring, our electricity consumption during the extreme cold days experienced in Quebec, and dwindle the demand on Hydro-Québec's grid. Remote monitoring also allows us to validate and act on the efficiency of each of the 260 sites through our interface network every second year, lessening the amount of travelling otherwise necessary to carry these investigations. Being a proactive and engaged player allows us to remain ahead with new technologies and strategies, and adapt our methods to provide the most efficient and pleasant environment for our clientele, and employees.

Value chain stage(s) covered
Direct operations

Risk management process
Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment
More than once a year

Time horizon(s) covered
Short-term
Medium-term
Long-term

Description of process
The Bank is aware that it needs to take on a leadership role in terms of climate change, given the impact it will have on clients, our activities and society. Therefore, we have adopted a broader risk framework to assess, mitigate and manage climate-related risks for the other risks than credit risks such as:

Operational risk represents the risk of suffering a loss as a result of the inadequacy or failure of human and material resources, processes and technology, or due to external events. Operational risk exists in all of the Bank's activities. The impact of climate risk on operational risk can be summarized as follows:
›Physical risks — impact of climate events on capital assets, employees and third parties.
›Transition risks — impact of changes resulting from the introduction of a carbon tax.
The introduction or increase of carbon taxes will likely lead to higher energy costs in certain regions where we exercise our activities. These taxes could increase operating expenses related to energy use on Bank premises and business travel by Bank employees.

Reputation risk represents the possibility that a Bank activity or practice will be judged negatively by the public—whether that judgment is with or without basis— thereby adversely affecting the Bank's reputation, image or trademarks, leading to potential lawsuits and losses of income. The impact of climate risk on reputation risk can be summarized as follows:
›Physical risks — impact of negative perceptions of how the Bank manages the climate risks related to its activities.
›Transition risks — impact of negative perceptions related to financing certain industries, the Bank's degree of commitment to fighting climate change and the progress of its strategy.
The Bank acknowledges that the way it addresses climate change could affect its reputation and have an impact on its activities. As stakeholders' awareness of and concern over climate-related risks continue to grow, the Bank needs to respond in a thoughtful and deliberate manner.

We are working to understand and address the potential impact of climate change on our clients and activities, remain transparent in our practices and examine the sustainable business practices of third parties we work with.
We want to apply the most rigorous social responsibility standards while having a positive impact on all of our stakeholders, who have constantly changing interests and concerns when it comes to climate change and other environmental issues. Our goal is to be more proactive and strategic in our communications and our actions. The analysis of climate risk and its integration into the other major risk categories identified will take place gradually.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Although we are not considered a large emitter of GHGs in Canada (25,000 tonnes CO2 and more), the Bank has decided to go beyond regulation and select best practices to reduce climate risk. For example, our standards are aligned with LEED criteria and are automatically applied to the Bank's buildings. In our own operations, the Bank takes reasonable measures to comply with laws and regulations in effect in the jurisdictions (cities) where it operates. Even though the federal carbon tax and Québec's cap and trade requirements do not affect the Bank's operations directly, our supply chain and clients with high carbon emissions could be affected by climate regulations. This could transpose on the Bank's cost structure and credit risks (loans losses), as well as on the Bank's reputation. Also, the Bank is committed to reducing its environmental footprint to avoid any litigation exposure by implementing, on a voluntary basis, various eco-responsible measures aimed at calculating and reducing its GHG emissions. This includes significant improvements made to the energy efficiency of its facilities over the past 15 years. Our strategy at National Bank is to work on multiple fronts to decrease our Carbon Footprint; from finding more energy efficient sites for our branches to developing new methods to lower our daily energy consumption, our focus lies in the constant improvement of our facilities. The bank's collaboration with Hydro-Québec allows us to decrease, by the mean of remote monitoring, our electricity consumption during the extreme cold days experienced in Quebec, and dwindle the demand on Hydro-Québec's grid. Remote monitoring also allows us to validate and act on the efficiency of each of the 260 sites through our interface network every second year, lessening the amount of travelling otherwise necessary to carry these investigations. Being a proactive and engaged player allows us to remain ahead with new technologies and strategies, and adapt our methods to provide the most efficient and pleasant environment for our clientele, and employees. In 2022, the Bank purchased 32,000 Verified Carbon Units to offset its 2021 emissions and the adjusted amounts for 2019 and 2020 and achieve carbon neutrality.
Emerging regulation	Relevant, always included	The Bank monitors emerging regulations, particularly in real estate management. Although uncertainty remains with any emerging regulation (likelihood, consequences, timing, or the extent of its potential impact) a scope 3-related regulation, such as the Carbon pollution pricing by the Federal government, could represent an operational risk for the Bank and generate additional expenses for some business sectors to adapt to climate change. Our actions to reduce our carbon footprint by 25% by the end of 2025 and reach net zero by 2050 should help mitigate this risk. To actively engage in discussions related to emerging regulation, the Bank participates in international working groups associated with the Principles for Responsible Banking and the Task Force on Climate-related Financial Disclosures (TCFD). To stay abreast of any future climate policies, the Bank takes part in the discussions with different government institutions as well as with banking industry regulators. For example, the Bank participates in the work of the Canadian Bankers Association on climate-related issues such as scenario analysis, integrating climate-related concepts into risk management and defining a Canadian taxonomy. Another example is our partnership with the Canada Green Building Council. The Council is on the lookout for new regulations and works to influence them. Our participation gives us a glimpse of future regulations in relation to, among other things, carbon-neutrality objectives for buildings, carbon intensity thresholds for buildings, etc.
Technology	Relevant, always included	The fast pace of technological change combined with both client and competitive pressures require significant and sustained investment in technology. The transition to more efficient and low-carbon technologies, such as energy, will require the Bank to invest in these new technologies while ensuring that they are replaced gradually so as not to hinder current operations and use the equipment as long as possible so as not to generate other environmental issues (e.g., more electronic waste to manage). This technology risk can also impact the Bank's financing and investment activities if companies do not get on the energy transition path by leveraging emerging technologies. This may represent a credit risk or loss of revenue for the Bank. As a service provider, the Bank works with numerous online platforms and is impacted by the technology risk in relation to climate change through its data centre, energy system and IT equipment. These factors can impact our environmental footprint. To assess these risks the Bank has set up a series of measures that allow for better management of greenhouse gas emissions arising from its activities and for a cleaner environment. The Bank continues to monitor climate-related risks. For example, the Bank leads by example by optimizing its energy consumption with its energy-efficient remote control system, which allows to save millions of kilowatt hours of electricity and thousands of cubic metres of natural gas annually. With the constant development of new technology and devices, the Bank could easily generate a significant amount of technological waste. However, we manage the renewal of our IT equipment in a gradual and efficient way. The Bank promotes the principles of a circular economy to keep its IT equipment from ending up in landfills. Outdated equipment that can be refurbished is offered at a reduced price to employees for personal use. Equipment and accessories that can no longer be used are disassembled by the supplier, and the resulting components are then reintroduced into the supply chain of other companies so they can be reused.
Legal	Relevant, always included	The Bank would also be forced to deal with operational risk and the risk related to the legal environment when environmental issues arise in its branches or administrative offices. The Bank has improved its governance to address climate risks. In this context, the Risk Management Group develops requirements that are prescribed in its internal policies to reveal, assess, control, and monitor environmental risk. For their part, the business segments and corporate units must integrate requirements and controls related to the management of environmental risk in their activities. The Risk Management Group monitors its application and regularly reviews the standards. The Bank takes reasonable measures to comply with the laws and regulations in effect in the jurisdictions where it operates. Should these measures prove ineffective, the Bank could be subject to judicial or regulatory decisions resulting in fines, damages, or other costs or to restrictions likely to adversely affect its net income and damage its reputation. The Bank may also be subject to litigation in the normal course of business. Although the Bank establishes provisions for the measures it is subject to under accounting requirements, actual losses resulting from such litigation could differ significantly from the recognized amounts, and unfavourable outcomes in such cases could have a significant adverse effect on the Bank's financial results. The resulting reputational damage could also affect the Bank's future business prospects. With regards to the loan portfolio, it is through its credit adjudication process that the Bank seeks to develop and implement a process for assessing and quantifying the impacts of climate change on its strategy and results. For non-retail clients within specific industries for which this risk applies, it is discussed at least annually through the credit application/renewal process. We consider that there is also a legal risk associated with our public disclosure on climate change. To this end, the Bank has developed reports, based on different frameworks, to transparently communicate our progress to various stakeholders.

	Relevance & inclusion	Please explain
Market	Relevant, sometimes included	The Bank monitors market developments in its different business segments. We acknowledge that there is a shift in consumer preference for green and sustainable products and services as well as access to this market. As the market is growing, the industry is developing new products. The Bank invested in knowledge development of client-facing employees through a gradual rollout of a climate risk training for account managers. In the last years we have expanded our offering of green and sustainable products and services to mitigate this risk and benefit from the opportunities: • Issuance of Sustainability Bonds to finance projects that advance United Nations Sustainable Development Goals • Our subsidiary National Bank Investments selects the best portfolio managers around the world which integrate criteria such as the quantification of the portfolio's carbon footprint and GHG reduction targets • To support our business clients in achieving their own ESG targets, the Bank offers a range of financing solutions that include green loans, sustainable loans, transition loans and loans linked to environmental, social and governance criteria. The latter type of loan is increasingly associated with the transition to renewable energy and the fight against climate change, since the interest rate paid to the borrowing company is linked to its achievement of sustainable development goals. • Credit card holders (individual and business clients) can offset their GHG emissions by purchasing CO2 offset units. The Bank plans on offering more solutions whereby clients can increase their presence in low-carbon activities such as renewable energies and responsible investment • The Bank offers an additional discount on financing for electric and hybrid vehicles to help clients reduce their carbon footprint and promote the transition to electric vehicles. Moreover, the Bank is exposed to market risk through its participation in trading, investment and asset/liability management activities. Market risk is the risk that the market value of an asset will fall. A stock, a bond or a derivative contract may lose value as a result of a climate related event. For example, if governments are expected to tax carbon emissions more heavily to address climate change, the stock prices of some companies would likely fall. As climate events are predicted to continue to occur with increasing frequency and severity, market risk be impacted by climate change risk.
Reputation	Relevant, always included	Reputation risk represents the possibility that a Bank activity or practice will be judged negatively by the public thereby adversely affecting the Bank's reputation, image or trademarks, leading to potential lawsuits and losses of income. The impact of climate risk on reputation risk can be summarized as follows: ›Physical risks — impact of negative perceptions of how the Bank manages the climate risks related to its activities. ›Transition risks — impact of negative perceptions related to financing certain industries, the Bank's degree of commitment to fighting climate change and the progress of its strategy. The Bank acknowledges that the way it addresses climate change could affect its reputation and have an impact on its activities. As stakeholders' awareness of and concern over climate-related risks continue to grow, the Bank needs to respond in a thoughtful and deliberate manner. We need to understand and address the potential impact of climate change on our clients and activities, remain transparent in our practices and examine the sustainable business practices of third parties we work with. We want to apply the most rigorous social responsibility standards while having a positive impact on all of our stakeholders, who have constantly changing interests and concerns when it comes to climate change and other environmental issues. The Bank has a policy, approved by the Board, that covers reputation risk stemming from complex structured financing transactions and other transactions that may give rise to reputation issues. The policy sets the reputation risk management rules and practices applicable to these transactions. The policy is complemented by the special provisions of the new products and activities policy, which determines the approvals required by the various committees that assess risk whenever new products or activities are introduced within the business units. These provisions are intended, among other things, to provide oversight for the management of reputation risk, which may be material for such products or activities.
Acute physical	Relevant, always included	The Bank's Risk Management Group also develops requirements that are prescribed in its internal policies in order to reveal, assess, control and monitor environmental risk. For their part, the business segments and corporate units must integrate requirements and controls related to the management of environmental risk in their activities. The Risk Management Group monitors its application and regularly reviews the standards. To mitigate this risk on its own operations, the Bank has a business continuity plan and conducts regular tests to evaluate different scenarios that could have a significant impact on the Bank's activities (e.g. extreme weather events such as flooding, wild fires,storms, etc.). Within our stress testing framework (which is part of a Bank-wide stress testing program), physical risks scenarios will be analysed. It is an important and useful tool for assessing the potential impacts arising from major operational events. It helps the Bank define its risk appetite, set its exposure limits, and engage in strategic planning. More specifically, it helps senior management to better understand the risks facing the Bank and to make appropriate management decisions to mitigate potential operational risks. To do so, the Bank's new head office in Montreal, Canada is aiming to obtain LEED v4 Gold certification which includes climate risk adaptation criteria. This project is currently under construction and will include features which will minimize potential physical climate risks. It is therefore in line to meet the LEED criteria related to heat island reduction, indoor water use reduction and outdoor water use reduction. Moreover, the Bank continues to work with its peers and the regulators to find solutions for more accurate and consistent analyses and assessments of risks and opportunities related to extreme weather events.
Chronic physical	Relevant, sometimes included	We acknowledge that climate changes can have an impact on the Bank's operations and installations. The choice of location for new branches considers factors related to climate risks. We have a business continuity plan and conduct regular tests to evaluate different crisis scenarios that could have a significant impact on the Bank's activities (flooding, fires, etc.). In the next year, we plan to include climate-related scenarios analyses in our business continuity plan. Chronical physical risks are also considered as having an impact on those whom we do business with. Measures are already taken by the Bank to mitigate risks with clients for credit applications and renewal processes that cover contaminated soils and properties near a watercourse that could become chronic flood risk areas. In this context, the Risk Management Group develops requirements that are prescribed in its internal policies to reveal, assess, control, and monitor environmental risk. For their part, the business segments and corporate units must integrate requirements and controls related to the management of environmental risk in their activities. The Risk Management Group monitors its application and regularly reviews the standards.

C-FS2.2b

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

	We assess the portfolio's exposure	Explain why your portfolio's exposure is not assessed and your plans to address this in the future
Banking (Bank)	Yes	<Not Applicable>
Investing (Asset manager)	Yes	<Not Applicable>
Investing (Asset owner)	No, but we plan to in the next two years	To date, we are still in the process of identifying and evaluating the most appropriate calculation methodology and database to determine carbon footprints of our whole portfolio, especially those of scope 3. That being said, each mandate or investment is subject to due diligence, discussion, and appropriate analysis of significant ESG elements (including climate-related risks and opportunities) that may influence, positively or negatively, the investment decision.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

	Type of risk management process	Proportion of portfolio covered by risk management process	Type of assessment	Time horizon(s) covered	Tools and methods used	Provide the rationale for implementing this process to assess your portfolio's exposure to climate-related risks and opportunities
Banking (Bank)	Integrated into multi-disciplinary company-wide risk management process	100	Qualitative and quantitative	Short-term Medium-term	Portfolio temperature alignment Scenario analysis Internal tools/methods	The Bank recognizes the importance of identifying, assessing and managing climate risks. It proactively monitors all risks and the exposure of sectors to climate-related risks and compares them to its risk appetite and the limits established. The Bank's exposure to climate-related credit risk is assessed through various control and oversight mechanisms. Credit risk is the main risk incurred by financial institutions. It is largely dependent on the quality of the loan portfolio and clients' capacity to make their payments. Climate-related Impact Analysis: Over the past years, the Bank has continued to carry out various analyses of its financing activities to achieve a better understanding of its exposure to climate transition risks. These analyses have enabled concrete action as part of the sectoral limit review process. An ESG section is now included to evaluate industry risk in this area. Sectoral limits are set to mitigate economic, concentration and now ESG risks (including climate-related risks) by recommending a maximum exposure amount for some industry sectors according to various criteria. A dashboard to follow these limits is disclosed to the business units and credit risk sector every quarter. We also carry out analyses of the vulnerability of the loan portfolio to physical and transition risks for all our financing activities to achieve a better understanding of our exposure to these risks (TCFD report p. 17). Concentration risk for the loan portfolio is also assessed periodically to ensure that there is no significant climate-related impact. A matrix that cross-references physical and transition risk by sector and by industry has been developed to allow the Risk Management sector to understand which sectors of the loan portfolio are most affected by climate-related risks. For example, all industries have been classified according to potential financial impacts from physical risks (extreme weather events and changing climate) and transition risks (revenue and cost impacts from changes in policy, technology, reputation, legal, and market changes) as well as carbon related impacts. This analysis, together with more detailed analyses to be conducted in the future, will be presented periodically to the committees responsible for environmental risks, including climate change. The Risk Management sector closely monitors changing trends and calculation methodologies and actively participates in various industry discussion groups. As part of its credit adjudication process, the Bank has developed and implemented a process to assess and quantify the impact of climate change on its strategy and results. For non-retail clients in specific industries affected by these risks, the impact of climate change is discussed with clients at least once a year as part of the credit origination or renewal process. The Bank's climate risk management is based on a series of internal policies, mainly the Environmental risk management policy for financing activities. This policy clearly states the principles used to identify and mitigate environmental and climate risks and their impacts on industry sectors and society as a whole. To help the Bank achieve its business objectives, the Risk Management sector recently created the position of Vice-President, Credit Analytics and Climate Risk, whose responsibilities include increasing the Bank's ability to extract business intelligence, better integrating climate risk into its decision-making processes and developing its capacity to analyze climate risk. Climate Scenario Analysis: The Bank has worked to assess risk based on the climate scenarios recommended by the Network for Greening the Financial System. For this assessment, we opted to test three of the six proposed transition scenarios, including two opposing scenarios which we believe are the most likely to occur. the Bank has worked to assess risk based on the climate scenarios recommended by the Network for Greening the Financial System. For this assessment, we opted to test three (Orderly transition NZ, Disorderly transition NZ and Current policies) of the six proposed transition scenarios, including two opposing scenarios which we believe are the most likely to occur. Financed Emissions Impact Analysis: Consistent with the goals of the Paris Agreement, the Bank is committed to aligning its financing activities with the target of net-zero emissions by 2050. Further to this commitment, the Bank quantified its financed emissions and set interim net-zero targets starting with more carbon-intensive sectors. In alignment with NZBA guidelines and in order to support the Canadian energy transition, the Bank is prioritizing the Oil & Gas (O&G) Producers sub-sector in calculating financed emissions, since these companies will play a key role in reducing the O&G sub-sector's Scope 1, 2 and 3 GHG emissions. Over time, the Bank plans to expand its coverage of other sectors and sub-sectors.
Investing (Asset manager)	Integrated into multi-disciplinary company-wide risk management process	1.26	Qualitative only	Short-term Medium-term	Other, please specify (Currently testing a third party provider tools, including a climate risk score.)	National Bank Investments (NBI) partners with some external portfolio managers who incorporate climate risk in their investment processes, such as a Climate Risk Exposure Score/Climate Mitigation Score or climate change tilts. This represents a minor part of our portfolio. NBI has access to quantitative and qualitative reports on such matters on those funds. National Bank Investments added excellence criteria to it's OP4+ analysis framework in 2021, used to select and monitor external portfolio managers. Most of the changes are related to the + pilar, providing a more in dept analysis of ESG criteria used by the portfolio managers responsible of selecting securities for our funds and investment solutions. One of the criteria that has been added to the + pillar is measuring the portfolio's carbon footprint and setting an objective for reducing it.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

(C-FS2.2d) Does your organization consider climate-related information about your clients/investees as part of your due diligence and/or risk assessment process?

