

# Sustainability Bond Report

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**Take action  
for a sustainable future  
today**

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# Integral to the Bank's mission is support for sustainable development to benefit all of its stakeholders

Environmental, social and governance considerations play a key role in our business and operational decisions. In 2019, our Board of Directors approved a series of sustainable development principles that inspire our approach and our actions. These principles aim to ensure that the Bank is aligned with international best practices and reflect our commitment to building a sustainable future while representing the best interests of stakeholders. In 2020, the Bank brought its environmental commitments further by setting a target **to reduce its own greenhouse gas emissions by 25% by 2025**, compared to 2019 levels. This science-based target aims to limit global warming to 1.5 degrees Celsius, the most ambitious goal of the Paris Agreement.

In addition to being actively involved in implementing various initiatives to reduce its environmental footprint, the Bank has focused on developing partnerships over the years with various organizations that share a common goal of contributing to sustainable development.<sup>1</sup>

## Use of Proceeds - Overview as of December 31, 2020<sup>2</sup>

	Renewable energy	Affordable housing	Access to basic and essential services	TOTAL
Total amount of proceeds allocated to Eligible Assets or Businesses	\$848,732,526	\$460,503,605	\$871,859,869	<b>\$2,181,096,000</b>
Allocation of proceeds	39%	21%	40%	<b>100%</b>
Total amount of unallocated proceeds	0	0	0	<b>0</b>
<b>Total amount of Sustainability Bonds outstanding, in CAD equivalent</b>				<b>\$2,181,096,000</b>

In line with the Bank's commitment to fully allocate proceeds within a period of 18 months, 100% of proceeds from NBC's Sustainability Bonds were allocated to Eligible Assets or Businesses at issuance and remain fully allocated as of December 31, 2020.

The Bank confirms that the Sustainability Bonds' Use of Proceeds complies with NBC's sustainability bond framework.

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



<sup>1</sup> In the context of NBC's Sustainability Bond Framework, it is NBC's intention to maintain an aggregate amount of assets relating to eligible businesses and eligible projects that is at least equal to the aggregate proceeds of all NBC's Sustainability Bonds that are concurrently outstanding. This methodology, also known as portfolio approach, entails that eligible assets can change over time as some of them mature and others are added. NBC's look-back period for any financing using the sustainability bond proceeds is 36 months prior to the date of the bond issuance.

<sup>2</sup> All figures are in CAD unless otherwise indicated.

# Sustainability Bond Framework Summary

For the purpose of issuing Sustainability Bonds, NBC has developed its Sustainability Bond Framework,<sup>3</sup> which addresses the four core components of the ICMA Sustainability Bond Guidelines<sup>4</sup> and its recommendations on the use of external reviews and impact reporting:

## 1. Use of proceeds

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

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

## 2. Project selection and evaluation process

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

## 3. Management of proceeds

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

## 4. Reporting

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



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

### Summary of V.E.'s Opinion

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

### Coherence

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

<sup>3</sup> National Bank of Canada, "Sustainability Bond Framework", published November 30, 2020.

<sup>4</sup> International Capital Markets Association, "Sustainability Bond Guidelines", published in June 2018.

# Issuance Summary

(as of Dec. 31, 2020)

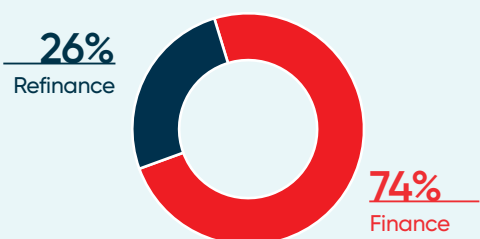
## Sustainability Bonds issued by National Bank of Canada

