



Report

**on Environmental,
Social and
Governance
Advances**



20
21



**Take action
for a sustainable future
today**

Table of Contents

- 3** Forward-Looking Statements
- 4** Take Action for a Sustainable Future Today
 - › Message from the President and Chief Executive Officer
 - › Message from the Vice-President, Sustainable Development – ESG
- 5** Our One Mission
- 6** About Us
- 7** About This Report
- 9** How We Support Sustainable Development
- 13** Our ESG Dashboard

ENVIRONMENT

- 15** We Are Working to Develop a Green Economy
 - › Our Climate Strategy
 - › Managing Risks and Opportunities Related to Climate Change
 - › Reducing Our Carbon Footprint

SOCIAL

- 22** We Enrich Communities
 - › Clients
 - › Employees
 - › Community
 - › Inclusion and Diversity
 - › Financial Literacy

GOVERNANCE

- 64** We Govern According to the Highest Standards
 - › Corporate Governance
 - › Corporate Ethics
 - › Responsible Corporate Citizen
 - › Information Security
- 85** Our SASB Disclosure

Important Notice and Caution Regarding Forward-Looking Statements

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

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

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

The foregoing list of risk factors is not exhaustive. Additional information about these risk factors is provided in the Risk Management section and in the COVID-19 Pandemic section of the Bank's 2021 Annual Report and may be updated in the quarterly shareholders' report subsequently published. Investors and others who rely on the Bank's forward-looking statements should carefully consider the aforementioned factors as well as the uncertainties they represent and the risk they entail. Except as required by law, the Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time, by it or on its behalf. We caution investors that such forward-looking statements are not guarantees of future performance and that actual events or results may differ materially from these statements due to a number of factors.

This report is provided solely for informational purposes. It does not constitute an offer or a solicitation to buy or to sell any security, product, or service in any jurisdiction nor is it intended to provide investment, financial, legal, accounting, tax, or other advice and such information should not be relied on or acted upon for providing such advice.

Take Action for a Sustainable Future Today



Message from the President and Chief Executive Officer

On November 1, 2021, I took over the helm of National Bank, a strong institution with an extensive history of dialogue with its stakeholders. Long before environmental, social and governance (ESG) topics were making headlines, we were committed to moving the Bank forward while maintaining a healthy balance between the interests of the various people who contribute to our success—without forgetting those who are on the margins of society.

This approach is aligned with our corporate values. Over the years, it has enabled us to have a positive impact in many regions where we do business. We plan to continue on the same path in the coming years. We're aware that fostering constructive dialogue enables us to rise to today's complex challenges.

As you have no doubt noticed, 2021 was marked by continued sweeping economic, social and environmental transitions. The health crisis and other events that upended our lives will surely keep generating both challenges and opportunities. On the one hand, this situation has enabled corporations to make progress in terms of inclusion and diversity, step up their efforts to protect the environment and become more aware of the critical role of supply chains. However, we still face the challenges of the Canadian energy transition, health issues and growing inflation, to name but a few.

The Bank and its employees will continue to make a key contribution in providing ideas and resources to support you, help you take advantage of opportunities and resolve any issues that arise. This ESG report provides an overview of our efforts in this area. We're fortunate to be able to count on the support of the members of our Board of Directors, who have demonstrated a keen interest in these matters.

The foundations have been laid and we're ready to do even better in the future, to everyone's benefit.

Laurent Ferreira
President and Chief Executive Officer

Message from the Vice-President, Sustainable Development – ESG

We're pleased to present this update of our report on National Bank's environmental, social and governance (ESG) advances. This report is the result of a concerted effort that draws on our corporate values of agility, partnership and empowerment.

In 2021, we completed many initiatives to live up to society's expectation that companies should take concrete action in response to urgent needs. We examined many aspects of our methods, from how we collect data and how we offer our products and services to how we interact with suppliers and much more.

The signature of the Net-Zero Banking Alliance was another key step completed during the year. We need to define a clear approach to radically reduce our direct and indirect greenhouse gas emissions by 2050. The work has already begun. We're rolling out rigorous internal work processes so that we can continue to advance. By maintaining a dialogue with clients on our vision, expectations and approaches, we aim to stimulate progress for everyone. We're already seeing results and we're encouraged by our clients' strategic and operational advances, particularly in their energy transition.

As we often say, we believe the business community has a key role to play in building the world of tomorrow. We're powered by the energy, ideas and passion of our many change partners, and we are truly grateful for the opportunity to make a difference. Thanks to the support of senior management and the oversight of the Board of Directors, our team has the tools it needs to continue to improve the Bank's ESG practices.

Sonia Hernández
Vice-President, Sustainable Development – ESG

OUR ONE MISSION

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

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

People first.

Why do we need a One Mission?

Our One Mission is aligned with our continued efforts to drive social and economic development. In response to changing trends in the banking industry, we've adopted a people-first approach that will help us achieve our objectives and boost our collaboration with stakeholders.

How is our One Mission put into practice?

- › Through the experiences we want to deliver to our clients, our employees and the communities we serve.
- › Through behaviours that reflect our values: partnership, empowerment and agility.
- › Through the way employees work together to boost client satisfaction, employee engagement and community involvement.
- › Through the initiatives we prioritize to have a positive impact.

About Us

Founded in 1859, National Bank of Canada (the Bank) offers financial services to individuals, businesses, institutional clients and governments across Canada. We are one of Canada's six systemically important banks and among the most profitable banks on a global basis by return on equity.

We operate through three business segments in Canada: Personal and Commercial Banking, Wealth Management and Financial Markets. A fourth segment, U.S. Specialty Finance and International, complements the growth of our domestic operations.

We are a leading banking institution in our core Quebec market and also hold leadership positions across the country in selected activities.

We strive to meet the highest social responsibility standards while having a positive impact on all our stakeholders. We are proud to be recognized as an employer of choice and for promoting inclusion and diversity. We are headquartered in Montreal and our securities are listed on the Toronto Stock Exchange (TSX: NA).

National Bank at a glance

(as at October 31, 2021)

2.7 million
Clients¹

26,920 Employees²

558 Branches³

514,197 Square metres
in total area⁴

1,713 ABMs⁵

Our financial performance⁶


\$356 B Total assets 

\$652 B Assets under administration⁷

\$958 M Dividends declared
to common shareholders

 **20.7%** Superior return
on equity^{8,9}

Our contribution to economic activity

\$3.0 B Compensation
and employee benefits⁶ 

\$1.2 B Spent on goods and services^{6,10}

\$1.29 B Income taxes and taxes in Canada¹¹

 **25,059** Employee volunteer
hours¹²

1 Personal and Commercial Banking clients across Canada.

2 Worldwide.

3 384 Personal and Commercial Banking branches, 92 National Bank Financial branches in Canada, 79 branches in Cambodia and 3 branches in the United States (Florida).

4 Surface area data applies to all spaces occupied by the Bank.

5 927 in Canada and 786 in Cambodia.

6 Indicators taken from the Bank's Annual Report for the fiscal year ended October 31, 2021.

7 Assets in respect of which a financial institution provides administrative services such as custodial services, collection of investment income, settlement of purchase and sale transactions and record-keeping. Assets under administration, which are beneficially owned by clients, are not reported on the balance sheet of the institution offering such services.

8 Return on common shareholders' equity represents net income attributable to common shareholders expressed as a percentage of average equity attributable to common shareholders. It's a general measure of the Bank's efficiency in using equity.

9 Based on the return on common shareholders' equity reported by Canadian banks, including Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotiabank and Toronto-Dominion Bank (the "Canadian Banks").

10 This amount includes occupancy costs, technology, communications, fees, marketing and other goods and services.

11 Includes income taxes, capital taxes and other taxes. For more information, see page 7 of the 2021 Corporate Social Responsibility Statement.

12 Employees enter their volunteer hours in a centralized database on a voluntary basis. Data recorded in 2021.

About This Report

The 2021 ESG Report is published by National Bank of Canada. Intended for all of our stakeholders, it presents our commitments and achievements in sustainable development and our key performance indicators.

The ESG Report was drawn up by a team reporting to the Vice-President, Sustainable Development – ESG, with input from dozens of experts. It is revised by the Conduct Review and Corporate Governance Committee and approved by executives from different sectors of the organization.

Scope

Unless otherwise indicated, this report presents relevant content associated with the activities of the Bank and its main subsidiaries in Canada¹, it refers to fiscal 2021 (November 1, 2020 to October 31, 2021) and all amounts are expressed in Canadian dollars.

Stakeholders

This report is part of the Bank's ongoing dialogue with various stakeholders, including clients, employees, communities, shareholders, suppliers, interest groups, international organizations and regulatory authorities. This approach helps us evaluate and mitigate the risks associated with our activities, notably by performing various impact analyses. It also allows us to continuously improve our practices and adopt the latest disclosure standards. One way the Bank strives to maintain ongoing dialogue with stakeholders is by creating a materiality matrix to identify and prioritize key issues.



For more information on how the Bank maintains ongoing dialogue with its stakeholders, please refer to our [Stakeholder Engagement Guidelines](#) in the *Governance* section of [nbc.ca](#).

Reference framework

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

External certification and accounting

Certain indicators are extracted from the management report and audited consolidated financial statements of the [2021 Annual Report](#). Unless extracted from the audited consolidated financial statements of the 2021 Annual Report, the information contained in this report is unaudited. Groupe AGÉCO, an independent third party, calculated our greenhouse gas (GHG) emissions.

¹ Some of the information provided in this report does not include Flinks Technology Inc., which became a subsidiary of the Bank on September 8, 2021. This has no significant impact on the information provided.

Additional publications

This report mentions other publications available in the following sections of [nbc.ca](https://www.nbc.ca):



[Social Responsibility](#)

Presentation of what we are doing to have a positive economic, social and environmental impact.

[Investor Relations](#)

Reports, circulars and other information concerning the Bank's financial results.

[Codes and Commitments](#)

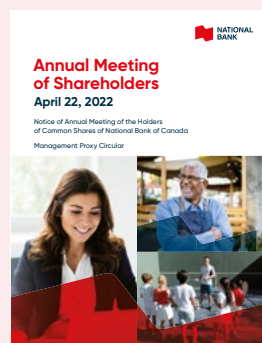
Codes of conduct, policies and commitments the Bank follows in order to maintain high standards of conduct.



[2021 Annual Report](#)



[2021 TCFD Report](#)



[2022 Management Proxy Circular](#)



[2021 Corporate Social Responsibility Statement](#)

@ Contact us




If you have any comments about this report, please contact the ESG team at ESG@nbc.ca.

How We Support Sustainable Development

Our ESG principles

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

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

ENVIRONMENT	SOCIAL	GOVERNANCE
 <p>We are working to develop a green economy</p>	 <p>We enrich communities</p>	 <p>We govern according to the highest standards</p>
<ol style="list-style-type: none"> 1. We consider the fight against climate change in our economic and community actions 2. We guide and advise our clients in their energy transition 3. We manage and reduce our environmental footprint in all of our business segments 	<ol style="list-style-type: none"> 4. We maximize the potential of individuals and the community 5. We promote inclusion and diversity 6. We foster entrepreneurship, financial literacy, philanthropy, and support for health and education 	<ol style="list-style-type: none"> 7. We promote a strong ethics culture, sound governance practices, and rigorous risk management 8. We manage according to responsible business practices 9. We ensure the long-term viability of the institution

Key United Nations Sustainable Development Goals covered by our principles

Our ESG commitments

In 2021, the Bank announced its commitment to the following initiatives:

- › Partnership for Carbon Accounting Financials (PCAF): the Bank joined a global partnership of financial institutions that work together to develop an approach to assess and disclose the greenhouse gas (GHG) emissions resulting from their lending and investment activities.
- › United Nations Net-Zero Banking Alliance (NZBA): the Bank joined this global alliance that furthers banks' efforts to address climate change by aligning financing activities with net-zero emissions by 2050.
- › Statement by the Quebec Financial Centre for a Sustainable Finance: the Bank joined this sustainable finance initiative that is committed to promoting the integration of environmental, social and governance (ESG) considerations in investment and capital allocation decision-making. The ongoing leadership of Quebec institutions in the responsible investment field provides a unique opportunity for Quebec to showcase its expertise on the international stage.

The Bank supports the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board. In 2021, it published a new report on the issues addressed by this group. The Bank is also working with industry partners to develop a relevant disclosure approach.

Also in 2021, National Bank Investments Inc. (NBI) became a founding participant of Climate Engagement Canada (CEC), an initiative that drives dialogue between the financial community and Canadian corporate issuers about the opportunities and risks related to climate change.

The Bank also pursued its commitment to the following global initiatives:

- › UN Principles for Responsible Banking (PRB)
- › United Nations Environment Programme Finance Initiative (UNEP FI)
- › UN Principles for Responsible Investment (PRI)
- › UN Women's Empowerment Principles
- › United Nations Global Business Standards of Conduct for Tackling Discrimination Against Lesbian, Gay, Bi, Trans and Intersex People (LGBTI)





Here are some of the organizations we support



Our contribution to the UN Sustainable Development Goals

In 2021, our initiatives and commitments contributed to 12 of the 17 [UN Sustainable Development Goals](#).

Goal	Our contribution
 <p>1 NO POVERTY</p>	<ul style="list-style-type: none"> › Partnership with the Canadian Foundation for Economic Education › \$3.6M donated to United Way Centraide from employees, retirees and the Bank › \$50,000 donated to the Canadian Red Cross to help people affected by COVID-19 around the world, including in India › Supported the Lise Watier Foundation's Let's Start Up program to foster women's financial independence
 <p>2 ZERO HUNGER</p>	<ul style="list-style-type: none"> › Supported La Tablee des chefs in fighting food insecurity and promoting food self-sufficiency › Supported the Supermarket Recovery Program of the Food Banks of Quebec
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> › Over \$4M in donations announced to support health and community outreach programs › \$500,000 donated to the Paralympic Foundation of Canada › \$2M donated to the Montreal General Hospital Foundation and the Research Institute of the McGill University Health Centre › \$190,815 raised for the JDRF as part of the Ride to Defeat Diabetes › \$1M contributed to the community to set up COVID-19 vaccination clinics › Supported the Heart and Stroke Foundation to promote research on women's heart health
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none"> › Partnership with the École de technologie supérieure (ÉTS) › \$1M donated to the Fondation de l'Université du Québec à Trois-Rivières › Partnership with Quatre95, which aims to demystify personal finance for young adults › Partnership with JA Québec's educational programs
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> › Internship program for women in the financial markets sector › Gender equality initiative in partnership with Tennis Canada › Supported ESPACE GO, which aims to promote women's voices in theatre
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> › Our renewable energy industry loan portfolio is growing more rapidly than our non-renewable energy loan portfolio › Supported a number of cleantech companies › Created the Energy & Infrastructure Sustainability Impact Group (EiSiG) › US\$1.6B in loans granted in the renewable energy sector
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> › \$127B in debt financing granted to Canadian businesses of all sizes › \$2M donated to Concordia University to accelerate the growth of innovative new businesses › Supported a dozen incubators and accelerators › Supported various training programs specifically for entrepreneurs › Supported the OSMO Foundation, which develops start-ups in Montreal › \$100,000 donated to the Fondation Duceppe to revitalize the theatre company
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> › New head office designed to obtain LEED v4 Gold and WELL certification › \$1.2 billion spent on goods and services › Partnership with the Institute for Data Valorization (IVADO) to accelerate innovation

Goal	Our contribution (continued)
	<ul style="list-style-type: none"> › Contributed to the \$52.5M financing envelope for Evol › Participated in numerous initiatives to actively support women, cultural communities, the LGBTQ+ communities, persons with disabilities and Indigenous Peoples › Participated in numerous initiatives to counter systemic racism and support the advancement of the Black community: Black Opportunity Fund, Being Black in Canada, BlackNorth › Supported the 100 Strong Foundation › \$300,000 donated to the Children's Aid Foundation of Canada to support mental health services for young Indigenous Peoples › Supported the Promoting Life-skills in Aboriginal Youth (PLAY) program from Right to Play › Promoted employee resource groups working to create an inclusive work environment
	<ul style="list-style-type: none"> › Set a net-zero target for GHG emissions by 2050, with interim targets › Made a commitment to protect the Arctic and took a position on thermal coal › National Bank Investments' OP4+ process: 98% of assets under management comply with the UN Principles for Responsible Investment › ESG criteria incorporated into investment decisions › Continued partnership with the Parcours Développement durable Montréal › Continued partnership with Équiterre, one of Quebec's leading environmental organizations › Published a report on progress made for the Task Force on Climate-related Financial Disclosures
	<ul style="list-style-type: none"> › Responsibilities related to ESG principles included in the mandates of all the committees of the Board of Directors › Succession planning for directors takes into account the Board's diversity policy (gender, age, designated groups, sexual orientation, ethno-cultural groups and geographic origins) › Succession planning for all senior management positions, including the President and Chief Executive Officer
	<ul style="list-style-type: none"> › Third year implementing the UN Principles for Responsible Banking › Joined the Partnership for Carbon Accounting Financials › Joined the United Nations Net-Zero Banking Alliance › Supported the Statement by the Quebec Financial Centre for a Sustainable Finance › Ongoing support for a number of national and international initiatives: <ul style="list-style-type: none"> – United Nations Environment Programme Finance Initiative – UN Principles for Responsible Investment – UN Women's Empowerment Principles – UN Global Business Standards of Conduct for Tackling Discrimination Against Lesbian, Gay, Bi, Trans and Intersex People



Our employees promote ESG practices in their communities and have taken on various initiatives that contribute to sustainable development.

Our ESG Dashboard

	2021	2020	2019
Environment			
Total GHG emissions (in tonnes of CO ₂ equivalent) ¹	13,951	16,425	19,971
Energy consumption from renewable sources	70%	70%	69%
FSC paper consumption per full-time employee ^{2,3}	7.96 kg	10.60 kg	17.27 kg
LEED certified buildings ²	5	5	5
Carbon-related assets in loan portfolio	17% ⁴	4.7%	5.2%
Carbon neutrality	Yes	Yes	Yes
Social			
Clients			
Assets under management (AUM) with ESG criteria ⁵	98.1%	96.5%	97.3%
Value of sustainable bonds issued ⁶	\$3.1 B	\$2.1 B	\$1.2 B
Growth of digitally active clients ⁷	102%	108%	108%
Personal bank accounts with eStatements	71.9%	68.7%	66.2%
Chequing accounts with no fixed monthly fees (no minimum balance) ⁸ (SASB CB-240a.3)	230,553	226,185 ⁹	232,737 ⁹
Employees			
Women at the Bank ^{2,10}	53.8%	54.7%	57.5%
Women executives and officers ^{2,10}	31.4%	30%	32.7%
Visible minorities at the Bank ^{2,10,11}	23.1%	23.2%	23.8%
Persons with disabilities at the Bank ^{2,10,11}	2.6%	2.9%	2.8%
Indigenous Peoples at the Bank ^{2,10,11}	0.6%	0.8%	0.7%
Employee engagement index ²	87%	86%	81%
Turnover rate ¹²	16.1%	12.4%	15.7%
Voluntary turnover rate (excluding retirements) ¹²	11.9%	7.9%	11.3%
Amount invested in training ^{2,13}	\$37 M	\$31.5 M	\$32.5 M

1 An independent service provider calculates our GHG emissions data using the methodology described in the Greenhouse Gas Protocol Initiative (GHG Protocol) (WRI and WBCSD, 2004). Data exclude Credigy for 2019 and 2020 and include ABA Bank as of 2019. The 2019 and 2020 data have been adjusted. For more information, consult our [2021 TCFD Report](#).

2 In Canada.

3 Paper from certified forests. Data as at December 31.

4 In October 2021, the TCFD updated its definition of carbon-related assets to add three scopes. Based on the previous TCFD definition (2017), the exposure of our loan portfolio to carbon-related assets as at October 31, 2021, was 3.5%.

5 Each of the portfolio managers selected by NBI has their own approach to responsible investing. They prioritize different objectives, ranging from avoiding exposure to undesirable companies or economic sectors to aligning their portfolio with key factors in sustainable development. These different responsible investment approaches enrich the NBI platform by taking into account the distinctive features of each asset class.

6 Data as at December 31. In line with the International Capital Markets Association (ICMA) Green Bond Principles and Social Bond Principles, the Bank's Sustainability Bonds will be allocated to financing of projects and organizations that credibly contribute to the environmental objectives or seek to achieve positive socioeconomic outcomes for target populations.

