National Bank of Canada - Climate Change 2021

C0. Introduction

C0.1

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

National Bank of Canada offers integrated financial services to consumers, small and medium-sized enterprises (SMEs) and large corporations. It operates four lines of business— Personal and Commercial Banking, Wealth Management, Financial Markets, and U.S. Specialty Finance and International. National Bank provides a complete range of services, including banking and investment solutions for individuals and corporate clients, securities brokerage, insurance and wealth management. National Bank is the leading bank in Quebec and the partner of choice for SMEs. It is also one of the six systemically important banks in Canada and has branches in almost every province. Clients in the United States, Europe and other parts of the world are served through a network of representative offices, subsidiaries and partnerships. National Bank employs more than 26 517 people with its head office located in Montreal and its securities listed on the Toronto Stock Exchange. As at October 31, 2020, the Bank had total assets in excess of CDN $332 billion.

C0.2

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

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	November 1 2019	October 31 2020	No	<Not Applicable>

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

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

C0.4

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

CAD

C0.5

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

Operational control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Bank lending (Bank)
Investing (Asset manager)
Investing (Asset owner)

C1. Governance

C1.1

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

Yes

C1.1a

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

Position of individual(s)	Please explain
Board-level committee	The Board ensures environmental factors, such as climate-related risks and opportunities, are incorporated into its long-term strategic objectives, monitors the progress of environmental initiatives and the integration of ESG principles and exercises its own activities in accordance with the Bank's ESG practices and strategies. Its four committees—the Risk Management Committee, the Audit Committee, the Conduct Review and Corporate Governance Committee and the Human Resources Committee—are responsible for periodically reviewing the Bank's activities to ensure they comply with stringent corporate responsibility standards. The Conduct Review and Corporate Governance Committee is responsible for staying abreast of exemplary ESG practices and overseeing the Bank's ESG strategy. It ensures that the Bank operates in accordance with these practices and its One Mission. The Committee is also responsible for regularly reviewing the ESG principles in effect at the Bank and making recommendations to improve them. It ensures that the Bank's ESG practices are sound and aligned with legislation. It also reviews the decisions made by senior management and plays an advisory role, as needed. All strategic ESG publications must be examined by this Committee. The Committee must also ensure that directors, officers and employees act in an ethical and responsible manner. An update on ESG advances is presented to the Committee twice a year. The Risk Management Committee's responsibilities include ensuring that the risk management framework accounts for environmental, social and governance risks, allowing them to be appropriately identified, monitored and integrated into existing risk management processes. Climate risk is an integral component of the Bank's risk management approach and is reviewed quarterly. The Audit Committee is responsible for monitoring trends relating to controls and integrating environmental criteria into financial reporting. A report on advances related to the Task Force on Climate-related Financial Disclosures is presented at least twice a year to this committee.

C1.1b

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

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Setting performance objectives Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Climate-related risks and opportunities to our own operations Climate-related risks and opportunities to our bank lending activities Climate-related risks and opportunities to our investment activities Climate-related risks and opportunities to our other products and services we provide to our clients The impact of our own operations on the climate	Environmental, Social and Governance (ESG) oversight is a documented responsability of the Board of Directors, in addition to being an integral part of the board's committees' charters. ESG topics related to the Board of Directors committees' core functions are discussed at relevant times and escalated to the Board when necessary. For example, the Conduct Review and Corporate Governance Committee (CRCGC) oversees ESG trends and reviews the Bank's practices to stay abreast with leading practices. The CRCGC may approve certain amendments, unless under the purview of the Board. Each year, the committees and the Board receive training and watch presentations on various topics related to ESG best practices. Here are some examples: › Review of emerging and climate risks and ESG principles — Risk Management Committee › Global banking industry trends including ESG, sustainable finance and climate — Board › Carbon impact and global warming — Risk Management Committee and Audit Committee

C1.2

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

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Financial Officer (CFO)	CEO reporting line	Managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Half-yearly
Chief Risks Officer (CRO)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our bank lending activities Risks and opportunities related to our investing activities Risks and opportunities related to our other products and services Risks and opportunities related to our own operations	Half-yearly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

Led by the Chief Financial Officer and Executive Vice-President of Finance, the ESG Working Group includes a number of executives from various Bank sectors. Its main duty is to develop and support the Bank's ESG initiatives and strategies. Members meet monthly. Executives representing key sectors within the Bank are part of the committee (Risk, Legal, Public Affairs, Compliance, etc.). This working group is responsible for implementing TCFD recommendations as well as the UN Principles for Responsible Banking. Twice a year, the ESG Working Group reports to the Conduct Review and Corporate Governance Committee on the advances made and the planned next steps.

The Chief Risk Officer, is part of the ESG Working Group and is also accountable to integrate climate-related risks to the overall risk management of the Bank.

Falling under the ESG Working Group, the Bank has also put in place a corporate environmental committee. Managers from key Bank sectors are represented. The committee focuses on the implementation of the Bank's green product offering and ensures relevant information on arising environmental issues are shared within the Bank.

C1.3

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

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	The Bank's commitment to the community and incorporation of ESG criteria is a criterion for executive performance. Although this isn't a quantitative metric considered in the compensation assessment, it does have an incidence on executive compensation as part of the performance of the executives. The President and Chief Executive Officer's performance is based on financial results, annual objectives, and key performance indicators, including ESG criteria, as well as the prudence with which he managed the Bank's operations and the risks to which the Bank is exposed, and reported to the Board.

C1.3a

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

Entitled to incentive	Type of incentive	Activity inventivized	Comment
Chief Executive Officer (CEO)	Non-monetary reward	Other (please specify) (The Bank's commitment to the community and incorporation of ESG criteria)	The President and Chief Executive Officer's performance is based on financial results, annual objectives, and key performance indicators, including ESG criteria, as well as the prudence with which he managed the Bank's operations and the risks to which the Bank is exposed, and reported to the Board. In 2020, the CEO performance assessment included the pillar "The Bank's commitment to the community and incorporation of ESG criteria" which reports on the Bank's progress to reduce its carbon footprint.

C-FS1.4

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

	We offer an employment-based retirement scheme that incorporates ESG principles, including climate change.	Comment
Row 1	No, but we plan to do so in the next two years	We are currently planning to build a framework to evaluate our investment asset as an asset owner in order to incorporate ESG criteria and our performance related to our carbon footprint.

C2. Risks and opportunities

C2.1

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

Yes

C2.1a

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

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

C2.1b

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

The Bank recognizes the importance of identifying, assessing, and managing climate-related risks. To this end, it proactively monitors all risks as well as its segments' risk exposures in relation to its risk appetite and established limits. Top and emerging risks are risks that could have a material adverse effect on the Bank's financial results, reputation, or long-term business model and strategy. These risks include credit, market, liquidity, operational, and ESG risks as well as climate-related risks. In addition, rapidly changing economic, regulatory, technological and business environments may have an impact on certain activities or on the Bank as a whole. NBC voluntarily exposes itself to certain risk categories, particularly credit and market risk, in order to generate revenue. Therefore, the Bank defines substantive financial impacts as significant risks it is exposed to.

The Bank acknowledges that it plays an influential role in the fight against climate change. For years, it has worked to have a positive impact on its stakeholders. Based on our three environmental principles (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), we aim to identify and develop sustainable business opportunities while identifying, managing and mitigating climate-related risks. Climate risk involves the possibility that environmental issues could lead to a loss in financial or operational value, harming its reputation or having a negative impact on its stakeholders.

Credit risk is the main risk incurred by financial institutions. It is largely dependent on the quality of the loan portfolio and clients' capacity to make their payments. NBC is mainly exposed to these risks through its activities as a lender. Over the past year, the Bank has continued to carry out various analyses of its financing activities to achieve a better understanding of its exposure to climate transition and physical risks. These analyses have enabled concrete action as part of the sectoral limit review process.

C2.2

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

Value chain stage(s) covered
Direct operations

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

Frequency of assessment
More than once a year

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

Description of process
The Bank recognizes the importance of identifying, assessing, and managing climate-related risks. To this end, it proactively monitors all risks as well as its segments' risk exposures in relation to its risk appetite and established limits. The Bank ensures that it has processes in place to proactively identify and measure these risks so that it can implement appropriate mitigation strategies. To this end, the Bank has implemented an environmental policy that applies to activities and decisions across the Bank as well as in all its business segments. This policy clearly sets out the established principles for identifying and limiting environmental risk as well as the impacts on the community and its business segments. Given that environmental risk is associated with credit risk and operational risk, the Bank recognizes the importance of incorporating several additional control measures into its existing risk management processes. To this end, risks are regularly reported to the Enterprise-Wide Risk Management Committee and

to the Operational Risk Management Committee. Furthermore, any important matter/decision regarding climate-related risks can be escalated to the Global Risk Committee (for more information on Risk Management Governance Structure see Annual Report 2020 p.70). From our direct operations, we face operational risks. It represents the risk of loss resulting from an inadequacy or a failure ascribable to human resources, equipment, processes technology or external events. Identification: Physical risks: Impact of climate events on capital assets, employees and third parties. Transition risks: Impact of changes resulting from the introduction of a carbon tax. The introduction or increase of carbon taxes will likely lead to higher energy costs in certain regions where the Bank does business. These taxes would increase operating expenses related to energy use on Bank premises and business travel by Bank employees. Mitigation: To build on its commitment to the TCFD to better integrate climate risk into its risk management structure, adequately mitigate climate risk and develop its strategy, the Bank continues to assess the following elements: - Addition of climate-centric economic scenarios to existing stress testing platforms - Integration of climate factors into existing risk models - Optimization of existing programs: - Business continuity plans - Operational risk management program - Disaster risk management program Management: In response to the risks affecting its operations, the Bank has set a GHG reduction target (25% reduction by 2025) and is working on an action plan with various stakeholders to achieve it. Note: Over the past years, we have assessed the financial risks associated with climate change qualitatively. Quantitative impacts will be qualified in subsequent phases. We'll be publishing more information on our strategy to fight climate change over the coming years.