	Issue date	Currency	Tenor	Issued amount (CAD equivalent)	ISIN
EUR 40,000,000 12y CMS1010 Senior Notes	February 20, 2019	EUR	12 years	\$59,797,000	XS1953930283
EUR 50,000,000 15y CMS1010 Senior Notes	April 1, 2019	EUR	15 years	\$75,375,000	XS1964559576
EUR 40,000,000 15y Steepener Senior Notes	May 24, 2019	EUR	15 years	\$60,432,000	XS1999877043
US\$ 750,000,000 2.150% Series B Medium-Term Sustainable Notes	October 9, 2019	USD	3 years	\$999,300,000	144A: US63307CAG69 Reg S: US63307DAG43
EUR 20,000,000 Callable Fixed Rate Sustainable Notes	March 19, 2020	EUR	20 years	\$31,142,000	X2138588319
US\$ 750,000,000 0.550% Fixed-to-Fixed Rate Medium-Term Sustainable Notes	December 10, 2020	USD	4 years	\$955,050,000	US63307A2M63

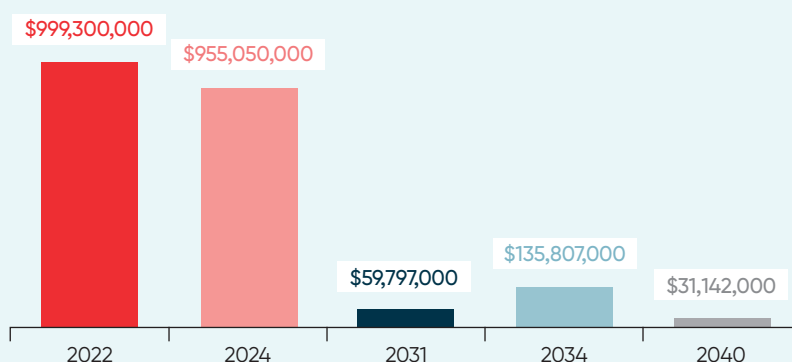
Sustainability Bonds  
Distribution by Currency  
(as of Dec. 31, 2020)



Eligible Projects and Businesses  
Finance vs. Refinance  
(as of Dec. 31, 2020)



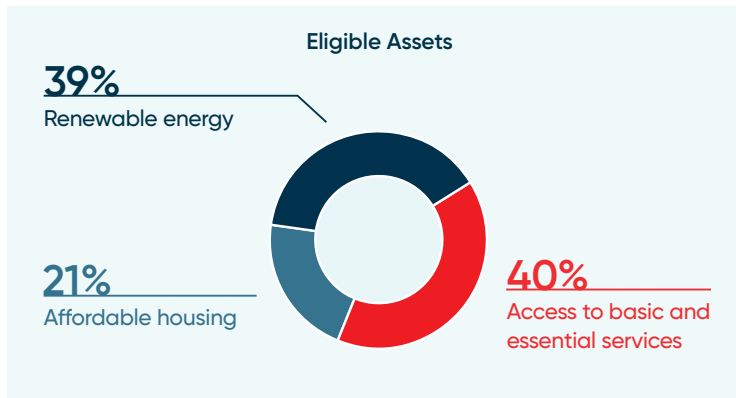
Sustainability Bonds  
Distribution by Maturity  
(outstanding in CAD equivalent, as of Dec. 31, 2020)










# Use of Proceeds and Impacts


(as of Dec. 31, 2020)



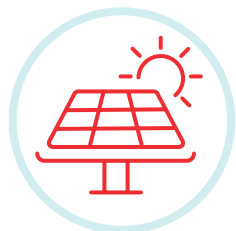
Eligible Categories	UN SDGs	Eligible Asset Type	% of Eligible Assets	Impact Reporting Items and Chosen Indicators
Renewable energy	 	Wind Solar Small-scale hydro	39%	Wind, solar and hydro energy generation: <ul style="list-style-type: none"> <li>› Number of wind farms (13)</li> <li>› Number of solar farms (60)</li> <li>› Number of small-scale hydro projects (5)</li> <li>› Total installed capacity of 1,615 MW</li> <li>› Total annual greenhouse gas (GHG) emissions reduced or avoided: 1,843,591 tonnes of carbon dioxide equivalent</li> </ul>
Affordable housing	  	Access to affordable and adequate housing	21%	The affordable and adequate housing projects help offer quality, affordable housing for low- and moderate-income households and for people with special housing needs. <ul style="list-style-type: none"> <li>› Number of buildings (188)</li> <li>› Number of units (5,107)</li> </ul>

