

Sustainability Bond Report

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Table of Contents

- 3** Overview
- 4** Sustainability Bond Framework Summary
- 5** Issuance Summary
- 7** Use of Proceeds and Impacts
- 9** Project Examples
- 10** Impact Reporting Items Key Assumptions
- 11** Independent Limited Assurance Report

Our ESG principles reflect our commitment to building a sustainable future while representing the best interests of stakeholders.

Environmental, social and governance considerations play a key role in our business and operational decisions. In 2019, our Board of Directors approved a series of sustainable development principles that inspire our approach and our actions. These principles aim to ensure that the Bank is aligned with international best practices and reflect our commitment to building a sustainable future while representing the best interests of stakeholders.

In 2021, the Bank brought its environmental commitments further by adopting a net-zero greenhouse gas (GHG) emissions target with interim targets for our operating and financing activities by 2050. This target is in line with the most ambitious goal of the Paris Agreement, limiting global warming to 1.5 °C.

In addition to being actively involved in implementing various initiatives to reduce its environmental footprint, the Bank has focused on developing partnerships over the years with various organizations that share the common goal of contributing to sustainable development.

Use of Proceeds - Overview as of December 31, 2021¹

	Renewable Energy	Affordable Housing	Access to Basic and Essential Services	TOTAL
Total amount of proceeds allocated to Eligible Assets or Businesses	\$1,553,156,016 ²	\$606,198,064 ²	\$972,139,119 ²	\$3,131,493,200 ²
Allocation of proceeds	50% ²	19% ²	31% ²	100% ²
Total amount of unallocated proceeds	\$0	\$0	\$0	\$0 ²
Total amount of Sustainability Bonds outstanding				\$3,131,493,200²

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

The Bank confirms that the Sustainability Bonds' Use of Proceeds complies with NBC's Sustainability Bond Framework.³

Throughout 2019, 2020 and 2021, NBC issued Sustainability Bonds aimed at financing projects that advance United Nations Sustainable Development Goals



¹ All figures are in CAD unless otherwise indicated.

² Included within scope of independent limited assurance provided by PricewaterhouseCoopers LLP.

³ In the context of NBC's Sustainability Bond Framework, it is NBC's intention to maintain an aggregate amount of assets relating to eligible businesses and eligible projects that is at least equal to the aggregate proceeds of all NBC's Sustainability Bonds that are concurrently outstanding. This methodology, also known as portfolio approach, entails that eligible assets can change over time as some of them mature and others are added. NBC's look-back period for any financing using the sustainability bond proceeds is 36 months prior to the date of the bond issuance.

Sustainability Bond Framework Summary

For the purpose of issuing Sustainability Bonds, NBC has developed its Sustainability Bond Framework,¹ which addresses the four core components of the ICMA Sustainability Bond Guidelines² and its recommendations on the use of external reviews and impact reporting:

1. Use of proceeds

The proceeds are used to finance or refinance, in whole or in part, future and existing eligible businesses and projects, including NBC's own operations, that fall within the following categories (each an "Eligible Category"):

- › Renewable Energy
- › Sustainable Buildings
- › Low-Carbon Transportation
- › Affordable Housing
- › Access to Basic and Essential Services
- › Loans to Small and Medium-sized enterprises (SMEs)

2. Project selection and evaluation process

- › NBC's business unit officers are responsible for identifying and assessing potential eligible projects and businesses.
- › The eligible projects and businesses that are selected by business lines are reviewed by each business unit's ESG program officers.
- › NBC has established a Sustainability Bond Committee ("SBC") responsible for the ultimate review of the loans and investments that will qualify as eligible businesses and projects.
- › The SBC has the ultimate decision-making authority on project selection and proceeds allocation of NBC's Sustainability Bonds.
- › For loans to small or medium-sized enterprises (SMEs) located in deprived economic zones, NBC has established a quantitative loan selection methodology by using pre-defined economic indicators. Further information can be obtained by consulting the Social Economic Loan Selection Methodology, which will be available on NBC's website prior to the first issuance including this Eligible Category.

3. Management of proceeds

- › NBC will establish a Sustainability Bond Register in relation to Sustainability Bonds issued by NBC for the purpose of recording the eligible businesses and projects and allocation of the proceeds from Sustainability Bonds to eligible businesses and eligible projects.
- › It is NBC's intention to maintain an aggregate amount of assets relating to eligible businesses and eligible projects that is at least equal to the aggregate proceeds of all NBC's Sustainability Bonds that are concurrently outstanding.
- › Any portion of the proceeds of NBC's Sustainability Bonds that have not been allocated to assets relating to eligible businesses and eligible projects in the Sustainability Bond Register will be allocated in accordance with NBC's normal liquidity management activities.