Value chain stage(s) covered
Upstream

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

Frequency of assessment
More than once a year

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

Description of process
Choosing Responsible Suppliers: National Bank uses third-party risk management policy and procedures to ensure that the third-party service providers it selects adhere to its ESG principles. As part of its efforts to implement a responsible sourcing strategy, the Bank has integrated environmental criteria into the registration questionnaire for new suppliers that cover actions taken to achieve carbon neutrality and manage environmental risk. We plan to add more climate-related questions in the next two years. In accordance with sound and efficient third-party risk management practices, the Bank requires that its relations with suppliers balance the interests of all stakeholders and allow for rigorous oversight. Suppliers must have values aligned with the Bank's Code of Conduct and Ethics and must meet financial and due diligence requirements, information security standards and key risk and performance indicators. In its selection of suppliers, the Bank includes climate considerations to improve its climate resilience. Suppliers of low-carbon technologies are considered in priority to meet its ambition to improve energy efficiency in buildings as stated below. The Bank establishes its risk appetite concerning third parties by performing a full risk assessment, highlighting the impacts on personal and confidential information, business continuity, client relations, reputation, compliance and information technology, as well as by thoroughly examining the supplier's financial situation (financial statements, discussions, etc.) and practices, policies and information security environments (audit reports, security tests, etc.). Responsible Marketing: The Bank is concerned about its impact on the environment and society and has integrated many sustainable development practices into its marketing activities, whether in its choice of service providers, its methods of communicating with clients or its reuse of materials. When it comes to its communications, digital platforms are favoured over paper printing and regulatory letters are printed on recycled paper which helps mitigate the Bank's potential impacts on climate change. Promotional material is stored and reused. National Bank also strives to support local partners, entrepreneurs and the next generation, and it takes into consideration the different parties involved in event planning. Increasing the Efficiency of Our Operations: In addition to its efforts to develop sustainable products and services, the Bank has identified opportunities to be greener in its operations. The actions we have taken to improve the energy efficiency of our buildings have enabled us to exceed regulatory requirements and meet the expectations of our stakeholders. Over the past 20 years, the Bank has voluntarily adopted various measures to considerably improve the energy efficiency of its buildings. As a member of the Energy Savers Circle of Hydro-Québec (a public utility that manages the transmission and distribution of electricity in Quebec), the Bank has set up an innovative web-based interface to remotely manage energy use at over 100 of its branches. This system allows the Bank to oversee its facilities and make sure they meet energy efficiency goals, year after year.

Value chain stage(s) covered
Downstream

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

Frequency of assessment
More than once a year

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

Description of process
Credit risk is the main risk incurred by financial institutions. It is largely dependent on the quality of the loan portfolio and clients' capacity to make their payments. The Bank is mainly exposed to these risks through its activities as a lender. Over the past year, the Bank has continued to carry out various analyses of its financing activities to achieve a better understanding of its exposure to climate transition risks. These analyses have enabled concrete action as part of the sectoral limit review process. An ESG section is now included to evaluate industry risk in this area. Sectoral limits are set to mitigate economic, concentration and now ESG risks (including climate-related risks) by recommanding a maximum exposure amount for some industry sectors according to various criteria . A dashboard to follow these limits is disclosed to the business units and credit risk sector every quarter. The Bank remains vigilant when it comes to concentration risk and makes sure its loan portfolio remains well diversified. To ensure climate risk doesn't negatively affect concentration risk, it has conducted a portfolio vulnerability analysis. We use a matrix of industry sectors and a dashboard to help us understand which sectors of our non-retail portfolios will be most affected by climate risks. For example, all industries have been classified according to potential financial impacts from physical risks (extreme weather events and changing climate) and transition risks (revenue and cost impacts from changes in policy, technology, reputation, legal, and market changes) as well as carbon related impacts. This analysis, together with more detailed analyses to be conducted in the future, will be presented periodically to the committees responsible for environmental risks, including climate change. We're continuing to integrate ESG factors (including climate factors) into our risk management framework, in accordance with our TCFD roadmap and the UN Principles for Responsible Banking. This involves carrying out due diligence, starting with the Corporate Banking portfolio. For this client segment, the risk analysis framework provides for collecting information on the carbon footprint and assessing climate risks (transition and physical) based on the industry sector and the ratings assigned by ESG rating agencies. Numerous other criteria are also considered, including waste management practices, labour standards, enterprise governance, responsibility for products and human rights policies. In addition, we've introduced climate risk management training for account managers who work with Corporate Banking clients As part of its credit adjudication process, the Bank has developed and implemented a process to assess and quantify the impact of climate change on its strategy and results. For non-retail clients in specific industries affected by these risks, the impact of climate change is discussed with clients at least once a year as part of the credit origination or renewal process. The Bank's climate risk management is based on a series of internal policies, mainly the Environmental risk management policy for financing activities. This policy clearly states the principles used to identify and mitigate environmental and climate risks and their impacts on industry sectors and society as a whole. The Bank will also continue to collect and analyse as much data as possible

on climate risks in the regions and industries where it does business.

C2.2a

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

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Although we are not considered a large emitter of GHGs in Canada (25,000 tonnes CO2 and more), the Bank has decided to go beyond regulation and select best practices to reduce climate risk. For example, our standards are aligned with LEED criteria and are automatically applied to the Bank's buildings. In our own operations, the Bank takes reasonable measures to comply with laws and regulations in effect in the jurisdictions (cities) where it operates. Even though the federal carbon tax and Québec's cap and trade requirements do not affect the Bank's operations directly, our supply chain and clients with high carbon emissions could be affected by climate regulations. This could transpose on the Bank's cost structure and credit risks (loans losses), as well as on the Bank's reputation. Also, the Bank is committed to reducing its environmental footprint to avoid any litigation exposure by implementing, on a voluntary basis, various eco-responsible measures aimed at calculating and reducing its GHG emissions. This includes significant improvements made to the energy efficiency of its facilities over the past 15 years. The Bank has implemented an innovative system that allows it to manage energy use in more than 250 branches using building control systems and a web interface. As a result, we can save millions of kilowatt hours of electricity and thousands of cubic metres of natural gas annually. The Bank has renewed its commitment to achieving carbon neutrality by reducing its carbon footprint and compensating for its greenhouse gas emissions. In 2021, to offset its 2020 emissions and ensure carbon neutrality, the Bank purchased 8,447 Verified Carbon Units (VCUs).
Emerging regulation	Relevant, always included	The Bank monitors emerging regulations, particularly in real estate management. Although uncertainty remains with any emerging regulation (likelihood, consequences, timing, or the extent of its potential impact) a scope 3-related regulation, such as the Carbon pollution pricing by the Federal government, could represent an operational risk for the Bank and generate additional expenses for some business sectors to adapt to climate change. Our actions to reduce our carbon footprint by 25% by the end of 2025 and reach net zero by 2050 should help mitigate this risk. To actively engage in discussions related to emerging regulation, the Bank participates in international working groups associated with the Principles for Responsible Banking and the Task Force on Climate-related Financial Disclosures (TCFD). To stay abreast of any future climate policies, the Bank takes part in the discussions with different government institutions as well as with banking industry regulators. For example, the Bank participates in the work of the Canadian Bankers Association on climate-related issues such as scenario analysis, integrating climate-related concepts into risk management and defining a Canadian taxonomy. Another example is our partnership with the Canada Green Building Council. The Council is on the lookout for new regulations and works to influence them. Our participation gives us a glimpse of future regulations in relation to, among other things, carbon-neutrality objectives for buildings, carbon intensity thresholds for buildings, etc.
Technology	Relevant, always included	The fast pace of technological change combined with both client and competitive pressures require significant and sustained investment in technology. The transition to more efficient and low-carbon technologies, such as energy, will require the Bank to invest in these new technologies while ensuring that they are replaced gradually so as not to hinder current operations and use the equipment as long as possible so as not to generate other environmental issues (e.g., more electronic waste to manage). This technology risk can also impact the Bank's financing and investment activities if companies do not get on the energy transition path by leveraging emerging technologies. This may represent a credit risk or loss of revenue for the Bank. As a service provider, the Bank works with numerous online platforms and is impacted by the technology risk in relation to climate change through its data centre, energy system and IT equipment. These factors can impact our environmental footprint. To assess these risks the Bank has set up a series of measures that allow for better management of greenhouse gas emissions arising from its activities and for a cleaner environment. The Bank continues to monitor climate-related risks. For example, the Bank leads by example by optimizing its energy consumption with its energy-efficient remote control system, which allows to save millions of kilowatt hours of electricity and thousands of cubic metres of natural gas annually. With the constant development of new technology and devices, the Bank could easily generate a significant amount of technological waste. However, we manage the renewal of our IT equipment in a gradual and efficient way. The Bank promotes the principles of a circular economy to keep its IT equipment from ending up in landfills. Outdated equipment that can be refurbished is offered at a reduced price to employees for personal use. Equipment and accessories that can no longer be used are disassembled by the supplier, and the resulting components are then reintroduced into the supply chain of other companies so they can be reused.
Legal	Relevant, always included	The Bank would also be forced to deal with operational risk and the risk related to the legal environment when environmental issues arise in its branches or administrative offices. The Bank has improved its governance to address climate risks. In this context, the Risk Management Group develops requirements that are prescribed in its internal policies to reveal, assess, control, and monitor environmental risk. For their part, the business segments and corporate units must integrate requirements and controls related to the management of environmental risk in their activities. The Risk Management Group monitors its application and regularly reviews the standards. The Bank takes reasonable measures to comply with the laws and regulations in effect in the jurisdictions where it operates. Should these measures prove ineffective, the Bank could be subject to judicial or regulatory decisions resulting in fines, damages, or other costs or to restrictions likely to adversely affect its net income and damage its reputation. The Bank may also be subject to litigation in the normal course of business. Although the Bank establishes provisions for the measures it is subject to under accounting requirements, actual losses resulting from such litigation could differ significantly from the recognized amounts, and unfavourable outcomes in such cases could have a significant adverse effect on the Bank's financial results. The resulting reputational damage could also affect the Bank's future business prospects. With regards to the loan portfolio, it is through its credit adjudication process that the Bank seeks to develop and implement a process for assessing and quantifying the impacts of climate change on its strategy and results. For non-retail clients within specific industries for which this risk applies, it is discussed at least annually through the credit application/renewal process. We consider that there is also a legal risk associated with our public disclosure on climate change. To this end, the Bank has developed reports, based on different frameworks, to transparently communicate our progress to various stakeholders.
Market	Relevant, sometimes included	The Bank is exposed to market risk through its participation in trading, investment and asset/liability management activities. Trading activities involve taking positions, on various instruments such as bonds, shares, currencies, commodities or derivative financial instruments. The Bank is exposed to non-trading market risk through its asset/liability management and investment portfolios. Related to climate change, the Bank monitors market developments in its different business segments. We acknowledge that there is a shift in consumer preference for green and sustainable products and services as well as access to this market. As the market is growing, the industry is continuously developing new products and services to better serve the demand. The Bank invested in knowledge development of client-facing employees through a gradual rollout of a climate risk training for account managers in Corporate Banking. Furthermore, in the last year we have expanded our offering of green and sustainable products and services to mitigate this risk and benefit from the opportunities: • Issuance of Sustainability Bonds to finance projects that advance United Nations Sustainable Development Goals (UN SDGs): • Our subsidiary National Bank Investments (NBI) selects the best portfolio managers around the world which integrate criteria such as the quantification of the portfolio's carbon footprint and GHG reduction targets. • NBI launched three actively managed sustainable exchange traded funds • For business clients, loans that integrate ESG criteria and targets into their strategy. Borrowers can benefit from rate discounts when financing projects that will have a positive impact on sustainable development. • Credit card holders (individual and business clients) can offset their GHG emissions by purchasing CO2 offset units. The Bank plans on offering more solutions whereby clients can increase their presence in low-carbon activities such as renewable energies and responsible investment.
Reputation	Relevant, always included	Reputation risk represents the possibility that a Bank activity or practice will be judged negatively by the public and the financial markets—whether that judgment is with or without basis—thereby adversely affecting the Bank's reputation, image or trademarks, leading to potential lawsuits and losses of income. The Bank acknowledges that the way it addresses (or does not address) climate change could affect its reputation and have an impact on its activities. As stakeholders' awareness of and concern over climate-related risks continue to grow, the Bank needs to respond in a thoughtful and deliberate manner. › Physical risks: Impact of negative perceptions of how the Bank manages the climate risks related to its activities. › Transition risks: Impact on clients and stakeholders of financing certain industry sectors and the Bank's degree of commitment to fighting climate change and advancing its strategy. For example, this year the Bank made an official commitment not to offer or grant new financing related to oil and gas exploration, exploitation or production in the Arctic, given the fragility of this environment and the fact that it is likely to become more attractive to investors over the coming decades. The Bank has also confirmed its commitment not to finance new thermal coal mining and processing activities. The Bank has a policy, approved by the Board, that covers reputation risk stemming from complex structured financing transactions and other transactions that may give rise to reputation issues. The policy sets the reputation risk management rules and practices applicable to these transactions. The policy is complemented by the special provisions of the new products and activities policy, which determines the approvals required by the various committees that assess risk whenever new products or activities are introduced within the business units. These provisions are intended, among other things, to provide oversight for the management of reputation risk, which may be material for such products or activities. The new products and activities policy require that any new product or activity for which reputation risk is determined to be high be submitted to the Global Risk Committee for approval. The activities of the Compliance Service, Legal Affairs Department, Public Relations Department and Investor Relations Department complete the reputation risk management framework already in place.
Acute physical	Relevant, always included	The Bank's Risk Management Group also develops requirements that are prescribed in its internal policies in order to reveal, assess, control and monitor environmental risk. For their part, the business segments and corporate units must integrate requirements and controls related to the management of environmental risk in their activities. The Risk Management Group monitors its application and regularly reviews the standards. To mitigate this risk, the Bank has a business continuity plan and conducts regular tests to evaluate different scenarios that could have a significant impact on the Bank's activities (e.g. extreme weather events such as flooding, wild fires,storms, etc.). Within our stress testing framework (which is part of a Bank-wide stress testing program), physical risks scenarios will be analysed. It is an important and useful tool for assessing the potential impacts arising from major operational events. It helps the Bank define its risk appetite, set its exposure limits, and engage in strategic planning. More specifically, it helps senior management to better understand the risks facing the Bank and to make appropriate management decisions to mitigate potential operational risks. To do so, the Bank's new head office in Montreal, Canada is aiming to obtain LEED v4 Gold certification which includes climate risk adaptation criteria. This project is currently under construction and will include features which will minimize potential physical climate risks. It is therefore in line to meet the LEED criteria related to heat island reduction, indoor water use reduction and outdoor water use reduction. Moreover, the Bank continues to work with its peers to find solutions for more accurate and consistent analyses and assessments of risks and opportunities related to extreme weather events.