7 Number of Personal and Commercial Banking clients who used digital channels (mobile or Internet banking) at least once between August 1 and October 31, compared to the total number of clients in this segment.

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

9 The 2019 and 2020 data have been restated to reflect all of the no-fee chequing accounts.

10 Data as at December 31.

11 As defined under the *Employment Equity Act*.

12 Represents the workforce included in our human resources management tool, which covers nearly 80% of the Bank's employees.

13 The amount invested in employee development encompasses the total invested in internal and external training, including design, presentation and related costs (e.g., licences).

	2021	2020	2019
Social (continued)			
Employees (continued)			
Compensation and employee benefits ¹	\$3.0 B	\$2.7 B	\$2.5 B
The Bank's contribution to the Employee Share Ownership Plan ¹	\$14 M	\$13 M	\$12 M
Community			
Employee volunteer hours ^{2,3}	25,059	27,287	49,042
Visitors to the Advice page on nbc.ca	2.1 M	1.9 M	1.6 M
Goods and services suppliers ²	1,010	935	770
Spending on goods and services ²	\$1.2 B	\$1.2 B	\$1.1 B
Governance			
Income taxes and taxes in Canada ⁴	\$1,299 M	\$909 M	\$919 M
Income taxes outside of Canada	\$123.8 M	\$122.1 M	\$117.8 M
Total effective tax rate ⁵	31.1%	34.1% ⁶	31.8% ⁶
Members of the Bank's Board of Directors	15 ⁷	15	14
Independent directors	14 (93.3%)	14 (93.3%)	13 (92.9%)
Women on the Board	40.0%	40.0%	42.9%
Board committees that have ESG oversight in their mandates	4/4 (100%)	4/4 (100%)	4/4 (100%)
Employees who completed the annual compliance training	97.9%	99.0%	98.2%



For more Bank ESG data, refer to the ESG Data file available in the [Social Responsibility](#) section on [nbc.ca](#).

¹ Indicators taken from the Bank's Annual Report for the fiscal year ended October 31, 2021.

² In Canada.

³ Employees enter their volunteer hours in a centralized database on a voluntary basis.

⁴ Includes income taxes, capital taxes and other taxes. For more information, see page 7 of the 2021 Corporate Social Responsibility Statement.

⁵ Percentage is equal to total taxes paid divided by pre-tax income. The statutory tax rate was 26.5% in 2021 (for more information on income taxes, see Note 24 in the 2021 Annual Report).

⁶ Data has been amended to add "Income taxes outside of Canada" to "Income taxes and other taxes in Canada."

⁷ Excluding Louis Vachon, who retired on October 31, 2021, and was no longer a Board member after that date.

ENVIRONMENT

We Are Working to Develop a Green Economy



- › OUR CLIMATE STRATEGY
- › MANAGING RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE
- › REDUCING OUR CARBON FOOTPRINT



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

OUR APPROACH

As a key player in the Canadian financial industry, the Bank is determined to understand and reduce the impact of its activities on the environment. We aim to follow the most rigorous climate risk management standards while having a positive impact on all our stakeholders. The Bank has adopted various measures to fight climate change and reduce its greenhouse gas emissions.

Our Climate Strategy

In accordance with our [Stakeholder Engagement Guidelines](#), we hold ongoing discussions with clients, employees and other stakeholders so we can work together to achieve the net-zero GHG emission target for our operating and financing activities by 2050. We're taking concrete actions to meet our interim targets and build a green economy for future generations.

Our priorities	Our commitments and actions		
Consider the fight against climate change in our economic and community actions	Reduce GHG emissions for our operating and financing activities to zero by 2050. The Bank has strengthened its commitment by joining the NZBA.	Use the PCAF methodology to measure our financed emissions, starting with high-intensity sectors. They will be disclosed gradually in our TCFD report.	Set progressive reduction targets for financed emissions using internationally recognized decarbonization scenarios.
Support and actively advise our clients in their transition towards a lower-carbon economy	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.	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.	Roll out products and services to support our clients in their transition and offer investment products aligned with the UN SDGs.
Increase our capacity to assess and manage climate risks	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.	Gradually integrate climate indicators into the risk appetite framework and ESG criteria into the credit adjudication process.	Work with our peers, regulatory organizations and international organizations to improve the climate risk management and disclosure framework.
Reduce the carbon footprint of our operations	Reduce GHG emissions from our operations by 25% by the end of 2025. ¹	Roll out energy efficiency initiatives, including policies governing employee travel and the layout of workspaces in the new head office.	Maintain carbon neutrality by offsetting the remaining annual GHG emissions from our activities.
Support the energy transition ecosystem (incubators, accelerators, peer groups, government initiatives)	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.	Work with our peers to advance methodology and improve the quality of climate data through the PCAF.	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

¹ This absolute target includes Scope 1, 2 and 3 emissions (Scope 3 includes employee business travel and paper consumption as part of the supply chain) and uses 2019 as the reference year.

² OSFI: Office of the Superintendent of Financial Institutions (Canada); SEC: Securities and Exchange Commission; BCBS: Basel Committee on Banking Supervision.

Managing Risks and Opportunities Related to Climate Change

In 2018, the Bank announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board. To meet TCFD recommendations and ensure transparent disclosure to its stakeholders, in 2020 the Bank began publishing a report presenting its progress and strategies to manage climate-related risks. The Bank has defined a roadmap to implement TCFD recommendations and will enhance its reporting over the coming years. This reporting is also part of our commitment to the Principles for Responsible Banking.



For more information on the Bank's advances, consult the [2021 TCFD Report](#), available in the *Social Responsibility* section of [nbc.ca](#).

Summary of our support for the TCFD

Governance	<ul style="list-style-type: none"> › The Bank's Board of Directors (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 and the Technology Subcommittee have been assigned ESG responsibilities according to their respective roles and responsibilities and the expertise of their members. › The members of the Board undergo training on climate risks and opportunities and ESG issues. › An ESG team reporting to the Vice-President, Sustainable Development – ESG is responsible for managing climate-related risks and opportunities, with oversight from the ESG working group.
Strategy	<ul style="list-style-type: none"> › We've developed sustainable investment and financing solutions. › Our team dedicated to renewable energy and the energy transition is supporting our clients in adapting to a lower-carbon economy. › We work with various partners, regulatory organizations and our peers to share best practices, advance methodologies and develop climate-related initiatives.
Risk management	<ul style="list-style-type: none"> › We created the position of Vice-President, Credit Analytics and Climate Risk to integrate climate risk into our decision-making processes. › We've started to analyze climate scenarios to assess our exposure to climate risks. › Our risk appetite framework includes a climate-related indicator. › We integrate ESG criteria (including climate criteria) into our risk management framework by carrying out due diligence while prioritizing industries with high emissions.
Metrics and targets	<ul style="list-style-type: none"> › We've set a target to reduce GHG emissions for our operating and financing activities to zero by 2050. › We've set a target to reduce our emissions by 25% by the end of 2025, with 2019 being the reference year. › Since 2008, we have measured, tracked and reduced our carbon footprint (Scope 1, 2 and 3). Scope 3 includes employee business travel and paper consumption as part of the supply chain. › We aim to grow the portfolio of loans related to renewable energy faster than the portfolio of loans related to non-renewable energy. › We analyze the carbon footprint of our loan portfolio.

Reducing Our Carbon Footprint

The Bank took its first step toward managing its carbon footprint in 2007-2008 by quantifying its GHG emissions and sending the data to the CDP, a key global initiative that promotes environmental disclosure. Since then, the Bank has been repeating the exercise every year, in close collaboration with a number of recognized expert firms. Our goal is to align our methods with current best practices. The Bank uses the methodology described in the Greenhouse Gas Protocol Initiative (GHG Protocol) (WRI and WBCSD, 2004). Data concerning GHG emissions resulting from our activities will be disclosed in the 2021 TCFD Report.



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

Carbon neutrality

In 2011, the Bank reported neutral carbon emissions for the first time thanks to an innovative agreement with Sobeys supermarkets. Under the agreement, the Bank committed to buy 15,000 tonnes of certified carbon credits every year until 2015 to completely offset its emissions. Since 2019, the Bank has renewed its commitment to achieving carbon neutrality for its own activities by reducing its carbon footprint and working with a number of organizations to offset its GHG emissions. For instance, in the past few years, the Bank has purchased Verified Carbon Units from the Nature Conservancy of Canada as part of the Darkwoods Forest Carbon Project, one of the largest carbon projects in North America.

Our new eco-friendly head office

National Bank's new head office will be located in the heart of Montreal's Quartier de l'innovation at 800 Saint-Jacques Street. This address is particularly meaningful since the Bank had its head office on that same street over a century ago. Standing at nearly 200 metres, the 40-storey building will be one of the tallest office towers in Montreal. Construction will span four years and should be completed in 2023.

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.

We aim to offer our employees the most stimulating work environments in the country. Our new head office will be filled with natural light and provide a welcoming, informal environment that fosters conversation and collaboration.

The new building is designed to promote the Bank's commitment to work-life balance, with a daycare centre adapted to employees' new needs and food service facilities on two floors with access to a terrace.

Employees will also have access to a Health and Wellness floor offering group fitness sessions, gym facilities, a lounge and training on health-related topics to promote a healthy lifestyle for all employees.

A 40,000-ft² park will be accessible to the entire community.





Built on best practices

The Bank's eco-friendly practices are reflected in the features of its buildings. It has rolled out standards inspired by LEED assessment criteria, which are automatically applied to its major investment projects. For example, the Bank uses low-flow plumbing fixtures, LED lighting and finishing products, furniture and equipment from local or Canadian suppliers in most of its buildings, when possible. The Bank has obtained a number of LEED certifications for its buildings in recent years.

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

Built on energy efficiency

Since a large portion of our emissions come from electricity and fuel consumption, energy efficiency is a top priority. The Bank is recognized as a leader in this field. One energy-efficient initiative that shows great promise involves a system that allows us to manage energy use in more than 260 branches using building control systems and a web interface.

The concept is simple. We use remote management to optimize energy consumption in our buildings. With this remote control system, the Bank has been able to save millions of kilowatt hours of electricity and thousands of cubic metres of natural gas since the rollout of the global energy efficiency program. By using remote access to diagnose issues in branches, we can also increase comfort for their occupants and minimize travel for maintenance teams.

This centralized remote management system has allowed us to participate in the Demand Response program from Hydro-Québec (a public utility that manages the transmission and distribution of electricity in Quebec), which aims to reduce energy demand during peak winter periods.

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

Installation of charging stations

In 2018, the Bank launched a project to install charging stations for electric cars in the parking lots of several branches. Charging stations will now be installed near buildings targeted by major projects when site conditions allow it, in accordance with our rollout strategy. Since 2018, we've installed 32 charging stations across 18 sites. We plan to continue installing more stations over the coming years to increase their availability in the communities we serve.

We also plan to roll out 100 charging stations in the new head office's parking lot. We will be able to add to this number, as the facilities allow for the installation of additional portable charging stations.

A community of environmentally conscious employees

In 2021, the Bank's eco-ambassadors formed an ever more established community that is deeply committed to having a positive impact on the environment. Their drive to learn, understand and make a difference has led them to roll out a number of awareness campaigns.

Our eco-ambassadors launched three key campaigns this year. The first involved reducing consumption and being aware of our role as consumers. The second focused on natural resources and invited participants to calculate their environmental footprint. The third initiative spotlighted food self-sufficiency and biodiversity, with a greening campaign that involved planting flowers, vegetables and more than 200 trees.

Conferences on various topics, including food waste, renewable energy and sustainable bonds, were also presented by internal and external experts. What's more, employees had the opportunity to ask questions live as part of an interview with the co-founder of Tero, an innovative product in residential composting.

"We wanted to create a product that would make a difference and be useful in people's lives. That's how we got interested in managing food waste in the home. Our goal was to offer a sustainable, responsible product for people who want to do their part for the environment."

– Elizabeth Coulombe, President and Co-founder, Tero

To communicate various environmental, social and governance topics, employees have been hosting "ESG minute" presentations for their teams. These presentations give a monthly summary of the Bank's ESG activities and encourage employees to contribute to change.

Green challenges were also launched throughout the year to reinforce employees' commitment to reducing their environmental footprint. These challenges asked participants to re-examine their habits and adopt responsible behaviours by reducing consumption, saving water and protecting the environment.



To learn more about the Bank's environmental commitments, consult our [Environmental Policy](#), available in the *Codes and Commitments* section of [nbc.ca](#).

SOCIAL

We Enrich Communities



- › CLIENTS
- › EMPLOYEES
- › COMMUNITY
- › INCLUSION AND DIVERSITY
- › FINANCIAL LITERACY



› We maximize the potential of individuals and the community



› We promote inclusion and diversity



› We foster entrepreneurship, financial literacy, philanthropy, and support for health and education



CLIENTS

OUR APPROACH

At the Bank, our clients are at the heart of all our activities, and our employees share a common goal: to have a positive impact in people's lives. To build lasting relationships, we strive to fully understand their needs and find solutions tailored to their specific personal and financial situations.

Our approach focuses on supporting clients during key moments of their lives, providing sound advice based on the expertise of our advisors and ensuring our services are accessible.

Ongoing dialogue with clients enables us to improve our methods and identify products and services that meet the needs of both individuals and society so we can build a more sustainable future.



Our banking offer

Putting people first at our branches

In 2021, the Bank continued to roll out a new branch experience that relies on a people-first approach. Over 150 points of service across Canada now offer this approach based on advisory services and technology. Under our innovative concept, employees welcome clients the moment they arrive at the branch, take charge of all of their needs and help them use our digital solutions. The Bank is pursuing this initiative in 2022.

Transforming the advisor role

The Bank has transformed the role of branch advisors by adopting the Banking Advisor model. This has enabled us to upgrade employees' advisory skills and enhance the client experience. The model stands out by offering an employee experience based on agile, personalized development. Training in virtual mode is complemented by pairing employees with peers and experts. This provides career advancement opportunities aligned with each employee's pace and development goals.

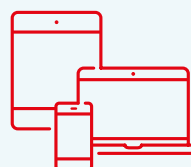
Thanks to this model, clients can benefit from end-to-end support with their financial needs, receive sound advice and easily access various experts at the branch.

Simplifying the banking experience through digital tools

Digital tools already played a key role in our day-to-day operations. Over the past year, they have also enabled us to provide solutions in response to the ongoing pandemic. The Bank has continued to improve its digital platforms, making them even more accessible, user-friendly and secure.

One of the reasons the Bank develops new features is to give clients greater autonomy in managing their everyday banking transactions at any time, from the device of their choice. Today, nearly 80% of transactions are carried out independently via our digital platforms.

The greater availability of online tools also means clients don't have to go to the branch as frequently. Clients who want to meet with an advisor can use our fast, user-friendly online appointment scheduling tool. Meetings can even be held remotely via videoconference. Our digital tools provide greater flexibility and allow clients to make the most of their banking experience by taking care of their own day-to-day financial needs and getting support from our advisors at key moments of their lives.



Nearly **80%**
of transactions
are carried out independently
via our digital platforms

Encouraging clients to switch to eStatements

In 2021, we asked clients who use our mobile app to review their preferred delivery mode for Bank statements¹ and encouraged them to switch to eStatements. This initiative increased client autonomy and enhanced the client experience by making it possible for them to access all of their statements at any time while reducing the environmental impact of printed statements.



Making information easier to find with our Help Centre and virtual assistant

When they're seeking information about Bank products and services or how to use our digital solutions, our clients prefer to find it themselves. To meet their needs and offer a simplified, intuitive self-service search experience, last year we launched a Help Centre and a virtual assistant (chatbot) on [nbc.ca](https://www.nbc.ca). The Help Centre groups together all our help tools (FAQs, client demos) by category and can be accessed from every page on [nbc.ca](https://www.nbc.ca) by clicking the Help heading. This new feature teaches clients how to use our digital solutions every day, carry out their transactions independently and minimize their trips to the branch.

Using open banking to ensure secure data sharing

In 2021, the Bank became the majority shareholder in Flinks, a Montreal-based company that specializes in financial data connectivity. Its clients include more than 250 fintechs that use its services to transfer their clients' financial data to their technology interface. The company has developed an innovative and secure data-sharing solution that is focused on the needs of clients. This solution is gradually being rolled out to Bank clients who use financial apps. Open banking gives clients greater control over how their financial data is shared thanks to simple, transparent and secure authentication processes.

¹ Statements for chequing accounts, savings accounts, lines of credit for transaction accounts, Mastercard accounts, mortgage accounts and investment accounts (National Bank, NBI, and NATgo TFSA).

Customized support for investor clients

Now more than ever, our clients need support and advice to help them make decisions at important times of their lives. Investor clients who want to receive advice remotely now have priority access to a dedicated, multi-faceted team. Working in synergy with various Bank experts, this team serves as a single point of contact to help clients make better investment decisions and obtain advice on investments, finances and retirement and estate planning.

Created in 2021, the team now has nearly 50 employees who speak 20 different languages. They support clients by providing personalized advice on their mutual fund and full-service brokerage needs. Their flexibility and ability to work closely with clients across Canada via video conferencing strengthen their relationships with clients and improve access to relevant advice when it counts.



For more information, consult the [Exclusive Remote Advisory Service](#) page on [nbc.ca](#).

Continuing our partnerships with businesses

As the Bank of entrepreneurs and the partner of choice for businesses, the Bank stands out for the close ties it has forged with its clients over the years. The Bank supports businesses, which are central to the growth of the Canadian economy. We give entrepreneurs the means to acquire a small or medium-sized enterprise (SME), start up their own business or grow an existing business. We also support larger businesses with their specific needs. In 2021, we approved more than \$127 billion in loans for businesses of all sizes across Canada.

Simplifying business management for entrepreneurs

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

› Operiō

A subsidiary of Raymond Chabot Grant Thornton, Operiō offers integrated accounting consulting services for SMEs. These services facilitate administrative management and automate all sorts of accounting tasks.

› Lex Start

Lex Start offers legal kits to assist entrepreneurs with various processes, from incorporation and filing a trademark to creating a shareholder agreement. Lex Start helps businesses build a strong legal foundation validated by legal professionals.

› Dialogue

A telemedicine service, Dialogue offers employees and their families on-demand virtual access to health care professionals. Dialogue is a unique employee benefit that allows businesses to reduce absenteeism by considerably decreasing the usual wait times to access health care.

Supporting entrepreneurship

The Bank is fully committed to supporting entrepreneurship and advancing business knowledge, two essential drivers of economic and social development. That's why we have formed numerous partnerships.

Incubators and accelerators

The Bank supports nearly a dozen incubators and accelerators, including:

- › **Centech**, École de technologie supérieure (ÉTS)
- › **Accélérateur de création d'entreprises technologiques (ACET)**, Université de Sherbrooke
- › **Dobson Cup – McGill Dobson Centre for Entrepreneurship**, McGill University
- › **La Piscine** and **Zù**, two organizations dedicated to developing entrepreneurship in Montreal's and Quebec's cultural and creative industries

Three new partnerships were created in 2021:

- › **District 3 Innovation Hub**, Concordia University
- › **Fonds innovation Banque Nationale pour les PME**, Université du Québec à Trois-Rivières
- › **L-SPARK**, an organization whose acceleration programs give companies exclusive access to leading edge technology and help build the foundation and metrics needed to raise capital, grow revenues and reach global markets and partners

In 2021, the Bank continued its partnership with the **Défi Start-up Les Affaires** and the **Startupfest**. These two events give startups a chance to network and obtain financing. The sixth edition of the Défi Start-up from Les Affaires attracted 138 startups. The Bank offered a \$10,000 grant to the winning company, Electro Carbon. Bank experts participated in Startupfest Growth Week, a virtual conference for growing startups that covered topics such as products and marketing, funding and hiring.

Training programs

The Bank also supports various training programs specifically for entrepreneurs, including:

- › The **École d'Entrepreneurship de Beauce**, a school that supports entrepreneurs from all industries in developing their businesses, from incubation to transformation, thanks to ongoing training programs, intensive sessions at the school and a variety of training offered in person and online.
- › **La Factory**, a school of creative sciences.
- › **Alias entrepreneur-e**, a business coaching web platform.

- › **Entrepreneuriat Québec**, a network of over 50 schools for entrepreneurs in Quebec that prepares more than 5,000 entrepreneurs per year. The network manages 60 training centres across Quebec and offers two programs on starting a business and managing a business effectively. As a partner, the Bank offers a \$350 bursary to graduates of these programs when they open a business account.