	We consider climate-related information	Explain why you do not consider climate-related information and your plans to address this in the future
Banking (Bank)	Yes	<Not Applicable>
Investing (Asset manager)	Yes	<Not Applicable>
Investing (Asset owner)	No, but we plan to do so in the next two years	We have begun to analyze the environmental impacts of our investments on a holistic basis. We are actively working to implement analytical grids as part of our due diligence, which will allow us to consider climate risks in our investment decisions.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C-FS2.2e

(C-FS2.2e) Indicate the climate-related information your organization considers about clients/investees as part of your due diligence and/or risk assessment process, and how this influences decision-making.

Portfolio
Investing (asset manager)

Type of climate-related information considered
Emissions data
Emissions reduction targets
TCFD disclosures

Process through which information is obtained
From an intermediary or business partner

Industry sector(s) covered by due diligence and/or risk assessment process
Energy
Materials
Consumer Durables & Apparel
Consumer Services
Retailing
Food & Staples Retailing
Food, Beverage & Tobacco
Health Care Equipment & Services
Pharmaceuticals, Biotechnology & Life Sciences
Software & Services
Technology Hardware & Equipment
Semiconductors & Semiconductor Equipment
Telecommunication Services
Media & Entertainment
Utilities
Real Estate

State how this climate-related information influences your decision-making
The information is assessed in the OP4+ framework, which is used to select, appoint and monitor external portfolio managers.

Portfolio
Banking (Bank)

Type of climate-related information considered
Emissions data
Climate transition plans
Other, please specify (classification of climate risks (transition and physical risks) based on the sector and industry.)

Process through which information is obtained
Directly from the client/investee
Public data sources

Industry sector(s) covered by due diligence and/or risk assessment process
Energy
Materials
Capital Goods
Transportation
Utilities
Real Estate

State how this climate-related information influences your decision-making
The Bank has developed and is gradually implementing a process to assess and quantify the impact of climate change on its strategy and results. This involves carrying out due diligence, in particular when granting credit. The ESG risk analysis framework calls for the collection of information on carbon emissions and includes a classification of climate risks (transition and physical risks) based on the sector and industry as well as the scores assigned by ESG rating agencies. We discuss their strategic positioning and the existence of an energy transition plan at least once a year as part of the credit origination or renewal process.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?
Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier
Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Reputation	Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact
Decreased access to capital

Climate risk type mapped to traditional financial services industry risk classification
Reputational risk

Company-specific description
The Bank acknowledges that the way it addresses climate change could affect its reputation and have an impact on its activities. As stakeholders' awareness of and concern over climate-related risks continue to grow, the Bank needs to respond in a thoughtful and deliberate manner.

The impact of climate risk on reputation risk can be summarized as follows:
› Physical risks: impact of negative perceptions of how the Bank manages the climate risks related to its activities.
› Transition risks: impact of negative perceptions related to financing certain industries, the Bank's degree of commitment to fighting climate change and the progress of its strategy.

To manage those risks, we are working to understand and address the potential impact of climate change on our clients and activities, remain transparent in our practices and examine the sustainable business practices of third parties we work with. For example, in 2021 the corporate Sustainable development - ESG team have done several meeting/call with clients, investors, and extra-financial agencies on ESG and climate matters and explain our goals.

We are committed to apply the most rigorous social responsibility standards while having a positive impact on all of our stakeholders, who have constantly changing interests and concerns when it comes to climate change and other environmental issues. Our goal is to be more and more proactive and strategic in our communications and our actions.

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
The impact has not been quantified financially.

Cost of response to risk

Description of response and explanation of cost calculation

Comment

Identifier
Risk 2

Where in the value chain does the risk driver occur?
Banking portfolio

Risk type & Primary climate-related risk driver

Acute physical	Drought

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Concerning drought, an example of sensitive activities is the agricultural sector. The Bank's agricultural sector portfolio represents 4% of the total loan book (6.3$ Billion CAD).

Increased severity and frequency of extreme weather may expose the Bank to credit losses such as:
a) unexpectedly make the obligor unable to honor its obligations towards the Bank;
b) decrease the value of the Bank's security such as to result in a loss in the event of default, or increase such loss in the event of default beyond initial projections.

To minimize our risks, the Bank will increase the frequency of scenario analysis and stress-testing. We will work with our clients to define a action plan to mitigate the risk.

Time horizon
Long-term

Likelihood
Likely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
The financial impact has not been quantified yet.

Cost of response to risk

Description of response and explanation of cost calculation
The potential costs have not been determined yet.

Comment

Identifier
Risk 3

Where in the value chain does the risk driver occur?
Banking portfolio

Risk type & Primary climate-related risk driver

Acute physical	Flood (coastal, fluvial, pluvial, groundwater)

Primary potential financial impact
Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification
Operational risk

Company-specific description
Acute physical risk can increase our direct cost of operations by destroying our some of our immobilization. It can also increase our need of energy. Over the past few years, we have conducted analysis of disaster scenarios such as earthquakes.
During FY 2022, we plan to performe an analysis on flooding scenarios. Results will be share with senior management to address and realign the strategy if necessary. We expect to be able to reuse the global framework to incorporate catastrophe scenarios of extreme temperature change in a near future.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
The financial impact has not been quantified yet.

Cost of response to risk

Description of response and explanation of cost calculation
The potential costs have not been determined yet.

Comment

Identifier
Risk 4

Where in the value chain does the risk driver occur?
Direct operations

Risk type & Primary climate-related risk driver

Emerging regulation	Regulation and supervision of climate-related risk in the financial sector

Primary potential financial impact
Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification
Policy and legal risk

Company-specific description
In addition to the usual disclosures about the operations of financial institutions, new regulations may also require them to provide information about the effects of sustainalibity finance and climate change (particularily on the financed emissions evaluation). This could increase the operating costs of the organisation.
Regulations are expected to affect the development of comprehensive climate risk disclosure frameworks that the bank will have to comply with (i.e. OSFI, TCFD, ISSB, SEC)

Time horizon
Short-term

Likelihood
Virtually certain

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
Yes, an estimated range

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure
The potential financial impact have not been determined yet.

Cost of response to risk
1500000

Description of response and explanation of cost calculation
This is an approximate cost of the salaries in order to broaden the understanding of new regulations to come in the areas of sustainable finance and climate change that could affect the bank. Those costs could be revised upwards depending on the implementation dates of the new regulations.

Comment

Identifier
Risk 5

Where in the value chain does the risk driver occur?
Banking portfolio

Risk type & Primary climate-related risk driver

Reputation	Lending that could create or contribute to systemic risk for the economy

Primary potential financial impact
Increased credit risk

Climate risk type mapped to traditional financial services industry risk classification
Credit risk

Company-specific description
Related to the energy transition movement and extreme weather events could result in a decreased ability to make
repayments or in a decrease in the value of assets pledged as collateral. Ultimately, environmental risk can lead to both a higher probability of default and higher loss given default among counterparties.

Time horizon
Long-term

Likelihood
Likely

Magnitude of impact
Medium-high

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure
The potential financial impacts are not publicly available. However, we have begun to assess transitions risks through scenario analysis. The results (share with senior management) show that there is a possibility of a substantial increase in long-term expected credit losses if we keep a static portfolio (i.e. without any change in strategy).

Cost of response to risk

Description of response and explanation of cost calculation
The potential costs are not available.

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?
Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier
Opp1

Where in the value chain does the opportunity occur?
Investing (Asset manager) portfolio

Opportunity type
Products and services

Primary climate-related opportunity driver
Shift in consumer preferences

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
SUSTAINABLE DEVELOPMENTS ETFs Some clients require investment products that go beyond the integration of ESG factors the investment process. In this context, National Bank Investments (NBI) has launched 4 Exchange Traded-Funds (ETFs) aligned with the United Nations' Sustainable Development Goals (SDG). The portfolio managers of these ETFs invest in companies that contribute to the achievement of SDGs, which includes goal 13 – Climate action. These products are available to all Canadian investors on the National Bank Direct Brokerage platform, through an investment advisor or some high net worth and institutional channels. Tree of these products are also available in our retail network.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Medium-low

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
We don't disclose the projected figures, however as at October 31, 2021 the total value of our 4 ETFs was approx. 73 246 747 294 $.
Our fifth ETFs (NBI Sustainable Canadian Short Term Bond ETF: NSSB) was launched in 2022.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation
Our subsidiary National Bank Investments (NBI) promotes on an ongoing basis its open architecture structure (it sub-advises exclusively to other firms the portfolio management of the funds built for its product shelf). It also puts forward its OP4+ governance process, which takes into account the integration of ESG factors - including climate-related factors - in its assessment of external sub-advisors.
For more information: https://tinyurl.com/y2jvp7od

Comment

Identifier
Opp2

Where in the value chain does the opportunity occur?

Banking portfolio

Opportunity type
Markets

Primary climate-related opportunity driver
Access to new markets

Primary potential financial impact
Increased revenues through access to new and emerging markets

Company-specific description
SUSTAINABLE BONDS In 2019, the Bank adopted ESG principles in line with the United Nations Sustainable Development Goals (SDGs). To accomplish the Bank's goal to contribute to the development of a green economy and to respond to the growing demand from the market (institutional investors) for green products, we established a sustainability bond framework. Regarding the environment, these bonds have helped finance a number of renewable energy projects: wind, solar and small-scale hydropower initiatives. The funds allocated to environmental projects can also be used to finance low-carbon transportation and sustainable buildings.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
We don't disclose the projected figures, however as at December 31, 2021, the issues carried out since 2019 have generated more than $3.1 billion, in CAD equivalent, which was used by the Bank to finance numerous projects in the field of sustainable development.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation
In line with the ICMA Green Bond Principles and Social Bond Principles, NBC issued Sustainability Bonds which represent $3,1 billions CAD as of December 31, 2021. These bonds are allocated to financing projects and organizations that credibly contribute to the environmental objectives (climate change mitigation and adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control) or seek to achieve positive socioeconomic outcomes for target populations.
The cost associated to the development of this product is minor.

Comment
In line with the Bank's commitment to fully allocate proceeds within a period of 18 months, 100% of proceeds from NBC's Sustainability Bonds were allocated to Eligible Assets or Businesses at issuance and remain fully allocated as of December 31, 2021. The Bank confirms that the Sustainability Bonds' Use of Proceeds complies with NBC's Sustainability Bond Framework.

Identifier
Opp3

Where in the value chain does the opportunity occur?
Banking portfolio

Opportunity type
Energy source

Primary climate-related opportunity driver
Use of lower-emission sources of energy

Primary potential financial impact
Increased revenues through access to new and emerging markets

Company-specific description
RENEWABLE ENERGY The Bank aims at guiding and advising clients in their energy transition and having a positive impact on the community by financing projects that support renewable energy. These projects enable us and our clients to lower their carbon footprint and their impact on fossil fuel depletion. This is aligned with the Bank's ESG principles to contribute in developing a green economy. Furthermore, this opportunity enables us to respect our engagements towards TCFD recommendations and the Principles for Responsible Banking. In 2021, we created the Energy & Infrastructure Sustainability Impact Group (EiSiG), which coordinates the energy transition expertise of our Energy, Power, Utilities, Infrastructure and Clean Technology verticals. Over the last several years, NBFM has become a recognized leader in offering financing, merger and acquisition and risk management solutions for the clean technology, transport electrification, renewable energy and carbon capture sectors across North America. EiSiG aims to leverage our expertise to prioritize the energy transition.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
High

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
As at October 31, 2021, our projects finance to Wind, Solar, Solar/ Battery and Hydro represented over $4,6B and 73,6% of our total authorized project finance portfolio.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation
The Bank remains committed to reducing the carbon footprint of its loan portfolio through its support for Canadian businesses in the renewable energy sector, sound management of its energy portfolio and increased investments in green energy.

Comment

Identifier
Opp4

Where in the value chain does the opportunity occur?
Banking portfolio

Opportunity type
Products and services

Primary climate-related opportunity driver
Development and/or expansion of low emission goods and services

Primary potential financial impact
Increased revenues resulting from increased demand for products and services

Company-specific description
GREEN LOANS, SUSTAINABLE LOANS , TRANSITION LOANS AND SLL To support our business clients in achieving their own ESG targets, the Bank offers a range of financing solutions that include green loans, sustainable loans, transition loans and loans linked to environmental, social and governance criteria. The latter type of loan is increasingly associated with the transition to renewable energy and the fight against climate change, since the interest rate paid to the borrowing company is linked to its achievement of sustainable development goals.

Time horizon
Short-term

Likelihood
Virtually certain

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
We do not disclose this information, however as at October 31, 2021, the volume of authorized sustainability-linked loans was $2.7 billion (CAD).

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation
Borrowers can benefit from rate discounts when financing projects that will have a positive impact on sustainable development. This type of loan is mainly intended for businesses that have integrated ESG criteria and targets into their strategy. The Bank aims to be a key partner in financing and supporting businesses in their transition towards a low-carbon economy.

Comment

Identifier
Opp5

Where in the value chain does the opportunity occur?
Direct operations

Opportunity type
Resource efficiency

Primary climate-related opportunity driver
Move to more efficient buildings

Primary potential financial impact
Reduced indirect (operating) costs

Company-specific description
Our strategy at National Bank is to work on multiple fronts to decrease our Carbon Footprint; from finding more energy efficient sites for our branches to developing new methods to lower our daily energy consumption, our focus lies in the constant improvement of our facilities. The bank's collaboration with Hydro-Québec allows us to decrease, by the mean of remote monitoring, our electricity consumption during the extreme cold days experienced in Quebec, and dwindle the demand on Hydro-Québec's grid. Remote monitoring also allows us to validate and act on the efficiency of each of the 260 sites through our interface network every second year, lessening the amount of travelling otherwise necessary to carry these investigations. Being a proactive and engaged player allows us to remain ahead with new technologies and strategies, and adapt our methods to provide the most efficient and pleasant environment for our clientele, and employees.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
220000

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
$220K annually in savings (operations) + $1,5M investments over 3 years : The annual financial impact must be looked at from different angles; annual savings from decreasing the size of our branches (around $100K last year from energy consumption only), participating in the Hydro-Québec program for energy reduction during extreme cold day resulted in a $95K return and implementing better energy solutions during refurbishment of branches allowed us to save around 25K$ last year. These recurrent saving are calculated based on the reference year. The installation of electric vehicle charging stations (13 plug ins on 7 sites) resulted in a spending of about $100K a year, but promotes the use of electric cars. An investment was also made through the purchase of Renewable Natural Gas with Energir, where the rate is higher per m3, but this type of gas is produced by bio-methanation (natural process). The investment impact is through projects, from converting natural gas systems to electrical base on the host province, National bank's new head office (2024), and energy efficiency in branches (converting lighting sources, optimizing controls, better insulation and windows, etc).

Cost to realize opportunity
1500000

Strategy to realize opportunity and explanation of cost calculation
We plan on continuing to optimize controls for mechanical and electrical systems, select province specific strategies to use the greenest energy source, monitor our branches to minimise the variance in consumption, and carefully pick our sites to align with our target if reducing our GHG emissions by 25% by 2025. Over 50 projects/sites have been specifically identified under different categories (Recommissioning, lighting conversion, energy efficiency, HVAC unit replacement, etc) to help reduce our Carbon Footprint, which totalize over $1,5M in investment, along with branch relocations, refurbishments, and the new Head Office.

Comment

C3. Business Strategy

C3.1

(C3.1) Does your organization's strategy include a transition plan that aligns with a 1.5°C world?