	Relevance & inclusion	Please explain
Chronic physical	Relevant, sometimes included	We acknowledge that climate changes can have an impact on the Bank's operations and installations. The choice of location for new branches considers factors related to climate risks. We have a business continuity plan and conduct regular tests to evaluate different crisis scenarios that could have a significant impact on the Bank's activities (flooding, fires, etc.). In the next two years, we plan to include climate-related scenarios analyses in our business continuity plan. Chronical physical risks are also considered as having an impact on those whom we do business with. Measures are already taken by the Bank to mitigate risks with clients for credit applications and renewal processes that cover contaminated soils and properties near a watercourse that could become chronic flood risk areas. In this context, the Risk Management Group develops requirements that are prescribed in its internal policies to reveal, assess, control, and monitor environmental risk. For their part, the business segments and corporate units must integrate requirements and controls related to the management of environmental risk in their activities. The Risk Management Group monitors its application and regularly reviews the standards.

C-FS2.2b

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

	We assess the portfolio's exposure	Please explain
Bank lending (Bank)	Yes	Climate risk, mainly transitional risks, is an integral component of the Bank's risk management approach and is reviewed quarterly. The Risk Management Committee's responsibilities include ensuring that the risk management framework accounts for environmental, social and governance risks, allowing them to be appropriately identified, monitored, and integrated into the existing risk management processes. Climate risk is an integral component of the Bank's risk management approach and is reviewed quarterly. The Bank remains committed to reducing the carbon footprint of its loan portfolio through its support for Canadian businesses in the renewable energy sector, sound management of its energy portfolio and increased investments in green energy. As at October 31, 2020, the exposure of the portfolio of loans related to non-renewable energy represented around $12 billion, or 4.7% of total exposure.1 Furthermore, as at October 31, 2020, the credit risk exposure of the portfolio of loans related to renewable energy increased by 16% since January 31, 2019, while the portfolio of loans related to non-renewable energy decreased by 16% over the same period. The Bank remains vigilant when it comes to concentration risk and makes sure its loan portfolio remains well diversified. To ensure climate risk doesn't negatively affect concentration risk, it has conducted a portfolio vulnerability analysis. This analysis, together with more detailed analyses to be conducted in the future, will be presented periodically to the committees responsible for environmental risks, including climate change.
Investing (Asset manager)	Yes	Climate related risk and opportunities, convering mainly transitional risks, are assessed by some of our external portfolio managers and the portfolio managers of our Sustainable Exchanged Traded-Funds. The Chief Risk & Execution Officer and their team (the CORE team) are responsible for selecting and supervising external portfolio managers. The CORE team's recommendations are presented, debated and endorsed by the Portfolio Managers Review Committee and presented to the Investment Committee for review.
Investing (Asset owner)	No, but we plan to do so in the next two years	In 2021, the Bank joined the Partnership for Carbon Accounting Financials (PCAF). The PCAF is a global partnership of financial institutions that work together to develop an approach to assess and disclose the GHG emissions resulting from their financing and investment activities. We have already teamed up with experts to better integrate climate-related information in our risk assessment practices.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

C-FS2.2c

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

	Portfolio coverage	Assessment type	Description
Bank lending (Bank)	Minority of the portfolio	Qualitative and quantitative	Over the past few years, we have continued to evaluate the credit exposure of our loan portfolio in relation to climate risks and opportunities. We use a matrix of industry sectors and a dashboard to help us understand which sectors of our non-retail portfolios will be most affected by climate risks. We're continuing to integrate ESG factors (including climate factors) into our risk management framework, in accordance with our TCFD roadmap and the UN Principles for Responsible Banking. This involves carrying out due diligence, starting with the Corporate Banking portfolio, which represents more than 10% of the loan portfolio. For this client segment, the risk analysis framework provides for collecting information on the carbon footprint and assessing climate risks (transition and physical) based on the industry sector and the ratings assigned by ESG rating agencies. Numerous other criteria are also considered, including waste management practices, labour standards, enterprise governance, responsibility for products and human rights policies. As part of its credit adjudication process, the Bank has developed and implemented a process to assess and quantify the impact of climate change on its strategy and results. For non-retail clients in specific industries affected by these risks, the impact of climate change is discussed with clients at least once a year as part of the credit origination or renewal process. Moreover, the Bank is working with industry partners to develop a consistent, useful framework for disclosing financial data relating to climate change. Credit risk is the main risk incurred by financial institutions. It is largely dependent on the quality of the loan portfolio and clients' capacity to make their payments. The Bank is mainly exposed to these risks through its activities as a lender. Over the past year, the Bank has continued to carry out various analyses of its financing activities to achieve a better understanding of its exposure to climate transition risks. These analyses have enabled concrete action as part of the sectoral limit review process. An ESG section is now included to evaluate industry risk in this area. The Bank will also continue to collect and analyse as much data as possible on climate risks in the regions and industries where it does business. The Bank remains committed to reducing the carbon footprint of its loan portfolio through its support for Canadian businesses in the renewable energy sector, sound management of its energy portfolio and increased investments in green energy. As at October 31, 2020, the exposure of the portfolio of loans related to non-renewable energy represented around $12 billion, or 4.7% of total exposure.1 Furthermore, as at October 31, 2020, the credit risk exposure of the portfolio of loans related to renewable energy increased by 16% since January 31, 2019, while the portfolio of loans related to non-renewable energy decreased by 16% over the same period. We are taking action to roll out strategies and policies that account for climate risk. We strive to keep up with best practices, while supporting and advising clients as they transition to a low-carbon economy. We've therefore introduced climate risk management training for account managers who work with Corporate Banking clients.
Investing (Asset manager)	Minority of the portfolio	Qualitative and quantitative	National Bank Investments (NBI) partners with some external portfolio managers who incorporate climate risk in their investment processes, such as a Climate Risk Exposure Score/Climate Mitigation Score or climate change tilts. This represents a minor part of our portfolio. NBI has access to quantitative and qualitative reports on such matters on those funds. National Bank Investments recently added excellence criteria to it's OP4+ analysis framework, used to select and monitor external portfolio managers. Most of the changes are related to the + pilar, providing a more in dept analysis of ESG criteria used by the portfolio managers responsible of selecting securities for our funds and investment solutions. One of the criteria that has been added to the + pillar is measuring the portfolio's carbon footprint and setting an objective for reducing it.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>	<Not Applicable>

C-FS2.2d

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Minority of the portfolio	Even if Canada's geographical position allows it to consider water more as an opportunity, especially because of its conversion into hydroelectric energy, water-related risks also exist. Thus, in its financing policies, the Bank considers physical risks related to water through the location of assets (house, building, etc.) such as the proximity of a watercourse that could make the area floodable.
Investing (Asset manager)	No, we don't assess this	<Not Applicable>	We currently do not have sufficient data to enable us to assess such risk.
Investing (Asset owner)	No, we don't assess this	<Not Applicable>	We currently do not have sufficient data to enable us to assess such risk.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	