4. Reporting

- › The NBC's Sustainability Bond Report will be updated every year until complete allocation and thereafter, as necessary, in case of new developments.
- › The NBC's Sustainability Bond Report will contain at least the following:
 - Confirmation that the use of proceeds of the Sustainability Bond complies with the NBC's Sustainability Bond Framework
 - The amount of proceeds allocated to each Eligible Category
 - One or more examples of eligible businesses and projects financed, in whole or in part, by the proceeds obtained from the Sustainability Bonds, including their general details (brief description, location, stage—construction or operation)
 - The balance of unallocated proceeds
 - Impact reporting items



This Second Party Opinion was originally conducted by V.E, now Moody's ESG Solutions.

V.E was commissioned to provide an independent opinion on the sustainability credentials and management of the Sustainable Bonds to be issued by National Bank of Canada in compliance with its Sustainability Bond Framework dated November 30, 2020.

Summary of V.E's Opinion

V.E is of the opinion that National Bank of Canada's Sustainability Bond Framework is aligned with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2020, and the contribution to sustainability is considered robust.

Coherence

V.E is of the opinion that the Framework is coherent with National Bank of Canada's strategic sustainability priorities and sector issues and contributes to achieving its commitments relating to sustainability as an issuer.

¹ National Bank of Canada, *Sustainability Bond Framework*, published November 30, 2020.

² International Capital Markets Association, *Sustainability Bond Guidelines*, initially published in June 2018 and updated in June 2021, respectively available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Sustainability-Bonds-Guidelines-June-2018-270520.pdf>
<https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

Issuance Summary

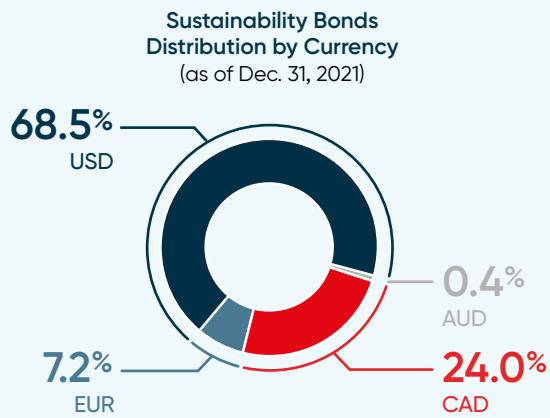
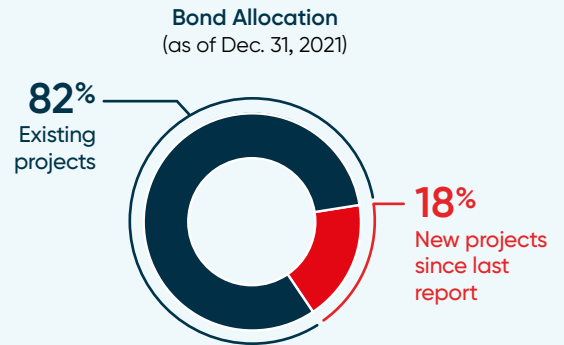
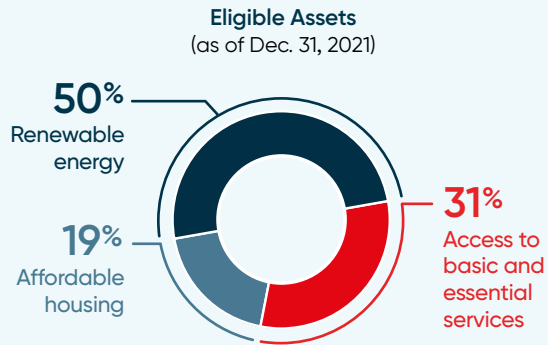
(as of Dec. 31, 2021)