# Use of Proceeds and Impacts

(as of Dec. 31, 2020)

Eligible Categories	UN SDGs	Eligible Asset Type	% of Eligible Assets	Impact Reporting Items and Chosen Indicators
Access to basic and essential services		Health	40%	<p>Integrated health and social services centres (CISSS) and integrated university health and social services centres (CIUSSS) ensure accessibility, continuity and quality of services for people in their territory.</p> <ul style="list-style-type: none"> <li>› CISSS/CIUSSS (5)</li> <li>› Health Institute (1)</li> </ul> <p>(Average number of beds per CISSS/CIUSSS is 2,615) (Average number of beds per Institute is 241)</p>
		Child care centres		<p>Child care services provided by the child care centres provide reduced-contribution spaces to:</p> <ul style="list-style-type: none"> <li>› Number of places – babies: 2,249</li> <li>› Number of places – total: 16,326</li> <li>› Number of child care centres: 249</li> </ul> <p>Child care centres must meet certain obligations in terms of children’s health, safety, well-being and development.</p>
		Community welfare		<p>Number of individuals benefiting from a range of services offered to people in need of support (5,070)</p> <ul style="list-style-type: none"> <li>› Foundation (1)</li> </ul>
		Education		<p>Education in Canada is for the most part provided publicly and is funded and overseen by provincial, territorial and local governments. Among other responsibilities, school service centres and school boards provide education programs that meet the needs of the school community, including needs for special education.</p> <ul style="list-style-type: none"> <li>› School service centres and school boards (10) (Average number of students per school board is 25,096) (Average number of schools per school board is 54)</li> <li>› CEGEP (1) (Average number of students of per CEGEP is 3,732) A CEGEP is a type of institution unique to Quebec that provides either a technical or preuniversity attestation or a diploma of college studies.</li> <li>› University (1) (Average number of students per university is 21,592)</li> </ul>

# Project Examples



## Renewable Energy: Solar

In April 2020, Nautilus Solar Energy, LLC (“Nautilus”), a leading owner-operator of distributed generation and community solar projects located throughout North America closed a \$90 million debt financing agreement led by NBC. The financing consists of a \$75 million revolving construction facility and a \$15 million letter of credit facility. The proceeds provide Nautilus with competitive capital for its well-established platform for acquisition, development, construction and management of solar assets, and will propel the company’s further expansion into key community solar markets throughout the United States. The construction facility will fund approximately 100 MW of community solar projects in Rhode Island, Maryland, New York and Minnesota.

## Renewable Energy: Solar

In May 2020, NBC participated in a US\$192 million financing for the 200 MW Hillcrest solar photovoltaic project, which is being developed by Innergex Renewable Energy, a leading Canadian independent power producer. The financing comprised construction financing, a tax equity commitment, and a 7-year term loan facility. The power of this project is sold to a US investment grade-rated corporation.



## Affordable Housing

AccèsLogis Québec: The Société d’habitation du Québec’s main purpose is to help Quebecers gain access to adequate housing. It intervenes in several ways so that a larger number of households in need can gain access to affordable and adequate housing. The AccèsLogis Québec Program encourages pooling of public, community and private resources to produce social and community housing for low- and moderate-income households and for people with special housing needs. It allows housing bureaus, housing cooperatives, non-profit organizations and non-profit purchasing groups to create and offer quality, affordable rental housing. Since 2014, the Quebec Ministry of Finance has established a formal bidding process for the financing of the AccèsLogis program. NBC is proud to have won four of the six calls for tenders in the recent years (2015, 2016, 2019 and 2020).