C-FS2.2e

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

	We assess the portfolio's exposure	Portfolio coverage	Please explain
Bank lending (Bank)	Yes	Minority of the portfolio	The assessment and mitigation of environmental risks is an integral part of the Bank's risk management policy.
Investing (Asset manager)	No, we don't assess this	<Not Applicable>	
Investing (Asset owner)	No, we don't assess this	<Not Applicable>	
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

	We request climate-related information	Please explain
Bank lending (Bank)	Yes, for some	We're continuing to integrate ESG factors (including climate factors) into our risk management framework, in accordance with our TCFD roadmap and the UN Principles for Responsible Banking. This involves carrying out due diligence, starting with the Corporate Banking portfolio. For this client segment, the risk analysis framework provides for collecting information on the carbon footprint and assessing climate risks (transition and physical) based on the industry sector and the ratings assigned by ESG rating agencies. Numerous other criteria are also considered, including waste management practices, labour standards, enterprise governance, responsibility for products and human rights policies. As part of its credit adjudication process, the Bank has developed and implemented a process to assess and quantify the impact of climate change on its strategy and results. For non-retail clients in specific industries affected by these risks, the impact of climate change is discussed with clients at least once a year as part of the credit origination or renewal process.
Investing (Asset manager)	Yes	National Bank Investments recently added excellence criteria to it's OP4+ analysis framework, used to select and monitor external portfolio managers. Most of the changes are related to the + pilar, providing a more in dept analysis of ESG criteria used by the portfolio managers responsible of selecting securities for our funds and investment solutions. One of the criteria that has been added to the + pillar is measuring the portfolio's carbon footprint and setting an objective for reducing it.
Investing (Asset owner)	No, but we plan to do so in the next two years	In 2021, the Bank joined the Partnership for Carbon Accounting Financials (PCAF). The PCAF is a global partnership of financial institutions that work together to develop an approach to assess and disclose the GHG emissions resulting from their financing and investment activities. We have already teamed up with experts to better integrate climate-related information in our risk assessment practices.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

C2.3

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

Yes

C2.3a

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

Identifier
Risk 1

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

Risk type & Primary climate-related risk driver

Current regulation	Carbon pricing mechanisms

Primary potential financial impact
Increased direct costs

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

Company-specific description
Carbon pricing, in the form of carbon taxes and emissions trading systems, is an instrument that is increasingly integrated in regional and national policies under which the Bank operates. Canada, the United States, Cambodia, the United Kingdom, Ireland and France are the current jurisdictions where the Bank has activities and where such a system is implemented. For example, in Canada – where most of the Bank's activity takes place – there is a carbon pricing scheme that is likely to affect the Bank's operational costs and value of investments (especially the ones related to the energy and transportation sectors). Higher carbon taxes could thus increase the Bank's expenses associated with natural gas, fuel oil, steam and electricity consumption in buildings as well as business travel (transportation).

Time horizon
Medium-term

Likelihood
Virtually certain

Magnitude of impact
Low

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

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
177000

Potential financial impact figure – maximum (currency)
236000

Explanation of financial impact figure
Based on actual Canada carbone taxes law: 2020 : 30$: 2021 40$: 2022 50$ Our GHG emission related to energy consumption is around 5 900 t CO2 (Scope 1 without refrigerant emission + scope 2) The calculation of the minimum impact is base on the 2020 taxes and the maximum impact on the 2021.

Cost of response to risk
2335000

Description of response and explanation of cost calculation

Comment
The Bank is committed to reducing its environmental impact by voluntarily adopting various measures to calculate and reduce its greenhouse gas (GHG) emissions. It has significantly improved energy efficiency in its buildings over the past 20 years. As a member of Hydro-Québec's Energy Savers' Circle, the Bank has put in place an innovative web-controlled remote interface for managing energy use in more than 100 of its branches. With this system, it can monitor its facilities to ensure it meets its energy efficiency targets year after year.

Identifier
Risk 2

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

Risk type & Primary climate-related risk driver

Reputation	Increased stakeholder concern or negative stakeholder feedback

Primary potential financial impact
Decreased revenues due to reduced demand for products and services

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

Company-specific description
The Bank recognizes that how we do or do not address climate change can impact our reputation, and subsequently our business. As our stakeholders' awareness of and sensitivity to the risks of climate change continue to grow, it becomes increasingly important for us to respond in a thoughtful and deliberate manner. The Bank has to understand and address the potential impacts of climate change to our clients and our business, be more transparent in our ESG practices and examine our third parties' sustainable business practices. We aim to follow the most rigorous social responsibility standards while having a positive impact on all our stakeholders as they have evolving interests and concerns pertaining to climate change and other environmental issues. We must be more proactive and strategic in our communications and actions. The Bank is aware that it has to take action to tackle climate change through concrete measures that could impact our clients and subsequently the health of our business. To this end, we will adopt a framework to assess, mitigate and manage climate -related risks at both the portfolio and individual transaction levels. Moreover, how the Bank is perceived to be managing its climate change-related risks can have a direct impact on its stock price. It could includes bad ratings from extra-financial agencies and possible bad communication in the media. A negative evaluation could damage the Bank's reputation and result in a loss of business. For this reason we make sure to take the time to get to know our customers. An environmental scandal involving National Bank of Canada could have a negative impact on its stock price.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Medium-low

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

Potential financial impact figure (currency)
<Not Applicable>

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

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

Explanation of financial impact figure

Cost of response to risk

Description of response and explanation of cost calculation

Comment

Identifier
Risk 3

Where in the value chain does the risk driver occur?
Downstream

Risk type & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact
Increased credit risk

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

Company-specific description
Concerning floods and droughts, an example of sensitive activities is the agricultural sector. The Bank's agricultural sector portfolio represents 4% of the total loan book (6.7$ Billion CAD). Increased severity and frequency of extreme weather may expose the Bank to credit losses such as: a) unexpectedly make the obligor unable to honor its obligations towards the Bank; b) decrease the value of the Bank's security such as to result in a loss in the event of default, or increase such loss in the event of default beyond initial projections. To minimize our risks, the Bank will increase the frequency of scenario analysis and stress-testing. We will work with our clients to define a action plan to mitigate the risk.

Time horizon
Long-term

Likelihood
Likely

Magnitude of impact
Low

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

Potential financial impact figure (currency)
<Not Applicable>

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

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

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

Cost of response to risk

Description of response and explanation of cost calculation

Comment

Identifier
Risk 4

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

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns

Primary potential financial impact
Increased direct costs

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

Company-specific description
Chronic physical risk can increase our direct cost of operations by destroying our some of our immobilization. It can also increase our need of energy. Over the past few years, we have conducted analysis of disaster scenarios such as earthquakes. We hope to be able to reuse the global framework to incorporate scenarios of extreme temperature change in a near future.

Time horizon
Medium-term

Likelihood
Likely

Magnitude of impact
Low

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

Potential financial impact figure (currency)
<Not Applicable>

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

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

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

Cost of response to risk

Description of response and explanation of cost calculation

Comment

C2.4

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

Yes

C2.4a

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

Identifier

Opp1

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

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

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

We don't disclose the projected figures, however as at October 31, 2020 the total value of our 3 ETFs was more than $30 million Our fourth ETFs (NBI Sustainable Canadian Corporate Bond: NSCC) was launched in 2021.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation

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

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Markets

Primary climate-related opportunity driver

Access to new markets

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description
In 2019, the Bank adopted ESG principles in line with the United Nations Sustainable Development Goals (SDGs). To accomplish the Bank's goal to contribute to the development of a green economy and to respond to the growing demand from the market (institutional investors) for green products, we established a sustainability bond framework and issued four sustainability bonds. These issuances supports NBC's commitment to financing activities that address climate change issues.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Medium

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

Potential financial impact figure (currency)
<Not Applicable>

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

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

Explanation of financial impact figure
We don't disclose the projected figures, however as at December 31, 2020 the total amount of Sustainability Bonds outstanding was 2,181,096,00, in CAD equivalent.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation
In line with the ICMA Green Bond Principles and Social Bond Principles, NBC issued four Sustainability Bonds which represent $2,2 billions CAD as of December 31, 2020. These bonds are allocated to financing projects and organizations that credibly contribute to the environmental objectives (climate change mitigation and adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control) or seek to achieve positive socioeconomic outcomes for target populations. The cost associated to the development of this product is minor.

Comment

Identifier
Opp3

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Energy source

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

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

Company-specific description
The Bank aims at guiding and advising clients in their energy transition and having a positive impact on the community by financing projects that support renewable energy. These projects enable us and our clients to lower their carbon footprint and their impact on fossil fuel depletion. This is aligned with the Bank's ESG principles to contribute in developing a green economy. Furthermore, this opportunity enables us to respect our engagements towards TCFD recommendations and the Principles for Responsible Banking.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
High

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

Potential financial impact figure (currency)
<Not Applicable>

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

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

Explanation of financial impact figure
We do not disclose this information, however as at October 31, 2020 our exposure to loans to renewable energy represented over $7.9 billion.

Cost to realize opportunity

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

Comment

Identifier
Opp4

Where in the value chain does the opportunity occur?
Downstream

Opportunity type
Products and services

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

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

Company-specific description
The Bank is active in the new and fast-growing Sustainability-Linked Loan (SLL) market. SLLs are increasingly associated with the transition to renewable energy and the fight against climate change. With an SLL, the interest rate paid by the borrowing company is linked to its achievement of sustainable development goals, especially those related to the environment and climate

Time horizon
Short-term

Likelihood
Virtually certain

Magnitude of impact
Medium

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

Potential financial impact figure (currency)
<Not Applicable>

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

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

Explanation of financial impact figure
We do not disclose this information, however as at October 31, 2020 our exposure to SLL was $274 million.

Cost to realize opportunity

Strategy to realize opportunity and explanation of cost calculation

Comment

Identifier
Opp5

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

Opportunity type
Resource efficiency

Primary climate-related opportunity driver
Move to more efficient buildings

Primary potential financial impact
Reduced indirect (operating) costs

Company-specific description
Since a large portion of the Bank's emissions come from electricity and fossil 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 250 branches using building control systems and a web interface. To keep saving energy over time, we have simultaneously adopted a continuous energy improvement approach. Taking into account, among other things, 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. Furthermore to reduce our carbon footprint, the new head office of the Bank aims to meet LEED v4 Gold and WELL standards.