Row 1

Transition plan
Yes, we have a transition plan which aligns with a 1.5°C world

Publicly available transition plan
Yes

Mechanism by which feedback is collected from shareholders on your transition plan
We have a different feedback mechanism in place

Description of feedback mechanism
We do have an open dialogue with many shareholders frequently and our transition plan is discussed in those conversations.
Main interactions with shareholders:
• Transaction-free presentations, meetings, calls and discussions with management
• Transaction-free presentations, meetings, calls and discussions with the President of the Board and Board members
• Quarterly conference calls and webcasts
• Broker-sponsored conferences
• Press releases
• Investors Relations Service
• Meetings with the management of the Bank and the Board of directors
• Annual Meeting of Shareholders (management and shareholder proposals, including the advisory vote on executive compensation; and question period)

Frequency of feedback collection
More frequently than annually

Attach any relevant documents which detail your transition plan (optional)
TCFD Report and Stakeholder engagement guidelines
nbc-2021-tcfd-report.pdf
stakeholder-engagement-guidelines.pdf

Explain why your organization does not have a transition plan that aligns with a 1.5°C world and any plans to develop one in the future
<Not Applicable>

Explain why climate-related risks and opportunities have not influenced your strategy
<Not Applicable>

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

	Use of climate-related scenario analysis to inform strategy	Primary reason why your organization does not use climate-related scenario analysis to inform its strategy	Explain why your organization does not use climate-related scenario analysis to inform its strategy and any plans to use it in the future
Row 1	Yes, qualitative and quantitative	<Not Applicable>	<Not Applicable>

C3.2a

(C3.2a) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenario	Scenario analysis coverage	Temperature alignment of scenario	Parameters, assumptions, analytical choices
Transition scenarios NGFS scenarios Framework	Other, please specify (Non-retail portfolio)	<Not Applicable>	Over the past year, the Bank has worked to assess risk based on the climate scenarios recommended by the Network for Greening the Financial System. For this assessment, we opted to test three of the six proposed transition scenarios, including two opposing scenarios which we believe are the most likely to occur. We've tested the Orderly transition – Net Zero 2050, the Disorderly transition – Divergent Net Zero and finally the Hot house world – Current Policies within the NGFS-GCAM5.3 model. To make sure that the assumptions were representative of the Canadian economy, we've had the macroeconomic assumptions behind the scenarios reviewed by our economic research team. To guide our work, we also analyzed the results of the pilot project on climate risk scenarios carried out by the OSFI and the Bank of Canada. Based on the macroeconomic indicators for the three NGFS scenarios selected, we applied our existing assessment process to quantify the impact on expected credit losses. We also categorized the impact of climate risk on risk parameters such as the probability of default by applying the matrix used to determine the vulnerability of the loan portfolio to climate risk (see TCFD report p. 17). The results of these analyses will be presented regularly to the main risk governance committees, including the Model Oversight Committee and the Enterprise-Wide Risk Management Committee, as well as to the ESG working group. The results will be used to determine our potential exposure to climate risk and could be included in the risk management process as well as used to prepare for upcoming regulatory requirements.

C3.2b

(C3.2b) Provide details of the focal questions your organization seeks to address by using climate-related scenario analysis, and summarize the results with respect to these questions.

Row 1

Focal questions

Climate scenario analysis is a key tool used to assess the impact of potentially severe events on the Bank's activities. It helps the Bank define its risk appetite and exposure limits and plan its activities. More specifically, it provides a better understanding of the Bank's risk profile, informs decision-making and helps us draw up mitigation strategies. The Bank carries out stress testing to evaluate its sensitivity to crisis situations in certain activity sectors and key portfolios.
However, the use of scenarios to evaluate climate risk associated with loan portfolios is a fairly recent application, and the usual use of these tools differs in a number of ways. In-depth analysis is therefore required to translate changes involving climate risk into the macro-economic and financial results generally used for stress testing and scenario analysis. To refine its strategy and improve its climate resilience, the Bank has begun carrying out analyses of the impact of physical and transition risks based on various climate scenarios. These analyses will also enable us to determine how the economy will be affected and identify financial risks that could impact our loan portfolios under each scenario.
These financial impacts can then be used to estimate expected loss (EL) for portfolios, probability of default (PD) and loss given default (LGD) for each scenario.

The main information that we want to evaluate is to know if our loan portfolio will be resilient to climate risks (transition and physical risks). Knowing that credit risk is one of the most important risks facing a financial institution, it became clear that it was mainly the integration of climate-related risks on this particular risk that we needed to test. We've focused on transition risk to start our journey as this risk is, in our opinion, the first that could materialize.

Therefore, we've decided to look through the non-retail loan portfolio risk profile and stress the probability of default (PD) of the clients. Portfolios risk profile was assessed by notching up or down borrowers' PDs to account for idiosyncratic transition risk. Doing this, we were able to ultimately assess the level of additional expected credit losses that could occur over time in relation with climate risks. These analyses enable us to determine how the economy will be affected and identify financial risks that could impact our loan portfolios under each scenario.

Results of the climate-related scenario analysis with respect to the focal questions

Over the past year, the Bank has worked to assess risk based on the climate scenarios recommended by the NGFS. For this assessment, we opted to test three of the six proposed transition scenarios. The scenario analysis conducted covers a wide spectrum of climate scenarios, including two opposing scenarios which we believe are the most likely to occur (hot-house, orderly and disorderly). It does not however fully account for the impacts of physical risk. We had the macro-economic assumptions behind these scenarios reviewed by our economic research team. To guide our work, we also analyzed the results of the pilot project on climate risk scenarios carried out by the OSFI and the Bank of Canada.

Based on the macro-economic indicators for the three NGFS scenarios selected, we applied our existing assessment process to quantify the impact on expected credit losses. We also categorized the impact of climate risk on risk parameters such as the probability of default by applying the matrix used to determine the vulnerability of the loan portfolio to climate risk. The first results show that, even under a best-case scenario, the transition to a net zero economy will have financial impacts assuming a static loan portfolio.

While the transition offers opportunities to some segments of the portfolio these could not enough to offset the segments facing transition risk, though the importance to be proactive to support our clients in a fast and orderly transition.
Ongoing, the results of these analyses will be presented regularly to the main risk governance committees, including the Model Oversight Committee and the Enterprise-Wide Risk Management Committee, as well as to the ESG working group. The results will be used to determine our potential exposure to climate risk and could be included in the risk management process as well as used to prepare for upcoming regulatory requirements.

The Bank acknowledges that climate change may have an impact on its financial planning process. As a result, it will continue to reinforce its scenario analysis program to account for how climate issues may affect analyses of income and operating expenses, investments, capital distribution, potential acquisitions or divestitures and access to capital, among other factors.

Over the coming years, we will continue to develop and enhance our expertise in analyzing climate risk scenarios by combining analyses of the sector (by asset class) with analyses of the portfolio (by loan type). To cover a wider range of risks and business opportunities, we plan to keep using a range of climate change scenarios. This will also help Bank executives better understand the potential impact when selecting strategic orientations. For now, we plan to prioritize industries that have greater exposure to greenhouse gas emissions or are more likely to be affected by transitional measures: oil and gas, utilities, transportation, real estate and construction, heavy industry, etc

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	One of the priority of our climate strategy is to Support and actively advise our clients in their transition towards a lower carbon economy. Our commitments and actions to achieve that are: 1)Consolidate our energy transition expertise by creating the Energy & Infrastructure Sustainability Impact Group so we can support and actively advise our clients from the Commercial Banking sector in their transition while providing comprehensive solutions. 2) Make capital available for the transition and continue to grow the portfolio of loans related to renewable energy at a faster pace than the portfolio of loans related to non-renewable energy. 3) Roll out products and services to support our clients in their transition and offer investment products aligned with the UN SDGs. For example, Green loans, sustainable loans, transition loans and sustainability-linked loans. 4) To support our business clients in achieving their own ESG targets, the Bank offers a range of financing solutions that include green loans, sustainable loans, transition loans and loans linked to environmental, social and governance criteria. The latter type of loan is increasingly associated with the transition to renewable energy and the fight against climate change, since the interest rate paid to the borrowing company is linked to its achievement of sustainable development goals. Borrowers can benefit from rate discounts when financing projects that will have a positive impact on sustainable development. This type of loan is mainly intended for businesses that have integrated ESG criteria and targets into their strategy. The Bank aims to be a key partner in financing and supporting businesses in their transition towards a low-carbon economy.
Supply chain and/or value chain	Yes	Value chain: 1) The Bank is aware that it has a mobilizing role to play in terms of climate change, since its effects could impact its clients and the viability of its operations. Therefore, it has adopted a framework to assess, mitigate and manage related risks for portfolios and individual transactions. The Bank carries out stress testing to evaluate its sensitivity to crisis situations in certain activity sectors and key portfolios. One element of our Climate Strategy is to continue to develop our analytical and stress testing skills so we can better identify, quantify and disclose the vulnerability to climate risk of various industries and business sectors. 2) In order to meet our GHG objectives, the Bank has reduced its paper consumption . It promotes the use of electronic platforms for internal and external communications. Employees are encouraged to reduce their paper consumption. Other elements of the strategy are: › Minimizing employee business travel by promoting virtual meetings › Maintaining its hybrid remote work approach › Continuing to focus on energy efficiency and apply LEED assessment system criteria › Moving to the new head office Supply chain: 1) In addition to its efforts to develop sustainable products and services, the Bank has identified opportunities to be greener in its operations. The actions we have taken to improve the energy efficiency of our buildings have enabled us to currently exceed regulatory requirements and meet the expectations of our stakeholders. 2) The Bank prioritizes suppliers of goods and services that have adopted sustainability into their policies, practices and processes. In regards of the construction of the new head office that will aim at LEED and WELL certifications, the majority of the selected suppliers has to meet these requirements. Responsible sourcing In line with our commitment to reduce our environmental and social impact and seize opportunities related to sustainable development, the Bank is working to implement a responsible sourcing strategy. In 2021, responsible sourcing criteria were integrated into our purchasing and supplier selection practices for the construction of the Bank's new head office. Most of the suppliers selected had to meet requirements related to the new building's LEED certification. These requirements will also apply to future suppliers involved in the project.
Investment in R&D	Yes	Another priority of our strategy is to Support the energy transition ecosystem (incubators, accelerators, peer groups, government initiatives). Our commitments and actions are: 1) Collaborate with various groups, as a signatory of the UN PRB, to align strategies with the UN SDGs and the objectives of the Paris Agreement. 2) Work with our peers to advance methodology and improve the quality of climate data through the PCAF. 3) Contribute to the work of the Canadian Bankers Association, the Sustainable Finance Action Council and Finance Montréal and participate in various public consultations (OSFI, SEC, BCBS).2
Operations	Yes	The Bank strives to reduce its carbon footprint every year. To do so, we've decided to set a target to cut GHG emissions from our own operations by 25% by the end of 2025, with 2019 being the reference year. This science-based and absolute target aims to help limit global warming to 1.5 C. It includes Scope 1, 2 and 3 emissions (Scope 3 includes employee business travel and paper consumption as part of the supply chain). Here are a few examples of initiatives the Bank is working on to achieve its target: › Minimizing employee business travel by promoting virtual meetings (teleconferences and videoconferences) › Maintaining its hybrid remote work approach › Continuing to focus on energy efficiency and apply LEED assessment system criteria › Moving to the new head office Our new eco-friendly head office: Our goal is to meet LEED v4 Gold and WELL standards. Building the tower will have an economic impact of more than $1.2 billion. Our plans include 400 bicycle parking spots and 100 charging stations for electric vehicles. It will be possible to increase this number, since the Bank's new head office facilities will allow for the addition of portable charging stations.

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs Capital allocation Access to capital Provisions or general reserves	The Bank acknowledges that climate change may have an impact on its financial planning process. As a result, it will continue to reinforce its scenario analysis program to account for how climate issues may affect analyses of income and operating expenses, investments, capital distribution, potential acquisitions or divestitures and access to capital, among other factors. REVENUES 1) To support our business clients in achieving their own ESG targets, the Bank offers a range of financing solutions that include green loans, sustainable loans, transition loans and loans linked to environmental, social and governance criteria. The latter type of loan is increasingly associated with the transition to renewable energy and the fight against climate change, since the interest rate paid to the borrowing company is linked to its achievement of sustainable development goals. Borrowers can benefit from rate discounts when financing projects that will have a positive impact on sustainable development. This type of loan is mainly intended for businesses that have integrated ESG criteria and targets into their strategy. The Bank aims to be a key partner in financing and supporting businesses in their transition towards a low-carbon economy. As at October 31, 2021, the volume of authorized loans with sustainability criteria was $2.7 billion. 2) National Bank Financial Markets (NBFM) is continuing to evolve to better serve the needs of its clients and increase the depth and quality of our coverage of the global energy transition. In 2021, we created the Energy & Infrastructure Sustainability Impact Group (EiSiG), which coordinates the energy transition expertise of our Energy, Power, Utilities, Infrastructure and Clean Technology verticals. Over the last several years, NBFM has become a recognized leader in offering financing, merger and acquisition and risk management solutions for the clean technology, transport electrification, renewable energy and carbon capture sectors across North America. For example, in 2021, NBFM ranked as the third-largest lender in the renewable energy sector across North America, with nearly $1.6 billion (USD) disbursed.1 EiSiG aims to leverage our expertise to prioritize the energy transition. ACCESS TO CAPITAL 1)In addition to being actively involved in implementing various initiatives to reduce its environmental footprint, the Bank has focused on developing partnerships over the years with various organizations that share the common goal of contributing to sustainable development. In line with the Bank's commitment to fully allocate proceeds within a period of 18 months, 100% of proceeds from NBC's Sustainability Bonds were allocated to Eligible Assets or Businesses at issuance and remain fully allocated as of December 31, 2021. In the context of NBC's Sustainability Bond Framework, it is NBC's intention to maintain an aggregate amount of assets relating to eligible businesses and eligible projects that is at least equal to the aggregate proceeds of all NBC's Sustainability Bonds that are concurrently outstanding. This methodology, also known as portfolio approach, entails that eligible assets can change over time as some of them mature and others are added. NBC's look-back period for any nancing using the sustainability bond proceeds is 36 months prior to the date of the bond issuance INDIRECT COSTS 1)The Bank recognizes the importance of identifying, assessing and managing climate risks. It proactively monitors all risks and the exposure of sectors to climate-related risks and compares them to its risk appetite and the limits established. Material and emerging risks could have a significant negative impact on the Bank's financial results, reputation, business model and long-term strategy. These risks include credit, market, liquidity, operational and ESG risks, including climate-related risks. The rapidly changing economic, regulatory, technological and market environments could also affect certain activities or the Bank as a whole. While the Bank is committed to doing everything it can to mitigate climate-related risks and support the transition to a low-carbon economy, it cannot predict the effectiveness of government-led climate strategies and proposed regulatory changes or assume responsibility for achieving objectives set as part of such strategies and changes. The Bank will continue to closely monitor related developments and implement its climate-related risk management framework. PROVISION OR GENERAL RESERVE Credit risk is the main risk incurred by financial institutions. It is largely dependent on the quality of the loan portfolio and clients' capacity to make their payments. The Bank is mainly exposed to this type of risk through its activities as a lender. The impact of climate risk on credit risk can be summarized as follows: › Physical risks — decrease in repayment capacity or in the value of assets taken as security. › Transition risks — financial impact of changes involving legislation and policies, technology and markets, such as lower revenues, higher operating costs, changes in consumer preferences, development of new technology and taxes on carbon emissions. The Bank's exposure to climate-related credit risk is assessed through various control and oversight mechanisms. For example, we carry out analyses of the vulnerability of the loan portfolio to physical and transition risks for all our financing activities to achieve a better understanding of our exposure to these risks. Concentration risk for the loan portfolio is also assessed periodically to ensure that there is no significant climate-related impact. A matrix that cross-references physical and transition risk by sector and by industry has been developed to allow the Risk Management sector to understand which sectors of the loan portfolio are most affected by climate-related risks. These initiatives have enabled us to align our priorities and take concrete action as part of the sector limit review process. An ESG section detailing climate risk (including an assessment of physical and transition risks) is now available for each sector or industry. The Risk Management sector closely monitors changing trends and calculation methodologies and actively participates in various industry discussion groups.

C3.5

(C3.5) In your organization's financial accounting, do you identify spending/revenue that is aligned with your organization's transition to a 1.5°C world?

No, but we plan to in the next two years

C-FS3.6

(C-FS3.6) Does the policy framework for your portfolio activities include climate-related requirements for clients/investees, and/or exclusion policies?

Yes, we have exclusion policies for industries and/or activities exposed or contributing to climate-related risks

C-FS3.6b

(C-FS3.6b) Provide details of your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Portfolio
Banking (Bank)

Type of exclusion policy
Thermal coal
Arctic oil and gas

Year of exclusion implementation
2020

Timeframe for complete phase-out
Already phased out

Application
New business/investment for new projects
New business/investment for existing projects

Country/Region the exclusion policy applies to
Canada
United States of America

Description
Over the past few years, the Bank has enhanced its environmental commitments and made an official commitment not to offer or grant new financing related to oil and gas exploration, exploitation, or production in the Arctic, given the fragility of this environment and the fact that it’s likely to become more attractive to investors over the coming decades. The Bank has also confirmed its commitment not to finance new thermal coal mining and processing activities.

C-FS3.6c

(C-FS3.6c) Why does the policy framework for your portfolio activities not include climate-related requirements for clients/investees, and/or exclusion policies?

We did have exclusions policies as stated in section CFS3.6b.

However, the Bank is still in the process of implementing all TCFD's recommendations. The roadmap for the implementation does include an update of the bank's actual policies to include climate-related issues specifically on requirements and exclusions. The timeline to implement those changes throughout the entire organisation was set in about two years.

C-FS3.7

(C-FS3.7) Does your organization include climate-related requirements in your selection process and engagement with external asset managers?

	Climate-related requirements included in selection process and engagement with external asset managers	Primary reason for not including climate-related requirements in selection process and engagement with external asset managers	Explain why climate-related requirements are not included in selection process and engagement with external asset managers and your plans for the future
Row 1	Yes	<Not Applicable>	<Not Applicable>

C-FS3.7a

(C-FS3.7a) Provide details of the climate-related requirements included in your selection process and engagement with external asset managers.

Coverage
All assets managed externally

Mechanisms used to include climate-related requirements in external asset manager selection
Preference for investment managers with an offering of funds resilient to climate change
Publish requirements of external investment managers in relation to climate issues
Review investment manager’s climate performance (e.g., active ownership, proxy voting records, under-weighting in high impact activities)
Review investment manager’s climate-related policies

Describe how you monitor and engage with asset managers to ensure investment activities are consistent with your climate strategy
Climate is part of the external portfolio managers evaluation process and is regularly discussed in quarterly calls. We amended our external portfolio manager evaluation process to include climate considerations. We assess integration of climate in the investment process (risk and return perspective), as well as measure and targets for portfolio footprint. This points are discussed in our written reports and influence the quantitative score we give to external managers. The reports are presented to an independent committee. Climate is also discussed in quarterly calls with our external managers. We recently did a deep dive on climate and sent specific questions on climate prior to the calls.