## Access to Basic and Essential Services – Health services

The CIUSSS de l’Estrie is one of Quebec’s best-equipped university hospital centres, offering nearly all healthcare and social services, from birth to end-of-life, preventive (onsite school care and services, vaccination, etc.), specialized (surgery, oncology, radiology, etc.) and highly specialized (neurosurgery, neonatal care, etc.) services.

The centre employs more than 20,000 employees and managers and more than 1,000 doctors, and serves over 500,000 people. The latest financing granted by NBC contributed to upgrade both the infrastructure and the equipment in order to preserve the state of the services offered to users.

## Access to Basic and Essential Services – Education services:

In March 2020, NBC participated in the issuance of a term loan to finance the addition to a high school overseen by the Ottawa Catholic School Board in the Ottawa area as well as to finance school condition improvements.



# Impact Reporting Items

## Key Assumptions

All reported results are from publicly available sources.

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

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

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

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

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

### Disclaimer

This report has been prepared in accordance with the Bank's Sustainability Bond Framework<sup>5</sup> dated November 30, 2020. The information included in this report is presented for information purposes only and is not intended nor appropriate for other purposes.

The information included in this report is current only as of its date and may have changed since such date or could change in the future without prior notice or update.

<sup>5</sup> National Bank of Canada, "Sustainability Bond Framework", published November 30, 2020.

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## Independent Limited Assurance Report in relation to National Bank of Canada's 2020 Sustainability Bond Report

### To the Board of Directors and Management of National Bank of Canada ("NBC")

We have undertaken a limited assurance engagement in respect of the select key performance indicators detailed below ("the selected information") contained in the NBC **2020 Sustainability Bond Report** ("the Report") for the year ended December 31, 2020. The reporting criteria against which the Selected Information was assessed is the NBC Sustainability Bond Framework available at [https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/relations-investisseurs/fonds-propres-et-dette/2020/nbc-sustainability-bond-framework-2020.pdf](https://www.nbc.ca/content/dam/bnc/a-propos-de-nous/rerelations-investisseurs/fonds-propres-et-dette/2020/nbc-sustainability-bond-framework-2020.pdf)

### Selected information

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

<i>Performance Indicator</i>	<i>Report page(s)</i>
Total amount of Sustainability Bond outstanding in Canadian Dollar	3
Allocation of the Sustainability Bond Portfolio to each of the Eligible Categories, value in Canadian Dollar and as percentage	3
Total amount of unallocated proceeds, value in Canadian Dollar and as a percentage	3

### Management's responsibility

Management is responsible for preparation of the selected information in accordance with the reporting criteria. Management is also responsible for such internal control as management determines necessary to enable the preparation of the selected information that is free from material misstatement.

### Our responsibility

Our responsibility is to express a limited assurance conclusion on the selected information based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the *International Standards on Assurance Engagements (ISAE) 3000, Attestation Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires us to conclude whether anything has come to our attention that causes us to believe that the selected information is not fairly stated, in all material respects.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures) and evaluating the evidence obtained. The procedures are selected based on our professional judgment, which includes identifying areas where the risks of material misstatement in preparing the selected information in accordance with the criteria are likely to arise.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



Given the circumstances of the engagement, our procedures included but were not limited to:

- making enquiries of NBC's management, including those with responsibility for sustainability bonds governance, management and reporting;
- evaluating the design of key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- obtaining the internal listing of assets allocated into the sustainability bonds and confirming this was consistent with the proposed disclosure of the bonds; and
- considering the disclosure and presentation of the Selected Information in the Report.

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

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

#### **Our independence and quality control**

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

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

#### **Conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that NBC's selected information prepared in accordance with the criteria for the year ended December 31, 2020, is not fairly stated, in all material respects.

*PricewaterhouseCoopers LLP*

**Partnership of Chartered Professional Accountants**

Montreal, Quebec  
April 21, 2021