Time horizon
Medium-term

Likelihood
Very likely

Magnitude of impact
Low

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

Potential financial impact figure (currency)
19370

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

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

Explanation of financial impact figure
The potential financial annual impact figure reported only accounts for the gradual conversion of natural gas HVAC systems to efficient electric systems for service points in Ontario and Quebec. It considered the energy saved annually multiplied by the difference between the unit costs of natural gas and electricity. The potential cost savings for the other projects (e.g., relocation of the Bank's head office to a new, more energy efficient building which will use renewable natural gas, decrease in the size of the Bank's branch network, replacement of electric HVAC systems with more efficient ones, etc.) are currently being evaluated. Furthermore with the new headoffice it is estimated that we will be able to avoid 880t CO2e per year.

Cost to realize opportunity
1195000000

Strategy to realize opportunity and explanation of cost calculation
To realize this opportunity we count on our new head office (aiming for LEED and WELL certifications), our plan to reduce our energy consumption through our projects of conversion of HVAC systems run on natural gas to more efficient electric systems for service points in Ontario and Quebec, and our major projects of branches relocation or renovation where we implement our energy-efficient mangement system. These initiatives are all part our roadmap to acheive our target to reduce our GHG emissions by 25% by the end of 2025. The cost reported only considers the gradual conversion of natural gas HVAC systems to efficient electric systems for service points in Ontario and Quebec. It represents the total estimated investment required over three years. The costs for the other projects (e.g., relocation of the Bank's head office to a new, more energy efficient building which will use renewable natural gas, decrease in the size of the Bank's branch network, replacement of electric HVAC systems with more efficient ones, etc.) are currently being evaluated.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?
Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	No, and we do not intend it to become a scheduled resolution item within the next two years	For the moment is to early in the process to determine if it will become a resolution that will be presented at the AGM. We publicly disclose in our TCFD report our low-carbon transition plan.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?
Yes, qualitative, but we plan to add quantitative in the next two years

C3.2a

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

Climate-related scenarios and models applied	Details
Other, please specify (We plan to start with IPCC and IEA Scenarios)	To refine its strategy and improve its climate resilience, the Bank will shortly begin a series of more complex analyses of the potential impacts of p al and transition risks. This will enable it to determine how these risks will affect the economy and identify the resulting financial risks. These financial impacts can then be used to estimate expected loss (EL) for portfolios, probability of default (PD) and loss given default (LGD) for each scenario. We plan to develop and improve our expertise in analyzing climate risk scenarios by combining analyses of the sector (by asset class) with analyses of the portfolio (by loan type). To cover a wider range of risks and opportunities, we also plan to use a range of climate change scenarios involving warming between 1.5 °C and 4 °C. This will also help executives better understand the potential impact when selecting positioning strategies. We plan to prioritize the sectors that involve the greatest impact. More specifically, these are the sectors where our exposure is greater and those most directly affected by climate transition shocks: oil and gas, transportation, real estate and commercial construction, agriculture, utilities, manufacturing, etc.

C3.3

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

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	To help our clients in their energy transition, in 2020 the Bank has continued to improve its offer of product and solutions. For exemple, Sustainability-Linked Loan, discount on financing for electric and hybrid vehicles, Sustainability bonds, sustainable exchange-traded funds
Supply chain and/or value chain	Yes	Value chain 1) The Bank is aware that it has a mobilizing role to play in terms of climate change, since its effects could impact its clients and the viability of its operations. Therefore, it has adopted a framework to assess, mitigate and manage related risks for portfolios and individual transactions. The Bank carries out stress testing to evaluate its sensitivity to crisis situations in certain activity sectors and key portfolios. However, the use of climate change scenarios to evaluate loan portfolios is a fairly recent application. 2) In order to meet our GHG objectives, the Bank has reduced its paper consumption by 68% since 2016. It promotes the use of electronic platforms for internal and external communications. Employees are encouraged to reduce their paper consumption by using digital revision and editing functions for documents involving numerous contributors. All paper used by the Bank is FSC certified, i.e., it comes from a sustainably managed forest and supply chain. Bank's goal with the new head office is to be a paperless organization. Supply chain: 1) In addition to its efforts to develop sustainable products and services, the Bank has identified opportunities to be greener in its operations. The actions we have taken to improve the energy efficiency of our buildings have enabled us to currently exceed regulatory requirements and meet the expectations of our stakeholders. 2) The Bank prioritizes suppliers of goods and services that have adopted sustainability into their policies, practices and processes. In regards of the construction of the new head office that will aim at LEED and WELL certifications, the majority of the selected suppliers has to meet these requirements.
Investment in R&D	No	The Bank does limited investments in R&D. Climate-related risks and opportunities influence the overall strategy of the Bank. The Bank focus its investments on risks and opportunities that answers markets and client's expectations, which are more related to products and services, operations and supply chain.
Operations	Yes	The Bank took its first step toward managing its carbon footprint in 2007-2008, by quantifying its GHG emissions. Since then, the Bank has been repeating the exercise every year. We work in close collaboration with a number of recognized expert firms to do this. Our goal is to align our methods with current best practices. Since most of our emissions come from electricity and fossil fuel consumption, energy efficiency is a top priority. A measure that shows great promise within the field is an innovative system that lets us manage energy use in more than 100 branches using a web interface. We use remote management to optimize energy consumption in our buildings. With this system, the Bank can save millions of kilowatt hours of electricity and thousands of cubic metres of natural gas annually. Centralized remote management has allowed us to participate in Hydro Québec's Demand Response program, which aims to reduce energy demand during peak winter periods. To keep saving energy over time, we have simultaneously adopted a Continuous Energy Improvement approach. Taking into account changes made throughout the life cycle of our buildings, this innovative approach lets us monitor our facilities to ensure that we meet our energy efficiency targets every year

C3.4

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

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues	Our institutional clients and the market requested some sustainable products to help them with their energy transition. The Bank saw an opportunity to help them and gain new clients. For example : The Bank has also been active in the new and fast-growing Sustainability-Linked Loan (SLL) market. SLLs are increasingly associated with the transition to renewable energy and the fight against climate change. With an SLL, the interest rate paid by the borrowing company is linked to its achievement of sustainable development goals, especially those related to the environment and climate. As at October 31, 2020, our exposure to SLLs was $274 M and our estimated revenues to SLLs was $1.45M

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

C-FS3.6

(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

C-FS3.6a

(C-FS3.6a) In which policies are climate-related issues integrated?

	Type of policy	Portfolio coverage of policy	Description
Bank lending (Bank)	Credit policy	All of the portfolio	The Bank has a Environmental Risk Management Policy for Financing Activities. It establishes minimum protective measures to be taken in order to identify and reduce any potential present or future environmental risks the Bank may be exposed to when granting credit to clients.
Investing (Asset manager)	Engagement policy	Majority of the portfolio	National Bank Investment don't have asset or sector specific Responsable Investment guidelines, as we do not do individual stock selection. However, we have external portfolio managers research criteria's and we evaluate external portfolio managers' processes in that matter. For this reason, "Asset class-specific Responsable Investment guidelines", "Sector-specific Responsable Investment guidelines" is not applicable.. National Bank Financial has started the integration of climate-related issues are done on an advisory group basis and the implantation is ongoing at a fast pace.
Investing (Asset owner)	Investment policy/strategy	Unknown	The Bank will incorporate in the existing investment governance policy climate-related criteria.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	Please select	

C-FS3.7

(C-FS3.7) Are climate-related issues factored into your external asset manager selection process?

Yes, for all assets managed externally

C-FS3.7a

(C-FS3.7a) How are climate-related issues factored into your external asset manager selection process?

	Process for factoring climate-related issues into external asset management selection	Comment
Row 1	Preference for asset managers with an offering of low-carbon products	NBI recently added excellence criteria to it's OP4+ analysis framework, used to select and monitor external portfolio managers. Most of the changes are related to the + pilar, providing a more in dept analysis of ESG criteria used by the portfolio managers responsible of selecting securities for our funds and investment solutions. One of the criteria that has been added to the + pillar is measuring the portfolio's footprint and setting an objective for reducing it.

C4. Targets and performance

C4.1

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

Absolute target

C4.1a

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

Target reference number
Abs 1

Year target was set
2020

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (location-based) +3 (upstream)

Base year
2019

Covered emissions in base year (metric tons CO2e)
10471

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2025

Targeted reduction from base year (%)
25

Covered emissions in target year (metric tons CO2e) [auto-calculated]
7853.25

Covered emissions in reporting year (metric tons CO2e)
8447

% of target achieved [auto-calculated]
77.3183077070003

Target status in reporting year
Underway

Is this a science-based target?
Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

Target ambition
1.5°C aligned

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

C4.2

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

C4.2b

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

Target reference number
Oth 1

Year target was set
2020

Target coverage
Business activity

Target type: absolute or intensity
Absolute

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

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

Target denominator (intensity targets only)
<Not Applicable>

Base year
2020

Figure or percentage in base year
0

Target year
2020

Figure or percentage in target year
0.1

Figure or percentage in reporting year
0.1

% of target achieved [auto-calculated]
100

Target status in reporting year
Achieved

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

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

Please explain (including target coverage)
The target covers the portfolio of loans covering energy-related funding assets (renewable and non-renewable). The goal is to grow the proportion of renewable-energy-related funding assets at a faster pace than those related to non-renewable energy on a yearly basis (this is why the percentage in base year is set to 0%). The portfolio of loans related to renewable energy decreased by -0.1% between November 1, 2019 and October 31, 2020, while the portfolio of loans related to non-renewable energy decreased by 9% over the same period. The target is achieved since non-renewable-energy-related loans decreased at a faster pace than the rate of renewable-energy related loans. Since January 31, 2019, the portfolio of loans related to renewable energy grew by 16% while the portfolio of loans related to non-renewable energy decreased by 16% over the same period.

C4.3

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

Yes

C4.3a

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

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	
To be implemented*	6	
Implementation commenced*	10	0.06
Implemented*	16	0.13
Not to be implemented	0	

C4.3b

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

Initiative category & Initiative type

Energy efficiency in buildings	Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)
0.13

Scope(s)
Scope 1
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
22000

Investment required (unit currency – as specified in C0.4)
2335000

Payback period
4-10 years

Estimated lifetime of the initiative
16-20 years

Comment
In 2020, we carried 10 major projects which included the renovation and relocation of some of our branches. In these projects, we changed the energy conversion systems of our HVAC equipment for more efficient ones. Furthermore, 6 initiatives were implemented in 2020 to reduce the energy consumption of some of our branches (recommissioning). The estimated annual CO2e saving is a minimum estimation since it only covers the 6 recommissionning intiatives.