C-FS3.8

(C-FS3.8) Does your organization include covenants in financing agreements to reflect and enforce your climate-related policies?

	Climate-related covenants in financing agreements	Primary reason for not including climate-related covenants in financing agreements	Explain why your organization does not include climate-related covenants in financing agreements and your plans for the future
Row 1	Yes	<Not Applicable>	<Not Applicable>

C-FS3.8a

(C-FS3.8a) Provide details of the covenants included in your organization’s financing agreements to reflect and enforce your climate-related policies.

Types of covenants used	Asset class/product types	Please explain
Margin or pricing depends on sustainability criteria	Corporate loans	Primarily on our sustainability link loans within our Corporate loan book.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target
Portfolio target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number
Abs 1

Year target was set
2020

Target coverage
Company-wide

Scope(s)
Scope 1
Scope 2
Scope 3

Scope 2 accounting method
Location-based

Scope 3 category(ies)
Category 1: Purchased goods and services
Category 6: Business travel

Base year
2019

Base year Scope 1 emissions covered by target (metric tons CO2e)
2882

Base year Scope 2 emissions covered by target (metric tons CO2e)
11256

Base year Scope 3 emissions covered by target (metric tons CO2e)
5833

Total base year emissions covered by target in all selected Scopes (metric tons CO2e)
19971

Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1
100

Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2
100

Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)
9

Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes
25

Target year

2025

Targeted reduction from base year (%)
25

Total emissions in target year covered by target in all selected Scopes (metric tons CO2e) [auto-calculated]
14978.25

Scope 1 emissions in reporting year covered by target (metric tons CO2e)
2479

Scope 2 emissions in reporting year covered by target (metric tons CO2e)
9846

Scope 3 emissions in reporting year covered by target (metric tons CO2e)
1626

Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)
13951

% of target achieved relative to base year [auto-calculated]
120.574833508587

Target status in reporting year
Underway

Is this a science-based target?
No, and we do not anticipate setting one in the next 2 years

Target ambition
<Not Applicable>

Please explain target coverage and identify any exclusions
We have followed the Science Based Targets (SBT) guidelines to set a target which is aligned with limiting global warming to 1.5°C. We have therefore used the absolute emissions contraction method, meaning that we have applied a 4.2% annual linear reduction between 2019 and 2025. We have also assessed a GHG reduction target based on the Sectoral Decarbonization Approach (CDP, United Nations Global Compact, WRI & WWF, 2015), but decided to aim for the most ambitious goal.

Plan for achieving target, and progress made to the end of the reporting year
In the last year our GHG reduction was mainly attributed to the COVID-19 pandemic, this is why the Bank is working on these initiatives to achieve its GHG reduction target:
› Minimizing employee business travel by promoting virtual meetings (teleconferences and videoconferences)
› Maintaining its hybrid remote work approach
› Continuing to focus on energy efficiency and apply LEED assessment system criteria
› Moving to the new head office.

List the emissions reduction initiatives which contributed most to achieving this target
<Not Applicable>

C-FS4.1d

(C-FS4.1d) Provide details of the climate-related targets for your portfolio.

Target reference number
Por1

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Corporate loans

Sectors covered by the target
Energy

Portfolio coverage of target
1

Target type
Other, please specify (Portfolio emissions based on terajoule of energy produced by clients in the portfolio)

Target type: Absolute or intensity
Intensity

Scopes included in temperature alignment
<Not Applicable>

Metric (or target numerator if intensity)
Other, please specify (tCO2e)

Target denominator
Other, please specify (Terajoules)

Base year
2019

Figure in base year

0.92

Percentage of portfolio emissions covered by the target
100

Interim target year
2030

Figure in interim target year
0.63

Target year
2050

Figure in target year

Figure in reporting year

% of target achieved relative to base year [auto-calculated]
<Calculated field>

Aggregation weighting used
<Not Applicable>

Proportion of portfolio emissions calculated in the reporting year based on asset level data
<Not Applicable>

Proportion of the temperature score calculated in the reporting year based on company targets
<Not Applicable>

Target status in reporting year
New

Is this a science-based target?
No, and we do not anticipate setting one in the next 2 years

Target ambition
<Not Applicable>

Please explain target coverage and identify any exclusions
This is a target for the Scope 1 and 2 GHG emissions of the loan portfolio relate to the energy used during crude oil and natural gas extraction, which includes both carbon dioxide and methane emissions.

National Bank's target covers companies in the O&G Producers sub-sector financed by the Bank. It includes all on-balance sheet business loans to public and private companies. Does not include derivatives such as swaps, where no guidance currently exists for quantifying financed emissions. Scope 1, 2 and 3 emissions are reported in terms of carbon dioxide equivalent, which includes carbon dioxide and methane. Scope 1 and 2 relate to the energy used during fossil fuel extraction. Scope 3 emissions relate to the end-use combustion of fuel.

To set its net-zero interim targets for 2030, the Bank used the International Energy Agency (IEA) Net Zero Emissions (NZE) scenario pathway, which is consistent with limiting global warming to 1.5 °C above pre-industrial levels by the year 2100. Taking both the IEA NZE scenario and the Government of Canada's net-zero strategy into consideration, the Bank has set a target to reduce its financed emissions in the O&G Producers sub-sector (covering Scope 1, 2 and 3) by 31% by 2030.

Target reference number
Por2

Year target was set
2022

Portfolio
Banking (Bank)

Product type/Asset class/Line of business
Corporate loans

Sectors covered by the target
Energy

Portfolio coverage of target
1

Target type
Other, please specify (Portfolio emissions based on terajoule of energy produced by clients in the portfolio)

Target type: Absolute or intensity
Intensity

Scopes included in temperature alignment
<Not Applicable>

Metric (or target numerator if intensity)
Other, please specify (tCO2e)

Target denominator
Other, please specify (terajoules)

Base year
2019

Figure in base year
5.72

Percentage of portfolio emissions covered by the target
100

Interim target year
2030

Figure in interim target year
3.94

Target year
2050

Figure in target year

Figure in reporting year

% of target achieved relative to base year [auto-calculated]
<Calculated field>

Aggregation weighting used
<Not Applicable>

Proportion of portfolio emissions calculated in the reporting year based on asset level data
<Not Applicable>

Proportion of the temperature score calculated in the reporting year based on company targets
<Not Applicable>

Target status in reporting year
Underway

Is this a science-based target?
No, and we do not anticipate setting one in the next 2 years

Target ambition
<Not Applicable>

Please explain target coverage and identify any exclusions
The baseline Scope 3 financed emissions relate to the end-use combustion of fuel in the economy, which contributes the majority of GHG emissions from the O&G sector. These emissions are represented in carbon dioxide equivalent, including both carbon dioxide and methane emissions.

National Bank's target covers companies in the O&G Producers sub-sector financed by the Bank. It includes all on-balance sheet business loans to public and private companies. Does not include derivatives such as swaps, where no guidance currently exists for quantifying financed emissions. Scope 1, 2 and 3 emissions are reported in terms of carbon dioxide equivalent, which includes carbon dioxide and methane. Scope 1 and 2 relate to the energy used during fossil fuel extraction. Scope 3 emissions relate to the end-use combustion of fuel.

To set its net-zero interim targets for 2030, the Bank used the International Energy Agency (IEA) Net Zero Emissions (NZE) scenario pathway, which is consistent with limiting global warming to 1.5 °C above pre-industrial levels by the year 2100. Taking both the IEA NZE scenario and the Government of Canada’s net-zero strategy into consideration, the Bank has set a target to reduce its financed emissions in the O&G Producers sub-sector (covering Scope 1, 2 and 3) by 31% by 2030.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?
Net-zero target(s)
Other climate-related target(s)

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number
Oth 1

Year target was set
2021

Target coverage
Business activity

Target type: absolute or intensity
Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Green finance	Other, please specify (Growth percentage of renewable-energy-related funding assets)

Target denominator (intensity targets only)
<Not Applicable>

Base year
2021

Figure or percentage in base year
0

Target year
2021

Figure or percentage in target year
0.1

Figure or percentage in reporting year
0.1

% of target achieved relative to base year [auto-calculated]
100

Target status in reporting year
Achieved

Is this target part of an emissions target?
It is a target for the growth of renewable-energy-related funding assets in the Bank's portfolio of loans.

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

Please explain target coverage and identify any exclusions
The target covers the portfolio of loans covering energy-related funding assets (renewable and non-renewable). The goal is to grow the proportion of renewable-energy-related funding assets at a faster pace than those related to non-renewable energy on a yearly basis (this is why the percentage in base year is set to 0%). The portfolio of loans related to renewable energy decreased by 2% between November 1, 2020 and October 31, 2021, while the portfolio of loans related to non-renewable energy decreased by 24% over the same period. The target is achieved since non-renewable-energy-related loans decreased at a faster pace than the rate of renewable-energy related loans.
Since January 31, 2019, the portfolio of loans related to renewable energy grew by 11% while the portfolio of loans related to non-renewable energy decreased by 38% over the same period.

Plan for achieving target, and progress made to the end of the reporting year
<Not Applicable>

List the actions which contributed most to achieving this target
The Bank remains committed to reducing the carbon footprint of its loan portfolio through its support for Canadian businesses in the renewable energy sector, sound management of its energy portfolio and increased investments in green energy.

C4.2c

(C4.2c) Provide details of your net-zero target(s).

Target reference number
NZ1

Target coverage
Banking (Bank)

Absolute/intensity emission target(s) linked to this net-zero target
Abs1
Por1

Target year for achieving net zero
2050

Is this a science-based target?
No, and we do not anticipate setting one in the next 2 years

Please explain target coverage and identify any exclusions
Consistent with the goals of the Paris Agreement, the Bank is committed to aligning its financing activities with the target of net-zero emissions by 2050. The Bank recognizes the important role it can play in supporting clients in their energy transition and decarbonization strategies to achieve a low-carbon economy.
Targets are aligned with the IEA NZE pathway— an internationally recognized net-zero source that is also used by other financial institutions. The Canada's Energy Future 2020 report and the
Economically Efficient Pathway in the Government of Canada's 2030 Emissions Reduction Plan were also considered in order to reflect the regional context, given that the Bank's O&G loan book
is almost exclusively within Canada.

Do you intend to neutralize any unabated emissions with permanent carbon removals at the target year?
Unsure

Planned milestones and/or near-term investments for neutralization at target year
<Not Applicable>

Planned actions to mitigate emissions beyond your value chain (optional)

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.
Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation		
To be implemented*	13	125
Implementation commenced*	3	76
Implemented*	3	222
Not to be implemented	1	

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in buildings	Building Energy Management Systems (BEMS)

Estimated annual CO2e savings (metric tonnes CO2e)
17

Scope(s) or Scope 3 category(ies) where emissions savings occur
Scope 1
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
15000

Investment required (unit currency – as specified in C0.4)
3300

Payback period
1-3 years

Estimated lifetime of the initiative
3-5 years

Comment
We are actively monitoring our branches through a centralised BMS. This year 11 projects were completed that either improved control sequences, or repaired faulty equipment discovered.

Initiative category & Initiative type

Transportation	Company fleet vehicle efficiency

Estimated annual CO2e savings (metric tonnes CO2e)
5

Scope(s) or Scope 3 category(ies) where emissions savings occur
Scope 1

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
0

Investment required (unit currency – as specified in C0.4)
0

Payback period
No payback

Estimated lifetime of the initiative
3-5 years

Comment
In September 2021 the Bank amended its executive vehicle fleet policy to encourage executives to choose electric or hybrid vehicles when renewing their leases. Since this initiative was only in place for 1 month in FY2021, we have calculated the estimated annual CO2e saving using the km travelled in FY2021, and the fleet of cars as at July 2022. Over the years, as leases will have to be renewed, the CO2e saved will increase.

Initiative category & Initiative type

Transportation	Business travel policy

Estimated annual CO2e savings (metric tonnes CO2e)
200

Scope(s) or Scope 3 category(ies) where emissions savings occur
Scope 3 category 6: Business travel

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
0

Investment required (unit currency – as specified in C0.4)
0

Payback period
No payback

Estimated lifetime of the initiative
Ongoing

Comment
In order to acheive its emissions reduction target, the Bank has modified its business travel policy, by restricting certain types of business travel. We aim to reduce our Scope 3 - Business travel by 25% by the end of 2025 compared to 2019. This initiative has no cost for the Bank. Due to the fluctuation of gas and travelling price the annual monetary savings, was not calculated. Finally the estimated annual tCO2e savings was estimated using the tCO2e for our Scope 3 - Business travel minus 25% and devided by the 6 years of the target.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Dedicated budget for energy efficiency	The Engineering, Operation and Sustainable Development team within NBC has a dedicated budget for projects related to the optimization of control systems for the NBC branches. All activities conducted within these projects are planned and implemented with the help of an external firm specialized in energy efficiency to ensure that they follow energy efficiency standards while maintaining the comfort of building occupants and reducing operational costs. In addition, when branches are going through a major refurbishment or retrofit, an additional budget is always invested in the HVAC system to ensure that it fulfills NBC's requirements in terms of energy efficiency.
Other (External financial incentives)	NBC takes part in an Electricity management systems (EMS) program for businesses ran by its electricity provider in Quebec. This program aims to provide financial assistance for any energy efficiency projects in buildings. NBC has received financial support from this program when the company installed energy-efficient systems or components (e.g. lights, lighting controls, power monitoring system, etc.).

C-FS4.5

(C-FS4.5) Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of climate change?

Yes

C-FS4.5a

(C-FS4.5a) Provide details of your existing products and services that enable clients to mitigate and/or adapt to climate change, including any taxonomy used to classify the products(s).

Product type/Asset class/Line of business

Banking	Corporate loans

Taxonomy or methodology used to classify product

The EU Taxonomy for environmentally sustainable economic activities

Description of product

Sustainability-Linked Loans : The Bank has been active in the new and fast-growing Sustainability-Linked Loan (SLL) market. SLLs are increasingly associated with the transition to renewable energy and the fight against climate change. Borrowers can benefit from rate discounts when financing projects that will have a positive impact on sustainable development. This type of loan is mainly intended for businesses that have integrated ESG criteria and targets into their strategy.
The SLL represents 2,5% of our committed non-retail loan book (loans over $5M).

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

2700000000

% of total portfolio value

2.5

Type of activity financed/insured or provided

Green buildings and equipment
Low-emission transport
Renewable energy
Emerging climate technology, please specify (Battery storage, SMART metering techonologies, storm detection software, etc.)

Product type/Asset class/Line of business

Investing	Other, please specify (Sustainable Bonds)

Taxonomy or methodology used to classify product

Green Bond Principles (ICMA)

Description of product

The Bank has developed one of the first Canadian reference frameworks for issuing sustainable bonds. As at December 31, 2021, the issues carried out since 2019 had generated more than $3.1 billion, which was used by the Bank to finance numerous projects in the field of sustainable development that make a tangible contribution to protecting the environment or seek positive socioeconomic outcomes for target populations. Regarding the environment, these bonds have helped finance a number of renewable energy projects: wind, solar and small-scale hydropower initiatives. The funds allocated to environmental projects can also be used to finance low-carbon transportation and sustainable buildings. Eligible projects are selected and evaluated by the Bank, and the Sustainable Bond Committee makes the final decision. Each year, the Bank publishes a report that presents the reference framework, the use of funds and a few examples of projects financed.
The percentage of total portfolio value was calculated using the Residual Contractual Maturities of Wholesale Funding as at October 31, 2021. The total value of fixed income products issued comes from : the sum of Senior unsecured medium-term notes (1Y to 2Y + Over 2Y) and the Senior unsecured structured notes (1Y to 2Y + Over 2Y) = 12,252,000,000 • "Fixed income products issued" means from NBC's standpoint our Wholesale Funding instruments outstanding with a maturity 1Y and up (all LT unsecured only, i.e. ex. CDs and CPs being excluded for now, Covered Bonds also excluded, etc.); and • We're including both "Senior unsecured medium-term notes" and "Senior unsecured structured notes" categories, given that ESG fixed income instruments issued (our Sustainability bonds) can be included in any of these 2 categories currently.

Product enables clients to mitigate and/or adapt to climate change

Mitigation

Portfolio value (unit currency – as specified in C0.4)

3005543200

% of total portfolio value
24.5

Type of activity financed/insured or provided
Green buildings and equipment
Low-emission transport
Renewable energy

Product type/Asset class/Line of business

Banking	Project finance

Taxonomy or methodology used to classify product
Internally classified

Description of product
In 2021, we created the Energy & Infrastructure Sustainability Impact Group (EiSiG), which coordinates the energy transition expertise of our Energy, Power, Utilities, Infrastructure and Clean Technology verticals. Over the last several years, NBFM has become a recognized leader in offering financing, merger and acquisition and risk management solutions for the clean technology, transport electrification, renewable energy and carbon capture sectors across North America. EiSiG aims to leverage its expertise to prioritize the energy transition. As at October 31, 2021, our projects finance to Wind, Solar, Solar/ Battery and Hydro represented over $4,6B and 73,6% of our total authorized project finance portfolio.

Product enables clients to mitigate and/or adapt to climate change
Adaptation

Portfolio value (unit currency – as specified in C0.4)
4603000000

% of total portfolio value
73.6

Type of activity financed/insured or provided
Renewable energy

Product type/Asset class/Line of business

Investing	Mutual funds

Taxonomy or methodology used to classify product
Green Bond Principles (ICMA)

Description of product
In 2021, NBI improved its offering of sustainable products by adding the NBI Sustainable Canadian Corporate Bond exchange-traded fund (ETF) to its range of ETFs, which already included three products linked to sustainable development. To give its clients greater access to sustainable development strategies, in June 2021, NBI made certain ETFs available as part of a mutual fund structure.
Three funds were added to the sustainable products offering:
› NBI Sustainable Canadian Bond Fund
› NBI Sustainable Canadian Equity Fund
› NBI Sustainable Global Equity Fund
These ETFs invest in securities aligned with one or more of the United Nations Sustainable Development Goals, in particular SDG 7 — Affordable and clean energy and SDG 13 – Climate action.