The Bank also supports the **OSMO Foundation**, which works toward developing the startup ecosystem in the greater Montreal area. OSMO is able to benefit from the Bank's expertise.

National Bank Showcase

In November 2020, we launched a digital directory to promote the Bank's business clients to our employees. Registration is free, and the directory now includes several thousand clients.

We continued to promote clients on our internal communication platforms in 2021, publishing profiles of businesses in various sectors such as food, health and wellness.



Enhancing our financing offer for small businesses

In 2021, the Bank launched new initiatives to enhance its financing offer for small businesses. For example:

- › Partnership with the **Black Opportunity Fund** including a \$1.25 million donation and a \$5 million investment fund for Black entrepreneurs. This funding will be used to invest in Black-owned businesses and initiatives to benefit Black communities, which continue to face barriers in terms of access to education, job opportunities and the capital required to fully participate in the growth of the Canadian economy.
- › Contribution to a financing envelope of \$52.5 million, together with the Government of Quebec and other financial institutions, to support the mission of **Evol** (formerly Femmessor), an organization dedicated to promoting inclusive businesses. This financing will be used to provide conventional loans to support diversified and inclusive businesses that generate positive social and environmental impacts in line with the United Nations Sustainable Development Goals.
- › Continuation of the **Fondation Lise Watier** Let's Start Up program for women who need support. Powered by the Bank, this program helps participants attain financial independence by giving them access to microloans to support their business projects.
- › Continuation of the partnership with the **Parcours Développement durable Montréal**. The *Parcours* was launched by the Ville de Montréal, Ellio and the *Conseil des industries durables*. It aims to support 20 Montreal SMEs every year in addressing sustainable development challenges and implementing innovative solutions.

Strategic partnerships

The Bank's corporate venture capital arm, NAventures™, buys an equity stake in startups and growing businesses, building strong partnerships that will shape the financial institutions of the future. This group is more than just a source of capital. The Bank supports entrepreneurs at every step of the way to ensure the success of their projects.

To date, the NAventures™ portfolio, which includes 19 businesses, consists mainly of fintechs. It also features other companies that will play a role in the future of financial institutions. Every company in the portfolio contributes in its own way to their community, and the Bank is proud to be investing in their missions.



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

› KOHO

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

› Moka

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

› Workind

Workind helps businesses take care of their employees through a customizable, flexible and innovative turnkey wellness program. Workind offers a platform to support employees on a daily basis, celebrate their successes and highlight key moments in their life.

› ClearEstate

The ClearEstate platform helps executors by streamlining tasks and professional services related to planning and settling estates. The platform provides easy access to high-quality information and services, enabling executors to save an average of 120 hours of work and \$8,500 in fees.

Supporting non-profit organizations

The Bank's clients also include many non-profit organizations. These clients benefit from financial solutions at favourable rates, as well as various support services, including services to boost planned donations.

International

The Bank complements its Canadian growth with a targeted and rigorous international strategy. It focuses on specialty finance in the U.S. through Credigy and on banking services for individuals and businesses in Cambodia through Advanced Bank of Asia (ABA Bank).

ABA Bank, which mainly supports micro, small and medium-sized enterprises in Cambodia, experienced one of the highest growth rates on the market. Its assets grew by nearly 30% in 2021. ABA Bank's clients operate in various industries that are central to the Cambodian economy, including retail, services and agriculture.



2021 highlights:

- › 2 new branches were opened, for a total of 79 across the country.
- › ABA Bank now has 1.4 million clients, mainly individuals, entrepreneurs and micro, small and medium-sized rural businesses in Cambodia.
- › We estimate that around 20% of borrower clients are controlled (individually or jointly) by women, which supports the advancement of women entrepreneurs in Cambodia.
- › For the seventh and eighth consecutive year, respectively, ABA Bank has been recognized as the Best Bank in Cambodia by Global Finance Magazine and Euromoney. It was also named Bank of the Year by *The Banker* in 2021.
- › ABA Bank donated \$1 million (USD) to help the Cambodian government limit the spread of COVID-19.

Offering a Responsible Client Experience

Providing our clients with appropriate advice and information on our products and services

(SASB AC-270 a.3)

As set out in the Bank's [Code of Conduct and Ethics](#), professionalism, honesty and integrity must always guide our actions, behaviour and communications.

No-pressure sales

To deliver an outstanding experience, we need to know our clients: their priorities, their financial situations and their changing needs. This knowledge enables us to offer personalized advice and recommend the products and services best suited to each client. To provide appropriate advice, we also need to know our products and services. By communicating clear, complete and accurate information, we help our clients make informed decisions without any pressure. We put our clients' interests first, regardless of our objectives under our performance and compensation programs. When we know that a product or service is not suitable for a client, we are required to mention it so they can make an informed decision.

The Bank also ensures all of its employees comply with the requirements of section 459.1 of the *Bank Act*, which prohibits coercive tied selling, through its [Code of Conduct and Ethics](#) and the communications, tools and training it provides. Clients can see explanations and examples in our booklet [What You Need to Know About Coercive Tied Selling](#).

More specifically, it is against the law for a bank to impose undue pressure on, or coerce, a person to obtain a product or service from a particular person, including the Bank and any of its affiliates, as a condition for obtaining another product or service from the Bank.



For more information, consult our [Code of Conduct and Ethics](#) and our booklet [What You Need to Know About Coercive Tied Selling](#).

Promoting our products and services honestly

The Bank is committed to promoting products and services honestly. This means creating marketing communications that are clear and accurate, do not lead to confusion and comply with the standards governing advertising design and production. Furthermore, the Bank's Intellectual Property Office organizes training sessions throughout the year to update Marketing teams on laws applicable to advertising.

Developing our advisors' expertise to better serve our clients

Our advisor training plans highlight on-the-job learning and social learning. Advisors alternate between acquiring knowledge and putting it into practice in a real work context. Each learner is supported during their training by an ecosystem that includes their manager, expert colleagues, a tutor and a buddy.

2021 highlights

(sample of over 4,400 users)

94% of employees say that the content is relevant to their work



94% of employees say that the concepts learned increase their confidence with clients

Our advisors also receive ongoing training via a stimulating, personalized gamified learning solution. This approach makes it possible to provide daily training that reinforces knowledge and behaviours related to business strategies and the client experience. Managers can access a dashboard to track the progress of employees in real time and provide coaching on the knowledge and competencies each employee needs to work on.

Since the launch of this learning solution, 7,500 employees have answered over 4 million questions on a number of topics: fraud prevention, cybersecurity, supporting clients during the pandemic, etc.

Furthermore, all our employees receive training and sign an annual Code of Conduct and Ethics attestation that contains provisions intended to maintain respectful relationships with our clients based on transparency, integrity, professionalism, trust and authenticity.

To learn more about the measures the Bank has put in place to contribute to employee development, consult the *Contributing to Employee Development* section on page 47 of this report.

Directory for advisors

Bank advisors can access an internal directory of more than 1,000 documents to help them increase their knowledge and provide informed advice to clients. Information is organized based on different objectives and life events, enabling advisors to adopt a personalized approach tailored to each client's situation and needs. Financial literacy articles are also published for advisors to share with their clients in order to address relevant topics and answer clients' questions.

Focusing on teamwork to manage performance

The Bank regularly updates its performance management program for employees in branches. We've transitioned from individual objectives to collective regional objectives. This change has promoted teamwork and mobilized employees to achieve a shared objective: provide clients with an outstanding experience, no matter what their needs are. The approach is based on providing sound advice and relies on different experts working in synergy to deliver on our One Mission and have a positive impact on clients and employees.

Maintaining an ongoing dialogue with clients and acting based on their feedback

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

In 2021, more than 150,000 individual and business clients were surveyed by an external firm, giving us an overview of their needs and expectations. We added an indicator to the survey related to the ease of carrying out transactions, and the questions were adjusted to account for remote meetings via video conference.

We also rely on other approaches, such as focus groups, interviews, user testing and an active social media presence, to help us make decisions centred on client feedback and expectations. Over the past year, survey results have enabled us to roll out a number of improvements to our digital solutions, such as:

- › A simplified method for changing passwords.
- › A new solution that allows clients to make instant credit card payments. This feature has been added to the mobile app.

In the past year, the Bank also introduced a new client experience platform that allows for active management of client satisfaction and provides instant access to results. The new platform gives client-facing employees access to deeper insights about the clients surveyed so they can respond to the needs expressed.

The platform can also generate alerts when a client wants to be contacted about an issue, a complaint or a new need.

Since 2019, annual targets have been set and the Net Promoter Score has been integrated into the compensation program for all employees.

Social media

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



nbc.ca/socialnetworks



**A TRIPLE
POSITIVE IMPACT:
clients, employees
and the community**

Having a positive impact based on client feedback

The Impact program, launched in 2021, spotlights a positive client comment and recognizes all Bank employees who contributed directly or indirectly to the client's memorable experience. We contact the client to thank them for taking the time to share their appreciation and ask them to choose an organization that will receive a donation in their name. All employees involved receive a gift produced by a business client of the Bank. Since the program was launched, more than 500 employees from all Bank sectors have been recognized and \$9,000 has been donated to various organizations.

Ensuring client satisfaction

The Bank offers a complaint settlement process accessible via its many channels. It's easy to use and focused on finding solutions. It encourages employees to handle and resolve client complaints promptly. All client-facing employees are required to complete training on handling client complaints.

Since September 2021, surveys have been sent to clients after a complaint is settled. Results are analyzed and tracked to improve the Bank's processes. Proactive coaching is offered to Branch Managers to enhance their complaint management skills.

Client complaints and dissatisfactions enable the Bank to keep improving its products and services and its business practices.

Client Complaint Appeal Office

The Client Complaint Appeal Office offers clients a neutral and impartial recourse for complaints not settled to their satisfaction by the Bank. It partners with specialists from all areas to promote an approach focused on finding solutions and uses methods adapted to each specific situation. Each file is reviewed confidentially in accordance with legislation, regulations and industry best practices. The Board's Conduct Review and Corporate Governance Committee:

- › Oversees the application of mechanisms and procedures for examining complaints from clients and from anyone who applies for a product or service
- › Reviews reports on complaint handling prepared by the Client Complaint Appeal Office

On an annual basis, the Client Complaint Appeal Office communicates data on complaints handled in the past year, as well as examples of cases handled and best practices for clients to adopt when managing their banking activities.



For more information on the Client Complaint Appeal Office and the data disclosed annually, consult the [Complaint settlement](#) section on [nbc.ca](#).

Indicators	2021	2020	2019
Complaints received by the Client Complaint Appeal Office	3,086	2,769	2,143
Complaints investigated and settled	179	208	234
Settlement rate ¹	44%	57%	46%
Average number of days to settle a complaint	67 days	58 days	77 days

¹ Settlement rate: Final decision rendered in favour of the client for the entire file or via a settlement agreement.

Offering accessible services

The Bank is committed to offering a simple, people-centric experience to all its clients. That's why we constantly strive to make our products and services more accessible. All our employees must respect, at all times, the principles of dignity, autonomy, integrity and equal opportunity. They have access to training material to help them understand the legal accessibility requirements for products and services.

Among other things, we are committed to:

- › Sharing clear information using different means of communication
- › Asking our clients if they need help using our services
- › Analyzing and carrying out any requested changes to accommodate clients with limitations, in accordance with the codes and standards in effect



Branches and points of service

In 1992, the Bank made a commitment to the Canadian Human Rights Commission to ensure its branches and other buildings comply with universal accessibility standards. When renovating or designing premises, we apply the most rigorous standards in effect. Today, more than 95% of our buildings are accessible to persons with reduced mobility.

The Bank continues to invest extensively in its branches and points of service to offer clients an environment that lives up to their expectations. For example:

- › We've opened, renovated or relocated some 10 branches to offer modern, technologically enhanced spaces. All projects are carried out in compliance with sustainable development and universal accessibility standards.
- › We've gradually updated our bank branches to meet new inclusivity and universal accessibility standards for people with cognitive and physical limitations and to comply with the Code of Conduct for the Delivery of Banking Services to Seniors.



For more information on the measures the Bank has put in place to offer accessible services, consult the [An accessible experience for all](#) section on [nbc.ca](https://www.nbc.ca).

Underbanked, unbanked and underserved clients

(SASB CB-240a.4)

By becoming the sole shareholder of Advanced Bank of Asia Limited (ABA Bank) in Cambodia, the Bank has opened the door to many people who previously had no access to banking services at all. With 79 branches in Cambodia, the Bank provides access to basic banking services for underbanked, unbanked and underserved people.



For more information on loans and deposits in Cambodia, see the Q4 2021 [Analyst and Investor Presentation](#), available on nbc.ca.

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

- › Bank accounts with no fixed monthly fees offered to certain client segments identified by the Government of Canada as financially vulnerable (seniors, persons who have been determined to be disabled, children, full-time students), if linked to a specific package.
- › Monthly discount on most banking packages offered to certain client segments, such as people aged 24 or younger and people aged 60 or older.
- › Support offered to clients whose financial situation has been affected by the COVID-19 pandemic.

- › [Banking Offer for Newcomers to Canada](#), which includes a chequing account with no fixed monthly fees for the first 12 months; this fee waiver can be extended to the second and third years under certain conditions. Clients who sign up for this offer also have access to a credit card even if they have no credit history, a support service to help them get settled in Canada and banking discounts.

Number of chequing accounts with no fixed monthly fees in Canada (no minimum balance)	230,553
Number of borrowers at ABA Bank	88,923
Annual increase in ABA Bank loans	31%
Annual increase in ABA Bank deposits	34%

Communicating proactively with vulnerable clients

To better support our clients during the pandemic, our teams rolled out a model that assesses their vulnerability and suggests actions that could help them. We also implemented a proactive monitoring program for clients likely to be affected. Through this program, we can help them manage their credit products and better understand how those products work. These tools allowed the Bank to proactively communicate financial advice tailored to its vulnerable clients.

¹ Persons aged 65 years or older, upon presentation of proof of eligibility for the Guaranteed Income Supplement.

² Beneficiaries of a Registered Disability Savings Plan (RDSP) aged 18 and over, upon presentation of proof of eligibility.

Protecting our clients' interests

Trust and transparency are central to the Bank's relationships with all its stakeholders. When it comes to services offered to clients by our employees, the Bank ensures appropriate measures are in place so it can deliver services tailored to the needs and interests of each client in a safe and respectful environment. Our employees are trained and educated to the highest standards. The Conduct Review and Corporate Governance Committee takes steps to ensure the Bank's management implements mechanisms to monitor client-facing initiatives. It's also responsible for reviewing the effectiveness of these mechanisms.

Supporting and protecting seniors


The elderly population is increasing. In response, the banking industry is taking measures to meet the specific needs of clients aged 60 and over. The Bank has signed on to the *Code of Conduct for the Delivery of Banking Services to Seniors*, a set of guiding principles for these measures. The Financial Consumer Agency of Canada (FCAC) is responsible for ensuring banks comply with the Code.

The Bank is committed to:


- › Supporting elderly clients
- › Taking action to prevent scams, fraud and financial abuse targeting seniors
- › Recognizing signs of abuse and taking action
- › Communicating effectively with seniors
- › Offering products and services adapted to their needs

All of the Bank's business lines need to apply the Code to ensure the success of this initiative. In 2021, we rolled out specially designed training, with content adapted to the needs and reality of each sector.

To support clients, we've made many useful resources on this topic available on the [Protecting our clients aged 60 and over](#) section of [nbc.ca](#). These resources are accessible at any time. In 2021, the Bank published the second edition of its Annual Report on the Protection of Seniors, which sets out the actions we've taken to ensure compliance with the Code.

26,491 calls had been received 

To help us offer an outstanding client experience, we've also set up a dedicated phone line for clients aged 70 and over. As at October 31, 2021, 26,491 calls had been received.

 For more information on the actions taken by the Bank, consult the [Annual Report on the Protection of Seniors](#), available in the *Social Responsibility* section on [nbc.ca](#).



Collaborating with organizations to improve banking services

Improving banking services and the client experience are key concerns for the Bank. We have therefore undertaken a number of actions to contribute to advancement in these areas. In accordance with our [Stakeholder Engagement Guidelines](#), the Bank holds discussions with regulatory bodies and other entities involved with these issues. As such, the Bank:

- › Is a member of the Canadian Bankers Association (CBA), which allows the industry to maintain a dialogue with government on various issues and policies that affect financial institutions. We participate in a number of this organization's working committees, including several that discuss issues related to clients.
- › Regularly meets with the FCAC and Quebec's *Office de la protection du consommateur* (OPC) to discuss specific cases and industry issues. We make a point of suggesting ways to improve financial services for consumers. For example, during the COVID-19 pandemic, we worked with the FCAC to simplify access to support measures for affected clients.

Our ESG commitments: informing our clients and raising awareness

Achieving sustainable development goals will require a collective effort. Clients expect the Bank to be socially responsible and adopt a simple, people-first approach. Social responsibility has been central to the Bank's values since its very beginnings and has been highlighted in our Take Action Today campaign, which was launched in 2020 and continued in 2021.

This campaign covers four main themes aligned with the Bank's environmental, social and economic commitments:



Theme	Commitments
Take action on the Paris Agreement today	Reduce greenhouse gas emissions resulting from our own activities by 25% by the end of 2025 and achieve carbon neutrality for our operating and financing activities by 2050.
Take action for a more inclusive future today	Build inclusion and diversity in the workplace by having more than a quarter of our workforce be made up of people from diverse backgrounds by the end of 2023.
Take action to support local businesses today	Create the SME Growth Fund, which will invest \$200 million to support business clients in achieving success.
Take action to change lives today	Support over 300 community organizations across Canada.



Visible on multiple media channels (television, newspapers, social media, branch displays, etc.), this campaign is intended to inform clients of the Bank's commitments and the concrete actions we're taking to deliver on them. The campaign also aims to encourage clients to join the movement; taking action today means we need to act now to have a lasting positive impact on people and the planet.



To watch the videos for the Take Action Today campaign, consult the [Social Responsibility](#) section on nbc.ca.

Supporting clients in their energy and social transition



Responsible investment

(SASB AC-410a.1; AC-410a.2)

National Bank Investments Inc. (NBI), a subsidiary of the Bank, aims to be an accelerator that promotes the growth and development of investment solutions and services to help investors achieve their financial goals. As the leading open architecture provider in Canada, NBI is committed to offering diversified investment solutions to meet investors' changing needs. This open architecture structure offers a number of benefits including the power to act by choosing the best portfolio managers and the agility to easily navigate the world of investing. We constantly work on improving this structure to build a more sustainable future.

Integration of ESG criteria

NBI has integrated ESG criteria into its investment decisions since January 2018, notably through its OP4+ governance process, which involves conducting ongoing due diligence and ensuring full accountability. We assess the organization, people, process, portfolio, performance and integration of ESG criteria of external managers. We believe that the integration of ESG criteria alongside traditional financial analysis allows for a better assessment of risks and provides better long-term investment opportunities.

In January 2021, NBI reviewed its criteria of excellence in portfolio management to include in particular an analysis of diversity within the investment team (People pillar) and added two new criteria to the "+" pillar.

These criteria are:

1. **The presence of measures and targets for reducing the portfolio's carbon footprint.**
2. **Managers' involvement in advancing responsible investment.**

Since all external managers incorporate ESG considerations into their investment process according to their own expertise, the methods for doing so are not standardized for the entire NBI product shelf. This constitutes one of NBI's strengths, as we can therefore select from the best managers, including in terms of ESG considerations, for each of the asset classes that make up our funds and solutions.

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

NBI believes that engagement is part of a robust investment process. It encourages its external portfolio managers to discuss important issues with the companies held in their portfolios, including questions related to

ESG criteria that could affect their activities and outlooks. Shareholder engagement is the subject of regular discussions between NBI and its external managers.

NBI discusses various specific questions related to ESG criteria with our external portfolio managers in order to understand how they are incorporated into their investment analyses and their decision-making process. NBI encourages portfolio managers to enhance their investment process by improving their integration of ESG concerns. Currently, 98% of NBI's assets under management are managed by PRI signatories, a slight increase since the start of 2020 (97%). One external portfolio manager became a PRI signatory in 2021.