Sustainability Bonds issued by National Bank of Canada

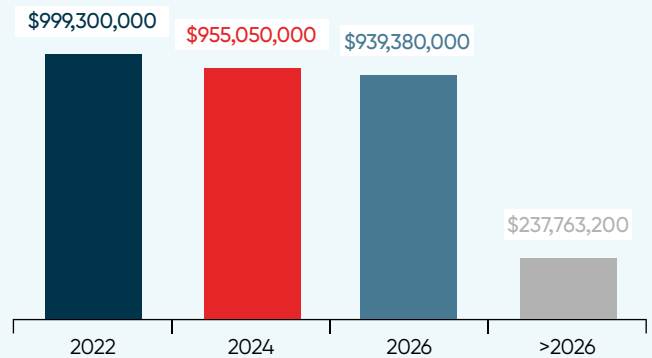
	Issue date	Currency	Tenor	Issued amount (CAD equivalent)	ISIN
EUR 40,000,000 12y CMS1010 Senior Notes	February 20, 2019	EUR	12 years	\$59,797,000	XS1953930283
EUR 50,000,000 15y CMS1010 Senior Notes	April 1, 2019	EUR	15 years	\$75,375,000	XS1964559576
EUR 40,000,000 15y Steepener Senior Notes	May 24, 2019	EUR	15 years	\$60,432,000	XS1999877043
US\$ 750,000,000 2.150% Series B Medium-Term Sustainable Notes	October 9, 2019	USD	3 years	\$999,300,000	144A: US63307CAG69 Reg S: US63307DAG43
EUR 20,000,000 Callable Fixed Rate Sustainable Notes	March 19, 2020	EUR	20 years	\$31,142,000	X2138588319
US\$ 750,000,000 0.550% Fixed-to-Fixed Rate Medium-Term Sustainable Notes	December 10, 2020	USD	4 years	\$955,050,000	US63307A2M63
US\$ 50,000,000 Callable Sustainable Notes	February 11, 2021	USD	5 years	\$63,430,000	US63305LGH06
CAD 750,000,000 Fixed Rate Sustainable Notes	June 15, 2021	CAD	5 years	\$750,000,000	CA63306AGT75
AUD 12,000,000 Callable Zero-Coupon Sustainable Notes	October 15, 2021	AUD	15 years	\$11,017,200	XS2395722510
US\$ 100,000,000 Callable Sustainable Notes	November 17, 2021	USD	5 years	\$125,950,000	US63305LJP94
TOTAL				\$3,131,493,200	

Issuance Summary

(as of Dec. 31, 2021)








Sustainability Bonds Distribution by Maturity
(outstanding in CAD equivalent, as of Dec. 31, 2021)



Use of Proceeds and Impacts

(as of Dec. 31, 2021)




Eligible Categories	UN SDGs	Eligible Asset type	% of Eligible Assets	Impact Reporting Items and Chosen Indicators
Renewable Energy	 	Wind Solar Small-scale hydro	50%	Wind, solar and hydro energy generation: <ul style="list-style-type: none"> › Number of wind farms (21) › Number of solar farms (82) › Number of small-scale hydro projects (6) › Total installed capacity of 1,083 MW¹ › Total annual greenhouse gas (GHG) emissions reduced or avoided: 1,139,374 tonnes of carbon dioxide equivalent¹
Affordable Housing	  	Access to affordable and adequate housing	19%	The affordable and adequate housing projects help offer quality, affordable housing for low- and moderate-income households and for people with special housing needs. <ul style="list-style-type: none"> › Number of buildings (230) › Number of units (6,588)

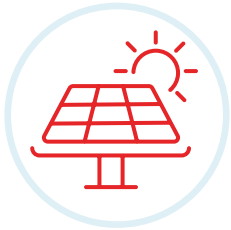
¹ To calculate the impact associated with the NBC Sustainability Bond proceeds directed to renewable energy, NBC's loan share of each project was applied, as well as the portion of the loan share to which proceeds were allocated. Total installed capacity and total annual greenhouse gas emissions values may not be comparable to values published in previous reports due to the addition of NBC's loan share of each project in the calculation methodology to more effectively capture the benefits of the projects.

Use of Proceeds and Impacts

(as of Dec. 31, 2021)

Eligible Categories	UN SDGs	Eligible Asset Type	% of Eligible Assets	Impact Reporting Items and Chosen Indicators
Access to Basic and Essential Services		Health	31%	<p>Integrated health and social services centres (CISSS) and integrated university health and social services centres (CIUSSS) ensure accessibility, continuity and quality of services for people on their territory.</p> <ul style="list-style-type: none"> › CISSS/CIUSSS (6) › Health institute (1) <p>(Average number of beds per CISSS/CIUSSS is 2,316) (Average number of beds per institute is 246)</p>
		Child care centres		<p>Child care services provided by the child care centres provide reduced-contribution spaces to:</p> <ul style="list-style-type: none"> › Number of places – infants: 2,731 › Number of places – total: 20,074 › Number of child care centres: 310 <p>Child care centres must meet certain obligations in terms of children’s health, safety, well-being and development.</p>
		Community welfare		<p>Number of individuals benefiting from a range of services offered to people in need of support (2,807)</p> <ul style="list-style-type: none"> › Foundation (1)
		Education		<p>Education in Canada is for the most part provided publicly and is funded and overseen by provincial, territorial and local governments. Among other responsibilities, school service centres and school boards provide education programs that meet the needs of the school community, including needs for special education.</p> <ul style="list-style-type: none"> › School service centres and school boards (12) (Average number of students per school board is 25,541) (Average number of schools per school board is 53) › CEGEPs (2) (Average number of students per CEGEP is 7,750) <p>A CEGEP is a type of institution unique to Quebec that provides either a technical or preuniversity attestation or a diploma of college studies.</p> <ul style="list-style-type: none"> › Universities (2) (Average number of students per university is 21,052)