Our fixed income products use the ICMA Green, Social and Sustainable Bond Principles. Our equity products assess revenu alignment with SDG.
NBI sustainable ETFs represent 1,26% of its total portfolio value.

Product enables clients to mitigate and/or adapt to climate change
Mitigation
Adaptation

Portfolio value (unit currency – as specified in C0.4)
921908720

% of total portfolio value
1.26

Type of activity financed/insured or provided
Green buildings and equipment
Low-emission transport
Renewable energy
Emerging climate technology, please specify (As an example, we help finance multiple wind farm projects accross different geographies. For example, Comber Wind Financial is the financing vehicle of a sepcial-purpose entity that owns and operates the 165.6 MW Comber East wind farm in Ontario.)
Nature-based solutions
Sustainable agriculture
Paperless/digital service

C5. Emissions methodology

C5.1

(C5.1) Is this your first year of reporting emissions data to CDP?

No

C5.1a

(C5.1a) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

Row 1

Has there been a structural change?

Yes, an acquisition

Name of organization(s) acquired, divested from, or merged with

Credigy Ltd.

Details of structural change(s), including completion dates

The National Bank of Canada acquired 100% shareholder ownership of the subsidiary Credigy Ltd. in December 2020, with operational control of the activities.

C5.1b

(C5.1b) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

	Change(s) in methodology, boundary, and/or reporting year definition?	Details of methodology, boundary, and/or reporting year definition change(s)
Row 1	Yes, a change in methodology Yes, a change in boundary	Change in methodology: The methodology for extrapolating energy consumption (natural gas, electricity, and steam) of sites in Canada, the United States, and Europe, that do not have energy meters, was revised this year. For FY 2021, ABA Bank's data were based on actual energy use rather than estimates, since the activities of this subsidiary were fully integrated in September 2019. Data for previous years (2019 and 2020) have been adjusted accordingly and are higher than the original estimates. The main change involves absolute measurements of indirect emissions (Scope 2). Data based on ABA Bank's actual energy use will now be included when calculating the Bank's carbon footprint. Previously, the emissions for business travel (Scope 3, category 6) have been calculated with information about employee business travel entered according to the year of expense reimbursement instead of the year of travel. The change in methodology reflects the dates on which the business travel occurred. Moreover, the methodology for collecting data on distances traveled with personal vehicles by employees changed from dollar expenses (extracted from credit card records) to the exact number of miles driven. Although there was no actual change in methodology, the emissions factors have been updated this year with the most recent published data from the National Inventory Report (NIR) and Ecoinvent database. Change in boundary: The National Bank of Canada acquired 100% shareholder ownership of the subsidiary Credigy Ltd. in December 2020, with operational control of the activities. The emissions related to energy consumption (Scope 2) of the subsidiary represent a 3% increase of the total gross Scope 1+2 emissions reported by the National Bank of Canada.

C5.1c

(C5.1c) Have your organization's base year emissions been recalculated as result of the changes or errors reported in C5.1a and C5.1b?

	Base year recalculation	Base year emissions recalculation policy, including significance threshold
Row 1	Yes	National Bank of Canada's base year emissions (2019) have been recalculated to reflect changes that exceeded the organization's current materiality threshold, i.e. any increase representing more than five percent (5%) of the National Bank of Canada's corporate GHG footprint. The corporate GHG footprint of the National Bank of Canada, which is associated with its 25% reduction target, includes scope 1 and 2 emissions as well as scope 3 emissions associated with the purchase of paper in Canada and employee business travel. The organization's significance threshold is likely to be revised in the upcoming years, based on the quantitative and qualitative impact that the changes identified could have on the materiality of the National Bank of Canada. The base year emissions have been recalculated as the National Bank of Canada became a 100% shareholder in September 2019 of the subsidiary ABA Bank in Cambodia, and due to the availability of new primary data for the activities of the subsidiary. The base year emissions have also been recalculated to reflect this year's new methodology for extrapolating energy consumption (natural gas, electricity, and steam) of sites in Canada, the United States, and Europe, that do not have energy meters.

C5.2

(C5.2) Provide your base year and base year emissions.

Scope 1

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
2882

Comment

Scope 2 (location-based)

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
11256

Comment

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 1: Purchased goods and services

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
38572

Comment

Scope 3 category 2: Capital goods

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
7346

Comment

Scope 3 category 4: Upstream transportation and distribution

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
300

Comment

Scope 3 category 5: Waste generated in operations

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
38

Comment

Scope 3 category 6: Business travel

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
5546

Comment

Scope 3 category 7: Employee commuting

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
15387

Comment

Scope 3 category 8: Upstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 9: Downstream transportation and distribution

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 10: Processing of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 11: Use of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 12: End of life treatment of sold products

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 13: Downstream leased assets

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 14: Franchises

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3 category 15: Investments

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Note for Financial Services companies: the following row does not apply "Scope 3 category 15: Investments

Scope 3: Other (upstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

Scope 3: Other (downstream)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment

C5.3

(C5.3) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

The Greenhouse Gas Protocol: Scope 2 Guidance

C6. Emissions data

C6.1

(C6.1) What were your organization’s gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
2478

Start date
November 1 2020

End date
October 31 2021

Comment
Two methods are used to estimate the energy used for 121 sites without dedicated meters, along with 18 corporative sites (Montréal, Toronto and International).

The first method uses the entirety of metered sites (401 sites) in an Excel Spreadsheet, where a filter can be applied by province, and calculates the average total consumption per area (kWh/m2). A distinction is made between sites with a single source of energy (electric) and for both types of energy (electric and gas). Where two sources are metered, a proportion of each type of energy is established using the average consumption for all sites. These coefficients were then used to multiply the unmetered sites by their area in m2. For each province, the sites where the average consumption was higher than 500 kWh/ m2 and lower than 100 kWh/ m2 were taken out of the average, to reduce the margin of error.

The second method, used for Corporate sites and International locations, uses a coefficient of total average consumption (kWh/m2) established by various firms (Energy Start Portfolio, International Energy Efficiency, etc) to multiply the area of each site, assuming only electricity is consumed. Montreal and Toronto used a more precise approach since some energy bills were made available by the landlords. Through analysis, it was identified that large buildings in both locations use on average 75% electricity, and 25% auxiliary energy source (gas or steam). These proportions were multiplied by the area and the aforementioned coefficients to calculate the total energy consumption per source. Steam sites are listed on the CCUM website, others were assumed to be using gas.

Past year 1

Gross global Scope 1 emissions (metric tons CO2e)
2569

Start date
November 1 2019

End date
October 31 2020

Comment
The Scope 1 emissions for the reporting year 2020 have been recalculated due to the successful completion of the major structural change of the National Bank of Canada in acquiring ABA Bank in Cambodia. This year, all necessary and updated information on the non-renewable fossil fuel consumption of each site in Cambodia was provided, resulting in the recalculation of Scope 1 emissions.

In addition, the surface area and method for extrapolating natural gas consumption were revised. To maintain consistency and allow comparison of the Bank’s GHG emissions since 2019, this same surface area and calculation methods have been applied to the 2019 and 2020

Past year 2

Gross global Scope 1 emissions (metric tons CO2e)
2882

Start date
November 1 2018

End date
October 31 2019

Comment
The emissions reported for the "Past year 2" represent the base year emissions of the BNC's corporate GHG footprint.

The Scope 1 emissions for the reporting year 2019 have been recalculated due to the successful completion of the major structural change of the National Bank of Canada in acquiring ABA Bank in Cambodia. This year, all necessary and updated information on the non-renewable fossil fuel consumption of each site in Cambodia was provided, resulting in the recalculation of Scope 1 emissions.

In addition, the surface area and method for extrapolating natural gas consumption were revised. To maintain consistency and allow comparison of the Bank’s GHG emissions since 2019, this same surface area and calculation methods have been applied to the 2019 and 2020

C6.2

(C6.2) Describe your organization’s approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are reporting a Scope 2, location-based figure

Scope 2, market-based
We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization’s gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based
9846

Scope 2, market-based (if applicable)
<Not Applicable>

Start date
November 1 2020

End date
October 31 2021

Comment
Two methods are used to estimate the energy used for 121 sites without dedicated meters, along with 18 corporative sites (Montréal, Toronto and International).

The first method uses the entirety of metered sites (401 sites) in an Excel Spreadsheet, where a filter can be applied by province, and calculates the average total consumption per area (kWh/m2). A distinction is made between sites with a single source of energy (electric) and for both types of energy (electric and gas). Where two sources are metered, a proportion of each type of energy is established using the average consumption for all sites. These coefficients were then used to multiply the unmetered sites by their area in m2. For each province, the sites where the average consumption was higher than 500 kWh/ m2 and lower than 100 kWh/ m2 were taken out of the average, to reduce the margin of error.

The second method, used for Corporate sites and International locations, uses a coefficient of total average consumption (kWh/m2) established by various firms (Energy Start Portfolio, International Energy Efficiency, etc) to multiply the area of each site, assuming only electricity is consumed. Montreal and Toronto used a more precise approach since some energy bills were made available by the landlords. Through analysis, it was identified that large buildings in both locations use on average 75% electricity, and 25% auxiliary energy source (gas or steam). These proportions were multiplied by the area and the aforementioned coefficients to calculate the total energy consumption per source. Steam sites are listed on the CCUM website, others were assumed to be using gas.

Past year 1

Scope 2, location-based
10903

Scope 2, market-based (if applicable)
<Not Applicable>

Start date
November 1 2019

End date
October 31 2020

Comment
The Scope 2 emissions for the reporting year 2020 have been recalculated due to the successful completion of the major structural change of the National Bank of Canada in acquiring ABA Bank in Cambodia. Previously reported emissions of the Cambodian subsidiaries had been extrapolated based on residential statistical averages which were not representative of electricity use at commercial sites. This year, all necessary and updated information on the energy consumption of each site in Cambodia was provided, resulting in the recalculation of Scope 2 emissions.

In addition, the surface area and method for extrapolating electricity consumption were revised. To maintain consistency and allow comparison of the bank’s GHG emissions since 2019, this same surface area and calculation methods have been applied to 2019 and 2020.

Past year 2

Scope 2, location-based
11256

Scope 2, market-based (if applicable)
<Not Applicable>

Start date
November 1 2018

End date
October 31 2019

Comment
The emissions reported for the "Past year 2" represent the base year emissions of the BNC's corporate GHG footprint.

The Scope 2 emissions for the reporting year 2019 have been recalculated due to the successful completion of the major structural change of the National Bank of Canada in acquiring ABA Bank in Cambodia. Previously reported emissions of the Cambodian subsidiaries had been extrapolated based on residential statistical averages which was not representative for electricity use at commercial sites. This year, all necessary and updated information of the energy consumption of each site in Cambodia was provided, resulting in the recalculation of Scope 2 emissions.

In addition, the surface area and method for extrapolating electricity consumption revised this year. To maintain consistency and allow comparison of the bank’s GHG emissions since 2019, this same surface area and calculation methods have been applied to the 2019 and 2020.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?
No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
35623

Emissions calculation methodology
Average data method
Spend-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
The National Bank of Canada (NBC) used the Corporate value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol to calculate its Scope 3 emissions. The emissions covered in this category are associated with purchased paper, IT equipment, furniture, administrative services, and telecommunication services. Except for paper, data on purchases were provided in terms of spending ($CAD) for the reported year. An economic input-output life-cycle assessment database (EIOLCA) was used to convert each dollar spent into kg of CO2 equivalent. In addition, inflation data and currency conversions were applied to convert the market values from the input-output database to the reported value for the years 2020 and 2021. To calculate the emissions related to paper consumption, the total weight of office paper purchased during the reporting year was multiplied by an emission factor (per kilogram of paper) provided in the LCA study on fine papers (Groupe AGECO, 2015). For the reporting year, emission factors for each type of purchased goods and services (i.e., kg CO2e per $ spent) were updated with IPCC's 5th Assessment Report Global Warming Potential factors.

Capital goods

Evaluation status
Relevant, not yet calculated

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
The National Bank of Canada does not have a formalized process yet to collect information to report on GHG emissions associated with capital goods.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
6425

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
The National Bank of Canada (NBC) used the Corporate value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol to calculate its Scope 3 emissions. The total quantities of electricity and fuel consumed in all operating spaces of the National Bank of Canada were used as activity data. The most recent and complete emission factors related to upstream electricity emissions (per kilowatt-hour) were taken from the latest National Inventory Reports (Environment and Climate Change Canada, US EPA, etc.). The emission factors for the upstream processes related to the production of other fuels (natural gas per cubic meter, light fuel oil per kilogram) were taken from the Canadian National Inventory Report (Environment and Climate Change Canada, 2021). The emission factors were updated with IPCC's 5th Assessment Report Global Warming Potential factors.

Upstream transportation and distribution

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
2582

Emissions calculation methodology
Spend-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
The National Bank of Canada (NBC) used the Corporate value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol to calculate its Scope 3 emissions. Upstream transportation and distribution emissions inventory were calculated based on total expenses for messengers, couriers and postal services in Canada. The emission factors were taken from the EIOLCA database (an economic input-output database providing emissions per dollar spent). These factors were converted from US currency to Canadian currency and inflation data were applied to convert the market values from the input-output database to the reported value for the years 2020 and 2021. The emission factors were updated with IPCC’s 5th Assessment Report Global Warming Potential factors.

Waste generated in operations

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
8

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
The National Bank of Canada (NBC) used the Corporate value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol to calculate its Scope 3 emissions. The activity variable for the total waste generated in operations is the total weight of paper waste generated by the National Bank corporate sites and branch network. Only the transportation of the paper waste to the end-of-life treatment facilities was considered. The data on paper waste has been provided by a third-party company that handles the paper waste of NBC’s network in Canada. The emission factor for transportation (tonnes per km) was taken from the Ecoinvent database v.3.7 (2021) and updated with IPCC’s 5th Assessment Report Global Warming Potential factors.

Business travel

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
1491

Emissions calculation methodology
Spend-based method
Distance-based method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
The National Bank of Canada (NBC) used the Corporate value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol to calculate its Scope 3 emissions. Emissions for the business travel category are calculated based on total expenses reported by Canadian employees for business travel by bus, taxi and rental car. For plane, personal car and train business travels, the exact distances travelled are used. Since this year, emissions from travel are calculated and tracked on a quarterly basis and reviewed by a third party. For air travel, GHG emissions were calculated, applying the appropriate emission factor for each trip (short trip <= 1108 km, long trip > 1108 km). Expense data on car rentals, bus travel and taxis was compiled from the expenses recorded in the corporate credit card files. For the business travels in Cambodia, the total kilometers traveled by rental cars have been added. Emission factors for each mode of transportation (per ton-kilometer) were taken from the GHG Protocol Emission Factors for Cross-Sector Tools (2017). The emission factors were updated with IPCC’s 5th Assessment Report Global Warming Potential factors.

Employee commuting

Evaluation status
Relevant, calculated

Emissions in reporting year (metric tons CO2e)
4309

Emissions calculation methodology
Average data method

Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

Please explain
The National Bank of Canada (NBC) used the Corporate value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol to calculate its Scope 3 emissions. Emissions were calculated from data provided by the NBC using the number of part-time and full-time employees per Canadian province and outside of Canada, as well as the average number of working days in Canada. For Canadian employee commuting, national statistics from Statistics Canada and US Census Bureau (2017) were used to estimate the total distance traveled by employees and the percentages of the type of transportation mode used by employees. For travel distances in Canada, average travel minutes by province were used to extrapolate the average travel distance in kilometers from the reported Canadian average. For employees outside of Canada, were calculated using secondary data on percentages per mode of transportation, time and distances traveled (McKensie B., 2015; Rapino. M. A. and Fields A.K, 2012, Japan International Cooperation Agency, 2014).The number of trips throughout the year was adjusted for COVID-19, assuming that full-time employees teleworked an average of 80% of their time (percentage communicated by the internal department of NBC). Emission factors for each mode of transportation (per ton-kilometer) were taken from the GHG Protocol Emission Factors for Cross-Sector Tools (2017). The emission factors were updated with IPCC's 5th Assessment Report Global Warming Potential factors.

Upstream leased assets

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
Leased assets are accounted in Scope 1 and Scope 2 as the operational control has been selected to perform the GHG emissions calculations.

Downstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
National Bank of Canada does not sell physical products. Therefore, downstream transportation and distribution is not relevant to the Bank's operations.

Processing of sold products

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
National Bank of Canada does not sell physical products. Therefore, the processing of sold products is not relevant to the Bank's operations.

Use of sold products

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
National Bank of Canada does not sell physical products. Therefore, the use of sold products is not relevant to the Bank's operations.

End of life treatment of sold products

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
National Bank of Canada does not sell physical products. Therefore, the end-of-life treatment of sold products is not relevant to the Bank's operations.

Downstream leased assets

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
The spaces owned by the National Bank of Canada and leased to other entities is accounted for in Scope 1 and Scope 2 emissions as they are often shared with the Bank and are considered negligible.

Franchises

Evaluation status
Not relevant, explanation provided

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
National Bank of Canada does not have franchises.

Other (upstream)

Evaluation status
Not evaluated

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

Other (downstream)

Evaluation status
Not evaluated

Emissions in reporting year (metric tons CO2e)
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain

C6.5a

(C6.5a) Disclose or restate your Scope 3 emissions data for previous years.