Breakdown of NBI assets under management and the proportion of them managed with ESG considerations as at October 31, 2021:

Asset class	Total assets under management¹ (\$ millions)	Total assets under management that incorporate ESG considerations² (\$ millions)	Total assets under management that incorporate ESG considerations (%)
Actively managed equities	29,808	29,808	100%
Passively managed equities	5,760	1,140	20%
Actively managed fixed income	19,472	18,519	95%
Passively managed fixed income	1,302	48	4%
Other (private placements, real estate, forest and agricultural land, infrastructure)	1,169	971	83%
Cash and derivatives	14,571	N/A	N/A

1 Assets managed by a financial institution and that are beneficially owned by clients. Management services are more comprehensive than administrative services and include selecting investments or offering investment advice. Assets under management, which may also be administered by the financial institution, are not reported on the balance sheet of the institution offering such services.

2 Each of the portfolio managers selected by NBI has their own approach to responsible investing. They prioritize different objectives, ranging from avoiding exposure to undesirable companies or economic sectors to aligning their portfolio with key factors in sustainable development. These different responsible investment approaches enrich the NBI platform by taking into account the distinctive features of each asset class.

N/A: Not applicable

Moreover, the Bank's commitments in terms of transparency and responsibility are favourably reflected in the NBI product shelf. As at October 31, 2021, 43.8% of assets were managed by CDP members and 45.7% of assets were managed by firms that support the TCFD. Furthermore, as at October 31, 2021, 34.7% of NBI's assets managed by other banks were managed by signatories of the PRB and 84.4% of NBI assets managed by Canadian firms were managed by members of the Responsible Investment Association. NBI encourages this enhanced disclosure that allows it to make the best possible decisions when choosing external portfolio managers.

Lastly, NBI became a Founding Participant of the Climate Engagement Canada initiative, which drives dialogue between the financial community and Canadian corporate issuers about the risks and opportunities associated with climate change.

Sustainable development-focused exchange-traded funds (ETFs)








Committed to being an innovator in the field of responsible investment, NBI has launched four sustainable development-focused ETFs over the past few years. These products are the first actively managed Canadian ETFs in the lineup of products incorporating ESG considerations. These products compare favourably to our competitors', as they are the first actively managed Canadian ETFs aligned with the United Nations Sustainable Development Goals (SDGs).

In March 2021, NBI began incorporating these ETFs into some of its investment solutions. Strategies aligned with sustainable development help diversify the NBI Funds and provide new investment opportunities.

Furthermore, NBI gives its clients greater access to some of these strategies by offering them as part of a mutual fund structure. In June 2021, NBI launched the following funds:

- › NBI Sustainable Canadian Bond Fund
- › NBI Sustainable Canadian Equity Fund
- › NBI Sustainable Global Equity Fund

The table below presents how the four ETFs are aligned with the SDGs (data as at October 31, 2021).¹

SDG	NSGE ²	NSCE ³	NSCB ⁴	NSCC ⁵
 1. No poverty	5.8%	4.2%	5.2%	2.9%
 2. Zero hunger	4.1%	21.4%	0.0%	0.0%
 3. Good health and well-being	19.2%	11.1%	6.6%	2.9%
 4. Quality education	0.0%	4.4%	1.9%	1.7%
 5. Gender equality	0.0%	0.0%	3.9%	2.0%
 6. Clean water and sanitation	4.0%	1.2%	2.1%	0.4%
 7. Affordable and clean energy	19.3%	6.7%	46.5%	12.1%

¹ Our external managers are responsible for assessing the alignment of securities with the SDGs. The NSGE portfolio manager uses a minimum threshold where 25% of the company's revenues must be derived from products and services aligned with the SDGs. The NSCE portfolio manager assesses the alignment of the company's revenues with a materiality threshold of 10%, the alignment of its operations and the alignment of its values. The NSCB manager can invest in labelled bonds, where 100% of the capital finances projects with a positive environmental or social impact, as well as pure plays, where at least 90% of the issuer's revenues must be generated by eligible environmental or social projects or activities. A company or project can contribute to more than one of the SDGs at the same time. Cash holdings are included when calculating the percentage of the portfolio's market value that contributes to at least one SDG.











² NSGE: NBI Sustainable Global Equity ETF. This strategy is also offered in a mutual fund structure: NBI Sustainable Global Equity Fund.

³ NSCE: NBI Sustainable Canadian Equity ETF. This strategy is also offered in a mutual fund structure: NBI Sustainable Canadian Equity Fund.

⁴ NSCB: NBI Sustainable Canadian Bond ETF. This strategy is also offered in a mutual fund structure: NBI Sustainable Canadian Bond Fund.

⁵ NSCC: NBI Sustainable Canadian Corporate Bond ETF.



SDG (continued)		NSGE ¹	NSCE ²	NSCB ³	NSCC ⁴
	8. Decent work and economic growth	13.2%	45.2%	0.0%	0.0%
	9. Industry, innovation and infrastructure	12.6%	31.6%	85.9%	13.2%
	10. Reduced inequalities	2.6%	9.0%	1.9%	1.7%
	11. Sustainable cities and communities	0.0%	11.5%	93.9%	19.9%
	12. Responsible consumption and production	15.1%	12.4%	1.8%	0.4%
	13. Climate action	0.0%	1.2%	93.9%	19.9%
	14. Life below water	0.0%	1.2%	2.6%	0.8%
	15. Life on land	0.0%	1.2%	0.4%	0.4%
	16. Peace, justice and strong institutions	2.2%	7.9%	0.0%	0.0%
	17. Partnerships for the goals	0.0%	0.0%	0.0%	0.0%
Percentage of the portfolio's market value that contributes to at least one SDG		98.1%	86.8%	99.1%	21.9%

In addition to being aligned with the SDGs, these products incorporate other ESG considerations, in particular by excluding companies that derive a significant portion of their income from tobacco, prisons, alcohol, the military sector, weapons, fossil fuels or nuclear energy. Furthermore, the carbon footprint of these products has been calculated by the portfolio managers and found to be well below their benchmark.

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



To learn more about the responsible investment approach adopted by NBI, consult the [2021 report](#) available on nbinvestments.ca.

1 NSGE: NBI Sustainable Global Equity ETF. This strategy is also offered in a mutual fund structure: NBI Sustainable Global Equity Fund.

2 NSCE: NBI Sustainable Canadian Equity ETF. This strategy is also offered in a mutual fund structure: NBI Sustainable Canadian Equity Fund.

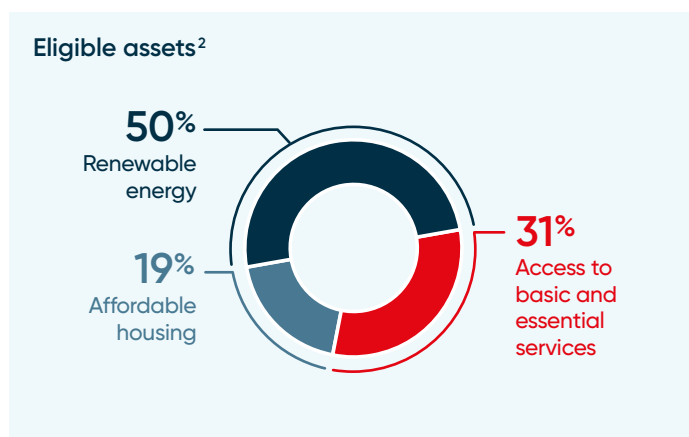
3 NSCB: NBI Sustainable Canadian Bond ETF. This strategy is also offered in a mutual fund structure: NBI Sustainable Canadian Bond Fund.

4 NSCC: NBI Sustainable Canadian Corporate Bond ETF.

Sustainable bonds for eco-friendly projects and organizations

(SASB IB-410a.2)

The Bank has developed one of the first Canadian reference frameworks for issuing sustainable bonds.¹ As at December 31, 2021, the issues carried out since 2019 have generated more than \$3.1 billion, which was used by the Bank to finance numerous projects in the field of sustainable development. Under this framework, the funds can be used to finance renewable energy projects, sustainable buildings, low-carbon transportation, affordable housing and access to basic essential services. 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.



To learn more about the reference framework for the Bank's sustainable bonds and see a few examples of the projects financed, consult the Sustainability Bond Report available in the [Capital & Debt Information](#) section on nbc.ca.

Green loans, sustainable loans, transition loans and sustainability-linked loans

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 sustainability-linked loans was \$2.7 billion.

Unified managed account for sustainable investment portfolios

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.

¹ In line with the International Capital Markets Association (ICMA) Green Bond Principles and Social Bond Principles, the Bank's Sustainability Bonds will be allocated to financing of projects and organizations that credibly contribute to the environmental objectives or seek to achieve positive socioeconomic outcomes for target populations.

² For more information on eligible assets, consult the National Bank of Canada Sustainability Bond Framework available in the *Capital & Debt Information* section on nbc.ca.



Cleantech companies

Over the past fiscal year, the Bank's Technology and Innovation Group has continued to offer advice, support and financial services tailored to the needs of rapidly growing tech companies across Canada. Furthermore, the Group actively encourages networking between various players in the entrepreneurial ecosystem to promote more sustainable business models.

In 2021, the Group supported a number of cleantech companies, including:

› FLO | AddÉnergie

A vertically integrated electric vehicle charging network operator and a leading provider of smart charging software and equipment in North America.

› GreenMantra Technologies

A global leader in advanced recycling. The company uses its technology to transform waste plastic into novel materials to enhance construction and infrastructure applications.

› dcbel

A company that aims to provide clean, efficient, sustainable energy that is accessible to all. Among the solutions offered, a Home Energy Station that gives everyone ownership over their energy supply by using solar power to charge their electric vehicle and home, unlocking their electric vehicle's battery for backup power and optimizing the energy flow between their solar panels, electric vehicle, backup battery and the grid.

› Sollum Technologies

A company inspired by nature that offers greenhouse producers a smart LED lighting solution that dynamically recreates, perfects and modulates the full spectrum of natural sunlight. By providing value in terms of energy savings, productivity and superior produce quality, it helps meet the growing demand for a more local, ethical and sustainable approach to agriculture.

Renewable energy

As the global energy and infrastructure landscape evolves to reduce the impact our energy supply and consumption have on the environment, National Bank Financial Markets (NBFM) is evolving to better serve the needs of its clients and ensure the depth and quality of coverage of the global energy transition.

In 2021, NBFM ranked as the **third largest lender** in the renewable energy sector across North America.



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.

Offsetting greenhouse gas emissions and promoting local businesses

We've added the *Eco-Friendly* section to our loyalty program for National Bank credit card holders. Among other things, clients can offset their greenhouse gas emissions by purchasing CO₂ offset units via Coop Carbone. By choosing this option, our individual and business clients contribute to Quebec's Electrification and Climate Change Fund, which provides the resources needed to implement Quebec's provincial climate change plan.

COOP CARBONE

Clients can also visit this section of the rewards site to purchase sustainable products from local businesses. New businesses were added in 2021 to expand and diversify the offer. To encourage clients to be environmentally conscious, fewer rewards points are needed to purchase an electronic gift card versus a plastic one.

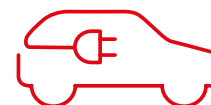
National Bank credit card holders can also redeem their points to make donations to organizations in the areas of emergency intervention, health and women's financial independence.



For more information on these initiatives, consult the [Eco-Friendly](#) and [Donations](#) sections on the rewards website for holders of National Bank credit cards on rewards.bnc.ca.

Loans for electric and hybrid vehicles

The Bank offers an additional discount on financing for electric and hybrid vehicles to help clients reduce their carbon footprint and promote the transition to electric vehicles.



¹ Source: Inframation 2021 League Tables.

EMPLOYEES

OUR APPROACH

At the Bank, we believe people are the key to our success.

We want to offer the most stimulating work environment in the country and a modern employee experience. We believe this is a good way to access the best talent and build motivated, diverse teams that are empowered to have a positive impact in people's lives. We believe in helping our employees develop their full potential and favour a culture of continuous development. The Bank has maintained an ongoing dialogue with employees, getting them involved in business decisions and discussions and requesting their feedback on various topics.

Recruiting and Succession Planning

Attracting the best talent

Launched in 2021, our "Live your ambitions" employer brand is a creative expression of this vision. It supports our social commitment with an inclusive culture and a diverse talent pool and is based directly on who we are:

- › **Promoting our entrepreneurial culture**
- › **Building on our values of inclusion, partnership, agility and empowerment**
- › **Demonstrating authenticity**

We are implementing benefits and working conditions adapted to the needs of today's employees. This people-first approach allows us not only to provide stimulating professional challenges but also allows our employees to excel in their personal interests. Given this drive for balance, our Talent Acquisition team has implemented strategies to attract candidates from different backgrounds who share these same values. Every individual is different, and we draw on these unique strengths and skills to create diversified talent pools.



Portraits of employees working toward their personal interests or their commitment to the community.

We strive to provide a positive and accessible recruiting experience to all our applicants. Day after day, we enhance our talent acquisition practices, simplify our approaches and lay the groundwork to ensure a people-centric experience that is transparent and bias-free for all our applicants.

By so doing, we are striving to create favourable conditions to support our employees in their careers and ensure their engagement over the long term to allow them to flourish in their day-to-day work and build a better future.

Planning our succession

Every year, managers from different sectors take part in roundtable discussions to analyze the Bank's talent pool. This rigorous process allows managers to identify departure risks, critical positions and expertise, as well as potential successors for each of their employees. Once these roundtable discussions are completed, information is compiled and aggregated in order to establish appropriate development plans.

What's more, for its succession management, the Bank makes sure that it has a pool of potential candidates who meet its standards in terms of inclusion and diversity. When a position with a successor becomes free, this pool is used in order to make the succession plan a reality. This allows us to be proactive in preparing and developing our leaders and ensuring the talent needed to serve our clients is made available.



In 2021, close to **80%** of our leaders had at least one successor identified.

In order to have a skilled talent pool that reflects the communities we serve, we offer internship and rotation programs in various business sectors. Here are a few examples:

Initiatives	Description
National Bank Financial – Wealth Management internship program	In order to create a wealth management succession pool, every year, three cohorts of 6 to 14 students are selected. These students are introduced to how our full-service brokerage firm operates and are exposed to different realities in other business lines. These second- and third-year university students have the opportunity to get involved in portfolio management, take part in rolling out certain projects, bring new ideas to our approaches, etc. Some high-quality candidates have the opportunity to continue working part-time during their studies or even obtain a full-time position after they graduate.
Financial markets summer internship program	This program gives university students the opportunity to spend a few months working in a Financial Markets business unit and interacting with financial specialists and professionals at the Bank. This could potentially lead to joining our rotation program, which offers university graduates an opportunity for additional learning followed by several months of work experience within our Corporate & Investment Banking and Sales & Trading business units in Montreal and Toronto. Participants improve their knowledge of the capital markets industry and may be offered a permanent position aligned with their strengths and interests.
Rotation programs – Data science and data engineering	<p>The goal of the Bank's rotation programs is to recruit and onboard data scientists and data engineering analysts so they can acquire professional experience and put their knowledge to use to resolve challenges within various Bank sectors. Program participants can therefore get acquainted with a variety of realities through a two-year cycle and six-month rotations.</p> <p>Rotation programs provide a unique opportunity to learn and apply data science across multiple Bank sectors and then join one of them.</p> <p>Data is an essential asset for the Bank that must receive an appropriate level of attention. Rotation programs allow data culture to be disseminated across the entire organization by:</p> <ul style="list-style-type: none"> › Attracting talent from emerging professions such as data scientists and data engineering or artificial intelligence analysts and by onboarding them across the entire Bank › Enhancing the abilities of teams in place and developing their expertise surrounding data › Facilitating projects with a positive impact for our clients and employees <p>Since programs were created in 2018:</p> <ul style="list-style-type: none"> › 181 rotations have taken place in Bank sectors › 70 employees have taken part in the programs, including 53 data scientists and 17 data engineering analysts › Close to 80% of participants are placed internally through programs

Contributing to Employee Development

National Bank prioritizes employee learning and development.

Skills development is overseen by the Employee Experience sector, which uses the Employee Voice and business lines to develop simple, relevant development solutions adapted to today's reality while improving the employee experience.

Our commitment is clear: support employees in achieving their full potential and make the Bank the most stimulating work environment in the country.

When employees arrive at the Bank, they complete an initial learning program based on their function and sector. Once this has been completed, we encourage them to keep their skills up-to-date and acquire new ones on an ongoing basis. Learning is more personalized and accessible through our various collaborative tools. Since we favour a strong culture of continuous development, employees can consume the content that they need, when and how it's convenient for them.

The two major components of learning

Employees have access to an internal learning platform that contains various useful references for their career development, including their employee file, talent profile and information regarding total compensation. This is also the platform where we roll out various formal and regulatory courses.

In addition to formal learning activities, informal or social learning opportunities are also offered through practices that help employees acquire and develop new skills and learn by doing. Informal learning can take the form of manager or peer coaching, using internal collaboration tools, special mandates, etc.

- › **Coaching, mentoring and sponsorship:** new assistance offering for employees to help in their professional development. Tools and an approach are available, as well as the support provided by employees' managers.
- › **Learning Corner:** a portal presenting various resources for all employees who want to design or distribute development content or provide coaching on specific tasks. Among the topics addressed are various tips on leading training, creating videos and supporting colleagues with their development. Employees are supported by a community of practice, which provides advice and shares experiences so they can quickly take action.



Initial learning

- › Formal ++
 - › Informal +
- Virtual class, videos, peer coaching, structured coaching, on-the-job learning



Ongoing learning

- › Formal +
 - › Informal ++
- Complex knowledge: catalogue of external classes, internal social learning platform



In 2021, we invested \$37 million in developing our employees' skills, and every employee took an average of **18 hours of formal training.**

The Bank is among the companies awarded a *Certificat de qualité des initiatives de formation* by Emploi-Québec in recognition of the innovative quality of their development programs. Each sector has its own development strategy that reflects the specific market issues and transformation challenges it faces. In this way, the Bank ensures that its employees continue to build relevant expertise and stay on top of industry trends.

Changes to the learning experience to benefit employees

Employees have opportunities to develop their knowledge and skills related to business objectives on an ongoing basis. The collaborative environment and a peer coaching approach are favoured, empowerment is valued and employees are encouraged to learn from each other to make the Bank a learning organization.

Learning organization ¹	2021	2020
Percentage of employees who consider the Bank a learning organization	81% (target: 79%)	83%² (target: 72%)
› I feel that I'm learning every day.	83%	83%
› I look for opportunities to learn new things that will help me succeed in my role.	94%	N/A
› The Bank helps me develop my skills for the future.	82%	N/A

1 Results of the annual employee satisfaction survey. Over 15,000 employees across the Bank responded to the survey in 2021.

2 The exceptional circumstances of the COVID-19 pandemic created numerous development opportunities. Given this situation, the Bank expected the response to be less substantial in 2021. N/A: Not available. Questions were added to the questionnaire in 2021.

IT University offers development possibilities organized by specialty for information technology employees with skill self-assessment and thousands of online courses via a technology platform. Employees have completed **30,450 hours** via the platform.



To support our role as a learning organization and prepare our employees for the future and a changing work environment, we have developed a business strategy based on 15 core competencies. This will allow employees to develop skills other than those related to their function. Early in 2022, we'll be rolling out a portal for all employees that will provide access to curated learning content concerning the 15 core competencies, including a selection of articles chosen for their relevance.

Employees use a simple, dynamic platform to request feedback from their colleagues. They can also use this platform to give recognition, highlight their colleagues' strengths and discover development opportunities.

Content specific to each of the 15 competencies combined with ongoing multisource feedback is used to establish the individual development plan for each employee.

Our 15 core competencies

- › Technological appetite
- › Verbal and written communication
- › Creativity and innovation
- › Cybersecurity
- › Empathy
- › Analytical skills
- › Digital skills
- › Emotional and social intelligence
- › Data literacy
- › Social media literacy
- › Openness to learning
- › Openness to others
- › Critical thinking skills
- › Decision-making
- › Resilience

Manager development

Leadership and succession development are at the heart of the Bank's growth. We stand out as an organization where leaders continuously hone their skills and are personally committed to the development of their colleagues and successors.

Some examples demonstrating the Bank's commitment to its leaders' professional development:

Leadership path

Development program rolled out over a 10-month period in which leaders identified by the Bank invest close to 70 hours in their professional development based on a strategy including reflection, coaching and group activities, business and leadership challenges and individual coaching.

- › In 2021, 45 executives and managers were involved in facilitating six development program workshops and in individual coaching with participants in a "train the trainer" approach.
- › 550 leaders took part in the 2021 exercise, including branch managers, senior leaders and future leaders.

