

NBI's Responsible Investment Policy



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Introduction

National Bank Investments (NBI) aims to be an accelerator that promotes the growth and development of savings, investment and advisory solutions and has a positive impact on the lives of National Bank of Canada's clients, employees and stakeholders.

Our open architecture structure gives us the flexibility to manoeuvre in a complex world in order to assess and select portfolio managers who meet our criteria for excellence in portfolio management in all asset classes.

We believe that considering ESG criteria along with traditional financial analysis allows for a better assessment of risks and opportunities, resulting in better investment decisions. As such, assessing the integration of ESG criteria by our portfolio managers is one of the key pillars of our responsible investment policy.

This policy sets out our expectations regarding exclusions, proxy voting, engagement and stewardship, and sustainability objectives.

This policy applies to all NBI assets.

Integration of ESG criteria

Our portfolio manager selection and monitoring processes are underpinned by a proprietary research methodology that we call the OP4+ process. It consists of more than 25 well-defined criteria of excellence in portfolio management, grouped together under six pillars: Organization, Personnel, Process, Portfolio, Performance and ESG criteria integration. These criteria for excellence in portfolio management are common to all managers on our platform, regardless of the asset class.

We consider integrating ESG criteria as an essential component of sound portfolio management practices, applicable to any investment philosophy or strategy. As part of the OP4+ analysis, we assess the integration of ESG criteria into investment and risk management processes as well as resources dedicated to responsible investing.

The Chief Risk & Execution Officer is responsible for selecting and supervising external portfolio managers. Their responsible and sustainable investment team is dedicated to monitoring the achievement of pillar+ criteria. Any portfolio manager who does not meet our expectations or for whom we see a degradation of one of the excellence criteria must be fully reviewed. The responsible and sustainable investment team's recommendations on pillar+ issues are presented, discussed and endorsed by the Portfolio Manager Review Committee, and lastly presented to the Investment Committee for review.

The OP4+ criteria for excellence in portfolio management

 Organization	Strong organization with top-tier investment culture
 People	Stable group of talented investors
 Process	Emphasis on proven management processes to select securities, build portfolios and manage risk
 Portfolio	Optimized portfolio construction that follows the investment process and ensures sound diversification
 Performance	Strong and predictable risk-adjusted returns
 +	Integration of E nvironment, S ocial and G overnance criteria

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Exclusions

We recognize that certain assets are likely to harm people and the planet. The external portfolio managers with whom we do business may sometimes impose restrictions on their investment decisions. For example, they may exclude the investment in certain sectors or certain companies based on criteria they have defined. These investment restrictions may apply to their strategy or firm. NBI supports the exclusions applied by the portfolio managers including, but not limited to, those based on a legal obligation (national/international legislation, bans or treaties) or based on international norms.

Proxy voting

We believe that portfolio managers have a responsibility to exercise their proxy voting rights. Given the ties we have with global portfolio managers, we need to consider the elements that can influence local business practices. Our portfolio managers are mandated to exercise their voting rights in the best interests of the strategy and its investors, in accordance with their internal proxy voting policies.

We refer portfolio managers who do not have a proxy voting rights policy to the voting guidelines published and updated annually by the Institutional Shareholder Services (ISS), which take into consideration the points of view and ever-changing needs of their institutional investor clients, corporate outlooks and the global community regarding corporate governance.

Portfolio managers can use a third-party data service provider or research services to exercise their voting rights.

NBI exercises its proxy votes in accordance with ISS policies, and any exceptions must be approved by the executives of the Portfolio Construction Committee, consisting of the Chief Risk & Execution Officer, Chief Investment Officer, Chief Strategy & Research Officer, and lastly Chief of Investment Solutions & Business Strategies.

The policies of each of our portfolio managers, as well as all proxy voting records for funds subject to *National Instrument 81-102 – Investment Funds* for the period ending June 30 are available on the [NBI website](#) after August 31 of each year. Proxy voting records for other funds are available upon request.

Engagement and stewardship

We believe that engagement creates value in an investment strategy and fosters sustainable development results. Stewardship activities also contribute to this last point.

Since our external portfolio managers have in-depth knowledge of the companies held in their portfolios, we ask them to continually discuss with the management team of these companies about issues that could affect their business and outlook. We rely on our external portfolio managers to prioritize issues, determine the best way to interact with target companies and implement an escalation strategy when necessary. Portfolio managers may use internal teams or third-party data, research or service providers for their engagement activities. We assess how engagement outcomes impact the investment process and vice versa.

We do not engage directly with portfolio companies. However, we encourage portfolio managers to improve their responsible investment practices and participate in certain collaborative initiatives (stewardship). These activities are carried out by the responsible and sustainable investment team and any progress is presented to our Executive Committee and all relevant parties. In addition, our legal and regulatory team as well as our compliance team interact with regulators from time to time on a variety of issues related to responsible investing. Progress in connection with these discussions is reported to the Regulatory Watch Committee and interested stakeholders.

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Portfolio sustainability objectives

We believe that the financial sector must contribute to sustainable development. Therefore, we use the United Nations Sustainable Development Goals (SDGs) as an analytical framework to assess the sustainability of an investment portfolio. By adopting such a framework, NBI believes that it is possible to generate positive changes for the environment and society. Businesses aligned with the SDGs contribute to a sustainable future and respond to global challenges, including poverty, inequality, climate, environmental degradation, prosperity, peace and justice. In addition, this framework helps meet the investors' increasing accountability expectations from asset managers.

The portfolio managers of our range of sustainable development ETFs and mutual funds must invest in companies whose goods and services contribute to achieving one or more of the United Nations Sustainable Development Goals. Integrating the SDGs into our investment process aims to generate better long-term returns and improve our risk management while orienting these portfolios towards the future.

On the other hand, we encourage the portfolio managers of all our assets to use the SDGs as a framework for analyzing sustainable development, or any other framework, such as the Paris Agreement, the UN Guiding Principles on Business and Human Rights or the OECD Guidelines for Multinational Enterprises, among others.

Implementation, governance and policy review

Our responsible investment priorities are endorsed by our Executive Committee. The Chief Risk & Execution Officer and the responsible and sustainable investment team are responsible for applying them.

Progress on various projects is regularly presented to the Portfolio Construction Committee and a quarterly report on responsible investment is presented to the Investment Committee, made up of representatives from NBI's key teams as well as other divisions of the National Bank of Canada Wealth Management Group.

This policy reflects our approach to responsible investing as of July 2022. It is reviewed as required, to reflect our responsible investment practices. Any deviation from the policy and any appearance of conflict in relation to the policy must be escalated to our Executive Committee, which may refer it to other committees if required.



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