Past year 1

Start date
November 1 2019

End date
October 31 2020

Scope 3: Purchased goods and services (metric tons CO2e)
34487

Scope 3: Capital goods (metric tons CO2e)

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)
6938

Scope 3: Upstream transportation and distribution (metric tons CO2e)
2147

Scope 3: Waste generated in operations (metric tons CO2e)
17

Scope 3: Business travel (metric tons CO2e)
2784

Scope 3: Employee commuting (metric tons CO2e)
7785

Scope 3: Upstream leased assets (metric tons CO2e)

Scope 3: Downstream transportation and distribution (metric tons CO2e)

Scope 3: Processing of sold products (metric tons CO2e)

Scope 3: Use of sold products (metric tons CO2e)

Scope 3: End of life treatment of sold products (metric tons CO2e)

Scope 3: Downstream leased assets (metric tons CO2e)

Scope 3: Franchises (metric tons CO2e)

Scope 3: Investments (metric tons CO2e)
<Not Applicable>

Scope 3: Other (upstream) (metric tons CO2e)

Scope 3: Other (downstream) (metric tons CO2e)

Comment

Past year 2

Start date
November 1 2018

End date
October 31 2019

Scope 3: Purchased goods and services (metric tons CO2e)
38572

Scope 3: Capital goods (metric tons CO2e)

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)
7346

Scope 3: Upstream transportation and distribution (metric tons CO2e)
300

Scope 3: Waste generated in operations (metric tons CO2e)
38

Scope 3: Business travel (metric tons CO2e)
5546

Scope 3: Employee commuting (metric tons CO2e)
15388

Scope 3: Upstream leased assets (metric tons CO2e)

Scope 3: Downstream transportation and distribution (metric tons CO2e)

Scope 3: Processing of sold products (metric tons CO2e)

Scope 3: Use of sold products (metric tons CO2e)

Scope 3: End of life treatment of sold products (metric tons CO2e)

Scope 3: Downstream leased assets (metric tons CO2e)

Scope 3: Franchises (metric tons CO2e)

Scope 3: Investments (metric tons CO2e)
<Not Applicable>

Scope 3: Other (upstream) (metric tons CO2e)

Scope 3: Other (downstream) (metric tons CO2e)

Comment

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
0.47

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
12324

Metric denominator
full time equivalent (FTE) employee

Metric denominator: Unit total
25966

Scope 2 figure used
Location-based

% change from previous year
15

Direction of change
Decreased

Reason for change
This decrease appears to be due to atypical closures and schedules caused by the COVID-19 pandemic. In addition, a decrease in the intensity figure can be observed due to an increase in the number of employees compared to the previous reporting year (+8%). Note that since the last year's scope 1 and 2 figures have been recalculated (see C6.1 for details), the % of change from the previous year reflects those recalculated figures.

Intensity figure
0.000001381

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
12324

Metric denominator
unit total revenue

Metric denominator: Unit total
8927000000

Scope 2 figure used
Location-based

% change from previous year
19

Direction of change
Decreased

Reason for change
This decrease appears to be due to atypical closures and schedules caused by the COVID-19 pandemic. In addition, a decrease in the intensity figure can be observed due to an increase in revenues compared to the previous reporting year (+13%). Note that since the last year's scope 1 and 2 figures have been recalculated (see C6.1 for details), the % of change from the previous year reflects those recalculated figures.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?
Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption		<Not Applicable>		
Other emissions reduction activities	148	Decreased	6.6	Non-renewable resource use (Scope 1): the decrease in emissions is related to a 15% reduction in natural gas consumption since 2019, mainly in Quebec, and the elimination (since 2019) of fuel oil consumption at 5 sites in Canada. A decrease in non-renewable resource use is explained by service disruptions and temporary closures of some sites due to the Covid-19 Pandemic.
Divestment		<Not Applicable>		
Acquisitions	428	Increased	3.5	NBC became the sole shareholder of Credigy Ltd. in December 2020. The emissions associated with the organization's electricity consumption have been integrated for the first time in the 2021 emissions report.
Mergers		<Not Applicable>		
Change in output	1079	Decreased	11	This decrease of 11% in emissions in comparison to last year appears to be due to atypical closures and schedules caused by the COVID-19 pandemic.
Change in methodology		<Not Applicable>		
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified		<Not Applicable>		
Other		<Not Applicable>		

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	No
Consumption of purchased or acquired steam	Yes
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	10784	10784
Consumption of purchased or acquired electricity	<Not Applicable>	78721	18080	96801
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	0	4831	4831
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	78721	33696	112417

C8.2g

(C8.2g) Provide a breakdown of your non-fuel energy consumption by country.

Country/area
Cambodia

Consumption of electricity (MWh)
11255

Consumption of heat, steam, and cooling (MWh)
0

Total non-fuel energy consumption (MWh) [Auto-calculated]
11255

Is this consumption excluded from your RE100 commitment?
<Not Applicable>

Country/area
Canada

Consumption of electricity (MWh)
83749

Consumption of heat, steam, and cooling (MWh)
13806

Total non-fuel energy consumption (MWh) [Auto-calculated]
97555

Is this consumption excluded from your RE100 commitment?
<Not Applicable>

Country/area
France

Consumption of electricity (MWh)
33

Consumption of heat, steam, and cooling (MWh)
0

Total non-fuel energy consumption (MWh) [Auto-calculated]
33

Is this consumption excluded from your RE100 commitment?
<Not Applicable>

Country/area
Ireland

Consumption of electricity (MWh)
168

Consumption of heat, steam, and cooling (MWh)
0

Total non-fuel energy consumption (MWh) [Auto-calculated]
168

Is this consumption excluded from your RE100 commitment?
<Not Applicable>

Country/area
Malta

Consumption of electricity (MWh)
3

Consumption of heat, steam, and cooling (MWh)
0

Total non-fuel energy consumption (MWh) [Auto-calculated]
3

Is this consumption excluded from your RE100 commitment?
<Not Applicable>

Country/area
United States of America

Consumption of electricity (MWh)
1593

Consumption of heat, steam, and cooling (MWh)
0

Total non-fuel energy consumption (MWh) [Auto-calculated]
1593

Is this consumption excluded from your RE100 commitment?
<Not Applicable>

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

Description
Energy usage

Metric value
70

Metric numerator
% of renewable energy consumption

Metric denominator (intensity metric only)
% of energy consumption

% change from previous year
0

Direction of change
No change

Please explain
National Bank of Canada measure each year its energy consumption and the proportion of renewable energy consumed for its operations.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	No third-party verification or assurance
Scope 2 (location-based or market-based)	No third-party verification or assurance
Scope 3	No third-party verification or assurance

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?
No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase
Credit purchase

Project type
Forests

Project identification
To offset its 2021 emissions and ensure carbon neutrality, the Bank purchased Verified Carbon Units (VCUs) from the Nature Conservancy of Canada as part of the Darkwoods Forest Carbon Project, one of the largest carbon projects in North America.

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
16000

Number of credits (metric tonnes CO2e): Risk adjusted volume
16000

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Other, please specify (Invest in climate-related actions of Quebec small and medium enterprises (energy consumption and waste management))

Project identification
To offset its 2021 emissions and ensure carbon neutrality, the Bank purchased Verified Carbon Units (VCUs) from Will Solutions, a B Corp certified company that adheres to the principles of a sharing economy to monetize the climate-related actions of Quebec SMEs to benefit community projects.

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
16000

Number of credits (metric tonnes CO2e): Risk adjusted volume
16000

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, and we do not currently anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers
Yes, our customers/clients
Yes, other partners in the value chain

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement
Innovation & collaboration (changing markets)

Details of engagement
Run a campaign to encourage innovation to reduce climate impacts on products and services
Other, please specify (Responsible Sourcing Program)

% of suppliers by number
0.08

% total procurement spend (direct and indirect)

% of supplier-related Scope 3 emissions as reported in C6.5
9

Rationale for the coverage of your engagement
The Bank's eco-friendly practices are reflected in the features of its buildings. It has rolled out standards inspired by Leadership in Energy and Environmental Design (LEED) assessment system criteria, which are automatically applied to the Bank's projects. The Bank has obtained a number of LEED certifications for its buildings in recent years and aims for LEED v4 Gold certification for its new head office to be completed in 2023 (which construction started in 2018). Suppliers of building materials and utilities represent the majority of the Bank's suppliers and have therefore the potential to significantly contribute to the Bank's GHG emissions reduction target.

The Bank is working with a consulting firm to put together a Responsible Sourcing Program. A detailed action plan was put in place and is being implemented:
• A diagnostic of our practices was performed indicating the areas that need to be developed and actions that need to be put in place.
• A network of Promoters (Ambassadors) was put in place, and we have started the process of informing and training them in the understanding of the concept of Responsible Sourcing and how to apply it to the purchasing processes. This ramp-up is on-going.
• We are in the process of identifying business unit and categories of suppliers to conduct a responsible sourcing pilot for new products or services contracts.
• We are continuing to work on implementing our supplier code of conduct with suppliers taking part in RFPs and with certain suppliers whom we are negotiating new contracts. The current code of conduct is under review to better define our expectations.

Impact of engagement, including measures of success
In regard to the construction of the new head office, the majority of suppliers are engaged with WELL and LEED certification. These certifications promote best practices in terms of environmental performance and include climate-related criteria which push the building and construction sector to provide more energy- and resource-efficient solutions. Moreover, the impact of this engagement goes beyond the Bank's suppliers. In fact, 39% (10,500/26,617) of employees will occupy the new head office. The number of customers of the branch located in the same building is estimated at 10,000.

Comment
Considering that the improvement of building features mainly influences fuel- and energy-related activities in the Bank's buildings, it is estimated that approximately 9% of supplier-related Scope 3 emissions are covered by this engagement. 0.08% represents the number of LEED certified suppliers for the interior design of the Bank's new head office on the total number of suppliers. As at July 2022, 100% of the suppliers with a contract for the interior design of the head office are LEED certified.

Type of engagement
Information collection (understanding supplier behavior)

Details of engagement
Other, please specify (Collect information on our suppliers' ESG practices)

% of suppliers by number
20

% total procurement spend (direct and indirect)
45

% of supplier-related Scope 3 emissions as reported in C6.5

Rationale for the coverage of your engagement
As part of its efforts to implement a responsible sourcing strategy, the Bank sent questionnaires in April 2021 to suppliers to learn more about their environmental, social and governance practices. These suppliers were selected based on their degree of importance. They represent 20% of the total number of suppliers and 45% of our expenses. Environmental and social criteria have also been incorporated into the registration questionnaire for new suppliers.

Impact of engagement, including measures of success
The responses will allow us to better understand how our suppliers integrate climate and social risk management into their operations. In addition, we will be able to identify opportunities, such as partnerships, to reduce the negative impacts that the Bank and its suppliers have on the environment. The data collected will be used to develop an action plan with recommendations for existing suppliers.

Comment

C-FS12.1b

(C-FS12.1b) Give details of your climate-related engagement strategy with your clients.

Type of clients
Customers/clients of Banks

Type of engagement
Engagement & incentivization (changing client behavior)

Details of engagement
Run an engagement campaign to educate clients about climate change
Included climate change considerations in client management mechanism

% client-related Scope 3 emissions as reported in C-FS14.1a

Portfolio coverage (total or outstanding)
100

Rationale for the coverage of your engagement
Non-targeted engagement

Impact of engagement, including measures of success
1) We started engaging on ESG related risks and opportunities with our Corporate Banking clients (27% of outstanding loans of our total wholesale portfolio). We continued to integrate ESG factors into our processes, in line with our TCFD roadmap and the UN Principles for Responsible Banking. This integration involves carrying out due diligence as part of our credit origination processes, starting with the Corporate Banking portfolio. For this client segment, the ESG risk analysis framework allowed to collect data on carbon footprints and assess climate risks (transition and physical) based on the industry sector and the ratings assigned by ESG rating agencies. Many other criteria were also considered (e.g. waste management practices, labour standards, corporate governance and human rights policies). 2) We aim at growing the portfolio of loans related to renewable energy at a faster pace than the portfolio of loans related to non-renewable energy to better meet the evolving needs of our clients. Since January 31, 2019, the portfolio of loans related to renewable energy grew by 11%, while the portfolio of loans related to non-renewable energy decreased by 38%. In 2021, we created the Energy & Infrastructure Sustainability Impact Group (EiSiG), which coordinates the energy transition expertise of our Energy, Power, Utilities, Infrastructure and Clean Technology verticals. Over the last several years, National Bank Financial Markets has become a recognized leader in offering financing, merger and acquisition and risk management solutions for the clean technology, transport electrification, renewable energy and carbon capture sectors across North America. For example, in 2021, NBFM ranked as the third largest lender in the renewable energy sector across North America, with nearly $1.6 billion (USD) disbursed (Source : Inframation 2021 League Tables).

Type of clients
Customers/clients of Banks

Type of engagement
Engagement & incentivization (changing client behavior)

Details of engagement
Run an engagement campaign to educate clients about the climate change impacts of (using) your products, goods, and/or services
Run a campaign to encourage innovation to reduce climate change impacts
Included climate change considerations in client management mechanism

% client-related Scope 3 emissions as reported in C-FS14.1a

Portfolio coverage (total or outstanding)
100

Rationale for the coverage of your engagement
Non-targeted engagement

Impact of engagement, including measures of success
To support our business clients in achieving their own ESG targets, the Bank offers a range of financing solutions that include green loans, sustainable loans, transition loans and loans linked to environmental, social and governance criteria. The latter type of loan is increasingly associated with the transition to renewable energy and the fight against climate change, since the interest rate paid to the borrowing company is linked to its achievement of sustainable development goals. Borrowers can benefit from rate discounts when financing projects that will have a positive impact on sustainable development. This type of loan is mainly intended for businesses that have integrated ESG criteria and targets into their strategy. As at October 31, 2021, the volume of authorized sustainability-linked loans was $2.7 billion.

Type of clients
Clients of Asset Managers (Asset owners)

Type of engagement
Collaboration & innovation

Details of engagement
Run an engagement campaign to educate clients about climate change

% client-related Scope 3 emissions as reported in C-FS14.1a

Portfolio coverage (total or outstanding)

Rationale for the coverage of your engagement
Please select

Impact of engagement, including measures of success
The myWEALTH — Unified sustainable investment portfolios were created to provide wealth management advisors at National Bank Financial with turnkey solutions that reflect the values of clients who care about sustainable development. We have therefore selected managers with recognized expertise in integrating the UN Sustainable Development Goals into their security selection and their investment process. These portfolios are designed to provide solid returns while achieving high levels of sustainability. They now serve 800 unique new clients, for a total of $68 million in assets invested since December 1, 2020.

National Bank Investments publicly offers documents, webinars and podcasts on responsible investments, and the integration of ESG criteria to all of its clients.

Type of clients
Customers/clients of Banks

Type of engagement
Other, please specify (Encourage clients to take action to reduce GHG emissions)

Details of engagement
Run an engagement campaign to educate clients about climate change

% client-related Scope 3 emissions as reported in C-FS14.1a

Portfolio coverage (total or outstanding)
100

Rationale for the coverage of your engagement

Non-targeted engagement

Impact of engagement, including measures of success

Credit card holders have the opportunity to redeem their reward program points to purchase two CO2 offset units through Coop Carbone. By purchasing these two units, Coop Carbone purchases and withdraws CO2 offset units from the carbon market, having 3 direct impacts: • Removing two tons of CO2 from the carbon market, essentially forcing big polluters to either reduce their emissions or invest in other carbon-reducing initiatives. • Funding the Coop Carbone's own carbon-reducing initiative, such as agricultural renewable natural gas and sustainable mobility programs. • Helping fund Quebec's Electrification and Climate Change Fund, which provides the resources needed to implement Quebec's provincial climate change plan. Note: 1 CO2 offset unit = 1 ton of CO2 equivalent. Coop Carbone is a non-profit cooperative, whose mission is to contribute to the fight against climate change by supporting the implementation of greenhouse gas-reducing collaborative projects. In 2021, 35 purchases were made which resulted in the withdrawal of CO2 offset units from the carbon market, equivalent to 70 tons of CO2.

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

We support our employee in their energy transition with a public transportation reimbursement up to $500 offered to each regular full-time or part-time employee of the Bank.

Eligible fees are monthly or annual susbcriptions at the regular rate:

- Bus / Coach / Subway / Tram / Commuter train
- Bixi / Scooter (or any other similar form of transportation across Canada)
- Carpooling with a monthly subscription (e.g. Netlift, ridesharing.ca or any other similar company across Canada)
- Paratransit
- Bicycle parking fees

The amount paid by the Bank as at July 8, 2022 was $231,000.

C-FS12.2

(C-FS12.2) Does your organization exercise voting rights as a shareholder on climate-related issues?

	Exercise voting rights as a shareholder on climate-related issues	Primary reason for not exercising voting rights as a shareholder on climate-related issues	Explain why you do not exercise voting rights on climate-related issues
Row 1	Yes	<Not Applicable>	<Not Applicable>

C-FS12.2a

(C-FS12.2a) Provide details of your shareholder voting record on climate-related issues.

Method used to exercise your voting rights as a shareholder

Exercise voting rights through an external service provider

How do you ensure your shareholder voting rights are exercised in line with your overall climate strategy?

Vote tracking

Review external service provider's climate-related policies

Percentage of voting disclosed across portfolio

100

Climate-related issues supported in shareholder resolutions

Climate transition plans

Climate-related disclosures

Emissions reduction targets

Board oversight of climate-related issues

Do you publicly disclose the rationale behind your voting on climate-related issues?

<Not Applicable>

C12.3

(C12.3) Does your organization engage in activities that could either directly or indirectly influence policy, law, or regulation that may impact the climate?

Row 1

Direct or indirect engagement that could influence policy, law, or regulation that may impact the climate
Yes, we engage directly with policy makers
Yes, we engage indirectly through trade associations
Yes, we engage indirectly by funding other organizations whose activities may influence policy, law, or regulation that may significantly impact the climate

Does your organization have a public commitment or position statement to conduct your engagement activities in line with the goals of the Paris Agreement?
Yes

Attach commitment or position statement(s)
Please see our Climate Strategy (page 10) and the "Working together to build a sustainable future" (page 13) sections of our 2021 TCFD Report.
nbc-2021-tcfd-report.pdf

Describe the process(es) your organization has in place to ensure that your engagement activities are consistent with your overall climate change strategy
In line with our ESG strategy, the Bank puts in place different initiatives to reduce its negative impact on the environment, including climate-related impacts. These initiatives are consistent with the Bank's involvement in different activities that could directly or indirectly influence public policy. The Bank collaborates with various groups as a signatory of the UN PRB, to align strategies with the UN SDGs and the objectives of the Paris Agreement. In order to support the energy transition, the Bank works with peers to advance methodology and improve the quality of climate data through the PCAF. The Bank also supports the Canadian Bankers Association in the following activities: › Public consultations with the regulatory agencies for various industries › Climate scenario analysis › Integrating climate-related concepts into risk management › Monitoring key developments and best practices › Standardizing calculation methodologies › Peer-to-peer comparison exercises.