Coaching path

Coaching path available for management and non-management employees, allowing them to put into practice their skills to develop the Bank's sought-after leadership profile.

- › This option was completed by more than 192 leaders in 17 cohorts in 2021.



Effet A

Program intended to help women leaders develop their targeted competencies in order to highlight their talents and power their career.

- › In 2021, 100 women from various Bank sectors took part in this program.

Promoting Employee Well-Being

Compensation

The Bank stands out for its courage, entrepreneurial culture and passion for people. We are a people-centric bank with a total compensation policy designed to support strategies for attracting, engaging and retaining skilled and high-performing employees, who are essential to meet our business objectives. The Bank carries out market research to provide competitive total compensation in all sectors of the organization. It also ensures compliance with the regulations and standards in effect, especially as concerns salary equity, through strong governance of compensation programs and practices. Our total compensation offer is guided by the following principles:

- › Employees' contributions are recognized.
- › Compensation is competitive to attract, motivate and retain talent.
- › The Bank is committed to providing a salary that affords a suitable standard of living in the countries where its employees work.
- › Our organization is evolving to favour an agile, highly collaborative culture.
- › Motivated employees support our commitment to creating value and enhancing the client and employee experience.
- › Benefits are innovative, flexible and focused on health, safety and well-being at work, as well as the financial, physical and mental well-being of employees.
- › Technology practices and environments foster development and encourage a personal work-life balance, such as telework and hybrid work, flexible work schedules, voluntary part-time work, etc.
- › Our new work environments are collaborative, welcoming and innovative.

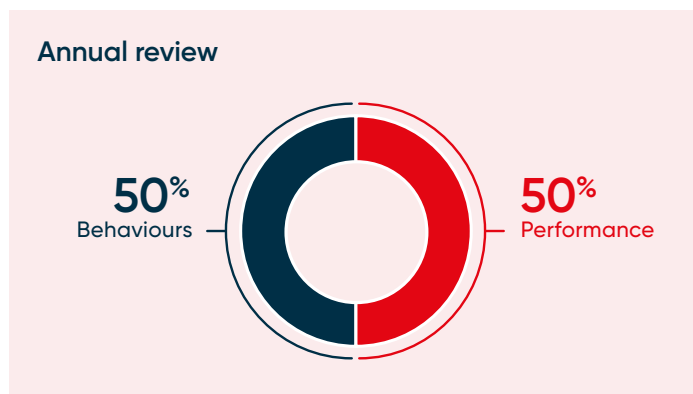
Performance management

We're continually refining our approach to managing performance in order to enhance synergy between business sectors, improve the team's performance and facilitate learning and skills development on an ongoing basis. All executives, including the members of the Office of the President, share a single scorecard with common objectives.

These objectives are established to support the financial and non-financial indicators used to balance the interests of the Bank's various stakeholders, i.e., shareholders, employees, clients and the community. They are then communicated to all Bank employees.

When it comes to evaluating our employees, we believe that how things are done is just as important as what is achieved. As a result, employees have an end-of-year assessment in which targeted Bank behaviours and annual objectives each contribute 50% to their annual performance appraisal.

Employees and their managers have ongoing conversations throughout the year about these two components to support employees in achieving their objectives. All employees are encouraged to ask for



feedback on an ongoing basis from their manager and colleagues to understand their impact and identify concrete ways to further their development plan.

For most branch employees, individual objectives have become regional group objectives in order to provide an outstanding client experience. For more information, consult the *Focusing on teamwork to manage performance* section on page 31 of this report.



Employee benefits and wellness

In line with its One Mission, the Bank offers a range of benefits and working conditions to promote employee well-being and balance work and family life. The Employee Experience team ensures the service offering remains competitive by monitoring the benefits offered on the market and listening to its employees. The Bank wants to attract and retain top talent while maintaining a high level of engagement. Management practices that encourage better work-life balance are a determining factor for top employers.

Our range of flexible and innovative employee benefits include:

- › Group insurance: medical and dental care, short-term and long-term disability coverage, occasional sick leave, etc.
- › A generous pension plan
- › An attractive employee share ownership plan, which the Bank contributes to
- › An additional six-week maternity benefit that complements the federal and provincial benefits
- › Banking and credit advantages, including certain banking services and preferred rates on some financial products
- › An Employee and Family Assistance Program (EFAP) that offers professional support for employees and their family members who are going through difficult times. This allows them to obtain assistance with full confidentiality. In addition to this service, the EFAP provides specialized services to assist managers with emotionally difficult and delicate situations related to their management role.
- › A telemedicine service that allows all employees to quickly access health care professionals online. What's more, this year the offer has been enhanced to include a brand new stress management and wellness service.
- › Free, unlimited access to a sleep clinic via a mobile app, available 24/7
- › Access to a day care exclusively for employees' children
- › Career development and ongoing training
- › Additional discounts on products and services for employees resulting from Bank agreements with various suppliers and partners.

Through these benefits and by providing information and tools to help adopt healthy habits, the Bank aims to provide its employees with the resources they need to take charge of their physical and mental health.

Health and safety

The Bank is proud of its safety record. Although the banking sector sees few work-related accidents, we take them very seriously. As a preventive measure, the Bank has developed a series of mandatory training sessions for all employees on occupational health and safety, hygiene measures, mental health and safety at home.

In addition to mandatory training, here are some awareness, prevention and promotion tools made available to employees to ensure their health, safety and well-being:

Wellness column	Intended to support employees by providing articles on a variety of topics such as digital well-being, sleep, vaccination, physical activity, mental health, etc.
Wellness account	Intended to expand the range of coverage included in group insurance and promote health and well-being. With the wellness account, employees can claim various eligible expenses related to wellness activities and services tailored to their individual situation.
Ergonomics	The Bank cares about its employees' work environment, whether at the office or at home, and makes available ergonomic tools such as a video and guide explaining best practices, ergonomic material and professional consultations.
Leave for life events	Whether it be for an illness of a family member, or a personal event such as a wedding or the arrival of a child, the Bank allows its employees to take some time to be with their loved ones. Rules regarding eligibility and duration apply.
Mental health peer program	This program provides employees with additional support and guidance toward available resources, as well as assistance from the first signs of distress. To qualify, peer helpers were evaluated and participated in training given by a psychologist.

The table below indicates the number of injuries that occurred in 2021.

Number of workplace accidents in Canada	16
Number of fatal workplace accidents in Canada	0

Maintaining an Ongoing Dialogue With Employees

Maintaining an ongoing dialogue with employees and acting based on their feedback

Listening to the needs of all employees and addressing their concerns by acting on what really matters is a key practice for the Bank to support our ambition to “be the most stimulating work environment in the country.” Listening to and providing feedback contributes to employees’ professional development and has a direct impact on their feeling of belonging, which is essential to our cultural shift.

The Bank has established a strategy for dialogue with its employees called Employee Voice that is based on the following two areas:

› Recording opinions through various channels

All opinions provided by employees are taken into consideration, regardless of the channel used. Comments from each employee, from the first contact with the employer brand until their departure, are the primary input for decision-making.

› Bidirectional communication strategy

In addition to recording employees’ perceptions, the Employee Voice also includes implementing a feedback loop with employees by involving them in developing and prioritizing solutions that affect their experience.

A number of available channels ensure ongoing dialogue:

- › The well-being survey implemented at the start of the pandemic remains an invaluable source that allows the Bank to listen to and take concrete action on the concerns of its employees by implementing initiatives that have a real impact on their well-being, their stress levels and the support they are offered. This year, just under 50,000 answers were collected.
- › Over 14,500 employees have access to a platform that allows them to talk to their manager about their work situation and climate and share their concerns on a regular basis.
- › All employees can acknowledge their colleagues and give them feedback via the My Impact application. In 2021, close to 45,000 recognition badges have been received and feedback has been given close to 9,500 times.
- › The semi-annual survey on engagement at work allowed us to validate the impact of the measures rolled out over the past year with a strong engagement index of 87%.
- › In addition to being asked their opinions at key moments such as hiring, departure and onboarding, employees are also asked to answer surveys on their physical and IT work environment.
- › Managers are now asked about their satisfaction with the employee recruitment and the onboarding process on their team.
- › A new platform allows employees to submit solutions to various irritants they encounter in their work. Employees can vote on solutions proposed by their colleagues and these solutions are passed on to the process managers for implementation.
- › Survey results are communicated internally in reports made available to employees.
- › Through the use of a corporate social network, the Bank promotes a culture of transparency and engages employees directly in business decisions and discussions.



National Tour

The 8th edition of the National Tour allowed employees across Canada to take part virtually in a broad range of activities. In addition to allowing employees to informally discuss a range of topics with members of management, these activities focused on our clients, our digital solutions, promoting local businesses, the community and more.

A top employer

(annual survey on engagement at work)

- › **91% of employees** recommend the Bank as a great place to work.
- › **92% of employees** are proud to work at National Bank.

Glassdoor ranking of best employers in Canada:

- › Glassdoor named National Bank one of the **25 best places** to work in Canada in 2022.

When it comes to ESG principles:

- › **92% of employees** say they adhere to the ESG principles adopted by the Bank.

Settling differences impartially and with respect

The Bank has set up an Employee Ombudsman's Office (EOO) to help settle any disputes employees may have at work and to deal with reported situations while protecting their anonymity when necessary. The EOO team reports directly to the President and Chief Executive Officer. As part of their mandate, the members of the EOO:

- › Apply a confidential and impartial approach
- › Abide by a strict code of ethics
- › Encourage dialogue between the parties involved
- › Serve as advisors

In accordance with the Bank's [Code of Conduct and Ethics](#), employees must immediately report any behaviour that contravenes the Code, any of the Bank's other policies, permanent instructions, procedures and standards or any law applicable to the Bank and must watch out for any potential infractions. They are expected to report any potential violation to their manager, their manager's manager or a person responsible for the application of the Code, depending which resource they deem most suited to take action based on the circumstances. Employees who want to remain anonymous can do so by contacting the EOO using the form available on the Bank's internal or external site, by telephone or by email. Cases are always kept confidential and anonymous and there are no repercussions for employees who report one in good faith, even if it proves unfounded.

To process a report, the EOO applies an approach adapted to the circumstances of the case, taking into account the relevant laws and regulations and the standards and procedures in place at the Bank. The EOO team analyzes all information objectively and without bias and takes action to identify and settle situations of unfairness or inequity.

The EOO team ensures the report is handled by the correct recipient and that it will be processed quickly without fear of reprisals. Lastly, throughout the process, the team will also ensure the confidentiality of all communications, documents and other information that is collected is maintained while they carry out their work.

COMMUNITY

OUR APPROACH

As a leading economic player in Quebec and Canada since 1859, the Bank seeks to contribute to the development of the communities in which it operates. It has reached this objective through a well-defined donation and sponsorship program and the commitment of its employees and retirees who volunteer for various organizations, as well as successful fundraising efforts that include contributions from clients.

The Bank is proud to be involved in the community. As a generalist donor, it has adopted a philanthropic strategy that focuses on donating to a large number of causes. It supports many organizations in the areas of education, entrepreneurship, health, community outreach, arts and culture, inclusion and diversity and the environment. Organizations are chosen according to strict guidelines that are used as a reference when assessing requests. Therefore, the Bank strives to be as equitable as possible and maximize its impact on society.

Supporting Organizations That Change Lives

In 2021, the Bank gave several tens of millions of dollars back to the community. It made over \$15 million in donations to organizations across the country to support communities and help them deal with the impact of the COVID-19 pandemic. Here are some examples of the Bank's donations:



› **\$2 M**

Concordia University

(Montreal, Quebec; 2021–2030)

Accelerate the growth of innovative new businesses.

› **\$150,000**

St. Boniface Hospital Foundation

(Winnipeg, Manitoba; 2021–2025)

Support research on and treatment of heart disease.

› **\$500,000**

Paralympic Foundation of Canada

(Canada; 2021–2025)

Offer persons with disabilities more opportunities to participate in sports.

› **\$3.6 M**

United Way Centraide campaign

(Canada; 2021)

This amount includes funds collected from Bank employees and retirees, plus a corporate donation. This Canada-wide campaign has been held annually since 1977.



For more examples of our donations and sponsorships, consult the [2021 Corporate Social Responsibility Statement](#), available in the *Social Responsibility* section of nbc.ca.

Encouraging Employees and Retirees to Volunteer



25,059
Number of employee
volunteer hours

Thousands of National Bank employees and retirees are committed to having a positive impact on the community. The Bank supports their actions through its Volunteer Program. This program donates \$10 for each hour of volunteer work logged by employees at an eligible organization, for a maximum of \$400 per employee per year. Each organization can receive up to 4 employee donations, for a maximum of \$1,600 per year. In 2021, a total of 25,059 volunteer hours were logged in Canada.

Working With Universities

Partnerships with the École de technologie supérieure (ÉTS) and Polytechnique Montréal

To promote the development of careers in the IT sector, the Bank continued its partnership with the École de technologie supérieure in 2021. This partnership includes:

- › Two bursaries of \$2,000 each with internships.
- › \$10,500 in financial support for science clubs and student committees that promote the IT sector and provide students with IT training.

The Bank also renewed its partnership with Polytechnique Montréal. This partnership includes:

- › Three \$5,000 bursaries, including two bursaries to reward excellence and one bursary with internship to recognize women leaders.
- › \$11,000 in financial support for a number of student committees that focus on information technology and on promoting women and members of the LGBTQ+ communities.

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



Partnership with the Institute for Data Valorization (IVADO)

The partnership between the Bank and the Institute for Data Valorization (IVADO) aims to accelerate innovation in the data science and digital intelligence fields by supporting the development of knowledge in university settings. This knowledge is key to building a workforce that is qualified to tackle future social and economic issues and will help us ensure the prosperity of our society. The partnership, now in its fifth year, represents an investment of half a million dollars to date.

In 2021, the Bank made a number of contributions to the development of knowledge in digital intelligence:

- › By supporting the rollout of two specialized trainings under the CREATE program—Fin-ML and SE4AI—to develop the workforce in cutting-edge fields where the content currently provided by university programs is limited
- › By coaching interns at a master's, doctoral or post-doctoral level on research and development initiatives
- › By pursuing our leadership role in the community of practice dedicated to industrializing artificial intelligence, which brings together key contributors from the academic and business communities

- › By being involved in the Action Inclusion Challenge aimed at using artificial intelligence to help make our new head office accessible to and inclusive of visually impaired employees

NBI-HEC Montréal Fund

Created in 2019 by National Bank Investments Inc. (NBI), the NBI-HEC Montréal Fund offers students the opportunity to take on the unique challenge of managing a multi-asset portfolio based on current market conditions, which are more complex than ever. Their duties in managing the fund go well beyond traditional security selection. Students focus on constructing this portfolio (including ESG criteria), risk budgeting, selecting investment vehicles and translating the economic situation into an asset allocation strategy. The NBI team provides ongoing coaching to over 20 student analysts as part of this initiative.

INCLUSION AND DIVERSITY

OUR APPROACH

At the Bank, we're confident that a diverse, inclusive organization is also a stronger, more creative organization that can more closely relate to its employees, its clients and the community. The diverse points of view, life experiences and talents of our employees help us solve complex problems more quickly, design better ideas, innovate and offer solutions tailored to the issues faced by our various stakeholders.

Promoting Everyone's Success Through a Three-Year Plan

In 2020, the Bank published its first booklet entirely dedicated to inclusion and diversity, which presented the strategy, targets and fields of action tied to its 2020–2023 plan. The key elements of this three-year plan include:

- › The rollout of a new structure and mandate for the Inclusion and Diversity Council
- › The adoption of human resources practices aligned with our inclusive culture
- › A focus on engagement and on making employees central to our strategy
- › A commitment to forming partnerships with various organizations

In line with its commitment to disclosure, the Bank updated the booklet in 2021 to include an initial assessment of its advances with respect to its three-year plan. These advances reaffirm our dedication to promoting real inclusion and improving our practices.



To learn more about the Bank's inclusion and diversity strategy and the initiatives rolled out in the past year, consult the 2021 Inclusion and Diversity Booklet, available in the [Take action for a more inclusive future today](#) section of [nbc.ca](https://www.nbc.ca).



Preventing Workplace Discrimination, Harassment and Violence

The Bank has drawn up policies that present its commitments and the actions it has taken to offer a healthy and inclusive work environment that is free from all forms of discrimination, harassment and violence.

These policies cover such topics as prohibited grounds of discrimination, processes for reporting and handling complaints and resources available to the persons involved. The Bank has created a framework to ensure ongoing sound governance of practices intended to prevent workplace discrimination, harassment and violence.



For more information, consult the two policies below, available in the [Codes and Commitments](#) section of [nbc.ca](#):

- › Policy on the Prevention of Workplace Discrimination
- › Policy on the Prevention of Workplace Harassment and Violence

Promoting Inclusion in the Community

To enable the community to benefit from the full contribution of all its members, the Bank supports many organizations that foster inclusion. In 2021, we contributed to a number of initiatives to promote the development and success of women, visible minorities, persons with disabilities, Indigenous Peoples and members of the LGBTQ+ communities.

Women

- › **Fondation Lise Watier:** Offers a new professional start to women seeking financial independence through the Let's Start Up program.
- › **YWCA:** Build a better future for women, girls and their families.
- › **ESPACE GO:** Promote women's voices in theatre.
- › **Heart and Stroke Foundation:** Promote research on women's heart health.

Visible minorities

- › **Fabienne Colas Foundation:** Support the Being Black in Canada program, which empowers people from Black communities in Canada to step behind or in front of the camera.
- › **BlackNorth Initiative:** Promote equality in society and end systemic racism.
- › **Black Opportunity Fund:** Support business owners and non-profit organizations from Black communities across Canada and help them achieve their full potential.
- › **100 Strong Foundation:** Offer mentoring for young Black men and foster excellence.

Persons with disabilities

- › **Paralympic Foundation of Canada:** Offer persons with disabilities more opportunities to participate in sports.
- › **Giant Steps Foundation:** Support the creation of a cutting-edge facility in Montreal specifically designed for autistic people.
- › **Fondation Martin-Matte:** Improve the quality of life of children and adults living with traumatic brain injuries and physical disabilities.
- › **Fondation Philou:** Provide assistance and ongoing development services to children with multiple disabilities and their families.



Indigenous Peoples

- › **Right To Play:** Help young Indigenous Peoples reach their full potential through the power of play.
- › **Héma-Québec Foundation:** Support a study of HLA markers in Indigenous Peoples to further our understanding of Indigenous genetic profiles and recruit candidates to register and join the list of potential donors.
- › **Children's Aid Foundation of Canada:** Support mental health services at a number of Indigenous youth centres across Canada.
- › **Montreal Children's Hospital Foundation:** Provide remote care to young patients and their families across Quebec, including in Cree and Inuit communities in the Far North.
- › **Winnipeg Art Gallery:** Help promote Inuit art.

LGBTQ+ communities

- › **Fondation Émergence:** Support the fight against homophobia and transphobia through awareness and education and celebrate the achievements of individuals and groups in this respect.
- › **GRIS-Montréal, GRIS-Québec:** Foster a better understanding of sexual and gender diversity and promote the integration of members of the LGBTQ+ communities into society.
- › **Conseil québécois LGBT:** Recognize individuals and groups who have made an active contribution to LGBTQ+ communities in Quebec.

FINANCIAL LITERACY

(SASB CB-240a.4)

OUR APPROACH

The Bank makes a vast range of resources and tools available to clients to allow them to carefully plan for their financial needs based on their projects and stages in life. In particular, we provide access to numerous experts who can answer clients' questions and provide advice.

Partnership with the Canadian Foundation for Economic Education (CFEE)

The Bank's partnership with the Canadian Foundation for Economic Education has made it possible to develop a number of educational programs focused on managing personal finances. These programs are intended to provide information and advice to students and newcomers to Canada so they can make informed choices, reduce their financial stress and achieve their objectives. Improved financial health can have a positive impact on well-being and help people build a better financial future.

Better meeting the needs of students

During the first phase of these programs, CFEE carried out a survey, with support from the Bank, of around 1,400 students at 94 post-secondary institutions to better understand their needs and interests. The survey results revealed valuable information, such as the fact that 64% of people surveyed believed their greatest issue was dealing with financial stress in general. In a second phase, the results of this survey were used to create workshops and webinars based on the expectations expressed by students.

