

Environmental Policy

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Environmental Policy

Supporting sustainable development is an integral part of National Bank's mission. We integrate environmental issues into our business decisions and activities.

Overview

This policy sets out National Bank's commitment to protect the environment from human activity with regard to our own activities and how they benefit the community.

Scope

The guiding principles and commitments outlined in this policy apply to National Bank and its main subsidiaries (the "Bank"). The application of the policy may differ depending on the context. When local legislation diverges from our directives, the following guidelines apply:

- › **If local legislation is stricter**, it applies in addition to the Bank's policies.
- › **If local legislation is less strict**, the Bank's policies apply in addition to this legislation. We undertake to do everything in our power to promote respect for the environment.
- › **If there is a conflict**, we act in accordance with local legislation and undertake to do everything in our power to promote respect for the environment.

Table of Contents

3	Guiding principles and commitments	5	Responsible sourcing
3	Carbon footprint	5	Employee engagement
4	Water	5	Partnerships
4	Energy	6	Governance and monitoring
4	Recycling and waste	6	Training
5	Products and services	6	Disclosure
5	Sustainable buildings		



We are working to develop a green economy

Concerned by the consequences of climate change and human activity on the environment, the Bank is committed to actively supporting the energy transition underway to achieve sustainable development. Among the Bank's environmental, social and governance (ESG) principles, those related to the environment are aimed at working to develop a green economy and cover the following three aspects:

- 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.

Commitments

The Bank's environmental measures stem from the following commitments:

- › Comply with regulatory requirements in all jurisdictions where we are present.
- › Manage and reduce our environmental footprint in our own activities and supply chain.
- › Identify and assess climate-related opportunities and risks.
- › Foster employee engagement to raise awareness of environmental issues by adhering to the principles set out in the Bank's [Code of Conduct and Ethics](#).
- › Report on our environmental policy and activities openly and transparently.
- › Support organizations whose mission is to promote sustainable development and, more specifically, protect the environment.

Carbon footprint

The Bank has one of the lowest carbon footprints in North America for its own activities per dollar of revenue, per employee and per square metre, thanks to our significant use of hydropower.

As part of the environmental measures put in place throughout the years, the Bank aims to reduce the greenhouse gas (GHG) emissions produced by its own activities by 25% before the end of 2025 (2019 being the reference year). This science-based and absolute target aims to help limit global warming to 1.5 degrees Celsius, the most ambitious goal of the Paris Agreement. It includes Scope 1, 2 and 3 emissions (employee business travel and paper consumption as part of the supply chain). To achieve this objective, the Bank will:

- › Reduce employee business travel by privileging virtual meetings, such as video conferencing and teleconferencing.
- › Continue to improve its energy efficiency and apply the LEED rating system criteria.
- › Promote a hybrid model for remote work.

The Bank has also set a target to achieve net-zero GHG emissions for its operating and financing activities by 2050.

Each year, the Bank takes an inventory of its GHG emissions and shares the data with CDP (formerly known as the Carbon Disclosure Project), an internationally recognized organization that promotes environmental disclosure. In 2021, the Bank joined the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial institutions that work together to develop an approach to assess and disclose the GHG emissions associated with their loans and investments.

The Bank is aiming for carbon neutrality. Every year, it offsets its emissions by purchasing carbon credits, Verified Carbon Units (VCUs) and offset allowances.

Water

The Bank's water footprint mainly derives from personal use by employees. In any major reorganization or relocation project, the Bank opts for equipment that uses water sustainably by:

- › Installing sanitation facilities and faucets equipped with motion sensors in all kitchens and toilets to reduce waste.
- › Replacing water coolers in branches by a built-in cooling filtration system directly under the sink.
- › Ending the purchase of single-use water bottles from Bank suppliers.
- › Installing technology and facilities enabling us to measure water use at the Bank's new head office, which should be completed in 2023.

Energy

Although most of the energy we use comes from renewable sources, especially hydropower, energy efficiency remains a priority for the Bank.

Thanks to a remote management system that optimizes energy consumption in our buildings, we're able to save millions of kilowatt hours of electricity and thousands of cubic metres of natural gas annually.

In addition, the Bank supports clients in their energy transition by providing strategic advice as well as financing and risk management solutions. This expertise also extends to Canadian clients with investments in the United States.

As for loan portfolios, the Bank aims to grow its renewable energy loan portfolio faster than its non-renewable energy loan portfolio.