Primary reason for not engaging in activities that could directly or indirectly influence policy, law, or regulation that may impact the climate
<Not Applicable>

Explain why your organization does not engage in activities that could directly or indirectly influence policy, law, or regulation that may impact the climate
<Not Applicable>

C12.3a

(C12.3a) On what policy, law, or regulation that may impact the climate has your organization been engaging directly with policy makers in the reporting year?

Focus of policy, law, or regulation that may impact the climate
Other, please specify (Canadian Bankers Association (CBA): public consultations on climate-related financial disclosures)

Specify the policy, law, or regulation on which your organization is engaging with policy makers
The Bank has engaged with the International Sustainability Standards Board (ISSB), Financial Stability Board (FSB), Securities and Exchange Commission (SEC), Office of the Superintendent of Financial Institutions (OSFI), Canadian Securities Administors (CSA) and the Basel Committee on Banking Supervision (BCBS) through the Canadian Bankers Association (CBA). The Bank submitted commentaries on draft documents and the CBA centralized the comments to put foward the position of Canadian banks. The CBA is an industry-driven organization that works to advocate for and promote banking in Canada and ensure that the sector is at the forefront of growing a sustainable economic future for Canadians. The CBA recognizes that environmental sustainability is a key part of banks' social responsibility efforts.

Policy, law, or regulation geographic coverage
Global

Country/region the policy, law, or regulation applies to
<Not Applicable>

Your organization's position on the policy, law, or regulation
Support with minor exceptions

Description of engagement with policy makers
Putting in place voluntary disclosure based on the principles for the effective management and supervision of climate-related financial risks in order to build resilience against climate-related risks and to address vulnerabilities.

Details of exceptions (if applicable) and your organization's proposed alternative approach to the policy, law or regulation

Have you evaluated whether your organization's engagement is aligned with the goals of the Paris Agreement?
Yes, we have evaluated, and it is aligned

C12.3b

(C12.3b) Provide details of the trade associations your organization engages with which are likely to take a position on any policy, law or regulation that may impact the climate.

Trade association
Other, please specify (Responsible Investment Association)

Is your organization's position on climate change consistent with theirs?
Consistent

Has your organization influenced, or is your organization attempting to influence their position?
We publicly promote their current position

State the trade association's position on climate change, explain where your organization's position differs, and how you are attempting to influence their position (if applicable)
NBI supports the RIA's position on climate change and is a signatory of their Canadian Investor Statement on Climate Change. Here is the RIA's position: https://www.riacanada.ca/investor-statement-climate-change/

Funding figure your organization provided to this trade association in the reporting year, if applicable (currency as selected in C0.4) (optional)
6898.5

Describe the aim of your organization's funding
Helping to grow and support responsible investing in Canada. Support a forum to engage with peers and industry leaders in responsible invesment. Create opportunities for collective initiatives.

Have you evaluated whether your organization's engagement with this trade association is aligned with the goals of the Paris Agreement?
Yes, we have evaluated, and it is aligned

C12.3c

(C12.3c) Provide details of the funding you provided to other organizations in the reporting year whose activities could influence policy, law, or regulation that may impact the climate.

Type of organization
Non-Governmental Organization (NGO) or charitable organization

State the organization to which you provided funding
Équiterre

Funding figure your organization provided to this organization in the reporting year (currency as selected in C0.4)
34000

Describe the aim of this funding and how it could influence policy, law or regulation that may impact the climate
The Bank partnered in the last two years with Équiterre, one of Quebec's leading environmental organizations. Équiterre's annual benefit event which took place in November 2021, chaired by the Bank, included workshops on circular economy, sustainable food and agriculture, waste reduction and sustainable transportation. The event raised close to $325,000, including $30,000 from the Bank, which will allow Équiterre to continue its work on important issues such as the fight against climate change. Équiterre is working to get all of society moving together towards systemic change and environmental solutions. This means providing resources to organizations, governments and organizations to facilitate the ecological transition.

Have you evaluated whether this funding is aligned with the goals of the Paris Agreement?
Yes, we have evaluated, and it is aligned

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
In voluntary sustainability report

Status
Complete

Attach the document
nbc-2021-tcfd-report.pdf

Page/Section reference
Whole document .

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment
2021 TCFD Report

Publication
In voluntary sustainability report

Status
Complete

Attach the document
nbc-2021-esg-resport.pdf

Page/Section reference
Please see the folowing sections of our 2021 ESG Report:
- Page 13: Our ESG Dashboard/Environment
- Pages 15-21: We Are Working to Develop a Green Economy

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment
2021 ESG Report

Publication
In mainstream reports

Status
Complete

Attach the document
2021 Annual Report extract for CDP.pdf

Page/Section reference
Please see the following pages of our 2021 Annual Report:
- Page 12: Our Accomplishments
- Pages 69-76: Risk Management Framework
- Page 107: Environmental and Social Risk

Content elements
Governance
Strategy
Risks & opportunities
Other metrics

Comment
2021 Annual report extract because the full document exceeded the size limit, even compressed. For the full version, please see the Annual Reports / Proxy Circulars / AIF section on nbc.ca: https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/relations-investisseurs/assemblee-annuelle/2022/na-2021-annual-report.pdf

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C-FS12.5

(C-FS12.5) Indicate the collaborative frameworks, initiatives and/or commitments related to environmental issues for which you are a signatory/member.

	Environmental collaborative framework, initiative and/or commitment	Describe your organization's role within each framework, initiative and/or commitment
Row 1	Net Zero Banking Alliance Partnership for Carbon Accounting Financials (PCAF) Principle for Responsible Investment (PRI) Task Force on Climate-related Financial Disclosures (TCFD) UNEP FI Principles for Responsible Banking	Voluntary disclosure on targets and progress according to the frameworks and methodologies that the Bank is a signatory of.

C14. Portfolio Impact

C-FS14.0

(C-FS14.0) For each portfolio activity, state the value of your financing and insurance of carbon-related assets in the reporting year.

Lending to all carbon-related assets

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
48845000000

New loans advanced in reporting year (unit currency – as specified in C0.4)
12940000000

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
17

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Lending to coal

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
17000000

New loans advanced in reporting year (unit currency – as specified in C0.4)
0

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
0

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Lending to oil and gas

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
7754000000

New loans advanced in reporting year (unit currency – as specified in C0.4)
1075000000

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
2.7

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Investing in all carbon-related assets (Asset manager)

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
3896000000

New loans advanced in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
5.4

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Investing in coal (Asset manager)

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
25000000

New loans advanced in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
0

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Investing in oil and gas (Asset manager)

Are you able to report a value for the carbon-related assets?
Yes

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
2844000000

New loans advanced in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
3.9

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
<Not Applicable>

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
<Not Applicable>

Investing all carbon-related assets (Asset owner)

Are you able to report a value for the carbon-related assets?
No, but we plan to assess our portfolio's exposure in the next two years

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
<Not Applicable>

New loans advanced in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
<Not Applicable>

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
Other, please specify

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
To date, we are still in the process of identifying and evaluating the most appropriate calculation methodology and database to determine carbon footprints of our whole portfolio, especially those of scope 3.

Investing in coal (Asset owner)

Are you able to report a value for the carbon-related assets?
No, but we plan to assess our portfolio's exposure in the next two years

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
<Not Applicable>

New loans advanced in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
<Not Applicable>

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
No relevant exposure in portfolio

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
To date, we are still in the process of identifying and evaluating the most appropriate calculation methodology and database to determine carbon footprints of our whole portfolio, especially those of scope 3.

However, according to our last portfolio industry analysis, we have an insignificant to no exposure to coal.

Moreover, we are committed to support the Bank's decision in not financing new thermal coal mining and processing activities.

Investing in oil and gas (Asset owner)

Are you able to report a value for the carbon-related assets?
No, but we plan to assess our portfolio's exposure in the next two years

Value of the carbon-related assets in your portfolio (unit currency – as specified in C0.4)
<Not Applicable>

New loans advanced in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Total premium written in reporting year (unit currency – as specified in C0.4)
<Not Applicable>

Percentage of portfolio value comprised of carbon-related assets in reporting year
<Not Applicable>

Primary reason for not providing a value for the financing and/or insurance to carbon-related assets
No relevant exposure in portfolio

Please explain why you are not providing a value for the financing and/or insurance to carbon-related assets and your plans for the future
To date, we are still in the process of identifying and evaluating the most appropriate calculation methodology and database to determine carbon footprints of our whole portfolio, especially those of scope 3.

However, according to our last portfolio industry analysis, we have an insignificant exposure to the oil & gas industry.

Moreover, we are committed to support the Bank's decision in not offering or granting new services related to oil and gas exploration, exploitation, or production in the Arctic.

C-FS14.1

(C-FS14.1) Does your organization measure its portfolio impact on the climate?

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Please explain why you do not measure the impact of your portfolio on the climate
Banking (Bank)	No, but we plan to do so in the next two years	<Not Applicable>	In 2021, the Bank joined the Partnership for Carbon Accounting Financial, a global partnership of financial institutions that work together to develop an approach to assess and disclose the GHG emissions resulting from their financing and investment activities. The Bank also joined the Net Zero Banking Alliance (NZBA). Further to those commitments, the Bank quantified its financed emissions and set interim net-zero targets starting with more carbon-intensive sectors. In alignment with NZBA guidelines and in order to support the Canadian energy transition, the Bank is prioritizing the O&G Producers sub-sector in calculating financed emissions, since these companies will play a key role in reducing the O&G sector's Scope 1, 2 and 3 GHG emissions. The Bank have measured its 2019 baseline in terms of the loan weighted average GHG emissions in tonnes of carbon dioxide equivalent (tCO2e) and energy production in terajoules (TJ) for each company in its portfolio as at October 31, 2019. This baseline has been used to set interim targets for Scope 1, 2 and 3 financed GHG emissions. This metric and target reflect the Bank's commitment to supporting clients in their energy transition and decarbonization strategies. 2019 absolute financed emissions (Oil & Gas - producers) Scope 1-2: 1.2 MtCO2e Scope 3: 7.3MtCO2e Going forward, the bank will expand the mesurement of its GHG's financed emissions coverage. Transparency related to our commitments will also be provided through the annual TCFD disclosure, as well as through updates on the progress being made in terms of metrics and targets for the Bank's financed emissions.
Investing (Asset manager)	No, but we plan to do so in the next two years	<Not Applicable>	We are currently assessing third party data providers to measure our portfolio's impact on climate.
Investing (Asset owner)	No, but we plan to do so in the next two years	<Not Applicable>	While we incorporate ESG criteria into our investment decisions, we are currently in the process of implementing new tools and analytical grids along with more robust documentation that will enable us to fully assess our entire portfolio and track our progress, including our impact on the climate. To date, we are still identifying and evaluating the most appropriate calculation methodology and database to determine carbon footprints of our whole portfolio, especially those of scope 3. In addition, in order to contribute to the evolution of ESG, including climate-related risks, we are exploring the possibility of establishing an ESG bond target on certain mandates in the portfolio. This would be supported by robust governance that would be put in place to ensure proper documentation and compliance with our guiding principles.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS14.3

(C-FS14.3) Did your organization take any actions in the reporting year to align your portfolio with a 1.5°C world?

	Actions taken to align our portfolio with a 1.5°C world	Please explain why you have not taken any action to align your portfolio with a 1.5°C world
Banking (Bank)	Yes	<Not Applicable>
Investing (Asset manager)	No, but we plan to in the next two years	We are currently assessing third party data providers to measure our portfolio's impact on climate. We will be able to take informed actions once we have access to data.
Investing (Asset owner)	No, but we plan to in the next two years	While our portfolio includes investments with entities having decarbonizing targets, we are still working towards supporting the Bank's engagement regarding TCFD, PRB and its net zero target by 2050.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C-FS14.3a

(C-FS14.3a) Does your organization assess if your clients/investees' business strategies are aligned with a 1.5°C world?

	Assessment of alignment of clients/investees' strategies with a 1.5°C world	Please explain why you are not assessing if your clients/investees' business strategies are aligned with a 1.5°C world
Banking (Bank)	Yes, for some	The Bank has developed and is gradually implementing a process to assess and quantify the impact of climate change on its strategy and results. This involves carrying out due diligence, in particular when granting credit. The process prioritizes industries that generate more greenhouse gas emissions and considers the amounts made available to them. The industries targeted include oil and gas, utilities, transportation, real estate and construction and heavy industry. The ESG risk analysis framework calls for the collection of information on carbon emissions and includes a classification of climate risks (transition and physical risks) based on the sector and industry as well as the scores assigned by ESG rating agencies. For clients in these industries, we discuss their strategic positioning and the existence of an energy transition plan at least once a year as part of the credit origination or renewal process. Numerous other criteria are also considered, including waste management practices and corporate governance.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>

C15. Biodiversity

C15.1

(C15.1) Is there board-level oversight and/or executive management-level responsibility for biodiversity-related issues within your organization?

	Board-level oversight and/or executive management-level responsibility for biodiversity-related issues	Description of oversight and objectives relating to biodiversity	Scope of board-level oversight
Row 1	No, but we plan to have both within the next two years	<Not Applicable>	<Not Applicable>

C15.2

(C15.2) Has your organization made a public commitment and/or endorsed any initiatives related to biodiversity?

	Indicate whether your organization made a public commitment or endorsed any initiatives related to biodiversity	Biodiversity-related public commitments	Initiatives endorsed
Row 1	Yes, we have made public commitments and publicly endorsed initiatives related to biodiversity	Commitment to not explore or develop in legally designated protected areas Commitment to no conversion of High Conservation Value areas	SDG Other, please specify (PRB - Principles for Responsible Banking)

C15.3

(C15.3) Does your organization assess the impact of its value chain on biodiversity?

	Does your organization assess the impact of its value chain on biodiversity?	Portfolio
Row 1	No, and we do not plan to assess biodiversity-related impacts within the next two years	<Not Applicable>

C15.4

(C15.4) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?

	Have you taken any actions in the reporting period to progress your biodiversity-related commitments?	Type of action taken to progress biodiversity- related commitments
Row 1	Yes, we are taking actions to progress our biodiversity-related commitments	Land/water protection Education & awareness Other, please specify (PRB Biodiversity Community)

C15.5

(C15.5) Does your organization use biodiversity indicators to monitor performance across its activities?

	Does your organization use indicators to monitor biodiversity performance?	Indicators used to monitor biodiversity performance
Row 1	No	Please select

C15.6

(C15.6) Have you published information about your organization's response to biodiversity-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Report type	Content elements	Attach the document and indicate where in the document the relevant biodiversity information is located
No publications	<Not Applicable>	<Not Applicable>

C16. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

We don't have any additional information to provide

C16.1

(C16.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	VP Sustainability - ESG	Chief Sustainability Officer (CSO)

FW-FS Forests and Water Security (FS only)

FW-FS1.1

(FW-FS1.1) Is there board-level oversight of forests- and/or water-related issues within your organization?

	Board-level oversight of this issue area	Explain why your organization does not have board-level oversight of this issue area and any plans to address this in the future
Forests	No, and we do not plan to in the next two years	There is ESG board-level oversight at the Bank but not specific to forests. We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity. These include the Net Zero Banking Alliance, the Principles for Responsible Banking, the Principles for Responsible Investment and the recommendations of the Task Force on Climate-related Financial Disclosures, all of which are aligned with the goals of the Paris Agreement on climate. The Bank's activities are conducted in accordance with Canadian applicable laws, such as our Forest Funding Program guaranteed under the Sustainable Forest Development Act of the Province of Quebec where the majority of the Bank's activities take place.
Water	No, and we do not plan to in the next two years	The Bank acknowledges water as a valuable resource and conducts its activities in accordance with Canadian applicable laws. We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity.

FW-FS1.1c

(FW-FS1.1c) Does your organization have at least one board member with competence on forests- and/or water-related issues?

Forests

Board member(s) have competence on this issue area

Yes

Criteria used to assess competence of board member(s) on this issue area

Pierre Thabet has been a member of the Board of Directors of the Bank since March 2011 and President of Boa-Franc Inc., a manufacturer of pre-finished hardwood floors, since September 1983. He has skills and expertise in social responsibility, environment and sustainable development.

Primary reason for no board-level competence on this issue area

<Not Applicable>

Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future

<Not Applicable>

Water

Board member(s) have competence on this issue area

Criteria used to assess competence of board member(s) on this issue area

<Not Applicable>

Primary reason for no board-level competence on this issue area

<Not Applicable>

Explain why your organization does not have at least one board member with competence on this issue area and any plans to address this in the future

<Not Applicable>

FW-FS1.2

(FW-FS1.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests- and/or water-related issues.

Name of the position(s) and/or committee(s)
There is no management level responsibility for forests- and/or water-related issues

Reporting line
<Not Applicable>

Issue area(s)
<Not Applicable>

Responsibility
<Not Applicable>

Coverage of responsibility
<Not Applicable>

Frequency of reporting to the board on forests- and/or water-related issues
<Not Applicable>

FW-FS2.1

(FW-FS2.1) Do you assess your portfolio's exposure to forests- and/or water-related risks and opportunities?