Project Examples



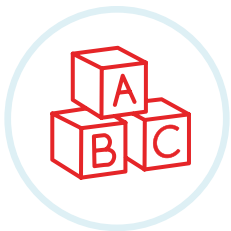
Renewable Energy: Solar

National Bank of Canada acted as Joint Bookrunner and Mandated Lead Arranger on the project financing for Spotsylvania Solar Energy Centre, also known as Highlander Solar, a collection of 4 solar projects totalling 485 MW AC located in Spotsylvania County, Virginia. Spotsylvania was developed by sPower, which has since merged with AES Corporation, and the project is now owned and operated by AES Corporation. Power production is contracted to a number of investment grade offtakers. Virginia has set the goal to produce 100% of its electricity from carbon-free sources by the year 2050, and this project will help the state achieve this goal. The Spotsylvania Solar Energy Centre project is expected to generate enough power to supply the equivalent of approximately 111,000 homes and offset 340,000 tonnes of carbon dioxide emissions each year.



Renewable Energy: Wind

National Bank of Canada acted as Joint Lead Arranger on the project financing for Grand Renewable Wind, a 149-MW wind project located in Haldimand County, Ontario. Grand Renewable Wind is a joint venture between Pattern Energy, a subsidiary of Samsung Renewable Energy Inc., and the Six Nations of the Grand River. Pattern Energy is one of the world's largest private renewable energy companies, with large operating and development footprints in the United States, Canada and Japan. Headquartered in the United States, its global operational portfolio includes 30 utility-scale renewable energy facilities. One of the key partners in the project is the Six Nations of the Grand River community. With over 26,000 community stakeholders, the Six Nations of the Grand River Development Corporation seeks economic opportunities that align with community cultural values to assist in meeting the community's needs. Grand Renewable Wind generates enough clean energy to power 50,000 Ontario homes. Compared to coal-fired generation, the CO₂ offsets are the equivalent of removing 83,000 cars from the road every year.



Access to Basic and Essential Services: Education services

With its 47,000 students and 9,500 employees, Université Laval is a major institution of higher education and research. Since it was founded 350 years ago, it has been an important vehicle for the transmission of knowledge and innovation in and around Québec, and a source of international influence. In addition, its learning environment and its culture of sustainable development contribute to the well-being of the community. National Bank is proud to contribute to the financing of various projects aimed at financing both the Center for wood transformation and the Centre d'optique, photonique et laser (COPL). The funds were also used to support four projects to renovate and improve student residences.



Impact Reporting Items

Key Assumptions

All reported results are from publicly available sources.

The impact figures for each eligible project or business were collected from publicly available sources and are presented on an aggregate basis to protect the confidentiality of NBC's clients.

Where no publicly available information is found for any given eligible project or business, the impact reported for this project or business is null.

Unless explicitly stated, where NBC co-finances projects with other lenders, the impact reported for the individual project is based on the total project including all financiers.

If the balance of NBC's lending to one project is null while the loan facility still exists, the impact figures remain incorporated in the aggregated impact data.

If the portfolio of eligible projects and businesses is larger than the amount of proceeds collected from the issuance of NBC's Sustainability Bonds, the impact data is aggregated for the entire portfolio of projects and businesses and then reported on a pro-rata basis.

Disclaimer

This report has been prepared in accordance with the Bank's Sustainability Bond Framework¹ dated November 30, 2020. The information included in this report is presented for information purposes only and is not intended nor appropriate for other purposes.

The information included in this report is current only as of its date and may have changed since such date or could change in the future without prior notice or update. NBC does not assume any responsibility or obligation to update or revise any statements in this document, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by NBC for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in this document.

Nothing in this document shall constitute, or form part of, an offer to sell or solicitation of an offer to buy or subscribe for any security or other instrument of NBC or any of its affiliates, or as an invitation, recommendation or inducement to enter into any investment activity, and no part of this document shall form the basis of or be relied upon in connection with any contract, commitment, or investment decision whatsoever. Offers to sell, sales, solicitation of offers to buy or purchases of securities issued by NBC or any affiliate thereof may only be made or entered into pursuant to appropriate offering materials prepared and distributed in accordance with the laws, regulations, rules and market practices of the jurisdictions in which such offers, solicitations or sales may be made. Professional advice should be sought prior to any decision to invest in securities.