Partnership programs

Program	Objective	2021 highlights
Help! Managing Your Money on Campus	Free workshops and webinars available across Canada that aim to improve the financial literacy of college and university students.	More than 130 workshops were held and nearly 5,000 students participated.
Managing Your Money in Canada	Free financial literacy workshops at various levels to help newcomers and immigrants to Canada stay in control of their finances and draw up plans to meet their objectives.	66 virtual and face-to-face workshops were held and over 3,500 newcomers to Canada participated.



For more information on the tools and resources resulting from the Bank's partnership with the CFEE, consult the [Take action to support financial education today](#) section on [nbc.ca](#).

Partnership with Quatre95

In 2021, the Bank renewed its partnership with Quatre95, an online publication from *Urbania* magazine intended for millennials in Quebec. Through a series of videos and articles, the site demystifies personal finance, helps young adults build a better relationship with money and gives them the tools they need to manage their projects.

As at October 31, 2021, we had recorded:

- › 296,180 views for articles presented by the Bank
- › 7.2 million views for videos presented by the Bank

The topics addressed during the year included saving, buying a first home, managing your budget and launching a business.

Canadian Bankers Association programs

The Bank also participates in the Your Money Students and Your Money Seniors programs from the Canadian Bankers Association, which offer free financial education seminars to groups of students and seniors across Canada.

Quick Answers YouTube series

This series now includes a total of 12 videos on the Bank's YouTube channel, including 6 new ones posted in 2021. These videos, which are tagged as "Quick Answers," explain topics related to personal finance such as buying your first car, your credit score and various investment accounts. They are primarily intended for people in Generation Z.

After a year, nearly a million views have been recorded!

 To learn more, check out [National Bank's YouTube channel](#).

Financial Literacy Month

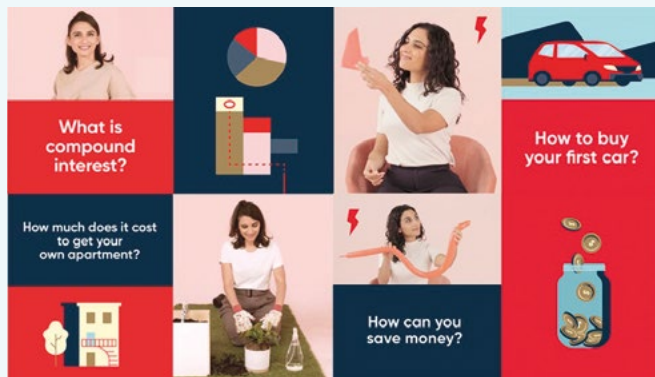
As part of Financial Literacy Month in November 2020, the Bank promoted a series of articles on personal finance, including an article by Lucie Blanchet, Executive Vice-President – Personal Banking and Client Experience, which is available in the [Advice](#) section on [nbc.ca](#). The Money Matters Contest, launched in partnership with the Canada Deposit Insurance Corporation (CDIC) and accessible via the Bank's Facebook page, gave participants the chance to win \$3,000 towards a TFSA and a personalized coaching session with a financial planner.

Invest in you

The *Invest in you* virtual conference series aims to make investing more accessible to all women and raise awareness of how important it is for women to actively participate in managing their finances. Since the conferences were launched in November 2020, over 8,000 people have signed up.



For more information, consult the [Women's Finances](#) section on [nbc.ca](#).



Answer Bank

The *Advice* section at [nbc.ca](https://www.nbc.ca) includes some 500 articles, videos and podcasts that shed light on a wide range of topics related to managing personal finances.

The section also includes a category dedicated to immigration, which presents a wealth of practical information for newcomers to Canada. In 2021, this section had over 2.5 million visits.

For more information, consult the [Advice](#) section on [nbc.ca](https://www.nbc.ca).



Partnership with JA Québec's educational programs

The Bank is among the main partners of JA Québec's educational programs, which offer free training workshops on financial literacy, work readiness and entrepreneurship for young adults and youth aged 10 to 18. Over the past two years, these workshops have been adapted to a number of formats, making them accessible to a larger number of young people:



- › Virtual or in-person workshops in schools that give businesspeople an opportunity to share their professional expertise with young people.
- › The Company Program, offered in schools or as an extracurricular activity, which gives young people a chance to develop and manage their own business under the supervision of their teacher or mentors. This concrete experience develops their leadership skills, helps them learn to collaborate and stimulates creativity.
- › Online workshops accessible at any time via the JA Campus digital learning platform.

New programs have also been added, such as the Junior Entrepreneur program, which allows students to experience the full business life cycle under the supervision of their teacher.

JA Québec reaches over 8,000 young people each year and offers nearly 400 workshops in Quebec.

GOVERNANCE

We Govern According to the Highest Standards



- › CORPORATE GOVERNANCE
- › CORPORATE ETHICS
- › RESPONSIBLE CORPORATE CITIZEN
- › INFORMATION SECURITY



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

OUR APPROACH


The Bank's governance is achieved through the collaborative work of the Board of Directors (the Board), senior management and stakeholders. We believe that, by taking concerted action together with our stakeholders, we can continue to sustainably meet the changing needs of our society. At the Bank, ESG criteria and risks are considered key drivers of all our activities. Over the past few years, we have clarified and strengthened our ESG practices.

We believe that it is essential—and in the best interests of the Bank and our stakeholders—to create a corporate governance culture that promotes compliance with applicable best practices and rules while having a positive impact on people's lives. Integrity, trust and honesty are fundamental to our relationships, and we apply the highest ethical standards in the way we conduct our business.

Corporate Governance

Maintaining an ongoing dialogue with our stakeholders

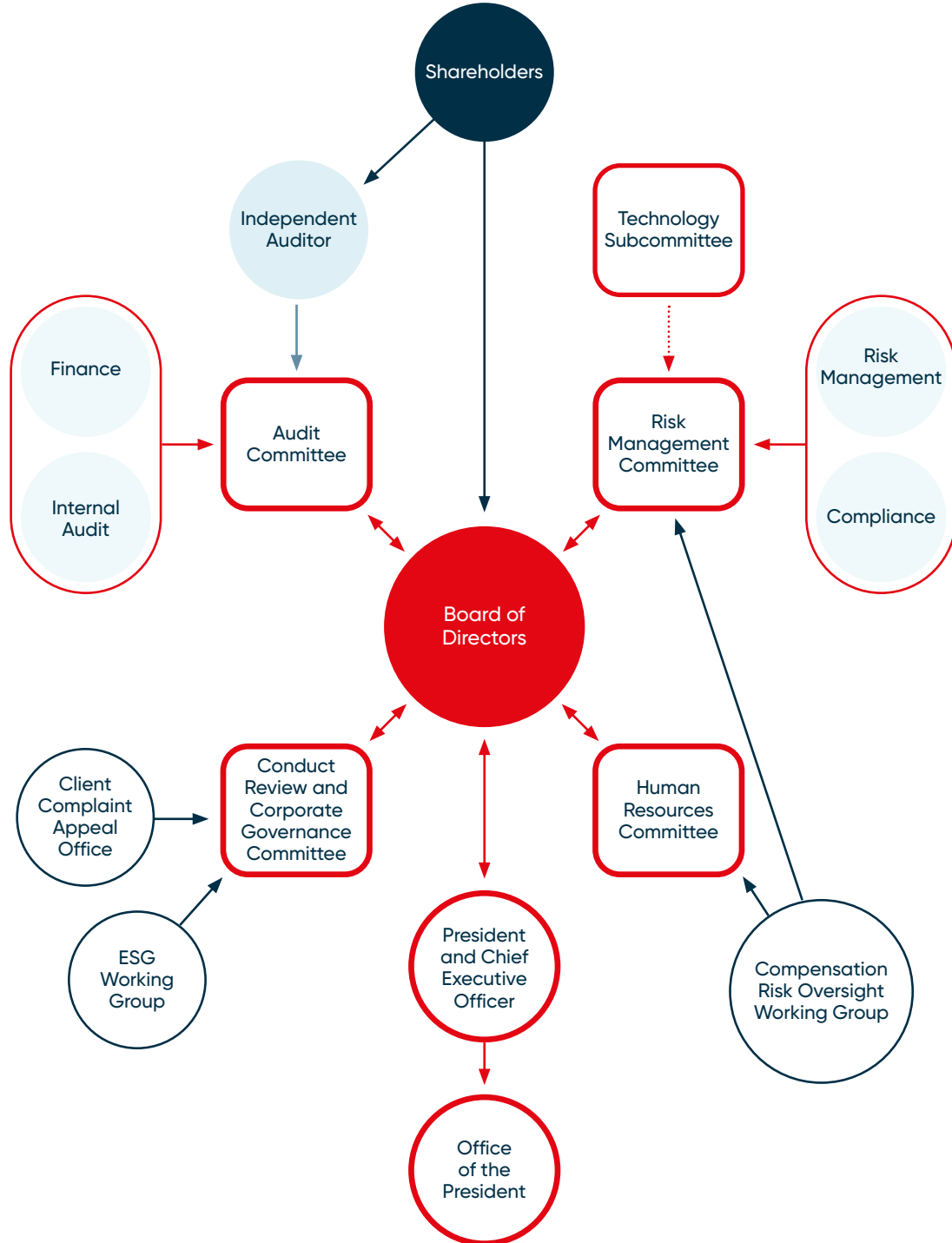
Constructive, open and transparent dialogue with our stakeholders is a key priority for the Bank. It allows us to identify and understand their views and concerns and respond appropriately to the changing needs of our society. To demonstrate its commitment to these principles, the Board has adopted Stakeholder Engagement Guidelines that identify the Bank's main stakeholders and describe how the Bank maintains an ongoing dialogue with them.

 For more information, consult our [Stakeholder Engagement Guidelines](#), available in the *Governance* section of [nbc.ca](#).



The Board and its committees

The Bank's corporate governance consists of a set of structures and policies. It is supported by the Board, four standing committees and one subcommittee. The chart below illustrates the interaction between committees, oversight functions and the Board.



Selection of Board members

The Board is composed of directors who possess extensive complementary knowledge and skills, as well as the expertise to make active, informed and positive contributions. The mix of knowledge and expertise the Board requires from its members ensures it is able to efficiently and effectively fulfill all aspects of its role.

Our directors demonstrate:

- › Dedication and integrity
- › Commitment, discipline and involvement
- › Adherence to Bank values and business acumen

Succession planning is fundamental to strong governance. The Board seeks out directors who will champion Bank values. Each year, the Conduct Review and Corporate Governance Committee is tasked with reviewing the composition of the Board and its committees to ensure we have the expertise we need, in addition to compiling a list of potential nominees.

Director independence is assessed regularly. This is a key factor of our governance as we strive to foster independent decision-making.



For more information on the rules adopted by the Board to ensure director independence, consult the [Director Independence Policy](#), available in the *Governance* section of [nbc.ca](#).

Our key practices (data as at October 31, 2021)

Board	
Number of directors	15 ¹
Average age of directors	60
Independent directors	14 / 15
Number of Board meetings in fiscal 2021	16
Number of Board committee and subcommittee meetings in fiscal 2021	43
Representation of women on the Board and in management	Board: 40% Management ² : 30%
All committee members are independent	✓
Directors elected annually and individually	✓
Limited number of years as director	✓
All directors are financially literate	✓
Meeting attendance requirements met	✓
Chair and President and Chief Executive Officer are separate roles	✓

Board policies	
Majority voting policy for election of directors	✓
Code of Conduct and Ethics signed and upheld by directors	✓
Annual advisory vote on executive compensation	✓
Formal Board assessment process	✓
Guidance program for new directors	✓
Continuing education program for directors	✓
Diversity policy	✓

¹ Excluding Louis Vachon, who retired on October 31, 2021, and was no longer a Board member after that date.

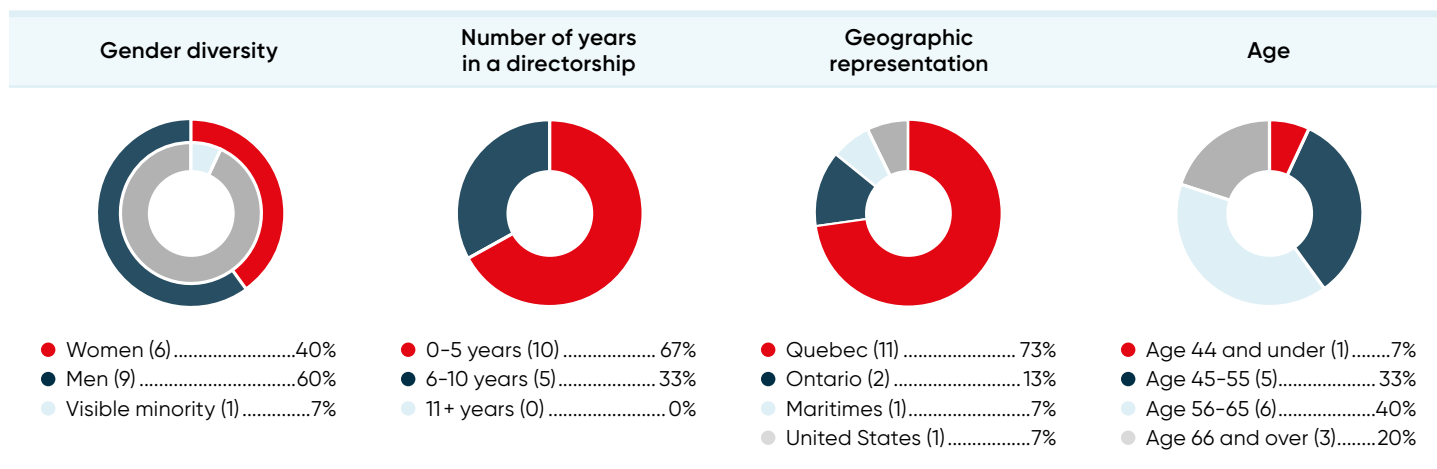
² Percentage in executive or officer positions (combined).

Diversity on the Board

Inclusion and diversity are part of the Bank’s core values. We’re committed to promoting diversity at all levels of our organization, including when it comes to the makeup of the Board. The Bank believes it’s important for the Board to reflect the diversity of its stakeholders. The Bank supports the Catalyst Accord, an agreement that unites companies around the goal of increasing the number of women serving on boards of directors in Canada. We’ve made a commitment to strive for gender parity on the Board and have women account for at least one third of directors. As at October 31, 2021, 40% of Board seats were held by women.

As set out in our [Policy Regarding the Diversity of the Board of Directors](#), we seek directors with characteristics—such as gender, age, membership in designated ethno-cultural and other groups, sexual orientation and geographic origin—that represent the communities in which the Bank is present and conducts its business.

Data points on Board members (as at October 31, 2021)



Board oversight of ESG criteria

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.

Main ESG responsibilities and achievements of the Board and its committees

Committee	Main ESG responsibilities	Main ESG achievements in 2021
Board	<ul style="list-style-type: none"> › Ensure that the ESG criteria are integrated in the Bank's long-term strategic objectives › Oversee ESG initiatives and the integration of ESG principles across the Bank › Approve governance practices and policies 	<ul style="list-style-type: none"> › Approved governance practices › Discussed with Mark Carney, UN Special Envoy on Climate Action and Finance and former Governor of the Bank of Canada › Approved the target of achieving net-zero emissions by 2050 › Reviewed certain ESG publications › Received recommendations from the committees and the subcommittee regarding some of the items listed below
Conduct Review and Corporate Governance Committee	<ul style="list-style-type: none"> › Oversee the Bank's ESG strategy › Keep abreast of the ESG best practices › Ensure that the Bank operates in accordance with these practices and its One Mission › Ensure that the Bank's ESG practices are sound and aligned with legislation › Examine strategic ESG publications › Ensure that directors, officers and employees act in an ethical and responsible manner › Plan successors for directors and chairs of the Board and the committees 	<ul style="list-style-type: none"> › Periodically reviewed the Bank's environmental strategy and its progress › Reviewed and discussed the Net-Zero Banking Alliance, its content, its execution and the next steps › Reviewed and recommended to the Board the 2050 net-zero emission target › Reviewed environmental, social and governance trends › Reviewed the implementation of new legislative measures applicable to client protection › Reviewed and discussed advisory votes on climate action plans and completed training on this topic › Reviewed and recommended that the Board approve the Corporate Social Responsibility Statement › Received the Bank's disclosure regarding privacy › Reviewed the report on the protection of seniors › Reviewed the report on the application of the Code of Conduct and Ethics › Reviewed the composition of the Board, in particular with respect to the diversity, skills and experience of Board members
Risk Management Committee	<ul style="list-style-type: none"> › Ensure that the risk management framework accounts for ESG risks › Ensure that ESG risks are appropriately identified, monitored and integrated into existing risk management processes 	<ul style="list-style-type: none"> › Approved and recommended that the Board approve the Bank's risk appetite framework, including environmental risk appetite › Periodically reviewed the integrated risk management report, which follows up on ESG risks › Reviewed the Bank's progress in measuring greenhouse gas emissions applicable to the loan portfolio and completed training on this topic › Reviewed the progress made on the construction of the new head office, in accordance with our LEED v4 Gold and WELL certification objectives

Committee	Main ESG responsibilities	Main ESG achievements in 2021
Audit Committee	<ul style="list-style-type: none"> › Monitor trends relating to controls and integrating ESG criteria into financial reporting 	<ul style="list-style-type: none"> › Discussed changes in accounting, financial and regulatory standards as well as in reporting requirements for ESG factors › Reviewed the Bank's progress in measuring greenhouse gas emissions applicable to the loan portfolio and completed training on this topic › Received periodic updates on the report for the Task Force on Climate-related Financial Disclosures (TCFD) › Reviewed the Internal Audit report on risks related to human capital and organizational culture › Completed training on Internal Audit's culture assessment
Human Resources Committee	<ul style="list-style-type: none"> › Ensure that the Bank's programs allow it to attract and retain top talent and promote the employee experience › Ensure that organizational culture and human resources management strategies are aligned with the Bank's ESG practices and strategies, including aspects related to employee health and well-being › Oversee the rollout of inclusion and diversity strategies › Communicate with Bank stakeholders and ensure compliance with governance practices related to compensation and other issues linked to governance 	<ul style="list-style-type: none"> › Periodically reviewed the employee experience dashboard, which summarizes various aspects of employee experience such as culture, talent, development, performance and inclusion and diversity › Reviewed and recommended that the Board approve the updated succession plan of the executives, of the heads of the oversight functions and of the officers of the Bank, taking into account the Bank's values, in particular with respect to inclusion and diversity › Recommended that the Board approve the parameters of the SYNERGY – Executives compensation program, including the key dashboard indicators and ESG priorities, and completed training on this topic › Reviewed and approved proposed changes to certain compensation programs, including the parameters of the 2022 officer compensation program that include ESG priorities › Reviewed the Bank's Internal Audit report on total compensation policies, programs and practices › Confirmed that all executives were compliant with the Bank's Code of Conduct and Ethics and with its conflict of interest standards › Completed training related to the three-year plan for inclusion and diversity
Technology Subcommittee	<ul style="list-style-type: none"> › Ensure that practices intended to identify, assess, prevent and respond to cyber attacks and the theft of personal information are rigorous 	<ul style="list-style-type: none"> › Reviewed and discussed the strategy related to data, data security and data use and completed training on this topic › Reviewed the legislative amendments made to the protection of personal information › Reviewed and updated the privacy policy



For more information on our governance practices and the Board's achievements, as well as a full list of training given by the Bank, consult the [2022 Management Proxy Circular](#), available in the *Investor Relations* section and the [Statement of Corporate Governance Practices](#), available in the *Governance* section of nbc.ca.



ESG working group

Led by the Executive Vice-President — International, the ESG working group includes a number of officers from various Bank sectors. Its main duty is to develop and support the Bank's ESG initiatives and strategies. Members meet monthly. This working group is responsible for implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the UN Principles for Responsible Banking and the Bank's commitments in terms of climate change. At least twice a year, the ESG working group reports to the Conduct Review and Corporate Governance Committee on advances made, as well as on ongoing and upcoming ESG projects. It also gives occasional presentations to the Audit Committee and the Risk Management Committee on specific topics of interest, such as the TCFD report.

Specialized ESG team

Under the responsibility of the Vice-President, Sustainable Development — ESG, this team helps the ESG working group develop the Bank's environmental, social and governance strategy and ensures it is implemented in collaboration with all business sectors. The ESG team interacts with the Board and its committees, as well as with officers and executives, when reporting on progress. It also reports monthly to the ESG working group.