	We assess our portfolio's exposure to this issue area	Explain why your portfolio's exposure is not assessed for this issue area and any plans to address this in the future
Banking - Forests exposure	No, and we do not plan to in the next two years	We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity. These include the Net Zero Banking Alliance, the Principles for Responsible Banking, the Principles for Responsible Investment and the recommendations of the Task Force on Climate-related Financial Disclosures, all of which are aligned with the goals of the Paris Agreement on climate. The Bank's activities are conducted in accordance with Canadian applicable laws, such as our Forest Funding Program guaranteed under the Sustainable Forest Development Act of the Province of Quebec where the majority of the Bank's activities take place.
Banking – Water exposure	No, and we do not plan to in the next two years	The Bank acknowledges water as a valuable resource and conducts its activities in accordance with Canadian applicable laws. We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity.
Investing (Asset manager) – Forests exposure	No, and we do not plan to in the next two years	We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity. These include the Net Zero Banking Alliance, the Principles for Responsible Banking, the Principles for Responsible Investment and the recommendations of the Task Force on Climate-related Financial Disclosures, all of which are aligned with the goals of the Paris Agreement on climate. The Bank's activities are conducted in accordance with Canadian applicable laws, such as our Forest Funding Program guaranteed under the Sustainable Forest Development Act of the Province of Quebec where the majority of the Bank's activities take place.
Investing (Asset manager) – Water exposure	No, and we do not plan to in the next two years	The Bank acknowledges water as a valuable resource and conducts its activities in accordance with Canadian applicable laws. We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity.
Investing (Asset owner) – Forests exposure	No, and we do not plan to in the next two years	We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity. These include the Net Zero Banking Alliance, the Principles for Responsible Banking, the Principles for Responsible Investment and the recommendations of the Task Force on Climate-related Financial Disclosures, all of which are aligned with the goals of the Paris Agreement on climate. The Bank's activities are conducted in accordance with Canadian applicable laws, such as our Forest Funding Program guaranteed under the Sustainable Forest Development Act of the Province of Quebec where the majority of the Bank's activities take place.
Investing (Asset owner) – Water exposure	No, and we do not plan to in the next two years	The Bank acknowledges water as a valuable resource and conducts its activities in accordance with Canadian applicable laws. We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity.
Insurance underwriting – Forests exposure	<Not Applicable>	<Not Applicable>
Insurance underwriting – Water exposure	<Not Applicable>	<Not Applicable>

FW-FS2.2

(FW-FS2.2) Does your organization consider forests- and/or water-related information about clients/investees as part of its due diligence and/or risk assessment process?

	We consider forests- and/or water-related information	Explain why information related to this issue area is not considered and any plans to address this in the future
Banking – Forests-related information	No, and we do not plan to in the next two years	Assessing and mitigating environmental risks are integral to the Bank's risk management framework. We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments and the recommendations of the Task Force on Climate-related Financial Disclosures.
Banking – Water-related information	No, and we do not plan to in the next two years	Assessing and mitigating environmental risks are integral to the Bank's risk management framework. We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments and the recommendations of the Task Force on Climate-related Financial Disclosures.
Investing (Asset manager) – Forests-related information	No, and we do not plan to in the next two years	We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments such as the Principles for Responsible Investment which are aligned with the Paris Agreement on climate.
Investing (Asset manager) – Water-related information	No, and we do not plan to in the next two years	We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments such as the Principles for Responsible Investment which are aligned with the Paris Agreement on climate.
Investing (Asset owner) – Forests-related information	No, and we do not plan to in the next two years	We consider forests to be an important issue, but we must prioritize other actions.
Investing (Asset owner) – Water-related information	No, and we do not plan to in the next two years	We consider water security to be an important issue, but we must prioritize other actions.
Insurance underwriting – Forests-related information	<Not Applicable>	<Not Applicable>
Insurance underwriting – Water-related information	<Not Applicable>	<Not Applicable>

FW-FS2.3

(FW-FS2.3) Have you identified any inherent forests- and/or water-related risks in your portfolio with the potential to have a substantive financial or strategic impact on your business?

	Risks identified for this issue area	Primary reason why your organization has not identified any substantive risks for this issue area	Explain why your organization has not identified any substantive risks for this issue area
Forests	No	Not yet evaluated	We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity. These include the Net Zero Banking Alliance, the Principles for Responsible Banking, the Principles for Responsible Investment and the recommendations of the Task Force on Climate-related Financial Disclosures, all of which are aligned with the goals of the Paris Agreement on climate. The Bank's activities are conducted in accordance with Canadian applicable laws, such as our Forest Funding Program guaranteed under the Sustainable Forest Development Act of the Province of Quebec where the majority of the Bank's activities take place.
Water	No	Not yet evaluated	The Bank acknowledges water as a valuable resource and conducts its activities in accordance with Canadian applicable laws. We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity.

FW-FS2.4

(FW-FS2.4) Have you identified any inherent forests- and/or water-related opportunities in your portfolio with the potential to have a substantive financial or strategic impact on your business?

	Opportunities identified for this issue area	Primary reason why your organization has not identified any substantive opportunities for this issue area	Explain why your organization has not identified any substantive opportunities for this issue area
Forests	No	Not yet evaluated	We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity. These include the Net Zero Banking Alliance, the Principles for Responsible Banking, the Principles for Responsible Investment and the recommendations of the Task Force on Climate-related Financial Disclosures, all of which are aligned with the goals of the Paris Agreement on climate. The Bank's activities are conducted in accordance with Canadian applicable laws, such as our Forest Funding Program guaranteed under the Sustainable Forest Development Act of the Province of Quebec where the majority of the Bank's activities take place.
Water	No	Not yet evaluated	The Bank acknowledges water as a valuable resource and conducts its activities in accordance with Canadian applicable laws. We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity.

FW-FS3.1

(FW-FS3.1) Do you take forests- and/or water-related risks and opportunities into consideration in your organization's strategy and/or financial planning?

Forests

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning
No, we do not take risks and opportunities into consideration

Description of influence on organization's strategy including own commitments
<Not Applicable>

Financial planning elements that have been influenced
<Not Applicable>

Description of influence on financial planning
<Not Applicable>

Explain why forests- and/or water-related risks and opportunities have not influenced your strategy and/or financial planning
We consider forests and water security to be important issues, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity. These include the Net Zero Banking Alliance, the Principles for Responsible Banking, the Principles for Responsible Investment and the recommendations of the Task Force on Climate-related Financial Disclosures, all of which are aligned with the goals of the Paris Agreement on climate. The Bank's activities are conducted in accordance with Canadian applicable laws.

Water

Risks and opportunities related to this issue area taken into consideration in strategy and/or financial planning

Description of influence on organization's strategy including own commitments
<Not Applicable>

Financial planning elements that have been influenced
<Not Applicable>

Description of influence on financial planning
<Not Applicable>

Explain why forests- and/or water-related risks and opportunities have not influenced your strategy and/or financial planning
<Not Applicable>

FW-FS3.2

(FW-FS3.2) Has your organization conducted any scenario analysis to identify forests- and/or water-related outcomes?

Forests

Scenario analysis conducted to identify outcomes for this issue area
No, we have not conducted any scenario analysis to identify outcomes for this issue area, and we don't plan to in the next two years

Type of scenario analysis used
<Not Applicable>

Parameters, assumptions, analytical choices
<Not Applicable>

Description of outcomes for this issue area
<Not Applicable>

Explain how the outcomes identified using scenario analysis have influenced your strategy
<Not Applicable>

Explain why your organization has not conducted scenario analysis for this issue area and any plans to address this in the future
We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity. These include the Net Zero Banking Alliance, the Principles for Responsible Banking, the Principles for Responsible Investment and the recommendations of the Task Force on Climate-related Financial Disclosures, all of which are aligned with the goals of the Paris Agreement on climate.

Water

Scenario analysis conducted to identify outcomes for this issue area
No, we have not conducted any scenario analysis to identify outcomes for this issue area, and we don't plan to in the next two years

Type of scenario analysis used
<Not Applicable>

Parameters, assumptions, analytical choices
<Not Applicable>

Description of outcomes for this issue area
<Not Applicable>

Explain how the outcomes identified using scenario analysis have influenced your strategy
<Not Applicable>

Explain why your organization has not conducted scenario analysis for this issue area and any plans to address this in the future
The Bank acknowledges water as a valuable resource and conducts its activities in accordance with Canadian applicable laws. We consider water security to be an important issue, but we must prioritize other actions in line with our climate-related commitments to international frameworks and agreements, due to limited capacity.

FW-FS3.3

(FW-FS3.3) Do any of your existing products and services enable clients to mitigate deforestation and/or water insecurity?

	Existing products and services that enable clients to mitigate deforestation and/or water insecurity	Explain why your organization does not offer products and services which enable clients to mitigate deforestation and/or water insecurity and any plans to address this in the future
Forests	No, and we do not plan to address this in the next two years	We have internal policies for financing the forest industry that include compliance with the Sustainable Forest Development Act of the Province of Quebec where the majority of the Bank's activities take place. The risk of deforestation is taken into account in the credit risk assessment and a permit is required since 2014.
Water	No, and we do not plan to address this in the next two years	

FW-FS3.4

(FW-FS3.4) Does the policy framework for the portfolio activities of your organization include forests- and/or water-related requirements that clients/investees need to meet?

	Policy framework includes this issue area	Explain why your organization does not include this issue area in the policy framework and any plans to address this in the future
Forests	Yes	<Not Applicable>
Water	No, and we do not plan to include this issue area in the next two years	

FW-FS3.4a

(FW-FS3.4a) Provide details of the policies which include forests- and/or water-related requirements that clients/investees need to meet.

Portfolio
Banking (Bank)

Issue area(s) the policy covers
Forests

Type of policy
Credit/lending policy

Portfolio coverage of policy
100

Policy availability
Not publicly available

Attach documents relevant to your policy

Criteria required of clients/investees
Comply with all applicable local, national and international laws and regulations

Value chain stages of client/investee covered by criteria
Direct operations only

Timeframe for compliance with policy criteria
Complying with criteria is a pre-requisite for business

Industry sectors covered by the policy
Materials
Other, please specify (Forestry)

Forest risk commodities covered by the policy
Timber products

Forest risk commodity supply chain stage covered by the policy
Production

Exceptions to policy based on
<Not Applicable>

Explain how criteria coverage and/or exceptions have been determined

FW-FS3.5

(FW-FS3.5) Does your organization include covenants in financing agreements to reflect and enforce your forests- and/or water-related policies?

	Covenants included in financing agreements to reflect and enforce policies for this issue area	Explain how the covenants included in financing agreements relate to your policies for this issue area	Explain why your organization does not include covenants for this issue area in financing agreements and any plans to address this in the future
Forests	Yes	The Bank is aligned with the law and government financing programs specific to the forest industry such as the Sustainable Forest Development Act of the Province of Quebec where the majority of our activities take place.	<Not Applicable>
Water	Please select	<Not Applicable>	<Not Applicable>

FW-FS4.1

(FW-FS4.1) Do you engage with your clients/investees on forests- and/or water-related issues?

	We engage with clients/investees on this issue area	Explain why you do not engage with your clients/investees on the issue area and any plans to address this in the future
Clients – Forests	No, but we plan to within the next two years	One of the Bank's nine ESG principles is to guide and advise clients in the energy transition. In 2021, we adopted stakeholder engagement guidelines to maintain an ongoing dialogue with our stakeholders. These interactions help us identify and understand their views and concerns and respond appropriately to the changing needs of our society. One of our next key steps will be to create a materiality matrix to identify and prioritize key issues.
Clients – Water	Please select	<Not Applicable>
Investees – Forests	No, but we plan to within the next two years	
Investees – Water	No, but we plan to within the next two years	

FW-FS4.2

(FW-FS4.2) Does your organization exercise its voting rights as a shareholder on forests- and/or water-related issues?

	We exercise voting rights as a shareholder on this issue area	Issues supported in shareholder resolutions	Give details of the impact your voting has had on this issue area	Explain why your organization does not exercise voting rights on this issue area and any plans to address this in the future
Forests	No, and we do not plan to in the next two years	<Not Applicable>	<Not Applicable>	
Water	Please select	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS4.3

(FW-FS4.3) Does your organization provide financing and/or insurance to smallholders in the agricultural commodity supply chain?

	Provide financing and/or insurance to smallholders in the agricultural commodity supply chain	Agricultural commodity	Primary reason for not providing finance and/or insurance to smallholders	Explain why your organization does not provide finance/insurance to smallholders and any plans to change this in the future
Row 1	Yes	Timber products Soy	<Not Applicable>	<Not Applicable>

FW-FS4.3a

(FW-FS4.3a) Describe how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity.

Timber products

Financial service provided
Banking

Smallholder financing/insurance approach
Use of government subsidized schemes
Long term financing/insurance contracts

Other smallholder engagement approaches
Other than financing/insuring, we do not engage in other support for smallholders

Number of smallholders supported

Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity
Prior to offering financing solutions to any smallholder in the agriculture sector, we make sure these companies respect the regulatory framework in which they are required to operate in (either Canadian federal or provincial framework).

Soy

Financial service provided
Banking

Smallholder financing/insurance approach
Use of government subsidized schemes
Long term financing/insurance contracts

Other smallholder engagement approaches
Other than financing/insuring, we do not engage in other support for smallholders

Number of smallholders supported

Explain how the financing/insurance your organization provides enables smallholders to improve agricultural practices and reduce deforestation and/or water insecurity
Prior to offering financing solutions to any smallholder in the agriculture sector, we make sure these companies respect the regulatory framework in which they are required to operate in (either Canadian federal or provincial framework).

FW-FS4.4

(FW-FS4.4) Does your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may impact forests and/or water security?

	Direct or indirect engagement that could influence policy, law, or regulation that may impact this issue area	Primary reason for not engaging in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area	Explain why you do not engage in activities that could directly or indirectly influence policy, law, or regulation that may impact this issue area
Forests	Yes, we engage indirectly by funding other organizations whose activities may influence policy, law, or regulation that may significantly impact this issue area	<Not Applicable>	<Not Applicable>
Water	Please select	<Not Applicable>	<Not Applicable>

FW-FS5.1

(FW-FS5.1) Does your organization measure its portfolio impact on forests and/or water security?

	We measure our portfolio impact on this issue area	Explain how your organization measures its portfolio impact on this issue area, including any metrics used to quantify impact	Primary reason for not measuring portfolio impact on this issue area	Explain why your organization does not measure its portfolio impact on this issue area and any plans to change this in the future
Banking – Impact on Forests	No, but we plan to in the next two years	<Not Applicable>	Important but not an immediate priority	In April 2021, the Bank adopted a net zero target for its operating and financing activities by 2050 and in October 2021, we joined the Net-Zero Banking Alliance (NZBA). In alignment with NZBA guidelines and in order to support the Canadian energy transition, the Bank is prioritizing the Oil & Gas (O&G) Producers sub-sector in calculating financed emissions, since these companies will play a key role in reducing the O&G sub-sector's Scope 1, 2 and 3 GHG emissions. Going forward, we plan to expand the Bank's net-zero targets to cover other carbon intensive sectors in accordance with NZBA guidelines.
Banking – Impact on Water	No, and we don't plan to in the next two years	<Not Applicable>	Important but not an immediate priority	
Investing (Asset manager) – Impact on Forests	No, and we don't plan to in the next two years	<Not Applicable>	Important but not an immediate priority	We consider forests to be an important issue, but we must prioritize other actions in line with our climate-related commitments such as the Principles for Responsible Investment which are aligned with the Paris Agreement on climate.
Investing (Asset manager) – Impact on Water	No, and we don't plan to in the next two years	<Not Applicable>	Important but not an immediate priority	
Investing (Asset owner) – Impact on Forests	No, and we don't plan to in the next two years	<Not Applicable>	Important but not an immediate priority	
Investing (Asset owner) – Impact on Water	No, and we don't plan to in the next two years	<Not Applicable>	Important but not an immediate priority	
Insurance underwriting – Impact on Forests	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting – Impact on Water	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS5.2

(FW-FS5.2) Does your organization provide finance or insurance to companies operating in any stages of the following forest risk commodity supply chains, and are you able to report on the amount of finance/insurance provided?

	Finance or insurance provided to companies operating in the supply chain for this commodity	Amount of finance/insurance provided will be reported	Explain why your organization is unable to report on the amount of finance/insurance provided for this commodity
Lending to companies operating in the timber products supply chain	Yes	No, and we do not plan to assess our portfolio's exposure in the next two years	We do not intend to report the amount publicly because if the companies are not public, the legal framework does not allow the disclosure of this information.
Lending to companies operating in the palm oil products supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the cattle products supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the soy supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the rubber supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the cocoa supply chain	No	<Not Applicable>	<Not Applicable>
Lending to companies operating in the coffee supply chain	No	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the timber products supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	Assessment has been made but we do not plan on reporting publicly.
Investing (asset manager) to companies operating in the palm oil products supply chain	No	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the cattle products supply chain	No	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the soy supply chain	Yes	No, but we plan to assess our portfolio's exposure to this commodity in the next two years	Assessment has been made but we do not plan on reporting publicly.
Investing (asset manager) to companies operating in the rubber supply chain	No	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the cocoa supply chain	No	<Not Applicable>	<Not Applicable>
Investing (asset manager) to companies operating in the coffee supply chain	No	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the timber products supply chain	Please select	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the palm oil products supply chain	Please select	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the cattle products supply chain	Please select	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the soy supply chain	Please select	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the rubber supply chain	Please select	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the cocoa supply chain	Please select	<Not Applicable>	<Not Applicable>
Investing (asset owner) to companies operating in the coffee supply chain	Please select	<Not Applicable>	<Not Applicable>
Insuring companies operating in the timber products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the palm oil products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the cattle products supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the soy supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the rubber supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the cocoa supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insuring companies operating in the coffee supply chain	<Not Applicable>	<Not Applicable>	<Not Applicable>

FW-FS6.1

(FW-FS6.1) Have you published information about your organization's response to forests- and/or water-related issues for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
No publications, but reporting is underway to publish information about our response to forests- and/or water-related issues in the next two years

Status
<Not Applicable>

Attach the document
<Not Applicable>

Page/Section reference
<Not Applicable>

Content elements
<Not Applicable>

Comment
<Not Applicable>

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