This material is not intended for distribution to, or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to law or regulation. 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 regarding NBC's objectives, targets, projections or expectations, the allocation of NBC's Sustainability Bonds proceeds, project examples and the estimated impact associated with outstanding NBC's Sustainability Bonds. Forward-looking statements are typically identified by 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.

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 NBC's control. There is a strong possibility that NBC's express or implied predictions, targets, projections, expectations or conclusions will not prove to be accurate or that its assumptions may not be confirmed. NBC 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 factors—many of which are beyond NBC's control and the effects of which can be difficult to predict—include: difficulty identifying assets that are Eligible Assets or Businesses, and the risk that Eligible Assets or Businesses will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by NBC.

The foregoing list of risk factors is not exhaustive. When relying on the forward-looking statements contained in this document to make decisions with respect to NBC, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Except as required by law, none of NBC or its affiliates undertakes to update any forward-looking statement that may be made from time to time in this document.

¹ National Bank of Canada, *Sustainability Bond Framework*, published November 30, 2020, available at: <https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/relations-investisseurs/fonds-propres-et-dette/2020/nbc-sustainability-bond-framework-2020.pdf>.

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Independent practitioner’s limited assurance report on select key performance indicators presented within National Bank of Canada’s 2021 Sustainability Bond Report

To the Board of Directors and Management of National Bank of Canada (“NBC”)

We have undertaken a limited assurance engagement in respect of the select key performance indicators detailed below (“the subject matter”) presented within NBC’s **2021 Sustainability Bond Report** (“the Report”) for the year ended December 31, 2021.

The reporting criteria against which the subject matter was assessed is the NBC Sustainability Bond Framework available at

[https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/relations-investisseurs/fonds-propres-et-dette/2020/nbc-sustainability-bond-framework-2020.pdf](https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/rerelations-investisseurs/fonds-propres-et-dette/2020/nbc-sustainability-bond-framework-2020.pdf)

Subject matter

Our limited assurance engagement was performed on the following select key performance indicators:

<i>Key Performance Indicators</i>		<i>Value</i>			<i>Report page(s)</i>
Total amount of Sustainability Bonds outstanding in Canadian Dollars		\$3,131,493,200			3
Allocation of the Sustainability Bond Portfolio to each of the Eligible Categories, value in Canadian Dollars and as a percentage	Renewable Energy	50%	\$1,553,156,016	\$3,131,493,200	3
	Access to Basic and Essential Services	31%	\$972,139,119		3
	Affordable Housing	19%	\$606,198,064		3
Total amount of unallocated proceeds, value in Canadian Dollars		\$0			3

Management’s responsibility

Management is responsible for preparation of the subject matter in accordance with the reporting criteria. Management is also responsible for such internal control as management determines necessary to enable the preparation of the subject matter that is free from material misstatement, whether due to fraud or error.

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“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our responsibility

Our responsibility is to express a limited assurance conclusion on the subject matter based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Attestation Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the subject matter is free from material misstatement.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures) and evaluating the evidence obtained. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report. The procedures are selected based on our professional judgment, which includes identifying areas where the risks of material misstatement, whether due to fraud or error, in preparing the subject matter in accordance with the applicable criteria are likely to arise.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, our procedures included but were not limited to:

- making enquiries of NBC's management, including those with responsibility for sustainability bonds governance, management and reporting;
- evaluating the design of key structures, systems, processes and controls for managing, recording and reporting the subject matter;
- reconciling the total values allocated to the underlying records;
- for a limited sample of projects, reconciling the allocated amounts to the accounting records and validation of the eligibility of the project in the context of the framework; and
- evaluating the disclosure and presentation of the subject matter in the Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that NBC's subject matter for the year ended December 31, 2021, is not prepared, in all material respects, in accordance with the applicable criteria.

Purpose of statement and restriction on distribution and use of our report

The subject matter has been prepared to assist NBC's management to report to the Board of Directors ("the Board") the subject matter in accordance with the applicable criteria. As a result, the subject matter may not be suitable for another purpose. Our report is intended solely for the use of NBC. We neither assume nor accept any responsibility or liability to any third party in respect of this report.

We acknowledge the disclosure of our report, in full only, by NBC at its discretion, in NBC's 2021 Sustainability Bond Report without assuming or accepting any responsibility or liability to the Board or any other third party in respect of this report.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Toronto, Ontario
May 18, 2022