C4.3c

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

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

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?
Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation
Product

Description of product/Group of products
NBC issued two new sustainability bonds in 2020 for now a total of six sustainability bonds in line with the ICMA Green Bond Principles and Social Bond Principles. NBC's Sustainability Bonds will be allocated to financing of projects and organizations that credibly contribute to the environmental objectives (climate change mitigation and adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control) or seek to achieve positive socioeconomic outcomes for target populations. The proceeds of these bonds were used to finance renewable energy projects (solar and wind), affordable housing and access to basic and essential services.

Are these low-carbon product(s) or do they enable avoided emissions?
Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Green Bond Principles (ICMA)

% revenue from low carbon product(s) in the reporting year

% of total portfolio value
10

Asset classes/ product types

Investing	Other, please specify (Sustainability Bonds)

Comment

As at October 31, 2020 the value of the sustainable bonds represented approximatly 10% of the Fixed income products issued (Wholesale Funding instruments outstanding with a maturity 1Y and up). (Pages: 103 PDF page) see table Residual Contractual Maturities of Wholesale Funding as at October 31, 2020 The 11,184,000,000 comes from : Senior unsecured medium-term notes (1Y to 2Y + Over 2Y) = 2,966,000,000 + 5,801,000,000 Senior unsecured structured notes (Over 2Y) = 2,417,000,000 • “Fixed income products issued” means from NBC’s standpoint our Wholesale Funding instruments outstanding with a maturity 1Y and up (all LT unsecured only, i.e. ex. CDs and CPs being excluded for now, Covered Bonds also excluded, etc.)

Level of aggregation

Product

Description of product/Group of products

With the help of a team of industry professionals in Canada and the United States, the Bank offers strategic advice and provides financing and risk management solutions to its clients. In the United States, investment in renewable energy is increasing. This energy transition represents a great opportunity for the Bank to support clients in their growth while developing new business relationships in the market. In addition to supporting the development of well-established forms of renewable energy such as hydro, wind and solar power, the Bank also promotes emerging technologies such as green hydrogen and electric-powered transportation by financing innovative companies.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Please select

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

3.1

Asset classes/ product types

Bank lending	Corporate Loans

Comment

Based on the segmentation of the Bank’s industry sectors, loans associated with non-renewable energy include borrowers in the utilities, oil and gas (including pipelines) and metals and mining (coal only) sectors. Loans associated with renewable energy are also included in our utilities portfolio and represent borrowers tied to water utilities and hydropower producers. As at October 31, 2020 loan portfolio related to renewable energies represented 3.1%. Exposure is calculated as the total exposure to credit risk and includes amounts drawn, undrawn commitments and other off-balance-sheet items as presented on page 85 of the 2020 Annual Report. The distribution by industry is identical to that presented on page 21 of our Supplementary Regulatory Capital and Pillar 3 Disclosure. In accordance with TCFD recommendations, loans associated with non-renewable energy have been defined as carbon-related assets. These include assets tied to the energy and utilities sectors (Global Industry Classification Standard) and exclude water utilities as well as independent and renewable power generators.

Level of aggregation

Product

Description of product/Group of products

National Bank has also been active in the new and fast-growing Sustainability-Linked Loan (SLL) market. SLLs are increasingly associated with the transition to renewable energy and the fight against climate change. With an SLL, the interest rate paid by the borrowing company is linked to its achievement of sustainable development goals, especially those related to the environment and climate.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Please select

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

0.1

Asset classes/ product types

Bank lending	Commercial Loans

Comment

This product started toward the end of FY 2020. As at October 31, 2020, our exposure to SLLs was $274 M and represented less than 1% of the total loan portfolio.

Level of aggregation

Product

Description of product/Group of products

With National Bank loyalty program, credit card holders 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 Green Fund, which provides the resources needed to implement Quebec’s provincial climate change plan.

Are these low-carbon product(s) or do they enable avoided emissions?

Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Please select

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types
Please select

Comment
The program began in March 2020. Customers purchased 12 units between March and October 2020 via Coop Carbone. These units withdraw CO2 offset units from the carbon market, equivalent to 24 tons of CO2. Coop Carbone is a non-profit cooperative that offers to retail clients the service to withdraw CO2 offset units from the carbon market, which is normally accessible only to company in order to purchase additional emission rights.

Level of aggregation
Product

Description of product/Group of products
Since the end of fiscal 2020, National 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.

Are these low-carbon product(s) or do they enable avoided emissions?
Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Please select

% revenue from low carbon product(s) in the reporting year

% of total portfolio value

Asset classes/ product types

Bank lending	Retail Loans

Comment
For FY 2020 we did not have enough data on this new product.

Level of aggregation
Group of products

Description of product/Group of products
National Bank Investments Inc. (NBI), a Bank subsidiary, is a signatory of the UN Principles for Responsible Investment (PRI) and a member of the Responsible Investment Association (RIA). With one of Canada's largest open architecture structures, NBI follows a rigorous process to select portfolio managers recognized for their expertise in each asset class. NBI has incorporated ESG criteria into its investment decisions since January 2018, notably through its external manager selection process called OP4+. Its monitoring efforts are based on a cycle during which the organization, the people, the process, the portfolio, the performance and the integration of ESG criteria by portfolio submanagers are assessed on an ongoing basis. Over the past year, NBI has modified its criteria for assessing external managers to include "measuring the portfolio's footprint and setting an objective for reducing it." This will make it possible to opt for managers who have set emission reduction targets for their portfolios where possible.

Are these low-carbon product(s) or do they enable avoided emissions?
Low-carbon product and avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Please select

% revenue from low carbon product(s) in the reporting year

% of total portfolio value
0.1

Asset classes/ product types

Investing	Mutual funds

Comment
Total AUM includes all investment products managed by National Bank Investments. Cashperformer, National Bank Financial's assets and National Bank Trust's assets are excluded. Exchange Traded Funds were soft launched in March 2020. Marketing campaign started in April 2020.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
2330

Comment

Scope 2 (location-based)

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)
2901

Comment
The 2019 scope 2 emissions reported here only represents one month of activities for the branches located in Cambodia as the Bank has become 100% shareholder of its Cambodian entities at the end of September 2019. For the Bank's GHG emissions reduction target (25% by 2025 below 2019 levels), the recalculation of the 2019 scope 2 emissions would result in 3,640 metric tons CO2e, considering a full year of activities for the Cambodian branches.

Scope 2 (market-based)

Base year start
November 1 2018

Base year end
October 31 2019

Base year emissions (metric tons CO2e)

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

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

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

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
2634

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.2

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

Row 1

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

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

Comment

C6.3

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

Reporting year

Scope 2, location-based
3444

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

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.4

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

C6.5

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

Purchased goods and services

Evaluation status
Relevant, calculated

Metric tonnes CO2e
35281

Emissions calculation methodology
The methodology used was based on the Corporate Value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol. The emissions covered in this category are associated with purchased paper, IT equipment, furniture, administrative services and telecommunication services. Except for paper, data on purchases were provided in terms of spending ($CAD) for the reported year. An economic input-output life-cycle assessment database (EIOLCA) was used to convert each dollar spent into kg of CO2 equivalent. To calculate the emissions related to paper consumption, the total weight of office paper purchased during the reporting year was multiplied by an emission factor (per kilogram of paper) provided in the LCA study on fine papers (Groupe AGECO, 2015). The GWP values are taken from the IPCC's Fifth Assessment Report.

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

Please explain

Capital goods

Evaluation status
Relevant, not yet calculated

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

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

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

Evaluation status
Relevant, calculated

Metric tonnes CO2e
5196

Emissions calculation methodology
The methodology used was based on the Corporate Value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol. The total quantities of electricity and fuel consumed in all spaces used for National Bank of Canada's operations were used as activity data for this category. The emission factors per kilowatt-hour for the calculation of emissions related to upstream electricity emissions were taken from the latest National Inventory Reports (Environment and Climate Change Canada, US EPA, etc.). The most recent and complete factors were applied to the calculations. The emission factors for the upstream processes related to the production of the other fuels (per cubic meter of natural gas, kilogram of light fuel oil were taken from the Canadian National Inventory Report (Environment and Climate Change Canada, 2021). The GWP values are taken from the IPCC's Fifth Assessment Report.

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

Please explain

Upstream transportation and distribution

Evaluation status
Relevant, calculated

Metric tonnes CO2e
2197

Emissions calculation methodology
The methodology used was based on the Corporate Value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol. Total expenses for messengers, couriers and postal services were the activity data used for the upstream transportation and distribution emissions inventory. The emission factors were taken from the EIOLCA database (an economic input-output database providing emissions per dollar spent). These factors were converted from US currency to Canadian currency and also adjusted with the rate of inflation since 2007. The GWP values are taken from the IPCC's Fifth Assessment Report.

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

Please explain

Waste generated in operations

Evaluation status
Relevant, calculated

Metric tonnes CO2e
17

Emissions calculation methodology
The methodology used was based on the Corporate Value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol. The total weight of paper waste generated by the National Bank branch network was used as the activity data for the calculation of waste generated in operations. The paper waste is recycled by a third-party company and thus only the transportation of the paper waste to the end-of-life treatment facilities was considered. The emission factor for transportation (per ton-kilometer) was calculated using the ecoinvent database v.3.5 (2018). The GWP values are taken from the IPCC's Fifth Assessment Report.

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

Please explain

Business travel

Evaluation status
Relevant, calculated

Metric tonnes CO2e
2199

Emissions calculation methodology
The methodology used was based on the Corporate Value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol. Total expenses reported by employees for business travel by train, plane, bus, taxi, personal car and rental car were used as activity data. The reimbursement rates per kilometer were used to estimate the total distance traveled. The emission factors for each mode of transportation (per ton-kilometer) was taken from the GHG Protocol Emission Factors for Cross-Sector Tools (2017). The GWP values are taken from the IPCC's Fifth Assessment Report.

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

Please explain

Employee commuting

Evaluation status
Relevant, calculated

Metric tonnes CO2e
7826

Emissions calculation methodology
The methodology used was based on the Corporate Value Chain (Scope 3) Accounting and Reporting Standard from the GHG Protocol. The total number of employees and the average number of working days were the activity data provided by the National Bank of Canada. It was assumed that due to the COVID-19 pandemic, there were 5.5 months during which commuting was negligible as most employees worked from home. To estimate the total distance traveled by employees and the percentages of employees using each mode of transportation, national statistics were used (Statistics Canada and US Census Bureau). The emission factors for each mode of transportation (per ton-kilometer) was taken from the GHG Protocol Emission Factors for Cross-Sector Tools (2017). The GWP values are taken from the IPCC's Fifth Assessment Report.