The ESG team maintains a constructive ongoing dialogue with all of the Bank's business lines and with external stakeholders to improve the Bank's ESG practices and related processes.

Subsidiary governance

Subsidiary governance is an important element of risk management at the Bank. To ensure responsible oversight, the Board and its committees, in particular the Conduct Review and Corporate Governance Committee and the Risk Management Committee, which are responsible for monitoring subsidiaries' governance practices, have concrete tools that enable a long-term governance strategy to be adopted for all subsidiaries.

For instance, the subsidiary governance framework ensures that subsidiaries adopt best practices by promoting certain key principles of governance, compliance and risk management. Relying on this framework, each subsidiary's board of directors applies the necessary oversight and controls while taking into account the subsidiary's specific business reality, oversight by regulatory authorities and the Bank's risk appetite.



For more information, consult the [2022 Circular](#), available in the *Investor Relations* section of nbc.ca.

Risk Management

(SASB CB-410a.2)

Risk-taking is intrinsic to a financial institution's business. The Bank views risk as an integral part of its development and the diversification of its activities. It advocates a risk management approach consistent with its business strategy.

Risk is rigorously managed. Risks are identified, measured and controlled to achieve an appropriate balance between the returns obtained and the risks assumed. Consequently, decision-making is guided by risk assessment and management processes aligned with the Bank's risk appetite as well as with prudent levels of capital and liquidity.

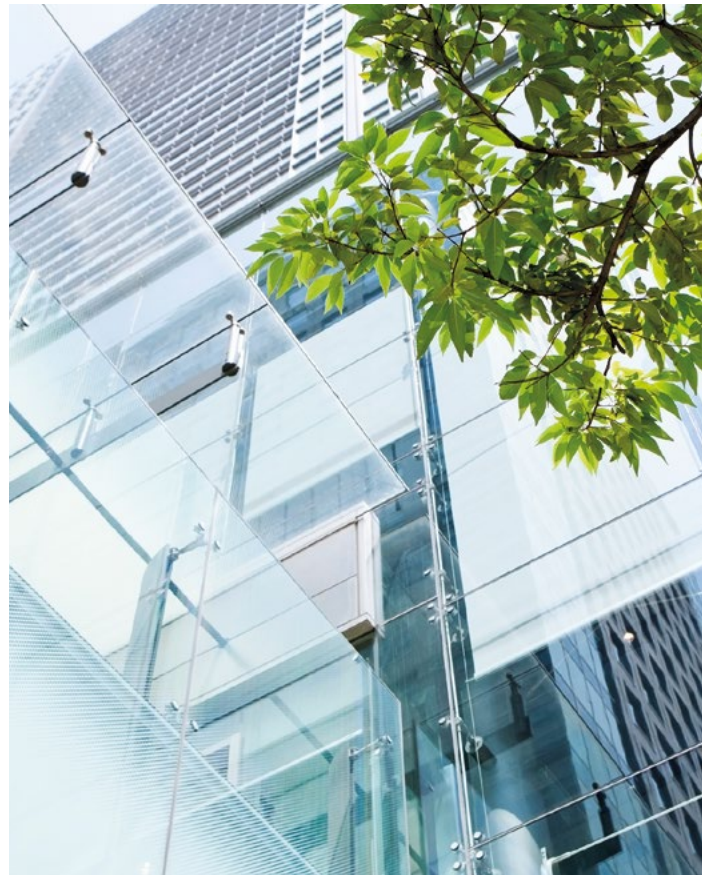


For more information, consult the *Risk Management* section of the [2021 Annual Report](#), available in the *Investor Relations* section of [nbc.ca](#).

ESG Risk Management

Environmental and social risk is the possibility that environmental and social matters would result in a financial loss for the Bank or affect its business activities. This risk encompasses many topics, in particular greenhouse gas emissions and waste; the use of energy, water and other resources; climate change; biodiversity; site contamination; human rights; inclusion and diversity; labour standards; community health; occupational health and safety; the rights of Indigenous Peoples and consultation thereof; as well as cultural heritage. The impact of environmental and social 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 environmental and social risk are integral to the Bank's risk management framework. Environmental and social issues are now central to the Bank's decision-making process and are becoming increasingly strategic matters for the Bank. Taking these risks into consideration could even be viewed



as a considerable asset in certain financing or investment transactions, and doing so also contributes to promoting exemplary practices to the Bank's stakeholders.

ESG criteria continue to be integrated into the Bank's processes as part of the implementation of its strategy and of the guiding principles approved by the Board. This integration is being conducted with due diligence, specifically in the credit-granting process, starting with the corporate credit portfolio. For this clientele, the ESG risk analysis framework calls for the collection of information on carbon emissions and includes a climate risk classification (transition and physical risks) based on the industry as well as the scores assigned by ESG rating agencies. Several other criteria are also taken into consideration, in particular the management of waste, labour standards, corporate governance, product liability as well as human rights policies.

The Bank also works with various industry partners to identify and implement sound management practices that promote a transition to a low-carbon economy. Aware that it has a mobilizing role to play, the Bank supports the recommendations of the TCFD. Moreover, it has continued to demonstrate its commitment to mitigating climate risk by becoming a signatory to the PCAF as well as by joining the United Nations NZBA in addition to setting greenhouse gas emission reduction targets for its own business activities.



For more information on climate risk management at the Bank, consult the TCFD Report on advances, available in the [Social Responsibility](#) section of [nbc.ca](#).

Assessment and compensation of executives

In 2021, we aligned compensation more closely with performance, shared responsibilities and behaviours by creating a single compensation envelope for all the Bank's executives, including members of senior management. This envelope is based on the Bank's available net income and other key indicators in our dashboard (including ESG priorities), with shared objectives applicable to all members of these groups. Since November 1, 2021, six ESG priorities have been integrated into the Bank's executive compensation program.

Independent assessment by the Internal Audit department

The Internal Audit department is an independent body within the Bank. Through the Audit Committee, it provides the Board with objective assurance concerning the effectiveness of key governance, risk management and internal control processes and systems. It also helps enhance the Bank's long-term financial stability. This department supports management by making recommendations and giving advice to boost the efficiency and effectiveness of these processes and systems.

Internal Audit integrates ESG criteria into its audit mandates. Through its activities, it provides assurance that the governance and risk management mechanisms in effect promote a culture of ethics and integrity across the organization and ensure compliance with the Bank's ESG commitments.

ESG training: what it is and how you can contribute

The Bank is committed to sustainable development and believes businesses play an essential role in achieving environmental, social and economic goals. That's why all current and future employees have access to training to help them understand:

- › What ESG represents and its link with corporate social responsibility and sustainable development.
- › How ESG fits into the Bank's One Mission.
- › How each employee can contribute to the Bank's goals, no matter what their function.



Corporate Ethics

Our Code of Conduct and Ethics

(SASB CB-510a.2; IB-510a.2; AC-510a.2)

The Bank's Code of Conduct and Ethics (the "Code") clarifies what is expected of each of us in our professional, business and community relations. It guides our actions every day to create an environment that promotes our One Mission: to have a positive impact in people's lives. The Code's basic principles include:

- › The importance of respecting our clients and acting in their interest
- › Our desire to maintain a culture founded on respect and civility
- › Our commitment to protecting information confidentiality

All employees, executives, directors, suppliers and consultants are required to comply with the Code. Upon their arrival at the Bank, each individual must commit to abide by the Code. They are also required to complete training. We provide internal communications to raise awareness about targeted subjects and require employees to sign an annual attestation to renew their commitment to the Code. The Board's Conduct Review and Corporate Governance Committee oversees compliance with the Code.

In 2021, we updated the Code to clearly express our commitment to building long-term relationships with our clients. We need to put their interests first and recommend the products and services best suited to their financial situation, needs and priorities. We communicate clear, complete and accurate information to help clients make informed decisions, with no pressure.

We also improved the section on conflicts of interest to make sure employees are even better equipped to avoid situations that could lead to any actual, potential or perceived conflict of interest. This section specifies that

any activities or functions we exercise in addition to our job at the Bank could lead to a conflict of interest and that we must abide by certain guidelines, such as ensuring that the company or organization in which the activity is carried out does not engage in activities that are in competition with those of the Bank.

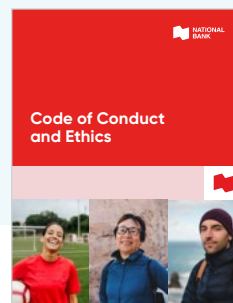
Creating an ethical work environment by reporting breaches

To deliver on our commitment to create a respectful, welcoming and stimulating work environment, all employees are responsible for reporting any ethical breach or any breach of the Code and other Bank policies, procedures and standards or legislation. Depending on the situation, employees may ask for advice from or report a breach to their manager or their manager's superior, the Employee Experience Advisory Centre or the Employee Ombudsman's Office (if they wish to remain anonymous). Our employees are free to express themselves without fear of reprisals.

For more information on the Employee Ombudsman's Office, consult the *Settling differences impartially and with respect* section on page 54 of this report.



For more information on the [Code of Conduct and Ethics](#), consult the *Codes and Commitments* section of nbc.ca.



Human rights

Respecting and protecting human rights and freedoms are among National Bank's fundamental values. We are committed to creating and maintaining a safe, healthy work environment that is free from all forms of workplace discrimination, harassment, violence and intimidation throughout the organization.


The Bank's Human Rights Statement sets out our guidelines, commitments and expectations with respect to human rights. It outlines how the Bank applies its principles in its activities and relationships with various stakeholders.

 For more information, consult the [Human Rights Statement](#), available in the *Codes and Commitments* section of [nbc.ca](#).



Anticorruption

National Bank of Canada, its subsidiaries and its international centres (the Bank) are committed to complying with Canadian and international legislation prohibiting corruption and influence-peddling, while preserving public trust. That's why the Bank has implemented a robust anticorruption program that reflects its main ethical values and its commitment to acting responsibly, no matter where it does business. The Anticorruption Policy is central to this program. The Bank supports Transparency International Canada.


 For more information on the Bank's guiding principles, key prohibitions and reporting mechanisms, consult the [summary of the Anticorruption Policy](#) on [nbc.ca](#).

Anti-money laundering and anti-terrorist financing

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

National Bank of Canada, its subsidiaries and its international centres (the Bank) have rigorous regulatory compliance management processes, in particular with regard to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its regulations. Its high standards enable the Bank to earn the trust of its clients, its shareholders, the market and the general public.

The Bank's Anti-Money Laundering/Anti-Terrorist Financing Program is the main mechanism used to establish and maintain effective control over exposure to MLTF activities across the organization.

 For more information on our AML/ATF Program, consult the [summary of the policy and questionnaire](#) on [nbc.ca](#).

Income tax and other taxes

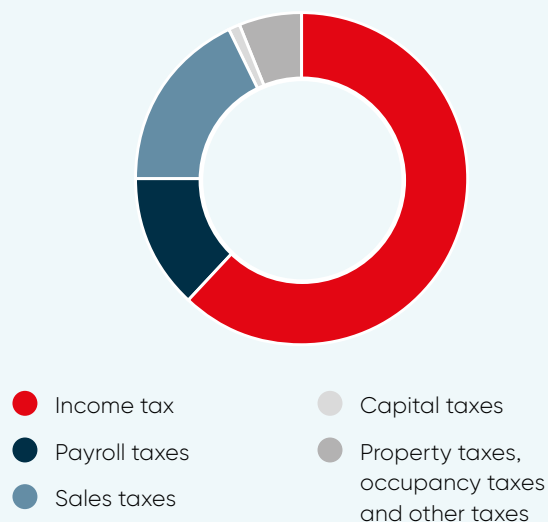
As a domestic systemically important bank, the Bank participates in the economic development of the community by being a good corporate citizen. That's why it has implemented processes to fight against money laundering and terrorist financing. It also ensures that it complies with the legislative and regulatory requirements of the countries where it does business. As a corporate citizen, the Bank paid \$1.29 billion in income taxes and other taxes in Canada for the fiscal year ended October 31, 2021. Since Canada is the country where the Bank carried out most of its activities, this is where the majority of its income taxes and other taxes are paid. The Bank also ensures that it adheres to the tax laws in every country where it does business. This is why it also paid \$124 million in income taxes outside Canada during the fiscal year ended October 31, 2021. For more information on the Bank's income taxes, see note 24 of the [2021 Annual Report](#).

Income tax and other taxes paid or payable

(thousands of Canadian dollars)

	2021	2020
Income taxes and other taxes in Canada ¹	\$1,299,186	\$908,951
Income tax outside of Canada	\$123,828	\$122,138
Total effective tax rate ²	31.1%	34.1% ³

Distribution of taxes paid or payable in Canada



¹ Includes income taxes, capital taxes and other taxes. For more information, see page 7 of the 2021 Corporate Social Responsibility Statement.

² Percentage is equal to total taxes paid divided by pre-tax income. The statutory tax rate was 26.5% in 2021 (for more information on income taxes, see Note 24 in the [2021 Annual Report](#)).

³ Data has been amended to add "Income taxes outside of Canada" to "Income taxes and other taxes in Canada."

Responsible Corporate Citizen

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.

Information Security

(SASB CB-230a.2; CF-230a.3)

OUR APPROACH

We're undergoing a digital shift, where sound management of data and personal information is essential to combat increasingly frequent and sophisticated attacks. Each day, the Bank takes all necessary precautions to protect its clients' personal information and assets and ensure the continuity of its activities.



Cybersecurity

Strategic planning

Our strategic plan for cybersecurity is aligned with our business strategy and supports our One Mission. It relies on recognized reference frameworks and controls established by the National Institute of Standards and Technology (NIST), which enable us to continually assess cyber risks and the Bank's capacity to deal with cyber threats, protect ourselves from them, detect them, react to them and resume our activities once they have been resolved.

Our processes, IT solutions and culture of security help protect our clients and employees. More specifically, over the coming years, we want to reduce cybersecurity risks within the Bank by aligning our strategy with our business ambitions, have a positive impact on clients by promoting the adoption of secure practices and optimize the integration of cybersecurity into the IT sector. We will achieve these objectives and continue to enhance the security of our crown jewels by focusing on key security pillars such as identity and access management, monitoring, data protection and asset protection. We want to manage security compromise risks originating from internal and external sources and third parties. Human risks are also central to our strategy, since our employees are an integral part of our defences.

Governance model

We take action to ensure the integrity and protection of our systems and the information we store. We reaffirm our commitment to continuously improve our information security practices, with the ultimate goal of protecting our clients, their data and their personal information, and maintaining their trust. Together with our partners in the financial industry and regulatory authorities, we are committed to pursuing efforts to mitigate IT and human risks.

In 2019, we established a cybercrime fusion centre that aims to make it easier to communicate information and share data while streamlining technical oversight and providing a comprehensive view of threats to the Bank. This constantly evolving centre is made up of multidisciplinary teams that include experts in cybersecurity and fraud prevention as well as representatives of the business lines. Its mission is to predict and prevent cyber threats.

Furthermore, we're pursuing our cybersecurity program by adapting our protection, monitoring, detection and incident response capabilities to deal with changing threats.

We've also implemented a governance and reporting model that supports decision-making based on sound management of internal, external and third-party risk, while being aligned with business priorities. We regularly inform the Board's Technology Subcommittee of the level of cybersecurity risk and of the activities carried out to improve our cybersecurity position, as well as of trends and new developments in the field.

This governance model is supported by a clear definition of roles and responsibilities that forges strong partnerships and promotes close collaboration between stakeholders. Our understanding of the current situation is based on thorough knowledge of existing organizational components (resources, assets, data, capacity, regulatory requirements, etc.) and of external information sources (threats, vulnerabilities, monitoring, trends, etc.) with respect to cybersecurity, data protection, protection of personal information and fraud.

This knowledge allows for optimal coverage of the security requirements identified through cybersecurity risk assessment and prioritization of action plans. These requirements are rolled out via our ongoing cybersecurity enhancement program. It should be noted that our investment in cybersecurity is comparable to that of other Canadian financial institutions. A portion of this investment is allocated to a portfolio of initiatives intended to raise awareness of risks, and predict and defend against current and future attacks. Our risk mitigation efforts are divided into five categories based on the National Institute of Standards and Technology (NIST) framework: Identify, Protect, Detect, Respond, Recover.

Furthermore, we carry out rigorous assessments of the security practices of the various partners and suppliers whose services and technology we use. We have taken out insurance to mitigate any risks related to cyberattacks. This insurance protects us financially and helps us manage the IT and public relations aspects of cyberattacks. Each year, our information security sector is subject to internal and external audits to evaluate our practices and work methods and promote continuous improvement.

Approaches and practices

The approaches and practices implemented by the Bank under the supervision of the Chief Information Security Officer are intended to ensure that security is everyone's responsibility and remains an integral part of all of the Bank's activities and practices, every day. Our practices are supported by the following measures:

- › A cybersecurity awareness program for employees is one of the key pillars protecting the organization. This comprehensive program evolves based on the market and the various threats that arise. It includes a range of tools: training, communications, workshops, phishing tests and password robustness tests. The program is intended to continuously improve employees' reflexes to protect the organization and its clients. More specific content



is also offered during Fraud Prevention Month (March) and Cybersecurity Awareness Month (October), including conferences with internal and external partners and collaborators.

- › A community of Security Ambassadors has also been established. This community is made up of over 1,500 employee volunteers who care about cybersecurity best practices and want to make them known to peers and clients.
- › The security measures outlined in our cybersecurity framework are applied to all business processes and operational procedures. These measures ensure adequate controls for access to information, configuration and IT change management and vulnerability management. They are regularly reassessed to make sure they remain relevant and address current risks.
- › We've implemented a structure to ensure information security risks are understood and managed in each of our business lines. Business Information Security Officers (BISOs) in each sector represent the Chief Information Security Officer. They help incorporate security into our cross-sector business strategies and manage cybersecurity risks on an ongoing basis.

Monitoring and responding to incidents

In accordance with industry best practices, the Bank continues to invest in monitoring events to detect and identify any malicious actions that could pose a threat to the security and processing of our IT assets and understand the potential impact of any such events on the Bank and its operations. The actions we take include ad hoc testing of people, processes and technology to check the effectiveness of our detection measures.

We have a team of specialists that deploys tactical, operational and strategic intelligence to prevent and analyze cybercrimes. This team collaborates with

multiple stakeholders in the Bank and the banking industry, relying on Canadian and international sources.

Threat readiness is an integral part of the Bank's cybersecurity risk mitigation strategy. In accordance with market practices, the Bank actively manages and improves its response plan for incidents involving information security. Our plan complies with regulatory requirements and is regularly updated. We carry out testing in collaboration with stakeholders across the organization to evaluate various threat scenarios, which are updated to keep pace with the changing market.

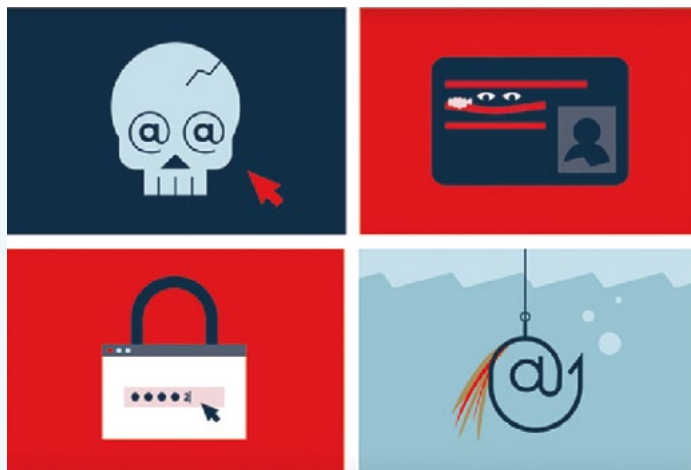
Promotion

The Bank has adopted programs to hire and retain skilled employees, identify promising innovations and promote our organization to clients and the community. These programs involve:

- › Creating and publishing material to educate individual and business clients about cyber risk.
- › Planning and executing promising, innovative projects to lay the necessary foundations for secure financial activities in the future.
- › Developing diversified, innovative approaches to attract, develop and retain skilled cybersecurity specialists.
- › Creating and maintaining strategic partnerships with the various members of the cybersecurity ecosystem, including governments, education and research institutions and other financial institutions, in particular the members of the Canadian Bankers Association, FS-ISAC and Cybereco.
- › Introducing a training program for all new employees that addresses social engineering, phishing, passwords and data protection, as well a training program for managers and ambassadors.
- › Implementing a Security Champions initiative that integrates security into application development.