Recycling

The Bank undertakes to set up recycling services in the buildings it owns and incorporate a clause to that effect in lease agreements if the necessary infrastructure is available.

Waste

To limit the amount of waste generated by its value chain, the Bank prioritizes reducing at source. It's also committed to identifying and implementing solutions to promote reuse, recycling and valorisation.

Paper

The Bank prioritizes the use of digital 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 (Forest Stewardship Council) certified, which means that it comes from a sustainably managed forest and supply chain.

The paper used by branches is recovered by the Bank's confidential document destruction service providers. Once safely shredded, it's used to make recycled fibre pulp.

Every year, the Bank files a report with government authorities disclosing the quantity of paper sent to clients, which may end up in recycling bins. The Bank pays an annual contribution based on the weight of paper generated to finance municipal recycling services.

The Bank's printing partners use vegetable-based inks made from renewable resources instead of petrochemical resources. The Bank has agreements with various service providers to collect empty ink cartridges.

Furniture and office supplies

During moves, the Bank aims to reuse furniture and materials from closed locations and to donate office supplies to community organizations. We store event material so that it can be reused.

IT equipment

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.

Products and services

The Bank offers financial solutions that take into consideration environmental, social and governance (ESG) criteria, such as responsible investments. The Bank has developed a reference framework for issuing sustainable bonds whereby organizations, including the Bank, can issue debt securities to finance projects that meet social or environmental criteria.

In addition, the Bank offers products and services that help clients reduce their environmental footprint.

The majority of commercial financing offers involve a commitment to comply with legal environmental protection obligations and the possibility that a client may have to provide, upon request, any information or report concerning its environmental situation.

Sustainable buildings

With multiple LEED certifications, the Bank aligns its standards with LEED criteria and systematically applies them to its projects. The construction of the Bank's new head office aims to meet LEED v4 Gold standards.

Responsible sourcing

The Bank holds its partners to high standards and undertakes to put in place a process to analyze the practices of its suppliers and ensure a more responsible and sustainable approach to its current sourcing policy. The Bank has therefore integrated environmental criteria into the registration questionnaire for new suppliers. The Bank supports local suppliers and takes into account the environmental impact of the distribution network.

Employee engagement

The Bank benefits from an internal network of employees who are committed to protecting the environment. This group's mandate is to roll out a variety of activities and awareness campaigns to encourage all employees to adopt responsible behaviours every day, at work and at home.

Partnerships

The Bank works with various industry partners to identify and implement sound management practices that promote a low-carbon economy.

Governance and monitoring

The Board of Directors' Conduct Review and Corporate Governance Committee keeps abreast of the latest trends in ESG responsibilities to ensure that the Bank's practices in this regard are sound and comply with the legislation in effect.

The Risk Management Committee is responsible for ensuring that the risk management framework takes environmental risks into account so that they can be adequately identified, monitored and integrated into existing risk management processes. Climate risk is therefore an integral component of the Bank's risk management approach and is reviewed quarterly.

Under the leadership of the Chief Financial Officer and Executive Vice-President – Finance, the ESG working group's primary role is to develop and support the Bank's environmental, social and governance initiatives and strategy. Members meet every month. This working group is responsible for implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) of the Financial Stability Board.

Under the responsibility of the Vice-President – Communications and Corporate Social Responsibility, the ESG team helps the ESG working group develop the Bank's environmental strategy and ensures its implementation in collaboration with all business segments. The same approach is used to review and ensure compliance with the Bank's environmental policy.

Penalties

The Bank may carry out checks to make sure its stakeholders are applying the policy. The Bank may also check whether a company has been found guilty of environmental regulatory violations in the past. In situations of non-compliance, the Bank reserves the right to take corrective measures, which can include dismissal and contract cancellation.

Training

Current and future employees must take the Environmental, Social and Governance (ESG) training, which is designed to help them understand what ESG represents and its link with corporate social responsibility and sustainable development. This mandatory training also aims to help employees understand how they can contribute to the Bank's environmental objectives.

Disclosure

The Bank regularly reports on its environmental activities and actions by issuing press releases and publishing an annual Report on Environmental, Social and Governance (ESG) Advances.

For more information, please consult the ESG Report available in the *Social responsibility* section on [nbc.ca](https://www.nbc.ca).

As part of its support for the Task force on Climate-Related Financial Disclosures (TCFD), the Bank discloses information related to climate risk management every year.

For more information, please consult the TCFD report available in the *Social responsibility* section on [nbc.ca](https://www.nbc.ca).