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

Please explain

Upstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

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

Downstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

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

Processing of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

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

Use of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

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

End of life treatment of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

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

Downstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

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

Franchises

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

Please explain
National Bank of Canada does not have franchises.

Other (upstream)

Evaluation status
Not evaluated

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

Please explain

Other (downstream)

Evaluation status
Not evaluated

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

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

Please explain

C6.10

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

Intensity figure
0.25

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
6078

Metric denominator
full time equivalent (FTE) employee

Metric denominator: Unit total
24079

Scope 2 figure used
Location-based

% change from previous year
17

Direction of change
Decreased

Reason for change
The rate at which the number of employees has increased was higher than the rate of GHG emission reductions. The major difference is due to the complete acquisition of branches in Cambodia (National Bank became a 100% shareholder on September 27, 2019). Cambodia branches' GHG emissions in 2019 covered only one month of operations, whereas in 2020, the entire year was considered. It is also important to keep in mind that the emissions reported for the previous year have not been recalculated in light of the methodological changes in energy consumption data collection.

Intensity figure
0.77

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
6078

Metric denominator
unit total revenue

Metric denominator: Unit total
7927

Scope 2 figure used
Location-based

% change from previous year
9

Direction of change
Increased

Reason for change
This increase is explained by the integration of the Cambodia branches, which have a higher carbon intensity intensity for their electricity consumption (kg CO2 eq. per kWh of electricity) than the average of the other NBC branches. It should be noted that Cambodia branches' emissions in 2019 covered only one month of operations, whereas in 2020, the entire year was considered (NBC became 100% shareholder on September 27, 2019). It is also important to keep in mind that the emissions reported for the previous year have not been recalculated in light of the methodological changes in energy consumption data collection.

C7. Emissions breakdowns

C7.9

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

C7.9a

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

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption		<Not Applicable>		
Other emissions reduction activities		<Not Applicable>		
Divestment		<Not Applicable>		
Acquisitions		<Not Applicable>		
Mergers		<Not Applicable>		
Change in output	848	Increased	15	Compared to last year, an increase of scope 1 emissions is observed due to the measures put in place to ensure the well-being and safety of employees in the context of Covid-19. There is also a significant increase in scope 2 emissions due to the full integration of Cambodia's branches in the 2020 GHG inventory. In the last latest inventory, only one month of operations was considered since NBC became a 100% shareholder of its Cambodian entities at the end of September 2019.
Change in methodology		<Not Applicable>		
Change in boundary		<Not Applicable>		
Change in physical operating conditions		<Not Applicable>		
Unidentified		<Not Applicable>		
Other		<Not Applicable>		

C7.9b

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

Location-based

C8. Energy

C8.1

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

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

C8.2

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

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

C8.2a

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

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	LHV (lower heating value)	0	13440	13440
Consumption of purchased or acquired electricity	<Not Applicable>	74144	10902	85046
Consumption of purchased or acquired heat	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired steam	<Not Applicable>	0	2201	2201
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	74144	26543	100687

C9. Additional metrics

C9.1

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

C10. Verification

C10.1

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

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

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.2

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

Yes

C11.2a

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

Credit origination or credit purchase
Credit purchase

Project type
Forests

Project identification
To offset its 2020 emissions and ensure carbon neutrality, the Bank purchased Verified Carbon Units (VCUs) from the Nature Conservancy of Canada as part of the Darkwoods Forest Carbon project, one of the largest carbon projects in North America.

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
4195

Number of credits (metric tonnes CO2e): Risk adjusted volume
4195

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

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

Project identification
To offset its 2020 emissions and ensure carbon neutrality, the Bank purchased Verified Carbon Units (VCUs) from Will Solutions, a B Corp-certified company that adheres to the principles of a sharing economy to monetize the climate-related actions of Quebec SMEs to benefit community projects.

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
4252

Number of credits (metric tonnes CO2e): Risk adjusted volume
4252

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

C11.3

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

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price
Stakeholder expectations

GHG Scope
Scope 1
Scope 2
Scope 3

Application
To offset its 2020 emissions and achieve carbon neutrality, the Bank purchased 8,447 Verified Carbon Units (VCUs) from various providers. We calculated an average cost of 22.95 CAD per metric tonne CO2e before taxes.

Actual price(s) used (Currency /metric ton)
22.95

Variance of price(s) used
The Bank used the prices set by the carbon offset providers which varies between $10.75 and $35 CAD per metric tonne CO2 before taxes. The Bank selected its carbon offset providers on the basis of the type of projects they finance (e.g. community projects and small and medium enterprises located in communities where the Bank operates), not on their prices.

Type of internal carbon price
Offsets

Impact & implication
Using an internal carbon price through the purchase of carbon offsets helps bring awareness to decarbonize the Bank's operations and its portfolio. By selecting carbon offsets with prices that are not among the lower range in the voluntary carbon market, it helps us assess climate-related risks and potential impacts for our operations.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?
Yes, our suppliers
Yes, our customers
Yes, other partners in the value chain

C12.1a

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

Type of engagement
Innovation & collaboration (changing markets)

Details of engagement
Run a campaign to encourage innovation to reduce climate impacts on products and services
Other, please specify (Climate change criteria used for LEED and WELL certifications)

% of suppliers by number

% total procurement spend (direct and indirect)

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

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

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

Comment
Considering that the improvement of building features mainly influences fuel- and energy-related activities in the Bank’s buildings, it is estimated that approximately 9% of supplier-related Scope 3 emissions are covered by this engagement.

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement
Engagement & incentivization (changing customer behavior)

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

% of customers by number
100

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

Portfolio coverage (total or outstanding)
All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement
In achieving our goal of contributing to the green economy, we've maintained a constructive dialogue with our various stakeholders. We continued to identify opportunities across our value chain, including helping our clients in their energy transition and seek to respect our commitments to international frameworks such as TCFD, PRB and PCAF. 1) We started engaging on ESG related risks and opportunities with our Corporate Banking clients (28% of outstanding loans of our wholesale portfolio). We continued to integrate ESG factors into our processes, in line with our TCFD roadmap and the UN principle for responsible banking. This integration involves carrying out due diligence as part of our credit origination processes, starting with the Corporate Banking portfolio. For this client segment, the ESG risk analysis framework allowed to collect data on carbon footprints and assess climate risks (transition and physical) based on the industry sector and the ratings assigned by ESG rating agencies. Many other criteria were also considered (e.g. waste management practices, labour standards, corporate governance and human rights policies). 2) We aim at growing the proportion of renewable-energy-related funding assets at a faster pace than those related to non-renewable energy to better meet the evolving needs of our clients. We extended the mandate of the business development team specialized in renewable energy. By providing strategic advice and offering financing and risk management solutions, the Bank plays a key role in energy transition efforts. We are committed to reduce the carbon footprint of our loan portfolio by supporting Canadian businesses in the renewable energy sector, sound management of our energy portfolio and increased investments in green energy. 3) We have been active in the new and fast-growing Sustainability-Linked Loan (SLL) market. SLLs are increasingly linked to the transition to renewable energy and the fight against climate change. With an SLL, the interest rate paid by the borrowing company is linked to its achievement of sustainable development goals, especially those related to the environment and climate. As at October 31, 2020, our exposure to SLLs was $274 M. 4) National Bank Investments (NBI) publicly offers documents, webinars and podcasts on responsible investments, and the integration of ESG criteria to all of its clients.

Impact of engagement, including measures of success
Since January 31, 2019, the portfolio of loans related to renewable energy grew by 16%, while the portfolio of loans related to non-renewable energy decreased by 16%. We consider that 100% of corporate customers had access to these products and services.

Type of engagement
Engagement & incentivization (changing customer behavior)

Details of engagement
Other, please specify (Encourage customers to take action to reduce GHG emissions)

% of customers by number
100

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

Portfolio coverage (total or outstanding)
All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement
Credit card holders now have the opportunity to redeem their reward program points to purchase two CO2 offset units through Coop Carbone. By purchasing these two units, Coop Carbone purchases and withdraws CO2 offset units from the carbon market, having 3 direct impacts: • removing two tons of CO2 from the carbon market, essentially forcing big polluters to either reduce their emissions or invest in other carbon-reducing initiatives. • funding the Coop Carbone's own carbon-reducing initiative, such as agricultural renewable natural gas and sustainable mobility programs. • helping fund the Quebec “Green Fund”, which provides the resources for the implementation of Quebec's provincial climate change plan. Note: 1 CO2 offset unit = 1 ton of CO2 equivalent Coop Carbone is a non-profit cooperative, whose mission is to contribute to the fight against climate change by supporting the implementation of greenhouse gas-reducing collaborative projects.

Impact of engagement, including measures of success
The product is available to all cardholders with reward program points since March 2020. There were 12 purchases between March and October 2020. These purchases resulted in the withdrawal of CO2 offset units from the carbon market, equivalent to 24 tons of CO2.

C12.1d

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

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

Eligible fees are:

- Monthly passes for bus/coach/subway/tramway/commuter train
- Annual passes for bus/subway/train
- BIXI/scooter (or any other similar form of transportation across Canada)
- Carpooling for which you have a monthly subscription
- Paratransit
- Bicycle parking fee

The amount paid by the bank in 2020 is $159,595.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers

Other

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Other, please specify (Sustainable best practices)	Support	The Bank announced a partnership with Montreal Sustainable Journey (Parcours Développement durable Montréal) in March 2020. Launched by the Ville de Montréal, Ellio and the Conseil des industries durables, the Parcours aims to support 20 Montreal SMEs for a one-year personalized support process, in addressing sustainable development challenges and implementing innovative solutions.	The Bank supports and endorses the Montreal Climate plan 2016-2020 throught one of its initiative i.e. Montreal Sustainable Journey.
Climate finance	Support	National Bank is a member of a climate financing advisory committee formed by the Quebec government to develop its new Electrification and Climate change Plan.	The Bank supports the Electrification and Climate change plan 2030 for the province of Quebec.
Other, please specify (Sustainable best practices)	Support	The Bank is currently participating in discussion with different government institutions, as well as with different banking industry regulators in order to be up-to-date with any future climate policies that will be established by the regulators. It helps the Bank to plan any reasonable measures to comply with the laws and regulations that will be in effect in the jurisdictions where it operates, in order to avoid any exposure to litigation. We are also partners of the Canada Green Building Council. The Council is on the lookout for new regulations and also works to influence them. Our participation gives us a glimpse of future regulations in relation to, among other things, carbon-neutrality objectives for buildings, carbon intensity thresholds for buildings, etc.	The Bank supports the development of greener regulations in the national and provincial building codes.

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

The Bank is part of the working committees of the Canadian Bankers Association, Finance Montréal, the Canadian Standards Association (CSA standards) and the Responsible Investment Association.