2021 highlights

- › The Bank's capacity to handle security incidents has been stepped up by automating processes for responding to cybersecurity incidents related to the various cyber threats faced by the Bank.
- › We improved our measures to prevent data exfiltration and block high-risk activities (access to certain websites is restricted: external personal email platforms, instant messaging platforms, social networks and hosting sites).
- › We upgraded identity and access management processes and technology, especially as concerns securing high-privilege access.
- › We automated the correction of operating system vulnerabilities and processes to shut down phishing sites.
- › We updated our awareness program for all employees at the Bank, which is intended to instill a security culture in the organization.
 - We offer four mandatory cybersecurity training sessions, completed by over 90% of employees, and a gamified training program for client-facing employees.
 - We have a comprehensive program for new Bank employees.
 - We regularly conduct different types of phishing tests for our employees with varying levels of difficulty. In 2021, we carried out twelve Bank-wide campaigns and numerous targeted campaigns in our business lines.
- › We are a founding member of, member of the management committee of and financial partner of the Research Chair in Cybercrime Prevention



at Université de Montréal and the NSERC/Desjardins/National Bank Industrial Research Chair in Cybersecurity.

- › We make financial contributions to Cybereco and the Canadian Cyber Threat Exchange (CCTX).
- › We updated the Cybersecurity Awareness Kit for Quebec businesses, in partnership with the founding members of Cybereco. Businesses are offered a variety of tools, including turnkey kits on four key cybersecurity topics: phishing, passwords, impersonation fraud and working remotely.
- › We helped create content on cyber defence for Concordia University's Cyber Resilience program, for which the first cohort of students have begun their studies.
- › We presented cybersecurity topics at various partner events to raise awareness about cybersecurity risks in specific population segments (e.g., Cyberconférence, Stratégies PME conferences) and to promote recruitment and education (e.g., HEC Accelerator, PolyHx).

Data management

Data is central to innovation at the Bank. By leveraging data, the Bank can personalize and enhance its service offering. We are keenly aware of our responsibilities, and we strive to balance value creation with sound risk management.

The Bank's Chief Data Officer is responsible for developing a sustainable vision and strategy for our data management program, which is regularly presented to the Office of the President and the Board.

More specifically, the Chief Data Officer develops a federated model for data management based on the following principles:

- › Data foundations that ensure continuous improvement of data exposure within the company.
- › Enhanced data expertise to ensure greater maturity across the organization.
- › A data governance framework that clearly sets out stakeholder accountability, especially as concerns data risk.
- › Data practices that standardize our approach in terms of:
 - Data management
 - Data engineering
 - Data science
 - Software engineering
- › A data-driven mindset founded on multidisciplinary teams.

The Bank has developed:

- The Data Academy, which organizes workshops and programs to increase data literacy.
- The Rotation Program for data scientists and data engineering analysts, a laboratory of innovation that helps attract new talent.

This operational model is supported by a decision-making structure overseen by the Data Council, a committee of senior executives that meets monthly to establish strategic orientations for data, approve any initiatives with a significant impact on compliance with the data strategy, and issue corporate positions.



Protecting personal information

The Bank takes the necessary measures to protect its clients' personal information and applies strict principles concerning how it collects, uses and shares information.

92% of employees took the annual training on the protection of personal information

Based on best practices, it has developed consent and information sharing policies and practices that meet clients' expectations and comply with existing legislation. It has also introduced a number of control measures to protect personal information. The Bank's Chief Privacy Officer is responsible for designing a robust personal information governance strategy. Our corporate culture emphasizes responsible use of client and employee information. Employees, executives and clients all play a role in mitigating risks associated with protecting personal information.

In 2021, the Bank continued to roll out initiatives to train, inform and raise awareness among various stakeholders:

- ✓ We published the first edition of our Privacy Booklet, which sets out our commitments to clients and other stakeholders.
- ✓ We rolled out a new annual training, *A closer look at personal information*, which has been completed by 92% of our employees.
- ✓ We continued our Annual Regulatory Compliance Training, which includes a section on protecting personal information.
- ✓ We rolled out mandatory training for all new hires on protecting personal information.
- ✓ Each year, all employees sign the [Code of Conduct and Ethics](#), which sets out our obligations regarding confidential information.



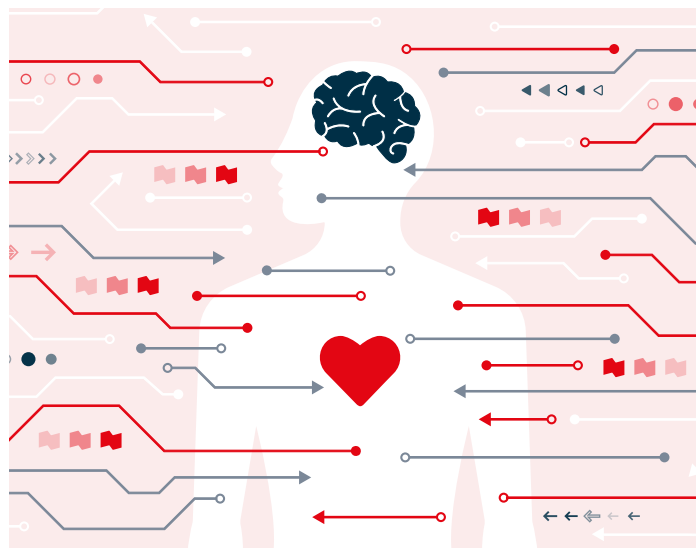
For more information on the Bank's practices, consult the Privacy Booklet, available in the [Social Responsibility](#) section of [nbc.ca](#).

Artificial intelligence

For the Bank, using artificial intelligence (AI) and advanced analytics technology is both an opportunity and a responsibility. It is an opportunity in that this technology can be a powerful driver in creating a positive client and employee experience and can enhance the Bank's risk management capabilities. It is a responsibility in that it is our duty to ensure this technology is used responsibly, in line with our values and the [Code of Conduct and Ethics](#). The concept of **innovating with integrity** has been added to the Code to anchor our use of artificial intelligence and advanced analytics.

The Bank has made a commitment to proactively evaluate its practices, implement governance and risk management measures and address issues of interpretability and fairness. We're continuing our work on these issues, in particular by establishing a program that focuses on fairness by design. This program includes concrete measures applicable to development and oversight teams. As such, various awareness and training activities have been conducted across the Bank's various sectors, for business development and scientific teams as well as for employees in the second and third lines of defence. Performance indicators have also been established to track our equity practices, for example by monitoring the effective adoption rate of the program. The Bank continues to hire internal experts from different disciplines to ensure that this technology is used according to the highest scientific standards.

The Bank is an active player in the Quebec, Canadian and international ecosystem surrounding responsible artificial intelligence and is committed to keeping abreast of best practices and the latest developments. It participates in roundtables and panels held by public organizations to share its thoughts and progress regarding artificial intelligence ethics with other actors.



Lastly, it encourages employees to share their expertise on the responsible use of AI with various communities—for example, by contributing to academic conversations on fairness or by raising awareness of these issues among students and fintech start-ups.

Our SASB Disclosure

SASB Disclosure	Accounting Metric	2021 Disclosure
Financial Sector – Commercial Bank		
CB-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Please refer to the Privacy Booklet available in the Social Responsibility section on nbc.ca . Please also consult the <i>Top and Emerging Risks</i> section on pages 73 to 78 of the 2021 Annual Report . National Bank (the Bank) does not disclose this information.
CB-230a.2	Description of approach to identifying and addressing data security risk	The Bank discloses how it manages information security risks on page 78 of the 2021 ESG Report. Please also consult the <i>Top and Emerging Risks</i> section on pages 73 to 78 of the 2021 Annual Report .
CB-240a.1	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	The Bank is a key lender for small businesses: 79% of its Canadian business clients received loans under \$250,000 in 2021. The Bank also supports community development by financing close to 800 clients that offer social programs, including housing and early childhood development, for an amount of about \$1.1 billion.
CB-240a.3	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	As at October 31, 2021, the Bank had 230,553 chequing accounts with no fixed monthly fees.
CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked or underserved customers	The Bank participates in a number of financial literacy initiatives as part of its activities, from discussing financial health and best practices with clients in branches to holding events to promote financial literacy. Although we don't track the number of participants who are unbanked, underbanked or underserved, we discuss the impact of our initiatives on pages 35 and 61–63 of the 2021 ESG Report.
CB-410a.1	Commercial and industrial credit exposure, by industry	The Bank discloses its exposure to credit risk by industry on page 21 of the Q4 2021 Supplementary Regulatory Capital and Pillar 3 Disclosure document, available on nbc.ca .
CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	In accordance with our TCFD roadmap, we're continuing to optimize our processes for integrating ESG factors into our credit analyses. Our TCFD Report is available in the Social Responsibility section on nbc.ca . For more information, please consult the <i>Governance – Risk Management</i> section of the 2021 ESG Report on page 72.
CB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	The Bank does not disclose this information. In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other various types of legal remedies. However, the Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial position. Please refer to Note 26 (Guarantees, Commitments and Contingent Liabilities) on pages 214 to 216 of the 2021 Annual Report .

SASB Disclosure	Accounting Metric	2021 Disclosure
CB-510a.2	Description of whistleblower policies and procedures	Please refer to the <i>Governance – Our Code of Conduct and Ethics</i> section on page 74 of the 2021 ESG Report.
CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	Although National Bank is a domestic systemically important bank (D-SIB), it is not a G-SIB. We therefore have no G-SIB score.
CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	<p>The crisis simulation program supports management's decision-making process by identifying potential vulnerabilities for the Bank as a whole, which are reflected in the limits established and in longer-term business planning.</p> <p>Scenarios and results are reviewed by the Board or its committees. The Bank also performs stress testing and crisis simulations in certain sectors of activity and key portfolios. These tests and simulations primarily cover credit, market and liquidity risk and capital. For more information, refer to pages 59, 70, 82, 92, 93 and 96 of the 2021 Annual Report.</p>
CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	<p>The Bank had an average deposit volume¹ of \$37,100 million for its Personal segment and \$43,539 million for its Commercial sector in Q4 2021. For more information, see the Q4 2021 Analyst and Investor Presentation, on nbc.ca.</p> <p>As at October 31, 2021, there were over 1.9 million chequing and savings accounts for the Personal segment and over 187,000 for the Commercial segment.</p>
CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	<p>In Q4 2021, the Bank had an average volume¹ of \$88,633 million in personal loans and bankers' acceptances and \$44,661 million in business loans and bankers' acceptances. For more information, see the Q4 2021 Analyst and Investor Presentation, on nbc.ca.</p> <p>The Bank discloses the amount approved to businesses across Canada as debt financing and the number of businesses to which debt financing was granted. Please refer to page 8 of the 2021 Corporate Social Responsibility Statement.</p> <p>The Bank also discloses its average loans and acceptances for corporate banking on page 9 of the Q4 2021 Supplementary Financial Information document, on nbc.ca.</p>

Financial Sector – Consumer Finance

CF-220a.2	Total amount of monetary losses as a result of legal proceedings associated with customer privacy	<p>The Bank does not disclose this information.</p> <p>In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other various types of legal remedies. However, the Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial position.</p> <p>Please refer to Note 26 (Guarantees, Commitments and Contingent Liabilities) on pages 214 to 216 of the 2021 Annual Report.</p>
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¹ Average deposits represent the average of the daily balances for the fiscal year.

SASB Disclosure	Accounting Metric	2021 Disclosure
CF-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	Please refer to the Privacy Booklet available in the Social Responsibility section on nbc.ca . Please also consult the <i>Top and Emerging Risks</i> section on pages 73 to 78 of the 2021 Annual Report . The Bank does not disclose this information.
CF-230a.3	Description of approach to identifying and addressing data security risks	Refer to the answer for standard CB 230a.2 .
CF-270a.2	Approval rate for (1) credit and (2) pre-paid products for applicants with FICO scores above and below 660	Although the Bank does not disclose this data, the average value, Loan-to-Value (LTV) ratio and FICO score for its portfolio of Canadian mortgage loans and home equity lines of credit can be found on page 16 of the Q4 2021 Analyst and Investor Presentation , on nbc.ca . Moreover, additional information on the credit quality of our loan portfolio can be found on pages 80 and 81 and in the <i>Credit Quality of Loans</i> section of Note 7 starting on page 173 of the 2021 Annual Report .
CF-270a.5	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products	The Bank does not disclose this information. In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other various types of legal remedies. However, the Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial position. Please refer to Note 26 (Guarantees, Commitments and Contingent Liabilities) on pages 214 to 216 of the 2021 Annual Report .
CF-000.B	Number of (1) credit card accounts and (2) pre-paid debit card accounts	As at October 31, 2021, we had over 850,000 active credit card accounts for the Personal and SME segment.

Financial Sector – Mortgage Finance

MF-270a.3	Total amount of monetary losses as a result of legal proceedings associated with communications to customers or remuneration of loan originators	The Bank does not disclose this information. In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other various types of legal remedies. However, the Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial position. Please refer to Note 26 (Guarantees, Commitments and Contingent Liabilities) on pages 214 to 216 of the 2021 Annual Report .
MF-270b.1	(1) Number, (2) value, and (3) weighted average Loan-to-Value (LTV) ratio of mortgages issued to (a) minority and (b) all other borrowers, by FICO scores above and below 660	Although the Bank does not disclose this data, the average value, LTV ratio and FICO score for its portfolio of Canadian mortgage loans and home equity lines of credit can be found on page 16 of the Q4 2021 Analyst and Investor Presentation , on nbc.ca . For more information on our portfolio of residential mortgage loans, see page 22 of the Q4 2021 Supplementary Financial Information document, on nbc.ca .

SASB Disclosure	Accounting Metric	2021 Disclosure
MF-270b.3	Description of policies and procedures for ensuring non-discriminatory mortgage origination	The Bank complies with all anti-discrimination laws and regulations. In addition, the Bank's Code of Conduct and Ethics applies to everyone at the Bank (employees, directors and officers). The Code of Conduct and Ethics establishes a zero-tolerance policy for any type of discrimination.
MF-000.A	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	The Bank discloses the value of its commercial and residential mortgages and the value of loans by category on page 28 of the Q4 2021 Analyst and Investor Presentation , on nbc.ca . For more information on our portfolio of residential mortgage loans, see page 22 of the Q4 2021 Supplementary Financial Information document, on nbc.ca .
MF-000.B	(1) Number and (2) value of mortgages purchased by category: (a) residential and (b) commercial	For more information on our portfolio of residential mortgage loans, see page 22 of the Q4 2021 Supplementary Financial Information document, on nbc.ca .

Financial Sector – Investment Banking and Brokerage

IB-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	The Bank presents its inclusion and diversity strategy, indicators and targets in its 2021 Inclusion and Diversity Booklet .
IB-410a.2	(1) Number and (2) total value of investments and loans incorporating integration of ESG factors, by industry	Please refer to the <i>Social – Sustainable bonds for eco-friendly projects and organizations</i> section of the 2021 ESG Report on page 42 as well as to the Capital and Debt Information section on nbc.ca .
IB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Refer to the answer for standard CB 510a.1 .
IB-510a.2	Description of whistleblower policies and procedures	Refer to the answer for standard CB 510a.2 .
IB-510b.3	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care	The Bank does not disclose this information. In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other various types of legal remedies. However, the Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial position. Please refer to Note 26 (Guarantees, Commitments and Contingent Liabilities) on pages 214 to 216 of the 2021 Annual Report .
IB-510b.4	Description of approach to ensuring professional integrity, including duty of care	Every year, all employees, directors and officers of the Bank sign the Code of Conduct and Ethics , which requires them to demonstrate honesty, trust, integrity and loyalty in all of their actions.
IB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	Refer to the answer for standard CB 550a.1 .

SASB Disclosure	Accounting Metric	2021 Disclosure
IB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Refer to the answer for standard CB 550a.2 .
IB-000.A	(1) Number and (2) value of (a) underwriting, (b) advisory, and (c) securitization transactions	The Bank acted as agent for 178 transactions with a total value of over \$100 billion and as underwriter for 321 transactions with a total value of over \$275 billion.

Financial Sector – Asset Management and Custody Activities

AC-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers	<p>The Bank does not disclose this information.</p> <p>In the normal course of business, the Bank and its subsidiaries are involved in various claims relating, among other matters, to loan portfolios, investment portfolios and supplier agreements, including court proceedings, investigations or claims of a regulatory nature, class actions or other various types of legal remedies. However, the Bank does not believe that any proceedings it is involved in could have a material negative impact on its consolidated financial position.</p> <p>Please refer to Note 26 (Guarantees, Commitments and Contingent Liabilities) on pages 214 to 216 of the 2021 Annual Report.</p>
AC-270a.3	Description of approach to informing customers about products and services	<p>Employees of the Bank are bound by the Code of Conduct and Ethics, which sets out a number of basic principles to protect clients, including, "We must inform them in a transparent manner about the rates, fees and conditions of every transaction for every product they acquire." Please refer to the <i>Social – Providing our clients with appropriate advice and information on our products and services</i> section on page 30 of the 2021 ESG Report.</p> <p>The Bank also complies with regulations that apply to all of its operations. It therefore complies with the regulations set out by the Financial Consumer Agency of Canada, provincial consumer protection agencies, IIFROC, the Mutual Fund Dealers Association of Canada, the TSX and provincial regulatory authorities, including securities regulatory authorities. The Human Resources Committee reviewed the Bank's compensation practices in 2021 and continues to do so periodically.</p>
AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Refer to the answer for standard IB 330a.1 .
AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	<p>Through its open architecture business model, National Bank Investments (NBI) entrusts the management of its funds and investment solutions to external portfolio managers. 98% of NBI's assets under management as at October 31, 2021 were managed by signatories of the UN Principles for Responsible Investment. NBI assesses its external managers' integration of ESG criteria as part of its proprietary OP4+ analysis framework.</p> <p>Furthermore, 84% of NBI's assets under management are managed by Canadian fund managers who belong to the Responsible Investment Association.</p> <p>For more information, see the <i>Social – Responsible Investment</i> section of the 2021 ESG Report on pages 38–41.</p>

SASB Disclosure	Accounting Metric	2021 Disclosure
AC-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	NBI discloses how it integrates ESG criteria into its OP4+ process. For more information, see the <i>Social – Responsible investment</i> section on pages 38–41 of the 2021 ESG Report and on nbinvestments.ca .
AC-410a.3	Description of proxy voting and investee engagement policies and procedures	Our proxy voting and investee engagement policies and procedures are available on nbinvestments.ca .
AC-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Refer to the answer for standard CB 510a.1 .
AC-510a.2	Description of whistleblower policies and procedures	Refer to the answer for standard CB 510a.2 .
AC-550a.2	Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management	<p>The investment funds and services offered by National Bank Investments (NBI) are governed by a liquidity risk management policy (internal publication). This policy is intended to establish liquidity requirements for investment funds and services offered by NBI, as well as a framework for their application.</p> <p>To manage risk, NBI monitors the following three components:</p> <ul style="list-style-type: none"> › Liquidity risk associated with product design (redemption conditions tailored to investment strategy) › Liquidity risk associated with the market for the products (liquidity dashboard, liquidity groups, third-party supplier data, various metrics, etc.) › Liquidity risk associated with holding the products (historic rates of redemption requests, asset concentration, etc.) <p>The policy complements Regulation 81-102 respecting Investment Funds for the products governed by it and establishes the requirements for other products.</p> <p>As authorized by the Canadian Securities Administrators, NBI can suspend the right to redeem securities for products governed by prospectus under certain conditions (see the prospectus under <i>Right to Refuse the Redemption of Fund Securities</i>).</p>
AC-550a.3	Total exposure to securities financing transactions	The Bank disclosed its total exposure to securities financing transactions on page 17 of the Q4 2021 Supplementary Regulatory Capital and Pillar 3 Disclosure document, available on nbc.ca . Total exposure as at Q4 2021 was \$11,452 million.
AC-000.A	(1) Total registered and (2) total unregistered assets under management (AUM)	In Q4 2021, the Bank had \$768.7 billion in assets under management and administration. For a breakdown of this data, please refer to page 7 of the Q4 2021 Supplementary Financial Information document, on nbc.ca .

Project management and editing:

National Bank's Sustainable Development – ESG Department

Cover design: National Bank's Customer Experience and Digital Department

Graphic design: M&H

Translation: National Bank's Linguistic Services

Photo credits:

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