The Bank is also a member of the United Nation Environment Programm Finance Initiative (UNEP FI).

The goal is to maintain an open dialogue with all of stakeholders in order to accelerate the transition to a low-carbon economy.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

In line with our ESG strategy, the Bank puts in place different initiatives to reduce its negative impact on the environment, including climate-related impacts. These initiatives are consistent with the Bank's involvement in different activities that could directly or indirectly influence public policy. For example, as a member of a climate financing advisory committee formed by the Quebec government to develop its new Electrification and Climate change Plan, the Bank is proactively doing its part to install charging stations. Since 2018, we've installed 23 charging stations. We plan to continue installing charging stations over the coming years to increase their availability in the communities we serve.

Also, aligned with its partnership with the Canada Green Building Council, the Bank is working to reduce its greenhouse gas emissions with various initiatives such as energy-saving measures. For example, we have implemented a web-controlled remote interface to manage energy usage (heating, cooling and ventilation) and optimize energy consumption in its buildings. This centralized remote control infrastructure has enabled us to take part in Hydro-Québec's Demand Response program for reducing power demand during winter peak times. In order to ensure sustained energy savings, a continuous commissioning process is also ongoing.

C12.4

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

Publication
In voluntary sustainability report

Status
Complete

Attach the document
2020-tfcd-report-updated.pdf

Page/Section reference
Whole report

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

Comment
2020 TCFD report

Publication
In voluntary communications

Status
Complete

Attach the document
bnc-rapport-esg-2020.pdf

Page/Section reference
P.14-18 and different other sections in the document

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

Comment
2020 ESG Report

Publication
In mainstream reports

Status
Please select

Attach the document
nbc-annual-report-2020.pdf

Page/Section reference
p. 4, 12, 70-71 and 105

Content elements
Governance
Strategy
Risks & opportunities
Other metrics

Comment
2020 Annual report

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

	Industry collaboration	Comment
Reporting framework	Principles for Responsible Investment (PRI) Task Force on Climate-related Financial Disclosures (TCFD) UNEP FI Principles for Responsible Banking Other, please specify	
Industry initiative	Principles for Responsible Investment (PRI) UNEP FI Principles for Responsible Banking	
Commitment	Please select	

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

	We conduct analysis on our portfolio's impact on the climate	Disclosure metric	Comment
Bank lending (Bank)	Yes	Alternative carbon footprinting and/or exposure metrics (as defined by TCFD	
Investing (Asset manager)	No, but we plan to do so in the next two years	<Not Applicable>	
Investing (Asset owner)	No, but we plan to do so in the next two years	<Not Applicable>	We are currently planning to build a framework to evaluate our investment asset as an asset owner in order to incorporate ESG criteria and our performance related to our carbon footprint.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	<Not Applicable>	

C-FS14.1a

(C-FS14.1a) What are your organization’s Scope 3 portfolio emissions? (Category 15 “Investments” total emissions)

Category 15 (Investments)

Evaluation status
Relevant, not yet calculated

Scope 3 portfolio emissions (metric tons CO2e)
<Not Applicable>

Portfolio coverage
<Not Applicable>

Percentage calculated using data obtained from client/investees
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Please explain
We just signed the Partnership for Carbon Accounting Financials (PCAF) in April 2021 and we are currently gathering the data and learning the methodology to assess our portfolio.

C-FS14.1b

(C-FS14.1b) What is your organization’s Scope 3 portfolio impact? (Category 15 “Investments” alternative carbon footprinting and/or exposure metrics)

Metric type
Exposure to carbon-related assets

Metric unit
Percentage portfolio value

Scope 3 portfolio metric
4.7

Portfolio coverage
More than 90% but less than or equal to 100%

Percentage calculated using data obtained from clients/investees
0

Calculation methodology
Exposure is calculated as the total exposure to credit risk and includes amounts drawn, undrawn commitments and other off-balance-sheet items as presented on page 85 of the Bank's 2020 Annual Report. The distribution by industry is identical to that presented on page 21 of our Supplementary Regulatory Capital and Pillar 3 Disclosure.

Please explain
In accordance with TCFD recommendations, loans associated with non-renewable energy have been defined as carbon-related assets. These include assets tied to the energy and utilities sectors (Global Industry Classification Standard) and exclude water utilities as well as independent and renewable power generators. Based on the segmentation of the Bank’s industry sectors, loans associated with non-renewable energy include borrowers in the utilities, oil and gas (including pipelines) and metals and mining (coal only) sectors.

C-FS14.1c

(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 “Investments” emissions or alternative carbon footprinting and/or exposure metrics)

We are currently assessing and plan to disclose in 2022 our loan portfolio carbon footprint and carbon intensity using the Partnership for Carbon Accounting Financials (PCAF) methodology in order to establish our intermediate targets to our net zero commitment.

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

	Scope 3 breakdown	Comment
Row 1	None of the above, but we plan to do this in the next 2 years	We added climate risk questions to our credit risk framework in in order to gather data from our clients and thus enable us to assess our loan portfolio.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

	We are taking actions to align our portfolio to a well below 2-degree world	Please explain
Bank lending (Bank)	Yes	The Bank established an action plan, aligned with TCFD and PRB, in order to meet its net zero GHG emission target for its operating and financing activities by 2050, with interim reduction targets. The first series of initiatives identified by the Bank are intended to: › Continue to develop the market for renewable energy and eco-friendly products. › Identify industry sectors that could have a negative impact on the environment. › Roll out training activities to enhance employee knowledge and raise awareness about environmental issues. › Maintain constructive communication with clients and suppliers to support them in their energy transition.
Investing (Asset manager)	No	We are currently working to meet our engagement regarding PRI. Some of our portfolio managers have a carbon emission reduction target.
Investing (Asset owner)	No, but we plan to do so in the next two years	We are currently working to meet our engagement regarding TCFD, PRB and our net zero target by 2050.
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees’ business strategies are aligned to a well below 2-degree world?

	We assess alignment	Please explain
Bank lending (Bank)	Yes, for some	We’re continuing to integrate ESG factors (including climate factors) into our risk management framework, in accordance with our TCFD roadmap and the UN Principles for Responsible Banking. This involves carrying out due diligence, starting with the Corporate Banking portfolio. For this client segment, the risk analysis framework provides for collecting information on their carbon footprint.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

	We encourage clients/investees to set a science-based target	Please explain
Bank lending (Bank)	No	Aligned with our ESG principle to develop a green economy, we aim to maintain constructive communication with clients and suppliers to support them in their energy transition.
Investing (Asset manager)	<Not Applicable>	<Not Applicable>
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C15. Signoff

C-FI

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

non

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Head of ESG Operations	Chief Sustainability Officer (CSO)

SC. Supply chain module

SC0.0

(SC0.0) If you would like to do so, please provide a separate introduction to this module.

In line with its commitment to reduce its environmental and social impact and seize opportunities related to sustainable development, the Bank aims to analyze its entire value chain. In light of our ESG principles, our responsible sourcing strategy aims to: › Maintain an ongoing dialogue with our suppliers and › Work with them to transition towards a more sustainable approach. The Bank prioritizes suppliers of goods and services that have adopted sustainability into their policies, practices and processes.

SC0.1

(SC0.1) What is your company's annual revenue for the stated reporting period?

	Annual Revenue
Row 1	7927000000

SC0.2

(SC0.2) Do you have an ISIN for your company that you would be willing to share with CDP?

Yes

SC0.2a

(SC0.2a) Please use the table below to share your ISIN.

	ISIN country code (2 letters)	ISIN numeric identifier and single check digit (10 numbers overall)
Row 1	CA	6330671034

SC1.1

(SC1.1) Allocate your emissions to your customers listed below according to the goods or services you have sold them in this reporting period.

Requesting member
HSBC Holdings plc

Scope of emissions
Scope 1

Allocation level
Company wide

Allocation level detail
<Not Applicable>

Emissions in metric tonnes of CO2e
2.6

Uncertainty (±%)
10

Major sources of emissions
The main source of emissions is associated with natural gas consumption in buildings.

Verified
No

Allocation method
Other, please specify (Allocation based on the equity share)

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made
The boundaries of scope 1 emissions include all sources over which the Bank has operational control (buildings, fleet). Since HSBC owns approximately 0.1% of the Bank's shares, the equity share approach was used to allocate the Bank's scope 1 emissions.

Requesting member
HSBC Holdings plc

Scope of emissions
Scope 2

Allocation level
Company wide

Allocation level detail
<Not Applicable>

Emissions in metric tonnes of CO2e
3.4

Uncertainty (±%)
10

Major sources of emissions
The main source of emissions is associated with electricity use in buildings.

Verified
No

Allocation method
Other, please specify (Allocation based on the equity share)

Please explain how you have identified the GHG source, including major limitations to this process and assumptions made
The boundaries of scope 2 emissions include all sources over which the Bank has operational control (buildings). Since HSBC owns approximately 0.1% of the Bank's shares, the equity share approach was used to allocate the Bank's scope 2 emissions.

SC1.2

(SC1.2) Where published information has been used in completing SC1.1, please provide a reference(s).

The scope 1 and scope 2 emissions inventory used in the allocation calculation is quantified annually by the Bank and disclosed to the CDP as well as in the Bank's ESG report and TCFD report (which are public). The inventory conforms to the GHG Protocol.

SC1.3

(SC1.3) What are the challenges in allocating emissions to different customers, and what would help you to overcome these challenges?

Allocation challenges	Please explain what would help you overcome these challenges
We face no challenges	So far, we have received only one request and we were able to use an allocation method that is representative of the equity share of the requested member. This approach is one of the method suggested by the GHG Protocol.

SC1.4

(SC1.4) Do you plan to develop your capabilities to allocate emissions to your customers in the future?

No

SC1.4b

(SC1.4b) Explain why you do not plan to develop capabilities to allocate emissions to your customers.

The Bank is not currently working on this matter, and we first need to establish our responsible sourcing program and collect more data to eventually be able to allocate emissions to our customers.

SC2.1

(SC2.1) Please propose any mutually beneficial climate-related projects you could collaborate on with specific CDP Supply Chain members.

SC2.2

(SC2.2) Have requests or initiatives by CDP Supply Chain members prompted your organization to take organizational-level emissions reduction initiatives?

SC4.1

(SC4.1) Are you providing product level data for your organization’s goods or services?

Please select

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission	Are you ready to submit the additional Supply Chain questions?
I am submitting my response	Investors Customers	Public	Yes, I will submit the Supply Chain questions now

Please confirm below

I have read and accept the applicable Terms